NASAA
NATIONAL ASSEMBLY of
STATE ARTS AGENCIES

STATE POLICY BRIEFS

Tools for Arts Decision Making

State Arts Agency Dedicated Revenue Strategies

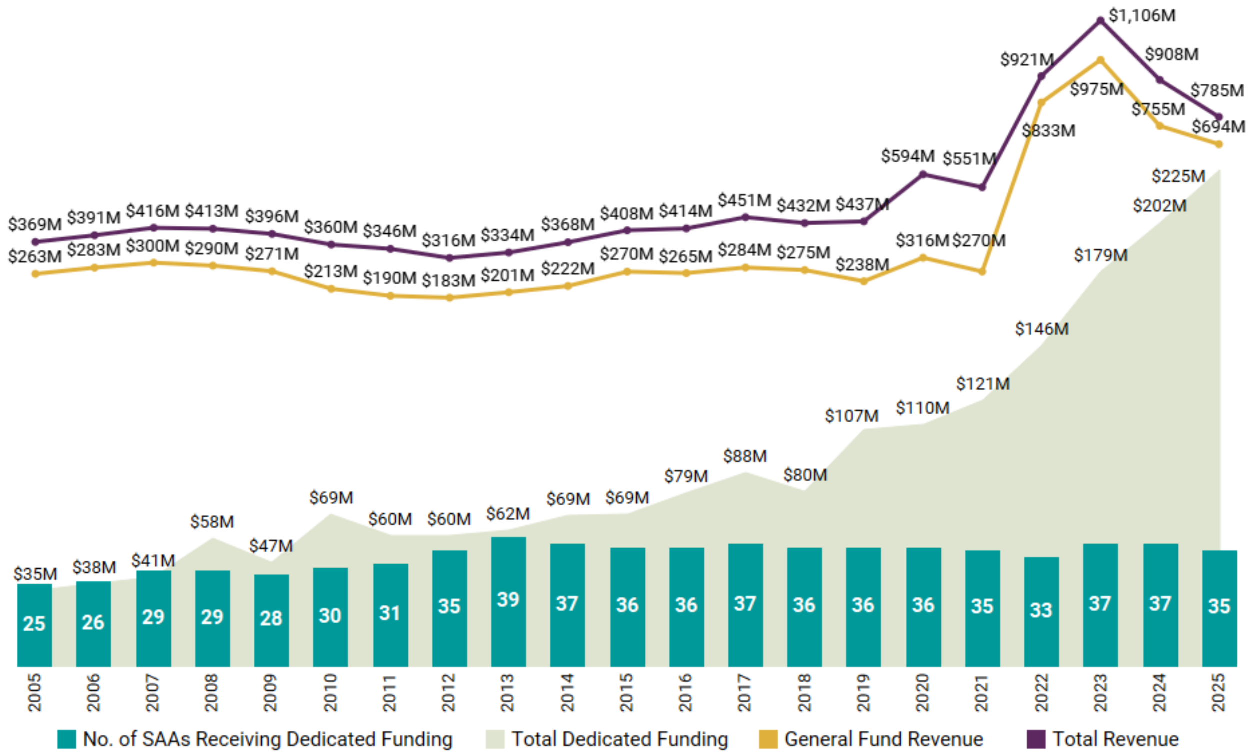
State legislatures use a variety of strategies to fund state and jurisdictional arts agencies (SAAs). The largest funding source for SAAs—both historically and today—is state general funds. However, state legislatures have enacted additional legislative strategies and mechanisms to provide supplemental support. These include dedicated taxes, sales revenue from specialty license plates and allocations from gaming proceeds. Beyond state appropriations, some SAAs have secured private funding, earned income or federal support (other than National Endowment for the Arts funds) to supplement their state revenues. This policy brief provides a short overview of this array of public and private funding strategies beyond general fund dollars and provides tips for states exploring similar policies in the future.

Legislative Strategies

Dedicated funding mechanisms have gained traction as states seek to diversify arts funding sources. This report draws from the most recent fiscal year data available. In FY2005, 25 SAAs received dedicated funding totaling $35 million. By FY2025, that number had grown to 35 SAAs receiving a combined $225 million—a 546% increase. On average, dedicated funds now account for 45% of these agencies' total revenues.

