AMERICANS for the ARTS

# ARTS & ECONOMIC PROSPERITY IV

The Economic Impact of Nonprofit Arts and Culture Organizations and Their Audiences

SUMMARY REPORT

# The Arts Mean Business

**BY AMERICANS FOR THE ARTS PRESIDENT & CEO ROBERT L. LYNCH**

America's artists and arts organizations live and work in every community coast-to-coast—fueling creativity, beautifying our cities, and improving our quality of life. In my travels across the country, business and government leaders often talk to me about the challenges of funding the arts amid shrinking resources and alongside other pressing needs. They worry about jobs and the economy. Is their region a magnet for attracting and retaining a skilled and innovative workforce? How well are they competing in the high-stakes race to attract new businesses? The findings from *Arts & Economic Prosperity IV* send a clear and welcome message: leaders who care about community and economic vitality can feel good about choosing to invest in the arts.

*Arts & Economic Prosperity IV* is our fourth study of the nonprofit arts and culture industry's impact on the economy. The most comprehensive study of its kind ever conducted, it features customized findings on 182 study regions representing all 50 states and the District of Columbia as well as estimates of economic impact nationally. Despite the economic headwinds that our country faced in 2010, the results are impressive. Nationally, the industry generated $135.2 billion of economic activity—$61.1 billion by the nation's nonprofit arts and culture organizations in addition to $74.1 billion in event-related expenditures by their audiences. This economic activity supports 4.1 million full-time jobs. Our industry also generates $22.3 billion in revenue to local, state, and federal governments every year—a yield well beyond their collective $4 billion in arts allocations.

Arts and culture organizations are resilient and entrepreneurial businesses. They employ people locally, purchase goods and services from within the community, and market and promote their regions. Arts organizations are rooted locally; these are jobs that cannot be shipped overseas. Like most industries, the Great Recession left a measurable financial impact on the arts—erasing the gains made during the pre-recession years and leaving 2010 expenditures 3 percent behind the 2005 levels. The biggest effect of the recession was on attendance and audience spending. Inevitably, as people lost jobs and worried about losing their homes, arts attendance—like attendance to sports events and leisure travel—waned as well. Yet, even in a down economy, some communities saw an increase in their arts spending and employment. As the economy rebounds, the arts are well poised for growth. They are already producing new and exciting work—performances and exhibitions and festivals that entertain, inspire, and increasingly draw audiences.

*Arts & Economic Prosperity IV* shows that arts and culture organizations leverage additional event-related spending by their audiences that pumps revenue into the local economy. When patrons attend an arts event, they may pay for parking, eat dinner at a restaurant, shop in local retail stores, and have dessert on the way home. Based on the 151,802 audience surveys conducted for this study, the typical arts attendee spends $24.60 per person, per event, beyond the cost of admission.

Communities that draw cultural tourists experience an additional boost of economic activity. Tourism industry research has repeatedly demonstrated that arts tourists stay longer and spend more than the average traveler. *Arts & Economic Prosperity IV* reflects those findings: 32 percent of attendees live outside the county in which the arts event took place, and their event-related spending is more than twice that of their local counterparts (nonlocal: $39.96 vs. local: $17.42). The message is clear: a vibrant arts community not only keeps residents and their discretionary spending close to home, but it also attracts visitors who spend money and help local businesses thrive.

*Arts & Economic Prosperity IV* demonstrates that America's arts industry is not only resilient in times of economic uncertainty, but is also a key component to our nation's economic recovery and future prosperity. Business and elected leaders need not feel that a choice must be made between arts funding and economic prosperity. This study proves that they can choose both. Nationally as well as locally, the arts mean business.

# ECONOMIC IMPACT OF THE NONPROFIT ARTS & CULTURE INDUSTRY (2010)

| AREA OF IMPACT | ORGANIZATIONS | | AUDIENCES | TOTAL |
|---|---|---|---|---|
| TOTAL DIRECT EXPENDITURES | $61.12 BIL | + | $74.08 BIL | = $135.20 BIL |
| FULL-TIME EQUIVALENT JOBS | 2.24 MIL | + | 1.89 MIL | = 4.13 MIL |
| RESIDENT HOUSEHOLD INCOME | $47.53 BIL | + | $39.15 BIL | = $86.68 BIL |
| LOCAL GOVERNMENT REVENUE | $2.24 BIL | + | $3.83 BIL | = $6.07 BIL |
| STATE GOVERNMENT REVENUE | $2.75 BIL | + | $3.92 BIL | = $6.67 BIL |
| FEDERAL INCOME TAX REVENUE | $5.26 BIL | + | $4.33 BIL | = $9.59 BIL |

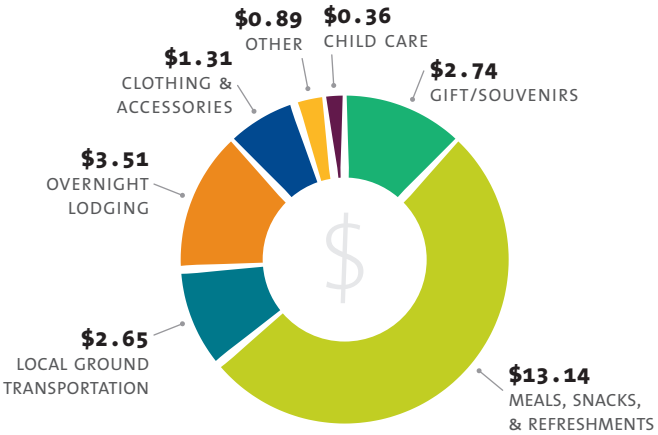
## ORGANIZATIONS

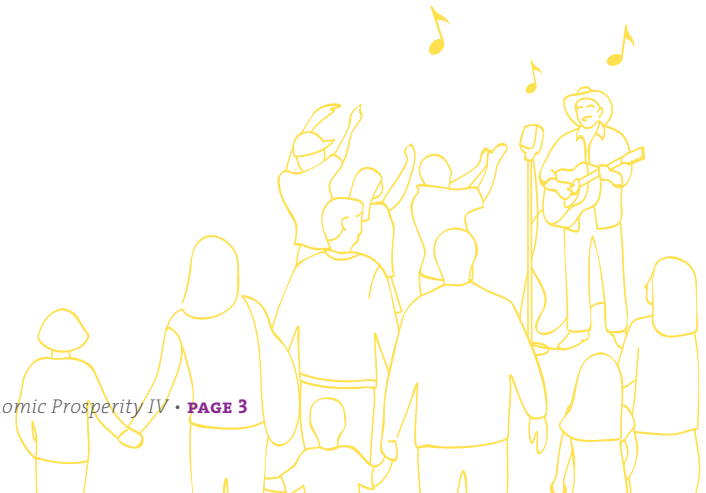
In 2010, nonprofit arts and culture organizations pumped an estimated $61.1 billion into the economy. Nonprofit arts and culture organizations are employers, producers, consumers, and key promoters of their cities and regions. Most of all, they are valuable contributors to the business community.

