

Funding Model Observations and Recommendations
Part II: Racial Equity
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June 17, 2020

Summary

- The Live Music Fund is dependent on a funding source (the hotel occupancy tax) that draws from travel and tourism that has been severely hit because of the pandemic and will severely impact the music community in that this funding source will be sparse and unstable in the near future. A projection shows that even after 5 years the Live Music Fund does not get back to where it was supposed to be before the pandemic.
- Recommendations are offered on how equity issues can be addressed through grantmaking policies and procedures for the Live Music Fund
- A new funding model is suggested that adds a new fund to be funded through the Live Music Fund that commits to equity issues for African American, Latino(a), Asian, Arab and Native American (ALAANA) organizations.
- The ALAANA Music Fund will require \$1.8 million in City of Austin additional support provided to the Live Music Fund. The new ALAANA Music Fund can capture new secondary funding streams such as technology philanthropy where music and other cultural organizations have struggled to garner support.

Background

Part I of this report dated June 4, 2020 was intended to provide information on the development of a music funding model – which is defined as a *methodical and institutionalized approach to building a reliable revenue base to support musicians and the music industry*. **Part II** of this report provides a discussion of racial equity and funding related to the Live Music Fund and increasing funding and access to funding for African American, Latino(a), Asian, Arab and Native American (ALAANA) organizations.

The Live Music Working Group is a stakeholder group appointed by the City of Austin’s Music Commission. The Working Group’s charge is to recommend to the Music Commission the elements that will support City Ordinance No. 20190919-149. To date the Live Music Working Group has discussed many areas related to the development of the fund including: organizational structure, governance, program areas for funding, eligibility criteria, and priority areas for funding consideration.

Racial and Cultural Equity

This report is an inquiry into how resources, in the form of grants through the Live Music Fund are distributed in Austin, Texas. Two concepts drive the discussion:

1. Racial Equity, in which the distribution of resources and burdens are not skewed unfairly by race and ethnicity.
2. Cultural Equity, whereby the Live Music Fund will provide more resources to ALAANA organizations, either by dividing the pie differently or by increasing the overall amount of funds distributed.

A **redistribution model** of cultural equity, rooted in distributive justice which is defined as the fairness of how resources and costs are shared by (distributed across), examines the question of who would be the beneficiaries of more equitably distributed resources – the current cohort of music organizations of color in Austin and/or the area’s demographically – diverse population.

A **compensatory justice** model makes distribution decisions taking into account past racial injustices that institutionalized disadvantages of ALAANA as compared to White, non-Hispanic music organizations.

Redistribution of resources such as grant funds, can take different forms. In one model, the object of equitably distributed resources is the current cohort of ALAANA’s music organizations. In another model, the object of distributed resources is the area’s population, in both instances, the aim is to proportionally distribute resources. In another model incorporating the element of a compensatory justice model, a factor may be added to the proportion totals to adjust for past racial injustices.

There are continuing racial disparities in the number of cultural arts grants and the City of Austin is undertaking a process to arrive at adding equity to the availability of grants and funding that ALAANA arts organizations receive annually. In music, there has not been a City of Austin dedicated music funding stream until the advent of the Live Music Fund. In this regard, the Live Music Working Committee can offer constructive recommendations to the Music Commission to put in place equitable funding policies and grantmaking procedures.

The ordinance leading to the creation of the Live Music Fund effective September 30, 2019 allocates the use of hotel occupancy tax revenue to provide additional funds for local music and historic preservation. Specifically, of the additional two percent hotel occupancy tax for the Convention Center Expansion, an amount equal to 15% of the two percent assessment is allocated to the Live Music Fund for local music that meets the requirements of Texas Tax Code Section 351.101(a)(4) and that is not funded through the Cultural Arts Fund. Section 351.101 (a) (4) states the available uses as ***“the encouragement, promotion, improvement, and application of the arts, including instrumental and vocal music, dance, drama, folk art, creative writing, architecture, design and allied fields, painting, sculpture, photography, graphic and craft arts, motion pictures, radio, television, tape and sound recording, and other arts related to the presentation, performance, execution, and exhibition of these major art forms.”*** The City ordinance establishing the Live Music Fund can be found at:

<https://www.austintexas.gov/edims/document.cfm?id=328565>

The initial Live Music Fund was estimated at \$3.2 million in FY2020. Since the enactment of the Live Music fund, hotel occupancy tax funds have been deeply affected because of the COVID-19 pandemic. A recent City report noted that Average Daily Rates for the Hotel Industry has dropped to 5% down from 20% the previous year. Recently, the City's Convention Center hotel bond rating has been lowered and the outlook for HOT revenues is uncertain in the near future. The most recent Live Music Fund projection is that the fund will have \$2.5 million at the end of this fiscal year and going forward the fund only grows up to \$2.9 million after six years. With this in mind, it is important for the Live Music Working Group to integrate this planning scenario in its recommendations for the short and longer-term and to determine an appropriate funding model. The unpredictability of the fragile economic condition will mean continued disparities in grants, total amounts of funds, and the average amount of grant dollars received by ALAANA organizations when compared with White, non-Hispanic organizations.

