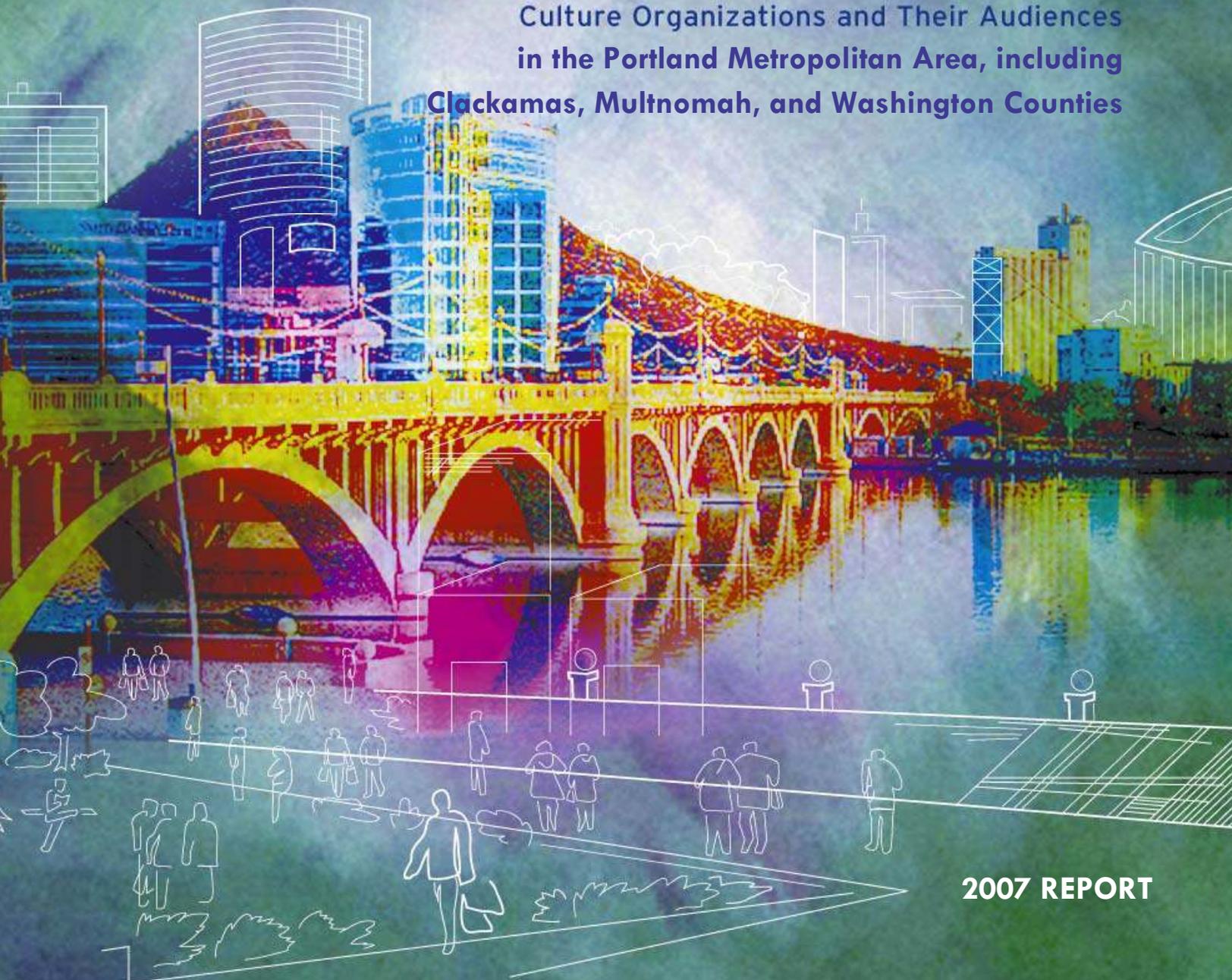




Arts & Economic Prosperity^{III}

The Economic Impact of Nonprofit Arts and Culture Organizations and Their Audiences in the Portland Metropolitan Area, including Clackamas, Multnomah, and Washington Counties



2007 REPORT

Arts and Economic Prosperity III is published by Americans for the Arts (AFTA), the Regional Arts & Culture Council (RACC), and Northwest Business for Culture & the Arts (NW/BCA).

AMERICANS FOR THE ARTS

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

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RACC is the local arts agency for the Portland metropolitan area, including Clackamas, Multnomah, and Washington Counties. Through vision, leadership and service, RACC works to integrate arts and culture in all aspects of community life. RACC provides grants and technical assistance to local artists and arts organizations; manages city and county public art programs; and conducts a variety of advocacy and development programs in the community.

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The mission of NW/BCA is to dramatically increase public and private support for arts, heritage, and humanities throughout Oregon. NW/BCA provides a dynamic and mutually beneficial link between business and the arts through advocacy, recognition, strategic alliances, membership programs, research, networking and communications. NW/BCA is an affiliate of the national Business Committee for the Arts, Inc.

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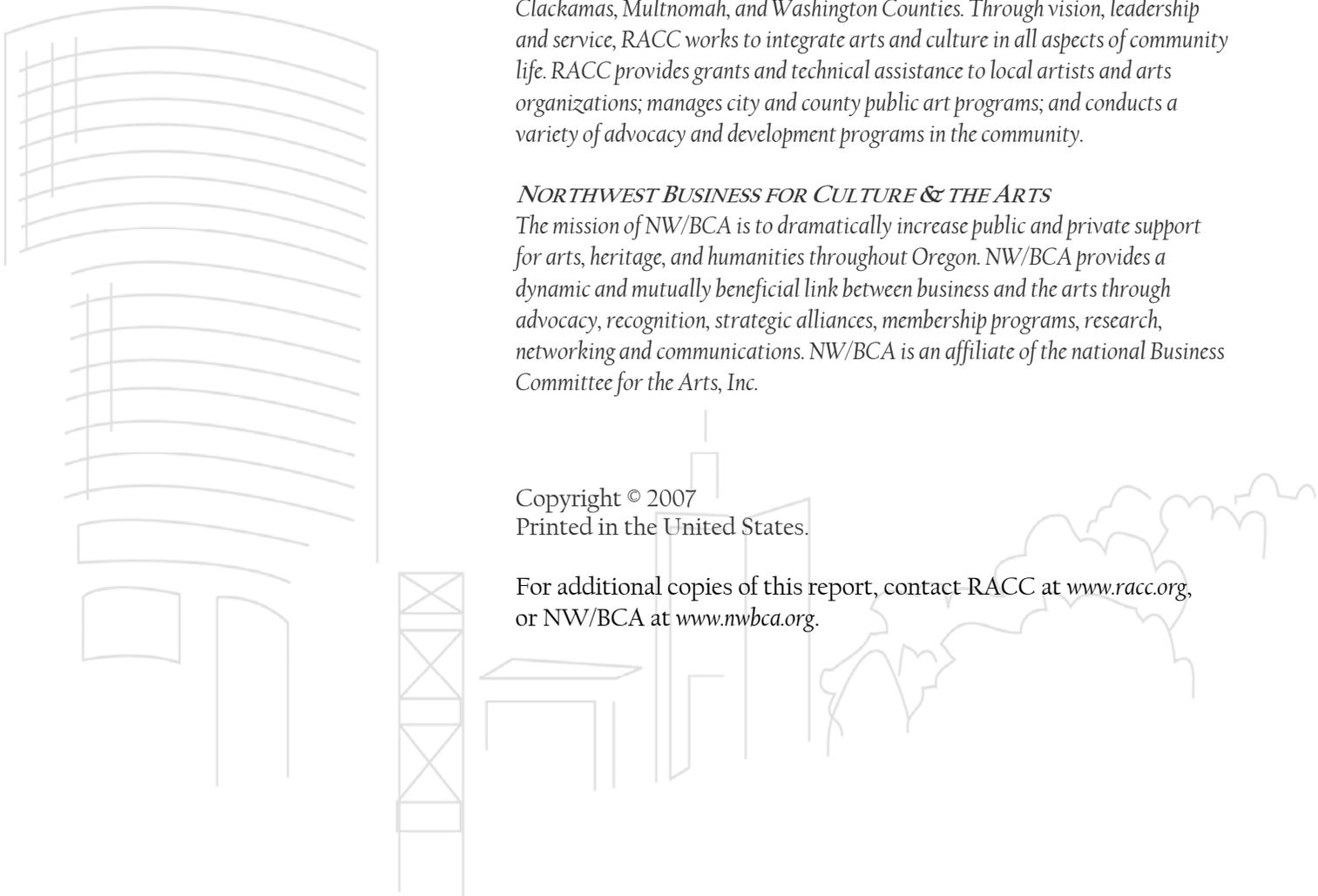