## AUDIENCES

Dinner and a show go hand-in-hand. Attendance at arts events generates income for local businesses—restaurants, parking garages, hotels, retail stores. An average arts attendee spends $24.60 per event in addition to the cost of admission. On the national level, these audiences provided $74.1 billion of valuable revenue for local merchants and their communities. In addition, data shows nonlocal attendees spend twice as much as local attendees ($39.96 vs. $17.42), demonstrating that when a community attracts cultural tourists, it harnesses significant economic rewards.

**AVERAGE PER PERSON AUDIENCE EXPENDITURES: $24.60**



# Economic Impact of America's Nonprofit Arts & Culture Industry

Every day, more than 100,000 nonprofit arts and culture organizations populate America's cities and towns and make their communities more desirable places to live and work. They provide inspiration and enjoyment to residents, beautify shared public spaces, and strengthen the social fabric of our communities. This study demonstrates that the nonprofit arts and culture industry is also an economic driver—an industry that supports jobs, generates government revenue, and is the cornerstone of our tourism industry.

Nonprofit arts and culture organizations pay their employees, purchase supplies, contract for services, and acquire assets from within their communities. Their audiences generate event-related spending for local merchants such as restaurants, retail stores, hotels, and parking garages. This study sends an important message to community leaders: support for the arts is an investment in economic well-being as well as quality of life.

Nationally, the nonprofit arts and culture industry generates $135.2 billion in economic activity every year—$61.1 billion in spending by organizations and an additional $74.1 billion in event-related spending by their audiences. The impact of this activity is significant; these dollars support 4.1 million U.S. jobs and generate $22.3 billion in government revenue.

*Arts & Economic Prosperity IV* is the most comprehensive study of the nonprofit arts and culture industry ever conducted. It documents the economic impact of the nonprofit arts and culture industry in 182 communities and regions (139 cities and counties, 31 multi-county or multi-city regions, 10 states, and two arts districts), representing all 50 states and the District of Columbia. The diverse communities range in population from 1,600 to 4 million and from small rural to large urban. Researchers collected detailed expenditure and attendance data from 9,721 nonprofit arts and culture

**ECONOMIC IMPACT OF THE NONPROFIT ARTS & CULTURE INDUSTRY (2010)**

*(Combined spending by both nonprofit arts and culture organizations AND their audiences)*

| | |
|---|---|
| TOTAL DIRECT EXPENDITURES | $135.2 BIL |
| FULL-TIME EQUIVALENT JOBS | 4.13 MIL |
| RESIDENT HOUSEHOLD INCOME | $86.68 BIL |
| LOCAL GOVERNMENT REVENUE | $6.07 BIL |
| STATE GOVERNMENT REVENUE | $6.67 BIL |
| FEDERAL INCOME TAX REVENUE | $9.59 BIL |

organizations and 151,802 of their attendees to measure total industry spending. Project economists from the Georgia Institute of Technology customized input-output analysis models for each study region to provide specific and reliable economic impact data. This study uses four economic measures to define economic impact: full-time equivalent jobs, resident household income, and revenue to local and state government.

- *Full-Time Equivalent (FTE) Jobs* describe the total amount of labor employed. Economists measure FTE jobs, not the total number of employees, because it is a more accurate measure that accounts for part-time employment.
- *Resident Household Income* (often called *Personal Income*) includes salaries, wages, and entrepreneurial income paid to local residents. It is the money residents earn and use to pay for food, mortgages, and other living expenses.
- *Revenue to Local and State Government* includes revenue from taxes (income, property, or sales) as well as funds from license fees, utility fees, filing fees, and other similar sources.

The *Arts & Economic Prosperity IV* study focuses on nonprofit arts and culture organizations and their audiences, but takes an inclusive approach that accounts for the uniqueness of different localities. These include government-owned and government-operated cultural facilities and institutions, municipal arts agencies, private community arts organizations, unincorporated arts groups, living collections (such as zoos, aquariums and botanical gardens), university presenters, and arts programs that are embedded under the umbrella of a non-arts organization or facility (such as a community center or church). The study excludes spending by individual artists and the for-profit arts and entertainment sector (e.g., Broadway or the motion picture industry).

*Americans for the Arts 2011 Public Art Network Year in Review selection Portland Acupuncture Project by Adam Kuby in Portland, OR*

# The Arts in the Great Recession

*Arts & Economic Prosperity III* was completed in 2005, and while study-to-study comparisons should be made cautiously, it is clear that the same economic headwinds that affected all industries in 2010 also impacted the nonprofit arts. Between 2005–2010, unemployment rose from 5.1 percent to 9.7 percent. Consumer confidence dropped from 101 to 54. Home foreclosures tripled to 2.9 million. As people lost their jobs and houses, arts attendance—like tourism, attendance to sporting events, and leisure travel—declined as well.

Like most industries, the Great Recession left a measurable financial impact on the arts—erasing the gains made during the pre-recession years and leaving 2010 organizational expenditures 3 percent behind their 2005 levels. The more noticeable decrease was in total audience spending. Both the 2010 and 2005 studies boast large and reliable survey samples. The 94,478 audience surveys collected for the 2005 study showed an average event-related expenditure of $27.79, per person per event, not including the cost of admission. The 151,802 audience surveys conducted for this report showed an 11 percent decrease to $24.60 (-21 percent when adjusted for inflation). Compounding that drop was a decrease in the share of nonlocal attendees. In 2005, 39 percent of attendees were nonlocal, versus 32 percent for this study. Finally, average per person spending declined for both locals ($19.53 in 2005 vs. $17.42 in 2010) as well as for nonlocals ($40.19 in 2005 vs. $39.96 on 2010). Thus, not only was there a decrease in the share of nonlocal arts attendees—both groups also spent less per person, per event.

**ECONOMIC IMPACT OF THE NONPROFIT ARTS & CULTURE INDUSTRY**

# Direct & Indirect Economic Impact: How a Dollar Is Represented in a Community

***Arts & Economic Prosperity IV*** uses a sophisticated economic analysis called input-output analysis to measure economic impact. It is a system of mathematical equations that combines statistical methods and economic theory. Input-output analysis enables economists to track how many times a dollar is "re-spent" within the local economy, and the economic impact generated by each round of spending. How can a dollar be re-spent? Consider the following example:

A theater company purchases a gallon of paint from the local hardware store for $20, generating the direct economic impact of the expenditure. The hardware store then uses a portion of the aforementioned $20 to pay the sales clerk's salary; the sales clerk re-spends some of the money for groceries; the grocery store uses some of the money to pay its cashier; the cashier then spends some for the utility bill; and so on. The subsequent rounds of spending are the indirect economic impacts.

Thus, the initial expenditure by the theater company was followed by four additional rounds of spending (by the hardware store, sales clerk, grocery store, and the cashier).

- The effect of the theater company's initial expenditure is the direct economic impact.
- The subsequent rounds of spending are all of the indirect economic impacts.
- The total economic impact is the sum of all of the direct and indirect impacts.

**Note:** *Interestingly, a dollar "ripples" very differently through each community, which is why each study region has its own customized economic model.*

# Nonprofit Arts & Culture Organizations

Nonprofit arts and culture organizations are good business citizens. They are employers, producers, consumers, members of their Chambers of Commerce, and partners in the marketing and promotion of their cities and regions.

