

# Answers to Frequently Asked Questions

## **QUESTION: When will the study be completed and what will each of the participating communities receive?**

- Each of the [395 participating communities](#) will receive a customized report based on their own surveys of nonprofit arts and culture organizations and their audiences. An economic input-output model will be tailored for each community to provide specific data about the sector's impact on local jobs and government revenue. The reports will have many features including cross-community comparisons with other similarly populated communities, analyses of how spending differs between resident attendees and cultural tourists, and clear explanations about the methodology.
- **New!** Arts & Creative Economy reports will be created for each of the nation's 3,143 counties using federal data about the number of arts business establishments, employment, income, and artist employment. (Unlike the customized AEP6 reports, this analysis is based on both commercial and nonprofit businesses.)
- **New!** Improved economic analysis methods will provide each community with specific sources of government revenues generated (*e.g.*, income tax, sales tax, hotel tax, property tax).
- **New!** Social impact measures have been added to the audience survey to gauge how arts and culture impacts neighborhood pride and cultural identity.
- **New!** The AEP6 Playbook will provide research partners with prescriptive actions designed to increase local participation and promote the findings (*e.g.*, communications templates, awareness strategies, step-by-step instructions, examples of what has worked in other communities).

## **QUESTION: Why measure only the nonprofit arts and culture industry?**

- The AEP6 study changes the conversation about the nonprofit arts and culture industry from one that may often be considered a charity (worthy of support in prosperous economic times, but hard to justify in challenging times) to one of an industry that supports jobs, generates government revenue, and is a cornerstone of tourism. It is an industry that gives back to the community by providing both cultural and economic benefits.
- Because the nonprofit arts and culture sector receives the majority of public investment and private sector philanthropy, it is an appropriate question to ask what the public is receiving in return for its arts support. AEP6 provides that documentation from an economic perspective.
- AEP6 is a myth buster as it also demonstrates that nonprofit arts and culture organizations are businesses. They employ people locally, purchase goods and services in the community, are members of their chamber of commerce and business associations, and help drive tourism to the region. Arts organizations are good business citizens.

### **QUESTION: How were the 395 participating communities selected?**

- In 2020, Americans for the Arts published a call for communities interested in participating in the AEP6 study. Any community could participate in the study as long as they were able to meet the local data collection requirements, which were clearly outlined during the participant recruitment phase. A modest cost-sharing fee was requested for the research, analysis, and publication costs. No communities were excluded from the study for their inability to pay. Some partners requested that multiple study regions be included in their study. For example, a county, as well as a specific city within the county, are included, which counts as two participating communities. As a result, there are 303 local and state research partners representing a total of 395 participating communities.

### **QUESTION: How are the eligible arts and culture organizations in each community going to be identified?**

- Each of the local and state research partners will identify the comprehensive universe of [nonprofit arts and culture organizations](#) that are located in its participating community. Eligibility will be determined by using the Urban Institute’s National Taxonomy of Exempt Entities (NTEE) coding system as a guideline. Communities are encouraged to include other types of eligible organizations if they play a substantial role in the cultural life of the community or if their primary purpose is to promote participation in, appreciation for, and understanding of the visual, performing, folk, literary, and media arts. These include government-owned or operated cultural facilities and institutions, municipal arts agencies or councils, living collections (such as zoos and botanical gardens), university museums and presenters, and arts programs that are embedded under the umbrella of a non-arts organization or facility. For-profit/commercial businesses and individual artists are strictly excluded from this study. Additionally, resources will be provided to support the research partners’ efforts to connect and engage with the entire universe of cultural organizations in their region—with a particular focus on organizations that primarily serve communities of color.

### **QUESTION: What is the difference between a local/state research partner, a national research partner, and local arts and culture organizations?**

- Local and State Research Partners are the local and state arts agencies (and other types of organizations including discipline-specific arts organizations and chambers of commerce) that signed a commitment to participate in the AEP6 study on behalf of their entire community.
- National Partners are national organizations that help public and private sector leaders understand the economic and social benefits that the arts bring to their communities, states, and the nation, such as The National League of Cities, The National Association of Counties, Destination International, and The National Lieutenant Governor’s Association. They will help advance AEP6 by sharing information about the study in their organizations’ communication mediums, presenting sessions at their conferences, and educating their members about the economic value of arts and culture to their respective industries and communities.
- Local Arts and Culture Organizations are the foundation of this study. These are the organizations in the participating communities that produce and deliver arts and cultural

programming (*e.g.*, performing and visual arts organizations, arts programs at libraries and community organizations, arts service and arts education organizations, public art, and arts venues). Each will be asked to complete a brief survey about their organization's expenditures, attendance, and staffing/volunteerism. AEP6 includes nonprofit arts and culture organizations as well as municipally owned/operated agencies and facilities; arts and culture programs that are embedded in non-arts organizations (*e.g.*, faith-based organizations, community centers, libraries); living collections (zoos, aquariums); and historical/heritage societies and sites.

