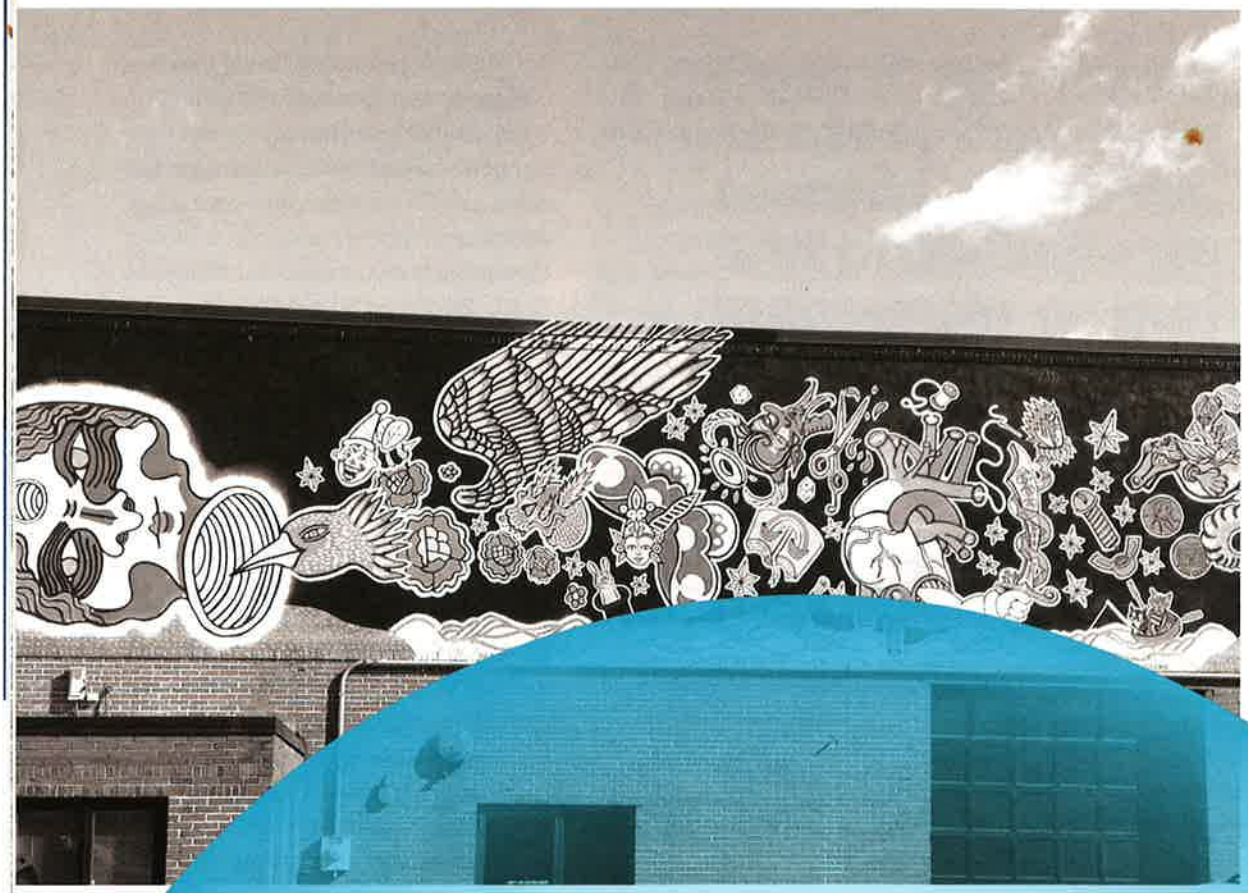


THE Arts Mean BUSINESS

First in a series of three articles on the value of nonprofit arts and culture organizations

By Robert Lynch

FROM LEFT TO RIGHT: "Inside Outside," mural on 3S ArtSpace building by Artist Peter Flynn Donovan, Portsmouth, New Hampshire, 2011. See link http://www.3sarts.org/news_and_events.cfm?sarticleID=9. "Fisherman's Luck," Australian granite whale by Cabot Lyford in Prescott Park, Portsmouth, 1979. "Moose Myth," stick moose by Andy Moerlin and Donna Dodson in Portsmouth's Market Square, 2010.