Spending by nonprofit arts and culture organizations nationally was estimated at $61.1 billion in 2010. This output supports 2.2 million U.S. jobs, provides $47.5 billion in household income, and generates $10.2 billion in total government revenue.

### IMPACT OF NONPROFIT ARTS & CULTURE ORGANIZATIONS

*(Expenditures by organizations only)*

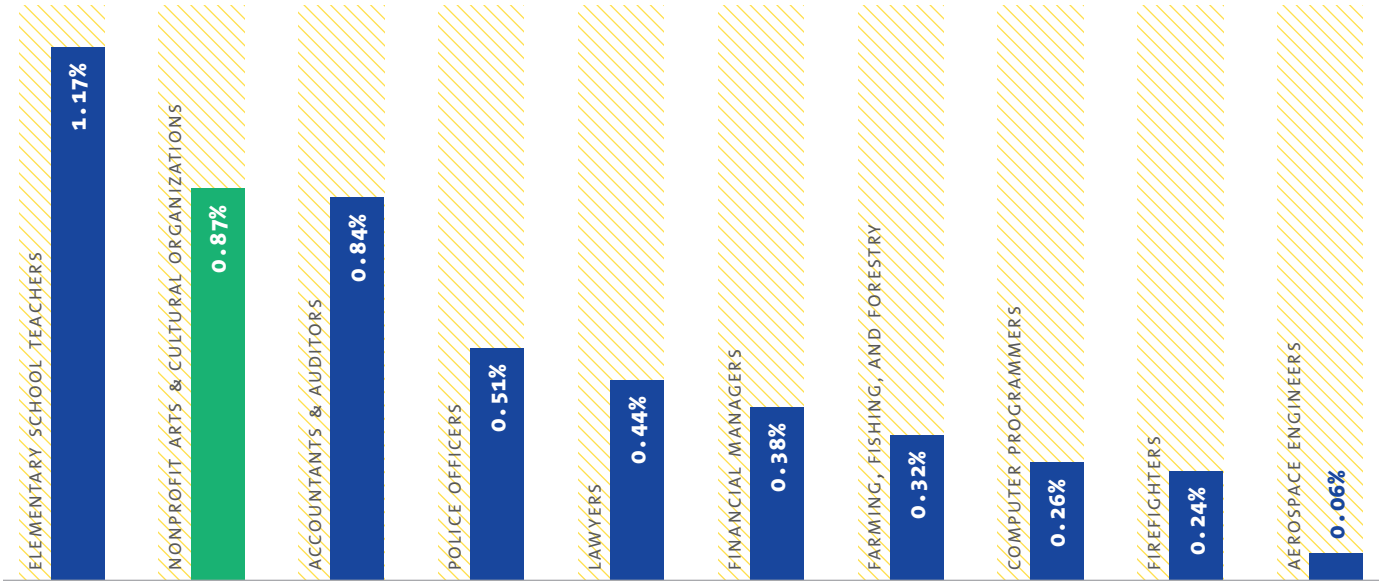
| | |
|---|---|
| TOTAL DIRECT EXPENDITURES | $61.12 BIL |
| FULL-TIME EQUIVALENT JOBS | 2.24 MIL |
| RESIDENT HOUSEHOLD INCOME | $47.53 BIL |
| LOCAL GOVERNMENT REVENUE | $2.24 BIL |
| STATE GOVERNMENT REVENUE | $2.75 BIL |
| FEDERAL INCOME TAX REVENUE | $5.26 BIL |

### INDUSTRY EMPLOYMENT COMPARISONS

Spending by nonprofit arts and culture organizations provides rewarding employment for more than just artists, curators, and musicians. It also directly supports builders, plumbers, accountants, printers, and an array of occupations spanning many industries.

In 2010, nonprofit arts and culture organizations alone supported 2.2 million full-time equivalent jobs.

### PERCENTAGE OF U.S. WORKFORCE (2010)



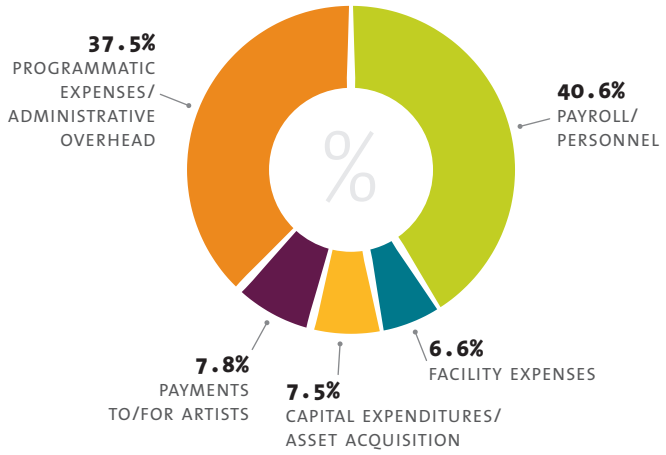
Americans for the Arts 2011 Public Art Network Year in Review selection *Wildgarden/Talking Fence* by Ladies Fancy Work Society in Denver, CO

Of this total, 1.1 million jobs were a result of "direct" expenditures by nonprofit arts organizations, representing 0.87 percent of the U.S. workforce. Compared to the size of other sectors of the U.S. workforce, this figure is significant. Nonprofit arts and culture organizations support more U.S. jobs than there are accountants and auditors, public safety officers, and even lawyers.

## A LABOR-INTENSIVE INDUSTRY

Dollars spent on human resources typically stay within a community longer, thereby having a greater local economic impact. The chart below demonstrates the highly labor-intensive nature of the arts and culture industry. Nearly half (48.4 percent) of the typical organization's expenditures are for artists and personnel costs.

### EXPENDITURES BY NONPROFIT ARTS & CULTURE ORGANIZATIONS




## ARTS VOLUNTEERISM

While arts volunteers may not have an economic impact as defined in this study, they clearly have an enormous impact on their communities by helping arts and culture organizations function as a viable industry.

- The average city and county in the study had 5,215 arts volunteers who donated 201,719 hours to nonprofit arts and culture organizations, a donation valued at $4.3 million.
- The participating organizations had an average of 116.2 volunteers who volunteered an average of 44.8 hours each, for a total of 5,204 hours per organization.

*The Independent Sector places the value of the average 2010 volunteer hour at $21.36.*

## VALUE OF IN-KIND CONTRIBUTIONS

The organizations that participated in this study provided data about their in-kind support (e.g., donated assets, office space, airfare, or advertising space). Sixty-five percent of the participating organizations received in-kind support, averaging $55,467 each during the 2010 fiscal year.

# Nonprofit Arts & Culture Audiences

The arts and culture industry, unlike most industries, leverages a significant amount of event-related spending by its audiences. For example, a patron attending an arts event may pay to park the car in a garage, purchase dinner at a restaurant, eat dessert after the show, and return home to pay the babysitter. This generates related commerce for local businesses such as restaurants, parking garages, hotels, and retail stores.

Total event-related spending by nonprofit arts and culture audiences was an estimated $74.1 billion in 2010. This spending supports 1.9 million full-time equivalent jobs in the United States, provides $39.2 billion in household income, and generates $12.1 billion in government revenue.

