



# ARTS &

## ECONOMIC PROSPERITY 5

THE ECONOMIC IMPACT OF NONPROFIT ARTS & CULTURAL ORGANIZATIONS & THEIR AUDIENCES



# in the City of Laguna Beach, CA

*Arts and Economic Prosperity*® 5 was conducted by Americans for the Arts, the nation's nonprofit organization for advancing the arts in America. Established in 1960, we are dedicated to representing and serving local communities and creating opportunities for every American to participate in and appreciate all forms of the arts.

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# Table of Contents

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The Arts Mean Business ..... 1  
By Robert L. Lynch, President and CEO, Americans for the Arts

The Economic Impact of the  
Nonprofit Arts and Culture Industry in  
the City of Laguna Beach ..... 3

    Defining Economic Impact..... 3

    Economic Impact of the Nonprofit Arts and Culture Industry ..... 4

    Direct, Indirect, and Induced Economic Impact: How a  
    Dollar is Respent in the Economy ..... 5

    Economic Impact of Spending by Nonprofit Arts and  
    Cultural ORGANIZATIONS ..... 6

        An Economic Impact Beyond Dollars: Volunteerism ..... 7

        The Value of In-Kind Contributions to Arts Organizations ..... 7

    Economic Impact of Spending by Nonprofit Arts and  
    Cultural AUDIENCES ..... 8

        Cultural Tourists Spend More..... 9

        The Arts Drive Tourism..... 10



"Understanding and acknowledging the incredible economic impact of the nonprofit arts and culture, we must always remember their fundamental value. They foster beauty, creativity, originality, and vitality. The arts inspire us, sooth us, provoke us, involve us, and connect us. But they also create jobs and contribute to the economy."

— Robert L. Lynch  
President and CEO  
Americans for the Arts

“I have always known that the arts in Laguna Beach make it a special place, but it is wonderful to learn just how much they contribute to the economic vitality of our town.”

— Toni Iseman  
Mayor  
City of Laguna Beach

“Harkening back to the early 1900s when Laguna Beach began as an artists’ colony, we continue to build on those roots and expand upon them. As the official tourism entity, we believe these findings will be an incredibly useful study to use in our marketing efforts to further the importance of tourism and the arts.”

— Ashley Johnson, CDME  
President and CEO  
Visit Laguna Beach

The Laguna Beach Chamber is honored to work hand in hand with our city in support of the arts; keeping arts organizations alive and engaging to our community. The arts contribute greatly to our economy, generating jobs and increasing spending in our restaurants, hotels and retail shops.

— Laura Henkels  
Executive Director  
Laguna Beach Chamber of Commerce

This report has been funded by the lodging establishments and City of Laguna Beach.

# The Arts Mean Business

By Robert L. Lynch, President and CEO, Americans for the Arts

In my travels, I meet business and government leaders who speak passionately about the value the arts bring to their communities—fueling creativity, beautifying downtowns, and providing joy. Many also share with me the challenge of balancing arts funding with the demands to support jobs and grow their economy. To these community leaders, **Arts & Economic Prosperity 5** offers a clear and welcome message: the arts are an investment that delivers both community well-being and economic vitality.

**Arts & Economic Prosperity 5** (AEP5) is Americans for the Arts' fifth economic impact study of the nation's nonprofit arts and cultural organizations and their audiences. By every measure, the results are impressive. Nationally, the nonprofit arts industry generated \$166.3 billion of economic activity in 2015—\$63.8 billion in spending by arts and cultural organizations and an additional \$102.5 billion in event-related expenditures by their audiences. This activity supported 4.6 million jobs and generated \$27.5 billion in revenue to local, state, and federal governments (a yield well beyond their collective \$5 billion in arts allocations). AEP5 is the most comprehensive study of its kind ever conducted. It provides detailed economic impact findings on 341 study regions representing all 50 states and the District of Columbia. Data was gathered from 14,439 organizations and 212,691 arts event attendees, and our project economists customized input-output models for each and every study region to ensure reliable and actionable localized results.

When Americans for the Arts published its first economic impact study in 1994, it worked with 33 local communities. As evidence of the value of these studies, AEP5 has grown this local participation ten-fold. We also have witnessed a corresponding growth in the understanding of the economic value of the arts. The U.S. Bureau of Economic Analysis, for example, now publishes an annual *Arts & Cultural Production Satellite Account*, which extends beyond the nonprofit sector to include the full breadth of commercial and for-profit arts, education, and individual artists, and lists the sector as a \$730 billion industry (4.2 percent of the nation's GDP—a larger share of the economy than

transportation, tourism, agriculture, and construction). As another example, many state and local governments have established agencies to track and grow their creative economy.

