

STRONGE CONSULTING INC.

Economic Impact of Non- Profit Arts and Cultural Organizations on the State Economy of Florida

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Introduction

This report was prepared for the Florida Cultural Alliance and the Florida Division of Cultural Affairs. The purpose of the report was to provide interim estimates of the impact of Florida non-profit arts and cultural organizations. The report is intended to provide interim estimates pending the completion of a statewide study that is expected to be completed by the end of 2009.

The study uses data from the Quarterly Census of Employment and Wages to extrapolate from studies of seven counties already completed by the Americans for the Arts to the statewide totals.

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Executive Summary

1. Florida non-profit arts and cultural organizations generated an estimated \$2.824 billion of direct spending in the state in 2007. Of this, the organizations directly spent \$1.454 billion and their audiences directly spent \$1.370 billion in connection with their attendance at cultural events and facilities.
2. The \$2.824 billion in direct spending by Florida arts and cultural organizations in 2007 resulted in \$3.393 billion in indirect and induced expenditures leading to a total increase in spending in the economy of \$6.217 billion.
3. Florida's non-profit arts and cultural organizations directly supported 36,117 jobs in 2007. Additionally, audience expenditures directly supported 37,327 jobs in industries that received such expenditures. The result was a total of 73,444 jobs directly created in Florida by the expenditures of the state's arts and cultural organizations and their audiences.
4. Including the jobs created in the industries up the supply chain that serve the arts and cultural organizations and their audiences, as well as jobs created by the spending induced by affected workers, the total number of jobs created in the state as a result of the spending by arts and cultural organizations and their audiences was 117,871.
5. Workers and the self-employed in the arts and cultural organizations experienced an increase of \$1.240 billion in their incomes in 2007. Additionally, workers and the self-employed in the industries which received event-related expenditures from the audiences of the arts and cultural organizations received an increase of \$0.771 billion. The result was a total direct increase in resident household incomes of \$2.011 billion.

6. Household incomes of employees in industries up the supply chain and in the suppliers of consumer goods and services expanded by \$1.761 billion in 2007. The result was an increase in resident household incomes in the State of \$3.784 billion due to the spending by arts and cultural organizations and their audiences.

Economic Impact of Florida Non-Profit Arts and Cultural Organizations

Florida non-profit arts and culture organizations generated an estimated \$2.824 billion of direct spending in the state in 2007. Of this, the organizations directly spent \$1.454 billion and their audiences directly spent \$1.370 billion in connection with their attendance at cultural events and facilities. Spending by organizations included expenditures on artistic, technical and administrative personnel, other production expenses, marketing and administrative expenses. Event –related expenditures by audiences included restaurant meals before or after the event, parking fees while attending the event, and babysitting expenses.ⁱ Tourist audiences also incurred lodging expenditures on the evenings that they attended the events.

TABLE 1 Direct Expenditures by Florida Non-Profit Arts and Cultural Organizations 2007 Billions of Dollars	
Expenditure Source	Amount
Expenditures by Organizations	\$1.454
Audience Expenditures	\$1.370
Total	\$2.824

The ***direct*** expenditures of arts and cultural organizations resulted in further expenditures by the industries that supply arts and cultural organizations or that receive event-related expenditures by audiences. The increased expenditures made by these supplying industries are referred to as ***indirect***, in contrast to the expenditures directly made by the organizations and their audiences. There will also be indirect expenditures as additional suppliers further up the supply chain expand their spending. Finally, workers in the non-profit organizations and the industries in the supply chain will increase their spending on housing, food, health care, recreation and other consumer goods and services as their

wages increase. There will also be increases in the incomes of self-employed workers and this will also result in increased consumer spending. Increased consumer spending will stimulate increased spending by industries in the consumer goods supply chain. The increased expenditures generated as a result of the spending by workers and owners are referred to as the induced impact of the arts and culture industry.

