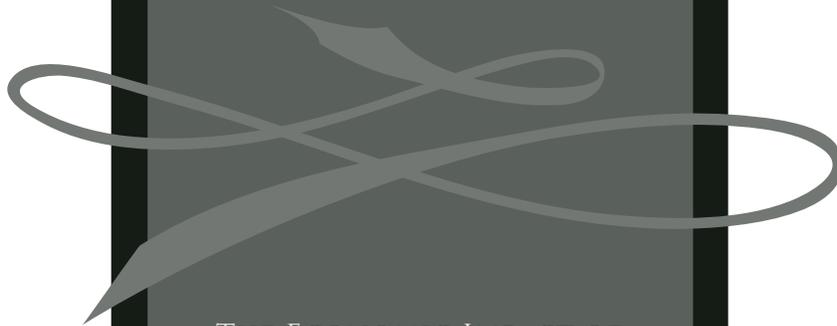


CALIFORNIA ARTS COUNCIL  
2004

THE ARTS:  
A COMPETITIVE ADVANTAGE  
FOR CALIFORNIA II



THE ECONOMIC IMPACT OF  
NONPROFIT ARTS  
AND  
CULTURAL ORGANIZATIONS  
IN CALIFORNIA

UPDATE TO THE 1994 ECONOMIC  
IMPACT OF THE ARTS REPORT

# ACKNOWLEDGMENTS

## The Economic Impact of Nonprofit Arts and Cultural Organizations in California

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THE ARTS:  
A COMPETITIVE ADVANTAGE  
FOR CALIFORNIA II



CONDUCTED BY  
DIANE L. MATARAZA, INC.





April 2004

California is a rare place of diversity, creativity, and innovation. From Crescent City to San Diego, the arts play a dramatic role in the state's cultural and economic ecosystems. But more than feeding the soul and spirit of all Californians, the contribution of arts and culture can be measured in tangible ways.

Released by the California Arts Council in 1994, *The Arts: A Competitive Advantage for California* was the first comprehensive report to measure the economic impact and value of the arts and culture sector. According to that report, nonprofit arts organizations added \$2.15 billion to California's economy. This new study, *The Arts: A Competitive Advantage for California II*, will reveal that the impact of nonprofit arts and culture on California's economy has increased by 152 percent to \$5.4 billion. The study will demonstrate that arts and culture generate billions annually, support a workforce of more than 160,000 and produce nearly \$300 million in state and local taxes. It will also show that education, cultural tourism, and California's creative industries are all nurtured by the nonprofit arts sector. These compelling facts substantiate the significant role of the nonprofit arts to California's economic well-being and status as the world's fifth largest economy. The goal of the new study is to document the current impact of arts and cultural activity on California's economy and quantify the changes that have occurred since 1994. A multi-state team of independent, nationally known arts consultants and economists were retained to collaborate on this year-long project.

The irony of this report is its timing. When plans were made in 2002 to commission an update to the 1994 report, we could not have predicted the devastating 94 percent cut to the California Arts Council's budget – the largest reduction in the agency's 28-year history – slashing funding from \$18 million in state general funds to \$1 million. This precipitous drop in support placed California 50th among the states in per capita arts spending and continues to severely affect vast segments of the arts community.

Many arts organizations and individuals from around the state who have contributed to this study have lost their positions due to budget cuts (including a significant loss of California Arts Council staff). The research team struggled with data collection, because substantial numbers of the selected 3,200 nonprofit arts and cultural organizations had either gone out of business or had reduced or stopped programming. The 2002 data on which this report is based provides a snapshot of California's arts and cultural sector prior to the 2003 budget cut. Additionally, the study is bolstered by research conducted by Americans for the Arts, a respected national organization, a highlight of which is included in Chapter 6.

We appreciate the efforts of all who contributed to the development of this report and hope these findings result in increased public awareness and support for the value of the arts in our state and the view that the "arts mean business in California."

Barbara George  
Chair

Barry Hassenius  
Director

## NOTE REGARDING METHODOLOGICAL ASSUMPTIONS



Economic Impact Studies produce differing sets of numbers as to total economic activity, jobs created, tax revenue raised and other markers based on differing sets of methodological assumptions. Thus, this study yields a total economic impact yardstick markedly less than previously used numbers based on the Americans for the Arts study of last year. The reasons for that difference include: 1) the Americans for the Arts study had a wider universe of organizations, activities, and services included in the initial sampling; 2) a larger multiplier number used to calculate audience spending in conjunction with performance attendance -- \$24 vs. \$16 for the current update; 3) and a focus on major urban areas vs. the current study's inclusion of the full geographic balance of the state.

Our previous use of the Americans for the Arts study numbers was based on a calculation of the California impact using a simple per capita formula of the California population to the population of the United States (12%). As the latest Americans for the Arts Dun & Bradstreet data numbers (Chapter 6 in the current report) confirm, California has twice the number of creative industry organizations than its next nearest competitor (89,000+ to New York's 45,000+), and thus, based on the Americans for the Arts data as a stand alone study, that formulation is, if anything, conservative.

Similarly, the Department of Tourism calculates that one out of every four dollars (\$17 billion annually) spent by tourists is culturally related. Those numbers assume not only the money spent by audiences on restaurants, parking, gas etc., but also allocates lodging and travel expenses to the category, and thus the higher number.

The current study intentionally used the same methodology as employed in 1994 by KPMG Peat Marwick in producing *The Arts: A Competitive Advantage for California* (even though there were indications that certain markers such as the multiplier effect number assumption of the Americans for the Arts study was more reliable) so as to track that decade old sampling and provide data for comparative purposes.

Whatever methodological assumptions are employed and whatever the baseline universe considered, there is no dispute that the total economic impact, jobs created (direct and ancillary) and the amount of tax / fee revenue generated for local / state government attributable to the arts (nonprofit and the wider creative industry category of the private sector) is big business for California, comparable to other important economic engine contributions to our economy and future growth. Too often the perception of the arts ignores that the sector is analogous to other enterprises – 10,000 nonprofit arts organizations are 10,000 small businesses.

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*(Available as a downloadable PDF from the California Arts Council's website—www.cac.ca.gov.)*

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- C. Research and Studies Reviewed and Cited
- D. About the Consultant Team Principals
- E. Americans for The Arts Creative Industries Support Materials
  - 1. California's Creative Industries—Divided by State Senate Districts
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# EXECUTIVE SUMMARY



California is a state of many distinctions: its economy is the fifth largest in the world and the largest in the United States;<sup>1</sup> it is the most popular state in the country to live in;<sup>2</sup> and attracts the highest number of visitors.<sup>3</sup> From its artists and nonprofit arts and cultural organizations, to its commercial arts and entertainment industry, the arts in California significantly contribute to the state's distinctiveness. *The Arts: A Competitive Advantage for California II*, a study commissioned by the California Arts Council (CAC)



Los Angeles skyline, courtesy of LA Convention and Visitors Bureau

with support from The William and Flora Hewlett Foundation, the Arts & Business Council of Sacramento, and Cultural Initiatives Silicon Valley, focuses primarily on the economic impact of nonprofit arts on the state's economy. It includes analysis-measuring growth over the past decade and substantiates nonprofit arts and cultural organizations' contributions to the vitality of California. This study also includes a preview of groundbreaking national research conducted by

Americans for the Arts (AFTA) about the creative industries<sup>4</sup> in California.

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*"Forming the base of major industries; creating exchanges of ideas; providing encounters with beauty; and making cities, towns, and rural communities better places to live and work, California's arts are not just its soul and its identity, but a major part of its economy. This rigorous examination of California nonprofit arts and cultural organizations should be required reading for arts professionals, policymakers, academicians, members of the media, government leaders, and voters."*

**Frances N. Phillips**  
Senior Program Officer  
Walter & Elise Haas Fund

---

A team of independent consultants was selected in November 2002 to work on this study for the California Arts Council and its constituents. Over a 10-month period from May 2003 to March 2004, the project's three principals: Dr. Eric Thompson, project economist; Diane Mataraza, project manager; and Angela Johnson, California field coordinator, assisted by a team of 17 individuals, collected and analyzed large quantities of data to produce this report.

Some 10,000 organizations strong, the economic footprint of California's nonprofit arts and cultural

organizations is broad-based and extends across the state from its largest metropolitan to most rural areas. In spite of California's difficult economic environment and the effects of 9/11, non-profit arts organizations attract an audience of 71.2 million and bring a \$5.4 billion impact to the state's economy, including 66,300 full-time (40,000 arts related plus 26,300 having an impact on the arts) and 95,100 part-time jobs, and generate nearly \$300 million in state and local taxes.

## ARTS AND CULTURAL SECTOR GROWTH SINCE THE 1994 STUDY

In just one decade, California's nonprofit arts and cultural sector shows triple digit growth. When results of the 1994 study were compared with current findings, significant increases were revealed:

- The overall economic impact of the arts is 152 percent greater than the 1994 study.
- Local and state taxes generated as a result of the arts are up 279 percent.
- Admissions and on-site sales increased 141 percent.
- Arts and cultural organization worker income has increased 89 percent.
- Arts and cultural organization income has increased 207 percent.
- Grants and contributions to the arts have grown 318 percent.

Since the 1994 study, California's population has increased 16 percent and the state budget has grown 23 percent; however, the California Arts Council's appropriation from the State General Fund to serve the residents of California has decreased 92 percent—from \$12.6 million in 1994 to \$1 million in the current year.

## STUDY DESIGN

The major purpose of this study is to measure the current economic impact of the nonprofit arts and cultural sector and compare it to the results of the 1994 study. Given that mandate, data from organizations was collected using nearly identical survey instruments from the prior study. But unlike the 1994 study, this report also measures the value of the arts to student learning and the impact of the current economic environment on philanthropy. In an effort to capture the impacts from other segments of the arts industry in California, the 1994 study included analysis of the impact of artists as well as commercial arts industries: the state's motion picture and television industry, its art, auto design, and musical instrument manufacturing industries.<sup>5</sup> This study captures commercial arts sector information but in a different way.

Research conducted by Americans for the Arts to more precisely quantify the impact of the arts industry in the

national economy has been developed on a parallel timetable and California results are included in this study.

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*"Along with recognizing Hollywood's artistry, it is important to acknowledge how essential film and television are to the economy of the City of Los Angeles and to the State of California, and that goes for all art produced in the state. People need to understand that the arts are a tremendous economic engine that bring jobs and prosperity to communities as well as joy to our souls."*

**Martin Sheen**  
Actor

---

Various strategies were used to gather thousands of pages of data:

- 3,200 postcards printed in both Spanish and English were mailed to organizations randomly selected to participate, thus announcing the campaign.
- 11,000 arts organization surveys were distributed two to four times to each of the 3,200 organizations randomly selected to participate in this study. The surveys sought information about income, expenditures, personnel — both paid and volunteer — and attendance at performances and other program offerings. The survey was available in Spanish, English and on-line at a Website built exclusively to receive field data.
- 36,200 audience surveys — also printed in both Spanish and English — were distributed to organizations to collect information from their audiences about their expenditures and also to assess the extent to which they value arts offerings.
- 700 schools were surveyed to assess how the arts are used to help California's students learn.
- 15 foundations with a track record of giving in California were surveyed to help us understand the impacts of the current economic environment and 9/11 on their ability to give now and in the future.

#### HOW IS ECONOMIC IMPACT DERIVED?

Organization expenditures are the basis for the economic impact of the nonprofit arts sector. Economic impact is derived by taking direct expenditures and adding a multiplier to calculate additional spending. For example, when arts employees spend their salaries on household needs such as groceries, retail purchases, health care, mortgage or rent payments, and phone and utility bills, their spending creates additional economic activity in each of these industries. At the same time, arts organization purchases of goods and services create employment at commercial printing businesses, insurance companies, art supply stores, lighting and acoustic equipment stores, to give a few examples. All of these businesses and their employees, in turn, spend their income, and the impact grows. These various indirect impacts multiply and when added to direct expenditures of arts organizations yield the total economic impact of the nonprofit arts sector in California.

#### WHAT METHODOLOGY WAS USED?

This study utilized the IMPLAN software package and California database to calculate economic multipliers for California and selected counties within the state.<sup>6</sup> IMPLAN software is used by economists, consultants, and planners and generates multipliers for hundreds of specific industries. It is comparable to the methodology used in the 1994 study.

Americans for the Arts *Creative Industries* project researchers carefully defined the composition of the creative industries by using Standard Industrial Classification (SIC) codes to identify arts-centric businesses. These SIC codes were identified and yielded 650+ unique kinds of creative sector industries: everything from art dealers, antique art stores, advertising companies, interior design firms, textile producers, musical instrument manufacturing and sales, to casting and book-

ing agencies, arts publishers, television stations, and motion picture distribution.<sup>7</sup> The selected SIC codes were then used to download relevant businesses from the Dun & Bradstreet database of 12.8 million active U.S. businesses.

## KEY FINDINGS

Enormous amounts of data were collected to provide us with this primary finding — the arts contribute \$5.4 billion into the state’s economy as compared to the \$2.15 billion impact revealed in the 1994 study. Data amassed by the project team revealed many valuable findings highlighted here and further explained in the chapters that follow.

- **Total nonprofit arts sector spending in California is \$2.2 billion.** This number includes direct expenditures by nonprofit arts and cultural organizations on everything from wages and benefits to goods and services. In addition to payroll, which constitutes 47.5 percent of all spending, it includes cash expenditures on items such as scripts and music scores, printing, office supplies, lumber, computers, and travel. Nonprofit arts organizations also spend considerable sums annually on a variety of administrative services ranging from accountants, financial managers, caterers and carpenters, to choreographers, interpreters, set designers, filmmakers, musicians, dancers, writers and more.<sup>8</sup>
- **California’s nonprofit arts attract 71.2 million people.** A closer look at the activities of those 71.2 million includes participants taking dance and pottery classes, season subscribers attending the ballet, family members attending arts festivals, residents attending exhibitions at the neighborhood arts center, and youngsters enrolled in drawing classes. Among the 71.2 million persons are 6 million tourists. In this report, 71.2 million is calculated by counting the number of times one individual attends events in the course of the year. For example, if one person attends eight events a year, she is counted eight times.
- **Audience spending in California is big business.** The state’s 71.2 million arts attendees spend much more than the price of admission — a billion dollars more — which contributes significantly to economic activity in the state’s overall economy. An example of an off-site expenditure is what a family of five spends in addition to arts festival admission and purchases made at the festival. This might include, for example, breakfast on the way to the festival, the cost of a new pair of comfortable walking shoes, parking, fuel and tolls.<sup>9</sup>
- **Nonprofit arts generate millions of dollars in tax revenue.** The earnings of arts sector employees and the combined spending of the state arts organizations and 71.2 million arts attendees generate impacts on state and local taxes — an impact totaling nearly \$300 million, as of this report.
- **The impact of the nonprofit arts sector includes \$2.7 billion in worker income.** These worker income impacts are comparable to those of workers in California’s sports and recreation clubs, commercial sports, and auto rental industries.<sup>10</sup>

- **In California, there are more arts-related businesses (89,719) — including nonprofit organizations — and more people employed (516,054) in the creative industries than in any other state in the nation.** *Creative Industries in California* — groundbreaking research conducted by Americans for the Arts and unveiled in Chapter 6 of this study demonstrates that the creative industries are a significant industry in California.
- **The creative industries fuel the rapid growth of the new “information economy”—the fastest growing segment of the nation’s economy.** According to Carnegie-Mellon University professor of economics, Richard Florida, the information economy has grown from three percent of the U.S. workforce to more than 30 percent in the past 50 years. In addition to the creative industries, the information economy includes sectors such as technology, research, and medicine — all industries where the currency of creativity, new ideas, and adaptive thinking hold the most value.
- **California’s concentration of artists and nonprofit arts organizations is among the largest in the nation.** California leads the nation on many fronts in the arts scene. Current research tells us California is home to the largest community of artists as a percentage of the total state labor force (2.3 percent) than any other state.<sup>11</sup> California’s three cents per capita spending on the arts is the smallest in the nation, ranking it last among all 50 states.<sup>12</sup>
- **Nonprofit arts contribute to California’s ranking as the most visited state in the nation.** The primary motivation for 6 million tourists to travel in California is to enjoy nonprofit arts. In addition to what tourists spend at an arts event, the cost of lodging, meals, transportation and retail the day of an event as well as the day before or after an event is considerable. Total economic impact of tourists spending is just under \$1 billion.<sup>13</sup>
- **Philanthropic support — money received from foundations, individuals, and corporations — plus government subsidies total \$1.06 billion and are vital to keeping the arts accessible and affordable to all Californians.** It is frequently — and accurately — argued that if the arts were to exist exclusively on ticket sales, admissions, and other participation-related income, no one could afford to participate in the arts. Additional dollars to subsidize the costs of making and presenting art will always be necessary. Philanthropic support — including government subsidies such as grants from the California Arts Council or city arts commissions — is vital to keeping the arts affordable and accessible.
- **Californians not only provide financial support, they generously give their time.** Arts and cultural organizations are reliant on community volunteers serving on boards of directors or providing pro bono legal, financial, design and other professional services. For the majority of organizations, volunteers constitute a critical unpaid labor force serving as ushers, docents, set builders, technicians, and participants in artistic presentation, as well as performing ongoing administrative functions. California nonprofit arts organizations’ aggregate volunteer

hours total 10 million. Using the Independent Sector's 2002 dollar valuation of volunteer time, that's the equivalent of \$165.4 million.

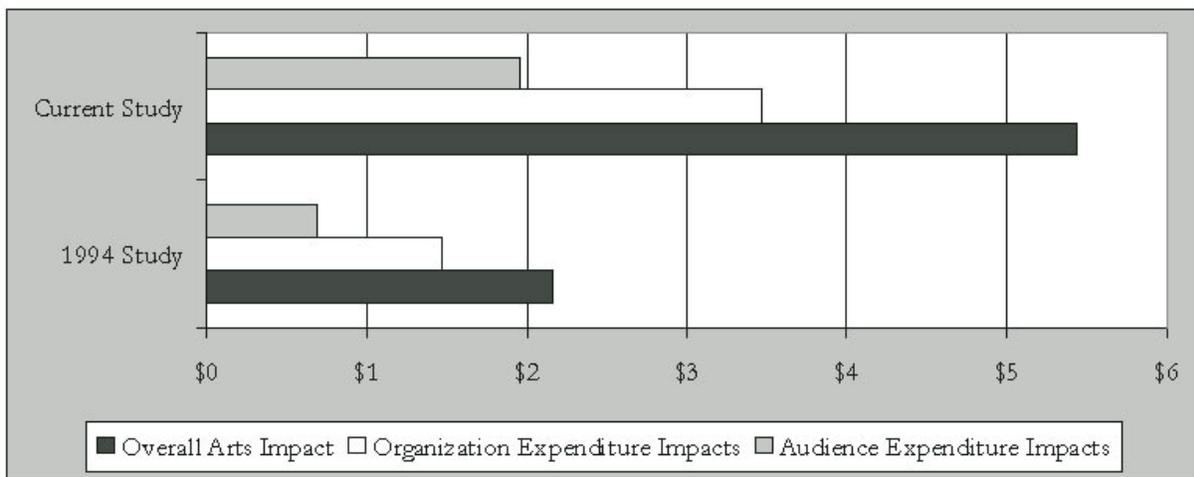
- **Nonprofit arts are economic engines in communities both small and large.** In the state's more rural communities, arts venues are essential elements in downtown revitalization, generating an impact of \$120 million annually.<sup>14</sup> In California's large metropolitan areas, the arts make important contributions to urban renewal and development. In Los Angeles County, which has the largest economic impact of the arts in the state, \$2 billion is contributed to the economy.
- **Californians value the arts first and foremost because they contribute to quality-of-life.** In a statewide survey of arts audiences, respondents ranked arts impact on quality-of-life in their communities as most important. Californians believe arts contributions to individual health and enrichment are greater than the role of the arts in generating economic activity or jobs.<sup>15</sup>
- **Arts education in primary and secondary schools yields a substantial amount of economic activity in California. The amount of spending - \$657 million - is nearly one-third as large as the spending of California nonprofit arts organizations.** This activity should be considered in addition to the \$5.4 billion in economic impact. Support from parent organizations and students directly account for one-third of all support for arts funding in schools – not much less than the 49 percent share from school operating budgets.
- **Californians value the role of arts in education in the future success of children.** Arts audiences consider arts education in schools a high priority. Among the state's classroom teachers, 75 percent embrace the philosophy that the arts are important in a child's well-rounded education. More significantly, 35 percent of the state's teachers integrate the arts into their classroom curriculum as a way to help students learn.<sup>16</sup>
- **Californians care a great deal about the vitality of the arts sector and would pay more in taxes to prevent reductions in arts and cultural programming.** We estimate that the average California household is willing to pay an additional \$15.35 annually through taxes and other means to avoid a 25 percent reduction in arts events and \$33.27 to avoid a 50 percent reduction. Given California's 11,503,000 households, it means residents would be willing to pay \$382.7 million more each year for arts activity — a substantial difference from the state's current \$1 million appropriation to the California Arts Council.<sup>17</sup>
- **California's rich and diverse mix of arts resources and genres contribute to the arts sector's economic vitality.** California's mix of arts providers is vast: from those preserving cultural traditions, promoting the literary arts and exhibiting visual art, to those who present or tour dance, film, music or theatre. And it's this diversity that helps attract 71.2 million

people to arts events. Performing arts organizations account for half of the sector’s statewide impact followed by museums and arts-focused educational institutions.