This report offers a set of recommendations for the Live Music Working Committee to consider and act upon. These recommendations offer an equity, diversity, inclusion set of criteria for the Live Music Fund. Another set of recommendations is to establish an ALAANA fund to be partially supported by the Live Music Fund assuming that the statutory limitations placed on the Live Music Fund allow for this. A new ALLANA fund will be partially tied to State tourism funding rules but also additional funding which will allow the new fund to address racial equity issues.

Equity, Diversity, and Inclusion Framework for the Live Music Fund

Equity is the state, quality or ideal of being just, impartial and fair. The concept of equity is synonymous with fairness and justice. It needs to be thought of as a structural and systemic concept. Inclusion is the practice of including and of being included within a group or structure. It highlights the mosaic of individuals offering unique perspectives, with the goal of minimizing tensions between groups and building capacities to problem-solve and work together. Institutional equity encompasses racial, ethnic, gender, and religious diversity, cultural norms and perspectives, national origin, sexual orientation, physical ability, social, economic, education and life circumstances.

In regard to arts, culture, and music, equity and inclusion entail recognition of the contributions of all populations to the cultural vibrancy of our community. Other features are support for and full engagement of all persons, including those who have been historically under and un-represented in:

- The development of music policy
- The support of musicians and music organizations
- Accessing thriving music venues for expression and engagement
- Equitable distribution of financial, capacity-building, and informational resources

Equity and Inclusion are about social justice. And, when equity and inclusion are present, diversity occurs. As demographics change and understanding of structural racism and other

forms of bias increase, new and broader understanding of diverse forms of artistic expression and engagement will emerge and bring new societal benefits. That said, such developments only happen through committed action.

Research is needed and will be guided by core questions to city government, stakeholders, and ALAANA organizations such as:

1. What racial data on arts, cultural, and music funding by the City of Austin and other funders are currently available?
2. Do these data include:
 - a. Total number and percentages of grants distributed by race/ethnicity annually and over time?
 - b. Total numbers and grant amounts distributed by race/ethnicity and over time?
 - c. Comparison of funds sought by grant applicants and funds received by race?
3. What are options for defining and coding existing data so that the Live Music Working Group or Music Commission can fully examine distribution practices by race? (includes racial identifiers, organization racial identifiers such as mission, board and staff makeup, roots in historically underserved communities, and employment of musicians of color and measurements of work in a specific community)
4. How and in what ways do the funding systems of the City of Austin and other area funders shape funding decisions and outcomes? (including factors such as grant eligibility requirements, access to general operating support and/or special programs; review criteria and weighting, funding panel composition and review processes, and application and reporting requirements)

Live Working Group Recommendations

Grantmaking Policies and Procedures

- Measure changes via data and analysis in the distribution of grant funds to ALAANA and White, non-Hispanic organizations
- Over-represent ALAANA individuals who can bring knowledge of cultural experience and lens to funding decisions on grant-review panels, while avoiding tokenism
- Conduct organizational self-audits of progress on equity and inclusion
- Provide Live Music Fund resources in how to achieve equity through professional development of organizations who apply or wish to apply for the Live Music Fund
- Expand the access of smaller music organizations, including ALAANA organizations, to larger and multi-year grants
- Establish communication between the Live Music Fund and ALAANA communities to build relationships and to build awareness of grant opportunities among ALAANA communities
- Provide grant-writing support for all applicants

- Increase data collection requests from applicants on: the racial composition of their Boards, staffs, and audiences, the presence of a racial equity policy or plan, and future plans to engage communities of color

Achieving Equity

- The distribution of music grants should closely reflect the proportions of ALAANA organizations in the area’s music community as well as the demographic breakdowns that entail numerical proportions
- Target grant programs to small-budget and ALAANA organizations
- Coding music organizations does not mean that they only serve audiences of a particular race/ethnicity or offer programs reflecting a single cultural tradition. There are expectations that White organizations will work toward achieving racial equity as well.
- Apply criteria to grantmaking decisions that support equity such as:
 - Need for project/program in targeted community
 - Engagement of under-served audiences
 - Experience in working with underserved music genres
 - Experience in working with musicians of color
 - Engaged board and staff leadership in communities of color

Creation of an ALAANA Fund

As discussed previously, the funding source for the Live Music Fund is unstable and subject to a potentially slow revenue stream because of its dependence on the hotel/motel industry which is under economic duress.