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Art Changes Everything

BY ELOISE DAMROSCH, EXECUTIVE DIRECTOR, REGIONAL ARTS & CULTURE COUNCIL, AND VIRGINIA WILLARD, EXECUTIVE DIRECTOR, NORTHWEST BUSINESS FOR CULTURE & THE ARTS

Conventional thinking has it that the arts are supported by the greater economy. This may have been true once upon a time, but it has never been that simple. Now a much bigger picture is coming into focus, and with it a transforming realization. The arts, in all of their incarnations, are a business sector like any other, and as such they play a critical role in the economy—particularly in a city like Portland, where the creative community is a thriving contributor to urban economic life.

It has always been true that the arts enrich people's lives, but now we realize there is a deeper story, and we can talk about the arts as an economic engine. This paradigm shift underscores a fundamental truth: art changes everything.

- Art is the difference between a lifeless space and an inspiring interior.
- Art is the difference between a loud noise and a symphony.
- Art is the difference between mere words and poetry.
- Art is the difference between an average education and an enlightened mind.
- Art is the difference between business as usual and a vital economy.

This report is proof that nonprofit arts and culture organizations are a significant industry in the Portland metropolitan area of Clackamas, Multnomah, and Washington Counties. Most noteworthy:

- Local arts and culture organizations generate \$318.26 million in local economic activity every year, including \$166.73 million in direct spending, and an additional \$151.53 million in event-related spending by their audiences.
- The economic activity from the region's arts and culture industry supports 10,321 full-time equivalent jobs. This generates \$206.67 million in household income to local residents and delivers \$27.12 million in local and state government revenue.

Our region is one of 156 communities that participated in *Arts & Economic Prosperity III*, the most comprehensive study of its kind ever conducted. Our staffs worked with 111 local arts organizations to collect detailed expenditure and attendance data in order to measure total industry spending, and we learned that local governments combined achieve direct financial returns on their investment, while also stimulating 648,313 of citizen volunteer hours, valued at an additional \$11.7 million.

This study confirms something that many of us have only surmised until now: when individuals, businesses, and governments support the arts, we are not only enriching people's lives, we are also making a substantial contribution to the region's economy.

The Portland metropolitan area is a special place, and the arts are an important reason why. As we have seen, art changes everything. And now we have an opportunity to change the way we think about art.

The Arts Mean Business

BY ROBERT L. LYNCH, PRESIDENT AND CEO, AMERICANS FOR THE ARTS

The key lesson from *Arts & Economic Prosperity III* is that communities that invest in the arts reap the additional benefit of jobs, economic growth, and a quality of life that positions those communities to compete in our 21st century creative economy. In my travels across the country, business and government leaders often talk to me about the challenges of funding the arts and other community needs amid shrinking resources. They worry about jobs and the economic performance of their community. How well are they competing in the high-stakes race to attract new businesses? Is their region a magnet for a skilled and creative workforce? I am continually impressed by their commitment to doing what is best for their constituents and to improving quality of life for all. The findings from *Arts & Economic Prosperity III* send a clear and welcome message: leaders who care about community and economic development can feel good about choosing to invest in the arts.

Most of us appreciate the intrinsic benefits of the arts—their beauty and vision; how they inspire, sooth, provoke, and connect us. When it comes time to make tough funding choices, however, elected officials and business leaders also need to have strong and credible data that demonstrate the economic benefits of a vibrant nonprofit arts and culture industry.

Nationally, the nonprofit arts and culture industry generates \$166.2 billion in economic activity annually—a 24 percent increase in just the past five years. That amount is greater than the Gross Domestic Product of most countries. This spending supports 5.7 million full-time equivalent jobs right here in the U.S.—an increase of 850,000 jobs since our 2002 study. What's more, because arts and culture organizations are strongly rooted in their community, these are jobs that necessarily remain local and cannot be shipped overseas.

Our industry also generates nearly \$30 billion in revenue to local, state, and federal governments every

year. By comparison, the three levels of government collectively spend less than \$4 billion annually to support arts and culture—a spectacular 7:1 return on investment that would even thrill Wall Street veterans.

Arts & Economic Prosperity III has more good news for business leaders. Arts and culture organizations—businesses in their own right—leverage additional event-related spending by their audiences that pumps vital revenue into restaurants, hotels, retail stores, and other local businesses. When patrons attend a performing arts event, for example, they may park their car in a toll garage, purchase dinner at a restaurant, and eat dessert after the show. Valuable commerce is generated for local merchants. This study shows that the typical attendee nationally spends \$27.79 per person, per event, in addition to the cost of admission. When a community attracts cultural tourists, it harnesses even greater economic rewards. Non-local audiences spend twice as much as their local counterparts (\$40.19 vs. \$19.53 nationally). Arts and culture is a magnet for tourists, and tourism research repeatedly shows that cultural travelers stay longer and spend more. Whether serving the local community or out-of-town visitors, a vibrant arts and culture industry helps local businesses thrive.

Right now, cities around the world are competing to attract new businesses as well as our brightest young professionals. International studies show that the winners will be communities that offer an abundance of arts and culture opportunities. As the arts flourish, so will creativity and innovation—the fuel that drives our global economy.

Arts & Economic Prosperity III is great news for those whose daily task is to strengthen the economy and enrich quality of life. No longer do business and elected leaders need to choose between arts and economic prosperity. Nationally, as well as locally, the arts mean business!

Executive Summary

THE FINDINGS OF ARTS & ECONOMIC PROSPERITY III

Every day, nonprofit arts and culture organizations are making Clackamas, Multnomah, and Washington Counties more desirable places to live and work. They provide inspiration and enjoyment to residents, beautify shared public places, and strengthen the social fabric. The 111 organizations that participated in this study represent an estimated 95% of all nonprofit arts and culture activity – demonstrating that the nonprofit arts and culture industry is also an economic driver that supports jobs, generates government revenue, and is a cornerstone of tourism.

Nonprofit arts and culture organizations pay their employees, purchase supplies, contract for services, and acquire assets from within our community. 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 that support for the arts is an investment in economic well-being.

Total Impact. The nonprofit arts and culture industry generates \$318.26 million in the Portland metropolitan area. This industry supports 10,321 full-time equivalent jobs and generates \$27.12 million in local and state government revenue.

