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.

Robert L. Lynch
President and CEO, Americans for the Arts
The Arts Mean Business

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 benefits 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 the 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, soothe, 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.

Arts & Economic Prosperity III is our third study of the nonprofit arts and culture industry’s impact on the nation’s economy. Because of their rigor and reliability, results from the 1994 and 2002 studies have become the most frequently used statistics to demonstrate the value of arts and culture locally, statewide, and nationally. This new study is our largest ever, featuring findings from 156 study regions (116 cities and counties, 35 multicounty regions, and five states). Data was collected from an impressive 6,080 nonprofit arts and culture organizations and 94,478 of their attendees across all 50 states and the District of Columbia.

By every measure, the results are impressive! 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 jobs right here in the United States—an increase of 850,000 jobs since our 2002 study. What’s more, because arts and culture organizations are strongly rooted in their communities, 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 pump 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 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. Nonlocal audiences spend twice as much as their local counterparts ($40.19 vs. $19.53). Arts and culture are magnets 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!
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, Microsoft
Economic Impact of America’s Nonprofit Arts & Culture Industry

Every day, the **100,000 nonprofit arts and culture organizations** that populate the nation’s cities and towns are making their communities more desirable places to live and work. They provide inspiration and enjoyment to residents, beautify shared public places, and strengthen the social fabric. This study demonstrates that the nonprofit arts and culture industry is also an economic driver in these communities—a growth industry that supports jobs, generates government revenue, and is the cornerstone of tourism.

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

Nationally, the nonprofit arts and culture industry generates **$166.2 billion** in economic activity every year—$63.1 billion in spending by organizations and an additional $103.1 billion in event-related spending by their audiences. The impact of this activity is significant, supporting 5.7 million U.S. jobs and generating $29.6 billion in government revenue.

*Arts & Economic Prosperity III* is the most comprehensive study of the nonprofit arts and culture industry ever conducted. It documents the economic impact of the nonprofit arts and culture industry in 156 communities and regions (116 cities and counties, 35 multicounty regions, and five states), and represents all 50 states and the District of Columbia. The diverse communities range in population (four thousand to three million) and type (rural to urban).

Researchers collected detailed expenditure and attendance data from 6,080 nonprofit arts and culture organizations and 94,478 of their attendees to measure total industry spending. Project economists customized input/output analysis models for each study region to provide specific and reliable economic impact data. This study

<table>
<thead>
<tr>
<th>ECONOMIC IMPACT OF THE NONPROFIT ARTS &amp; CULTURE INDUSTRY (2005)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Expenditures</td>
</tr>
<tr>
<td>Full-Time Equivalent Jobs</td>
</tr>
<tr>
<td>Resident Household Income</td>
</tr>
<tr>
<td>Local Government Revenue</td>
</tr>
<tr>
<td>State Government Revenue</td>
</tr>
<tr>
<td>Federal Income Tax Revenue -</td>
</tr>
</tbody>
</table>
Mayors understand the connection between the arts industry and city revenues. Besides providing thousands of jobs, the arts generate billions in government and business revenues and play an important role in the economic revitalization of our nation’s cities.

Douglas H. Palmer
Mayor of Trenton, NJ
President, The United States Conference of Mayors
uses four economic measures to define economic impact: full-time equivalent jobs, resident household income, and revenue to local and state government.

- **Full-Time Equivalent (FTE) Jobs** describe the total amount of labor employed. Economists measure FTE jobs, not the total number of employees, because it is a more accurate measure that accounts for part-time employment.

- **Resident Household Income** (often called **Personal Income**) includes salaries, wages, and entrepreneurial income paid to local residents. It is the money residents earn and use to pay for food, mortgages, and other living expenses.

- **Revenue to Local and State Government** includes revenue from taxes (income, property, or sales) as well as funds from license fees, utility fees, filing fees, and other similar sources.

**Arts & Economic Prosperity III** focuses solely on nonprofit arts and culture organizations and their audiences. It excludes spending by individual artists and the for-profit arts and entertainment industry (e.g., Broadway or the motion picture industry). Due to the rigor with which the study was conducted, statistical extrapolations of the nation’s nonprofit arts and culture sector can be made and are presented in this report.