America's local governments were hit hard by the Great Recession. As managers, you have made some extremely tough and unpleasant decisions when preparing your budgets. You have likely cut important and valuable programs because of budget deficits. Luckily, the tide is finally turning in communities where revenues are increasing once again.

Managers might be hearing about the importance of promoting small business and about how Main Street is the key to our economic recovery. Unfortunately, many community leaders do not recognize that nonprofit arts and culture organizations are just that: small businesses.

They are resilient and entrepreneurial. They are local employers, producers, and consumers. Their spending is far-reaching: they pay employees, purchase supplies, contract for services, and acquire assets within their community.

In addition, unlike most industries, nonprofit arts and culture organizations leverage a significant amount of event-related spending by their audiences. When people attend a cultural event they may pay to park their car, purchase dinner at a restaurant, shop in nearby stores, eat dessert after the show, and pay a babysitter when they get home. Cultural tourists often spend the night in a hotel. All of these dollars generate commerce for local businesses.

TAKEAWAYS

› The nonprofit arts are an economic engine in every city in America and have an economic impact of more than $135 billion.

› The 100,000-plus nonprofit arts organizations are small businesses directly employing more than 1 million jobs and supporting an additional 3 million.

› Nonprofit arts are a strong investment with organizations and their audiences contributing more than $22 billion in local, state, and federal taxes.

Case Study: PORTSMOUTH, NEW HAMPSHIRE

Portsmouth, New Hampshire (population 21,000), participated for the third time in the Arts and Economic Prosperity IV study conducted in 2011 by Americans for the Arts, Washington, D.C.

Using a widely accepted economic input-output model, this study measured the economic impact of the nonprofit arts sector to the city's economic vitality. In 2011, we learned that nonprofit arts organizations in Portsmouth contributed $41.4 million to the local economy and supported 1,270 full-time equivalent jobs. These businesses also returned $2.7 million in local government revenue.

The city understands and values the importance of this sector of the economy to the quality of life for our residents and as an attraction for both business and visitors. Through the city's participation in the prosperity study in 2000, 2005, and 2010, our residents and elected officials have come to understand the quantitative value of the nonprofit arts and culture sector as a local economic driver.

A prime example of this growth is when you compare 2005 data to 2010. In Portsmouth, even after enduring the Great Recession, total arts organizational spending along with audience spending increased by $3.2 million (from $38.2 million to $41.4 million).

Without the direct and indirect benefit of these creative businesses, Portsmouth would be a much less interesting and economically vibrant city.

JOHN BOHENKO, ICMA-CM
City Manager
Portsmouth, New Hampshire
jpbohenko@cityofportsmouth.com

More and more, key decisionmakers—along with the general public—are recognizing these impressive economic benefits provided by our cultural industry. Fundamentally, the arts foster beauty, creativity, originality, and vitality. They inspire us, soothe us, provoke us, involve us, and connect us. But they also create jobs and contribute to the economy.

National Study Documents Economic Impact

Americans for the Arts recently published Arts and Economic Prosperity IV, its fourth national study of the economic impact of spending by nonprofit arts and culture organizations and their audiences. The most comprehensive study of its kind ever conducted, this study evaluated the economic impact of the nonprofit arts industry in 182 U.S. communities representing all 50 states and the District of Columbia. (See sidebar, "Case Study: Portsmouth, NH.")

These diverse communities range in population from 1,600 residents (Gunnison, Colorado) to more than four million (Houston/Harris County, Texas). To complete the national analyses, researchers collected survey data from 9,721 nonprofit arts and cultural organizations and 151,802 of their event attendees. Finally, the project economists built 182 customized economic input-output models—one for each community.

The study findings are impressive (see Figure 1). In spite of the funding challenges created by the Great Recession, nonprofit arts and culture remain a thriving industry. Nationally, it generated $135.2 billion in total economic activity during 2010—$61.1 billion by the organizations themselves, plus an additional $74.1 billion in event-related expenditures by their audiences. This economic activity supports 4.1 million full-time equivalent (FTE) jobs and generates $86.7 billion in resident household income.