SAAs receive funding from dedicated revenue streams at vastly different levels. While some SAAs rely almost entirely on dedicated funding sources, others receive as little as 0.1% from these streams. Despite this variation, state general funds—the non-earmarked monies that fund the core functions of state government—remain the primary source of support for SAAs overall. Among the 56 state and jurisdictional arts agencies, general funds account for 55% of total revenue and 77% of baseline legislative appropriations. In comparison, dedicated revenues represent 29% of total revenue and 40% of baseline appropriations.

Figure 1: Dedicated, General Fund and Total Revenue to State Arts Agencies
Fiscal Years 2005-2025



Examples of Dedicated Legislative Strategies to Support SAAs

Special Taxes and Fees

Although special taxes and fee based initiatives are a common funding mechanism for municipal and county arts programs, they are less frequently used at the state level to support state arts agencies. In FY2025, only 11 SAAs reported receiving revenue from dedicated taxes or fees. These funding streams vary by state and include a range of creative revenue sources:

- Hotel/motel and tourism taxes in states like Nevada, New Jersey and South Dakota
- A portion of state sales tax allocated to the arts in the District of Columbia, Minnesota, Mississippi and Nebraska
- Conservation tax revenues in Arkansas
- Corporate filing fees in Arizona
- Recordation fees in Delaware
- Income taxes collected from out-of-state entertainers and athletes in Missouri

Some states have developed unique models to channel specialized revenues toward the arts. For example, Nebraska directs a share of "turnback" sales taxes generated from sports arena facilities to its SAA. Nevada allocates a portion of the state's live entertainment tax to the arts, and South Dakota supports its SAA through a tourism tax applied to lodging, attractions and related services.

Lottery and Gaming Taxes

Some states tax legalized gaming as a means to support state revenue. Eight SAAs utilize gaming revenues, with Colorado, Iowa, Kansas and West Virginia receiving significant support and Wisconsin benefiting modestly. Maryland's SAA receives revenue from the state's admission and amusement tax (on electronic bingo and electronic tip jars). Oregon received a lottery fund allocation for capital construction projects in 2020. Since 2020, Massachusetts has allocated lottery and gaming tax revenue to arts and culture.

Specialty License Plates

Several states fund SAAs (and arts organizations, as in Kentucky and North Carolina) through special automobile license plate programs. In FY2025, 11 of 16 SAAs with such state programs report receiving funds. While most SAAs receive between $9,000 and $150,000 from license plate sales, California and Tennessee generate more than $1 million. In Tennessee, license plate revenue accounts for 76% of the SAA's total revenue.

Income Tax Checkoffs

Income tax checkoff programs allow residents to earmark dollars for SAAs on their state income tax returns. In FY2025, Alabama, California, Kansas and Virginia received funds from this mechanism. California consistently receives around $250,000 annually, while other states range from $10,000 to $65,000. Virginia has seen gradual but substantial growth in tax checkoff revenue, increasing from approximately $8,000 during 2011-2016 to around $65,000 from 2022 forward. However, some states have discontinued these programs due to low returns.

Bond Issues

A handful of states have passed state level bond issues, typically to fund capital improvement programs for cultural facilities. Unlike other funding mechanisms, bonds provide one-time rather than ongoing legislated funding. However, bonds play a key role in providing dedicated state funding for major arts infrastructure programs. A notable example is Rhode Island, where voters approved a $30 million bond for arts organizations spanning FY2016 through 2022. Other examples include Massachusetts, where state capital bonds supported the Cultural Facilities Fund, and Mississippi, where general obligation bonds supported the Building Fund for the Arts. These bonds are usually issued with specific parameters, helping SAAs meet long-term infrastructure needs while mitigating immediate fiscal pressures on general funds.