Nationally, the typical attendee spends an average of $24.60 per person, per event, in addition to the cost of admission. Businesses that cater to arts and culture audiences reap the rewards of this economic activity.

## LOCAL VS. NONLOCAL AUDIENCES

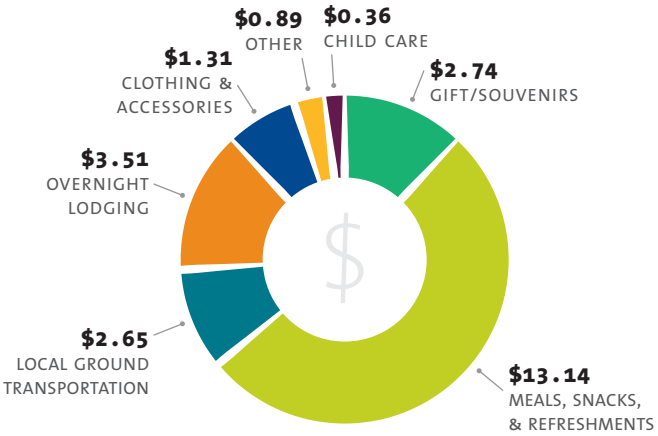
In addition to spending data, researchers asked each of the 151,802 survey respondents to provide his/her home ZIP code. Analysis of this data enabled a comparison of event-related spending by local and nonlocal attendees. Previous economic and tourism research has shown that nonlocal attendees spend more than their local counterparts. This study reflects those findings.

### IMPACT OF NONPROFIT ARTS & CULTURE AUDIENCES

*(expenditures by attendees to arts events only)*

| | |
|---|---|
| TOTAL DIRECT EXPENDITURES | $74.08 BIL |
| FULL-TIME EQUIVALENT JOBS | 1.89 MIL |
| RESIDENT HOUSEHOLD INCOME | $39.15 BIL |
| LOCAL GOVERNMENT REVENUE | $3.83 BIL |
| STATE GOVERNMENT REVENUE | $3.92 BIL |
| FEDERAL INCOME TAX REVENUE | $4.33 BIL |

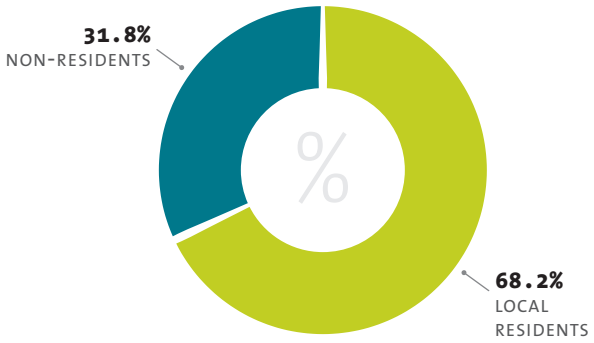
### AVERAGE PER PERSON AUDIENCE EXPENDITURES: $24.60



While the ratio of local to nonlocal attendees is different in every community, the national sample revealed that 31.8 percent of attendees traveled from outside of the county in which the event took place (nonlocal) and 68.2 of attendees percent were local (resided inside the county).

Local attendees spent an average of $17.42 per person, per event in addition to the cost of admission. Nonlocal attendees spent twice this amount, or $39.96 per person.

### LOCAL VS. NONLOCAL AUDIENCES




### EVENT-RELATED SPENDING BY LOCAL VS. NONLOCAL AUDIENCES

★ *Nonprofit Arts & Culture Audiences Spend $24.60 Per Person, Per Event*

### AVERAGE EVENT-RELATED SPENDING

*(Expenditures made specifically as a result of attending a cultural event—excludes admission cost*)*

| EVENT-RELATED SPENDING | LOCAL ATTENDEES | NONLOCAL ATTENDEES | AVERAGE ATTENDEES |
|---|---|---|---|
| MEALS, SNACKS, & REFRESHMENTS | $11.16 | $17.39 | $13.14 |
| LODGING (ONE NIGHT ONLY) | $0.29 | $10.39 | $3.51 |
| GIFTS/SOUVENIRS | $2.25 | $3.78 | $2.74 |
| GROUND TRANSPORTATION | $1.63 | $4.83 | $2.65 |
| CLOTHING & ACCESSORIES | $1.16 | $1.62 | $1.31 |
| CHILD CARE | $0.35 | $0.38 | $0.36 |
| OTHER/MISCELLANEOUS | $0.58 | $1.57 | $0.89 |
| TOTAL (PER PERSON, PER EVENT) | $17.42 | $39.96 | $24.60 |

**Why exclude the cost of admission? The admissions paid by attendees are excluded from this analysis because those dollars are captured in the operating budgets of the nonprofit arts and culture organizations, and, in turn, are spent by the organization. This methodology avoids "double-counting" those dollars in the study analysis.*

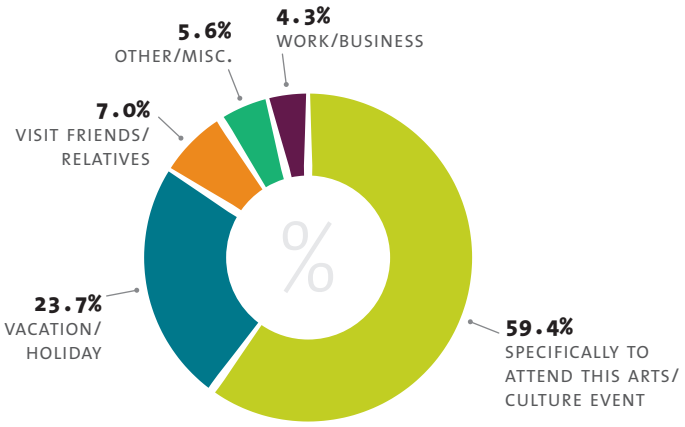
Nationally, 59.4 percent of all nonlocal arts attendees reported that the primary reason for their trip is "specifically to attend this arts/culture event."

In addition, 28.5 percent of nonlocal arts attendees report that they spent at least one night away from home in the community where the cultural event took place. Not surprisingly, the nonlocal attendees who reported any overnight lodging expenses spent more money during their visit, an average of $170.58 per person, per event (four times more than the national nonlocal arts attendee average of $39.96). In fact, nonlocal attendees who reported overnight lodging expenses spent more per person, per event in every expenditure category (e.g., food, gifts and souvenirs, ground transportation, etc.) than nonlocals who did not stay overnight in paid lodging. For this analysis, only one night of lodging expenses is counted toward the audience expenditure analysis.

## CULTURAL EVENTS ATTRACT NEW DOLLARS AND RETAIN LOCAL DOLLARS

Nearly one-half of local cultural attendees (41.9 percent) say that if the cultural event or exhibit during which they were surveyed were not happening, they would have traveled to a different community in order to attend a similar cultural experience. More than half of nonlocal attendees (52.4 percent) reported the same. These figures demonstrate the economic impact of the nonprofit arts and culture in its truest sense. If a community fails to provide a variety of artistic and cultural experiences, it will not attract the new dollars of cultural tourists. It will also lose discretionary spending by local residents traveling elsewhere for an arts experience. When a community attracts nonlocal arts attendees and other cultural tourists, it harnesses significant economic rewards.