What continues to set AEP5 apart from other studies is exactly why it is so useful: it uses localized research that not only focuses on arts organizations—but also incorporates the event-related spending by their audiences. When patrons attend an arts event, they may pay for parking, eat dinner at a restaurant, enjoy dessert after the show, and return home to pay the babysitter. The study found that the typical attendee spends \$31.47 per person, per event beyond the cost of admission. AEP5 also shows that one-third of attendees (34 percent) traveled from outside the county in which the arts event took place. Their event-related spending was more than twice that of their local counterparts (\$47.57 vs. \$23.44). What brought those visitors to town? Two-thirds (69 percent) indicated that the primary purpose for their visit was to attend that arts event. The message is clear: a vibrant arts community not only keeps residents and their discretionary spending close to home, it also attracts visitors who spend money and help local businesses thrive.

AEP5 demonstrates that the arts provide both cultural and economic benefits. No longer do community leaders need to feel that a choice must be made between arts funding and economic development. **Arts & Economic Prosperity 5** proves that they can choose both. Nationally as well as locally, the arts mean business.

“Even in a strong economy, some may perceive the arts as an unaffordable luxury. Fortunately, this rigorous report offers evidence that the nonprofit arts industry provides not just cultural benefits to our communities, but also makes significant positive economic contributions to the nation’s financial well-being regardless of the overall state of the economy. The arts as a driver of employment, vibrancy, tourism, and building a creative workforce is certainly something to applaud.”

— Jonathan Spector  
President & CEO  
The Conference Board



# The Economic Impact of the Nonprofit Arts and Culture Industry in the City of Laguna Beach

**Arts & Economic Prosperity 5** provides evidence that the nonprofit arts and culture sector is a significant industry in the City of Laguna Beach—one that generates \$95.4 million in total economic activity. This spending—\$40.1 million by nonprofit arts and cultural organizations and an additional \$55.2 million in event-related spending by their audiences—supports 2,512 full-time equivalent jobs, generates \$58.9 million in household income to local residents, and delivers \$8.8 million in local and state government revenue. This economic impact study sends a strong signal that when we support the arts, we not only enhance our quality of life, but we also invest in the City of Laguna Beach’s economic well-being.

This Arts & Economic Prosperity 5 study documents the economic impact of the nonprofit arts and culture sector in 341 study regions—113 cities, 115 counties, 81 multicounty or multicity regions, 20 states, and 12 arts districts—representing all 50 U.S. states and the District of Columbia. The diverse study regions range in population (1,500 to four million) and type (rural to large urban). Economists customized input-output models to calculate specific and reliable findings for each study region. This study focuses solely on the economic impact of nonprofit arts and cultural organizations and event-related spending by their audiences. Spending by individual artists and the for-profit arts and culture sector (e.g., Broadway or the motion picture industry) are excluded from this study.

The geographic area analyzed in this unique report is defined as **the City of Laguna Beach, California**.

## Defining Economic Impact

This proprietary study methodology uses four economic measures to define economic impact: full-time equivalent jobs, resident household income, and local and state government revenues.

**Full-Time Equivalent (FTE) Jobs** describes the total amount of labor employed. An FTE job can be one full-time employee, two half-time employees, etc. Economists measure FTE jobs, not the total number of employees, because it is a more accurate measure that accounts for part-time employment.

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

**Revenue to Local and State Government** includes revenue from local and state taxes (e.g., income, sales, lodging, real estate, personal property, and other local option taxes) as well as funds from license fees, utility fees, filing fees, and other similar sources. Local government revenue includes funds to governmental units such as city, county, township, and school districts, and other special districts.

## Economic Impact of Spending by the Nonprofit Arts and Culture Industry (Combined Spending by Both Organizations and Their Audiences) in the City of Laguna Beach

In communities coast-to-coast, from our smallest towns to our largest cities, America’s 100,000 nonprofit arts and cultural organizations make their communities more desirable places to live and work every day of the year.

The arts and culture provide inspiration and joy to residents, beautify public spaces, and strengthen the social fabric of our communities. Nonprofit arts and cultural organizations are also businesses. They employ people locally, purchase goods and services from other local businesses, and attract tourists. Event-related spending by arts audiences generates valuable revenue for local merchants such as restaurants, retail stores, parking garages, and hotels.