A Key Jobs Supporter

What company would you name as your city's largest employer? Most likely it would be a local manufacturer, a hospital system, or a nearby university. Chances are you would not consider the nonprofit arts for your short list of candidates. But consider a few of the cities that participated in the Prosperity IV study.

In Telluride, Colorado (population 2,361), spending by nonprofit arts organizations and their audiences supports 740 FTE jobs, almost a third of the population. In Laguna Beach, California, that number is 718; and in Providence, Rhode Island, the industry supported 2,577 FTEs.

In fact, according to a comparison with statistics from the U.S. Department of Labor, the nonprofit arts and cultural industry supports approximately 0.87 percent of the entire U.S. workforce. That may not seem too impressive—until you consider that the same data demonstrates that elementary school teachers make up 1.17 percent of the workforce, police officers represent 0.51 percent, farmers account for 0.32 percent, and firefighters represent 0.24 percent.

Generating Revenue

Ask the question, "How much do you think all levels of government (local, state, and federal) appropriate to support nonprofit arts organizations?" to city officials and their staffs and you'll receive answers ranging from "not enough" to hundreds of billions of dollars. The real answer is approximately $4 billion each year, and that's only if you count everything that even remotely resembles support for the arts.

About one-quarter of that funding—$1 billion—is provided by city government sources. Then ask, "How much tax revenue is generated for the various levels of government by the nonprofit arts industry?"

Most have never considered the question. Thanks to the study, of course, we know that the answer is $22.3 billion. If you do the math, that represents a return on-investment greater than 5-to-1.

In Flagstaff, Arizona, population 60,222, the city invested $355,000 in the current fiscal year into nonprofit arts, culture, and science organizations; however, according to the study, the city collected $3,836,000 in local government revenue as

FIGURE 1: Source of Estimated Revenue for Nonprofit Arts Organizations

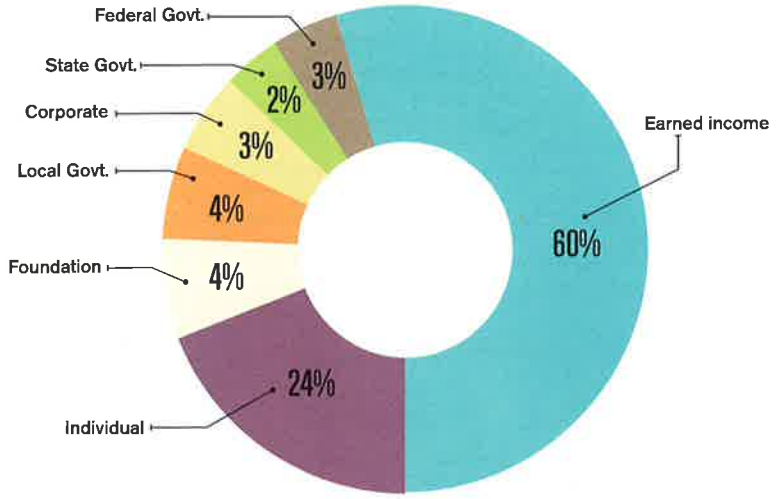


FIGURE 2: Economic Impact of the Nonprofit Arts and Culture Industry (2010)

(Combined spending by both nonprofit arts and cultural 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

a result of nonprofit art groups activities. That is more than a 9-to-1 return on investment! In other words, investing in the arts is a smart business decision.

Measuring Economic Impact

The Prosperity IV study 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 "respent" within a local economy and the economic impact generated by each round of spending.

A theater company, for example, 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 respends 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.

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

Here's another measure of the arts' economic impact. Nationally, ticket sales account for about 60 percent of what it costs to produce an event or show. The remainder comes from donations, grants, and government support (see Figure 2).

On average, a nonprofit arts organization receives only about 4 percent of its revenues from local government (often as a pass-through grant from your community's local arts agency). But, this is important as they can take this revenue and the "stamp of approval" that it connotes to attract other funding sources. The 4 percent is then multiplied into 8 percent, 12 percent, or more!

In other words, a small investment by the city can be multiplied into a substantial revenue stream and a source for new jobs.

Capitalizing on the Arts

The first thing that key decisionmakers must recognize is that nonprofit arts and culture organizations exist in every community coast-to-coast—fueling creativity, beautifying our cities, and improving our quality of life. Your city is home to a variety of cultural organizations.