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*There is no better indicator of the spiritual health of our city, its neighborhoods, and the larger region than the state of the arts. The arts deepen our understanding of the human spirit, extend our capacity to comprehend the lives of others, allow us to imagine a more just and humane world. Through their diversity of feeling, their variety of form, their multiplicity of inspiration, the arts make our culture richer and more reflective.*

**Jonathan Fanton**  
President, MacArthur Foundation
Nonprofit Arts & Culture: A Growth Industry

The nation’s nonprofit arts and culture industry has grown steadily since the first analysis in 1992, expanding at a rate greater than inflation. Between 2000 and 2005, spending by organizations and their audiences grew 24 percent, from $134 billion to $166.2 billion. When adjusted for inflation, this represents a healthy 11 percent increase. Gross Domestic Product, by comparison, grew at a slightly faster rate of 12.5 percent (adjusted for inflation).

Spending by nonprofit arts and culture organizations grew 18.6 percent between 2000 and 2005, from $53.2 billion to $63.1 billion (a 4 percent increase when adjusted for inflation). Event-related spending by audiences attending a nonprofit arts and culture event increased 28 percent during the same period, from $80.8 billion to $103.1 billion, or 15 percent when adjusted for inflation. Audience spending was not studied in the 1992 analysis.

THE PANEL OF 25: ECONOMIC IMPACT TRENDS COMMUNITIES

Twenty-five communities participated in the 2000 and 2005 economic impact studies (surveying both organizations and audiences). Twenty-three of the 25 communities had aggregate increases in nonprofit arts and culture organization expenditures, with an average growth of 58.0 percent. Event-related spending by audiences grew an average of 50.4 percent, with just five communities experiencing declines. When taken together, annual economic activity grew 49.7 percent, expanding well ahead of not just the national arts and culture industry growth rate of 24 percent, but ahead of the nation’s Gross Domestic Product as well. The following are the 25 communities in this analysis:

Anchorage, AK  Boise, ID  Boulder, CO  Broward County, FL  Chandler, AZ  Columbus/Franklin County, OH  Dover, DE  Erie County, PA  Forsyth County, NC  Ft. Collins, CO  Glendale, CA  Homer, AK  Indianapolis, IN  Lehigh Valley, PA  Mesa, AZ  Miami-Dade County, FL  Minneapolis, MN  Newark, NJ  Phoenix, AZ  Portsmouth, NH  St. Cloud, MN  St. Louis, MO  Tempe, AZ  Walnut Creek, CA  Westchester County, NY

Audience expenditure data not collected in 1992.
Nonprofit arts and culture organizations are active contributors to the business community. They are employers, producers, consumers, and members of chambers of commerce, as well as key partners in the marketing and promotion of their cities and regions. Spending by nonprofit arts and culture organizations nationally was estimated at $63.1 billion in 2005. This output supports 2.6 million U.S. jobs, provides $57.3 billion in household income, and generates $13.2 billion in total government revenue.

**INDUSTRY EMPLOYMENT COMPARISONS**

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

In 2005, nonprofit arts and culture organizations alone supported 2.6 million full-time equivalent jobs. Of this total, 1.3 million jobs were a result of "direct" expenditures by nonprofit arts organizations, representing 1.01 percent of the U.S. workforce.

Compared to the size of other sectors of the U.S. workforce, this figure is significant.

Nonprofit arts and culture organizations support more jobs than there are accountants and auditors, public safety officers, even lawyers, and just slightly fewer than elementary school teachers. The chart below provides a helpful context for the large number of jobs directly supported by nonprofit arts and culture organizations.

It must be noted that the arts and culture jobs represent portions of multiple industry sectors (e.g., musicians, designers, accountants, printers), whereas the comparison groups are single job classifications.

**IMPACT OF NONPROFIT ARTS & CULTURE ORGANIZATIONS**

<table>
<thead>
<tr>
<th>Impact Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Expenditures</td>
<td>$63.1 billion</td>
</tr>
<tr>
<td>Full-Time Equivalent Jobs</td>
<td>2.6 million</td>
</tr>
<tr>
<td>Resident Household Income</td>
<td>$57.3 billion</td>
</tr>
<tr>
<td>Local Government Revenue</td>
<td>$2.8 billion</td>
</tr>
<tr>
<td>State Government Revenue</td>
<td>$3.5 billion</td>
</tr>
<tr>
<td>Federal Income Tax Revenue</td>
<td>$6.9 billion</td>
</tr>
</tbody>
</table>

