



# Memorandum

**TO:** MAYOR REED

**FROM:** Councilmember Sam Liccardo

**SUBJECT:** BUDGET DOCUMENT

**DATE:** May 21, 2010

Approved

Date 5-21-10

## RECOMMENDATION

That the following recommendation be enacted.

## BACKGROUND

### **City-Council Initiated Essential Services Preservation Fund/Other Budget Proposals**

Program/Project Title: Preserve Arts Express Program & Restore Arts Transient Occupancy Tax Grant Funding for Arts Nonprofits

Amount of City Funding Required: \$120,000 (Arts Express) and \$148,000 (Restoration of Grant Funds)

Fund Type (i.e. General Fund, C&C funds, etc.) General Fund

Anticipated Outcomes: Requested funding changes would affect benefits or services for San José residents, businesses, community groups, etc., as described below: (Use as much space as required.)

Arts Express is an innovative youth arts education program that partners with two dozen of San Jose's arts organizations. For 31 years it has operated to provide arts exposure and education to more than 25,000 (typically underserved) students per year.

With all of the cuts in school arts programs, Arts Express often constitutes the first and only experience in the arts for many students.

We aspire to raise the next generation of creative workers to continue the progress of the most innovative region in the world. *Ready to Innovate*, a new study published by the Conference Board, provides research-based evidence connecting the arts to creativity and innovation. Recent surveys show that 72% of employers report that creativity constitutes a primary concern when they're hiring, and 85% of these employers say they can't find the creative applicants they seek. We should do all that we can to expose our youth the arts, to foster their connection to their creativity, both for the vibrancy of our City, and the future success of our youth.

Additionally, the proposal will restore arts funding currently allocated to pay for 1.3 positions of Office of Cultural Affairs staff. The current City Manager's budget proposes the transfer of 1.3 OCA staff positions from the General Fund to the Transient Occupancy Tax (TOT). The proposed reallocation represents reduces the TOT funds available for grants to our struggling arts organizations.

**Funding Source**

Program/Project Title: **For Arts Express:**

- Art & Education Week Gift Trust Fund (Appropriation #2347) (\$65,237)
- Cultural Performance Gift Trust Fund (Appropriation #2099) (\$11,733)
- Incubation Office Space Fund (\$43,030)

**For Arts Grants Funding:**

- Convention Facilities Operations & Maintenance (\$148,000)

Amount of City Funding Change: \$268,000

Fund Type (i.e. General Fund, C&C funds, etc.) General Fund and TOT

Anticipated Outcomes: Requested funding changes would affect benefits or services for San José residents, businesses, community groups, etc., as described below: (Use as much space as required.)

Art & Education Week Gift Trust Fund (\$65,237): It is recommended this funding be used to restore the Arts Express Program. Donors contributed the funds to an effort that San José Symphony Executive Director Andrew Bales led many years ago, for the purposes of funding arts education.

Cultural Performance Gift Trust Fund (\$11,733): It is recommended this funding be used to restore the Arts Express Program. The purpose of this gift trust--cultural performances--aligns with the programming of Arts Express.

Incubation Office Space Gift Trust Fund (\$43,030): It is recommended this funding be used to restore the Arts Express Program. This gift trust supported a multicultural arts incubator program that has since halted operation.

Convention Facilities Operations and Maintenance (\$148,000): Last year, TOT expenditures for Convention Facilities Operations and Maintenance totaled roughly \$4 million, and the proposed figure for FY10-11 is \$4.75 million, a 17% increase over the prior year's adopted budget (p. X-58). Meanwhile, TOT funds for grants for struggling arts organizations are proposed to *drop* by 21.8% in the adopted budget, by about \$700,000, even though TOT is expected to grow by 2% this year. (X-58) Re-allocating funding to Cultural Development would help cushion the blow of both the cuts in the TOT allocated to grants for arts groups, and the increase in staffing costs is borne by the TOT.

Department or Organization: City Manager's Budget Office

Department or Organization Contact (Please list contact information for the individual that certified cost estimates contained within your recommendation.)

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This change is:

One-time       Ongoing

The City Service Area to which the change best relates:

- Community and Economic Development Services
- Environmental and Utility Services
- Neighborhood Services
- Public Safety
- Strategic Support
- Transportation and Aviation Services