Some may have more visibility than others, but all are working hard to serve the needs of your community and its residents. As your city's chief executive, look to the arts as an investment rather than a gift, a frill, or even an appropriation.

Just as we invest in infrastructure, schools, and safety, we need also to invest in the arts and culture. As budget processes are completed for upcoming fiscal years, invite your local arts agency and other arts groups to explain how your community's financial support for the arts can help your area's economy grow. After all, it's true that the arts mean business!

To download a copy of the full Arts & Economic Prosperity IV national report, including the individual findings for all 182 participating U.S. communities, visit www.AmericansForTheArts.org/EconomicImpact. **PM**

A three-part article series continues in the March 2013 issue of *PM* with an explanation on why nonprofit arts organizations are the key catalyst for cultural tourism, plus how those tourists generate billions in revenue for local businesses.

ROBERT LYNCH is president and chief executive officer, Americans for the Arts, Washington, D.C. (rlynch@artsusa.org).

ARTS MEAN

ECONOMIC REVITALIZATION

Arts patrons give strong support to local business

By Robert Lynch

PICTURE A PERFECT EVENING OUT. *YOU JUMP IN YOUR CAR AND HEAD DOWNTOWN TO GO SEE THE REGIONAL THEATER'S LATEST PRODUCTION. BEFORE THE SHOW BEGINS, YOU PAY TO PARK YOUR CAR IN A MUNICIPAL GARAGE AND TAKE ADVANTAGE OF A PRE-THEATER DINNER MENU AT A LOCAL RESTAURANT.*

Then you walk to the show, possibly making a stop along the way to shop when a local storefront catches your eye, and you proceed on to enjoy the performance. Afterward, you're not quite ready to end the night so you drop into a nearby restaurant for coffee and dessert. Depending upon how far you drove from home, you might even spend the night in a local hotel.

Sounds like a wonderful evening, right? If you're a local government manager, it also sounds like a great night for your local economy. This scenario is a fairly typical description of what happens when arts patrons attend cultural events. As it illustrates, the investments made in local nonprofit arts and culture organizations provide tremendous support to other sectors of the local economy. Arts and culture organizations leverage additional event-related spending by their audiences that pumps revenue into the local economy.

Any time that money changes hands, there is a measurable economic impact. Americans for the Arts' latest report *Arts & Economic Prosperity IV* studied the economic impact of nonprofit arts and culture organizations in communities across the United States, representing all 50 states and the District of Columbia.

Survey data was collected from 9,721 organizations and 151,802 of their event attendees. According to the study, the nonprofit arts and culture industry generated $135.2 billion dollars of economic activity—$61.1 billion in spending by nonprofit arts and culture organizations, plus an additional $74.1 billion in spending by their audiences, resulting in $22.3 billion in revenue to local, state, and federal governments. This is a yield well beyond their collective $4 billion in arts appropriations. It is estimated that 25 to 30 percent of this pie is local governments' appropriations.

What makes the economic impact of arts and culture organizations unique is that, unlike many other industries, they induce large amounts of event-related spending by their audiences. Local merchants reap the benefits of your city's investment in the arts. In fact, the typical arts attendee spends $24.60 per person, per event, beyond the cost of admission on meals, local ground

OPPOSITE PAGE: Albert Paley Sculpture. "Paragon" is a 38-foot, 28-ton sculpture that serves as the gateway to the Wichita, Kansas, WaterWalk development downtown. Wichita's city council commissioned the piece from Rochester, New York, artist Albert Paley.

BELOW: Nomar International Market. Planning for Wichita's Nomar International Market began in 2004, construction was completed in 2010, and the venue officially opened in May 2011.