**PERCENTAGE OF U.S. WORKFORCE (2005)**

<table>
<thead>
<tr>
<th>Job Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jobs Supported by Nonprofit Arts</td>
<td>1.01 %</td>
</tr>
<tr>
<td>Elementary School Teachers</td>
<td>1.14 %</td>
</tr>
<tr>
<td>Accountants &amp; Auditors</td>
<td>0.81 %</td>
</tr>
<tr>
<td>Police Officers</td>
<td>0.48 %</td>
</tr>
<tr>
<td>Lawyers</td>
<td>0.41 %</td>
</tr>
<tr>
<td>Farming, Fishing, Forestry</td>
<td>0.34 %</td>
</tr>
<tr>
<td>Telemarketers</td>
<td>0.31 %</td>
</tr>
<tr>
<td>Computer Programmers</td>
<td>0.30 %</td>
</tr>
<tr>
<td>Postal Mail Carriers</td>
<td>0.27 %</td>
</tr>
<tr>
<td>Fire Fighters</td>
<td>0.22 %</td>
</tr>
<tr>
<td>Professional Athletes</td>
<td>0.01 %</td>
</tr>
</tbody>
</table>
**DIRECT & INDIRECT ECONOMIC IMPACT:**
**HOW A DOLLAR IS RESPENT IN A COMMUNITY**

*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 “respent” within the local economy, and the economic impact generated by each round of spending. How can a dollar be respent? 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 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. The subsequent rounds of spending are the indirect economic impacts.

Thus, the initial expenditure by the theater company was followed by four additional rounds of spending (by the hardware store, sales clerk, grocery store, and the cashier). The effect of the theater company’s initial expenditure is the **direct economic impact**. The subsequent rounds of spending are all of the **indirect impacts**. The **total impact** is the sum of the direct and indirect impacts.

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

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*Across America, cities that once struggled economically are reinventing and rebuilding themselves by investing in art and culture. Both are proven catalysts for growth and economic prosperity. By creating cultural hubs, nonprofit art businesses help cities define themselves, draw tourists, and attract investment. Federal support for America’s nonprofit cultural organizations must go on if we hope to continue enjoying the substantial benefits they bring.*

**Louise M. Slaughter**  
U.S. House of Representatives (NY)  
Co-Chair, Congressional Arts Caucus
A LABOR-INTENSIVE INDUSTRY

Dollars spent on human resources typically stay within a community longer, thereby having a greater local economic impact. The chart below demonstrates the highly labor-intensive nature of the arts and culture industry. Nearly half of the typical organization’s expenditures are for artists and personnel costs (43.2 percent).

EXPENDITURES BY NONPROFIT ARTS & CULTURE ORGANIZATIONS (2005)

IMPACT OF NONPROFIT ARTS & CULTURE AUDIENCES

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Expenditures</td>
<td>$103.1 billion</td>
</tr>
<tr>
<td>Full-Time Equivalent Jobs</td>
<td>3.1 million</td>
</tr>
<tr>
<td>Resident Household Income</td>
<td>$46.9 billion</td>
</tr>
<tr>
<td>Local Government Revenue</td>
<td>$5.1 billion</td>
</tr>
<tr>
<td>State Government Revenue</td>
<td>$5.6 billion</td>
</tr>
<tr>
<td>Federal Income Tax Revenue</td>
<td>$5.7 billion</td>
</tr>
</tbody>
</table>

$103.1 billion in 2005. This spending supports 3.1 million full-time jobs in the United States, provides $46.9 billion in household income, and generates $16.4 billion in government revenue.

Nationally, the typical attendee spends an average of $27.79 per person, per event, in addition to the cost of admission. Businesses that cater to arts and culture audiences reap the rewards of this economic activity.

Nonprofit arts & culture attendees spend $27.79 per person above the cost of admission.

Audience Spending

The arts and culture industry, unlike many industries, leverages a significant amount of event-related spending by its audiences. For example, a patron attending an arts event may pay to park the car in a garage, purchase dinner at a restaurant, eat dessert after the show, and return home to pay the babysitter. This generates related commerce for local businesses such as restaurants, parking garages, hotels, and retail stores. Total event-related spending by nonprofit arts and culture audiences was an estimated
While the ratio of local to nonlocal attendees is different in every community, the national sample revealed that 39 percent of attendees traveled from outside of the county in which the event took place (nonlocal) and 61 percent were local (resided inside the county).

