



Staff Analysis

# The Evolution of Bed Tax Funding for the Arts

**Presented by:**  
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PRCA Department

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## CITY OF GAINESVILLE STAFF ANALYSIS

**Legistar No:** None

**Title:** The Evolution of Bed Tax Funding for the Arts

**Sponsor:** Parks, Recreation & Cultural Affairs Department

**City Staff Contact:** Steven R. Phillips, Director

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### **Summary of Issue**

On March 22, 2016 a report titled “The Evolution of Bed Tax Funding for the Arts” was sent to the Alachua County Board of County Commissioners (BOCC) from Jessica Hurov, Managing Director of the Hippodrome Theatre without prior notification to the City. This analysis provides information addressing inaccurate statements and detrimental recommendations in the document.

The document was discussed and apparently generally supported by the Hippodrome State Theatre Board, but the Board took no formal action to approve the letter. The document was included in the Alachua County Board of County Commissioners meeting agenda packet as the only backup documentation for discussion. No County staff recommendation or analysis of the agenda item was provided to the Alachua County BOCC.

The document contained inaccurate statements regarding the City’s involvement in tourism grant funding and a set of recommendations that would negatively impact the City if implemented by the County. Of specific concern to city staff, were two recommendations made by Hippodrome management. They were: 1) Move the administration of the grant funds to County’s purchasing and/or finance and accounting departments, and 2) Dedicate this funding to support non-government agencies only.

On May 4, City staff met with Hippodrome Board Members and staff to discuss the issues that prompted the action taken by the Hippodrome management. City staff reiterated the City’s request for open and transparent communication with Hippodrome staff prior to their taking further action or proposing any recommendations that may adversely affect the City.

City staff requested and Hippodrome Board members agreed, that a letter of clarification from the Hippodrome to both the City and the County Commission would help to correct inaccuracies and detrimental recommendations contained in the aforementioned document, which is now public record. Additionally, based on clarification of the City’s involvement in the grant funding process, the letter would also serve to retract those recommendations of concern to the city.

## **History/Background Information**

Since 2001, the City has had a relationship with the County working together to promote tourism through the arts. Through interlocal agreements that have been renewed many times over the years, the City provides two major functions for the County. The City serves as the marketing arm for tourism related projects and the facilitator of Tourism Product Development (TPD) grants after the Tourist Development Council (TDC) creates the application, receives applications, scores applications and recommends/approves grant funding for the Alachua Board of County Commissioners.

The City has no part in the writing of the TPD grant application, does not receive or see the submitted applications, and has no part in the applications' scoring. With the exception of assistance to Visit Gainesville to facilitate workshops that provide instructions for the application process and grant compliance, the only City involvement with the process begins after funding has been approved by the TDC. The City's involvement at this point is limited to processing payments and overseeing grant compliance as prescribed by the application guidelines. The City does apply for and receive TPD funding for some large special events such as the Downtown Festival and Art Show, the Hoggetowne Medieval Faire and Jest Fest. The City does not have any special influence nor is the City provided any special treatment with regard to its applications for TPD funds.

As the marketing arm for Visit Gainesville, the City was approached by Visit Gainesville to review a project proposal for a downtown mural project brought to them by an outside source. City staff evaluated the proposal and found the budget to be inadequate for the proposed project. City staff developed a budget for Visit Gainesville that included sufficient funding for the project coordination; equipment and supplies; artist fees, travel, and lodging; marketing and public relations; preparation of the walls, etc. The City was requested to take on the project and coordinate its implementation as a Visit Gainesville sponsored tourism product development vehicle. The project and its funding mechanism was formally presented to the TDC by the citizen who conceived of the murals project, and once approved, the County authorized an amendment to the County/City Interlocal agreement for the funds to be used for the international murals project under the New Programs section of the County/City interlocal agreement.

The City did not conceive of the walls project nor was it part of the City's Annual Work Plan. The City took on this project working above and beyond normal work hours over several months to make the project a success within a very short period of time. The walls project was a monumental effort requiring staff to work days and nights, hours upon hours of extra work. This was done by City staff because staff believed the project to be a powerful tourism development product that also met some of the objectives of the County 352ArtsRoadmap and Cultural Plan.

The citizen who brought this project to Visit Gainesville had commitments from 11 internationally respected muralists as well as commitments to use a number of walls within the

community. The fees for the artists were already negotiated by the citizen who conceived of the project and reflected their credentials as one of the world's top urban artists. The City expanded the project by raising \$40,000 more to include a local artist component on the HiFi building adding local artist murals to the project. Together, Visit Gainesville and the City branded the project the 352Walls project in an effort to continue the promotion of the recently completed County 352Arts Roadmap and Cultural Plan and to meet one of its objectives, which is to establish Gainesville and Alachua County as a tourist arts destination community.

**Staff Recommendation**

- A. Here a presentation by staff addressing inaccurate statements and recommendations detrimental to the city in the document sent to the Alachua County Board of County Commissioners and subsequent actions taken by City staff in response.
- B. Monitor future discussions regarding recommended changes to the Tourist Development Council Tourist Product Development program by the Alachua County Board of County Commissioners.
- C. Continue current efforts to improve opportunities for communication between Parks, Recreation and Cultural Affairs staff and Hippodrome State Theatre staff as well as with all organizations within the local arts community.