ECONOMIC IMPACT OF THE NONPROFIT ARTS & CULTURE INDUSTRY (FY05-06)

(expenditures by organizations and audiences in Clackamas, Multnomah, and Washington Counties)

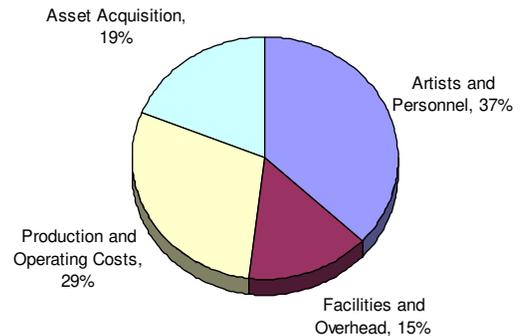
Total Expenditures	\$ 318.2 million
Full-Time Equivalent Jobs	10,321
Resident Household Income	\$ 206.6 million
Local Government Revenue	\$ 13.3 million
State Government Revenue	\$ 13.8 million

Organization Spending. Nonprofit arts and culture organizations are valuable contributors to the business community. They are employers, producers, consumers, and key promoters of the region. Nonprofit arts and culture organizations spent more than \$166 million in FY05-06.

NONPROFIT ARTS & CULTURE SPENDING (FY05-06)

Total Expenditures	\$ 166.7 million
Full-Time Equivalent Jobs	2,520
Resident Household Income	\$ 58.9 million

>> EXPENDITURES BY NONPROFIT ARTS & CULTURE ORGANIZATIONS (FY05-06)



Executive Summary

CONTINUED

Audience Spending. The arts and culture industry, unlike many industries, leverages a significant amount of event-related spending by its audiences. Attendance at arts events generates related commerce for local businesses such as restaurants, hotels, and retail stores. Data collected from 905 attendees at a range of arts events reveal an average spending of \$24.24 per person.

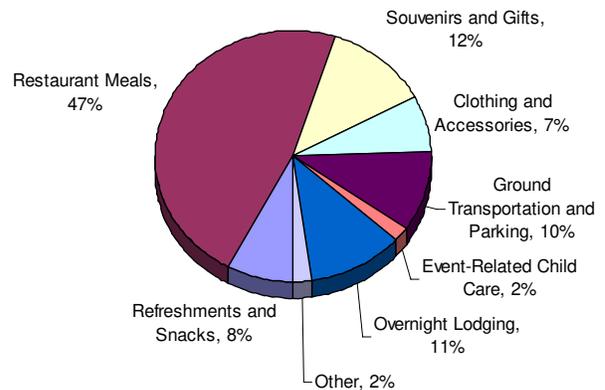
EVENT- RELATED SPENDING BY ARTS & CULTURE

AUDIENCES above and beyond the cost of event admission

Total expenditures by audiences	\$ 151.5 million
Average spending by local residents*	\$ 19.61 per event
Average spending by visitors	\$ 38.53 per event
Total attendance FY05-06	6.25 million

* "residents" are attendees with zip codes within Clackamas, Multnomah, and Washington Counties.

>> SPENDING BY AUDIENCES ATTENDING ARTS & CULTURE EVENTS IN FY05-06



Community Engagement. Volunteerism and In-Kind Contributions provide an economic impact beyond the dollars that are measured in this report. In 2005, the Independent Sector estimated the value of the average volunteer hour to be \$18.04.

VOLUNTEERS AND IN-KIND CONTRIBUTIONS (FY05-06)

Number of volunteers	14,015
Total volunteer hours	648,313
Value of volunteer hours	\$ 11.7 million
In-Kind Contributions (value)	\$ 5.2 million

In summary. This report demonstrates conclusively that investments in arts and culture yield significant economic benefits – supporting jobs, generating government revenue, and driving tourism. The arts mean business!

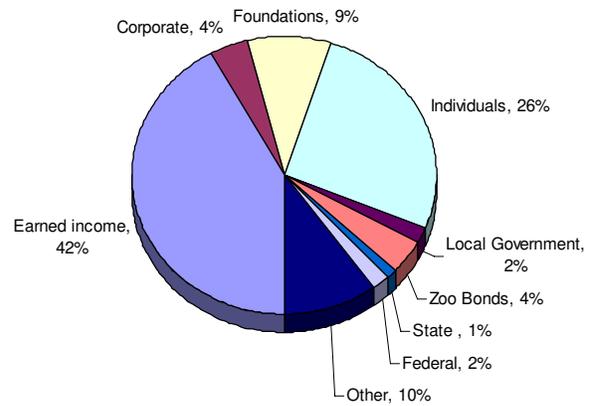
Nonprofit Arts and Culture Organizations in the Portland Metropolitan Area

This study measures the economic impact of 111 nonprofit arts and culture organizations, and the expenditures of their patrons, on the Portland Metropolitan Area economy (including Clackamas, Multnomah, and Washington Counties). A complete list of participating organizations appears on pages 16 and 17. They have budgets ranging from \$155 to \$21,052,027.

INCOME OF \$165.7 MILLION IN FY05-06

Earned income from tickets, admissions, tuition, retail sales, and other sources accounted for 42% of the total income of local nonprofit arts and culture organizations. The remaining 58% was generated through contributions.

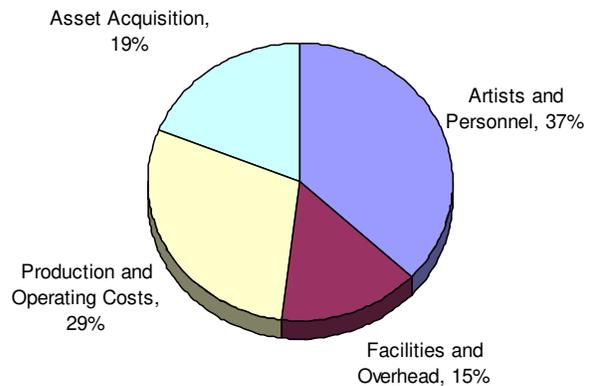
The average arts organization in the Portland metropolitan area receives less than 2% of its budget from local government sources. Only the Oregon Zoo has a dedicated revenue stream (property tax bonds) to support its operations.



“Other” income includes special event revenues and earnings from investments and endowments.

EXPENDITURES OF \$166.7 MILLION IN FY05-06

Dollars spent on human resources typically stay within a community longer, thereby having greater local economic impact. This chart illustrates the labor-intensive nature of the arts and culture industry. Over one-third of the typical organization’s expenditures are for artists and other personnel costs.



The Economic Impact of the Local Nonprofit Arts and Culture Industry

This study uses three economic measures to define economic impact: full-time equivalent jobs, resident household income, and local and state government revenues.

- **Full-Time Equivalent (FTE) Jobs** describes 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 (i.e., income, property, or sales) as well as funds from license fees, utility fees, filing fees, and other similar sources.

TOTAL SPENDING = DIRECT ECONOMIC IMPACT

Spending by nonprofit arts and culture organizations and their audiences totaled \$318.26 million in Greater Portland during FY05-06. The following table shows the direct economic impact of this spending—that is, the initial economic effect of these expenditures.

TABLE 1: Direct Economic Impact of the Nonprofit Arts and Culture Industry in Greater Portland
(Spending by Nonprofit Arts and Culture Organizations and Their Audiences)

	Greater Portland	Median of Similar Study Regions Pop. = 1,000,000 or More	National Median
Total Expenditures	\$318,264,018	\$267,351,502	\$41,315,605
Full-Time Equivalent Jobs	5,411	4,424	778
Resident Household Income	\$101,022,000	\$76,679,000	\$13,519,000
Local Government Revenue	\$3,320,000	\$4,591,500	\$845,000
State Government Revenue	\$3,984,000	\$6,971,500	\$1,593,000

RE-SPENDING CREATES ADDITIONAL IMPACTS

Arts & Economic Prosperity III 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 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 effects of the subsequent rounds of spending are all of the indirect impacts. The total impact is the sum of the direct and indirect impacts. And a dollar “ripples” through communities very differently, so a customized input/output model was created for the Portland metropolitan area.