- **Regranting within the arts sector is a critically important function generating economic activity.** Many arts councils and arts commissions in California cultivate and then regrant public and private sector funds to artists and arts and cultural organizations in their communities. For example, the City of Los Angeles Cultural Affairs Department annually regrants millions of dollars to hundreds of nonprofit arts organizations. The majority of these organizations would never have the resources to cultivate these dollars on their own. Local regrant programs around the state collecting and regrants both private and public sector dollars are a major source of stability for thousands of organizations bringing arts and culture to millions of residents. Arts councils and commissions that exist to guide and support community cultural development, account for over \$100 million in annual expenditures in California’s economy.<sup>18</sup>

These facts and others described in this study substantiate the importance of the arts in California. Figure 0.1 below shows the nonprofit arts sector’s 152 percent increase in economic impact activity over the past decade from \$2.15 billion in the 1994 study to \$5.4 billion today. We’re able to see the proportion of organization, worker and audience spending from both studies that together provide us with the snapshot in time of the economic impact of the arts.

Figure 0.1: Comparison of Overall Impacts from the 1994 Study and Current Study (in Billions)



Source: Authors’ calculations

# CHAPTER 1

## STUDY OVERVIEW: SCOPE, STRATEGY, AND METHODOLOGY



### INTRODUCTION

In 2002 the California Arts Council initiated plans for an update of its 1994 Economic Impact of the Arts Report, *The Arts: A Competitive Advantage*. The goal of the study was to quantify the current economic value of the nonprofit arts and cultural sector to California's economy and also document the changes in impacts occurring since the 1994 study. A request for proposal was distributed nationwide and by November a small team of independent consultants was selected. Led by Diane Mataraza, team principals included Dr. Eric Thompson, the project economist and Angela Johnson, the California field coordinator. Team principals were assisted by Margo Cowan, project liaison from the California Arts Council<sup>19</sup> and 14 subcontractors, including designers, statisticians, Spanish translators, economists and — critical to project success — a team of telephone data chasers.<sup>20</sup> Project planning began in December 2002. The public statewide launch was in May 2003.

The negative impact of California's economic downturn in 2003 and the challenges it posed to completing this study have been enormous. The state's mounting fiscal crisis culminating with the recall of Governor Gray Davis, the 94 percent cut to the California Arts Council's budget and subsequent suspension of most grantmaking, the impacts of state cuts on local economies and the nonprofit arts sector's ability to program in the midst of it all, are factors that eclipsed the time and attention many individuals had agreed to contribute to the study development. The project launch date was delayed five months and collection deadlines were continually pushed back from November to December 2003, then January 2004 and, finally, February 2004.

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*"The arts illuminate the greatest ideas that civilization proposes, and here in California, the arts are everywhere. More artists live in California than in any other state."*

**Peter Coyote**  
Actor

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Understandably, for the arts community struggling to sustain financial footing in highly unpredictable times, providing data for a research project was the lowest possible priority. Forty percent of the organizations initially agreeing to conduct audience surveys ultimately could not due to staff reductions, program cutbacks, canceled tours and southern California's Fall fires. Unanticipated additional survey mailings, e-mail blasts and hundreds of extra subcontractor and project team hours spent on the phone chasing data were necessary to secure a response rate adequate for this study to credibly stand on its own — and to provide statistically valid comparability with the 1994 study.<sup>21</sup>

Studies to measure the economic impact of the arts have long been the subject of great debate and scrutiny. Many assert consultants hired by project proponents have pulled their multipliers out of thin air. Others believe that quantifying the impact of the arts in economic terms is a disservice because it understates the intrinsic value of the arts. Still, others claim that reducing arguments for art to economic impacts not only undersells the value of the arts, but opens the door for arts organizations to be scrutinized and measured according to the business mindset of profit and loss. With no easy solutions to this debate, the fact remains: economic data enables California’s nonprofit arts organizations to state their case in hard numbers comparable with other sectors. A primary study goal was to provide an accurate statewide overview of California’s nonprofit arts and cultural organizations with no bias toward large budget institutions, a particular cultural tradition or art form, or the more densely populated areas of the state.

### HOW WERE REGIONS DEFINED?

Eight sub-geographic regions of the state were developed including Los Angeles, Oakland, Sacramento, San Diego, San Francisco, and San Jose, a combination of “other” metropolitan regions and the state’s non-metropolitan, or rural, regions. Results for sub-geographic areas are “added up” in order to produce California-wide results.



Diablo Ballet Dancers Erica Johnson and Edward Stegge  
Photo by Ash David G. Hicks

The twin goals of producing sub-geographic and statewide results are simultaneously pursued in this study. The study is principally based on statewide random surveys of nonprofit arts organizations, but data is analyzed at the sub-geographic level and added together to yield statewide totals. Because all California counties are included in one of the sub-geographic areas, study findings provide us with complete coverage of the state.

These eight sub-geographic areas were dictated in part by project sponsor desire to estimate economic impacts for six California cities in particular: Los Angeles, Oakland, Sacramento, San Diego, San Francisco, and San Jose.

Six of the eight sub-geographic areas include counties within the Metropolitan Statistical Area for these six cities. Two additional sub-geographic areas were designed to capture remaining counties of the state: the seventh area included all other metropolitan counties in California, and the eighth area included all non-metropolitan counties in California, a region that includes most of the rural areas of the state and is referred to from this point forward in the report as “rural.”

Table 1.1 shows the counties in each of the eight sub-geographic areas. Among the metropolitan counties, sub-geographic areas follow the definitions of the Metropolitan Statistical Areas

(MSA) as defined in the 2000 Census. These MSAs are not as large as the Census Consolidated MSAs that often include multiple cities such as San Francisco and Oakland in the Bay Area. The smaller MSA definitions were used to produce separate results for San Francisco, Oakland, and San Jose.

Using the MSA definition, the Sacramento sub-geographic area includes Sacramento, Placer, and El Dorado counties. The San Francisco area includes San Francisco, Marin, and San Mateo counties. The Los Angeles area, however, only includes Los Angeles County since adjacent counties such as Orange County form their own MSA.

As indicated in Table 1.1, Orange County, along with Ventura County, Shasta County, and about two dozen others are included in the other metropolitan sub-geographic areas. About an equal number of counties form the rural sub-geographic area. Throughout the analysis, results are presented for each of these eight sub-geographic areas.

Table 1.1: Counties Included in Each Sub-geographic Area

<b>Sub-geographic Area</b>	<b>Counties</b>
Los Angeles	Los Angeles
Oakland	Alameda, Contra Costa
Sacramento	Sacramento, El Dorado, Placer
San Diego	San Diego
San Francisco	San Francisco, Marin, San Mateo
San Jose	Santa Clara
Other Metropolitan	Butte, Fresno, Kern, Madera, Merced, Monterey, Napa, Orange, Riverside, San Bernardino, San Joaquin, San Luis Obispo, Santa Barbara, Santa Cruz, Shasta, Solano, Sonoma, Stanislaus, Sutter, Tulare, Ventura, Yolo, Yuba
Rural	Alpine, Amador, Calaveras, Colusa, Glenn, Humboldt, Imperial, Inyo, Kings, Lake, Lassen, Mariposa, Mendocino, Modoc, Mono, Nevada, Plumas, San Benito, Sierra, Siskiyou, Tehama, Trinity, Tuolumne

Source: 2000 United States Census

## HOW WAS THE REPORT’S DATA UNIVERSE ASSEMBLED?

Two samples were used in order to identify and select nonprofit arts organizations for inclusion in this study. The first list included 200 nonprofit arts and cultural organizations in California with the largest budgets. The second included remaining organizations in the state, primarily mid- and small-sized organizations. Both lists contained private nonprofit organizations, but also included arts activities at both public and private universities, and local government agencies involved in the arts (principally arts councils and arts commissions).

The nonprofit arts sector in this study was defined as follows:

- (a) All activity of nonprofit 501(c)(3) institutions and arts organizations including, but not limited to: museums, art galleries (nonprofit only), music and dance companies, theaters and drama troupes, performing arts venues and presenters, public radio and video, nonprofit sector film/video, digital arts, arts in education programs, colleges, universities and academies, literary or arts publications (including online and hard copy), touring companies, arts service organizations and associations.
- (b) Arts and craft fairs and festivals, including major musical, visual arts and crafts, and multicultural festivals, provided the fairs and festivals were produced by nonprofit governmental or educational organizations.
- (c) Folklife and traditional arts organizations or consortiums.

The definition of the nonprofit arts sector is consistent with that used in the 1994 study. The only difference is that the 1994 study did not focus on folklife or traditional arts as in (c) above. The 1994 study included a few commercial arts organizations (less than 1 percent of the sample).

The list of Top 200 organizations was obtained by identifying all arts and cultural nonprofits with over \$1 million in revenue during the year 2001. Revenue figures for nonprofits were identified by examining the tax filings of nonprofit organizations. This generated over 180 of the organizations on the Top 200 list. These were supplemented by including the large university-based organizations since these were not included in the tax information. The list also included additional



San Jose Taiko

large organizations of color that did not already pass the \$1 million dollar revenue threshold, and two state fairs with significant arts activity. The Top 200 organizations are listed in Appendix A.

The sample of 3,000 mid-sized and smaller organizations was developed using an alternative source of organization names — the mailing lists of arts councils, associations of arts groups and other relevant organizations. This broad range of organization names cross geography, ethnicity, and genre and yielded a comprehensive list of 3,000 organizations. Table 1.2 includes organizations that provided all or a portion of their mailing list.

Table 1.2: Organizations That Provided Mailing Lists

1.	Alameda County Arts Commission	23.	City of Ventura Cultural Affairs Division
2.	Alliance for California Traditional Arts	24.	City of Walnut Creek
3.	Americans for the Arts - California Data†	25.	City of West Hollywood
4.	Arts & Business Council, Sacramento	26.	Cultural Council of Santa Cruz County
5.	Arts Council of Placer County	27.	Del Norte Association for Cultural Awareness
6.	Arts Council Silicon Valley	28.	Fremont Cultural Arts Council
7.	Arts Council of Tulare County	29.	Fresno Arts Council
8.	Association of California Museums	30.	Lodi Arts Commission
9.	Association of Professional Arts Presenters †	31.	Los Angeles County Arts Commission
10.	California Association of Art Educators	32.	Marin Nonprofits
11.	California Arts Council list provided by Western States Arts Federation (WESTAF)	33.	Merced County Arts Council
12.	California Assembly of Local Arts Agencies	34.	Napa County Arts Council
13.	California Fairs and Exhibitions	35.	National Endowment for the Arts†
14.	City of Encinitas	36.	San Francisco Arts Commission
15.	City of Glendale Arts Commission	37.	San Francisco Grants for the Arts
16.	City of Los Angeles Cultural Affairs Department	38.	San Mateo County Arts
17.	City of Oakland Craft and Cultural Art Department	39.	Santa Barbara County Arts Commission
18.	City of Pasadena Cultural Affairs	40.	Shasta County Arts Council
19.	City of Santa Clarita	41.	The Association of American Cultures †
20.	City of San Diego Commission for Arts and Culture	42.	The Ink People Center for the Arts (Eureka)
21.	City of San Jose, Office of Cultural Affairs	43.	The Management Center
22.	City of Santa Monica Cultural Affairs	44.	Theatre Communications Group†
† = National arts and cultural entities providing California portions of their databases.			

The mailing lists of various organizations, totaling 11,660 individual data files, were merged and screened. An important part of the screening process was to identify duplicated listings of organizations since many organizations' names were found on multiple lists.<sup>22</sup> Another important part of the screening process was to identify and exclude for-profit arts businesses and individual artists.<sup>23</sup> The screening process also excluded organizations outside of the focus on the nonprofit arts sector. Excluded were foundations (except arts foundations that presented arts events), primary and secondary schools, organizations primarily focused on history, historic preservation or architecture, and organizations that primarily provide public services such as health care or youth development.

The result of the sorting and screening processes was a list of 3,405 organizations. A random number was assigned to each of these organizations and a random sample of 3,000 organizations was selected. Thus, the selected sample of 3,000 is highly representative of the aggregate state-wide group of 3,405. All Top 200 organizations were surveyed along with the 3,000.

The List of 3,000 organizations and the Top 200 organizations are used together in producing estimates for expenditure and economic impact. Results are generated separately for the organizations in the List of 3,000 and Top 200, and then added together to get overall results. So, for example, total expenditures will be calculated for all San Francisco-based organizations on the Top 200 list, and total expenditures will be calculated for all San Francisco-based organizations on the List of 3,000. Total expenditures from the two lists will be added together to yield the total expenditures of San Francisco-based organizations.

### HOW MANY OF THESE 3,200 ORGANIZATIONS ARE LOCATED IN EACH OF THE EIGHT SUB-GEOGRAPHIC AREAS?

Table 1.3. shows how many of the 3,200 organizations are located in each of the eight sub-geographic regions. These numbers are also illustrated graphically in Figure 1.1. Note that since the organizations were selected based on a random selection from a statewide sample, the number of sampled organizations reflects the size of each sub-geographic region. However, there are a significant number of organizations from each region, and as will be demonstrated later, there are enough organizations to secure a sufficient number of survey responses from each of the sub-geographic areas.

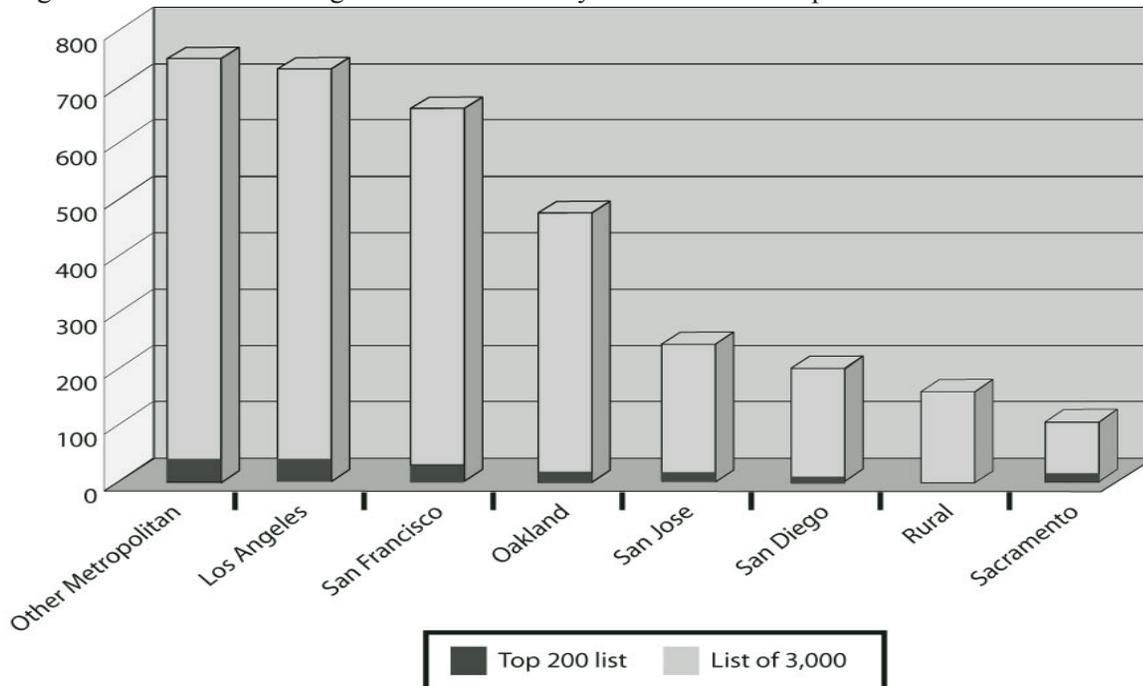
Table 1.3: Sampled Organizations in Each Sub-geographic Area  
Top 200 List, List of 3,000 and Total

<b>Sub-geographic Area</b>	<b>Top 200 List</b>	<b>List of 3,000</b>	<b>Total</b>
1. Los Angeles	56	659	715
2. Oakland	16	441	457
3. Sacramento	5	86	91
4. San Diego	12	181	193
5. San Francisco	41	606	647
6. San Jose	15	206	221
7. Other Metropolitan	53	675	728
8. Rural	2	140	142

Source: Authors' calculations

Surveys available in both English and Spanish were sent to 3,200 California organizations. There were up to four mailings to each organization. A postcard printed in English and Spanish to alert selected organizations about the upcoming study and inviting them to provide their data online was sent in June.

Figure 1.1: Universe of Organizations Randomly Selected to Participate



Source: Authors' calculations

In August and November surveys were mailed to those same organizations. Statewide arts service organizations, organizations providing mailing lists and local arts councils emailed, called and prodded constituents to encourage participation. The project team sent email blasts to those 738 organizations in the survey sample with email contact information. From November through the end of January, a small team of subcontractors was retained to individually call all non-respondents. Respondents were given the option of completing the survey online or completing a hard copy.

The survey process netted a response of 503 usable organization surveys, implying an overall response rate of 18 percent after adjusting for bad addresses.<sup>24</sup> The response rate was higher among the Top 200 arts organizations. For these organizations, 64 usable surveys were received for a response rate of 32 percent. The response rate among the list of 3,000 organizations was 17 percent.

Table 1.4: Response Rate

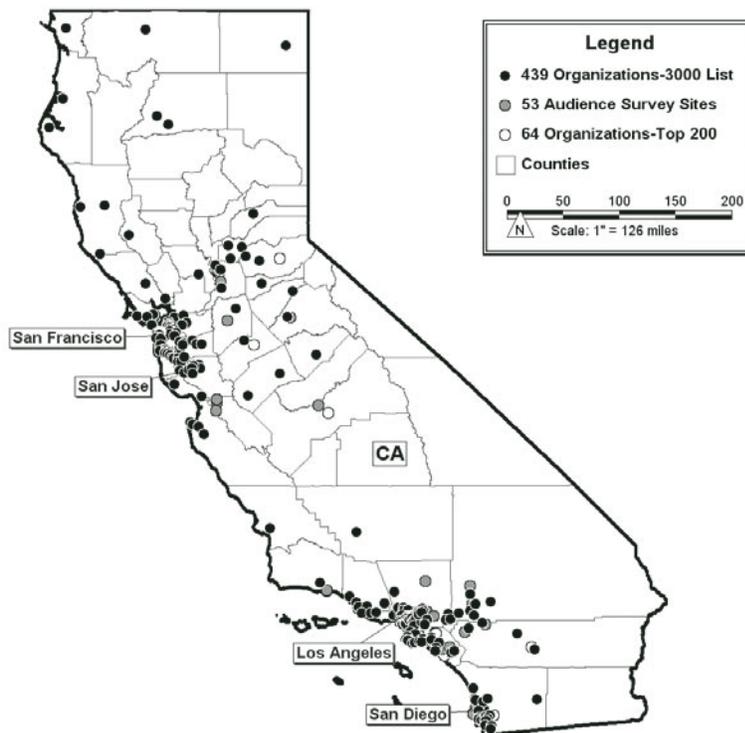
Grouping	Response Rate
Overall	18%
Top 200 Organizations	32%
List of 3,000 Organizations	17%

Source: Authors' calculations

## HOW WAS AUDIENCE DATA GATHERED?

The survey of arts audiences (see Appendix G) was mailed to organizations throughout California for distribution to their audiences during the period of June 2003 through February 2004.

Figure 1.2: Map of Participants in the Study



The goal was to ensure the participation of several dozen of the organizations on the List of 3,000 organizations representing mid- and small size communities and several dozen from the list of the Top 200 California arts organizations. Organizations were selected for participation randomly from each list. Selected organizations were personally called to invite participation in the survey.<sup>25</sup>

A total of 36,200 surveys — available in both English and Spanish and asking 25 questions — were distributed to a much smaller group of organizations than the 3,200. In all, 2,700 completed surveys were returned by 53 of the nearly 600 organiza-

tions contacted by the project team.<sup>26</sup> One survey was filled out per attending party, so responses most often pertained to two or more people. Returned surveys included spending of 7,200 persons attending arts events. The average audience response rate among the 53 participating organizations was 28.9 percent.

## WHAT METHODOLOGY WAS USED?

This study utilized the IMPLAN software package and California database to calculate economic multipliers for California and selected counties within the state. IMPLAN software is used by economists, consultants and planners and generates multipliers for hundreds of specific industries. It is comparable to the methodology used in the 1994 study. The IMPLAN software generates a model of the industrial structure and household profile for the California economy. This structure in turn determines the extent to which spending by arts organizations and audiences is captured and re-circulated within the California economy rather than allowed to “leak” outside of the state. A more structurally diverse economy will capture and re-circulate spending and generate a larger economic multiplier. The software and model data can be used to generate economic multipliers for counties, states, and combinations of counties and states throughout the nation. The model also can generate multipliers for hundreds of specific industries, including the specific industries that provide goods and services to arts organizations and arts audiences.<sup>27</sup>

## HOW WAS ARTS VALUES INFORMATION COLLECTED?



San Jose Museum of Art

Quality-of-life contributions are not as readily evident from the budget information of arts organizations as are economic impact data. Two additional sources of information were tapped in order to evaluate Californian’s perceptions about arts’ value to quality-of-life. The first question, which was designed by Dr. Sam Gilmore,<sup>28</sup> asked arts audiences how much the arts contribute to a variety of aspects of quality-of-life such as individual health and enrichment, academic performance of children, cultural communications and understanding, civic pride in the community, cultural equity, and others. Respondents were asked to rank the contribution of the arts to these quality-of-life factors based on a one-to-ten scale, with a ten indicating that the arts contributed strongly to a specific aspect of life in California. Survey responses representing 7,200 attendees are detailed in Chapter 3. The second question

on the audience survey evaluating Californians’ perceptions about the value of the arts sought information about household donations to the arts.

