

Date of Hearing: April 29, 2014

ASSEMBLY COMMITTEE ON ARTS, ENTERTAINMENT, SPORTS, TOURISM, AND
INTERNET MEDIA
Ian C. Calderon, Chair

AB 1676 (Nazarian) – As Amended: March 28, 2014

SUBJECT: Creative Industries and Community Economic Revitalization Act of 2014.

SUMMARY: Creates an annual continuous appropriation from the General Fund (GF) to the California Arts Council (CAC) in an unspecified amount, and makes various legislative findings and declarations. Specifically, this bill:

- 1) Provides that the GF shall continuously appropriate an unspecified amount to the CAC each fiscal year.
- 2) Requires that these funds shall be used only to issue grants to further the arts, as otherwise authorized to be issued by the CAC.
- 3) Makes the following legislative findings and declarations:
 - a) Life in this state is enriched by art, innovation, and creativity.
 - b) The source of art is in the natural flow of the human mind, but realizing craft and beauty is demanding, and the people of the state desire to encourage and nourish these skills wherever they occur, to the intrinsic and extrinsic benefit of all.
 - c) Every dollar in state support for the arts leverages seven dollars in earned and contributed revenue, and brings back more than three dollars in taxes to state and local government entities.
 - d) California's cultural enterprises provide nearly 500,891 jobs for its residents, accounting for 7.6 percent of total employment.
 - e) Non-profit arts organizations contribute \$9,000,400,000 to the state's economy.
 - f) Non-profit arts organizations are a partner to the creative industries and play a key role in the 21st Century workforce and the global economy, including in the fields of architecture, advertising, consulting, education, performing arts, museums, and other cultural industries; design, including electronic design, software development, film, games, including computer games, historic preservation, music, new media, publishing, radio, television, and tourism.
 - g) An investment in the arts and the creative economy industries can revitalize a neighborhood or area by accomplishing all of the following:

- i) Stimulating the economy.
- ii) Engaging residents.
- iii) Drawing tourists.
- iv) Providing a sense of community.
- v) Serving as a gathering place.
- vi) Encouraging creativity.
- vii) Strengthening community partnerships.
- viii) Promoting the arts and supporting artists.
- ix) Developing a positive image for the area.
- x) Enhancing property values.
- xi) Capitalizing on local cultural, economic, and social assets.
- xii) Creating jobs.

EXISTING LAW:

- 1) Creates the CAC, consisting of 11-members who serve four-year, staggered terms. Nine members are appointed by the Governor, subject to Senate confirmation, and the Speaker of the Assembly and the Senate Committee on Rules appoint one member each.
- 2) Directs CAC to encourage artistic awareness, participation, and expression; to help independent local groups develop their own arts programs; to promote employment of artists and those skilled in crafts in the public and private sector; to provide for exhibition of artistic works in public buildings; and, to enlist the aid of all state agencies in the task of ensuring the fullest expression of artistic potential.
- 3) Requires the Department of Motor Vehicles (DMV) to issue, for fees in specified amounts, a special interest license plate bearing a full-plate graphic design that depicts a significant feature or quality of the State of California and is approved by the DMV in consultation with the CAC.

FISCAL EFFECT: Unknown

COMMENTS:

- 1) Author's Statement and Support for Legislation: According to the author, "AB 1676 will create jobs and boost California's economy by restoring funding to the arts. Specifically, AB 1676 will allocate an unspecified amount to the CAC, from the GF, to fund art programs that will be enjoyed and taken advantage of by local communities throughout the state.

"The arts contribute significantly to California's economy through tourism, jobs, social services and educational outreach. According to the latest Otis Report on the Creative Economy, looking at California as a whole tabulates that the sector supports 1.4 million creative industry jobs and generates \$13 billion in tax revenues. In addition, public investment in the nonprofit arts has been proven to both spark economic activity in communities and return tax dollars to public coffers. Recent research shows that arts investments made by the state of Pennsylvania generate \$2.50 for the state's treasury for every one dollar spent. Governor Brown created the Arts Council almost 40 years ago. With this bill, California can re-leverage its powerful arts sector to spark economic recovery now and lay the groundwork for future prosperity in the global economy by returning funding to the California Arts Council."

- 2) Unspecified Appropriation Amount: The author does not address the fact that AB 1676 does not have an appropriation amount included, however this committee approved an identical measure, AB 1662 (Ian Calderon) earlier this Session.
- 3) Background:
 - a) California Arts Funding and Program Levels: The CAC was created in 1975 under then Governor Jerry Brown to increase access to the arts for all Californians. The CAC budget had grown from its first full year of funding in fiscal year 1976-77 at \$1,917,000 to \$32,224,000 in fiscal year 2001-02, when 1,590 grants were awarded to non-profit arts organizations. In 2003, appropriations to the CAC were cut by 97%, and GF appropriation from the Legislature has remained essentially flat at \$1,000,000 over the past decade. Since 2003, California has ranked last or next to last among the states in terms of per capita investment in the arts.