The local expenditures in Table 1 continue to have an economic impact on the economy until the money eventually “leaks out” of the Greater Portland region. The total economic impact is the combination of the direct economic impact and the indirect economic impact. The table below shows the total economic impact of the \$318.26 million spent by nonprofit arts and culture organizations and their audiences during FY05-06.

Table 2: TOTAL Economic Impact of the Nonprofit Arts and Culture Industry in Greater Portland
(Jobs and revenues created by the spending of nonprofit arts and culture organizations and their audiences)

	Greater Portland	Median of Similar Study Regions Pop. = 1,000,000 or More	National Median
Total Expenditures	\$318,264,018	\$267,351,502	\$41,315,605
Full-Time Equivalent Jobs	10,321	8,010	1,386
Resident Household Income	\$206,671,000	\$154,798,500	\$26,369,000
Local Government Revenue	\$13,315,000	\$11,852,000	\$2,486,000
State Government Revenue	\$13,806,000	\$14,082,500	\$3,042,000

"Portland has long cherished its active and vibrant arts scene. Creativity is in Portland's DNA and it is an integral part of our culture, lifestyle and economy. Art is not something that exists in isolation from business enterprise. As the successful businesses in our community have taught us, and as this report shows, arts and culture infuse our community with fresh talent and help our growing economy flourish."

—Portland Mayor Tom Potter

"This study provides important, credible information about one means of increasing the economic vitality of our community. Our regional business plan calls for capitalizing on our distinctive economic assets. Supporting the nonprofit arts and culture industry is one effective way to do that."

—Judy Pepler

President, Qwest Oregon

and Chair of the Portland Business Alliance

"Building and investing in the arts today ensures a future filled with inspired, innovative, and productive employees here and around the world. Life would be so boring without the arts!"

—Gert Boyle

Chairman, Columbia Sportswear Company

SPENDING BY ORGANIZATIONS

Nonprofit arts and culture organizations are active contributors to their business community. They are employers, producers, and consumers. They are members of the chamber of commerce as well as key partners in the marketing and promotion of their cities, regions, and states. Spending by nonprofit arts and culture organizations totaled \$166.73 million in Greater Portland during FY05-06. This spending is far-reaching: organizations pay employees, purchase supplies, contract for services, and acquire assets within their community. These actions, in turn, support jobs, create household income, and generate revenue to the local and state governments.

Data were collected from 111 nonprofit arts and culture organizations in Greater Portland. Each provided detailed budget information about more than 40 expenditure categories (e.g., labor, payments to local and non-local artists, operations, materials, facilities, and asset acquisition) for fiscal year FY05-06 or their most completed fiscal year, as well as their total attendance figures. The following tables demonstrate the direct and total impacts of this spending.

	Greater Portland	Median of Similar Study Regions Pop. = 1,000,000 or More	National Median
Total Expenditures	\$166,729,911	\$123,162,088	\$17,346,252
Full-Time Equivalent Jobs	2,520	1,585	244
Resident Household Income	\$58,925,000	\$39,169,000	\$6,049,000
Local Government Revenue	\$1,677,000	\$1,233,000	\$179,000
State Government Revenue	\$3,364,000	\$1,668,000	\$200,000

	Greater Portland	Median of Similar Study Regions Pop. = 1,000,000 or More	National Median
Total Expenditures	\$166,729,911	\$123,162,088	\$17,346,252
Full-Time Equivalent Jobs	6,207	3,825	675
Resident Household Income	\$128,009,000	\$83,488,000	\$13,310,000
Local Government Revenue	\$6,735,000	\$5,001,500	\$719,000
State Government Revenue	\$8,149,000	\$5,516,500	\$770,000

SPENDING BY AUDIENCES

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

To measure the impact of nonprofit arts and culture audiences in Greater Portland, data were collected from 905 event attendees during 2006. Researchers used an audience-intercept methodology, a standard technique in which patrons complete a written survey about their event-related spending while attending the event. The 111 nonprofit arts and culture organizations that responded to the detailed organizational survey reported that the aggregate attendance to their events was 6.3 million. These attendees spent a total of \$151.53 million, excluding the cost of event admission. The following tables demonstrate the direct and total impacts of this spending.

Table 5: Direct Economic Impact of Spending by Nonprofit Arts and Culture Audiences
(excluding the cost of event admission)

	Greater Portland	Median of Similar Study Regions Pop. = 1,000,000 or More	National Median
Total Expenditures	\$151,534,107	\$122,761,096	\$24,772,704
Full-Time Equivalent Jobs	2,891	2,720	500
Resident Household Income	\$42,097,000	\$31,598,500	\$7,382,000
Local Government Revenue	\$1,643,000	\$3,051,000	\$516,000
State Government Revenue	\$620,000	\$5,440,000	\$1,282,000

Table 6: TOTAL Economic Impact of Spending by Nonprofit Arts and Culture Audiences
(excluding the cost of event admission)

	Greater Portland	Median of Similar Study Regions Pop. = 1,000,000 or More	National Median
Total Expenditures	\$151,534,107	\$122,761,096	\$24,772,704
Full-Time Equivalent Jobs	4,114	3,618	711
Resident Household Income	\$78,662,000	\$52,920,000	\$13,059,000
Local Government Revenue	\$6,580,000	\$5,983,500	\$1,390,000
State Government Revenue	\$5,657,000	\$8,229,000	\$2,176,000

VISITORS SPEND MORE

In addition to spending data, the 905 audience survey respondents were asked to provide the ZIP code of their primary residence, enabling researchers to determine which attendees were local (i.e., reside within Clackamas, Multnomah, or Washington Counties) and which were non-local (reside outside those counties). In 2006, 76 percent of the 6.2 million attendees were local; 24 percent were non-local.

Non-local arts and culture event attendees spent an average of 96 percent more than local attendees per person (\$38.53 vs. \$19.61). As would be expected from a traveler, higher spending was typically found in the categories of lodging, meals, and transportation. These data demonstrate that when a community attracts cultural tourists, it harnesses significant economic rewards.

Table 7: Event-Related Spending by Arts and Culture Event Attendees Totaled \$208.02 million
(excluding the cost of event admission)

	Residents	Non-Residents	All Greater Portland Event Attendees
Total Event Attendance	4,726,712	1,527,207	6,253,919
Percent of Attendees	76 percent	24 percent	100 percent
Average Dollars Spent per Attendee	\$19.61	\$38.53	\$24.24
Total Event-Related Spending	\$92,690,821	\$58,843,286	\$151,534,107

Table 8: Nonprofit Arts and Culture Event Attendees Spend an Average of \$24.24 Per Person
(excluding the cost of event admission)

	Residents	Non-Residents	All Greater Portland Event Attendees
Refreshments/Snacks During Event	\$1.93	\$1.71	\$1.88
Meals Before/After Event	\$10.51	\$14.30	\$11.44
Souvenirs and Gifts	\$2.03	\$5.96	\$2.99
Clothing and Accessories	\$1.83	\$1.53	\$1.75
Ground Transportation and Parking	\$1.81	\$4.69	\$2.51
Event-Related Child Care	\$0.54	\$0.18	\$0.46
Overnight Lodging (<i>one night only</i>)	\$0.61	\$9.04	\$2.67
Other	\$0.35	\$1.12	\$0.54
Total Per Person Spending	\$19.61	\$38.53	\$24.24

Voluntarism and In-Kind Contributions

AN ECONOMIC IMPACT BEYOND DOLLARS

Arts & Economic Prosperity III reveals a significant contribution to nonprofit arts and culture organizations as a result of voluntarism. In FY05-06, 14,015 arts volunteers donated 648,313 hours to Greater Portland's nonprofit arts and culture organizations. This represents a donation of time with an estimated value of \$11,695,567 (Independent Sector estimates the value of the average FY05-06 volunteer hour to be \$18.04). While these arts volunteers may not have an economic impact as defined in this study, they clearly have an enormous impact by helping Greater Portland's nonprofit arts and culture organizations function as a viable industry.