## HOW WAS SCHOOL INFORMATION COLLECTED?

Information on arts activities at primary and secondary schools was gathered through a survey of schools. That survey, which is included in Appendix G, asked 17 questions about arts classes, arts spending and the extent to which the arts are integrated into classroom curriculum. The survey was sent to 700 California schools. Roughly one-third of the surveys were sent to schools and school districts that participate in the California ArtsWork grant program, a program of the

California Department of Education. The remaining 480 schools were drawn from a random sample of all California public primary and secondary schools, excluding the Los Angeles Unified School District.<sup>29</sup>

Surveys were sent up to two times to all schools on the survey list. A total of 164 of the 700 school surveys were returned. The response rate was significantly higher for the 220 schools in the California ArtsWork grant program, with roughly 40 percent responding. Among the random sample of schools, 79 of the 480 responded, for a response rate of 16 percent. Responses were sufficient to make a variety of estimates about the arts activity in California public schools.

### **HOW WAS FOUNDATION INFORMATION COLLECTED?**

Project sponsors identified 25 foundations that contribute to the nonprofit arts sector in California. Fifteen were contacted and a simple survey was distributed requesting data from 1999 to 2003. Foundations were asked to provide data for aggregate reporting on total foundation assets, overall grantmaking, arts and cultural grants and details about numbers of grants and grant award size.<sup>30</sup>

Project Advisory Committee Member Moy Eng, Program Director for Performing Arts at The William and Flora Hewlett Foundation, generously offered to contact her colleagues to secure the desired study data. In December, surveys were sent electronically to 15 foundations and, by the project deadline, the following eight foundations submitted data for a 53 percent response rate.

1. Durfee Foundation
2. Grants for the Arts / San Francisco Hotel Tax Fund
3. James Irvine Foundation
4. The Ahmanson Foundation
5. The David and Lucile Packard Foundation
6. The San Francisco Foundation
7. The William and Flora Hewlett Foundation
8. Walter and Elise Haas Fund

### **HOW WAS CREATIVE INDUSTRIES INFORMATION COLLECTED?**

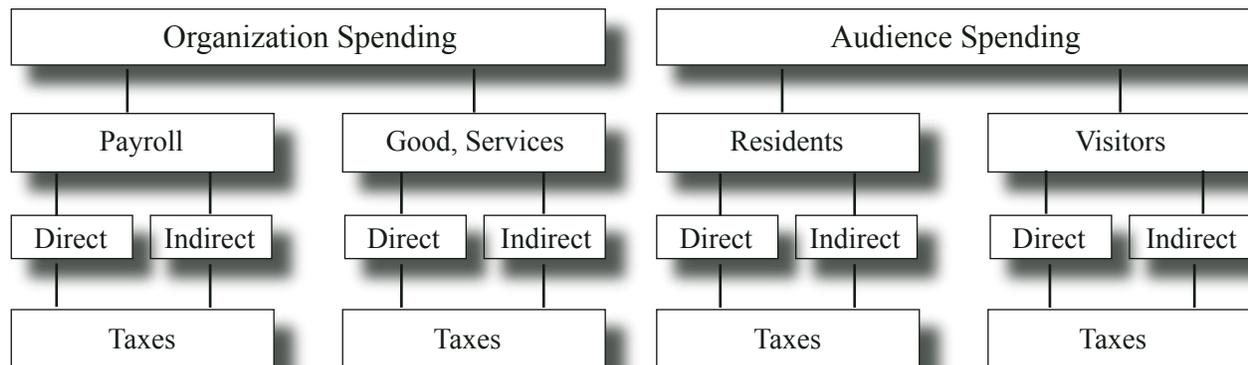
Americans for the Arts Creative Industries project researchers carefully defined the composition of the creative industries by using Standard Industrial Classification (SIC) codes to identify arts-centric businesses. These SIC codes were identified and yielded 650+ unique kinds of creative sector industries: everything from art dealers, antique art stores, interior design firms, textile producers, musical instrument manufacturing and sales, to casting and booking agencies, arts publishers, television stations and motion picture distribution.<sup>31</sup> The selected SIC codes were then used to download relevant businesses from the Dun & Bradstreet database of 12.8 million active U.S. businesses—this multi-sourced business directory is updated continuously through mail surveys, management interviews, public and bank records, and government sources. It is widely acknowledged as the most reliable source for current and comprehensive information about U.S. businesses.

## CHAPTER 2 ECONOMIC IMPACTS OF THE NONPROFIT ARTS



Organization expenditures are the basis for the economic impact of the nonprofit arts sector. Economic impact is derived by taking direct expenditures and adding a multiplier to calculate additional spending. For example, when arts employees spend their salaries on household needs such as groceries, retail purchases, health care, mortgage or rent payments, and phone and utility bills, their spending creates additional economic activity in each of these industries. At the same time, arts organization purchases of goods and services create employment at commercial printing businesses, insurance companies, art supply stores, lighting and acoustic equipment stores, to give a few examples. All of these businesses and their employees, in turn, spend their income, and the impact grows. These various indirect impacts multiply and when added to direct expenditures of arts organizations yield the total economic impact of the nonprofit arts sector in California. Figure 2.1 below provides a summary of this methodology.

Figure 2.1 Overview of Economic Impact Methodology



Note: From *The Arts: A Competitive Advantage for California* (1994); Figure 1.1

## 2.A. ORGANIZATION EXPENDITURES AND REVENUE ESTIMATES

### OVERVIEW

This study proved that arts organizations have a comparable economic impact whether they are small budget organizations located in California's smallest communities or multi-million dollar organizations located in a metropolitan hub.

Statewide expenditure estimates are presented in Table 2.1 below, and are compared with expenditure estimates from the 1994 study *The Arts: A Competitive Advantage for California*. Statewide estimates were derived by summing estimates for each of the eight sub-geographic regions. For all areas, expenditure averages from returned surveys were used as estimates for non-respondents.

As is seen in Table 2.1, estimated expenditures are much higher in the current study than in the 1994 study. Nonprofit arts organizations were estimated to spend approximately \$2.2 billion in California in 2002. This is three times as large as expenditures measured in the 1994 study. Since the two studies were comparable in terms of survey design and the definition of the nonprofit sector, this difference in part reflects growth in the nonprofit arts sector in the last 10 years. However, part of the difference is also due to the more comprehensive organization lists identified in the current study. The 1994 study was based on a universe of 2,465 California organizations while the current study was based on a universe of 3,605. Another factor is that the current study measured grants made by California nonprofit arts organizations (such as arts councils or arts and business councils), while the 1994 study did not. This accounted for roughly 4 percent of expenditures in the current study. The current study and the 1994 study also show a consistent pattern in the distribution of expenditures, another indicator of consistency between the two studies. Half of expenditures in each study go to payroll.

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*"Every dollar invested in the arts industry creates a positive multiplier effect, which in turn results in a return on the investment. Every dollar cut from the arts has the reverse effect, i.e. it takes money out of the productive economy, and so why be penny wise and pound foolish on an economic and human development issue."*

**Ernest D. Dillihay**

Cultural Facilities Director

City of Los Angeles Cultural Affairs Department

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Table 2.1 Expenditures in California By Nonprofit Arts Organizations  
By Major Category -- Current Study and 1994 Study

	1994 Study		Current Study	
	Expenditures (Millions \$)	Percent of Expenditures	Expenditures (Millions \$)	Percent of Expenditures
Payroll	\$319.8	47.5%	\$1,046.4	47.5%
Services	\$67.7	10.0%	\$343.6	15.6%
Goods	\$38.6	5.7%	\$163.7	7.4%
Non-Personnel Operating	\$88.0	13.1%	\$295.3	13.4%
Travel Expenditures	\$5.6	0.8%	\$27.8	1.3%
Artistic Property	\$32.3	4.8%	\$45.9	2.1%
Capital Expenditure	\$121.8	18.1%	\$183.1	8.3%
Grantmaking	-		\$95.8	4.4%
Total	\$673.8	100%	\$2,201.4	100%

Source for 1994 Study Data: *The Arts: A Competitive Advantage for California*. Policy Economics Group, KPMG Peat Marwick, Table 3.3.

Source for Current Study Data: Authors' calculations.

Table 2.2 presents California expenditure estimates. Statewide totals are presented along with a variety of estimates for sub-categories. Estimates are presented separately for the organizations in the Top 200 list and in the list of 3,000 organizations. Expenditures are presented by sub-geographic area and by the type of arts activity. Table 2.2 also shows the total expenditures of California nonprofit arts organizations both within California and outside of the state. Total expenditures were \$2,380.6 million, indicating that 92.5 percent (\$2,201.4 million) of all expenditures occurred in California.

More than half of in-state expenditures are derived from the Top 200 organizations and just less than half from the remaining mostly mid- and small-sized organizations. The Los Angeles and San Francisco sub-geographic areas have the largest expenditures with each accounting for more than a quarter of all expenditures statewide. San Diego and Oakland each account for more than \$100 million in expenditures. Rural areas account for more than \$40 million in expenditures.

Performing arts organizations generate just less than half of the expenditures of nonprofit arts organizations. Nonprofit museums and educational institutions had the second and third largest expenditures. Arts councils accounted for over \$100 million in annual expenditures.

Table 2.2: Total Expenditures in California By Nonprofit Arts Organizations  
By Type of Event and Sub-geographic Area

<b>Grouping</b>	<b>Expenditures (Millions \$)</b>
Total Expenditure in or out of California	\$2,380.6
Total Expenditure in California	\$2,201.4 (92.5%)
<b>California Expenditures</b>	
Top 200 Organizations	\$1,178.4
List of 3,000 Organizations	\$1,023.0
<b>Sub-geographic Area</b>	
Los Angeles	\$867.0
San Francisco	\$595.9
Oakland	\$148.4
San Diego	\$111.1
San Jose	\$68.7
Sacramento	\$46.5
Other Metro	\$323.3
Rural	\$40.4
<b>Type of Event</b>	
Performing arts	\$848.6
Museums	\$612.4
Educational Institutions	\$226.8
Other	\$202.6
Arts Council	\$144.1
Galleries	\$103.4
Fairs & Festivals	\$63.6

Source: Authors' calculations

Table 2.3 presents annual revenue estimates for California nonprofit arts organizations. Revenue by major category is presented for both the current study and the 1994 study. As was true for expenditures, there is a similarity in the sources of revenue from both studies. Nonprofit arts organizations earn about half of their income through admissions, rent, tuition, and services. However, the share from earned income is somewhat lower in the current study than in the previous study. The other half of income comes from private (individuals, corporations, and foundations) and government grants and investment income.

Table 2.3: Revenue of California by Nonprofit Arts Organizations  
By Major Category Current Study and 1994 Study

Sub-geographic Area	1994 Study		Current Study	
	Revenue (Millions \$)	Percent of Revenue	Revenue (Millions \$)	Percent of Revenue
Admissions and On-Site Sales	\$299.9	42.6%	\$722.6	33.4%
Other Operating Income (Rent, Tuition, Services and Recordings)	\$115.6	16.4%	\$241.3	11.2%
Contributed revenue - Government and Private (Individuals, Corporations, and Foundations)	\$57.5	36.0%	\$1,062.3	49.1%
Investment Income	\$34.9	5.0%	\$136.6	6.3%
Total	\$704.8	100%	\$2,163.0	100%

Source for 1994 Study Data: *The Arts: A Competitive Advantage for California*. Policy Economics Group, KPMG Peat Marwick, Table 1.2. Source for Current Study Data: Authors' calculations.

## ECONOMIC IMPACT OF EXPENDITURES

Table 2.4 shows the direct expenditure and the total impact for each subgroup: the List of 3,000, the Top 200 organizations, the eight sub-geographic regions, and by type of arts organization. Note that these expenditures have been adjusted downward to exclude donations to or purchases from other California nonprofits, so that these are not double counted.

The total economic impact of the direct expenditures of California's nonprofit arts organizations is \$3.47 billion. This is substantially more than the impact of expenditures estimated in the 1994 study, indicating growth in the nonprofit arts sector in the last decade. More than half of the impact was due to the organizations on the Top 200 list, with just less than half due to the primarily mid-sized and small organizations on the List of 3,000.

As with expenditures, the Los Angeles and San Francisco sub-geographic areas make the largest contribution to the overall economic impact. The Los Angeles area has an impact in excess of \$1.3 billion, while the impact in the San Francisco area is just under \$1 billion. Performing arts organizations account for two-fifths of the economic impact, and museums for roughly one-quarter of the impact. The next largest contribution is made by the nonprofit arts activities of educational institutions.

Table 2.4 also shows the economic impact in terms of worker income and employment. The total worker income impact is \$1.95 billion, which is again substantially larger than in the 1994 study. The total employment impact is 40,000. This figure does not include part-time employment at California nonprofit arts organizations. These were not included because some of these positions are temporary as well as part-time positions for artists and support crews. There are 95,100 of

these part-time positions. Nonprofit arts organizations also reported that individuals donated 10 million hours annually to support arts activities. Using Independent Sector valuation, these hours translate to \$165.4 million.

As with the total impact, the largest worker income and employment impacts are in the Los Angeles and San Francisco sub-geographic areas. More than one-third of the employment impact occurs from performing arts organizations.

Table 2.4: Economic Impact Due to the Expenditures of California Nonprofit Arts Organizations By Type of Event and Sub-geographic Area

Grouping	Adjusted Direct Expenditures (Millions \$)	Total Economic Impact		
		Expenditures (Millions \$)	Worker Income (Millions \$)	Employment <sup>1</sup>
1994 Study	\$673.8	\$1,471.6	\$1,032.3	28,000
<b>Current Total</b>	\$2,104.9 <sup>2</sup>	\$3,472.8	\$1,953.5	40,000
Top 200 Organizations	\$1151.0	\$1,886.5	\$1,049.5	21,300
List of 3,000 Organizations	\$953.9	\$1,586.3	\$904.0	18,700
<b>Sub-geographic Area</b>				
Los Angeles	\$821.0	\$1,374.6	\$776.9	15,700
San Francisco	\$573.5	\$932.3	\$514.1	11,600
Oakland	\$146.7	\$238.7	\$142.6	2,900
San Diego	\$101.1	\$163.8	\$97.8	1,800
San Jose	\$68.2	\$111.4	\$64.4	1,100
Sacramento	\$45.0	\$76.1	\$36.8	800
Other Metro	\$308.9	\$510.6	\$283.6	5,300
Rural	\$40.3	\$65.6	\$37.4	700
<b>Type of Event</b>				
Performing arts	\$843.5	\$1,362.9	\$814.5	14,300
Museum	\$593.1	\$990.5	\$509.5	13,100
Education Institutions	\$226.5	\$374.1	\$219.4	4,100
Other	\$197.7	\$335.4	\$177.3	4,000
Galleries	\$101.9	\$170.4	\$99.2	2,000
Arts Council	\$79.2	\$133.1	\$76.3	1,500
Fairs & Festivals	\$63.1	\$106.3	\$57.2	1,100

Source for 1994 Study Data: *The Arts: A Competitive Advantage for California*. Policy Economics Group, KPMG Peat Marwick.

Source for Current Study Data: Authors' calculations

<sup>1</sup> Figure based on full-time jobs in California nonprofit arts organizations plus jobs due to indirect impact.

<sup>2</sup> Excludes monies regranted by nonprofit organizations to other nonprofit organizations.

## REVENUE IMPACT

Taxes are levied on most aspects of economic activity including sales and income. As a result, economic impact inevitably leads to a fiscal impact, and the economic impact of the nonprofit arts sector yields an impact on California tax revenues. In particular, the expenditures of nonprofit arts organizations will yield sales tax revenue, and the wages paid by arts organizations will yield income tax revenue.<sup>32</sup> The indirect impacts from the multiplier effect will include retail sales and other types of sales that are subject to the sales tax. Indirect income impacts also will be subject to the income tax.



Source: City of San Diego Commission for Arts and Culture Photo Archive

California Center for the Performing Arts, Escondido  
Escondido, California

## INCOME IMPACT

Table 2.5 demonstrates that the expenditures of nonprofit arts organizations yielded a total worker income impact of \$1.95 billion. Much of this income would be subject to California income taxes. The average tax rate on this income would be 3.6 percent after adjusting for deductions, exemptions, and the progressive California income tax system. This is less than the marginal tax rate paid by many California households but is an average tax rate.<sup>33</sup> In Table 2.5, this average tax rate is applied to the statewide income impact to estimate the income tax impact from the expenditures of California nonprofit arts organizations. The total annual state income tax impact is \$71.0 million in revenue.

Table 2.5: Estimated Income Tax Revenue Impact From Expenditures of California Nonprofit Arts Organizations

Income Impact (Millions \$)	Average Income Tax Rate	Income Tax Revenue Impact (Millions \$)
\$1,953.5	3.6%	\$71.0

Source: Authors' calculations

## SALES TAX REVENUE

Nonprofit arts organizations pay sales tax on a variety of their expenditures. Expenditures subject to sales tax include those on office supplies, building materials for sets, textile and apparel, or food and drink for concessions. This is the direct sales tax impact of California nonprofit arts organizations. An estimated \$301.3 million worth of expenditures by California nonprofit arts organizations is subject to sales tax each year, yielding an annual income tax impact of \$24.9 million, as is seen in Table 2.6 below.

There is also sales tax revenue generated due to the indirect effect. The indirect impact is felt in a variety of expenditure categories such as retail, eating and drinking places, rent and mortgage payments, insurance payments, and health care. Many of these are subject to sales tax. Based on detailed analysis of economic multipliers, it was estimated that roughly 43 percent of the indirect effect was on items subject to the sales and use tax. Based on this percentage, the estimated sales tax impact from the indirect impact is \$48.7 million. Adding both direct and indirect impact on sales tax yields a total sales tax impact of \$73.6 million.

Table 2.6: Estimated Sales Tax Revenue Impact From Expenditures of California Nonprofit Arts Organizations

Impact Type	Economic Impact (Millions \$)	Percent Subject to Sales Tax	Taxable Impact (Millions \$)	Sales Tax Rate	Sales Tax Revenue Estimate (Millions \$)
Direct	\$2,104.9	14.3%	\$301.3	8.25%	\$24.9
Indirect	\$1,368.0	43.2%	\$590.9	8.25%	\$48.7
<b>Total</b>	<b>\$3,472.8</b>	<b>25.7%</b>	<b>\$892.2</b>	<b>8.25%</b>	<b>\$73.6</b>

Source: Authors' calculations

Sales tax impacts can be added to income tax impacts to estimate a total tax impact estimate. Doing so yields an estimate of the total income and sales tax revenue impact of \$144.6 million annually from the expenditures of California nonprofit arts organizations. And, this large impact estimate is even somewhat of an underestimate. The estimate does include the two largest

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*“When we look at the result of this study, we see that performing arts account for nearly \$1.4 billion in the economic impact of the arts statewide. Now is not the time to be cutting the arts. We should be figuring out ways to bring more resources to them.”*

**Glenn McCoy**  
Executive Director  
San Francisco Ballet

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sources of tax revenues, income and sales tax. However, the estimate does not include several categories of property and other miscellaneous taxes.

Table 2.7 shows the total tax revenue impact estimate for California as a whole in the current study and the 1994 study. Note that there is a substantial increase in revenue consistent with the large increase in the size of the economic impact. Table 2.7 also shows the distribution of the revenue impact among the eight sub-geographic areas and by type of nonprofit arts organization. As with the economic impact, the largest tax

revenue contribution is due to the San Francisco and Los Angeles sub-geographic areas, with the other metropolitan areas grouping making a significant contribution. The largest contribution by type of organization comes from performing arts organizations followed by museums.

Table 2.7: Tax Revenue Impact of Expenditures of California Nonprofit Arts Organizations By Type of Event and Sub-geographic Area

<b>Grouping</b>		<b>Adjusted Direct Expenditures (Millions \$)</b>
	1994 Study	\$48.9
<b>Current Total</b>		<b>\$144.6</b>
	Top 200 Organizations	\$79.1
	List of 3,000 Organizations	\$65.5
<b>Sub-geographic Area</b>		
	Los Angeles	\$58.8
	San Francisco	\$39.1
	Oakland	\$9.3
	San Diego	\$6.5
	San Jose	\$4.3
	Sacramento	\$2.8
	Other Metro	\$21.0
	Rural	\$2.7
<b>Type of Event</b>		
	Performing arts	\$54.4
	Museum	\$43.7
	Educational Institutions	\$14.7
	Other	\$14.1
	Galleries	\$7.7
	Arts Council	\$5.4
	Fairs & Festival	\$4.5

Source for 1994 Study Data: *The Arts: A Competitive Advantage for California*. Policy Economics Group, KPMG Peat Marwick. Source for Current Study Data: Authors' calculations.