**QUESTION: Will the equity research framework that is being implemented as part of the AEP6 study mean that non-BIPOC organizations will be excluded from the collection of data?**

- No! Quite the opposite, in fact. Our analyses of previous studies have demonstrated an underrepresentation of organizations that primarily serve communities of color. The new and enhanced approach to the AEP6 study will help to support the inclusion and participation of all eligible arts and culture organizations in each of the participating communities. Our commitment is to be intentional in the way we (and our local and state research partners) complete the data collection process in order to ensure that the findings represent the largest and most inclusive scope possible of eligible organizations and their audiences. The customized final reports will continue to feature a comprehensive economic impact analysis of the entire nonprofit arts and culture sector in each participating community—and for the first time, the reports will also include an additional analysis focused on the economic impact of BIPOC arts and culture organizations and their audiences.

**QUESTION: My community is participating in the AEP6 study. How do I contact the local or state research partner who is representing my community?**

- Send an email to Dr. Genna Styles-Lyas, Director of AEP6 Community Engagement & Equity, at [glyas@artsusa.org](mailto:glyas@artsusa.org). We'll get you connected!

**QUESTION: Will elected officials, corporate leaders, and other community decision-makers trust the validity and rigor of the AEP6 study?**

- Yes! AEP6 will make a strong argument to elected and appointed government leaders and other community decision-makers. The AEP6 study's National Partners are organizations of public and private sector leaders that steer billions of dollars in public and private sector arts funding and create arts-friendly policies. They are partners because, (1) they too believe the arts are a fundamental component of a healthy community, and (2) they approve of the methodology and findings. Their logos will be included on the back cover of every AEP6 report. This boosts your credibility when advocating with the data. Be sure your mayor knows that the U.S. Conference of Mayors and National League of Cities are partners. Be sure your city manager knows that the International City/County Management Association is a partner. Be sure your private funders know that Council on Foundations and Independent Sector are partners. Be sure your business leaders know that the Conference Board and the Committee Encouraging Corporate Philanthropy are partners. Be sure your tourism and economic development

people know that Destinations International and the National Alliance of Community Economic Development Associations are partners. It will be up to the users of this report to educate the public about economic impact studies in general and the AEP6 findings for their specific community. The users may need to explain the rigorous and reliable methodology that was used—that an economic input-output model was customized for each of the participating communities (this is critical because, for example, the economic impact of \$50 spent in Baltimore will be different than in Boise and Birmingham). Users will also want to tout the conservative nature of the study (*e.g.*, the report is based only on actual data collected from organizations, it does not make estimates for non-responding organizations). The audience surveys are conducted at a broad range of cultural events to ensure a representative and inclusive sample of attendees to arts activities with both paid and free admission (*i.e.*, not just at the highest-priced venues, which would inflate the audience spending averages). Each community's customized report will provide details about the study methodology and economic analysis used. Our Arts & Economic Prosperity methodology has been reviewed and approved by economists from Bank of America (a funder of the first AEP study completed in 1994) as well as the White House Council of Economic Advisors.

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

- Any time money changes hands, there is a measurable economic impact. Social service organizations, libraries, and all entities that spend money have an economic impact. What makes the economic impact of arts and culture organizations unique is that, unlike most other industries, they induce large amounts of event-related spending by their audiences. For example, when patrons attend a performing arts event, they may purchase dinner at a restaurant, eat dessert after the show, and return home and pay the babysitter. These expenditures have a positive and measurable impact on the economy. While we don't study other industries as part of AEP6, a review of the research by the [U.S. Bureau of Economic Analysis](#) shows that the nation's entire arts and culture sector (nonprofit as well as commercial arts, education, motion picture, design and architecture, etc.) is a larger share of the nation's economy than powerhouse sectors such as agriculture, transportation, and utilities and boasts an international trade surplus of more than \$30 billion. In addition, it is interesting to consider that while the sports and commercial entertainment sectors also generate a large amount of induced event-related spending, those dollars are often spent with national concessionaire businesses—as a result, many of those dollars do not have a lasting local economic impact.

### **QUESTION: Why are admission/ticket expenses excluded from the analysis of audience spending?**

- Researchers assume that admission fees paid by attendees are collected as revenue by the organization or venue that is producing and/or presenting the performance, event, exhibit, or activity. The organizations then spend those dollars as part of their operating budget. Since those ticket fees are captured through the operating budget collected on the survey of organizations, admissions fees reported on the survey of audiences are excluded from the overall analysis to avoid double-counting those dollars.

**QUESTION: Will a community that is not participating in the Arts & Economic Prosperity 6 study still be able to use and apply the results?**

- Because of the variety of communities studied and the rigor with which the AEP6 study is conducted, nonprofit and public sector arts and culture organizations located in communities that were not part of the study will be able to estimate their local economic impact using an Arts & Economic Prosperity 6 Calculator. Additionally, users will be able to use sample PowerPoint presentations, press releases, op-eds, and other strategies for effective applications of their estimated economic impact data. These materials will be made available when the study findings are released in October 2023.