In addition, the nonprofit arts and culture organizations surveyed for this study were asked about the sources and value of their in-kind support. In-kind contributions are non-cash donations such as materials (e.g., office supplies from a local retailer), facilities (e.g., rent), and services (e.g., printing costs from a local printer). The 111 responding nonprofit arts and culture organizations in Greater Portland reported that they received in-kind contributions with an aggregate value of \$5,268,882 during FY05-06. These contributions were received from a variety of sources including corporations, individuals, local and state arts agencies, and government.

"Art and culture remind us to dream, create and innovate. They spark the imagination and challenge the mind. As learners and leaders we do more, and do it better, because of the inspiration provided by the arts."

—Eric Parsons

Chairman, President and CEO, The Standard

"Culture and the arts make a community come alive, drawing people and businesses together to create commerce and give back locally in countless ways. The economic, social and educational impact of a strong arts community creates vibrant, livable cities and is a critical part of sustaining long-term growth."

—Ray Davis

CEO, Umpqua Holdings Corporation

Conclusion

The nonprofit arts and culture industry generated \$318.26 million in the Portland metropolitan area last year. This industry supports 10,321 full-time equivalent jobs and generates \$27.12 million in local and state government revenue. Nonprofit arts and culture organizations, which spend \$166.73 million annually, leverage a remarkable \$151.53 million in additional spending by arts and culture audiences—spending that pumps vital revenue into local restaurants, hotels, retail stores, parking garages, and other businesses in Greater Portland. This report demonstrates conclusively that investments in arts and culture yield significant economic benefits – supporting jobs, generating government revenue, and driving tourism. **The arts mean business!**

“This report highlights the incredible economic benefits of having a strong arts and culture community, and we continue to celebrate their fundamental value in our everyday lives. Our region’s arts and culture organizations engage and inspire us, touch us and teach us, all while creating jobs, fueling the economy, sparking innovation, and making Portland a stronger competitor in the global marketplace.”

—Portland City Commissioner Sam Adams

“In my own philanthropy and business endeavors I have seen the critical role that the arts play in stimulating creativity and in developing vital communities. As this study indicates, the arts have a crucial impact on our economy and are an important catalyst for learning, discovery, and achievement in our country.”

—Paul G. Allen

Philanthropist and Co-Founder of Microsoft

Quick Reference

The Economic Impact of Nonprofit Arts and Culture Organizations and Their Audiences in the Portland metropolitan area (FY05-06)

Economic Activity	Arts and Culture Organizations	+	Arts and Culture Audiences	=	Total Expenditures
Total Industry Expenditures	\$166,729,911		\$151,534,107		\$318,264,018

Spending by Arts and Culture Organizations and Their Audiences Supports Jobs and Generates Government Revenue

Economic Impact of Expenditures	Economic Impact of Organizations	+	Economic Impact of Audiences	=	Total Economic Impact
Full-Time Equivalent (FTE) Jobs Supported	6,207		4,114		10,321
Household Income Paid to Residents	\$128,009,000		\$78,662,000		\$206,671,000
Revenue Generated to <u>Local</u> Government	\$6,735,000		\$6,580,000		\$13,315,000
Revenue Generated to <u>State</u> Government	\$8,149,000		\$5,657,000		\$13,806,000

Event-Related Spending by Arts and Culture Audiences Totaled \$151.53 million (excluding the cost of admission)

Attendance to Arts and Culture Events	Resident Attendees	+	Non-Resident Attendees	=	All Attendees
Total Attendance to Arts and Culture Events	4,726,712		1,527,207		6,253,919
Percentage of Total Attendance	76		24		100
Average Event-Related Spending Per Person	\$19.61		\$38.53		\$24.24
Total Event-Related Expenditures	\$92,690,821		\$58,843,286		\$151,534,107

Attendees Spend an Average of \$24.24 Per Person (excluding the cost of admission)

Category of Event-Related Expenditure	Resident Attendees	Non-Resident Attendees	All Attendees
Meals and Refreshments	\$12.44	\$16.01	\$13.32
Souvenirs and Gifts	\$2.03	\$5.96	\$2.99
Ground Transportation	\$1.81	\$4.69	\$2.51
Overnight Lodging (one night only)	\$0.61	\$9.04	\$2.67
Other/Miscellaneous	\$2.72	\$2.83	\$2.75
Average Event-Related Spending Per Person	\$19.61	\$38.53	\$24.24

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PARTICIPATING NONPROFIT ARTS AND CULTURE ORGANIZATIONS

This study could not have been completed without the cooperation of the 111 nonprofit arts and culture organizations in Clackamas, Multnomah, and Washington Counties, listed below, that provided detailed financial and event attendance information about their organization.

Art Gym at Marylhurst University, Artists Repertory Theatre, Arts Action Alliance Foundation, Beaverton Arts Commission, Body Vox, Broadway Rose Theatre Company, Caldera, Chamber Music Northwest, Chamber Music Society of Oregon, Columbia Symphony Orchestra, Concordia University Performing & Visual Arts, Conduit Dance, Contemporary Crafts Museum & Gallery, Cracked Pots, David York Ensemble, defunkt theatre, Disjecta, Do Jump Extremely Physical Theater, Earth Arts NW, Ethos Music Center, Film Action Oregon (formerly the Oregon Film & Video Foundation), Friends of Chamber Music, Friends of Clyde Rice, Friends of Timberline, Hillsboro Artists Regional Theatre, Historic Preservation League of Oregon, Homowo African Arts & Cultures, Hoyt Arboretum Friends Foundation, Imago Theatre, Independent Publishing Resource Center, India Cultural Association, Interstate Firehouse Cultural Center, ISing Community Choir, Jacknife Zion Horseheaven Historical Society, Kalakendra Limited, KBPS Public Radio Foundation, KMHD 89.1 FM, Lake Oswego Millennium Concert Band, Lakewood Theatre Company (aka Lakewood Center for the Arts), Literary Arts, MediaRites,

