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. The Americans for the Arts study demonstrates that the nonprofit arts and culture industry is an economic driver in those communities as well—a growth industry that supports jobs, generates government revenue, and is the cornerstone of tourism.

At a time when governments at all levels are making tough budget choices, this study sends an important message: that support for the arts does not come at the expense of economic development.

When we increase our investment in the arts, we are not supporting a frill or a luxury. Rather, an industry that supports jobs, generates government revenue, is the cornerstone of tourism and economic development, and drives a creativity-based economy.

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.
Arts & Economic Prosperity III is the most comprehensive economic impact study of the nation’s nonprofit arts and culture industry ever conducted. It alters the percent the arts are luxuries worth supporting in prosperous times but hard to justify when the economy is struggling.

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.

The study focused solely on the economic impact of nonprofit arts organizations and their audiences, and excluded spending by individual artists, the for-profit arts and entertainment sector (e.g., Broadway or the motion picture industry), and arts produced by non-arts organizations (schools or community centers).
Arts & Economic Prosperity III documents the economic impact of the nonprofit arts and culture industry in 156 communities and regions (116 cities and counties, 35 multi-county regions, and 5 states), representing all 50 states and the District of Columbia. The diverse communities range in population (4 thousand to 3 million) and type (rural to urban).

Ranges in population: 4,000 to 3 million

Represents small rural to large urban
Arts & Economic Prosperity III includes study regions in all 50 state plus the District of Columbia.
The nonprofit arts and culture industry is one of growth. Between 2000 and 2005, expenditures by nonprofit arts organizations and their audiences grew 24 percent: $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 an inflation-adjusted 12.5 percent.

Spending by nonprofit arts and culture organizations grew 18.6 percent between 2000 and 2005, from $53.2 billion to $63.1 billion (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 (15 percent when adjusted for inflation).
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” through each community very differently, which is why each study region has its own customized economic model.

Input/output analysis is a highly regarded type of economic analysis that has been the basis
for two Nobel Prizes in economics. This form of economic analysis is well suited for this study because it can be customized specifically to each community.
In this study, economic impact is defined as the employment (full-time equivalent jobs), resident household income (salary, wages, proprietary income), and government revenue (taxes, license fees) generated by the dollars spent in the community by nonprofit arts organizations and their audiences.

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 (income, property, or sales) as well as funds from license fees, utility fees, filing fees, and other similar sources. This economic impact study sends a strong signal to communities that when they support the arts, they not only enhance the quality of community life but also invest in their economic well-being.

This spending supports 5.7 million full-time 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.

There is a tremendous untapped upside to this industry.

(How many industries have a cultural impact AND an economic impact?)
Nonprofit Arts organizations are responsible members of the business community. They are employers, producers, consumers, members of the chamber of commerce, and key participants in the marketing and promotion of their cities and regions.

Arts organizations pay their employees, purchase supplies, contract for services, and acquire assets within the local community. These actions, in turn, support local jobs, create household income, and generate revenue to the local, state, and federal governments.

**Economic Impact of Nonprofit Arts & Culture Organizations**

$63.1 Billion Annual Expenditures

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<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>
Spending by nonprofit arts and culture organizations provide rewarding employment for more than just artists, curators, and musicians. They also directly support 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.[i] 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 accountants and auditors, public safety officers, and even lawyers, and just slightly fewer than elementary school teachers. The above chart 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.

The nonprofit arts, unlike most industries, leverage significant amounts of event-related spending by their audiences. Attendance at arts events generates related commerce for local businesses such as hotels, restaurants, and retail stores. For example, when patrons attend a performing arts event, they may park their car in a toll garage, purchase dinner at a restaurant, eat dessert after the show, and return home and pay a babysitter.

The arts enrich our life, but also inject cash to other businesses.

The arts are a business that spurs other business.
Data collected from 94,478 arts event attendees at a range of arts events reveal an average spending of $27.79 per person per event, not including the price of admission.
In addition to spending data, researchers asked each of the 94,478 survey respondents to provide their home zip codes. Analysis of these 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 do. This study reflects those findings.

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 (reside inside the county).

Arts and culture is a product that attracts visitors to a region.
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 that amount, or $40.19 per person.

As would be expected from a traveler, significantly higher spending can be found in the categories of lodging, meals, retail, and transportation. These data demonstrate that when a community attracts cultural tourists, it stands to harness significant economic rewards.

As communities compete for the tourist’s dollar, the arts have proven to be a magnet for travelers and their money. Local businesses are able to grow because travelers extend the length of their trips to attend cultural events.

Travel and tourism research shows that cultural travelers spend more ($631 vs. $457), travel longer (5.2 nights vs. 4.1 nights), and are more likely to spend at least $1,000 (18% vs. 12%).
The nonprofit arts and culture organizations in the U.S. 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 pump 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, they 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.
Visit [www.AmericansForTheArts.org/EconomicImpact](http://www.AmericansForTheArts.org/EconomicImpact) to access free resources you can use to help make the economic case for arts funding and arts-friendly policies in your community:

The Arts & Economic Prosperity Calculator is a handy tool that enables users to estimate the economic impact of their organization.

A downloadable and customizable PowerPoint presentation that effectively communicates this study’s findings.

*Arts & Economic Prosperity III Highlights Pamphlet*

*Arts & Economic Prosperity III Summary Report*

*Arts & Economic Prosperity III National Report*, complete with national and local findings, background, scope, and methodology.

A press release announcing the study results

Sample Opinion-Editorials