## SUMMARY

A survey of arts organizations was taken in order to estimate the economic impact and tax revenue impact from the expenditures of California nonprofit arts organizations. The survey was mailed to approximately 3,200 organizations and there was an overall response rate of 18 percent. The annual economic impact of organization expenditures was estimated at \$3.5 billion, including \$1.95 billion in worker income and 40,000 jobs associated with that impact, plus an additional 95,000 temporary or part-time jobs in the arts. The sales and income tax revenue impact was \$144.6 million annually.

## 2.B. AUDIENCE SPENDING

### OVERVIEW

The economic impact of the arts organization expenditures is complemented by another important source of the sector's impact – audience spending. Audience spending occurs both on-site at arts venues and off-site at restaurants, stores, or for traveling to arts venues. Relevant spending can include dining or shopping around an arts event for the regional audience member, and the costs of travel and lodging for cultural tourists.

Audience spending is substantial considering the tens of millions of audience members each year for California nonprofit arts organizations, and the millions of tourists among these ranks. As is illustrated below, relevant audience spending is valued in the hundreds of millions of dollars statewide over the course of a year. Arts audience spending provides substantial business for dining establishments, and also for retail establishments. Cultural tourists also contribute to lodging and transportation businesses.



California Symphony's annual community concert at Todos Santos Plaza in Concord, California

This study, when considering audience spending, utilizes an approach that is consistent with the 1994 study *The Arts:*

*A Competitive Advantage for*

*California*. This was the last statewide study of the economic impact of the arts in California.

Comparisons with that previous study are made throughout.

### NUMBER OF VISITORS

The magnitude of audience spending is first and foremost driven by the number of visitors to California nonprofit arts sector events. This information was gathered during the survey of California nonprofit arts organizations. That survey asked each organization to list the number of visitors to its performing arts, exhibits, media and literary events, educational classes, and festivals.

Table 2.8 below shows the estimated attendance for each type of event statewide. Total attendance over a 12-month period was estimated at 71.2 million. Performing arts accounted for one-third of attendance with 27.1 million attending performing arts. Estimated attendance at exhibits equaled 18.1. Festivals and classes accounted for much of the remaining audience.

Table 2.8 also shows attendance for each of the eight sub-geographic areas in California. More than 50 percent of attendance occurred in the San Francisco and Los Angeles sub-geographic areas combined. Rural areas had more than two million in attendance. Most of those in attendance were from within the region. There were, however, millions of tourists among the audience. As is illustrated below, an estimated 8.4 percent of these visitors are tourists spending one or more days away from home. This suggests that there were 6.0 million tourists in attendance at the events of California nonprofit arts organizations.

Table 2.8: Attendance at Events of California Nonprofit Arts Organizations  
By Type of Event and Sub-geographic Area (in millions)

<b>Grouping</b>	<b>Attendance</b>	<b>Percent of Total</b>
<b>Total</b>	<b>71.2</b>	<b>100%</b>
<b>Type of Event</b>		
Performing arts	27.1	38.1%
Exhibits	18.1	25.4%
Fairs & Festivals	10.6	14.9%
Educational Classes	7.8	11.0%
Literary	1.8	2.5%
Media	1.6	2.2%
Other	4.2	5.9%
<b>Sub-geographic Area</b>		
San Francisco	20.1	28.2%
Los Angeles	18.4	25.8%
San Jose	4.4	6.2%
Oakland	4.2	5.9%
San Diego	3.4	4.8%
Sacramento	1.9	2.7%
Other Metro	16.6	23.3%
Rural	2.2	3.1%

Source: Survey of Nonprofit Arts Organizations, CA Nonprofit Arts Economic Impact Study

## VISITOR SPENDING

A separate survey of arts audiences was taken in order to measure the amount of audience spending. The survey was sent to arts organizations throughout California to be distributed at their

performances or exhibits. Survey results are used to determine the percentage of the audience that were visitors or tourists and the average off-site spending of visitors.

### **METHODOLOGY: SURVEY OF AUDIENCES**

The survey of arts audiences (see Appendix G) was distributed to organizations throughout California for distribution to their audiences during the period of June 2003 through February 2004. A much smaller group of organizations was contacted about participation in the audience survey than the 3,200 contacted for participation in the organization survey. The goal was to ensure the participation of several dozen of the organizations on the list of the Top 200 Organizations, and several dozen of the organizations on the List of 3,000. Organizations were selected for participation

randomly from each list. Selected organizations were contacted about participating in the survey.<sup>34</sup>



Irvine Barclay Theatre  
Irvine, California

Audience surveys were returned by 53 California nonprofit arts organizations.<sup>35</sup> A total of 2,700 surveys were returned by these organizations.<sup>36</sup> One survey was filled out per attending party, so these responses most often pertained to two or more people. Returned surveys reflected the spending of 7,200 persons attending arts events. The average audience response rate among the 53 participating organizations was 28.9 percent.

### **OFF-SITE SPENDING**

Table 2.9 shows the statewide spending by audience members of California nonprofit arts organizations on the day of arts events, which contributes to the economic impact estimates. Results are presented per spending category including food and drink, souvenirs, local transportation, child care, and clothing. Results do not include expenses by cultural tourists; for lodging and travel. These are discussed later.

Note that the spending figures in Table 2.9 only apply to the off-site spending of audience members. On-site spending for admissions, food and drink was already reflected in the earlier chapter on organization expenditure, since admissions and food spending were part of the revenue stream for organizations. This spending should not be counted a second time here. The per-person off-site spending estimate for California audience members was \$16.51.<sup>37</sup>

Note also that results reflect the spending of 50 percent of audience members. This percentage was used due to other results from the audience survey. In particular, survey questions revealed that roughly one-half of audience members would have attended some other type of event if their arts event was not an option. These 50 percent of audience members thus would have spent off-site even if there were no arts event on that day. A similar approach was used in the 1994 study *The Arts: A Competitive Advantage for California*, again based on survey results, so the results for the two studies presented in Table 2.9 are comparable.

Table 2.9 shows the total off-site spending activity attributed to the nonprofit arts sector in the current study and in the 1994 study. The total off-site spending estimate for the California nonprofit arts sector was \$587.9 million. Spending is more than twice as high as in the 1994 study. This difference is not surprising since the previous study estimated total attendance of roughly 24 million statewide<sup>38</sup>, substantially less than the attendance identified in the current study.

The share of spending by category is similar in the current and previous study. Food and drink was the largest off-site spending category, emphasizing the importance of the arts to dining establishments. The other larger spending categories were transportation to the event and souvenirs.

Table 2.9: Off-Site Expenditures on the Day of the Event By Visitors for California Nonprofit Arts Organizations By Major Category Current Study and 1994 Study

Spending Category	1994 Study		Current Study	
	Expenditures (Millions \$)	Percent of Expenditures	Expenditures (Millions \$)	Percent of Expenditures
Food and Drink	\$112.8	55.9%	\$290.3	49.4%
Souvenirs, Books, or Arts Objects Purchased	\$16.8	8.3%	\$73.8	12.6%
Transportation (including gas, parking, tolls, taxi, limo, and public transportation)	\$32.4	16.1%	\$88.9	15.1%
Child-care related to attending arts event	\$3.6	1.8%	\$14.6	2.5%
Clothing and Accessories	\$27.6	13.6%	\$65.6	11.2%
Other	\$8.4	4.2%	\$54.7	9.3%
Total	\$201.6	100%	\$587.9	100%

Source for 1994 Study Data: *The Arts: A Competitive Advantage for California*. Policy Economics Group, KPMG Peat Marwick, Table 1.5. Source for Current Study Data: Survey of Arts Event Attendees, CA Nonprofit Arts Economic Impact Study.

## TOURISM

There were an estimated six million tourists among the 72.1 million audience members at the events of California nonprofit arts organizations. These tourists were defined as all persons who were away from their home for at least one night when attending arts events or activities.

These tourists had substantial expenditures on the day of the arts event. These expenditures were included in Table 2.9 above along with the expenditures of audience members who were not tourists. But, tourists also had other expenditures during their trip such as travel to the area, lodging, and retail and dining spending other than the day of the arts event. This additional tourist spending averaged \$190.87 per tourist among audience members.<sup>39</sup> These expenditures can also be attributed to the arts sector. Including this tourism spending, however, would only be appropriate if the tourists were drawn on their trip primarily to attend the performing arts or exhibits, rather than for some other reason such as visiting friends or family, or business travel. A ques-



Hollywood Bowl  
 Courtesy of Los Angeles Convention and Visitors Bureau

tion on the audience survey specifically asked tourists about their motivations for traveling to the area where the arts event was held. Approximately 50 percent of visitors indicated that traveling to the arts event was their main reason or a very important one. This indicates that roughly 50 percent of spending by tourists on transportation, lodging, and additional spending on food and retail should be considered to contribute to the economic impact of

the nonprofit arts sector. This approach is again similar to that used in the 1994 study *The Arts: A Competitive Advantage for California*, though one difference is that this study considers tourist spending on food and retail, while the 1994 study only considered travel and lodging costs.

Table 2.10 shows the total expenditures by tourists that can be attributed to the nonprofit arts sector both in the current study and in the 1994 study. Relevant expenditures included travel costs to the area, lodging costs, and spending on dining and retail on days other than the day of the arts event. Total statewide expenditures were \$573.5 million per year in the current study.

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*“Whatever it takes to get our state’s economy back on course is an obviously high priority. In Sacramento’s difficult decision-making to balance the budget, let us hope they don’t de-fund sectors that generate revenue back into the economy.”*

**Robert Barrett**  
 Chair  
 California Travel Industry Association

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Table 2.10: Additional Off-Site Expenditures of Cultural Tourists  
By Major Category Current Study and 1994 Study

	<b>1994 Study</b>	<b>Current Study</b>
<b>Category</b>	Expenditures (Millions \$)	Expenditures (Millions \$)
<b>Travel-Related Costs (Travel and Lodging)</b>	\$118.3	\$292.8
<b>Spending On Other Days</b>	N/A	\$280.7
<b>Food and Drink</b>	N/A	\$138.2
<b>Clothing, Accessories and Other</b>	N/A	\$142.5
<b>Total</b>	\$118.3	\$573.5

Source for 1994 Study Data: *The Arts: A Competitive Advantage for California*. Policy Economics Group, KPMG Peat Marwick, Table 1.7. Source for Current Study Data: Source: Survey of Arts Event Attendees, CA Nonprofit Arts Economic Impact Study.

## ECONOMIC IMPACT

Table 2.11 shows the total economic impact of off-site spending by the audiences of California nonprofit arts organizations. The impact is presented in terms of expenditures, worker income and employment. The total impact is nearly \$2.0 billion in expenditures. There is a worker income impact of \$702.6 million and 26,300 jobs associated with this economic impact. These impacts are substantially larger than the impacts identified in the 1994 study.

The impact was evenly split between spending by visitors on the day of the event and tourist spending. Visitor spending yielded a total economic impact of \$993.1 million on an annual basis, with an income impact of \$346.5 million and 13,600 jobs. The economic impact due to cultural tourists when traveling to the arts event, or on other days of their trip was \$971.2 million. Cultural tourists supported 12,700 California jobs and worker earnings of \$356.1 million.

Table 2.11: Economic Impact of California Nonprofit Arts Organization Audience Spending by Visitors and Tourists Current Study and 1994 Study

<b>Total Economic Impact</b>		

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*"The impact of the arts on the economy of California measures in the billions, just try to name one business NOT touched by the arts!"*

**Donna Banning**

National Arts Education Association,  
Pacific Region, VP-elect

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Grouping	Direct Expenditures (Millions \$)	Expenditures (Millions \$)	Worker Income (Millions \$)	Employment
<b>1994 Study</b>	<b>\$319.9</b>	<b>\$687.6</b>	<b>\$384.4</b>	<b>11,719</b>
<b>Visitors</b>	\$201.6	\$399.7	\$226.6	7,529
<b>Tourists</b>	\$118.3	\$287.9	\$157.8	4,190
<b>Current Study</b>	<b>\$1,161.3</b>	<b>\$1,964.3</b>	<b>\$702.6</b>	<b>26,300</b>
<b>Visitors</b>	\$587.9	\$993.1	\$346.5	13,600
<b>Tourists</b>	\$573.5	\$971.2	\$356.1	12,700

Source for 1994 Study Data: *The Arts: A Competitive Advantage for California*. Policy Economics Group, KPMG Peat Marwick, Table 1.12.

Source for Current Study Data: Authors' calculations. Note: Figures may not sum to totals due to rounding.

Table 2.12 shows the economic impact of audience spending by region of the state and by type of arts events. Expenditures and impacts are presented for spending by both visitors and cultural tourists.

The impact is greatest in the Los Angeles sub-geographic area and the San Francisco sub-geographic area. The largest off-site audience spending impact is due to performing arts. Performing arts account for nearly half of the audience spending impact.

Table 2.12: Economic Impact of California Nonprofit Arts Organization Audience Spending By Type of Event and Sub-geographic Area



Laguna Playhouse's West Coast Premiere production of *The Romance of Magna Rubio* by Lonnie Carter.

Grouping	Direct Expenditures (Millions \$)	Total Economic Impact		
		Expenditures (Millions \$)	Worker Income (Millions \$)	Employment
<b>Total</b>	<b>\$1,161.3</b>	<b>\$1,964.3</b>	<b>\$702.6</b>	<b>26,300</b>
Top 200 Organizations	\$464.3	\$799.6	\$290.7	11,100
List of 3,000 Organizations	\$697.0	\$1,164.7	\$411.9	15,200
<b>Sub-geographic Area</b>				
Los Angeles	\$351.8	\$599.3	\$215.8	8,100
San Francisco	\$305.1	\$516.1	\$184.5	6,900
San Jose	\$69.8	\$117.7	\$42.0	1,600
Oakland	\$62.8	\$105.7	\$37.7	1,400
San Diego	\$54.5	\$91.9	\$32.8	1,200
Sacramento	\$28.5	\$48.0	\$17.1	600
Other Metro	\$256.4	\$431.3	\$153.5	5,700
Rural	\$32.5	\$54.4	\$19.3	700
<b>Type of Event</b>				
Performing arts	\$515.2	\$877.9	\$316.3	11,900
Museum	\$216.2	\$368.7	\$133.0	5,000
Fairs & Festivals	\$155.9	\$258.8	\$90.8	3,300
Arts Council	\$115.6	\$193.6	\$68.6	2,500
Educational Institutions	\$54.6	\$91.8	\$32.7	1,200
Galleries	\$45.7	\$75.9	\$26.6	1,000
Other	\$58.1	\$97.6	\$34.7	1,300

Source: Authors' calculations.

## TAX REVENUE IMPACT

Table 2.13 shows the total tax revenue impact of audience spending for California in the current study and the 1994 study. The estimated annual revenue impact was \$147.6 million in the current study, of which \$73.4 million is due to tourists and \$74.2 million is due to visitors.

Estimates in the current study were calculated using the same approach described in the previous chapter, so that both state income tax revenue and state and local sales tax revenue are included. The tax revenue impact in the current study is substantially larger than in the 1994 study. This finding is consistent with the much larger economic impact identified in the current study. The current tax impact also is greater since the current study considers the full effect of sales tax on the indirect portion of the economic impact.

Table 2.13 shows a separate tax revenue impact for the List of 3,000 and Top 200 organizations,

as well as revenue impact by the eight sub-geographic areas and by type of organization. As with the economic impact, the largest tax revenue contribution is due to the Los Angeles and San Francisco sub-geographic areas, with the other metropolitan areas grouping making a significant contribution. The largest contribution by type of organization comes from performing arts organizations followed by museums.

Table 2.13: Tax Revenue Impact of California Nonprofit Arts Audience Spending by Type of Event and Sub-geographic Area

<b>Grouping</b>	<b>Adjusted Direct Expenditures (Millions \$)</b>
1994 Study	\$28.2
<b>Total (Current Study)</b>	<b>\$147.6</b>
Top 200 Organizations	\$59.8
List of 3,000 Organizations	\$87.8
<b>Sub-geographic Area</b>	
Los Angeles	\$44.9
San Francisco	\$38.8
San Jose	\$8.8
Oakland	\$8.0
San Diego	\$6.9
Sacramento	\$3.6
Other Metro	\$32.4
Rural	\$4.1
<b>Type of Event</b>	
Performing arts	\$65.7
Museum	\$27.7
Fairs & Festivals	\$19.5
Arts Council	\$14.6
Educational Institutions	\$6.9
Galleries	\$5.7
Other	\$7.3

Source: Authors' calculations.

## SUMMARY

Section B identified the economic and fiscal impact from audience spending of California non-profit arts organizations. The total economic impact was nearly \$2.0 billion. Roughly one-half of this impact was due to spending by cultural tourists. Los Angeles and San Francisco were the sub-geographic areas that contributed most to the economic and tax revenue impact from audience spending. Performing arts organizations accounted for roughly half of the impact.



Kids and families creating artworks for Cinco de Mayo at the Museum of Contemporary Art San Diego's *Free For All Family Days*

## 2.C. TOTAL STATEWIDE IMPACTS

### OVERVIEW

The total economic and tax revenue impact of the nonprofit arts sector is the sum of the economic impact from arts organization expenditures and from arts audience spending. Below, total statewide impacts are calculated for California. Total statewide impacts also are compared with the impacts of a group of other California industries.

### TOTAL STATE ECONOMIC AND REVENUE IMPACT IN CALIFORNIA

Table 2.14 illustrates the total statewide impact of the nonprofit arts sector for California. Economic impact estimates developed earlier are summarized in Table 2.14 to develop an impact estimate that reflects both the spending of arts organizations and their audiences.

Table 2.14: Total Economic and Fiscal Impact of California Nonprofit Arts Sector

Source of Impact	Fiscal Impact	Total Economic Impact		
	State and Local Tax Revenue (Millions \$)	Expenditures (Millions \$)	Worker Income (Millions \$)	Employment
Arts Organization Expenditures	\$144.6	\$3,472.8	\$1,953.5	40,000 <sup>1</sup>
Off-Site Spending of Tourists in Audience	\$73.4	\$971.2	\$356.1	12,700
Off-Site Spending of Audience Members Who Are Not Tourists	\$74.2	\$993.1	\$346.5	13,600
<b>Total</b>	<b>\$292.2</b>	<b>\$5,437.1</b>	<b>\$2,656.1</b>	<b>66,300</b>

Source: Authors' calculations.

<sup>1</sup> Figure based on full-time jobs in California nonprofit arts organizations plus jobs due to indirect impact.

The total economic impact of the California nonprofit arts industry is \$5.4 billion dollars annually. This impact includes \$2.7 billion in annual worker income and 66,300 jobs—including 40,000 full-time jobs associated with California nonprofit arts organizations and 26,300 jobs generated through the impact of audience spending. This figure does not include part-time employment at California nonprofit arts organizations. These were not included because some of these positions are temporary positions for artists and support crews. There are 95,100 of these part-time or temporary positions. The impact on state and local tax revenue is \$292.2 million per year.

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*"In the grand scheme of our state's multi-billion dollar economy, some might argue the arts constitute only a small portion of it. Perhaps if we concentrate more on the overall influence of the arts on our children, businesses and communities, we will all be more aware of how great a resource the arts truly are in California."*

**Nancy Glaze**

Director Arts Program  
The David and Lucile Packard Foundation

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As is evident from Table 2.15, most of the economic impact was due to the expenditures of arts organizations. But, there was also a substantial contribution of economic impact from arts tourism, and the spending from other audience members. Table 2.15 shows the breakdown of the total economic impact by sub-geographic area and by type of arts organization. Results also are compared with those from the 1994 study. Consistent with earlier results, the estimated total economic impact of the nonprofit arts sector has risen significantly since the 1994 study. The magnitude of the growth figure indicates that there has been substantial, real growth in California's nonprofit arts sector during the last decade.