MetroArts , Metropolitan Youth Symphony, Mountain Writers Series, Mt Hood Repertory Theatre Company, Mt. Hood Cultural Center & Museum Arts Cabins Project, Multnomah Arts Center, Music Education Assistance Project, Northwest Business for Culture & the Arts, Northwest Children's Theater & School, Northwest Film Center, Northwest Professional Dance Project, Oregon Ballet Theatre, Oregon Children's Theatre Company, Oregon College of Art & Craft, Oregon Cultural Heritage Commission, Oregon Historical Society Folklife Program, Oregon Jewish Museum, Oregon Museum of Science and Industry, Oregon Repertory Singers, Oregon Symphony Association, Oregon Zoo, Orlo, Pacific Northwest College of Art, PassinArt: A Theatre Company, Performance Works NorthWest, PlayWrite, Portland Actors Conservatory, Portland Area Theatre Alliance, Portland Art Center, Portland Art Museum, Portland Baroque Orchestra, Portland Boychoir, Portland Center for the Performing Arts, Portland Center Stage, Portland Children's Museum, Portland Classical Chinese Garden, Portland Festival Symphony, Portland Gay Men's Chorus, Portland Institute for Contemporary Art (PICA), Portland Opera Association, Portland Piano International, Portland Revels, Portland Symphonic Choir, Portland Symphonic Girlchoir, Portland Taiko, Portland Theatre Works, Portland Youth Philharmonic Association, Profile Theatre Project, Quintessence Language and Imagination Theater, Regional Arts & Culture Council, Rose City Flute Choir , SCRAP - School & Community Reuse Action Project, Sojourn Theatre, South West Music School, Stumptown Stages, Tapestry Theatre Company, Tears of Joy Theatre, Third Angle New Music Ensemble, Third Rail Repertory Theatre, Troutdale Historical Society, Tualatin Historical Society, Village Gallery of Arts, West Linn-Wilsonville Music & Arts Partners, Westside Cultural Alliance, White Bird Dance, Willamette Falls Symphony, Wilsonville-Boones Ferry Historical Society, Write Around Portland, Young Audiences of Oregon & SW Washington Inc., and Young Musicians & Artists, Inc.

PARTICIPATING PATRONS

Additionally, this study could not have been completed without the cooperation of the 905 arts and culture patrons who generously took the time to complete the audience-intercept survey while attending an arts and culture event in Greater Portland.

156 NATIONAL STUDY PARTNER REGIONS

The following are the 156 communities and regions (116 cities and counties, 35 multi-county regions, and five states) that participated in the national study, representing all 50 states and the District of Columbia.

Jefferson County, AL; Greater Birmingham Region, AL; Anchorage, AK; Homer, AK; Chandler, AZ; Eastern Maricopa County, AZ; Mesa, AZ, Phoenix, AZ; Pima County, AZ, Tempe, AZ; Northwest Arkansas Region, AR; Fullerton, CA; Glendale, CA; Humboldt County, CA; Laguna Beach, CA; Pasadena, CA; Riverside County, CA; San Francisco, CA; Santa Barbara County, CA; Santa Clara County, CA; Santa Cruz County, CA; Sonoma County, CA; Walnut Creek, CA; Boulder, CO; Colorado Springs, CO; Fort Collins, CO; Gunnison County, CO; Loveland, CO; Greater Hartford, CT; Dover, DE; Wilmington, DE; the State of Delaware; Washington, DC; Greater Washington DC Metropolitan Region; Alachua County, FL; Bay County, FL; Broward County, FL; Central Florida Region; Miami, FL; Miami Beach, FL; Miami-Dade County, FL; Orange County, FL; Orlando, FL; Palm Beach County, FL; Pinellas County, FL; Winter Park, FL; Atlanta, GA; Savannah, GA; the Island of Maui, HI; Boise, ID; Wood River Valley Region, ID; Champaign County, IL; Chicago, IL; Indianapolis, IN; Saint Joseph County, IN; Iowa Cultural Corridor Region; Salina, KS; Sedgwick County, KS; Louisville-Jefferson County, KY; Northwest Louisiana Region; Portland, ME; Baltimore, MD; Montgomery County, MD; Prince George's County, MD; Pittsfield, MA; Kalamazoo County, MI; Brainerd Lakes Region, MN; Central Minnesota; East Central Minnesota; Minneapolis, MN; Minnesota Arrowhead Region; Minnesota Lake Region; Minnesota Twin Cities' Metropolitan Region; North Central Minnesota; Northwest Minnesota; Saint Cloud, MN; Saint Paul, MN; South Central Minnesota; Southeast Minnesota; Southwest Minnesota; Washington and Chicago Counties, MN; the State of Minnesota; Lauderdale County, MS; Metropolitan Kansas City Region, MO/KS; Saint Louis City and County, MO; Missoula, MT; Lincoln, NE; Portsmouth Seacoast Area, NH/ME; Newark, NJ; New Brunswick, NJ; Doña Ana County, NM; Buncombe County, NC; Forsyth County, NC; Guildford County, NC; Mecklenburg County, NC; Wake County, NC; Fargo-Moorhead Region, ND/MN; Greater Minot Region, ND; the State of North Dakota; Clark County, NV; Greater Buffalo Region, NY; Monroe County, NY; Orange County, NY; Suffolk County, NY; Ulster County, NY; Westchester County, NY; Greater Columbus, OH; Greater Cincinnati Region, OH/KY/IN; Mansfield, OH; Tulsa, OK; Greater Portland Region, OR; Josephine County, OR; Allegheny County, PA; Bradford County, PA; Erie County, PA; Greater Harrisburg Region, PA; Greater Philadelphia Region, PA; Lackawanna County, PA; Lancaster, PA; Luzerne County, PA; Lehigh Valley Region, PA; Philadelphia County, PA; Somerset County, PA; the State of Pennsylvania; Providence, RI; Greater Columbia, SC; Black Hills Region, SD; Nashville-Davidson County, TN; Abilene, TX; Austin, TX; Houston, TX; Iron County, UT; Greater Burlington, VT; Windham County, VT; Alexandria, VA; Arlington County, VA; Fairfax, VA; Fairfax County, VA; Bainbridge Island, WA; Seattle, WA; Tacoma, WA; Whatcom County, WA; Wheeling, WV; Dane County, WI; Greater Milwaukee Region, WI; La Crosse, WI; Marathon County, WI; Milwaukee County, WI; Northeast Wisconsin Region, WI; Oshkosh, WI; Pierce County, WI; Polk County, WI; St. Croix County, WI; St. Croix Valley Region, WI; the State of Wisconsin; and Teton County, WY.

Appendix A:

Comparisons with Other Study Regions

For the purpose of this study, Greater Portland is defined as Clackamas, Multnomah, and Washington Counties. Using this definition, the population of Greater Portland was estimated to be 1,523,690 during FY05-06 according to the most recent data available from the U.S. Census Bureau. The table below compares the economic impact results for Greater Portland with those of other regional study participants, as well as a few examples from communities that studied only their city (not the larger metropolitan region).

For more comparisons, data tables containing the detailed survey results for all 156 communities that participated in *Arts & Economic Prosperity III* are located in Appendix A of the full National Report. All three national study reports are available for download and purchase at www.AmericansForTheArts.org/EconomicImpact, including the Highlights Brochure, the Summary Report, and the full National Report.