### NON-RESIDENT PRIMARY REASON FOR TRIP




### NONLOCAL CULTURAL AUDIENCES WITH OVERNIGHT LODGING EXPENSES (28.5 percent) SPEND THE MOST

*(Expenditures made specifically as a result of attending a cultural event)*

| EVENT-RELATED SPENDING | WITH OVERNIGHT LODGING EXPENSES | WITHOUT OVERNIGHT LODGING EXPENSES | AVERAGE NONLOCAL ATTENDEES |
|---|---|---|---|
| MEALS, SNACKS, & REFRESHMENTS | $41.81 | $14.41 | $17.39 |
| LODGING (ONE NIGHT ONLY) | $95.49 | $0.00 | $10.39 |
| GIFTS/SOUVENIRS | $10.72 | $2.94 | $3.78 |
| GROUND TRANSPORTATION | $14.11 | $3.70 | $4.83 |
| CLOTHING & ACCESSORIES | $4.66 | $1.25 | $1.62 |
| CHILD CARE | $0.72 | $0.34 | $0.38 |
| OTHER/MISCELLANEOUS | $3.07 | $1.38 | $1.57 |
| TOTAL (PER PERSON, PER EVENT) | $170.58 | $24.02 | $39.96 |

# Arts and Culture Tourists Spend More and Stay Longer

As communities compete for a tourist's dollar, arts and culture have proven to be magnets for travelers and their money. Local businesses are able to grow because travelers extend the length of their trips to attend cultural events. Travelers who include arts and culture events in their trips differ from other U.S. travelers in a number of ways. Arts and culture travelers:

- Spend more than other travelers.
- Are more likely to stay in overnight lodging.
- Are more likely to spend $1,000 or more during their stay.
- Travel longer than other travelers.

Two-thirds of American adult travelers say they included a cultural, artistic, heritage, or historic activity or event while on a trip of 50 miles or more, one-way, in 2001. This equates to 92.7 million cultural travelers. Of this group, 32 percent (29.6 million travelers) added extra time to their trip because of a cultural, artistic, heritage, or historic or event. Of those who extended their trip, 57 percent did so by one or more nights.

U.S. cultural destinations help grow the U.S. economy by attracting foreign visitor spending. There has been steady growth in the percentage of tourists who fly to the United States and attend arts activities as a part of their visit, according to International Trade Commission in the Department of Commerce. Arts destinations help grow the economy by attracting foreign visitor spending—effectively making the arts an export industry.

Marketing of cultural destinations and events accounts for the largest portion of all marketing expenditures (26 percent) by national tourism organizations.

Source: U.S. Travel Association; U.S. Department of Commerce.

## PARTICIPATION IN THE ARTS

One-half of cultural attendees (50.1 percent) actively participate in the creation of the arts (e.g., sing in a choir, act in a play, paint or draw).

### SURVEY: HOW FAR WILL YOU GO FOR A CULTURAL EXPERIENCE?

*("If this event or exhibit were not happening, would you have traveled to another community to attend a similar cultural experience?")*

| | LOCAL ATTENDEES | NONLOCAL ATTENDEES | ALL CULTURAL ATTENDEES |
|---|---|---|---|
| NO, I WOULD HAVE SKIPPED THE CULTURAL EXPERIENCE ALTOGETHER | 30.5% | 27.0% | 29.4% |
| NO, I WOULD HAVE REPLACED IT WITH ANOTHER NEARBY CULTURAL EXPERIENCE | 27.5% | 20.6% | 25.4% |
| YES, I WOULD HAVE TRAVELED TO A DIFFERENT COMMUNITY | 41.9% | 52.4% | 45.2% |

# Conclusion

Nonprofit arts and culture organizations in the United States drive a $135.2 billion industry—an industry that supports 4.1 million full-time equivalent jobs and generates $22.3 billion in government revenue annually. Arts and culture organizations—businesses in their own right—leverage significant event-related spending by their audiences that pumps vital revenue into restaurants, hotels, retail stores, parking garages, and other local merchants. This study puts to rest a common misconception that communities support arts and culture at the expense of local economic development. In fact, communities are investing in an industry that supports jobs, generates government revenue, and is the cornerstone of tourism. This report shows conclusively that, locally as well as nationally, the arts mean business.

### LEARN MORE ABOUT *ARTS & ECONOMIC PROSPERITY IV*

Visit **www.AmericansForTheArts.org/EconomicImpact** to access free resources you can use to help make the economic case for arts funding and arts-friendly policies in your community:

- A downloadable and customizable PowerPoint presentation that effectively communicates this study's findings
- *Arts & Economic Prosperity IV* Highlights Pamphlet
- *Arts & Economic Prosperity IV* Summary Report
- *Arts & Economic Prosperity IV* National Report, complete with national and local findings, background, scope, and methodology
- A press release announcing the study results
- Sample opinion-editorials (op-eds)
- The *Arts & Economic Prosperity* Calculator that enables users to estimate the economic impact of their organization

Americans for the Arts 2011 Public Art Network Year in Review selection *Hands* by Christian Moeller in San Jose, CA

# About This Study

Americans for the Arts conducted *Arts & Economic Prosperity IV* to document the economic impact of the nation's nonprofit arts and culture industry. The study focuses on nonprofit arts and culture organizations and their audiences. It excludes spending by individual artists and the for-profit arts and entertainment sector (e.g., Broadway or the motion picture industry). Detailed expenditure data was collected from 9,721 arts and culture organizations and 151,802 of their attendees. Project economists from the Georgia Institute of Technology customized input-output analysis models for each study region to provide specific and reliable economic impact data about the nonprofit arts and culture industries, specifically full-time equivalent jobs, household income, and local and state government revenue. This allows for the uniqueness of each local economy to be reflected in the findings.

## STUDYING ECONOMIC IMPACT USING INPUT-OUTPUT ANALYSIS

To derive the most reliable economic impact data, input-output analysis was used to measure the impact of expenditures by nonprofit arts and culture organizations and their audiences. This is a highly regarded type of economic analysis that has been the basis for two Nobel Prizes in economics. The models are systems of mathematical equations that combine statistical methods and economic theory in an area of study called econometrics. The analysis traces how many times a dollar is re-spent within the local economy before it leaves the community, and it quantifies the economic impact of each round of spending.

Project economists customized an input-output model for each of the 182 participating study regions based on the local dollar flow between 533 finely detailed industries within its economy. This was accomplished by using detailed data on employment, incomes, and government revenues provided by the U.S. Department of Commerce, local tax data, as well as the survey data from the responding nonprofit arts and culture organizations and their audiences.

## CALCULATION OF THE NATIONAL ESTIMATES

To derive the national estimates, the 139 city and county study participants only—multi-city and multi-county regions, states, and individual arts districts are excluded from this analysis—were first stratified into six population groups, and an economic impact average was calculated for each group. Second, the nation's largest 13,366 cities were assigned to one of the six groups based on their population, as supplied by the U.S. Census Bureau. Third, each of the 13,366 largest cities was assigned the economic impact average for its population group. Finally, the values of the cities were added together to determine the national economic impact findings. Several outlier regions were removed when calculating the national estimates due to their comparably high levels of economic activity in their population categories.