Table 2.15: Total Economic and Fiscal Impact of the California Nonprofit Arts Sector  
By Type of Event and Sub-geographic Area

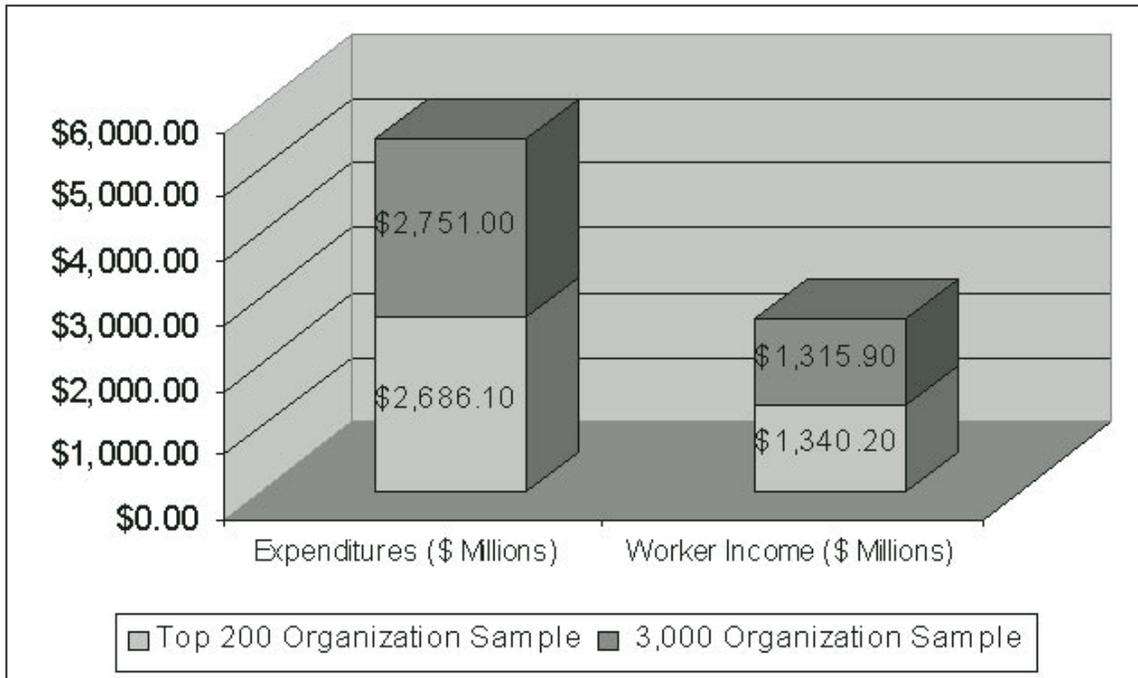
Grouping	Fiscal Impact	Total Economic Impact		
	Tax Revenue (Millions \$)	Expenditures (Millions \$)	Worker Income (Millions \$)	Employment <sup>1</sup>
<b>1994 Study</b>	<b>\$77.1</b>	<b>\$2,159.2</b>	<b>\$1,416.7</b>	<b>39,700</b>
<b>Total (Current Study)</b>	<b>\$292.2</b>	<b>\$5,437.1</b>	<b>\$2,656.1</b>	<b>66,300</b>
Top 200 Organizations	\$138.9	\$2,686.1	\$1,340.2	32,400
List of 3,000 Organizations	\$153.3	\$2,751.0	\$1,315.9	33,900
<b>Sub-geographic Area</b>				
Los Angeles	\$103.7	\$1,973.9	\$992.7	23,800
San Francisco	\$77.9	\$1,448.4	\$698.6	18,500
Oakland	\$17.3	\$344.4	\$180.3	4,300
San Diego	\$13.4	\$255.7	\$130.6	3,000
San Jose	\$13.1	\$229.1	\$106.4	2,700
Sacramento	\$6.4	\$124.1	\$53.9	1,400
Other Metro	\$53.4	\$941.9	\$437.1	11,000
Rural	\$6.8	\$120.0	\$56.7	1,400
<b>Type of Event</b>				
Performing arts	\$120.1	\$2,240.8	\$1,130.8	26,200
Museum	\$71.4	\$1,359.2	\$642.5	18,100
Education Institutions	\$21.6	\$465.9	\$252.1	5,300
Other	\$21.4	\$433.0	\$212.0	5,300
Fairs & Festivals	\$24.0	\$365.1	\$148.0	4,400
Arts Council	\$20.0	\$326.7	\$144.9	4,000
Galleries	\$13.4	\$246.3	\$125.8	3,000

Source: Authors' calculations

<sup>1</sup> Figure based on full-time jobs associated with California nonprofit arts organizations plus jobs generated through the impact of audience spending.

Data in Table 2.15 indicates that the economic impact of mid- and small-sized organizations is nearly comparable to that of the state’s largest budget organizations. Figure 2.2 below, illustrates the total economic impact proportion of organizational expenditures and worker income. What is noteworthy about this finding is the fact that mid and small-sized organizations from the List of 3000 have a comparable impact with the largest budget organizations represented in the Top 200 list.

Figure 2.2: Economic Impacts Generated by the List of 3,000 mid- and small size sample to the Top 200.

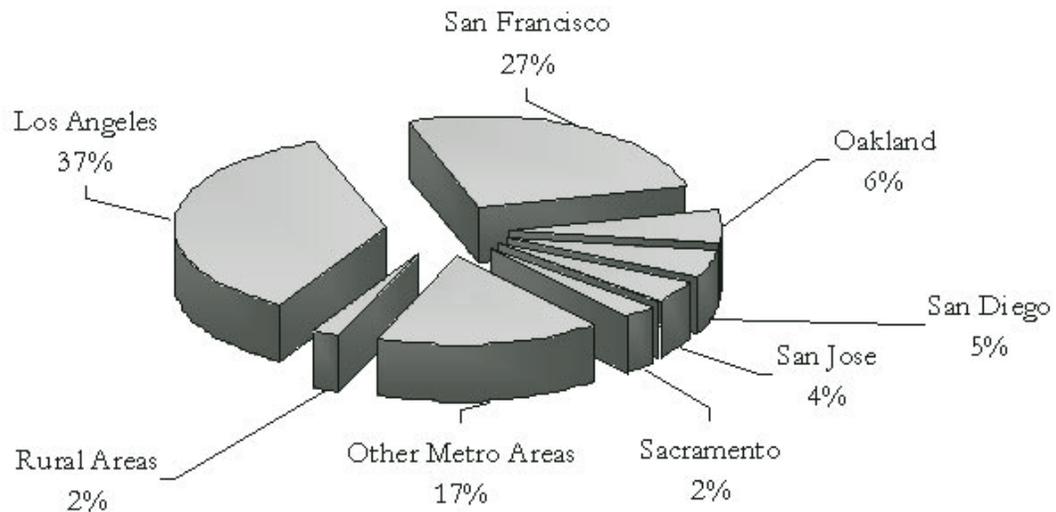


Source: Authors’ Calculations

The Los Angeles area makes the largest contribution to economic and fiscal impact in the state followed by the San Francisco area. Performing arts organizations account for just less than half of the economic and fiscal impact.

Figure 2.3 below, illustrates the geographic impact in the six metropolitan counties, as well as mid- and small-size cities and the state’s rural communities. Los Angeles County has the largest impact at 37 percent, followed by San Francisco at 27 percent. Study result’s show the 19 percent combined impact of California’s other metro and rural areas constitutes the third largest geographic economic impact in the state.

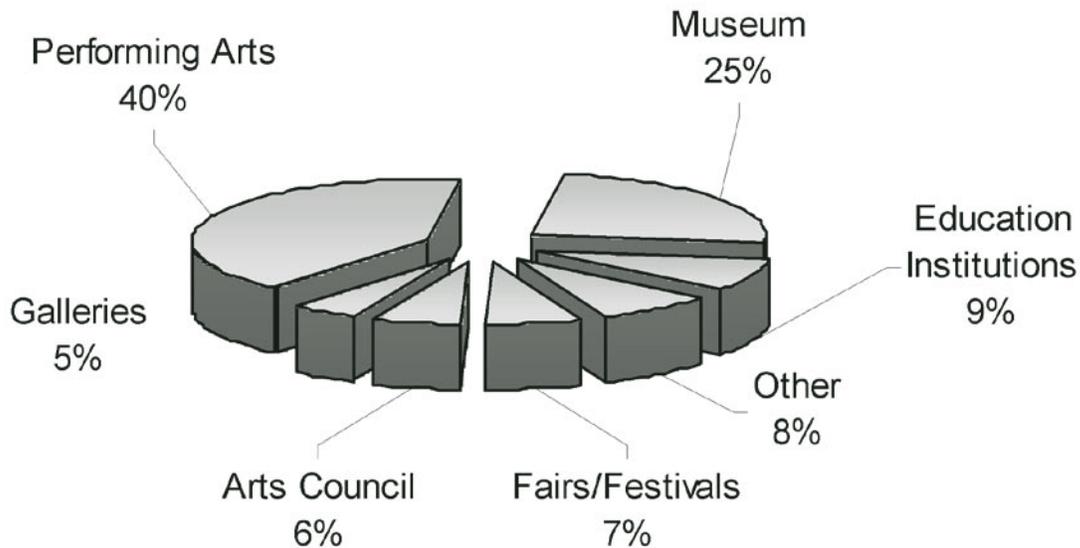
Figure 2.3 Total Economic Impact and Fiscal Impact of the California Nonprofit Arts Sector by Sub-geographic Area



Source: Authors' calculations

In Figure 2.4 below we can see the overall economic and fiscal impact of the arts sector in California by type of event. For the purposes of this chart, the performing arts category includes: theaters, presenting venues, and drama troupes, and music of all kinds — from mariachi, folk, jazz and choral to the state’s symphony orchestras. Arts council category represents local arts agencies and arts commissions from the largest metropolitan to most rural areas of the state. The educational institutions category includes: arts focused colleges and institutes at both California’s public and private universities. The galleries category includes visual arts galleries as well as organizations identifying themselves as multi-arts centers providing a mixed palate of all offerings. The fairs and festivals category includes only arts-related fairs and festivals that have an arts and/or indigenous craft component and are produced by nonprofit governmental or educational organizations. The category of “other” includes public radio and video, literary and digital arts organizations. Arts service organizations identified themselves with the type of artistic activity they represented.

Figure 2.4 Total Economic Impact and Fiscal Impact of the California Nonprofit Arts Sector by Type of Activity.



## COMPARISONS WITH OTHER INDUSTRIES

The economic impact of the nonprofit arts sector is substantial. But California is a populous state with a large economy. A natural question that arises is: How does the large economic impact of the nonprofit arts sector compare to the impact from other California industries?

This issue is addressed in Table 2.16, which shows the impact of the nonprofit arts sector and other key sectors in the entertainment or tourism industry. The economic impact of health services is included as a point of reference, since this is among California's largest service industries. Table 2.16 shows the impacts in terms of worker income. This metric allows for consistent comparisons given that some of the employment opportunities within the nonprofit arts sector, particularly for artistic personnel, are part-time and temporary.

Worker income impacts are calculated for the other industries listed in Table 2.16 using the most recent California data available from the IMPLAN model. Results in Table 2.16 show that the nonprofit arts sector has an impact similar to many major sectors in the entertainment/recreation and tourism sectors. The nonprofit arts sector has a larger economic impact than membership sports and recreation clubs, and an impact slightly less than commercial sports organizations. The impact of the nonprofit arts sector is very close to the impact of the auto rental sector, which is a significant component of the California tourism industry.

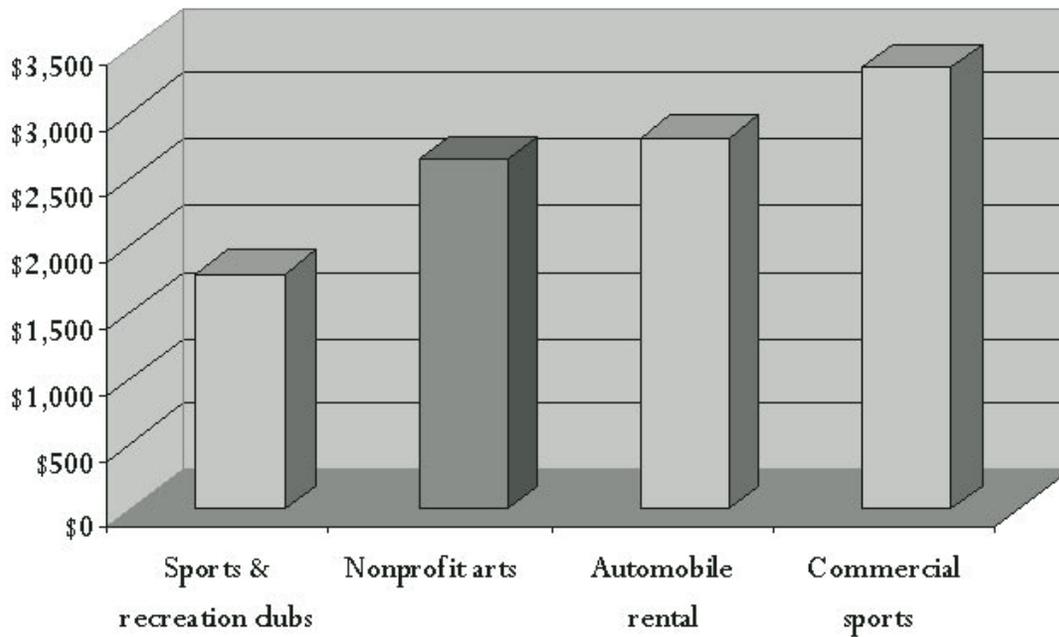
Table 2.16: Economic Impact on Worker Income from Nonprofit Arts Sector and Four Key Services and Entertainment Sectors

Impact	Worker Income Impact (Billions \$)
<b>Nonprofit Arts Organizations</b>	<b>\$2.65</b>
<b>Comparison Industries</b>	
Membership sports and recreation clubs	\$1.80
Commercial Sports (including horse racing)	\$3.34
Automobile rental	\$2.81
Health services	\$31.98

Source: IMPLAN Pro model and authors' calculations.

Figure 2.5, represents the impact of arts worker expenditures on California's overall economy as compared to the worker impacts of comparable non-arts industries.

Figure 2.5: Arts Worker Expenditures Compared to Other California Industries (in millions).



Source: Authors' calculations

## SUMMARY

The overall economic impact of the nonprofit arts sector exceeds \$5 billion annually. The industry generates state and local tax revenues of nearly \$300 million each year. These impacts are large in an absolute sense, and are also large relative to other sectors in the entertainment, recreation, and tourism industries.



Dragon dancers performing in front of the San Diego Museum of Art during the SDMA Family Festival

## 2.D. ARTS SECTOR GROWTH SINCE THE 1994 STUDY

### OVERVIEW

Statistical measures in this report help us better understand nonprofit arts sector growth and also provide a sector snapshot in time. As the first ten-year benchmark against 1994 study data, the value of this report will be essential when future economic impacts are calculated. Already in one decade, California’s nonprofit arts sector shows triple digit growth. Data provided by the nonprofit arts sector documents tremendous levels of activity as is evidenced by this list of findings.

- The overall economic impact of the arts is 152 percent greater than the 1994 study.
- Local and state taxes generated as a result of the arts are up 279 percent.
- Admissions and on-site sales increased 141 percent.
- Arts and cultural organization worker income has increased 89 percent.
- Arts and cultural organization income has increased 207 percent.
- Grants and contributions to the arts have grown 318 percent.

Table 2.17 provides an overview of information highlights when the sector’s economic performance in 1994 study is compared with current sector data.

Table 2.17: A Comparison of 1994 and Current Study Findings

Findings	Current Report	1994 Report	Change
Nonprofit arts and cultural sector overall impact on California’s economy	\$5.437 billion	\$2.159 billion	+152%
State and local tax revenue impact	\$292.2 million	\$77.1 million	+279%
Admissions and on-site sales	\$722.6 million	\$299.9 million	+141%
Arts and cultural organization worker income impact	\$1.953 billion	\$1.032 billion	+89%
Arts and cultural organization income	\$2.163 billion	\$704.8 million	+207%
Grants: government and private	\$1.062 billion	\$254.4 million	+318%
Investment income	\$136.6 million	\$34.9 million	+291%

Source: Author’s calculations

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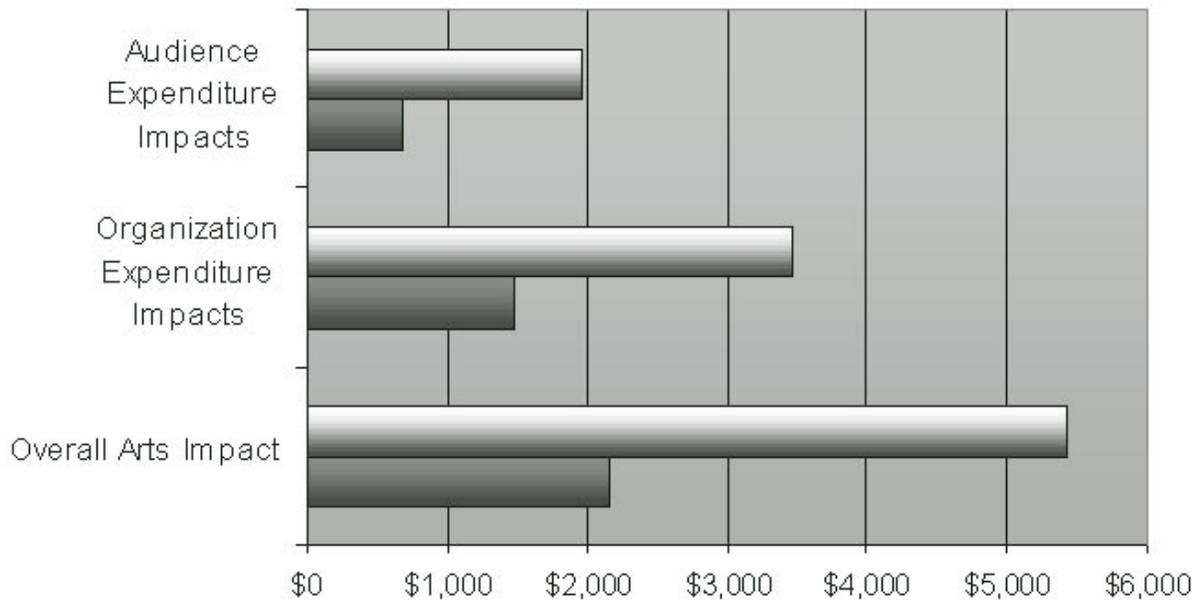
*“The arts are really an economic drawing card.”*

**Rita Walters**  
Member, L.A. City Council

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In Figure 2.6, we are able to visualize the nonprofit arts sector's 152 percent increase in economic impact occurring over the past decade. Figure calculations are in millions of dollars showing the current \$5.4 billion overall impact as compared to \$2.2 billion in 1994.

Figure 2.6: Comparison of Major Nonprofit Arts Sector Impacts From the 1994 Study to the Current Study (in millions).



Source: Authors' calculations

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*"The arts in California are a vital asset to the economic well-being and livability of our communities."*

**Victoria L. Hamilton**

Director

City of San Diego Commission for Arts and Culture

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Table 2.18 provides a statistical overview of California’s environment as evidenced in the 1994 study and compared to the timeframe of this study. Though both the state’s population and budget have increased by 16 and 23 percent respectively, the state’s appropriation to the arts has decreased during those same years by 92 percent.

Table 2.18: Report Context– California Today and in the 1994 Study

	<b>Current Study</b>	<b>1994 Study</b>
California’s population	34.5 million	29.7 million
State of California budget	\$101 billion	\$82 billion
California Arts Council budget	\$1 million	\$12.6 million
Report survey sample	538 organizations <i>(503 in statewide sample and 35 in metropolitan area oversample)</i>	530 organizations
Data universe	3,605 arts and cultural nonprofit organizations <i>(Collected from 44 arts and cultural organization databases and IRS Form 990s. An aggregate of 11,660 files prior to sorting)</i>	2,465 mostly nonprofit arts organizations. <i>(Mostly organizations in the California Arts Council’s database eligible to receive grants.)</i>
Audience	Audience survey responses – totaled 7,200 persons	Audience survey responses – totaled 11,000

Source: Authors’ calculations

## 2.E. IMPACTS IN METROPOLITAN COUNTIES

### OVERVIEW

Statewide impacts illustrate how Californians benefit from the economic opportunities available due to the nonprofit arts sector. Impacts reported earlier in this study for the six metropolitan areas: Los Angeles, Oakland, Sacramento, San Diego, San Francisco and San Jose are based on Metropolitan Statistical Areas as defined in the 2000 census. This section provides yet a different view of economic impact by measuring all nonprofit arts activity within county boundaries of the six metropolitan areas.

### METHODOLOGY

Data developed for the purpose of estimating the statewide economic impact of the arts can form a basis for calculating impacts on the metropolitan counties of six sub-geographic areas: Los Angeles, Alameda (Oakland), Sacramento, San Diego, San Francisco, and Santa Clara (San Jose) counties. More than half of the nonprofit arts organizations in the statewide sample are located in these six metropolitan counties. This data can be used to develop impact estimates for these six metropolitan counties within the sub-geographic areas, particularly if the sample is supplemented.<sup>40</sup>

The supplemented samples were utilized to calculate the total economic impact of nonprofit arts organizations including the impact from both arts organization spending and off-site arts audience spending. The approach used was similar to those used in the statewide sample, and the methodologies will not be repeated here. The only significant difference is with the treatment of audience spending. In particular, metropolitan counties benefit more from the off-site spending of Californians than suburban areas or rural areas. The expenditures of all arts audience members from outside of these metropolitan counties would count toward the county impact. The economic impact from audience spending should be greater for metropolitan counties as a result.

The following pages provide a summary of the economic and fiscal impact of the nonprofit arts industry in each of the six metropolitan counties. Note throughout the tax revenue impacts only include local sales tax revenue, and exclude sales and income tax revenues going to the state.

## LOS ANGELES COUNTY

Table 2.19 contains summary data about the economic impact of the nonprofit arts sector on Los Angeles County. The table shows the total economic impact, and the impact in terms of worker income and employment. The impact on local sales tax revenue is also reported.

Impacts are reported separately for the spending of arts organizations, non-tourist members of the arts audience, and tourists in the arts audience. The total economic impact from all sources is also reported.