During fiscal year 2015, spending by both the City of Laguna Beach’s nonprofit arts and cultural organizations and their audiences totaled \$95.4 million. The table below demonstrates the total economic impact of these expenditures.

<b>TABLE 1: Total Economic Impact of the Nonprofit Arts and Culture Industry in the City of Laguna Beach (Combined Spending by Nonprofit Arts and Cultural Organizations <u>and</u> Their Audiences)</b>			
	<b>City of Laguna Beach</b>	<b>Median of Similar Study Regions <i>Pop. = Fewer than 50,000</i></b>	<b>National Median</b>
Total Industry Expenditures	<b>\$95,363,676</b>	\$5,334,433	\$35,750,645
Full-Time Equivalent Jobs	<b>2,512</b>	147	1,131
Resident Household Income	<b>\$58,914,000</b>	\$3,111,500	\$23,154,000
Local Government Revenue	<b>\$4,046,000</b>	\$238,000	\$1,407,000
State Government Revenue	<b>\$4,788,000</b>	\$347,500	\$1,961,000

### The Arts Improve the Economy ... and the Quality of our Personal Lives

- ✓ **82 percent** of Americans believe the arts & culture are important to local businesses and the economy
- ✓ **87 percent** of Americans believe the arts & culture are important to quality of life

Source: Americans for the Arts’ 2016 survey of 3,020 adults by Ipsos Public Affairs

“The success of my family’s business depends on finding and cultivating a creative and innovative workforce. I have witnessed firsthand the power of the arts in building these business skills. When we participate personally in the arts, we strengthen our ‘creativity muscles,’ which makes us not just a better ceramicist or chorus member, but a more creative worker—better able to identify challenges and innovative business solutions.”

— Christopher Forbes, Vice Chairman, Forbes, Inc.

### Economic Impact: Total, Direct, Indirect, and Induced

How can a dollar be *respent*? Consider the example of a theater company that purchases a five-gallon bucket of paint from its local hardware store for \$100—a very simple transaction at the outset, but one that initiates a complex sequence of income and spending by both individuals and other businesses.

Following the paint purchase, the hardware store may use a portion of the \$100 to pay the sales clerk who sold the bucket of paint. The sales clerk then respends some of the money for groceries; the grocery store uses some of the money to pay its cashier; the cashier then spends some of the money for rent; and so on.

The hardware store also uses some of the \$100 to purchase goods and services from other businesses, such as the local utility company, and then to buy a new bucket of paint from the paint factory to restock its shelf. Those businesses, in turn, respend the money they earned from the hardware store to buy goods and services from still other local businesses, and so on.

Eventually, the last of the \$100 is spent outside of the community and no longer has a local economic impact. It is considered to have leaked out of the community.

The **total** economic impact describes this full economic effect, starting with the theater’s initial paint purchase and ending when the last of the \$100 leaks out of the community. It is composed of the **direct** economic impact (the effect of the initial expenditure by the theater), as well as the **indirect** and **induced** economic impacts, which are the effects of the subsequent rounds of spending by businesses and individuals, respectively.

*Interestingly, a dollar ripples very differently through each community, which is why an input-output model was customized for the unique economy of Orange County.*

## Economic Impact of Spending by Nonprofit Arts and Cultural ORGANIZATIONS in the City of Laguna Beach

Nonprofit arts and culture organizations are active contributors to their business community. They are employers, producers, and consumers. They are members of the Chamber of Commerce as well as key partners in the marketing and promotion of their cities, regions, and states. **Spending by nonprofit arts and cultural organizations totaled \$40.1 million in the City of Laguna Beach during fiscal year 2015.** This spending is far-reaching: organizations pay employees, purchase supplies, contract for services, and acquire assets within their community. These actions, in turn, support jobs, generate household income, and generate revenue to local and state governments.

The City of Laguna Beach’s nonprofit arts and cultural organizations provide rewarding employment for more than just administrators, artists, curators, choreographers, and musicians. They also employ financial staff, facility managers, and salespeople. In addition, the spending by these organizations directly supports a wide array of other occupations spanning many industries that provide their goods and services (e.g., accounting, construction, event planning, legal, logistics, printing, and technology).

Data were collected from 16 eligible nonprofit arts and cultural organizations that are located in the City of Laguna Beach. Each provided detailed budget information for fiscal year 2015 (e.g., labor, payments to local and nonlocal artists, operations, administration, programming, facilities, and capital expenditures/asset acquisition). The following table demonstrates the total economic impact of their aggregate spending.