Comparisons Among Some of the Other Participating Communities						
Study Region -- Multi-County	2005 Population	Total Industry Expenditures (Organizations & Audiences)	Full-Time Equivalent Jobs	Resident Household Income	Local Government Revenue	State Government Revenue
Northwest Arkansas	367,295	\$16,210,374	518	\$9,791,000	\$342,000	\$1,123,000
St. Croix Valley Region (WI,MN)	527,870	\$16,450,861	384	\$7,161,000	\$435,000	\$1,144,000
Northwest Louisiana	569,974	\$89,771,334	2,367	\$49,859,000	\$6,942,000	\$5,920,000
Greater Columbia, SC	575,350	\$56,255,506	2,206	\$38,416,000	\$2,689,000	\$3,801,000
Lehigh Valley, PA	680,159	\$169,109,467	6,216	\$92,956,000	\$6,817,000	\$11,130,000
East Maricopa County, AZ	838,862	\$82,687,274	2,512	\$49,785,000	\$3,395,000	\$4,836,000
Greater Buffalo, NY	1,147,711	\$155,294,034	4,740	\$95,904,000	\$14,902,000	\$9,150,000
Portland, OR metro area	1,523,690	\$318,264,018	10,321	\$206,671,000	\$13,315,000	\$13,806,000
Greater Harrisburg, PA	1,546,753	\$62,115,008	2,123	\$40,704,000	\$2,862,000	\$4,204,000
Kansas City Metro Region (MO,KS)	1,609,434	\$279,328,031	8,789	\$231,542,000	\$9,538,000	\$13,707,000
Greater Birmingham, AL	1,634,707	\$136,448,046	4,397	\$87,031,000	\$5,623,000	\$7,638,000
Greater Cincinnati Region (OH,KY,IN)	1,940,545	\$279,856,713	9,675	\$189,514,000	\$14,118,000	\$18,873,000
Greater Milwaukee, WI	1,968,951	\$249,720,184	8,359	\$164,580,000	\$14,673,000	\$18,245,000
Minnesota Twin Cities' Metro Region	2,746,987	\$719,504,854	19,069	\$568,742,000	\$17,268,000	\$62,839,000
Central FL Region (including Orlando)	3,497,472	\$165,312,100	5,661	\$111,717,000	\$8,966,000	\$11,720,000
Greater Washington DC Metro Region	3,684,021	\$1,156,704,133	26,731	\$607,976,000	\$50,380,000	\$37,331,000
Greater Philadelphia, PA	3,890,181	\$1,335,924,526	35,827	\$763,117,000	\$67,326,000	\$84,368,000
Study Region – Cities Only						
Atlanta, GA	470,688	\$274,804,821	8,211	\$167,167,000	\$14,135,000	\$12,938,000
Seattle, WA	573,911	\$259,803,713	6,289	\$140,003,000	\$9,653,000	\$11,294,000
Austin, TX	690,252	\$271,694,936	8,625	\$154,766,000	\$16,965,000	\$10,527,000
San Francisco, CA	739,426	\$1,032,652,270	27,837	\$547,999,000	\$41,493,000	\$51,610,000
Allegheny County, PA (incl. Pittsburgh)	1,235,841	\$341,562,860	10,192	\$204,294,000	\$15,282,000	\$18,522,000
Chicago, IL	2,842,518	\$1,091,780,667	30,134	\$628,736,000	\$58,092,000	\$45,005,000

Appendix B: About This Study

The *Arts & Economic Prosperity III* study was conducted by Americans for the Arts to document the economic impact of the nonprofit arts and culture industry in 156 communities and regions (116 cities and counties, 35 multi-county regions, and five states)—representing all 50 states and the District of Columbia.

The diverse communities range in population (4,000 to 3 million) and type (rural to urban). The study focuses solely on nonprofit arts and culture organizations and their audiences. Public arts councils and public presenting facilities/institutions are included as are select programs embedded within another organization (that have their own budget and play a substantial role in the cultural life of the community). The study excludes spending by individual artists and the for-profit arts and entertainment sector (e.g., Broadway or the motion picture industry). Detailed expenditure data were collected from 6,080 arts and culture organizations and 94,478 of their attendees. The 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 their nonprofit arts and culture industry, specifically full-time equivalent jobs, household income, and local and state government revenue.

THE 156 LOCAL AND REGIONAL STUDY PARTNERS

Americans for the Arts published a Call for Participants in 2005 seeking communities interested in participating in the *Arts & Economic Prosperity III* study. Of the more than 200 potential partners that expressed interest, 156 agreed to participate and complete four participation criteria: (1) identify and code the universe of nonprofit arts and culture organizations in their study region; (2) disseminate, collect, and review for accuracy expenditure surveys from those organizations; (3) conduct audience-intercept surveys at a minimum of 16 diverse arts events; and

(4) pay a modest cost-sharing fee (no community was refused participation for an inability to pay).

The Regional Arts & Culture Council (RACC) and Northwest Business for Culture & the Arts (NW/BCA) responded to the 2005 Call for Participants, and agreed to complete the four participation criteria.

SURVEYS OF NONPROFIT ARTS AND CULTURE ORGANIZATIONS

Each of the 156 study regions attempted to identify its complete universe of nonprofit arts and culture organizations using the Urban Institute's National Taxonomy of Exempt Entity (NTEE)² codes as a guideline. Eligible nonprofit arts and culture organizations—those whose primary purpose is to promote appreciation for and understanding of the visual, performing, folk, and media arts—received a web-based survey. Sent via email, the survey collected detailed information about their FY05 or FY06 fiscal year expenditures in more than 40 expenditure categories, including labor, local and non-local artists, operations, materials, facilities, and asset acquisition. Data were collected from 6,080 organizations for this study. Response rates for the 156 communities averaged 41.3 percent and ranged from 10.4 percent to 100 percent. Responding organizations had budgets ranging from a low of \$0 to a high of \$159.2 million. Each study region's results are based solely on the actual survey data collected, not on fiscal projections. The less-than-100 percent response rates suggest an understatement of the economic impact findings in most of the individual study regions.

The following NTEE¹ categories of nonprofit arts, culture, and humanities organizations were included in this study:

- A02, Management and Technical Assistance Organizations
- A03, Professional Societies and Associations
- A05, Research Institutes and Policy Analysis Organizations
- A11, Single Support Organizations
- A12, Fund Raising and Fund Distributing Organizations
- A23, Cultural and Ethnic Awareness Organizations
- A24, Folk Arts and Traditional Arts Organizations
- A25, Arts Education Organizations
- A26, Arts Councils and City Presenting Facilities
- A31, Film and Video Organizations
- A32, Public Access Television Studios
- A40, Visual Arts Organizations
- A45, Architectural Organizations
- A46, Drawing Organizations
- A47, Ceramic Arts Organizations
- A48, Art Conservation Organizations
- A51, Art Museums
- A52, Children's Museums
- A53, Folk Arts and Ethnic Museums
- A54, History Museums
- A55, Marine and Maritime Museums
- A56, Natural History and Natural Science Museums
- A57, Science and Technology Museums
- A58, Sports and Hobby Museums
- A59, Specialized Museums
- A61, Performing Arts Centers
- A62, Dance Organizations
- A63, Ballet Organizations
- A64, Choreography Organizations
- A65, Theaters
- A66, Playwriting Organizations
- A67, Musical Theaters
- A68, Music Organizations
- A69, Symphony Orchestras
- A6A, Theaters
- A6B, Singing or Choral Organizations
- A6C, Music Groups, Bands, or Ensembles
- A6D, Music Composition Organizations
- A6E, Performing Arts Schools
- A71, Art History Organizations
- A76, Literary Service Organizations and Activities

- A82, Historical Societies
- A84, Fairs, Festivals, and other Commemorative Events
- A91, Artist Service Organizations

In Greater Portland, 111 out of 215 potentially eligible nonprofit arts and culture organizations identified by the Regional Arts and Culture Council responded to the survey. 100% of eligible organizations with budgets of \$500,000 and above responded to the survey, and the responding organizations had a range of operating budgets from \$155 to \$21,052,027. A vast majority of the organizations that did *not* respond have ceased operations in 2006 and/or had annual operating budgets of less than \$10,000.

SURVEYS OF NONPROFIT ARTS AND CULTURE AUDIENCES

Audience-intercept surveying, a common and accepted research method, was completed in 152 of the 156 study regions to measure spending by audiences at nonprofit arts and culture events. Patrons were asked to complete a short survey while attending an event. A total of 94,478 attendees completed the survey for an average of 673 surveys per community. The randomly selected respondents provided itemized expenditure data on attendance-related activities such as meals, souvenirs, transportation, and lodging. Data were collected throughout 2006 (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 FY05-06 (collected from the organization surveys), 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 three people, these data actually represent the spending patterns of more than 280,000 attendees, significantly increasing the reliability of the data.