TABLE 2 Total Expenditures in the Economy As a Result of Florida Non-Profit Arts and Cultural Organizations 2007 Billions of Dollars	
Expenditure Source	Amount
Direct Expenditures	\$2.824
Indirect and Induced Expenditures	\$3.393
Total Expenditures	\$6.217

The indirect and induced expenditures generated as a result of the direct expenditures of Florida non-profit arts and cultural organizations and their audiences were estimated using the RIMS II Model prepared by the Bureau of Economic Analysis of the US Department of Commerce.ⁱⁱ The \$2.824 billion in direct spending by Florida arts and cultural organizations in 2007 resulted in \$3.393 billion in indirect and induced expenditures leading to a total increase in spending in the economy (i.e. total impact) of \$6.217 billion.

Florida’s non-profit arts and cultural organizations directly supported 36,117 jobs in 2007. Additionally, audience expenditures directly supported 37,327 jobs in industries that received such expenditures. The result was a total of 73,444 jobs directly created in Florida by the expenditures of the state’s arts and cultural organizations and their audiences.

TABLE 3 Jobs Directly Supported by Non-Profit Arts and Cultural Organizations and by Audience Spending 2007 Numbers of Jobs	
Source of Jobs	No. of Jobs
Jobs in Non-Profit Organizations	36,117
Jobs Supported by Audience Expenditures	37,327
Total Jobs Directly Supported	73,444

Jobs are also created in the industries up the supply chain that serve the arts and cultural organizations and their audiences. Further, the spending induced by affected workers and owners of the industries also support jobs. The RIMS II Model estimates jobs created in supplying industries were 44,664 in 2007. The total number of jobs created in the state as a result of the spending by arts and cultural organizations and their audiences was 117,871.

TABLE 4 Total Jobs Created As a Result of Florida Non-Profit Arts and Cultural Organizations 2007 Billions of Dollars	
Expenditure Source	No. of Jobs
Jobs Directly Created	73,444
Jobs created By Indirect and Induced Expenditures	44,664
Total Jobs Created	117,871

The wages of Florida households expanded as a result of jobs created, as did the incomes of the self-employed. The result was an increase in resident household incomes. Workers and the self-employed in the arts and cultural organizations experienced an increase of \$1.240 billion in their incomes in 2007. Additionally, workers and the self-employed in the industries which received event-

related expenditures from the audiences of the arts and cultural organizations received an increase of \$0.771 billion. The result was a total direct increase in resident household incomes of \$2.011 billion.

TABLE 5 Increases in Household Incomes As a Result of the Direct Spending by Non-Profit Arts and Cultural Organizations and Their Audiences 2007	
Source of Jobs	Billions of Dollars
Non-Profit Organizations	\$1.240
Audience Expenditures	\$0.771
Total Household Income Created	\$2.011

As reported for total expenditures above in TABLE 2 and for jobs in TABLE 4, there were indirect and induced increases in household incomes as a result of the spending of arts and cultural organizations and their audiences. Household incomes up the supply chain and the suppliers of consumer goods and services expanded by \$1.761 billion in 2007. The result was an increase in resident household incomes in the State of \$3.784 billion due to the spending by arts and cultural organizations and their audiences.

TABLE 6 Total Household Income Created As a Result of Florida Non-Profit Arts and Cultural Organizations 2007 Billions of Dollars	
Expenditure Source	Billions of Dollars
Directly Created	\$2.011
Created By Indirect and Induced Expenditures	\$1.493
Total Household Income Created	\$3.505

Methodology

The purpose of this study was to provide interim estimates of the state economic impact of Florida arts and cultural organizations and their audiences. Americans for the Arts completed studies of the impact of arts and cultural organizations on seven Florida counties based on data for 2005. This national organization is currently in the process of extending its studies to include the entire state using 2007 data. The purpose of this study was to extend the Americans for the Arts studies to the state as a whole on an interim basis pending the completion of its comprehensive statewide study.

The seven counties already completed by American for Arts included the state’s three most populous (Miami-Dade, Broward and Palm Beach) and two of the next three largest (Orange and Pinellas).ⁱⁱⁱ The study also included Alachua and Bay counties which were relatively small.^{iv} For the purpose of the interim study, the 67 counties of the state were divided into four groupings as shown in TABLE A.1.

