Dedicated Sales Tax for the Arts Represents Large Increase Over Historic Funding and Puts Arts Ahead of Other Priorities Going Forward

By Kate Coventry and Kitty Richards

DC Council just increased sales taxes as part of an effort to dedicate $30 million in on-going funding for the Commission on the Arts, Humanities and Creative Economy for the first time. With this year's budget falling short of meeting critical needs in the District, DC Council is choosing to prioritize funding for the arts over other investments for District residents, and tie it to a regressive tax that disproportionately affects low-income residents.

Council Prioritizes Arts Funding Over Critical Needs

DC Council's Budget, which received its first vote last week and will be voted on again on Tuesday, increased the retail sales tax from 5.75 percent to 6 percent, a change that was proposed by the Mayor to fund DC's commitment to the Metro system. But the Council-passed budget also dedicates 0.3 percent of DC's sales tax plus $2.5 million from the Delinquent Debt Recovery Fund – $30 million this year – to the Commission on the Arts, Humanities, and Creative Economy in fiscal year (FY) 2019 and every year going forward.

The Mayor's proposed budget included a 3.6 percent increase to the Commission, from $29.9 million in FY 2018 to $30.9 million in FY 2019.[1] It should be noted, however, that $14.4 million in FY 2018 and $14.3 million in FY 2019 were designated as *one-time* funds. While dedicating $30 million in sales tax revenue does not appear to create a large increase from last year's funding level, it converts one-time investments into recurring funding using dollars that could be used for ongoing expenses elsewhere in the budget in future years. These funding levels are nearly double the $15.4 million received by the Commission on Arts and Humanities as recently as FY 2016. The recurring arts budget is now almost half of what we dedicate to workforce development and job training.

These increases are striking, given the shortfalls in other areas of the budget and the challenges the District continues to face. Rising housing costs are squeezing long-time residents and low-wage workers, and too many families and individuals are facing homelessness. The budget only invests enough to provide long-term affordable housing for 459 individuals, rather than the 1,220 individuals that would have put us on a path to meet our goal of ending chronic homelessness. Without larger investments, individuals experiencing chronic homelessness will continue to live without the dignity and safety of a home. Long-term affordable housing solutions are an example of programs that must be funded with recurring money—the type that has now been dedicated to the Commission on the Arts, Humanities, and Creative Economy—but cannot receive one-time funding because of their permanent nature.

The elevation of arts funding in the FY 2019 budget raises questions about how we choose to increase revenue, and for what purpose. The increases were championed by the Chair of the Finance and Revenue Committee, but the funding mechanism was only announced the night before the budget vote, leaving

Councilmembers and the public little time to understand it. Dedicating tax revenues also thwarts future debate about priorities.

The Choice to Tax Those Who Can Least Afford It

The sales tax falls disproportionately on lower-income consumers, who pay a larger share of their income on household necessities than higher-income households. This is why DCFPI did not support relying on a 1 percent dedicated sales tax to meet the full need for increased Metro funding.

DC leaders' revenue choices have the power to reduce—or increase—the substantial racial and economic inequality in the District. The average income of the top fifth of DC households is 34 times larger than the bottom fifth ($320,000, compared to $9,000), and Black median household income is now less than a third of the white median income, according to the Census Bureau. Increasing the sales tax will worsen inequality in the District, as did last year's federal tax cut.

Increased Funding is Not Necessarily Targeted to Low-Income Artists and Audiences

While arts education and access to the arts can be of great benefit to low-income students and communities, funding for the Commission on the Arts, Humanities and Creative Economy is not targeted to these activities. For example, the budget contains large "nearmarks," or money allocated to organizations that meet very specific (often unique) criteria, but are unnamed to avoid reporting requirements for true "earmarks," including two for expensive theaters in Ward 2 with no explicit call for community engagement or access for residents with limited financial means.

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[1] These are total budget numbers (local and federal), and are not adjusted for inflation. Looking at just local funding, the budget increases funds for the Commission by 6.2 percent from FY 2018 to FY 2019.