**Attachments/References** “The Evolution of Bed Tax Funding for the Arts Document”

## The Evolution of Bed Tax Funding for the Arts

In Alachua County, the “Bed Tax” is the revenue stream that the Alachua County Commission (Commission) uses to fund community-based, governmental, and educational cultural arts organizations. This funding is based on 85% of the third penny of the Bed Tax or approximately \$500,000, and is granted through the “Tourist Product Development” program (TPD).

In the 1990s, the Commission, as a way to build and fund the University of Florida’s Performing Arts Center, instituted the Bed Tax. Early on in that process, local professional and community arts organizations made the case that it was their efforts that gave the community an appetite for this new facility and that this new tool should also support their efforts. The Commission agreed and eventually moved arts funding out of the General Fund and into the Bed Tax exclusively.

The early years of funding were a very tumultuous time. Every year the arts groups submitted requests to the Tourist Development Council (TDC) for a funding recommendation to the Commission. Every year the TDC recommended little or no funding to the groups. Every year the groups appealed directly to the Commission. And finally, every year the Commission reiterated their support for the arts by funding them in spite of the TDC recommendations. The TDC seemed unable, or unwilling to understand that the Commission’s desire was to support the enhancement of our community by funding these organizations. It was never the Commission’s intention when they moved the arts out of the General Fund to stop supporting their operations. To the contrary, the Bed Tax was seen as a secure way to help the arts flourish.

This contentious annual process came to a head in 2001. Change was desperately needed. That change came in the form of the Destination Enhancement Program, which was unanimously supported by the Commission. It took 85% of the third penny and dedicated it to the new program. It took the program out of the hands of the TDC. The Destination Enhancement groups worked together and made funding recommendations to the Commission. The Destination Enhancement groups included professional producing organizations, non-professional, volunteer-based arts organizations, and eco-heritage groups. Government entities were capped so as not to absorb the lion’s share of the funds.

The Commission made the final determination of funding amounts. This process worked very smoothly and put an end to the tortuous public arguments. During this 5-year period, the average annual County investment in the Hippodrome was \$76,784.

In 2006, the Visitors and Convention Bureau and the TDC were successful at bringing the Destination Enhancement Program back under the umbrella and control of the TDC. The program name became the TPD program mentioned above. A Memorandum of Understanding (MOU) signed by the Commission giving the TDC the final funding authority. Over time, this MOU took the expenditure of millions of dollars out of the hands of the elected officials. The drastic change in 2006 and the change in 2014, has chipped away at the funding for local agencies. The grant application process is unwieldy and deviates from the Commission’s original intent for funding the arts. During the seven-year period from 2006 to 2013, the Hippodrome experienced a 27% drop in funding to an annual average of \$56, 525.

Additional changes and restrictions were put in place during the 2014 grant cycle. The TDC board agreed to a new scoring formula and a cumbersome and unwieldy grant application process with very subjective and unpredictable grant scoring parameters. That year, the Hippodrome was scored highest in the State of Florida by the Florida Division of Cultural Affairs out of all professional theatres, yet received a failing score from one TDC board member and a perfect 100% from another. Scores were wildly different across the scoring spectrum for most agencies. Furthermore, during this grant cycle, the TDC board restricted funding away from organizational operations and directed the vast majority of funds be used for out-of-town marketing. As a result, Hippodrome funding dropped an additional 55% to an average of just \$25,652 annually.

**Since the time of the Destination Enhancement Program (2001-2006), Hippodrome Bed Tax funding has dropped by 77%.**

During the most recent grant cycle (2015/16), there was a total of \$469,044 in available TPD funds. Twenty-one agencies applied for the grants. TPD grants are capped at \$50,000. Three of the applying agencies are government entities (the City of Gainesville, University of Florida, and Santa Fe College). However, they all applied for multiple grants, which were all partially funded, bringing their total awards to \$150,000 or 38% of all distributed funds. Of the remaining 18 agencies, there are only three self-producing, professional arts organizations (Hippodrome, Dance Alive, and the Gainesville Orchestra). All three professional organizations requested the full \$50,000 in funding, and all three (despite “passing” scores - Hippodrome 88%, Dance Alive 85.9%, Gainesville Orchestra 82.53%) were funded at just 50% of our \$50,000 full eligibility. The North Florida Botanical Society (also known as Kanapaha Botanical Gardens) whose annual budget is under \$500,000, received the highest funding allocated to any non-governmental or non-educational institution, close to \$30,000 in funding.

For the past two years, because of changes to the grant application process and scoring guidelines in 2014, the TDC has failed to distribute all available funds to the qualifying agencies. Instead, the surplus funds (\$102,000 from 2014 and \$76,882 from 2015) remained under the control of the Visitor and Convention Bureau. No action or decision was made by the TDC board on how to best leverage or distribute the funds to qualified agencies.