Results in Table 2.19 indicate a total annual economic impact of \$2 billion from Los Angeles County nonprofit arts organizations. The total impact includes a worker income impact of \$1 billion. The employment impact is 24,200 jobs. This impact is in addition to the 25,200 part-time jobs for arts performers and crew at Los Angeles County nonprofit arts organizations. The total annual tax revenue impact is \$19.1 million in local sales taxes.<sup>41</sup>



The Ford Amphitheatre Summer Season, a program of the Los Angeles County Arts Commission, presents a season of more than 100 performances of music, dance, film, theater, and family events.

Most of the impact is due to arts organization expenditures. The impact of organization expenditures is \$1.35 billion, while the impact from tourism is \$270.2 million and non-tourist audience members contribute \$380.2 million.

Table 2.19: Total Economic and Fiscal Impact of California Nonprofit Arts Sector in Los Angeles County

Source of Impact	Fiscal Impact	Total Economic Impact		
	Local Sales Tax Revenue (Millions \$)	Expenditures (Millions \$)	Worker Income (Millions \$)	Employment
Arts Organization Expenditures	\$8.1	\$1,352.8	\$768.9	15,400
Off-Site Spending of Tourists in Audience	\$4.6	\$270.2	\$99.2	3,500
Off-Site Spending of Audience Members Who Are Not Tourists	\$6.4	\$380.2	\$135.5	5,300
<b>Total</b>	<b>\$19.1</b>	<b>\$2,003.2</b>	<b>\$1,003.6</b>	<b>24,200</b>

Source: Authors' calculations

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*“The creative workforce is California’s most important economic resource. Creativity is at the heart of our state’s leading industries and drives tourism. Investing in the arts is vital to California’s future.”*

**Laura Zucker**  
Executive Director  
Los Angeles County Arts Commission

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## ALAMEDA COUNTY

Table 2.20 contains summary data about the economic impact of the nonprofit arts sector on Alameda County. The table shows the total economic impact, and the impact in terms of worker income and employment. The impact on local sales tax revenue is also reported.

Impacts are reported separately for the spending of arts organizations, non-tourist members of the arts audience, and tourists in the arts audience. The total economic impact from all sources is also reported.

Results in Table 2.20 indicate a total annual economic impact of \$239.5 million from Alameda County nonprofit arts organizations. The total impact includes a worker income impact of \$124.7 million. The employment impact is 3,000 jobs. This impact is in addition to the 11,200 part-time jobs for arts performers and crew at Alameda County nonprofit arts organizations. The total annual tax revenue impact is \$9.8 million in local sales taxes.<sup>42</sup>

Most of the impact is due to arts organization expenditures. The impact of organization expenditures is \$154.6 million, while the impact from tourism is \$41.9 million and non-tourist audience members contribute \$43.0 million.

Table 2.20: Total Economic and Fiscal Impact of California Nonprofit Arts Sector in Alameda County

Source of Impact	Fiscal Impact	Total Economic Impact		
	Local Sales Tax Revenue (Millions \$)	Expenditures (Millions \$)	Worker Income (Millions \$)	Employment
Arts Organization Expenditures	\$0.7	\$154.6	\$94.4	1,900
Off-Site Spending of Tourists in Audience	\$0.7	\$41.9	\$15.2	500
Off-Site Spending of Audience Members Who Are Not Tourists	\$0.8	\$43.0	\$15.1	600
<b>Total</b>	<b>\$2.2</b>	<b>\$239.5</b>	<b>\$124.7</b>	<b>3,000</b>

Source: Authors' calculations

## SACRAMENTO COUNTY

Table 2.21 contains summary data about the economic impact of the nonprofit arts sector on Sacramento County. The table shows the total economic impact, and the impact in terms of worker income and employment. The impact on local sales tax revenue is also reported.

Impacts are reported separately for the spending of arts organizations, non-tourist members of the arts audience, and tourists in the arts audience. The total economic impact from all sources is also reported.

Results in Table 2.21 indicate a total annual economic impact of \$106.3 million from Sacramento County nonprofit arts organizations. The total impact includes a worker income impact of \$44.7 million. The employment impact is 1,400 jobs. This impact is in addition to the 1,500 part-time jobs for arts performers and crew at Sacramento County nonprofit arts organizations. The total annual tax revenue impact is \$1.1 million in local sales taxes.<sup>43</sup>



Photo: Ed Asmus

Sacramento Taiko Dan celebrates their passion for Japanese drumming with their 15th Anniversary Concert

Most of the impact is due to arts organization expenditures. The impact of organization expenditures is \$64.8 million, while the impact from tourism is \$18.5 million and non-tourist audience members contribute \$23.0 million.

Table 2.21: Total Economic and Fiscal Impact of California Nonprofit Arts Sector in Sacramento County

Source of Impact	Fiscal Impact	Total Economic Impact		
	Local Sales Tax Revenue (Millions \$)	Expenditures (Millions \$)	Worker Income (Millions \$)	Employment
Arts Organization Expenditures	\$0.4	\$64.8	\$30.2	800
Off-Site Spending of Tourists in Audience	\$0.3	\$18.5	\$6.8	300
Off-Site Spending of Audience Members Who Are Not Tourists	\$0.4	\$23.0	\$7.7	300
Total	\$1.1	\$106.3	\$44.7	1,400

Source: Authors' calculations

## SAN DIEGO COUNTY

Table 2.22 contains summary data about the economic impact of the nonprofit arts sector on San Diego County. This shows the total economic impact, and the impact in terms of worker income and employment. The impact on local sales tax revenue is also reported. Impacts are reported separately for the spending of arts organizations, non-tourist members of the arts audience, and tourists in the arts audience. The total economic impact from all sources is also reported.

Results in Table 2.22 indicate a total annual economic impact of \$239.6 million from San Diego County nonprofit arts organizations. The total impact includes a worker income impact of \$125.2 million. The employment impact is 3,000 jobs. This impact is in addition to the 5,300 part-time jobs for arts performers and crew at San Diego County nonprofit arts organizations. The total annual tax revenue impact is \$2.3 million in local sales taxes.<sup>44</sup>



Photo: Courtesy of City of San Diego Commission for Arts and Culture

San Diego Young Artists Music Academy, MADA Choir

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*“Yes, San Diego cultural organizations and gate proceeds are higher than ever, but we cannot survive on box office alone. An important reality in the business of a nonprofit organization is the balance of revenue: earned, contributed and government. With government cutbacks the red ink of our organizations is on the rise.”*

**Hugh M. Davies**

The David C. Copley Director  
Museum of Contemporary Art San Diego

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Most of the impact is due to arts organization expenditures. The impact of organization expenditures is \$152.3 million, while the impact from tourism is \$43.5 million and non-tourist audience members contribute \$43.8 million.

Table 2.22: Total Economic and Fiscal Impact of California Nonprofit Arts Sector in San Diego County

Source of Impact	Fiscal Impact	Total Economic Impact		
	Local Sales Tax Revenue (Millions \$)	Expenditures (Millions \$)	Worker Income (Millions \$)	Employment
Arts Organization Expenditures	\$0.7	\$152.3	\$93.8	1,800
Off-Site Spending of Tourists in Audience	\$0.8	\$43.5	\$16.1	600
Off-Site Spending of Audience Members Who Are Not Tourists	\$0.8	\$43.8	\$15.3	600
<b>Total</b>	<b>\$2.3</b>	<b>\$239.6</b>	<b>\$125.2</b>	<b>3,000</b>

Source: Authors' calculations

**SAN FRANCISCO COUNTY**

Table 2.23 contains summary data about the economic impact of the nonprofit arts sector on San Francisco County. The table shows the total economic impact, and the impact in terms of worker income and employment. The impact on local sales tax revenue is also reported.

Impacts are reported separately for the spending of arts organizations, non-tourist members of the arts audience, and tourists in the arts audience. The total economic impact from all sources is also reported.

Results in Table 2.23 indicate a total annual economic impact of \$1.17 billion from San Francisco County nonprofit arts organizations. The total impact includes a worker income impact of \$583.4 million. The employment impact is 13,000 jobs. This impact is in addition to the 17,000 part-time jobs for arts performers and crew at San Francisco County organizations. The total annual tax revenue impact is \$12.3 million in local sales taxes.<sup>45</sup>

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*“San Francisco’s reputation as a magnet for domestic and international tourists is directly attributable to the wealth and breadth of the city’s cultural institutions.”*  
**Richard Newirth**  
 Director of Cultural Affairs  
 San Francisco Arts Commission

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Most of the impact is due to arts organization expenditures. The impact of organization expenditures is \$706.8 million, while the impact from tourism is \$181.6 million and non-tourist audience members contribute \$285.2 million.

Table 2.23: Total Economic and Fiscal Impact of California Nonprofit Arts Sector in San Francisco County

	<b>Fiscal Impact</b>	<b>Total Economic Impact</b>		
<b>Source of Impact</b>	<b>Local Sales Tax Revenue (Millions \$)</b>	<b>Expenditures (Millions \$)</b>	<b>Worker Income (Millions \$)</b>	<b>Employment</b>
Arts Organization Expenditures	\$4.0	\$706.8	\$410.4	7,800
Off-Site Spending of Tourists in Audience	\$3.2	\$181.6	\$68.6	2,000
Off-Site Spending of Audience Members Who Are Not Tourists	\$5.1	\$285.2	\$104.4	3,200
<b>Total</b>	<b>\$12.3</b>	<b>\$1,173.6</b>	<b>\$583.4</b>	<b>13,000</b>

Source: Authors’ calculations

## SANTA CLARA COUNTY

Table 2.24 contains summary data about the economic impact of the nonprofit arts sector on Santa Clara County. The table shows the total economic impact, and the impact in terms of worker income and employment. The impact on local sales tax revenue is also reported.

Impacts are reported separately for the spending of arts organizations, non-tourist members of the arts audience, and tourists in the arts audience. The total economic impact from all sources is also reported.

Results in Table 2.24 indicate a total annual economic impact of \$197.1 million from Santa Clara County nonprofit arts organizations. The total impact includes a worker income impact of \$95.5 million. The employment impact is 2,200 jobs. This impact is in addition to the 4,900 part-time jobs for arts performers and crew at Santa Clara County organizations. The total annual tax revenue impact is \$2.3 million in local sales taxes.<sup>46</sup>



Children's Discovery Museum, San Jose

Source: Photo Archives San Jose Convention and Visitors Bureau

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*"The arts yield many tangible benefits in addition to the inherent value they bring to individuals and communities. One of those benefits is the stimulation the arts provide to creative economies, including the technology-based economy of Silicon Valley."*

**John Kreidler**  
Executive Director  
Cultural Initiatives Silicon Valley

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Most of the impact is due to arts organization expenditures. The impact of organization expenditures is \$92.9 million, the impact from tourism is \$50.0 million, and non-tourist audience members contribute \$54.2 million.

Table 2.24: Total Economic and Fiscal Impact of California Nonprofit Arts Sector in Santa Clara County

Source of Impact	Fiscal Impact	Total Economic Impact		
	Local Sales Tax Revenue (Millions \$)	Expenditures (Millions \$)	Worker Income (Millions \$)	Employment
Arts Organization Expenditures	\$0.4	\$92.9	\$57.6	900
Off-Site Spending of Tourists in Audience	\$0.9	\$50.0	\$18.6	600
Off-Site Spending of Audience Members Who Are Not Tourists	\$1.0	\$54.2	\$19.3	700
Total	\$2.3	\$197.1	\$95.5	2,200

Source: Authors' calculations

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*“The arts fuel our economy, inspire our children, entertain our audiences, please our eyes, excite our imaginations, stir our souls, celebrate our diversity and are perhaps, the greatest single human asset we have, that separates us from other species on the planet.”*

**Bruce Davis**  
 Executive Director  
 Arts Council Silicon Valley

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## 2.F. THE NONPROFIT ARTS SECTOR IN MID-SIZE AND RURAL COMMUNITIES

### OVERVIEW

It is a human tendency to assume big is better than small. Analysis in this study demonstrates California's nonprofit arts sector functions as an economic engine whether in a metropolitan area, mid-size city or predominantly agricultural rural community and, in this case, the whole is as important as the sum of each part. Many refer to California as a "small nation" with its 34.5 million residents representing 300 countries and their richly diverse cultures. The arts as a vehicle to recognize, celebrate, share, express and preserve cultures has been recognized and supported with government funds — taxpayer dollars — through the National Endowment for the Arts (NEA) since the 1960s. As drawn from Robert Gard nearly four decades ago in a national plan to the NEA,

*"The vital roots of every phase of life are touched by the arts. Artistic expression in communities interprets and extends the vision of a region. Arts are a means for communities to generate freshness of aesthetic response across the changing American scene, and art and life are enhanced."*<sup>47</sup>

In Chapter 3, which focuses on arts' value to the public, 7,200 persons represented in audience surveys said they most value the arts because of their intrinsic and aesthetic contributions.



Photo by Eric Paul Zamora, courtesy Alliance for California Traditional Arts.

"In the rural community of Malaga in California's San Joaquin Valley, musicians in Mariachi Nuevo Zapopan accompany a procession celebrating the feast of The Virgin of Guadalupe. For Lilia Gonzales Chavez, who grew up in Malaga, the fiesta is a highlight for many first- and second-generation Mexican-American families struggling, as she says, "to find threads that bind them together..."

## MID-SIZE CITIES

Organizations of all types located in mid-size cities — referred to as “other metropolitan” in study methodology — constitute 24 percent of this study’s data universe and are located in: Butte, Fresno, Kern, Madera, Merced, Monterey, Napa, Orange, Riverside, San Bernardino, San Joaquin, San Luis Obispo, Santa Barbara, Santa Cruz, Shasta, Solano, Sonoma, Stanislaus, Sutter, Tulare, Ventura, Yolo, and Yuba Counties.

Organizations in mid-size cities contribute \$941.9 million into California’s economy (larger than the total economic impact of nonprofit arts in most other states). They employ the equivalent of 11,000 workers and, in the aggregate, generate the third largest proportion of taxes — \$53.4 million into the California economy. The combined economic impact on worker income is \$437.1 million.

## RURAL AREAS

Organizations of all types and sizes are located in rural areas, constituting four percent of the data universe and located in: Alpine, Amador, Calaveras, Colusa, Glenn, Humboldt, Imperial, Inyo, Kings, Lake, Lassen, Mariposa, Mendocino, Modoc, Mono, Nevada, Plumas, San Benito, Sierra, Siskiyou, Tehama, Trinity and Tuolumne Counties.

The total economic impact of nonprofit organizations to California’s economy from rural communities is \$120 million. Arts and cultural organizations based in rural communities employ the equivalent of 1,400 workers and generate \$6.8 million in tax revenues back into the economy of the state. The combined impact on worker income is \$56.7 million.

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*“Our most recent estimates tell us over 150,000 artists and cultural practitioners representing more than 300 countries and Native Californian tribal rancherias are living and working in all 58 counties of our state. These many artisans, musicians, dancers, and storytellers ensure that California’s future holds California’s past. We’re pleased to see folk & traditional arts organizations as part of this study proving the arts are as important to community vitality as they are to the economy of our state.”*

**Amy Kitchener**  
Executive Director  
Alliance for California Traditional Arts

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## CHAPTER 3

### ARTS' VALUE TO THE PUBLIC: QUALITY-OF-LIFE



#### OVERVIEW

This study has provided an in-depth assessment of the economic impact of the California nonprofit arts sector. Though these economic impacts have extremely important implications, the principal reason that the arts are supported by individuals, corporations, foundations and government at all levels is because they contribute to quality-of-life. These quality-of-life contributions are at least as broad-based as the economic impacts, and they are generated in communities throughout the state, from the largest budget organizations to the smallest. And, most importantly, they are accessed and experienced by millions of children and adults, in schools and in communities, in rural and in urban settings throughout the state of California.

#### METHODOLOGY

Quality-of-life contributions are not as readily evident from the budget information of arts organizations as are economic impact data. Two additional sources of information were tapped in order to evaluate the contribution of the arts to quality-of-life.

Questions on the survey of California arts audiences identified what kinds of contributions audience members saw the arts-making. The first question, which was designed by Dr. Sam Gilmore of the Arts Marketing Institute (AMI), asked how much the arts contribute to a variety of aspects of quality-of-life such as individual health and enrichment, academic performance of children, cultural communications and understanding, civic pride in the community, cultural equity, and others. Respondents were asked to rank the contribution of the arts to these quality-of-life factors based on a 1 to 10 scale, with a 10 indicating that the arts contributed strongly to a specific aspect of life in California. Survey responses were aggregated as described in the previous chapter on the economic impact of arts audiences. Summary results are presented in Table 3.1 below, and are based on 2,700 returned surveys.

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*“California’s future well-being is intimately tied to the presence of a dynamic, thriving arts sector. The arts are an engine for economic development, attracting tourism, creating jobs, and generating arts revenue. They impart the values and skills that employers seek, such as the ability to work as part of a team and to devise creative solutions to problems. And, the arts drive educational achievement. Students who consistently participate in the arts score higher on standardized tests.”*

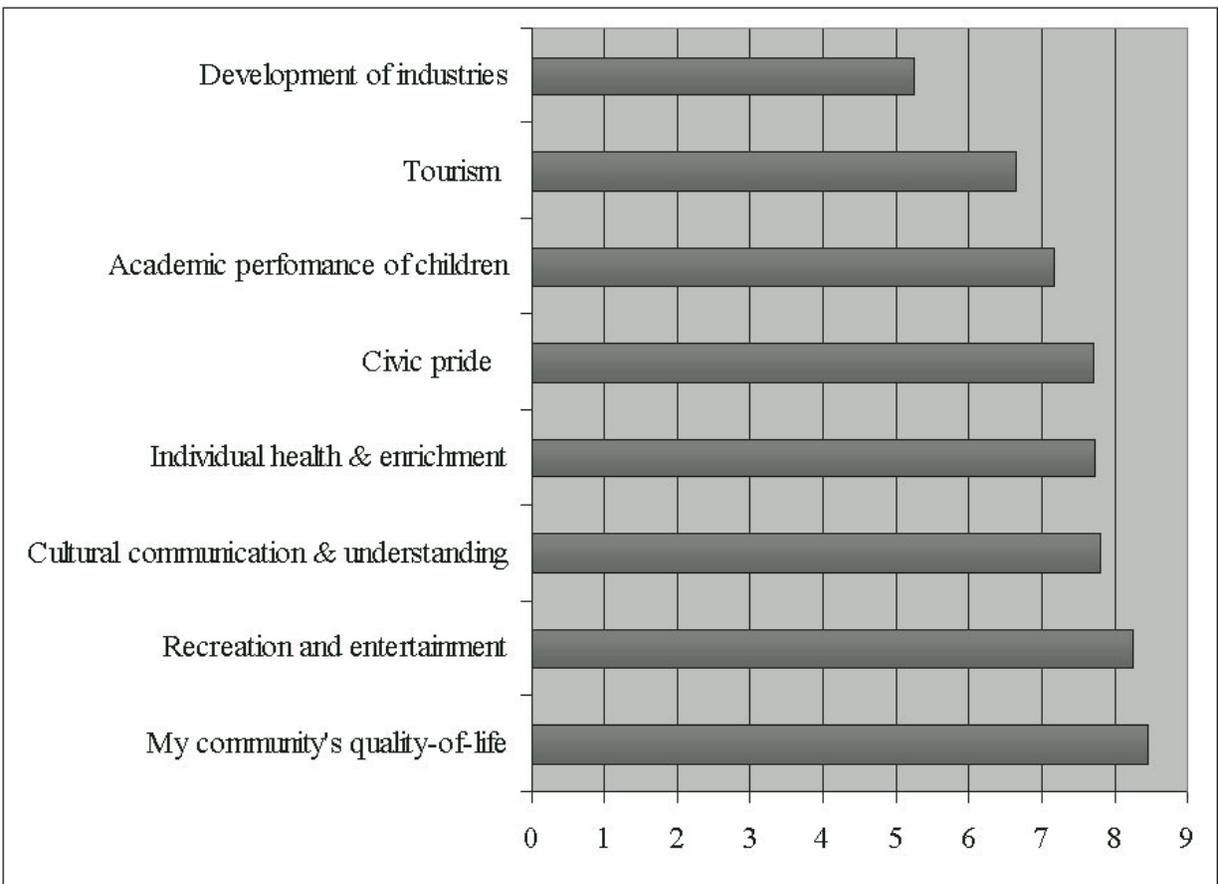
**Martha S. Campbell**

Vice President for Programs  
The James Irvine Foundation

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California households value the nonprofit arts sector because the arts contribute to quality-of-life in the state. Figure 3.1 indicates arts audience ranking of quality-of-life factors on a scale from 1 to 10 with 10 being the highest. Of a dozen quality-of-life factors, these were the top eight.

Figure 3.1: Quality-of-Life Factors Ranked in Importance by Arts Audiences



Source: Authors' calculations, and Survey of Arts Event Attendees, CA Nonprofit Arts Economic Impact Study. Based on question designed by Dr. Sam Gilmore.

### ARTS' CONTRIBUTION TO QUALITY-OF-LIFE OUTCOMES

Audiences identified the greatest contributions of the arts to factors such as health, environment, civic pride, and cultural communication. Most respondents saw that the arts contributed strongly to these key components of quality-of-life, as well as to the education of and success of children. Notwithstanding the results in this study, fewer audience members appreciated the contribution that the arts make to business and industry. Two-thirds of respondents believed that the arts make a strong contribution to tourism, but only about half of respondents saw a strong contribution to specific industries or to employment opportunities in general.