Live Music Fund	FY20 Budget	FY21 Projected	FY22 Projected	FY23 Projected	FY24 Projected	FY25 Projected
Live Music Fund before pandemic (assumes 5% growth)	\$3,144,467	\$3,301,690	\$3,466,775	\$3,640,114	\$3,822,119	\$4,013,225
Revised Due to COVID-19	FY20 CYE	FY21 Projected	FY22 Projected	FY23 Projected	FY24 Projected	FY25 Projected
Live Music Fund recovery (provided by staff)	\$2,463,805	\$2,225,829	\$2,391,239	\$2,568,941	\$2,759,848	\$2,964,482
Difference	\$680,662	\$1,075,861	\$1,075,536	\$1,071,173	\$1,062,271	\$1,048,743
Cumulative	\$680,662	\$1,756,523	\$2,832,059	\$3,903,232	\$4,965,503	\$6,014,246

A projection shows that the Live Music Fund doesn't recover its initial growth projection for some time. The difference between an initial growth and the flat growth is over \$6 million at the end of FY25.

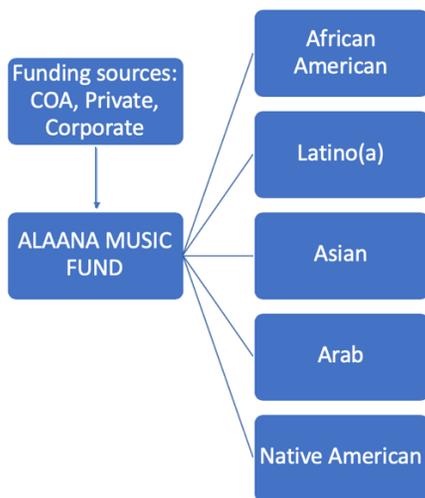
A previous discussion in an earlier white paper dated, June 3, 2020 the case was made to create a new companion fund to the Live Music Fund that could sustain and enhance the growth and quality of a diverse fund that would extend the benefits of funding to the widest possible audience. The fund's assets could support funding categories such as:

- Operating Grants – support (typically unrestricted) for ongoing activities of ALAANA organizations
- Capital Grants – repair of existing facilities, new equipment, or repairs to equipment
- Special Projects – for specific related ALAANA projects increasing equity.

The funding criteria as discussed above for the Live Music Fund could be applicable to the new ALAANA Music Fund and the fund is not limited to state statute limitations regarding the uses. The ALAANA Music Fund can raise capital from public and private sources.

It is recommended that an additional City of Austin investment of \$1.8 million in the upcoming new budget be provided to the Live Music Fund. The Live Music Fund's estimated year balance is \$2.5 million or \$700,000 less than expected as shown above and the loss next year is \$1.1 million. The total loss for two years is \$1.8 million that the fund would have achieved if not for the pandemic.

Of the additional \$1.8 million, an appropriate amount of seed funding for the City of Austin ALAANA Music Fund is recommended to be appropriated in the upcoming FY 2021 budget. This includes funding for the Black Music Fund and others that have been proposed by stakeholders.



The amount transferred to the proposed ALAANA Music would accrue to various funds targeted for racial equity. The financial advantage of an ALAANA Music Fund is that additional funds could be raised to match and leverage the City's investment in the fund.

Support for the Creation of a ALAANA Music Fund

Austin Music and Creative Ecosystem Omnibus Resolution

Mayor Steve Adler spearheaded the Omnibus Resolution that was passed on March 3, 2016 and culminated in a June 2016 staff report of analysis and recommendations. The staff report identified 10 priority recommendations in response to the Omnibus resolution including affordable space, agent of change, cultural tourism, entertainment license, incentives, tools and loans, land use regulation, music genre development, permitting and licensing, professional development and revenue development.

In a follow-up report, the Mayor's working group recommended an equity, diversity, and inclusion lens guide the integration of arts, music and culture in all policies, and as a core value across departments and operations. The Mayor's working group noted the following:

Equity, Diversity, and Inclusion

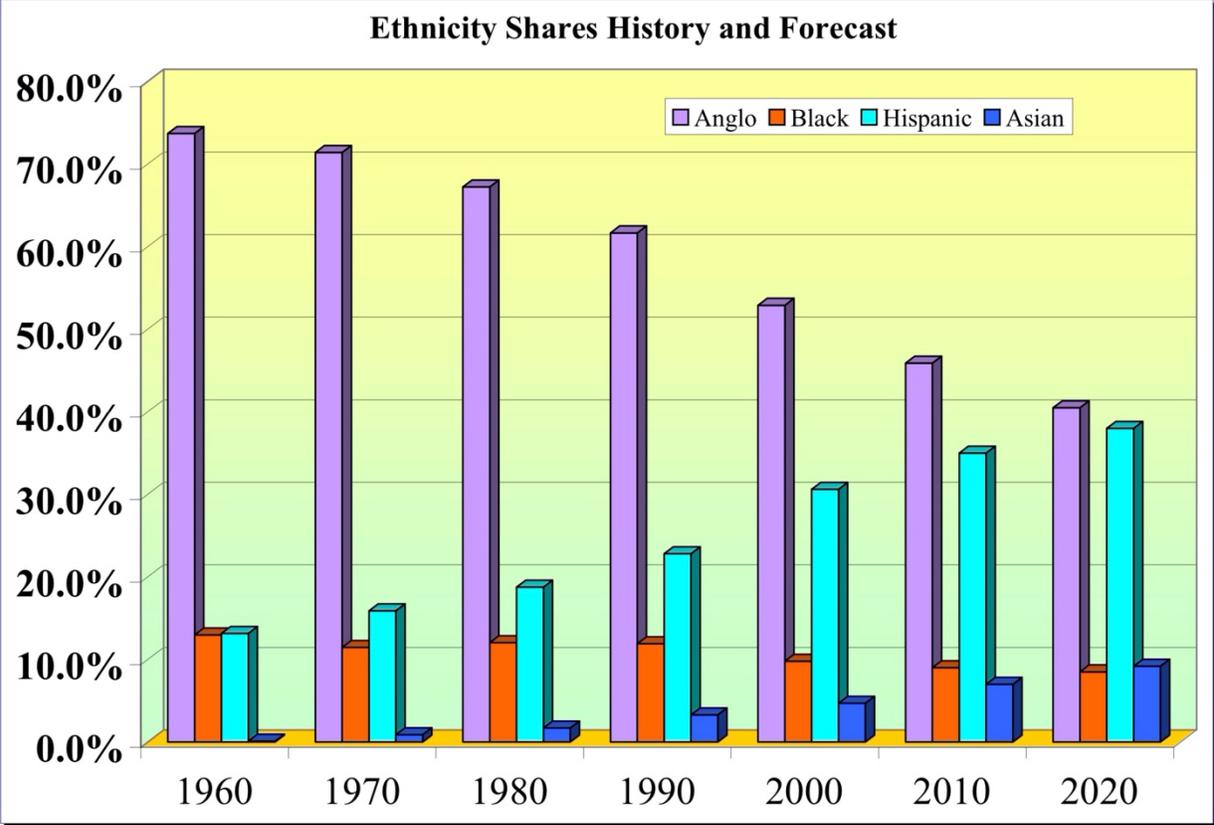
Despite great efforts to foster inclusion and diversity in City benefitted programming, we find that equity, diversity, and inclusion remains under emphasized in the arts/music/culture arena. The first set of Music and Creative Ecosystem Stabilization Recommendations from the June 2016 staff Omnibus report have limited mention of equity, diversity, and inclusion in their set of recommendations. We found difficulty in truly representing Austin's diversity in the composition of our working groups. Moving forward, in these recommendations it is crucial that we approach implementation through an equity, diversity, and inclusion lens, applying a critical equity filter upon each recommendation prior to implementation. Further, we urge the City of Austin to adopt equity, diversity, and inclusion in all policies and as a core value across departments and operations along with music, arts, and culture. The initiation of these changes should include a timeline with metrics and goals that support the integration of equity, diversity, and inclusion as described by 2021 and appropriate funding to support those goals.

Equity, diversity, and inclusion is recognized as a critical priority in the Austin music, arts and culture sector. Austin's music industry should be a model of diversity and innovation based on its demographics and diversity of music genres. EDI should be Austin's response to its changing social environment and an expression of its shared values.

Demography and Gaps

America's demographics is changing—and the nation's economic fate will hinge on how we respond to these changes. As the population grows more diverse and people of color become

the majority, equity—fair and just inclusion—has become an urgent economic imperative. By 2042, racial minority groups will become the majority of the US population, but the City of Austin is already a Majority-Minority city. The City of Austin’s demographer estimates that the City’s White population dropped below 50% sometime during 2005. The estimated White share of the population is at 45%; the Black population at 7%; the Asian population at 8% and the Latino population is at 40%.



Music, arts and culture organizations are struggling to appeal to this massive wave of potential new audiences, donors, board members, and employees. Music, arts and culture organizations need to take active steps now to attract more diverse audiences, donors, employees, and other key stakeholders if they want to achieve programmatic, financial, and operational success in the very near future. Our goal is to have a thriving, diverse, inclusive and equitable music, arts, and culture community. Austin needs partners to make equity and inclusion a point of pride for the creative community. A consistent revenue stream for ALAANA organizations presents an opportunity to operationalize equity rather than continued aspirational statements about wanting to achieve racial equity for musicians and the music industry.