**QUESTION: What impact will the COVID-19 pandemic have on the AEP6 study?**

- First, it is important to acknowledge that the AEP6 study was postponed for 16 months due to the pandemic. Data collection for AEP6 was originally scheduled to be completed by December 2021 and be based on budget and attendance information for fiscal year 2020. After the postponement, the data collection will be completed by May 2023 and will be based on budget and attendance information for fiscal year 2022.
- The pandemic had a devastating impact on the arts sector. According to our own COVID-19 Impact Survey, 99% of producing and presenting cultural organizations canceled events during the pandemic—representing the loss of an estimated 557 million ticketed admissions. In addition to the impact on arts and culture organizations, those canceled events also resulted in a loss of \$17.6 billion to local businesses in the restaurant, retail, transportation, and lodging industries.
- The AEP4 study was conducted for fiscal year 2010, on the heels of The Great Recession. Nationally, the economic impact findings for AEP4 were lower than the findings for the previous AEP3 study. This was also true for many of the local communities that participated in AEP4. These results were expected and provided validation of the research. The message was clear—the nonprofit arts and culture sector is an industry that supports jobs and generates government revenue in both good economic times and challenging economic times.
- The arts sector successfully advocated for billions of dollars in pandemic relief and recovery funding such as Payroll Protection Program eligibility, the Shuttered Venues Operators Grant program, and the American Rescue Plan Act (ARPA). It has not yet been determined if the AEP6 methodology will allow the researchers to address the impact of these investments.
- Comparisons to the data from previous AEP studies will be difficult. The arts community has suffered greatly as a result of the pandemic; some organizations have closed permanently, and others are reduced in scale and scope. Attendance patterns and cultural tourism patterns have changed. But the arts sector has adapted. Many organizations invested in the creation and delivery of virtual cultural programming, and they are working to find the balance between in-person and virtual programming. For the first time, the AEP6 study will collect information about virtual attendance.
- The AEP6 study will provide an accurate representation of the economic power of the nonprofit arts and culture industry in the ongoing pandemic environment.

### **QUESTION: 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 an economic activity multiplier. The 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.

### **QUESTION: What type of analysis will be used to determine the specific and reliable economic impact results for each of the participating communities?**

- 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 residents. Much of it is re-spent locally; some, however, is spent for goods imported from outside of the region. The dollars re-spent locally have a positive economic impact as they continue to circulate through the local economy. The dollars spent non-locally cease having a local economic impact. This theory applies to arts organizations as well as to other producers. How can a dollar be re-spent? Consider the example of a theater company that purchases a five-gallon bucket of paint from its local hardware store for \$100—a very simple transaction at the outset, but one that initiates a complex sequence of income and spending by both individuals and other businesses.
  - Following the paint purchase, the hardware store may use a portion of the \$100 to pay the Salesclerk who sold the bucket of paint. The Salesclerk then re-spends some of the money for groceries; the grocery store uses some of the money to pay its cashier; the cashier then spends some of the money for rent; and so on.
  - The hardware store also uses some of the \$100 to purchase goods and services from other businesses, such as the local utility company, and then to buy a new bucket of paint from the paint factory to restock its shelf. Those businesses, in turn, re-spend the money they earned from the hardware store to buy goods and services from still other local businesses, and so on.
  - Eventually, the last of the \$100 is spent outside of the community and no longer has a local economic impact. It is considered to have leaked out of the community.
- The total economic impact describes this full economic effect, starting with the theater's initial paint purchase and ending when the last of the \$100 leaks out of the community. It is composed of the direct economic impact (the effect of the initial expenditure by the theater), as well as the indirect and induced economic impacts, which are the effects of the subsequent rounds of spending by businesses and individuals, respectively. A dollar "ripples" very differently through each community, which is why project economists

- customized a unique input-output model for each of the participating communities.
- 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 participating community, region, or state. A unique input-output model was constructed for each of the participating study regions based on the local dollar flow among 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 (County Business Patterns, Regional Economic Information System, Survey of State and Local Finance), local tax data (sales taxes, property taxes, income taxes, etc.), as well as the survey data from the responding nonprofit arts and culture organizations and their audiences.
  - The AEP6 study utilizes the [IMPLAN](#) economic impact modeling platform. Each input-output model is based on a table of 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 provided 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. 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 6 will be 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:
    - $T = IX + AX + A^2X + A^3X + \dots + A^nX$
  - 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 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 A<sup>2</sup>X, 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 then be converted to impacts on the final incomes of 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 industries in the region. Changes in household incomes, local government revenues, and state government revenues due to nonprofit arts expenditures are similarly transformed.