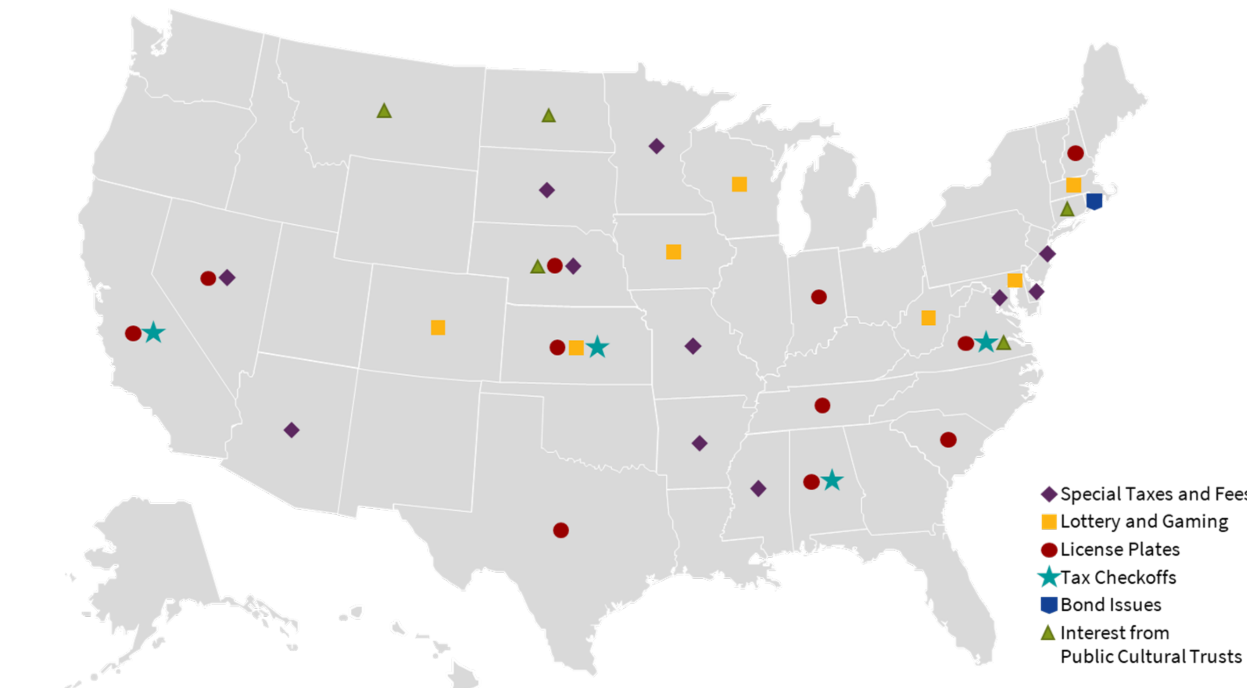
Cultural Trusts: A Blended Approach

Statewide arts trusts are active in 12 states, but currently generate income for only 7 states. Most of these trusts are created using a mixture of public infusions and private contributions. Some endowments build their principal through special state tax mechanisms (for example, Montana's coal extraction tax) or state tax credits to incentivize private contributions to arts organizations (as is the case in Oregon). As is true for any dedicated mechanism, cultural trusts can be defunded or eliminated. The Iowa state legislature eliminated the Iowa Cultural Trust in early 2017 to address a projected state budget shortfall.

Numerous public financing models are available to states, yet general fund dollars continue to serve as the primary funding source for most SAAs, despite their volatility. While acknowledging these funding challenges, arts leaders and legislators also see value in maintaining SAAs within the general budgeting process because it ensures that the state's cultural needs are publicly considered, promotes transparency in arts allocations and encourages citizen engagement in the funding process. Annual or biennial budgeting for the arts through general funds fosters alignment between arts funding and state policy priorities. It also encourages public input, reinforcing the connection between state investments in the arts and their benefits to communities.

Figure 2: State Arts Agencies Receiving Funding from Dedicated Revenue Mechanisms

Fiscal Year 2025



Note: This map reflects legislative vehicles only (not privately held trusts or other nonstate funding mechanisms). It reflects only those public mechanisms yielding actual revenues in FY2025; additional mechanisms are present in some states that do not currently generate funds for their state arts agency. Contact NASAA for complete revenue details for each state arts agency.

Each state's policy environment is unique, making certain special financing mechanisms more feasible in some states than others. Furthermore, long-term structural challenges in overall state budgets have increased pressure on state general fund allocations. In response, 10 SAAs reported in FY2025 that more than half of their agencies' state government funding came from special mechanisms.

Table 1: SAAs Receiving at Least 50% of State Funding from Dedicated Revenue Mechanisms
Fiscal Year 2025

State Arts Agency	Revenue Mechanism	Funds to SAA from Mechanism	Mechanism's % of Total State Funds to SAA
Missouri	Entertainers and athletes tax	$54,437,132	100%
District of Columbia	Sales tax	$47,200,959	100%
Kansas	License plates	$1,646,173	100%
South Dakota	Tourism tax	$1,407,573	100%
Minnesota	Sales tax	$50,534,000	87%
Tennessee	License plates	$13,437,800	84%
New Jersey	Hotel/motel tax	$31,900,000	78%
Nevada	Room tax, admissions tax, license plates	$1,635,033	66%
Arkansas	Tax collection	$895,904	61%
Montana	Interest from cultural endowment	$628,284	50%

Nonstate Sources of Funds

In addition to the state government mechanisms outlined above, some SAAs have secured resources from private, earned or federal sources. For instance:

Earned Income
State arts agencies reported a total of $116,450 from workshop/program registration fees, product sales, auctions and other earned sources in FY2025. This amount represents 0.01% of total SAA revenue in FY2025.