Curious as to what became of both the \$102,000 and \$76,882 surpluses from the previous two TDC grant cycles, the Hippodrome met with Alachua County Visitor and Convention Bureau Director John Pricher to find answers. During a two-hour meeting, Mr. Pricher ultimately shared that the entire \$102,000 (over 20% of all available TPD funds!) went to the 352 Walls project. When asked how they were able to receive more than any other single agency (in excess of the \$50,000 agency cap – further extending Alachua County investment in City of Gainesville arts initiatives to \$150,000 for 2015) without a competitive or transparent process, or the cumbersome grant application that we are all required to use, Mr. Pricher stated that they had literally “walked in off the street” and asked for approximately \$34,000. Somehow, the Division of Cultural Affairs got involved and this grew to the full \$102,000. During the conversation, when asked what the plan was for the remaining \$76,882 “surplus” (or thought of another way, unallocated TPD agency funding), Mr. Pricher stated that these funds were already earmarked

for “Phase II” of the City of Gainesville’s 352 Walls project. Again, 352 Walls received well above the agency cap, without any grant application process, or even public notice that the funds were available for projects.

The funding given to the 352 Walls project is more than the Hippodrome (a 43 year old professional producing regional theatre with an annual budget of over \$2.5 million and 31 employees and which represents \$5 million to the local economy) has received in total over the past three years. It was suggested to Mr. Pricher that he might want to reevaluate the distribution of the remaining available surplus and inform qualified agencies that they are eligible to apply. His criteria for the “surplus” funds was that they could only be used for “new” projects and projects engaging “international” artists. It sounded as if the money was already earmarked in his mind, which begs the question: what other deals might have been made out of the sunshine.

What is so disturbing is that the Hippodrome, the cultural jewel of this community, after 43 years of innovative programming, producing world and regional premieres, and engaging hundreds of leading national and international artists annually, is not as worthy as someone walking in off the street with a bright “new idea” for painting murals.

Equally disturbing is the many hats worn by the City of Gainesville’s Cultural Affairs Division in this whole process. Those hats include:

- Being hired by the Visitors and Convention Bureau to act as the grants administrator for the TPD program
- They are allowed to compete for the same grant they administer
- They received the full amount - \$50,000 for their grant – while no other private non-profit group received full funding
- Through a non-competitive, non-transparent process they get an additional \$102,000 of surplus monies for the 352 Walls project
- This government entity is getting six times the funding of the Hippodrome from a grant program that they administer
- There is a built-in incentive, real or perceived, to give less money to applying agencies so that more money goes to the latest “new project” ideas submitted by the City of Gainesville
- Many community artists also questioned the use of out of town artists to paint the 352 Walls murals, and were concerned the disparity in treatment and pay between local (paid far less and not given a full wall) and international artists (paid significantly more and given full walls and provided staff support by the City of Gainesville Cultural Affairs Division).

Finally, when the County Commission made the decision twenty plus years ago to move arts agency funding out of the general fund into the Bed Tax, it was not their intention to micromanage operations or make the arts groups jump through “heads in beds” hoops. It was to support their operations and to help enhance the quality of life for Alachua County residents and visitors. Supporting the arts is what enlightened, progressive communities do. By dissolving the very effective Destination Enhancement grant program and creating the TDP program, the emphasis is back to heads in beds and promotional efforts.

During a presentation to the Cultural Affairs Board in the fall, the Hippodrome started a public discussion of the use of TPD funds for marketing versus operational expenses and the proposed changes to the TPD grant that would make most of the funds go to marketing. Most marketing professionals know that with the advent of social media and other digital platforms, marketing is less expensive than ever. Forcing agencies to invest in outdated and ineffective marketing avenues wastes taxpayer money. Agencies no longer need to invest in expensive newspaper print and television spots to get our message out. Cultural arts and nature-based agencies need to be entrusted with operational and programmatic funding to serve our mission and community.

The message that the arts get from the TDC is consistently dismissive of our ability to fathom the complexities of their process. We have interpreted their message as, "You're lucky to get what you get, and if you question us, we'll just give it all to sports and require more allocation to marketing, so you'll be left out of the process completely." Furthermore, when agencies have tried to make a case for unrestricted programming and operational funding, there is a perceived warning by the TDC and Visitor and Convention Bureau that other counties "have it much worse," and are limiting all available bed tax funding to marketing alone. It is our contention that Alachua County is incredibly unique, with a wide array of established cultural and nature-based resources that are deserving of bed tax investment. Therefore, we should not model ourselves off of other counties that restrict bed tax funding to marketing alone, such as Daytona and other beach communities. The TDC and the Visitors and Convention Bureau have conveniently forgotten one very important fact in this conversation: this tax was instituted to build an arts organization.

What is the solution? We suggest:

- Dissolve the TPD program and the MOU with the TDC
- An immediate return to the tenants of the Destination Enhancement Program for FY 16/17
- Move the administration of the grant funds to County's purchasing and/or finance and accounting departments
- Dedicate this funding to support non-government agencies only

We appreciate your time and attention and look forward to discussing this with the Commission at the April 5, 2016, Policy Discussion Meeting.