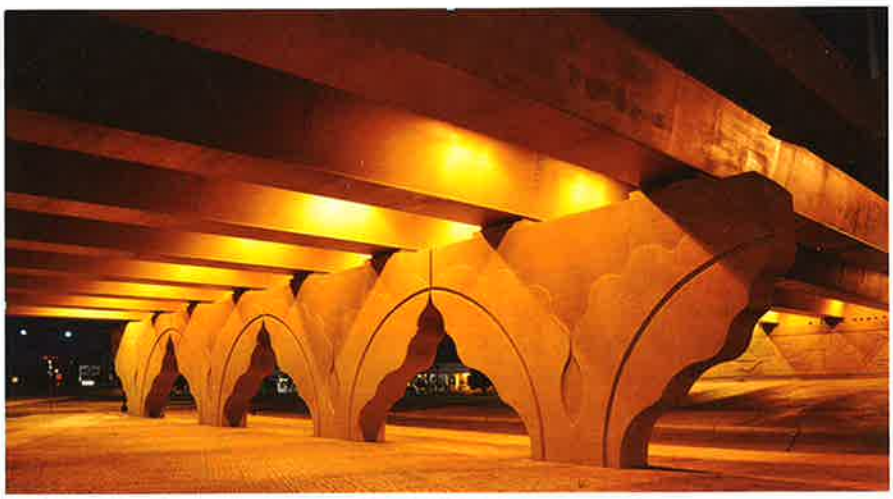
TAKEAWAYS

› Arts and culture organizations, unlike other industries, induce event-related spending.

› Arts and cultural organizations can assist in the revitalization of blighted areas.

› Cities benefit when they can attract cultural tourists who stay longer and spend more money.

ABOVE: Keeper of the Plains Plaza and Pedestrian Bridges. The Keeper of the Plains Plaza in Wichita, Kansas, incorporates the history of American Indians and embodies a "sacred hoop" and the four elements that make up life—earth, air, fire, and water.



ABOVE: West Kellogg Freeway Project. The West Kellogg Freeway Project is one of many examples in Wichita of ways to incorporate art into the built environment. The project spanned 2.2 miles of highway improvements that included landscaping, planters, piers, and stamped-concrete retaining walls to add to the overall appearance of the freeway.

transportation, shopping and souvenirs, overnight lodging, and even babysitting.

Arts organizations fundamentally support locally based businesses. They operate as small businesses, employ people locally, and purchase goods, which can be grown locally.

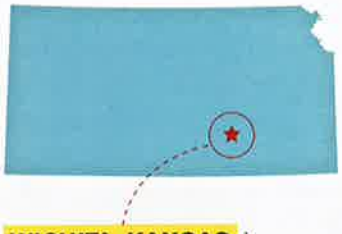
A Story of Revitalization

Most everyone is familiar with the Louisville Slugger Factory and Museum in Louisville, Kentucky. But, what you might not know is how the factory came to its current location at 800 W Main Street in downtown Louisville. Going back 20 years, Main Street was composed of empty storefronts and run-down businesses and contributed little to the city's tax base.

Then something transformational occurred. A small theater decided to open on Main Street, likely because the rent was so cheap. Then a small coffee house opened, and restaurants and art galleries soon followed. Eventually, Louisville Slugger moved from across the river to Main Street, and it now serves as an anchor for what is known as "Gallery Row." Currently, Gallery Row generates hundreds of thousands of dollars in tax revenues for the city, and it all started because a little theater moved in.

This story has repeated itself countless times across the country. Businesses, especially those in the service arena, are drawn to neighborhoods where the arts are happening. Local government

CASE STUDY: WICHITA, KANSAS



WICHITA, KANSAS, is one of the 50 largest cities in America with a population of nearly 400,000 and a regional draw of 800,000. Known as the "Aviation Capital of the World," 60 percent of all general aviation manufacturing occurs here. Most people are unaware, however, that Wichita has another economic powerhouse: the arts industry.

Wichita was one of 186 cities included in the Americans for the Arts' *Arts & Economic Prosperity IV* study. It revealed that the arts in Wichita generate $66.2 million in economic activity and support 2,006 jobs.

The arts are a business in Wichita, and there's no better example than Disney's "The Lion King." This touring Broadway show sold 60,000 tickets over a four-week run in September 2012, generating $4.3 million. Forty-three percent of ticket buyers were from outside Wichita.

The arts are so important to Wichita that we are considering the creation of an art district, to nurture and grow our cultural community.

ROBERT LAYTON
City Manager
Wichita, Kansas
rlayton@wichita.go

managers know that the arts and culture are great for economic revitalization.

Paducah, Kentucky, took this concept to the next level by actually using the arts and culture as the centerpiece of a program designed to revitalize an entire area of that city. The Artist Relocation Program uses city funds combined with strong public partnerships with local businesses and banks to create incentives for artists to move into the city.