# About Local & Regional Study Partners

The 182 study regions include 139 individual cities and counties, 31 multi-city or multi-county regions, 10 states, and two arts districts. They represent all 50 U.S. states and the District of Columbia. The diverse communities range in population from 1,600 to 4 million and from small rural to large urban. The research partners agreed to complete four participation criteria: 1) identify and code the comprehensive universe of nonprofit arts and culture organizations located in their study region; 2) assist with the collection of detailed financial and attendance information from those organizations and review the information for accuracy; 3) conduct audience-intercept surveys at a broad, representative sample of cultural events that take place in their study region; and 4) pay a modest cost-sharing fee. No community was refused participation for an inability to pay.

## DATA FROM ORGANIZATIONS

To collect the required financial and attendance information from eligible organizations, researchers implemented a multi-pronged data collection process.

In 131 of the 182 study regions, researchers used a web-based organizational expenditure survey instrument designed to collect detailed information about each organization's fiscal year that ended during 2010. The remaining 51 study regions are located in one of 10 states (Arizona, California, Illinois, Maryland, Massachusetts, Michigan, New York, Ohio, Pennsylvania, and Rhode Island), each of which participated in the Cultural Data Project (CDP) during fiscal year 2010. The CDP is a unique system that enables arts and culture organizations to enter financial, programmatic, and operational data into a standardized online form. The primary data collection efforts were supplemented with an abbreviated one-page version of the survey which requested category totals only (rather than detailed, itemized financial information). In order to increase the overall response rates, all 182 study communities distributed the abbreviated one-page survey to eligible organizations that declined to participate in either the full organizational expenditure survey or the Cultural Data Project.

Using all three methods of data capture, information was collected from a total of 9,721 organizations for this study. Response rates among all eligible organizations located in the 182 study regions averaged 43.2 percent and ranged from 5.3 percent to 100 percent. Responding organizations had budgets ranging from as low as $0 to as high as $239.7 million. It is important to note that each study region's results are based solely on the actual survey data collected. There are no estimates made to account for non-respondents. Therefore, the less-than-100 percent response rates suggest an understatement of the economic impact findings in most of the individual study regions.

## DATA FROM AUDIENCES

Audience-intercept surveying, a common and accepted research method, was completed in all 182 study regions in order to capture information about spending by audiences at nonprofit arts and culture events. Patrons were asked to complete a short survey while attending an event. A total of 151,802 attendees completed the survey. The randomly selected respondents provided itemized

*"The success of my family's business depends on finding and cultivating a creative and innovative workforce. I have witnessed firsthand the power of the arts in building these business skills. When we participate personally in the arts, we strengthen our 'creativity muscles,' which makes us not just a better ceramicist or chorus member, but a more creative worker—better able to identify challenges and innovative business solutions. This is one reason why the arts remain an important part of my personal and corporate philanthropy."*

**CHRISTOPHER FORBES**
Vice Chairman, Forbes, Inc.

*"As all budgets—local and national, public and private—continue to reel from the effects of the economic downturn, some may perceive the arts as an unaffordable luxury reserved for only the most prosperous times. Fortunately, this rigorous report offers evidence that the nonprofit arts industry provides not just cultural benefits to our communities, but also makes significant positive economic contributions to the nation's financial well being regardless of the overall state of the economy. This certainly is something to applaud."*

**JONATHAN SPECTOR**
President & CEO, The Conference Board

travel party expenditure data on attendance-related activities such as meals, souvenirs, transportation, and lodging. Data was collected throughout the year to guard against seasonal spikes or drop-offs in attendance as well as at a broad range of events—a night at the opera will typically yield more spending than a Saturday children's theater production, for example. Using total attendance data for 2010 collected from the participating eligible organizations, standard statistical methods were then used to derive a reliable estimate of total expenditures by attendees in each community. The survey respondents provided information about the entire party with whom they were attending the event. With an average travel party size of 2.69 people, this data actually represents the spending patterns of more than 408,000 attendees.

# Thank You to Our Partner Organizations

**ALABAMA**
Cultural Alliance of Greater Birmingham

**ALASKA**
Fairbanks Arts Association
Juneau Arts & Humanities Council
Ketchikan Area Arts and Humanities Council

**ARIZONA**
Flagstaff Cultural Partners
Mesa Arts Center
Phoenix Office of Arts and Culture
Tucson Pima Arts Council
West Valley Arts Council

**ARKANSAS**
Walton Arts Center

**CALIFORNIA**
ArtPulse
Arts Council Silicon Valley
City of Glendale Cultural Affairs Division
City of Los Angeles Department of Cultural Affairs
City of Oakland Cultural Arts & Marketing Department
City of San Diego Commission for Arts and Culture
City of Santa Clarita Arts & Events Office
City of Walnut Creek Arts, Recreation, and Community Services Department
City of West Hollywood
Laguna Beach Arts Commission
Riverside Arts Council
Sacramento Metropolitan Arts Commission
San Francisco Arts Commission
San Jose Office of Cultural Affairs
Santa Barbara County Arts Commission

**COLORADO**
Beet Street
Boulder Arts Commission
Center for the Arts
Community Concert Hall at Ft. Lewis College
Cultural Office of the Pikes Peak Region *(COPPeR)*
Telluride Council for the Arts and Humanities

**CONNECTICUT**
Connecticut Commission on Culture and Tourism
Cultural Alliance of Fairfield County
Greater Hartford Arts Council

**DELAWARE**
Delaware Division of the Arts

**DISTRICT OF COLUMBIA**
Cultural Alliance of Greater Washington
DC Commission on the Arts and Humanities

**FLORIDA**
Arts and Cultural Alliance of Sarasota County
Broward County Cultural Division
City of Gainesville Cultural Affairs Division
City of Orlando
City of Winter Park
Cultural Council of Palm Beach County
Lee County Alliance for the Arts
Miami-Dade County Department of Cultural Affairs
Orange County Arts & Cultural Affairs
Osceola Center for the Arts
Polk Arts Alliance
Seminole Cultural Arts Council
United Arts of Central Florida
Volusia County Parks, Recreation, and Culture

**GEORGIA**
Athens Area Arts Council
City of Atlanta Office of Cultural Affairs

**HAWAII**
Hawai'i Arts Alliance

**IDAHO**
Boise City Department of Arts and History

**ILLINOIS**
Arts Alliance Illinois
ArtsPartners of Central Illinois
Rockford Area Arts Council

**INDIANA**
Arts Council of Indianapolis
City of Bloomington Department of Economic and Sustainable Development

**IOWA**
ArtsLIVE
City of Dubuque
Iowa Cultural Corridor Alliance

**KANSAS**
City of Wichita Division of Arts & Cultural Services

**KENTUCKY**
LexArts, Inc.

**LOUISIANA**
City of Slidell Department of Cultural and Public Affairs
St. Tammany Parish Department of Cultural and Governmental Affairs

**MAINE**
Creative Portland Corporation

**MARYLAND**
Arts & Humanities Council of Montgomery County
Baltimore Office of Promotion and the Arts
Prince George's County Arts Council