Audience member convictions about the contribution of the arts to quality-of-life are also reflected in the form of donations to nonprofit arts organizations. The survey of audience members inquired about donations to arts organizations over the last year. The average household donation to the nonprofit arts sector among audience members was \$680. These donations, of course, may have been made to one or more particular arts organizations rather than to the arts in general.

But, the donations indicate that California audiences do value the contributions that the arts sector makes to quality-of-life.

Other economic research studies suggest that the dollar value the public places on the activities of California nonprofit art organizations is, at a minimum, in the hundreds of millions of dollars annually. Clark and Kahn (1988)<sup>48</sup> studied 279 U.S. cities and found that the average household would be willing to pay up to \$40 annually for the location of an additional arts organization in their city such as an additional symphony. Martin (1994)<sup>49</sup> found that the value to the public of museums in Quebec exceeded the public cost of operating those museums. Thompson, Berger, Blomquist, and Allen (2002)<sup>50</sup> examined how much the public valued maintaining the current level of arts activities in Kentucky versus a reduction in the number of performing arts and exhibits. The study found that the average household would be willing to pay \$11.44 to avoid a 25 percent reduction in arts events, and \$26.76 to avoid a 50 percent reduction. When adjusted for the higher income and education levels in California, these values would rise to \$15.35 and \$33.27.<sup>51</sup>

Table 3.1 shows these willingness-to-pay estimates for California households, and also lists the number of households in California. The two figures are multiplied together to estimate statewide willingness-to-pay among the public. The estimate is \$382.7 million in order to avoid a 50 percent decline in the number of arts events in California, another indication that the public places a substantial value on the California nonprofit arts sector. Public willingness to pay to avoid 25 percent or 50 percent reductions is very pertinent, since such reductions represent realistic scenarios about how much the number of arts performances and exhibits would decline if government and private sector support for nonprofit arts organizations were withdrawn.

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*"The arts draw people out of their houses and into the community, helping to create thriving businesses and cosmopolitan neighborhoods."*

**Melinda Wagner**  
Musicians Union Local 6  
San Francisco

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Table 3.1: Estimated Household Willingness to Pay to Maintain the California Nonprofit Arts Sector

California Income and Education Adjusted Average Household Willingness to Pay	California Households	Scenario	Statewide Household Willingness to Pay
\$15.35	11,503,000	Avoid 25 Percent Reduction in Arts Events	\$176.6 million
\$33.27	11,503,000	Avoid 50 Percent Reduction in Arts Events	\$382.7 million

Sources: Thompson, Berger, Blomquist, and Allen (2002), and *Statistical Abstract of the United States: 2002*, Table 53, and authors' calculations.

### SUMMARY

California households value the nonprofit arts sector because the arts contribute to quality-of-life in the state. Data from past economic research studies suggest that the value the public places on the activities of California nonprofit art organizations is in the hundreds of millions of dollars annually, while audience survey data suggest that the households of arts audiences on average donated \$680 in the last year. The arts also were found to contribute to a number of quality-of-life indicators such as individual health and enrichment, the academic performance of children, cultural communications and understanding, and civic pride in the community.

---

*"It is so much easier to teach a tool to somebody that is creative than to try to teach creativity to someone who just happens to know that tool. And this can be expanded to every aspect of what's important to running any business whether it is inside or outside the creative arts."*

**Phillip Miller**  
Senior Software Director

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## CHAPTER 4 ASSESSMENT OF ARTS' VALUE TO EDUCATION AND STUDENT LEARNING



### OVERVIEW

This study has focused on the spending of major components of the nonprofit arts sector including audience spending and the spending of nonprofit arts organizations. Another major component of arts activity occurs as part of primary and secondary education. This component was also assessed in this study through a survey of California schools. That survey gathered detailed information about arts education in California schools, including the types of arts classes offered, the number of school facilities devoted to the arts, spending on the arts, and the sources of arts funding.



Sierra Park Elementary School Folklorico was one of more than 30 Los Angeles County-based groups performing in the County's 2003 Free Holiday Celebration at the Music Center in downtown Los Angeles.

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*"The arts have helped shape California's major cities into world class cultural centers, and throughout the state, the arts shape the lives of our children."*

**Peter Coyote**  
Actor

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Survey results indicate that arts skills are an important part of education in terms of both separate arts classes and the integration of the arts into the general curriculum. California schools reported that 75 percent of their faculty embrace the philosophy that the arts are important in a child's well-rounded education, while 35 percent of teachers integrate art into classroom curriculum. Survey results also indicate that there is a substantial level of annual spending and capital investment associated with arts education.

## METHODOLOGY

Information on arts activities at primary and secondary schools was gathered through a survey of schools. That survey, which is included in Appendix G, asked questions about arts classes, arts spending, and so forth, as discussed above. The survey was sent to 700 California schools. Roughly one-third of the surveys were sent to schools and school districts that participate in the California ArtsWork grant program.<sup>52</sup> The remaining 480 schools were drawn from a random sample of all California public primary and secondary schools excluding the Los Angeles Unified School District.<sup>53</sup>

Surveys were sent up to two times to all schools on the survey list. A total of 164 of the 700 school surveys were returned. Returned surveys represent 141 from schools and 23 from school districts. The response rate was significantly higher for the 220 schools and school districts in the California ArtsWork grant program, with roughly 40 percent responding. Among the random sample of schools not participating in the ArtsWork program, 79 of the 480 responded, for a response rate of 16 percent. Responses were sufficient to make a variety of estimates about the arts activity in California public schools.

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*“Bringing the arts back into our schools is a top priority for the California State PTA for one simple reason; the arts help children do better in school and in life. Extensive research during the past decade confirms that the arts improve academic and personal success. This dramatic research shows the arts can help level the playing field for youngsters from disadvantaged circumstances. The arts are critically linked to the PTA’s commitment to all children and all families.”*

**Carla Niño**  
President  
California State PTA

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## SURVEY RESULTS

As Table 4.1 indicates, responses were received from a broad sample of California primary and secondary schools. Results for both the California ArtsWork grant program schools and the random sample of schools show a majority of schools that responded are elementary schools. There also were responses from a large number of suburban schools.

Table 4.1: Descriptive Statistics for Responding Schools

<b>Schools</b>	<b>Random Sample</b>	<b>California ArtsWork Grant Program</b>
Total Schools	79	62
<b>Type of School<sup>1</sup></b>		
Elementary	44	35
Middle	16	12
High School	13	10
Combined	5	5
<b>Location of School<sup>1</sup></b>		
Urban	15	8
Suburban	42	23
Rural	21	30
<b>School Districts</b>	-	23

Source: Survey of Schools, CA Nonprofit Arts Economic Impact Study.

<sup>1</sup> One response did not identify the type or location of school.

Table 4.2 shows the types of art classes that are offered per grade in California schools. These are separate arts classes not arts units within classes on other subjects. Up to five different types of arts courses may be offered including visual arts, music, dance, theater, or media arts. Results are presented separately for the California ArtsWork grant program schools and school districts and the random sample of schools. High schools are separated from other schools since arts course offerings are typically much greater in high schools. Results indicate that the average high school offers between three and four types of arts courses for each grade while the average elementary and middle school offers between one and two types of courses. The most common subjects were music and visual arts.

Table 4.2 also shows the average number of classrooms set aside for teaching the arts in each school. The number of classrooms set aside typically matches the number of courses that are offered.

Table 4.2: Average Number of Arts Subjects Offered in California Schools

	Average Number of Arts Subjects Offered to Each Grade
<b>Schools from Random Sample</b>	
High School	3.5
Other Schools	1.6
<b>Schools from CA ArtsWork Grant Program</b>	
High School	3.5
Other Schools	2.0

Source: Survey of Schools, CA Nonprofit Arts Economic Impact Study.

Note: Based on surveys returned by individual schools; responses for school districts excluded.

Table 4.3 shows the average number of art teachers per school by type of teacher. Results are presented for certified full-time teachers, certified part-time teachers, volunteer teachers, and non-certified teachers such as artists in residence. The average school had two full- or part-time teachers. The use of volunteer teachers was more common than employing paid artists in residence or teaching artists. There was an average of two volunteer arts instructors per school, and one paid artist for every two schools. The overall picture is that certified, full-time teachers continue to provide most arts instruction in California primary and secondary schools, but many schools are also using alternatives such as volunteers or teaching artists.

Table 4.3: Average Number of Art Teachers in California Schools

	Random Sample	California ArtsWork Grant Program
<b>Certified Art Teachers</b>		
Full-Time	1.3	1.1
Full-Time Teacher (serving as part-time art teacher)	0.3	0.2
Part-Time	0.6	0.3
<b>Non-Certified</b>		
Teaching Artists	0.4	0.2
Artists in Residence	0.3	0.2
Volunteer Teachers	2.9	1.7
Others	0.2	0.1

Source: Survey of Schools, CA Nonprofit Arts Economic Impact Study.

Table 4.4 shows the average arts spending by schools in four categories.<sup>54</sup> Results are based on the weighted average of spending per school from the random sample of schools and schools affected by the California ArtsWork grant program. The largest expenditure is arts teacher salaries. Spending on salaries on average is more than seven times as great as on the other categories combined. Average spending on art teacher salaries, art supplies, conference costs and performing arts costs average \$97,900 per school each year. This figure suggests a substantial contribution from California primary and secondary school arts programs given that this figure is repeated on average in thousands of schools across the State of California.

Table 4.4: Average Arts Spending Per School by Type of Spending

Type of Spending	Average School Spending
Art Teacher Salaries and Benefits	\$85,800
Arts Class Materials and Supplies	\$7,400
Conference and Training Costs	\$500
Student Performing Arts and Exhibits	\$4,300
<b>Total</b>	<b>\$97,900</b>

Source: Survey of Schools, CA Nonprofit Arts Economic Impact Study.

Funds to support this spending typically come from school operating budgets. Table 4.5 indicates that one-half of art funding came from school operating budgets. The next largest source of funds came from another local source — parent organizations. Support from parent organizations and students directly accounted for one-third of all support, not much less than the share from school operating budgets. Remaining support came from state government, foundation support, and other sources (typically a grant).

Table 4.5: Source of School Arts Funds

Source of Funding	Percent of funding
School Operating Budget	49%
Parent Organizations	27%
State Government	7%
Other	7%
California Foundation or Corporation	5%
Art Students	3%
Federal Government Grant	2%
Bond Issues	0%
Out of State Foundation	0%
Local Government	0%
<b>Total</b>	<b>100%</b>

Source: Survey of Schools, CA Nonprofit Arts Economic Impact Study.

## TOTAL ARTS EXPENDITURES IN CALIFORNIA PRIMARY AND SECONDARY SCHOOLS

Data on average spending in Table 4.4 above provides the basis for estimating the total spending on arts activities in California primary and secondary schools. In Table 4.6 this average spending is multiplied by the total number of California public primary and secondary schools except those in the Los Angeles Unified District. The number of schools was obtained from the California Department of Education California School Directory. Los Angeles Unified District schools were excluded since surveys could not be sent to this district. The total annual expenditures were \$657 million per year. This is nearly one-third of the total spending of California nonprofit arts organizations. Arts activities in schools make a substantial contribution to the nonprofit arts.

Table 4.6: Total Arts Spending in Public Primary and Secondary Schools

<b>Number of Schools</b>	6,700
<b>School Spending</b>	\$97,900
<b>Total (excluding Los Angeles Unified School District)</b>	\$657 million

Source: Survey results, California Department of Education California School Directory, and authors' calculations.

### SUMMARY

Arts education in primary and secondary schools yields a substantial amount of economic activity in California. The amount of spending was nearly one-third as large as the spending of California nonprofit arts organizations. This activity should be considered in addition to the economic impact estimates developed earlier in this report. Arts skills also are an important part of the general curriculum in California schools. California schools reported that 75 percent of their faculty embrace the philosophy that the arts are important in a child's well-rounded education, while 35 percent of teachers integrate art into classroom curriculum.



Young artist at work at the Museum of Contemporary Art San Diego

## CHAPTER 5

### IMPACT OF THE ECONOMIC ENVIRONMENT ON PHILANTHROPY



#### OVERVIEW

It is frequently — and accurately — argued that if the arts were to exist exclusively on ticket sales, admissions and other participation-related income, no one could afford to participate in the arts. Additional dollars to subsidize the costs of making and presenting art will always be necessary. Philanthropic support — money received from foundations, individuals and corporations, plus government subsidies such as grants from the California Arts Council or city arts commissions — are vital to keeping the arts affordable and accessible. Philanthropic support totaling \$625 million and government support totaling \$264 million account for half the nonprofit arts organization’s income (49.1 percent) and are essential to the sector’s very existence.

#### METHODOLOGY

To examine the impact of the economic environment on philanthropy, this study focused on foundation giving. Project sponsors identified 25 foundations that contribute to the nonprofit arts sector in California. Fifteen were contacted and a simple survey was distributed requesting information from 1999 - 2003. Foundations were asked to provide data on total assets, overall grants, and arts and cultural grants, as well as details about numbers of grants and grant award sizes.<sup>55</sup>

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*“The Hewlett Foundation has been a committed supporter of the arts in California for decades, and for good reason. This investment has brought value, meaning and enjoyment to people’s lives, as well as economic and social vitality to communities across the state.”*

**Moy Eng**

Director, Performing Arts Program  
The William and Flora Hewlett Foundation

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Moy Eng, Program Director for Performing Arts at The William and Flora Hewlett Foundation and a member of this study’s Advisory Committee, generously offered to contact her colleagues to secure the desired study data. In December, surveys were sent electronically to 15 foundations and, by the project deadline, the following eight submitted data for a 53 percent response rate:

1. Durfee Foundation
2. Grants for the Arts/San Francisco Hotel Tax Fund
3. James Irvine Foundation
4. The Ahmanson Foundation
5. The David and Lucile Packard Foundation
6. The San Francisco Foundation
7. The William and Flora Hewlett Foundation
8. Walter and Elise Haas Fund

## FOUNDATION GIVING

According to the Foundation Center's 2003 Yearbook, California's foundations are the second highest givers in the nation, only second to New York's.<sup>56</sup> That same report indicates national giving by foundations held steady at an estimated \$30.3 billion in 2002, almost unchanged from \$30.5 billion in 2001. After peaking in 2001, foundation giving nationally for arts and culture decreased 3.5 percent to an estimated \$4.05 billion in 2002.<sup>57</sup>

When California foundation data was collected for this study, foundations projected a 25 percent decrease in overall foundation grants from \$631 million in 1999 to \$474 million in 2003. They also projected, over the same timeframe, that total dollars for arts and cultural grants would hold steady, declining only 1 percent. They projected that the average dollar amount of small arts grant awards would decrease 40 percent from an average grant of \$7,375 in 1999 to \$4,438 in 2003, while the dollar amount of larger arts grants would actually increase 4 percent from \$891,125 to \$929,113. These foundations also expected the number of grants they provide to arts and cultural organizations to increase 7 percent. Table 5.1 provides the aggregate data received.

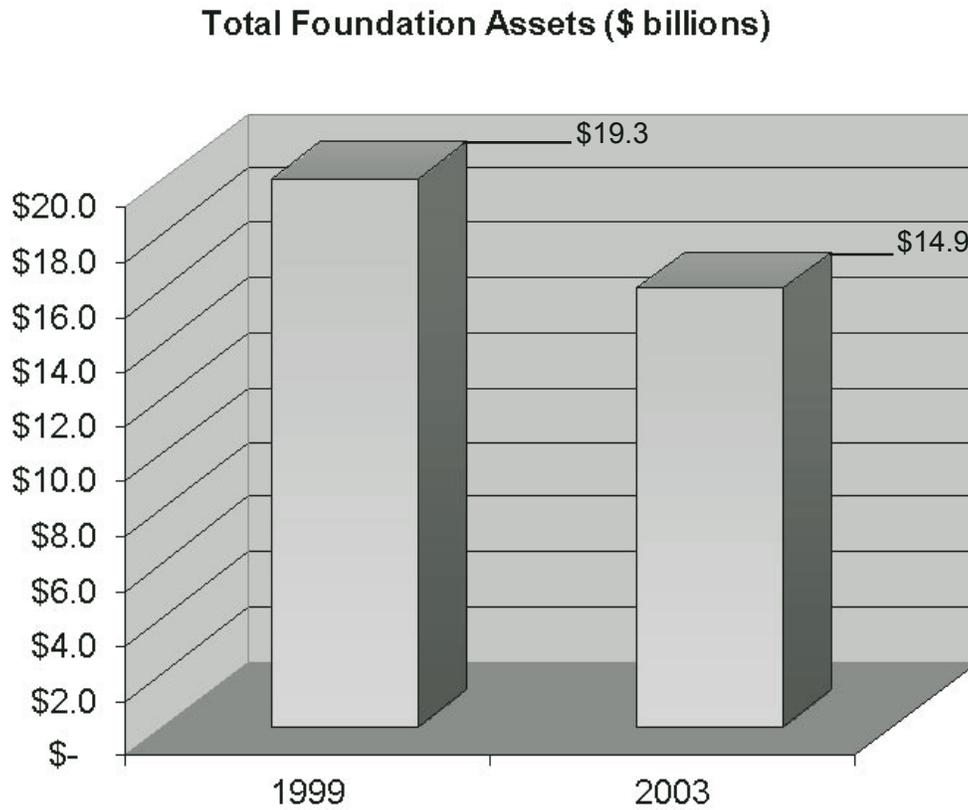
Table 5.1: Aggregate California Foundation Statistics

	<b>1999</b>	<b>Projected 2003</b>
Total foundation assets	\$19,350,678,521	\$14,923,683,880
Total foundation grants	\$631,413,598	\$473,863,355
Total arts and culture grants	\$53,128,428	\$52,624,222
Number of grants to arts and cultural organizations:	684	732
<b>Range of awards:</b>		
Smallest Average	\$7,375	\$4,438
Largest Average:	\$891,125	\$929,113

Source: Author's calculation

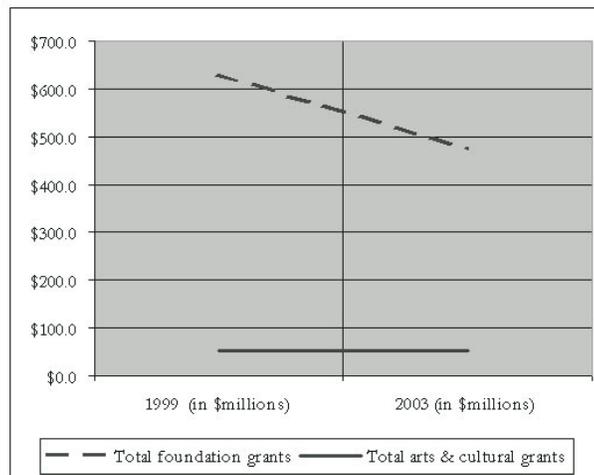
Figure 5.1 shows aggregate assets of the foundations participating in this study over the 1999 to 2003 timeframe. Figure 5.2 shows projected aggregate arts giving impacts.

Figure 5.1 Total Foundation Assets Reported by California Foundations Participating in this Study



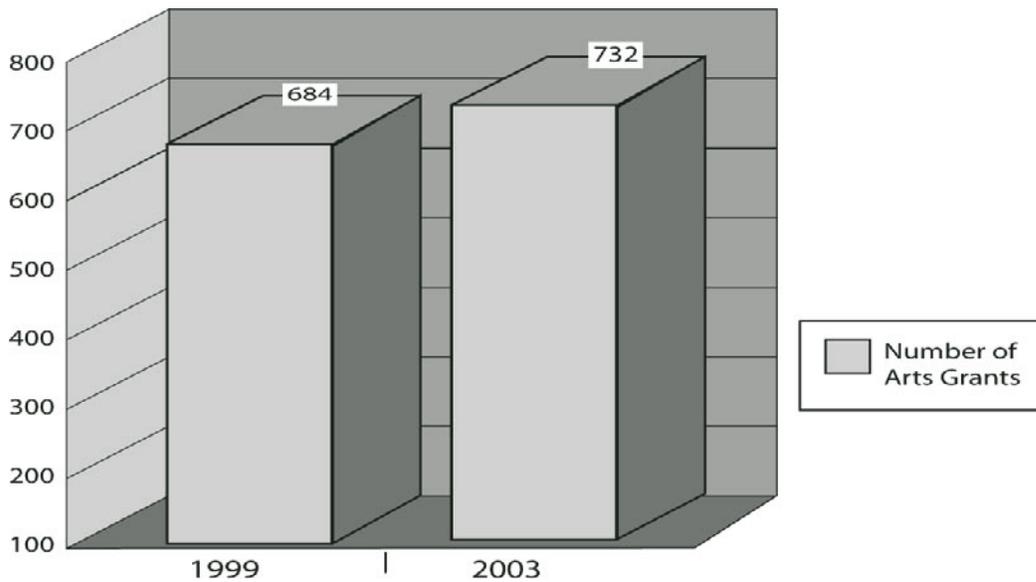
Source: Author's calculation

Figure 5.2 Foundation's Allocation for Total Grants in California from 1999 – 2003 as Compared to Allocation for Arts and Culture Grants.



Source: Authors' calculations

Figure 5.3 Total Numbers of Arts & Cultural Grants in California in 1999 and 2003 as Reported by Foundations Participating in This Study.