Benefits to relocating artists include financial incentives, lower-than-market interest rates, discounts on all closing costs, and a full array of products and services. Business incentives include free lots for new construction; free web page and other joint marketing programs and promotional options; and preservation tax incentives.

As a result of this program, the neighborhood has been transformed from dilapidated housing and warehouses to an area that is now a hot spot to live in the city. In addition to artists, other professionals have moved in, cementing the program's success.

Not only are your own residents attracted to the arts and cultural events in your area, but visitors from other regions are, too. Communities that draw cultural tourists experience an additional boost of economic activity. After all, no one travels to simply stay at a hotel; they travel to attend an event, view an attraction, or participate in an activity.

Look at the Numbers

In fact, 32 percent of arts attendees live outside the county in which the arts event takes place. Why are they there? Nearly 60 percent of nonlocal arts attendees report that the primary reason for their trip was specifically to attend that arts event.

And, their event-related spending is more than twice that of local attendees ($39.96 versus $17.42). Arts and culture organizations provide these types of opportunities, which in turn attract and promote other business interests such as the hospitality industry.

Cultural tourism is an important piece of your economy. According to the U.S. Travel Association and the U.S. Department of Commerce, research has consistently shown that arts tourists stay longer, spend more than the average traveler, are more likely to spend $1,000 or more, and are more likely to stay in a hotel or other lodging.

Among "nonlocal" arts attendees, nearly 30 percent spent at least one night away from home in the community where the cultural event took place. With those "heads in beds," the cash registers are ringing—those overnight attendees spent an average of $170.58 per person. 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.

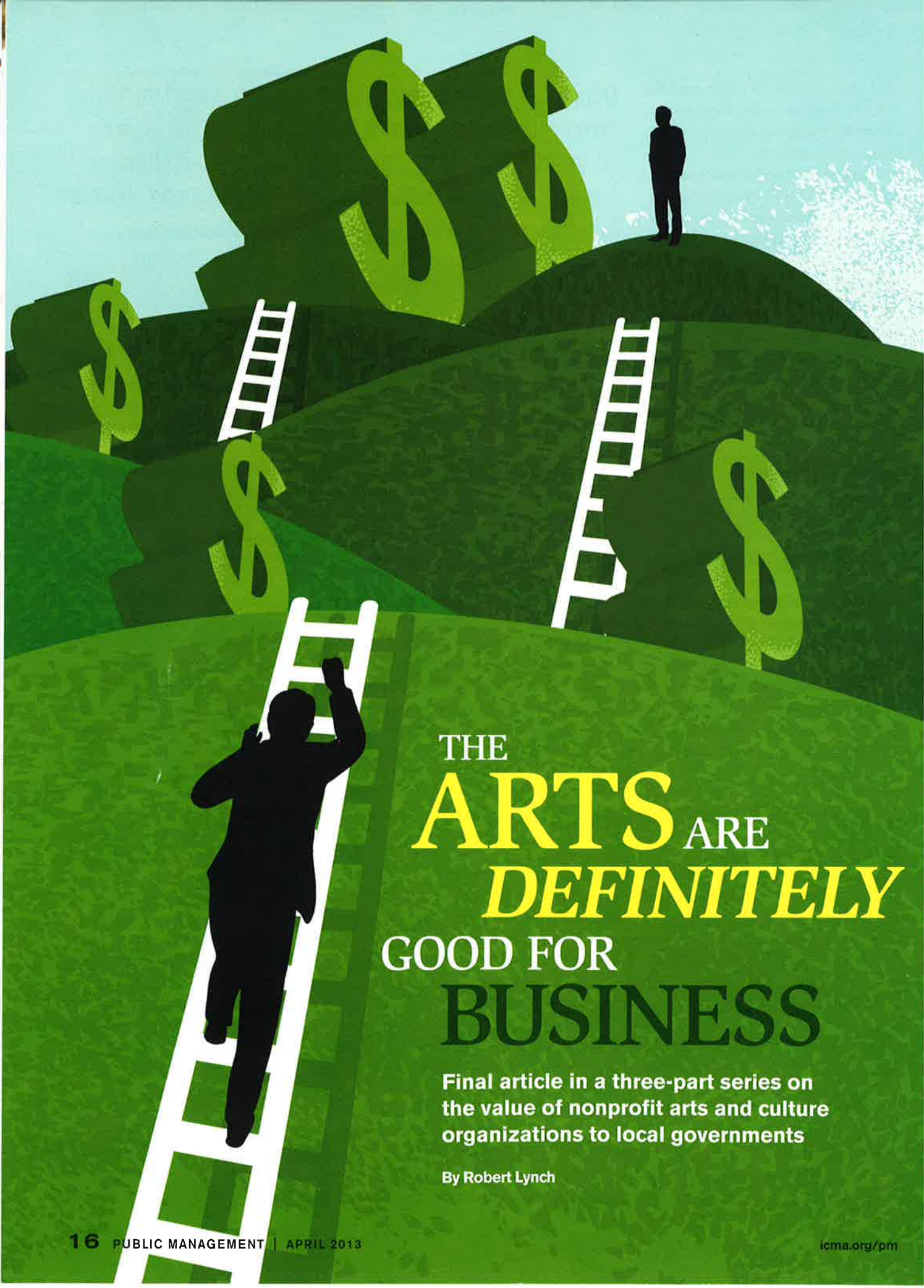
One might think that tourism is only a factor for the big communities with attractions like Disney World or the Grand Canyon. But savvy managers know that tourists actively seek out events in every state and in every size city or county. More times than not, especially in small towns, these tourists are there solely for some arts or cultural event, which greatly adds to tax revenues.