VISITORS SPEND MORE
In addition to spending data, researchers asked each of the 94,478 survey respondents to provide their home zip codes. Analysis of this data enabled a comparison of event-related spending by local and nonlocal attendees. Previous economic and tourism research has shown that nonlocal attendees spend more than their local counterparts. This study reflects those findings.

Local audiences, who live in the county in which the event occurred, spent an average of $19.53 per person, per event in addition to the cost of admission. Nonlocal attendees, those who live outside the county, spent twice this amount, or $40.19 per person.

As would be expected, nonlocal attendees spent significantly more in the categories of lodging, meals, and transportation. These findings demonstrate that when a community attracts arts and culture tourists, it harnesses significant economic rewards.

### Nonprofit Arts & Culture Attendees Spend $27.79 Per Person

<table>
<thead>
<tr>
<th>Category of Expense</th>
<th>Resident Audiences*</th>
<th>Nonresident Audiences*</th>
<th>All Audiences</th>
</tr>
</thead>
<tbody>
<tr>
<td>Meals/Refreshments</td>
<td>$10.77</td>
<td>$16.35</td>
<td>$13.00</td>
</tr>
<tr>
<td>Gifts/Souvenirs</td>
<td>$3.32</td>
<td>$4.78</td>
<td>$3.90</td>
</tr>
<tr>
<td>Lodging</td>
<td>$1.08</td>
<td>$10.91</td>
<td>$5.01</td>
</tr>
<tr>
<td>Child Care</td>
<td>$0.34</td>
<td>$0.33</td>
<td>$0.34</td>
</tr>
<tr>
<td>Transportation</td>
<td>$1.62</td>
<td>$4.37</td>
<td>$2.72</td>
</tr>
<tr>
<td>Other</td>
<td>$2.40</td>
<td>$3.45</td>
<td>$2.82</td>
</tr>
<tr>
<td>Total</td>
<td>$19.53</td>
<td>$40.19</td>
<td>$27.79</td>
</tr>
</tbody>
</table>

* Residents are attendees who live within the county in which the cultural event occurred; nonresidents live outside of the county.
This report reinforces why many cities and towns across the nation are stepping up to support the continued growth of arts and culture. Not only do the arts provide a much needed social escape for many in our communities—they also help drive local economies. Having an abundance of unique arts and events means more revenue for local businesses and makes our communities more attractive to young, talented professionals—whose decisions on where to start a career or business are increasingly driven by quality of life and the availability of cultural amenities.

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

- Spend more ($623 vs. $457)
- Use a hotel, motel, or bed-and-breakfast (62 percent vs. 55 percent)
- Spend $1,000 or more (19 percent vs. 12 percent)
- Travel longer (5.2 nights vs. 3.4 nights)

A 2001 research study by the Travel Industry Association of America and Partners in Tourism indicates that:

- 65 percent of all adult travelers attended an arts and culture event while on a trip that was 50+ miles away from home.
- 32 percent of these cultural travelers stayed longer because of the event.
- Of those that stayed longer, 57 percent extended their trips by one or more nights.
ARTS VOLUNTEERISM

Arts & Economic Prosperity III reveals a significant contribution to nonprofit arts and culture organizations as a result of volunteerism. The average city and county in the study had 5,174 arts volunteers who donated 191,499 hours to nonprofit arts and culture organizations, a donation valued at $3.4 million. The 6,080 responding organizations had an average of 125 volunteers who volunteered 45.3 hours each, for a total of 4,857 hours per organization. While these arts volunteers may not have an economic impact as defined in this study, they clearly have an enormous impact on their communities by helping arts and culture organizations function as a viable industry.

IN-KIND CONTRIBUTIONS

The organizations surveyed for this study provided data about their in-kind support (e.g., donated assets, office space, airfare, or advertising space). Seventy-one percent of the responding organizations received in-kind support, averaging $47,906 each during the 2005 fiscal year. Corporations were the largest provider of in-kind services.