**MASSACHUSETTS**
City of Pittsfield Office of Cultural Development

**MICHIGAN**
Cultural Alliance of Southeastern Michigan

**MINNESOTA**
Rochester Arts Council

**MISSISSIPPI**
Greater Jackson Arts Council

**MISSOURI**
Allied Arts Council of St. Joseph
Arts Council of Metropolitan Kansas City
St. Louis Regional Arts Commission

**MONTANA**
Missoula Cultural Council

**NEBRASKA**
Adams County Convention and Visitors Bureau
Columbus Area Arts Council
Lincoln Arts Council
Museum of Nebraska Art
Nebraskans for the Arts

**NEVADA**
Metro Arts Council of Southern Nevada

**NEW HAMPSHIRE**

Art-Speak—The City of Portsmouth's Cultural Commission
Arts Alliance of Northern New Hampshire
City of Rochester Department of Economic Development
Greater Concord Chamber of Commerce
New Hampshire State Council on the Arts
Newmarket Heritage and Cultural Center Committee *(a subcommittee of the Lamprey Arts & Culture Alliance)*

**NEW JERSEY**

Arts Council of Princeton
Bergen County Division of Cultural and Historic Affairs
Newark Arts Council

**NEW MEXICO**

City of Albuquerque Cultural Services Department

**NEW YORK**

ArtsWestchester
Auburn Historic and Cultural Sites Commission
Chenango County Council of the Arts
Community Arts Partnership
Le Moyne College Division of Management

**NORTH CAROLINA**

Arts Council of Fayetteville/Cumberland County
Arts Council of Moore County
Arts Council of Wayne County
Arts Council of Winston-Salem/Forsyth County
Arts & Science Council
City of Asheville Cultural Arts Division
Community Council for the Arts
Durham Arts Council
North Carolina Arts Council
Orange County Arts Commission
Pitt County Arts Council at Emerge
Rutherford County Department of Recreation, Culture, and Heritage
Town of Cary Department of Parks, Recreation & Cultural Resources
Transylvania Community Arts Council
United Arts Council of Greater Greensboro
United Arts Council of Raleigh and Wake County *(in partnership with the City of Raleigh Arts Commission)*
Watauga County Arts Council

**NORTH DAKOTA**

Minot Area Council of the Arts

**OHIO**

Athens Municipal Arts Commission
Greater Columbus Arts Council
Power of the Arts

**OKLAHOMA**

Greater Enid Arts and Humanities Council

**OREGON**

Arts and Business Alliance of Eugene *(a project of the Eugene Area Chamber of Commerce)*
Regional Arts and Culture Council

**PENNSYLVANIA**

ArtsErie
Central Pennsylvania Festival of the Arts
Citizens for the Arts in Pennsylvania, *(in partnership with the Pennsylvania Council on the Arts)*
Greater Philadelphia Cultural Alliance
Greater Pittsburgh Arts Council
Indiana Arts Council
Jump Street
Lackawanna County Department of Arts and Culture
Lehigh Valley Arts Council
Northern Tier Cultural Alliance
Pennsylvania Rural Arts Alliance

**RHODE ISLAND**

Providence Department of Art, Culture & Tourism

**SOUTH CAROLINA**

Cultural Council of Richland and Lexington Counties

**SOUTH DAKOTA**

Aberdeen Area Arts Council
Sioux Falls Arts Council
South Dakota Arts Council

**TENNESSEE**

Allied Arts of Greater Chattanooga
ArtsMemphis

**TEXAS**

Arts Council of Forth Worth & Tarrant County
City of Austin Cultural Arts Division
City of Dallas Office of Cultural Affairs
City of San Antonio Office of Cultural Affairs
Houston Arts Alliance
McKinney Arts Commission
North Texas Business Council for the Arts

**UTAH**

Cedar City Arts Council

**VERMONT**

Arts Council of Windham County

**VIRGINIA**

Arlington County Cultural Affairs Division
Arts Council of Fairfax County
City of Alexandria Office of the Arts
City of Fairfax Commission on the Arts
Loudoun Arts Council
Piedmont Council for the Arts

**WASHINGTON**

Allied Arts of Whatcom County
Seattle Office of Arts & Cultural Affairs
Tacoma Arts Commission

**WEST VIRGINIA**

Helianthus LLC
Parkersburg Area Community Foundation

**WISCONSIN**

Creative Alliance Milwaukee
Dane County Arts & Economic Prosperity Collaborative
Eau Claire Regional Arts Council
Fox Cities Performing Arts Center
Performing Arts Foundation Inc. *(dba The Grand)*
Viterbo University Fine Arts Center
Wisconsin Arts Board

**WYOMING**

Center for the Arts

# Glossary

### CULTURAL TOURISM

Travel directed toward experiencing the arts, heritage, and special character of a place.

### DIRECT ECONOMIC IMPACT

A measure of the economic effect of the initial expenditure within a community. For example, when the symphony pays its players, each musician's salary, the associated payroll taxes paid by the nonprofit, and full-time equivalent employment status represent the direct economic impact.

### DIRECT EXPENDITURES

The first round of expenditures in the economic cycle. A paycheck from the symphony to the violin player and a ballet company's purchase of dance shoes are examples of direct expenditures.

### ECONOMETRICS

The process of using statistical methods and economic theory to develop a system of mathematical equations that measures the flow of dollars between local industries. The input-output model developed for this study is an example of an econometric model.

### FULL-TIME EQUIVALENT (FTE) JOBS

A term that describes the total amount of labor employed. Economists measure FTE jobs—not the total number of employees—because it is a more accurate measure of total employment. It is a manager's discretion to hire one full-time employee, two half-time employees, four quarter-time employees, etc. Almost always, more people are affected than are reflected in the number of FTE jobs reported due to the abundance of part-time employment, especially in the nonprofit arts and hospitality industries.

### INDIRECT IMPACT

Each time a dollar changes hands, there is a measurable economic impact. When people and businesses receive money, they spend much of that money locally. Indirect impact measures the effect of this re-spending on jobs, household income, and revenue to local and state government. It is often referred to as secondary spending or the dollars "rippling" through a community. When funds are eventually spent nonlocally, they are considered to have "leaked" out of the community and cease having a local economic impact. Indirect impact is the sum of all the rounds of re-spending.

### INPUT-OUTPUT ANALYSIS

A system of mathematical equations that combines statistical methods and economic theory in an area of economic study called econometrics. Economists use this model (occasionally called an inter-industry model) to measure how many times a dollar is re-spent in, or "ripples" through, a community before it leaks out (see Leakage). The model is based on a matrix that tracks the dollar flow between 533 finely detailed industries in each community. It allows researchers to determine the economic impact of local spending by nonprofit arts and culture organizations on jobs, household income, and government revenue.

### LEAKAGE

The money that community members spend outside of a community. This nonlocal spending has no economic impact within the community. A ballet company purchasing shoes from a nonlocal manufacturer is an example of leakage. If the shoe company were local, the expenditure would remain within the community and create another round of spending by the shoe company.

### RESIDENT HOUSEHOLD INCOME (OR PERSONAL INCOME)

The salaries, wages, and entrepreneurial income residents earn and use to pay for food, mortgages, and other living expenses. It is important to note that resident household income is not just salary. When a business receives money, for example, the owner usually takes a percentage of the profit, resulting in income for the owner.