TABLE A.1 Groupings of Florida Counties			
Grouping	Population Size	Members	2005 Total Population
I	2,000,000 and More	Miami-Dade	2,356,697
II	1,500,000 - 1,999,999	Broward	1,763,706
III	500,000 – 1,499,9999	Palm Beach, Hillsborough, Orange, Pinellas, Duval, Lee, Polk, Brevard	6,772,973
IV	Under 500,000	All Other Counties	6,809,100
State			17,702,476

The interim study used the information on the seven included counties to extrapolate to the state level. Information on the three included counties in Grouping III (Palm Beach, Orange and Pinellas)

was used to estimate the totals for the five counties not included in the Americans for the Arts study. Information for the two included counties in smallest grouping was used to extrapolate to the totals for the entire grouping.

Three variables needed to be estimated for the missing counties: expenditures, jobs and resident household incomes (usually termed earnings). Each of these variables had to be estimated for the arts and cultural organizations and for the impact of the event spending of arts and cultural audiences. Expenditures by cultural organizations were estimated using the ratio of expenditures per \$1,000 of personal income for included counties to estimate the aggregate of expenditures of missing counties in each of the third and fourth groupings.^v The 2005 estimates were projected to 2007 using the growth in personal income by grouping.

Audience expenditures were estimated for the excluded counties using the ratio of audience expenditures to hotel and motel units as calculated for the included counties.^{vi} Tourist lodging expenditures form the largest component of event-related expenditures. The expenditures were extrapolated to 2007 using the growth in personal income.

The American for the Arts studies also provided estimates and household incomes (earnings) as a result of the spending of the arts and cultural organizations and their audiences for the seven included counties. These estimates were extrapolated to the missing counties using data on employment and wages from the Quarterly Census of Employment and Wages (QCEW).^{vii} Employment in non-profit arts and cultural organizations were extrapolated using private employment in the sum of four NAICS industries (7111 Performing Arts Companies, 7113 Promoters of Performing Arts and Sports, 7115 Independent Artists, Writers and Performers, 712 Museums, Historical Sites, Zoos and Parks) for establishments of all sizes. Household incomes were extrapolated using the QCEW wage data for the same industries.

The direct increase in employment and household incomes as a result of audience expenditures were extrapolated to the missing counties using QCEW data on employment and wages in NAICS 723 Food Service and Eating Places.

End Notes

ⁱ See Americans for the Arts, Arts and Economic Prosperity III: The Economic Impact of Non-Profit Arts and Cultural Organizations and their Audiences in Palm Beach County, page 7. Available on the internet at http://www.co.palm-beach.fl.us/touristdevelopment/pdf/art_economic_study.pdf.

ⁱⁱ The model used 2006 Florida data to scale down a 2006 national input output model. See the description on the Bureau of Economic Analysis web site <http://www.bea.gov/regional/rims/index.cfm>. The “multipliers” were from Industry No. 55, Performing Arts, Museums, Related Activities. Direct effect multipliers were used for jobs and household incomes.

^{iv} The Miami-Dade data referred to 2004. The links to summary tables for the various studies are http://www.artsusa.org/information_services/research/services/economic_impact/one_pagers/Reports/AlachuaCountyFL_OnePageSummary.pdf
http://www.artsusa.org/information_services/research/services/economic_impact/one_pagers/Reports/BayCountyFL_OnePageSummary.pdf
http://www.artsusa.org/information_services/research/services/economic_impact/one_pagers/Reports/BrowardCountyFL_OnePageSummary.pdf
http://www.artsusa.org/information_services/research/services/economic_impact/one_pagers/Reports/Miami-DadeCounty_EconomicImpactSummary.pdf
http://www.artsusa.org/information_services/research/services/economic_impact/one_pagers/Reports/OrangeCountyFL_OnePageSummary.pdf
http://www.artsusa.org/information_services/research/services/economic_impact/one_pagers/Reports/PalmBeachCountyFL_OnePageSummary.pdf
http://www.artsusa.org/information_services/research/services/economic_impact/one_pagers/Reports/PinellasCountyFL_OnePageSummary.pdf

^v The personal income data estimates were downloaded from the Regional Economics Information System (REIS) on the US Bureau of Economic Analysis web site www.bea.gov.

^{vi} The hotel and motel data were obtained from the [Florida Statistical Abstract 2005](#), Table 19.60.

^{vii} The QCEW was obtained from the US Bureau of Labor Statistics web site www.bls.gov.