Just look to New Orleans, where jazz and the culinary arts draw hundreds of thousands of visitors annually. Furthermore, New Orleans and many of the smaller towns in Louisiana realized it was a smart move to use the arts and culture as a rebuilding tool after Hurricane Katrina.

In next month's article, we will explore how the arts and culture are a draw for business, how CEOs of large companies demand quality-of-life opportunities, and how arts education is playing a big role in teaching the future workforce creativity and innovation. **PM**

This three-part article series concludes in the April 2013 *PM*. The January/February *PM* article, "Arts Mean Business," online in the Archives tab at icma.org/pm, examines the value of nonprofit arts and culture organizations to local governments.

ROBERT LYNCH is president and chief executive officer, Americans for the Arts, Washington, D.C. (rlynch@artsusa.org).



THE ARTS ARE *DEFINITELY* GOOD FOR BUSINESS

Final article in a three-part series on the value of nonprofit arts and culture organizations to local governments

By Robert Lynch

In previous articles published in the January/February and March 2013 *PM* magazines, I wrote about how nonprofit arts organizations contribute to a local government's economy and create jobs, economic impact, and tax revenue. For this final article, I am going to switch gears and discuss how the arts are used to attract non-arts businesses to communities, how they help keep skilled employees at those businesses, and how they improve local schools.

As local government managers, you work to attract major corporations and small businesses to open up shop in your community. You know that a new factory employing 100 people will generate hundreds of thousands of dollars in economic activity and tens of thousands in tax dollars.

I suspect you have a standard presentation that you use to demonstrate why a business should locate in your community. The attractions might include low tax rates, cheap real estate, or quality schools. But does your standard pitch include a robust arts and cultural scene and substantial arts education in local schools? If not, it should!

TAKEAWAYS

- To be successful when attracting new businesses, a manager needs to be prepared to sell a community, including its cultural resources.
- Business leaders overwhelmingly want creative employees. A manager needs to make sure a community has a robust creative economy to train and keep these highly sought-after employees.

CEOs Value Art Skills

More and more CEOs are looking for more pluses than just tax breaks. They want happy employees who are creative and are good problem solvers. More often than not, business leaders say creativity is of high importance when hiring.

The arts are about critical thinking, solving and reframing problems and facts in ways that reveal insights and opportunities. Music, creative writing, drawing, and dance provide skills sought by employers of the third millennium. In fact, a 2010 Americans for the Arts survey found that 72 percent of companies contributing to the arts recognize that art skills stimulate creative thinking, problem solving, and team building.

The Boeing Company exemplifies this principle. When considering this company's history—from designing and building the earliest biplanes to creating and supporting today's supersonic aircraft and spacecraft—you might think it would be content with how far it has come. But a company of its size and scope doesn't succeed by resting on its laurels.