### REVENUE TO LOCAL AND STATE GOVERNMENTS

Local and state government revenue is not derived exclusively from income, property, sales, and other taxes. It also includes license fees, utility fees, user fees, and filing fees. Local government revenue includes funds to governmental units such as a city, county, township, school district, and other special districts.



*"In Nebraska, we understand that cultural excellence is crucial to economic development. The economic impact of arts organizations on our state is significant, and without the quality and diversity of the arts, it would be difficult to attract and promote business development. Arts-related industries create jobs, attract investments, and enhance tourism. Additionally, the arts connect us to each other and add richness to our lives."*

**LT. GOVERNOR RICK SHEEHY**
Chair, National Lt. Governors Association

*"Americans for the Arts continues to develop the tools for arts advocates and the evidence to persuade decision-makers that the arts benefit all people in all communities."*

**JANET BROWN**
Executive Director, Grantmakers in the Arts

# Frequently Asked Questions

## 1 How is the economic impact of arts and culture organizations different from other industries?

Any time money changes hands, there is a measurable economic impact. Social service organizations, libraries, and all entities that spend money have an economic impact. What makes the economic impact of arts and culture organizations unique is that, unlike most other industries, they induce large amounts of event-related spending by their audiences. For example, when patrons attend a performing arts event, they may purchase dinner at a restaurant, eat dessert after the show, and return home and pay the babysitter. All of these expenditures have a positive and measurable impact on the economy.

## 2 Will my local legislators believe these results?

Yes, this study makes a strong argument to legislators, but you may need to provide them with some extra help. It will be up to the user of this report to educate the public about economic impact studies in general and the results of this study in particular. The user may need to explain (1) the study methodology used; (2) that economists created an input-output model for each community and region in the study; and (3) the difference between input-output analysis and a multiplier (see question 9). The good news is that as the number of economic impact studies completed by arts organizations and other special interest areas increases, so does the sophistication of community leaders whose influence these studies are meant to affect. Today, most decision-makers want to know what methodology is being used and how and where data was gathered. You can be confident that the input-output analysis used in this study is a highly regarded model in the field of economics (the basis of two Nobel Prizes in economics). However, as in any professional field, there is disagreement about procedures, jargon, and the best way to determine results. Ask 12 artists to define art and you will get 12 answers; expect the same of economists. You may meet an economist who believes that these studies should be done differently (for example, a cost-benefit analysis of the arts).

## 3 How can a community not participating in the *Arts & Economic Prosperity IV* study apply these results?

Because of the variety of communities studied and the rigor with which the *Arts & Economic Prosperity IV* study was conducted, nonprofit arts and culture organizations located in communities that were not part of the study can estimate their local economic impact. Estimates can be derived by using the *Arts & Economic Prosperity IV* Calculator (found at **www.AmericansForTheArts.org/EconomicImpact**). Additionally, users will find sample PowerPoint presentations, press releases, op-eds, and other strategies for proper application of their estimated economic impact data.

## 4 How were the 182 participating communities and regions selected?

In 2010, Americans for the Arts published a call for participants for communities interested in participating in the *Arts & Economic Prosperity IV* study. Of the more than 200 participants that expressed interest, 182 agreed to participate and complete four participation criteria (see page 16 for more information).

## 5 How were the eligible nonprofit arts organizations in each community selected?

Each of the 182 study regions identified the comprehensive universe of eligible nonprofit arts and culture organizations located in their regions. Eligibility was determined using the Urban Institute's National Taxonomy of Exempt Entities (NTEE) coding system as a guideline. Communities were encouraged to include other types of eligible organizations if they play a substantial role in the cultural life of the community or if their primary purpose is to promote participation in, appreciation for, and understanding of the visual, performing, folk, and media arts. These include government-owned or -operated cultural facilities and institutions, municipal arts agencies and councils, private community arts organizations, unincorporated arts groups, living collections (such as zoos and botanical gardens), university presenters, and arts programs that are embedded under the umbrella of a non-arts organization or facility. For-profit businesses were strictly excluded from this study. In short, if it displays the characteristics of a nonprofit arts and culture organization, it was included.

## 6 What type of economic analysis was done to determine the study results?

An input-output analysis model was customized for each of the participating communities and regions to determine the local economic impact their nonprofit arts and culture organizations and arts audiences. Americans for the Arts, which conducted the research, worked with a highly regarded economist from the Georgia Institute of Technology to design and customize the input-output models used in this study (see page 15 for more information).

## 7 What other information was collected in addition to the arts surveys?

In addition to detailed expenditure data provided by the participating eligible organizations, extensive wage, labor, tax, and commerce data were collected from local, state, and federal governments for use in the input-output model.

## 8 Why are admission/ticket expenses excluded from the analysis of audience spending?

Researchers make the assumption that any admission fees paid by attendees are typically collected as revenue by the organization that is presenting the event. The organizations then spend those dollars. Thus, the ticket fees are captured in the operating budgets of the eligible nonprofit arts and culture organizations that participate in the organizational data collection effort. Therefore, the admissions paid by audiences are excluded from the audience spending analysis in order to avoid "double-counting" those dollars in the overall analysis.

## 9 Why doesn't this study use a multiplier?

When many people hear about an economic impact study, they expect the result to be quantified in what is often called a multiplier or an economic activity multiplier. The economic activity multiplier is an estimate of the number of times a dollar changes hands within the community (e.g., a theater pays its actor, the actor spends money at the grocery store, the grocery store pays the cashier, and so on). It is quantified as one number by which expenditures are multiplied. The convenience of the multiplier is that it is one simple number. Users rarely note, however, that the multiplier is developed by making gross estimates of the industries within the local economy and does not allow for differences in the characteristics of those industries. Using an economic activity multiplier usually results in an overestimation of the economic impact and therefore lacks reliability.


# Acknowledgements

Americans for the Arts wishes to express its gratitude to the many people across the country who made *Arts & Economic Prosperity IV* possible and assisted with its development, coordination, and production. A study of this size and scope cannot be completed without the collaboration of many partnering organizations.

Special thanks to the John D. and Catherine T. MacArthur Foundation and The Ruth Lilly Fund for Americans for the Arts for their financial support. Thanks also to Cultural Data Project for their research partnership.

Finally, each of our 182 local, regional, and statewide research partners contributed both time and financial support toward the completion of this study. Thanks to all of you. This study would not have been possible without you.

A study of this magnitude is a total organizational effort; appreciation is extended to the entire board and staff of Americans for the Arts. The Research Department responsible for the production of this study includes Randy Cohen, Ben Davidson, Amanda Alef, and Sam Myett.


Americans for the Arts 2011 Public Art Network Year in Review selection *Cloudbreak* by Catherine Widgery in Denver, CO

PARTNERS

*The following national organizations partner with Americans for the Arts to help public- and private-sector leaders understand the economic and social benefits that the arts bring to their communities, states, and the nation.*

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Americans for the Arts is the nation's leading nonprofit organization for advancing the arts in America. Established in 1960, we are dedicated to representing and serving local communities and creating opportunities for every American to participate in and appreciate all forms of the arts.