Private Support
Foundation support to 10 state arts agencies totaled almost $2.2 million, about 0.30% of all SAA revenue, in FY2025. Corporate and individual donations to state arts agencies in the same year totaled $174,015 (0.02% of all SAA revenue).

Non-National Endowment for the Arts Federal Funds
All SAAs receive funding from the National Endowment for the Arts, but a few state arts agencies have secured significant funding from other federal agencies. Past sources have included the U.S. Department of Agriculture, the U.S. Department of Education, the U.S. Department of Health and Human Services, and the U.S. Department of Housing and Urban Development. These funds tend to be limited in duration, restricted to specific uses and competitive.

Private Funding in Brief

- 17 state arts agencies reported receiving private funds (grants or contributions) in FY2025. These funds accounted for 0.4% of total state arts agency revenue.
- Private funding has not expanded over time. Private funding comprised 0.4% of total state arts agency revenue in FY2011 and has remained consistent since then.
- Some state agencies face statutory prohibitions on accepting private contributions. Also, as arts funders, SAAs are concerned about competing with the grantees they serve for limited private dollars.

Policy Considerations

Understand Your State Statutes

State laws shape which mechanisms are available for arts funding. Some states prohibit public agencies from accepting private contributions or earning income. Other states have specific restrictions on how and when new tax laws can be introduced.

Advocacy Remains a Necessity, Regardless of an SAA's Revenue Mix

To date, no dedicated funding mechanism has automatically shielded SAAs from budget cuts. Also, simply having a policy that designates funds for SAAs does not guarantee those funds will be allocated to the arts, especially during fiscal crises. In fact, some special arts funding mechanisms have become targets for funding "raids" during tough times. The need to systematically educate key decision makers never wanes.

Every Funding Source Has Vulnerabilities

Before pursuing a funding initiative, ask yourself the following questions: Will special funding policies or allocation levels be subject to a sunset review? Would a strategy that is beneficial in the current political climate become a liability if the partisan balance in my legislature changes? Does the SAA's supply of funds depend on demand for another state service that might diminish over time? What other interest groups may seek to redirect the funds for different purposes? Assess the implications of various scenarios and strategize your advocacy accordingly.

Know Your Legislature's Views on Earmarking Taxes

Earmarking taxes (dedicating tax revenues for a specific cause) is a popular idea in some state legislatures, especially during times when legislators want to reduce spending pressure on the general fund. But not all policymakers or fiscal managers view earmarking as desirable policy, arguing that restricting revenue short-circuits the ability of lawmakers to adjust spending and to put funds where the need and potential impact are greatest. Know where your decision makers stand on the issue before introducing arts legislation.

Evaluate an Initiative's Potential Returns

Although 10 state arts agencies secure sizable portions (50% or more) of their budgets from dedicated revenue sources, most initiatives deliver relatively small amounts. For instance, in FY2025, only 6 of 16 state license plate programs yielded more than $100,000 for the SAA. Similarly, the cultural trust interest earnings SAAs received ranged from $10,000 to $879,015, with a median of $314,142. Modest funds certainly can be put to meaningful use, but weigh the potential returns against the resources required to promote and sustain the special funding initiatives.

Consider Whether You Are Seen as "Competing" with Constituents for Funds

This is of special concern when seeking private contributions or earned income. Communicate clearly about the collective benefits of SAA fundraising activities and consider targeting donors who have not previously supported the arts.

Ensure the SAA Has a Hand in Developing Legislation

SAAs can provide accurate information about statewide needs, preexisting services and other factors influencing the long-term effects of a new initiative. SAAs also can help guarantee that funds are distributed accountably.

Prepare for the Consequences of Success

Competition is a given in public funding. A highly profitable mechanism may become a target for other causes seeking support. It may be useful to choose a revenue source to which no other agencies currently have a claim, or to form a coalition of partners that advocate together for a shared revenue enhancement.