It is constantly reexamining its capabilities and processes to ensure that it is as strong and vital as its heritage. In fact, its culture mirrors the heritage of aviation itself, built on a foundation of innovation, aspiration, and imagination. To help foster a culture of innovation and imagination, Boeing has turned to the arts.

George Roman, vice president, state and local government operations and regional executive, at Boeing, sums it up nicely: "We have long held that investing in the arts positively impacts economic development and growth, produces a creative and diverse workforce, and nurtures the imagination and self-reflection needed to solve complex personal and community issues."

Christopher "Kip" Forbes, vice chairman of Forbes, Inc., echoes this sentiment. "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."

A Quality-of-Life Indicator

If you ask CEOs what their most valuable resource is, savvy executives will say the organization's employees. The problem is that each night, employees go home.

The challenge of a CEO is to make the company such that they are happy and want to continue to come back each day and work there. CEOs are realizing that employees become dissatisfied when the area where they live (this could be your city or county) does not offer them adequate leisure activities. In other words, people want things to do.

So, when a company is looking to open a new factory or office, more and more it wants to know what types of cultural activities exist for employees. If your answer is none or a few, then the CEO is liable to keep on looking.

The concept of city livability is becoming more and more common. People

Scottsdale, Arizona's public arts program has been in existence for some 27 years. For more information on the city's robust program, visit www.scottsdalepublicart.org.

When a company is looking to open a new factory or office, more and more CEOs are asking what types of cultural activities exist for employees. **If your answer is none or a few, then the CEO is liable to keep on looking.**

want to live, work, and play in one area. Communities without a modest arts scene not only miss out on economic benefits but also risk losing residents, and thus, businesses who can't find enough qualified employees.

"The arts are critical to the quality of life in our communities and to attracting people to our communities to create a high-quality labor pool. Hanesbrands and its employees are proud to be strong supporters of the arts and contributors to the vitality of our communities," according to Hanesbrands Chairman and CEO Richard Noll.

Hanesbrands donated $2 million to create the Hanesbrands Theatre in the Sawtooth Building, which was a former Hanes Hosiery Mill in downtown Winston-Salem, North Carolina.

The black-box theatre was built in a way that easily allows the space to be reconfigured to accommodate theatre, dance, and film presentations, meeting the needs expressed by more than a dozen arts groups for space in the downtown area for performances and other events.

Respondents to The Conference Board's *CEO Challenge 2013* ranked innovation as their third greatest challenge overall. When CEOs were asked to rank their top innovation challenge, human capital was their top concern.

In the Classroom

How does one get innovative, creative employees? The most recognized way is having a great school system, including one that has a robust arts education program. Did you know that a student who has taken an arts education class at least once a school year is:

- 4 times more likely to be recognized for academic achievement.
- 3 times more likely to be elected to class office within their schools.
- 4 times more likely to participate in a math and science fair.
- 3 times more likely to win an award for school attendance.
- 4 times more likely to win an award for writing an essay or poem.[1]

Not everyone who takes an arts or music class will become a professional artist. Actually, few do. But, students can use the skills they learn in their arts class and apply them to a work setting. This is why students with an arts education background go on to be productive, creative employees.

So a local government with creative students fosters business that by its very nature is becoming more and more creative and innovative by necessity. Communities that have a modest-to-thriving arts scene have one more amenity to attract business—and keep the ones that are already there.

I hope that this series has expanded your view of the value of arts and culture in local communities. In these times of tentative economic recovery, managers must use every available avenue to stabilize and improve the local economy. PM

ENDNOTES

1 Brice Heath, S. (1998). *Living the Arts through Language + Learning: A Report on Community-based Youth Organizations.* Americans for the Arts Monograph, 2 (7).

This three-part article series concludes in this issue. The January/February *PM* article, "The Arts Mean Business," online in the Archives tab at icma.org/pm, examines the value of nonprofit arts and culture organizations to local governments. The March article "Arts Mean Economic Revitalization," also online in the website Archives, shows how arts patrons give strong support to local business.

ROBERT LYNCH is president and chief executive officer, Americans for the Arts, Washington, D.C. (rlynch@artsusa.org).