Current funding levels for CAC in the fiscal year 2012-13 were just over \$5,000,000 broken down by source as follows:

General Fund	\$1,019,865
Graphic Design License Plate Account	\$2,782,555
National Endowment for the Arts (NEA)	\$1,085,687
Special Deposit: Donations	\$70,000
Tax Check off	<u>\$324,933</u>
Total	\$5,309,540

According to their annual report for 2012, the CAC, "Provided \$3.2 million in grants and initiatives to the non-profit arts sector, putting artists in schools and underserved communities, providing support for local arts councils in 55 counties and two major cities, providing support for statewide arts service and multicultural networks, organized Poetry Out Loud recitation contest for over 40,000 students statewide, providing arts programs for kids and communities in every county in the state."

- b) Arts as an Economic Generator: Supporters provided the committee staff with information to support their assertions that public investment in the non-profit arts has been proven to both spark economic activity in communities and return tax dollars to

public coffers. Pointing out recent research which shows that arts investments made by the state of Pennsylvania generated \$2.50 for the state's treasury for every one dollar spent. In California, the Los Angeles County Economic Development Commission issues an annual report on the Creative Economy, *The 2013 Otis Report on the Creative Economy*, which tabulated the economic activity of the entire creative economy, found that 1 in 10 jobs in California are part of the creative industries, the creative industries of California generated \$273.5 billion in total (direct, indirect, and induced) economic output, and employ 1.4 million workers. The tax contributions of the creative industries to the state are an impressive \$13 billion dollars annually when one combines the total property, state and local personal income, sales and other taxes.

- c) Arts as an Education Catalyst: According to information provided by the author, the arts also play an important role in educational retention, as students who participate in the arts are 5 times less likely to drop-out as students who do not. In addition, the Alliance for Arts Education white paper, *Policy Pathway: Embracing Education to Achieve Title 1 Goals* claims that educational integration of the arts into learning can help turn Title 1 deficient schools around, saying, "Studies find that integrating arts with instruction in other academic subjects-for example, teaching skills and content of drama and English Language Arts in tandem-increases student learning and achievement and helps teachers more effectively meet the needs of all students." One such study, conducted at the University of Arkansas, found that exposure to the arts demonstrably increases analytical ability and critical thinking by substantial margins. The researchers took some children to a museum, and others were treated to a traveling art exhibit, while others were not given any exposure to the exhibit, or field trip. Before and after, the children were given critical thinking exercises. The results showed that all children exposed to art displayed higher analytical and critical thinking skills than those who were not. The outcomes were especially impressive among rural students who saw a 33% difference in analytical ability when compared to their cohort who did not have the same art intervention exposure. [*Learning to Think Critically: A Visual Art Experiment*. (2014) Bowen. Greene, Kisida, Educational Researcher, 2014 43:37].
- 4) Committee Staff Concern: Are Two Identical CAC Funding Bills Needed? As mentioned above, this committee heard and approved AB 1662 (Ian Calderon), a measure substantially identical to the instant bill, on March 25, 2014, (which was before AB 1676 was amended to contain its current provisions on March 28, 2014). This situation raises a number of logistical issues and policy questions. Most obviously is the question of need; are two bills which do the exact same thing necessary?
- 5) Prior and Related Legislation:
 - a) AB 1662 (Ian Calderon) Identical to the instant measure. AB 1662 is currently pending on the Assembly Appropriations Suspense calendar.
 - b) SB 1432 (Lieu), substantially similar to AB 1676, but with a \$25 million dollar continuous appropriation for CAC. SB 1432 is currently pending in the Senate Appropriations Committee.

- c) AB 580 (Nazarian), also substantially similar to AB 1676, but contained an appropriation of \$75 million dollars for CAC. AB 580 was heard and passed out of this committee but was held in the Assembly Committee on Appropriations on Suspense.
- d) SB 571 (Price), Chapter 430, Statutes of 2013, allowed taxpayers to once again make voluntary contributions to the California Arts Council Fund on their state personal income tax returns.
- e) SB 1076 (Price), Chapter 319, Statutes of 2010, allowed taxpayers to make voluntary contributions to the California Arts Council Fund on their state personal income tax returns. This act sunset due to failure of the CAC to reach the statutory threshold of \$250,000 in tax donations.
- f) AB 700 (Krekorian), of the 2009-10 Legislative Session, would have established the Creative Industries and Community Economic Revitalization Fund in the State Treasury, and required that 20% of all revenues derived from the payment of sales and use taxes that are remitted to the State Board of Equalization by the taxpayers engaged in specified lines of business, as provided, be deposited in the fund. The CAC would be authorized to expend the moneys in the fund, upon appropriation by the Legislature, to issue grants pursuant to the act, as specified. AB 700 was held in the Assembly Committee on Appropriations on Suspense.
- g) AB 2728 (Karnette), of the 2007-08 of the Legislative Session, would have required 20% of state sales and use tax revenues derived from the sales of specified art-related goods be deposited in the State Treasury for allocation to the CAC once the GF achieves structural balance. AB 2728 was held in Assembly Appropriations Committee.
- h) AB 1365 (Karnette), of the 2007-08 Legislative Session, was a substantially similar measure to AB 2728, without the balanced budget trigger requirement. AB 1365 was held in Assembly Appropriations Committee.
- i) AB 655 (Leno), of the 2005-06 Legislative Session, proposed a 1% surcharge on the price of admission to specified arts and entertainment venues. AB 655 was held in this committee.

REGISTERED SUPPORT / OPPOSITION:

Support

California Alliance for Arts Education

Opposition

None on file