In Greater Portland, a total of 905 audience intercept surveys were collected from attendees to nonprofit arts and culture events during 2006.

ECONOMIC ANALYSIS

A common theory of community growth is that an area must export goods and services if it is to prosper economically. This theory is called economic-base theory, and it depends on dividing the economy into two sectors: the export sector and the local sector. Exporters, such as automobile manufacturers, hotels, and department stores, obtain income from customers outside of the community. This “export income” then enters the local economy in the form of salaries, purchases of materials, dividends, and so forth, and becomes income to local residents. Much of it is re-spent locally; some, however, is spent for goods imported from outside of the community. The dollars re-spent locally have a positive economic impact as they continue to circulate through the local economy. This theory applies to arts organizations as well as to other producers.

STUDYING ECONOMIC IMPACT USING INPUT/OUTPUT ANALYSIS

To derive the most reliable economic impact data, input-output analysis is 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 leaks out, and it quantifies the economic impact of each round of spending. This form of economic analysis is well suited for this study because it can be customized specifically to each community.

An input/output model was customized for Greater Portland 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 (e.g., County Business Patterns, Regional Economic Information System, Survey of State and Local Finance), local tax data (income taxes, business taxes, property taxes, and

miscellaneous local option taxes), as well as the survey data from the responding nonprofit arts and culture organizations and their audiences.

THE INPUT/OUTPUT PROCESS

The input-output model is based on a table of 533 finely detailed industries showing local sales and purchases. The local and state economy of each community is researched so the table can be customized for each community. The basic purchase patterns for local industries are derived from a similar table for the U.S. economy for 2002 (the latest detailed data available from the U.S. Department of Commerce). The table is first reduced to reflect the unique size and industry mix of the local economy, based on data from County Business Patterns and the Regional Economic Information System of the U.S. Department of Commerce. It is then adjusted so that only transactions with local businesses are recorded in the inter-industry part of the table. This technique compares supply and demand and estimates the additional imports or exports required to make total supply equal total demand. The resulting table shows the detailed sales and purchase patterns of the local industries. The 533-industry table is then aggregated to reflect the general activities of 32 industries plus local households, creating a total of 33 industries. To trace changes in the economy, each column is converted to show the direct requirements per dollar of gross output for each sector. This direct-requirements table represents the “recipe” for producing the output of each industry.

The economic impact figures for *Arts & Economic Prosperity III* were computed using what is called an “iterative” procedure. This process uses the sum of a power series to approximate the solution to the economic model. This is what the process looks like in matrix algebra:

$$T = IX + AX + A2X + A3X + \dots + AnX.$$

T is the solution, a column vector of changes in each industry’s outputs caused by the changes represented in the column vector X. A is the 33 by 33 direct-requirements matrix. This equation is used to trace the direct expenditures attributable

to nonprofit arts organizations and their audiences. A multiplier effect table is produced that displays the results of this equation. The total column is T. The initial expenditure to be traced is IX (I is the identity matrix, which is operationally equivalent to the number 1 in ordinary algebra). Round 1 is AX, the result of multiplying the matrix A by the vector X (the outputs required of each supplier to produce the goods and services purchased in the initial change under study). Round 2 is A²X, which is the result of multiplying the matrix A by Round 1 (it answers the same question applied to Round 1: “What are the outputs required of each supplier to produce the goods and services purchased in Round 1 of this chain of events?”). Each of columns 1 through 12 in the multiplier effects table represents one of the elements in the continuing but diminishing chain of expenditures on the right side of the equation. Their sum, T, represents the total production

required in the local economy in response to arts activities.

Calculation of the total impact of the nonprofit arts on the outputs of other industries (T) can now be converted to impacts on the final incomes to local residents by multiplying the outputs produced by the ratios of household income to output and employment to output. Thus, the employment impact of changes in outputs due to arts expenditures is calculated by multiplying elements in the column of total outputs by the ratio of employment to output for the 32 industries in the region. Changes in household incomes, local government revenues, and state government revenues due to nonprofit arts expenditures are similarly transformed. The same process is also used to show the direct impact on incomes and revenues associated with the column of direct local expenditures.

FOOTNOTE

¹ The National Taxonomy of Exempt Entities (NTEE)—developed by the National Center for Charitable Statistics at the Urban Institute—is a definitive classification system for nonprofit organizations recognized as tax exempt by the Internal Revenue Code. This system divides the entire universe of nonprofit organizations in ten broad categories, including “Arts, Culture, and Humanities.” The Urban Institute estimates that 100,000 are in operation in 2007.

Appendix C:

Frequently Used Terms

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 government taxes, 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.

ECONOMETRICIAN

An economist who designs, builds, and maintains econometric models.

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 culture industry.

INDIRECT IMPACT

Each time a dollar changes hands, there is a measurable economic impact. When people and businesses receive money, they re-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 non-locally, they are considered to have "leaked out" of the community and therefore cease to have a local economic impact. Indirect impact is the sum of the impact of all rounds of 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 non-local spending has no economic impact within the community. A ballet company purchasing shoes from a non-local 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.

MULTIPLIER (often called Economic Activity Multiplier)

An estimate of the number of times that a dollar changes hands within the community before it leaks out of the community (for example, the theater pays the actor, the actor spends money at the grocery store, the grocery store pays its cashier, and so on). This estimate is quantified as one number by which all expenditures are multiplied. For example, if the arts are a \$10 million industry and a multiplier of three is used, then it is estimated that these arts organizations have a total economic impact of \$30 million. The convenience of a multiplier is that it is one simple number; its shortcoming, however, is its reliability. Users rarely note that the multiplier is developed by making gross estimates of the industries within the local economy with no allowance for differences in the characteristics of those industries, usually resulting in an overestimation of the economic impact. In contrast, the input-output model employed in *Arts & Economic Prosperity III* is a type of economic analysis tailored specifically to each community and, as such, provides more reliable and specific economic impact results.

RESIDENT HOUSEHOLD INCOME (often called 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 GOVERNMENT

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 city and county government, schools, and special districts.

Appendix D:

Frequently Asked Questions

HOW WERE THE 156 PARTICIPATING COMMUNITIES AND REGIONS SELECTED?

In 2005, Americans for the Arts published a Call for Participants for communities interested in participating in the *Arts & Economic Prosperity III* study. Of the more than 200 participants that expressed interest, 156 agreed to participate and complete four participation criteria: (1) identify and code the universe of nonprofit arts and culture organizations in their study region; (2) disseminate, collect, and review for accuracy expenditure surveys from those organizations; (3) conduct audience-intercept surveys at a minimum of 15 diverse arts events; and (4) pay a modest cost-sharing fee (no community was refused participation for an inability to pay).

HOW WERE THE ELIGIBLE NONPROFIT ARTS ORGANIZATIONS IN EACH COMMUNITY SELECTED?

Local partners attempted to identify their universe of nonprofit arts and culture organizations using the Urban Institute's National Taxonomy of Exempt Entity (NTEE) codes as a guideline. Eligible organizations included those whose primary purpose is to promote appreciation for and understanding of the visual, performing, folk, and media arts. Public arts councils, public presenting facilities or institutions, and embedded organizations that have their own budget also were included if they play a substantial role in the cultural life of the community.

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 to design the input-output model used for this study.

WHAT OTHER INFORMATION WAS COLLECTED IN ADDITION TO THE ARTS SURVEYS?

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

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.

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 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 baby-sitter. All of these expenditures have a positive and measurable impact on the economy.

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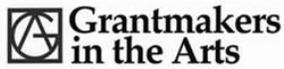


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