



**Spending Policy: Guiding Principles
Cuyahoga Arts & Culture
Working Draft 10/25/10**

Cuyahoga Arts & Culture exists to ensure that a diverse, accessible and attractive array of arts & cultural opportunities exists for all county residents.

Our mission is to sustain the excellence of Cuyahoga County's arts and cultural assets that enrich our lives and enhance our community's appeal.

With that in mind, we recommend that the Board of Trustees develop a spending policy, *to be reviewed annually*, that is mindful of the following guiding principles:

Use of excise tax dollars:

- **General operating support** grants are the primary means of fulfilling CAC's mission. They provide the predictable and substantive support that sustains our arts & cultural institutions. GOS grants are also not replicated in institutional funding settings, so maintaining a high level of support for this type of funding is key to ensuring the vibrancy of the institutional arts sector. Accordingly, CAC will endeavor to invest the majority (more than 75%) of its annual excise revenues in the GOS program.
- **Project and special initiative** grants provide the means for expanding the reach of CAC's funding to organizations and individuals doing quality work outside of the area's primary arts & cultural institutions. Though the grants are smaller, the impact can actually be larger when measured by the reach of the funded projects. Accordingly, CAC will endeavor to invest 10-15% of its annual excise revenues in the Project and Special Initiative grants programs.
- Excise tax revenues shall not be used to fund units of government. Projects submitted for consideration by units of government may be considered for funding, provided that the funding utilized is from the earnings on investments of CAC funds and not from tax revenues.

Purpose/Use of Reserve:

- CAC was forward funded; that is, when CAC was established in 2007, we began receiving excise tax revenue before we had the systems and programs in place to effectively distribute that revenue in the form of grants. CAC carries a reserve of approximately \$22million, which represents the tax receipts from the period February 1 – December 31 2007, plus cash surpluses of \$2.6million and \$650,000 from FY2008 and 2009, respectively. CAC views that reserve as, effectively, the funding for the 10th year

- of the funding cycle and, accordingly, will not utilize the reserve as a source of funding for current grant programs.
- CAC's administrative office provides appropriate oversight and stewardship of the public funds dedicated for arts & cultural pursuits. CAC is a political subdivision of the state and is solely funded through this excise tax, with no other opportunities to generate revenue to support its operations. While CAC could fund its administrative expenses with tax revenues, in the spirit of dedicating as much money as possible to the sector, CAC will endeavor to utilize the reserve as the source of funding all administrative expenses for the life of the excise tax levy. CAC will endeavor to limit administrative expenses to less than 10% of its annual grantmaking budget.
- CAC's two primary grant programs take precedence for any funding resources that CAC receives. However, CAC realizes that other opportunities to make grants that will benefit the public may emerge, and we need a construct for funding these emergent, and likely community-based, opportunities. The community also is lacking in funding dedicated to strengthening the arts & cultural sector by building capacity through mergers and strategic alliances. Therefore, CAC will reserve the right to utilize 5-10% of the 10th year of funding for entrepreneurial and capacity building projects that have the ability to advance the welfare of the entire arts & cultural sector.

Other Considerations:

- Given the elasticity of demand for tobacco products, CAC's future revenue stream is unpredictable. In order to provide the most stable support to our existing grant programs, we recommend that grant funds are awarded based on prior year financial results; that is, grants for 2011 will be allocated based on 2010 actual tax receipts.
- On occasion, partner organizations are unable to spend the entire amount of the grant originally allocated to them. In these cases, as a matter of policy, CAC will re-invest unspent grant dollars into the programs for which they were originally allocated.