Success Factors

States that successfully have enacted dedicated revenue strategies offer the following advice:

Focus on a Policy Goal or Principle That Can Garner Bipartisan Support

In a polarized political environment, new initiatives can easily succumb to partisan politics. A policy that engages lawmakers from all sides will evoke consensus values and offer everyone a win. Consensus points will vary from state to state, but may be found on issues such as improving education, supporting veteran communities, reaching underserved communities, enhancing rural development, creating jobs, stimulating tourism or streamlining government services.

Prepare for Setbacks and a Long-Term Advocacy Effort

The Minnesota Land and Legacy Amendment (dedicating a portion of a state sales tax to support culture, heritage and natural resources) took more than a decade of advocacy work to secure passage. Sometimes more than one bill needs to be introduced over a period of years before legislators and a constituency unite behind a single plan. This means sustaining coalitions of partners as well as educating legislators early, so that they can address your issue throughout their term of service. Be deliberate about mining lessons learned from failure in order to empower success later on.

Cultivate Strategic Partners Who Bring Political Clout

Dedicated funding streams are not often passed solely to benefit a state arts agency. When appropriate, the arts can be part of broader coalitions benefiting from dedicated mechanisms. Strategic partners that fit into the same public value equation as the arts, such as natural and historic resources, economic and community development, creative industries, tourism, and others, can be either competitors or collaborators for limited public funds.

Timing Is Everything: Introduce Legislation When Conditions Are Favorable

Look for times when the arts and business communities can unite in support of your idea and when key state legislators are receptive to a new, innovative strategy. This may mean trying to capitalize on an existing budget surplus, waiting an extra year until a budget crisis passes or acting once the leadership of an important committee changes. Don't move ahead until key policymakers have the influence and willingness to help you craft a winning strategy.

Emphasize the Unique Value of Each Funding Stream

Clearly articulate the benefits that new funds will provide to the public, and why sustaining each component of your agency's revenue mix is necessary to meet the needs of the state as a whole. If possible, use data-driven impact statements such as economic return on investment and community engagement figures to strengthen advocacy efforts.

Make the Initiative Easy to Understand

Ensure that the purposes of the funding are explicit and the mechanisms are well understood. High levels of transparency and inclusion in the process used to allocate the resulting dollars also help to earn support.

Involve the Arts Community and Other Key Stakeholders in Planning

Cultural groups that have been involved in planning and goal setting can be ardent advocates—or opponents. Articulate how the funds you are seeking will benefit the arts community. Engage multiple constituencies (including urban and rural, underserved populations, small organizations and large) to prevent the perception of any single group receiving unfair advantages.

Plan for Administrative and Operational Needs for the Initiative

Many dedicated funding mechanisms require financial management, marketing or other administrative efforts to succeed. Ensure the legislation includes provisions for staffing, administrative costs, and public awareness and engagement to support these necessities.

Amplify Support through Diverse Voices

Coordinate communications and stay on top of the messages that decision makers hear. Establish partnerships that offer the influence needed to get legislation passed.

Learn from the Experience of Other Agencies and States

Research models from your own state and others. Interview arts leaders in other states who have observed the long-term effects of various arts funding strategies and can advise you on the challenges they have encountered. And be sure to secure the latest information from NASAA.

Acknowledgments

This State Policy Brief was first released in 2007. This 2025 update is authored by Nakyung Rhee.

The information contained in this brief is based on a variety of sources, including quantitative data secured from NASAA's biannual appropriations and revenue survey of state arts agencies, reviews of existing state statutes, and dialogue with state arts leaders. NASAA offers additional information on dedicated revenue. Any state arts agency considering a special funding initiative is encouraged to consult with NASAA.

State Policy Briefs synthesize research on key issues affecting the arts and state arts agencies. Designed to inform decision making at the state level, this series provides information on state arts agency policy alternatives and innovative strategies for serving the public. For information on ways to build political and constituent support for the arts, consult NASAA's advocacy tools.

National Assembly of State Arts Agencies

The National Assembly of State Arts Agencies (NASAA) is a nonprofit, nonpartisan organization. In collaboration with the nation's 56 state and jurisdictional arts councils, we advance the arts as a powerful path to economic prosperity, rural resilience, good health, education success and strong communities in which everyone thrives. NASAA serves as a clearinghouse for data and research about public funding for the arts as well as the policies and programs of state arts agencies. For more information about NASAA and the work of state arts agencies, visit www.nasaa-arts.org.

NASAA's work is supported in part by the National Endowment for the Arts.

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