Source: Authors' calculations

### SUMMARY

Though California foundations projected a \$157 million decrease (25 percent) in grant-making over the five-year period between 1999 and 2003, foundation giving levels for the arts in California are holding steady. These foundations also expect the number of grants they provide to arts and cultural organizations to increase seven percent. They anticipate that the average size of smaller grants would decrease by as much as 40 percent, while the average size of larger grants would increase by four percent.



Photo: Ave Pildas

Lula Washington Dance Theatre Rites - 2000

## CHAPTER 6 THE CREATIVE INDUSTRIES IN CALIFORNIA<sup>58</sup>



*“A creative economy is the fuel of magnificence.”*  
**Ralph Waldo Emerson**

### OVERVIEW

Within the same timeframe as this study, Americans for the Arts (AFTA) developed a new research-based approach to understand the scope and importance of the arts industry to the national economy. AFTA conducted state-by-state research and preliminary results for California are unveiled in this report.

### CALIFORNIA FINDINGS

This *Creative Industries in California* study demonstrates that the creative industries are a significant industry in California. It is a high-octane fuel that is the driving force behind the nation’s information economy—the fastest growing economic sector in the country. The creative industries are composed of arts-centric businesses that range from museums, symphonies, and theaters to film, architecture, and advertising companies.<sup>59</sup> Nationally, creative-industry businesses number 548,000 (4.3 percent of all U.S. businesses) and they employ 2.99 million people (2.2 percent of all employees).

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*“When those products of great engineering creativity are put in the hands of those with great artistic creativity, the results are wonderful and fantastic—something that our engineers could never have conceived of.”*

**Vince Thomas**  
Intel / Art Museum.net

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In California, there are more arts-related businesses (89,719)—including nonprofit organizations—and more people employed (516,054) in the creative industries than any other state in the nation.<sup>60</sup> Included in California’s 89,719 businesses are 6,152 nonprofit arts-related businesses registered with Dun and Bradstreet. Table 6.1 provides us with a master list of California’s creative sector industries. In AFTA’s research, there were many more sub-categories some of which appear in the following list.

## PERFORMING ARTS

(the majority are for-profit enterprises)

### MUSIC

- Orchestras
- Composing & arranging
- Recording & playback equipment
- Recorded music sales
- Studios
- Concert management
- Instrument (manufacture & distribution)

### THEATER

- Professional companies
- Amateur companies

### DANCE

- Dance companies

### OPERA

- Opera companies

### PERFORMING ARTS SERVICES & FACILITIES

- Costume/scenery rental
- Theatrical producers
- Casting & booking agents
- Ticket agencies
- Performing arts centers
- Dance halls and studios
- Theatrical equipment

### PERFORMERS FOR-PROFIT AND NONPROFIT – PROFESSIONAL ACTORS

- Entertainers
- Actors

## VISUAL ARTS & PHOTOGRAPHY

### CRAFTS

- Stone, clay & glass
- Jewelry
- Stained glass
- Textiles
- Home furnishing crafts

## VISUAL ARTS

- Artist studios
- Art galleries

## PHOTOGRAPHY

- Studios
- Commercial photography
- Photo finishing labs
- Equipment Services
- Retail stores
- Art dealers
- Antique art stores
- Services & supplies

## FILM, RADIO & TV

### MOTION PICTURES

- Production
- Distribution
- Services
- Equipment
- Theaters
- Videotape rentals

### TELEVISION

- TV Stations
- TV Producers

### RADIO

- Stations
- Producers
- Disc jockeys
- Design & Publishing

### ARCHITECTURE

- Architects
- Architecture supplies

### DESIGN

- Commercial & industrial
- Interior
- House

## PUBLISHING

- Art periodicals
- Arts publishing
- Books
- Book clubs

## ADVERTISING

- Ad agencies
- Display products



Hollywood Sign courtesy of Los Angeles Convention and Visitors Bureau

Table 6.1 Summary of the Creative Industries in California

<b>Category</b>	<b>Businesses</b>	<b>Employees</b>
<b>Museums and Collections</b>	<b>1,093</b>	<b>13,394</b>
Museums	874	10,237
Zoos and Botanical	107	2,511
Historical Societies	108	611
Planetariums	4	35
<b>Performing Arts</b>	<b>17,265</b>	<b>83,143</b>
Music	10,072	49,252
Theater	224	3,266
Dance	22	570
Opera	32	516
Services and Facilities	3,505	18,764
Performers (not elsewhere classified)	3,410	10,775
<b>Visual Arts/Photography</b>	<b>30,367</b>	<b>106,440</b>
Crafts	3,299	18,387
Visual Arts	2,749	5,260
Photography	18,773	63,202
Services	5,546	19,591
<b>Film, Radio, and TV</b>	<b>17,509</b>	<b>198,779</b>
Motion Pictures	15,342	157,992
Television	1,275	37,534
Radio	892	3,253
<b>Design and Publishing</b>	<b>20,955</b>	<b>102,703</b>
Architecture	5,438	36,751
Design	9,073	22,973
Publishing	829	6,823
Advertising	5,615	36,156
<b>Schools and Services</b>	<b>2,530</b>	<b>11,595</b>
<b>Arts Councils</b>	<b>94</b>	<b>397</b>
<b>Arts Schools and Instruction</b>	<b>2,172</b>	<b>9,319</b>
<b>Agents</b>	<b>264</b>	<b>1,879</b>
<b>Grand Total</b>	<b>89,719</b>	<b>516,054</b>

To derive these results, researchers tapped the databases of Dun & Bradstreet — the most comprehensive and trusted source about U.S. businesses available. Thus, not only are the data reliable, but also they can be tracked using the same methodology year-to-year.

## DEFINING THE CREATIVE INDUSTRIES

Using Standard Industrial Classification (SIC) codes to identify arts-centric businesses, AFTA project researchers identified more than 650 SIC codes. The selected SIC codes were then used to download relevant businesses from the Dun & Bradstreet database of 12.8 million active U.S. businesses—this multi-sourced business directory is updated continuously through mail surveys, management interviews, public and bank records, and government sources. It is widely acknowledged as the most reliable source for current and comprehensive information about U.S. businesses.

## RANKING CALIFORNIA

Americans for the Arts' research methodology enables it to compare California to other states. California has more creative industry businesses than any other state (89,719)—nearly double the state with the second most businesses—New York state (45,671). California also has more creative industry employees than any other state (516,054).

Table 6.2 State Rankings of Creative Industry Companies and Employees

Rank	State	Businesses	Employees
1	California	89,719	516,054
2	New York	45,671	365,900
3	Texas	43,190	185,864
4	Florida	34,200	156,497
5	Illinois	20,367	137,789
6	Pennsylvania	19,283	108,170
7	Washington	17,868	60,348
8	New Jersey	16,999	91,961
9	Ohio	16,937	89,196

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*“The long-term trends in the world economy are clear: We are shifting inexorably toward a knowledge economy, where productive, well-paid work is based on ideas, information and adaptive thinking. The country and the companies with the best brains will win.”*

**Alan Webber**  
Founding Editor  
Fast Company Magazine

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## CREATIVE INDUSTRY BUSINESS AND EMPLOYMENT, PER CAPITA

As the most populous state, one would expect California to have the most creative industry businesses and employees. An examination on a per capita base shows that California still ranks very high in both categories — sixth in number of companies and third in employment.

Table 6.3 Creative Industry Companies, Per Capita

Rank	State	Businesses	Employees
1	District of Columbia	0.00363	0.03756
2	Washington	0.00291	0.00984
<b>3</b>	Vermont	0.00281	0.01074
4	Colorado	0.00266	0.01117
5	Connecticut	0.00254	0.01139
<b>6</b>	<b>California</b>	<b>0.00253</b>	<b>0.01454</b>
7	New York	0.00238	0.01907
8	Oregon	0.00231	0.01008
9	New Hampshire	0.00230	0.00799

Table 6.4 Creative Industry Employees, Per Capita

Rank	State	Businesses	Employees
1	District of Columbia	0.00363	0.03756
2	New York	0.00238	0.01907
<b>3</b>	<b>California</b>	<b>0.00253</b>	<b>0.01454</b>
4	Rhode Island	0.00212	0.01295
5	Massachusetts	0.00221	0.01254
6	Minnesota	0.00189	0.01191
7	Connecticut	0.00254	0.01139
8	Utah	0.00201	0.01122
9	Colorado	0.00266	0.01117

Source of population data: Population Division, U.S. Census Bureau, 2004.

## FUELING THE INFORMATION ECONOMY

The creative industries are also fueling the rapid growth of the new “information economy”—the fastest growing segment of the nation’s economy. According to Carnegie-Mellon University professor of economics, Richard Florida, the information economy has grown from three percent of the U.S. workforce to more than 30 percent in the past 50 years. In addition to the creative industries, the information economy includes sectors such as technology, research, and medicine—all industries where the currency of creativity, new ideas, and adaptive thinking hold the most value. Stimulating new ideas and innovation has tangible pay-offs to companies that promote creativity.

- Hewlett-Packard reported in an annual report that their \$2 billion R&D investment in 1999 yielded 1,300 patent applications, which provided a net revenue of \$42.37 billion.
- With the international manufacturing sector so competitive and technologically advanced, it is the exceptional design of marketing materials and creative advertising that attracts consumers and gives businesses their competitive edge.



Museum of Contemporary Art San Diego

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\* Lost their position as a result of budget cuts during the project timeframe.

# THE ARTS: A COMPETITIVE ADVANTAGE FOR CALIFORNIA II

## FOOTNOTES

<sup>1</sup> Source, State of California, Commerce and Economic Development.

<sup>2</sup> Harris Interactive, The Harris Poll #44, August 6, 2003.

<sup>3</sup> Source, California Department of Tourism.

<sup>4</sup> Creative Industries is used by AFTA in Chapter 6 to refer to both commercial and nonprofit arts organizations. Chapters 2-5 in this report pertain to nonprofit arts and cultural organizations only. These are the same organizations used in the 1994 study. Heretofore, these organizations will be referred to as nonprofit arts organizations or the nonprofit sector.

<sup>5</sup> Chapters in the 1994 study included: The Artists of Los Angeles County by Laura Zucker, Los Angeles County Music and Performing Arts Commission; The Motion Picture and Television Industry in California by Dr. Richard Boykin, KPMG Peat Marwick LLP; A Case Study of Seven California Festivals: The Arts as an Economic Partner by Petra Schumann, California Arts Council; Art and Auto Design in California by Robert Andrews, UCLA, and Ron Hill, Arts Center College of Design; and Musical Instruments: A Manufacturing Industry in California by Dr. Richard Boykin.

<sup>6</sup> The IMPLAN software generates a model of the industrial structure and household profile for the California economy. This structure in turn determines the extent to which spending by arts organizations and audiences is captured and re-circulated within the California economy rather than allowed to “leak” outside of the state. A more structurally diverse economy will capture and re-circulate spending and generate a larger economic multiplier. The software and model data can be used to generate economic multipliers for counties, states, and combinations of counties and states throughout the nation. The model also can generate multipliers for hundreds of specific industries, including the specific industries that provide goods and services to arts organizations and arts audiences.

<sup>7</sup> SIC codes can be found in Appendix E, section 4.

<sup>8</sup> Chapter 2, Economic Impacts of the Nonprofit Arts.

<sup>9</sup> Chapter 2, Economic Impacts of the Nonprofit Arts, Section B, Audience Spending.

<sup>10</sup> Chapter 2, Economic Impacts of the Nonprofit Arts, Section C, Comparison with Other Industries.

<sup>11</sup> Lee Mizell, Lee Mizell Consulting, 2004, *Geography and Public Participation in the Arts: Ten States*, Prepared for the National Endowment for the Arts. Additional information about this research is in appendix F.

<sup>12</sup> Chapter 2, Economic Impacts of the Nonprofit Arts, Section D, Sector Growth Since 1994.

<sup>13</sup> Chapter 2, Economic Impacts of the Nonprofit Arts, Section B, Tourism.

<sup>14</sup> Chapter 2, Economic Impacts of the Nonprofit Arts, Section A, Organizational Expenditures and Revenues.

<sup>15</sup> Chapter 3, Arts Value to the Public: Quality-of-Life, Arts Contribution to Quality-of-Life Outcomes.

<sup>16</sup> Chapter 4, Assessment of Arts Value to Education and Student Learning.

<sup>17</sup> Chapter 3, Arts Value to the Public: Quality-of-Life.

<sup>18</sup> Chapter 2, Economic Impacts of the Nonprofit Arts, Section A, Organizational Expenditures and Revenues.

<sup>19</sup> Margo Cowan’s position and 17.9 others were eliminated at the California Arts Council between July and December 2003 due to state cuts to the California Arts Council’s budget. Overall CAC staff has been reduced from 37.2 positions to 19.3.

<sup>20</sup> The entire project team is listed in Project Acknowledgements II.

<sup>21</sup> A full report chronology is in Appendix B.

<sup>22</sup> Organizations were sorted by city and name to identify duplicates. Afterward, the organizations were sorted by name to identify duplicates, and finally were sorted by mailing address. A single record was selected for inclusion in the study based on the completeness of the address, telephone number, and contact name list while others were excluded as duplicates. All organizations that were part of the Top 200 organizations list were identified as duplicates.

<sup>23</sup> Our request for mailing lists specifically asked for nonprofit organizations. However, many of the list providers kept much more comprehensive lists that sometimes contained individual artists, for-profit businesses, or non-arts businesses.

<sup>24</sup> The survey yielded several hundred returns indicating a bad address. This likely occurred because some organizations had recently disbanded or changed addresses and this was not yet reflected in the mailing lists that the survey team gathered from various organizations. With further work with the data, there were also other cases of duplicate records that were discovered for some organizations. Incorrect addresses or duplicate records accounted for 338 of the 3,200 organizations (though none were from the Top 200 list). Thus, the eligible sample of survey recipients was actually 2,862 organizations rather than 3,200.

<sup>25</sup> About half of the organizations on the Top 200 list that were contacted were unable to participate, usually for elective reasons but in some cases because of a dearth of events. More than 80 percent of selected organizations on the list of 3,000 were unable to participate either for elective reasons or a dearth of events, though there were also many for which no telephone contact number was available.

<sup>26</sup> Audience surveys were mailed to 43 organizations from the Top 200 list. A total of 25 of these organizations were able to successfully distribute, collect, and return their audience surveys for analysis. Audience surveys were mailed to 49 organizations from the list of 3,000, and a total of 21 organizations were able to return these. Organizations on the Top 200 list were sent 500 audience surveys for distribution. Some performing arts organizations were able to distribute all of these but many organizations had smaller performances so that only a portion of the surveys were distributed. Organizations from the List of 3,000 mostly mid-size and smaller organizations frequently had smaller performances and were sent up to 300 audience surveys, though a number of groups with small performances were sent fewer.

<sup>27</sup> See Appendix F for how this study's methodology compares with Americans' for the Arts national economic impact report: *Arts & Economic Prosperity*, 2000.

<sup>28</sup> Dr. Sam Gilmore, a Fellow with The Arts Marketing Institute (AMI), a project of the California Arts Council funded by the Wallace Foundation START Program. California is one of 13 states participating in the START program. Responses to questions developed by Dr. Gilmore will also inform the AMI.

<sup>29</sup> Los Angeles district schools were not in the sample because surveying is not permitted by the school district.

<sup>30</sup> Survey instrument is in Appendix G.

<sup>31</sup> A complete list of Standard Industrial Classification codes is in Appendix E, Section 4.

<sup>32</sup> This analysis is focused on state and local revenue and does not consider federal payroll taxes for social insurance programs.

<sup>33</sup> This average tax rate was calculated by dividing 2000 California state income tax revenue by 2000 California personal income. Both figures were found in the 2002 Statistical Abstract of the United States.

<sup>34</sup> About half of the organizations on the Top 200 list that were contacted were unable to participate, usually for elective reasons but in some cases because of a dearth of events. More than 80 percent of selected organizations on the list of 3,000 were unable to participate either for elective reasons or a dearth of events, though there were also many for which no telephone contact number was available.

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<sup>37</sup> Estimate is a weighted average of the per-person spending at all festivals, fairs, and museums on the Top 200 list, museums from the List of 3,000, performances from Top 200 organizations, and performances from organizations on the List of 3,000.

<sup>38</sup> The 1994 study *The Arts: A Competitive Advantage for California* indicated that its estimate of 24 million audience members was likely an underestimate.

<sup>39</sup> This spending figure attributes only half of the travel expenditures of tourists to California.

<sup>40</sup> To give specific numbers, 1,740 organizations participating in this study were located in these six metropolitan counties. Most of these organizations were concentrated in the largest counties of Los Angeles and San Francisco. There were more limited samples in the other metropolitan counties such as Sacramento. As a supplement, up to 50 additional organizations from each county were sampled. These organizations were not included in the List of 3,000 or the Top 200 organizations. This led to the selection of an additional 50 organizations in San Francisco and Los Angeles, but fewer organizations were added in the other four metropolitan counties since there were fewer than 50 organizations remaining in these areas. With this additional sample of organizations, a total of 1,944 organizations were available for the metropolitan counties. There were a total of 663 organizations for Los Angeles, 429 for San Francisco, 408 for Alameda/Oakland, 211 for Santa Clara/San Jose, 175 for San Diego, and 58 for Sacramento.

<sup>41</sup> Unlike sections 2C and 2D of this study, tax revenue impacts only include local sales tax, not tax revenue going to the state.

<sup>42</sup> Unlike sections 2C and 2D of this study, tax revenue impacts only include local sales tax, not tax revenue going to the state.

<sup>43</sup> Unlike sections 2C and 2D of this study, tax revenue impacts only include local sales tax, not tax revenue going to the state.

<sup>44</sup> Unlike sections 2C and 2D of this study, tax revenue impacts only include local sales tax, not tax revenue going to the state.

<sup>45</sup> Unlike sections 2C and 2D of this study, tax revenue impacts only include local sales tax, not tax revenue going to the state.

<sup>46</sup> Unlike sections 2C and 2D of this study, tax revenue impacts only include local sales tax, not tax revenue going to the state.

<sup>47</sup> Excerpted from Robert Gard, *The Arts in the Small Community: A National Plan* (Report to the National Endowment for the Arts) (Madison, WI: Center for Community Arts Development, University of Wisconsin, 1969).

<sup>48</sup> Clark, David E. and Kahn, James R., 1988. "The Social Benefits of Urban Cultural Amenities," *Journal of Regional Science*. 28(3): 363-377.

<sup>49</sup> Martin, Fernand, 1994. "Determining the Size of Museum Subsidies," *Journal of Cultural Economics*. 18: 255-270.

- <sup>50</sup> Thompson, Eric, Mark Berger, Glenn Blomquist, and Steven Allen, 2002. "Valuing the Arts: A Contingent Valuation Approach," *Journal of Cultural Economics*. 26(2): 87-113.
- <sup>51</sup> Income and education levels are substantially higher in California than in Kentucky, where the Thompson, et. al. study was taken.
- <sup>52</sup> ArtsWork, defunded as a result of state budget cuts that occurred half way through this study, was one of two funding opportunities for visual and performing arts offered by the California Department of Education. The goal of the program was to provide funding to local education agencies to help implement comprehensive standards-based instruction programs in the visual and performing arts.
- <sup>53</sup> Los Angeles district schools were not in the sample because surveying is not permitted by the school district.
- <sup>54</sup> For school district responses, the number of teachers was divided by the number of schools in the district.
- <sup>55</sup> Survey instrument is in Appendix G.
- <sup>56</sup> California foundations contribute 11.7 percent of all foundation giving nationally, ranking second after New York at 18.8 percent.
- <sup>57</sup> The Foundations Center's 2003 Study: Arts Funding IV, An Update on Foundation Trends.
- <sup>58</sup> Creative Industries research conducted by Randy Cohen, Vice President, Research and Information, Americans for the Arts.
- <sup>59</sup> A complete list of creative industries used in the research is located in Appendix E.
- <sup>60</sup> Organization names in this economic impact study are listed as they were received from 44 different mailing lists and are not necessarily the official organization name or the "doing business as" (DBA) name registered with the California Department of State or Dun and Bradstreet. Based on a cross check by name only, 26 percent of the nonprofit organizations in this study are in California's Creative Industries list. This is not a precise comparison. For example, a symphony orchestra at a street address for this report could be the same organization as the Friends of the Symphony Orchestra at a PO Box in the Creative Industries list. Given, this, the probability for underestimation is high.

## APPENDICES

*(Available as a downloadable PDF from the California Arts Council's website—[www.cac.ca.gov](http://www.cac.ca.gov).)*

### A. Nonprofit Arts and Cultural Organizations Participating in the Study, Including Creative Industries

Cross-References

### B. Project Chronology

### C. Research and Studies Reviewed and Cited

### D. About the Consultant Team Principals

### E. Americans for The Arts Creative Industries Support Materials

1. California's Creative Industries—Divided by State Senate Districts

2. California's Creative Industries—Divided by State House Districts

3. AFTA List of California Creative Industries

4. Standard Industrial Classification Codes

### F. Comparison of Economic Impact Studies

### G. Promotion Pieces and Survey Instruments

1. Postcard (English and Spanish)

2. Cover Notes for Organization Survey

3. Organization Survey (English and Spanish)

4. Audience Survey (English and Spanish)

5. School Survey

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