### SOURCES OF IN-KIND CONTRIBUTIONS TO NONPROFIT ARTS & CULTURE ORGANIZATIONS

- **61% CORPORATIONS**
- **18% INDIVIDUALS**
- **15.6% LOCAL ARTS ORGANIZATIONS**
- **10.1% LOCAL GOVT.**
- **5.3% STATE GOVT.**
- **1.8% OTHER**

Conclusion

Nonprofit arts and culture organizations in the United States drive a $166 billion industry—a growth industry that supports 5.7 million full-time jobs and generates nearly $30 billion in government revenue annually. Arts and culture organizations—businesses in their own right—leverage significant event-related spending by their audiences that pumps vital revenue into restaurants, hotels, retail stores, parking garages, and other local businesses. This study lays to rest a common misconception: that communities support arts and culture at the expense of local economic development. In fact, communities are investing in an industry that supports jobs, generates government revenue, and is the cornerstone of tourism. This report shows conclusively that, locally as well as nationally, the arts mean business.
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 multicounty regions, and five states), representing all 50 states and the District of Columbia. The diverse communities range in population (four thousand to three 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 budgets and play substantial roles in the cultural life of communities). 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 was 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 the nonprofit arts and culture industries, specifically full-time equivalent jobs, household income, and local and state government revenue.

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 participants that expressed interest, 156

As Chairman of the Oklahoma Chamber of Commerce, I visited almost every city and town in the state. There is a visible difference in places with an active cultural community. I see people looking for places to park, stores staying open late, and restaurants packed with customers. The business day is extended and the cash registers are ringing.

Ken Fergeson
Chairman and CEO, NBanC
Past President, American Bankers Association
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 18 diverse arts events; and 4) pay a modest cost-sharing fee (no community was refused participation for an inability to pay).

SURVEYS OF 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 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 e-mail, the survey collected detailed information about their fiscal year 2005 expenditures in more than 40 expenditure categories, including labor, local and nonlocal artists, operations, materials, facilities, and asset acquisition. Data was 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 $50,000,000.

The arts have been and continue to be an important part of Arizona’s culture. By igniting the mind, the arts can spark new ways of thinking, communicating, and doing business.

JANET NAPOLITANO
Governor of Arizona
Chair, National Governors Association
The arts benefit communities as well as individuals. Cities and towns with flourishing cultural activities attract business and tourists and provide tremendous incentives for families. There are wonderful models in Massachusetts and across the country of communities that have integrated cultural institutions into revitalization efforts. They have strengthened their economies and greatly improved quality of life in their neighborhoods.

Edward Kennedy
U.S. Senate (MA)
Co-Chair, Senate Cultural Caucus

$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.

SURVEYS OF 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 was collected throughout the year (to guard against seasonal spikes or drop-offs in attendance) as well as at a broad range of events (a night at the opera will typically yield more spending than a Saturday children’s theater production, for example). Using total attendance data for 2005 (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, this data actually represents the spending patterns of more than 280,000 attendees, significantly increasing the reliability of the data.

**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 respent 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.

We in the public sector need to keep in mind what an important role the arts play in economic development. Part of a community’s vibrancy is defined by its arts and culture quality and diversity. All the things we do at county level to support the arts can make a difference, and I encourage county officials to step up to make sure their communities understand the linkage between local economic development and the arts.

**Leticia Van de Putte**
Texas State Senate  
President, National Conference of State Legislatures

On a personal level, I recognize the joyous celebration I experience from the arts and as a policy-maker, I recognize the tremendous economic contribution of the arts, from the most sophisticated urban center to the most precious rural community.

**Linda Langston**
Linn County Supervisor (IA)  
Chair, Arts Commission, National Association of Counties
To derive the national estimates, the 116 city and county study participants—multiregions and states are excluded from this analysis—were first stratified into six population groups, and an economic impact average was calculated for each group. Second, the nation’s largest 12,662 cities were assigned to one of the six groups based on its population, as supplied by the U.S. Census Bureau. Third, each city was assigned the economic impact average for its population group. Finally, the values of the cities were added together to determine the national economic impact findings. The two largest U.S. cities, New York and Los Angeles, each with more than $1 billion in organizational expenditures, were excluded from this study to avoid inflating the national estimates. In addition, Laguna Beach, CA, and Teton County, WY, were removed when calculating the national estimates due to their comparably high levels of economic activity in the population category.

North Dakota’s participation in this study shows the economic impact the arts can have in rural and urban economies alike. We look forward to the state arts council further exploring the role of arts in rural economic development.

Jack Dalrymple
Lieutenant Governor of North Dakota
Chair Elect, National Lieutenant Governors Association
Acknowledgements

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