<b>TABLE 2: Total Economic Impact of Spending by Nonprofit Arts and Cultural ORGANIZATIONS in the City of Laguna Beach</b>			
	<b>City of Laguna Beach</b>	<b>Median of Similar Study Regions <i>Pop. = Fewer than 50,000</i></b>	<b>National Median</b>
Total Organizational Expenditures	<b>\$40,118,691</b>	\$2,607,677	\$15,727,535
Full-Time Equivalent Jobs	<b>1,185</b>	75	608
Resident Household Income	<b>\$32,649,000</b>	\$1,609,000	\$11,441,500
Local Government Revenue	<b>\$1,586,000</b>	\$52,500	\$592,000
State Government Revenue	<b>\$2,024,000</b>	\$89,500	\$840,500

## Economic Impact Beyond Dollars: Volunteerism

While arts volunteers may not have an economic impact as defined in this study, they clearly have an enormous impact by helping nonprofit arts and cultural organizations function as a viable industry. Arts & Economic Prosperity 5 reveals a significant contribution to nonprofit arts and cultural organizations as a result of volunteerism. **During 2015, a total of 992 volunteers donated a total of 51,444 hours to the City of Laguna Beach's participating nonprofit arts and cultural organizations. This represents a donation of time with an estimated aggregate value of \$1,212,021** (Independent Sector estimates the dollar value of the average 2015 volunteer hour to be \$23.56). Volunteers can include unpaid professional staff (e.g., executive and program staff, board/commission members), artistic volunteers (e.g., artists, choreographers, designers), clerical volunteers, and service volunteers (e.g., ticket takers, docents, ushers, gift shop volunteers).

The 16 participating organizations reported an average of 62.0 volunteers who volunteered an average of 51.9 hours during 2015, for a total of 3,215.2 hours per organization.

## The Value of In-Kind Contributions to Arts Organizations

The organizations were asked about the sources and value of their in-kind support. In-kind contributions are non-cash donations such as materials (e.g., office supplies from a local retailer), facilities (e.g., office or performance space), and services (e.g., printing from a local printer). **The 16 participating nonprofit arts and cultural organizations in the City of Laguna Beach reported that they received in-kind contributions with an aggregate value of \$1,057,814 during fiscal year 2015.** These contributions can be received from a variety of sources including corporations, individuals, local and state arts agencies, and government agencies.

"Investments in arts and culture enhance the quality of life, the third-highest measurement businesses use when gauging development trends—behind skilled labor and highway accessibility but ahead of other factors such as corporate tax rates and incentives. These investments are breathing new life into our downtown areas, creating educational opportunities, and attracting businesses and highly skilled workers to Iowa. Today, nearly 6,000 arts organizations employ 23,000 people in Iowa, and that number jumps to 73,000 when all creative fields are counted. In all, that's about four percent of our workforce."

— Governor Kim Reynolds, Iowa

## Economic Impact of Spending by Nonprofit Arts and Cultural AUDIENCES in the City of Laguna Beach

The nonprofit arts and culture industry, unlike most industries, leverages a significant amount of event-related spending by its audiences. For example, when patrons attend a cultural event, they may pay to park their car, purchase dinner at a restaurant, shop in nearby stores, eat dessert after the show, and pay a babysitter upon their return home. Attendees from out of town often spend the night in a hotel. This spending generates related commerce for local businesses such as restaurants, parking garages, retail stores, and hotels. Local businesses that cater to arts and culture audiences reap the rewards of this economic activity.

To measure the impact of spending by cultural audiences in the City of Laguna Beach, data were collected from 458 event attendees during 2016. Researchers used an audience-intercept methodology, a standard technique in which patrons are asked to complete a short survey about their event-related spending (while they are attending the event). In the City of Laguna Beach, cultural attendees spent an average of \$58.97 per person, per event as a direct result of their attendance at the event.

The 16 participating nonprofit arts and cultural organizations reported that the aggregate attendance to their events was 937,034 during 2015. **Event-related spending by these attendees totaled \$55.2 million in the City of Laguna Beach during fiscal year 2015**, excluding the cost of event admission. The following table demonstrates the total economic impact of this spending.

<b>TABLE 3: Total Economic Impact of Spending by Nonprofit Arts and Cultural AUDIENCES in the City of Laguna Beach (excluding the cost of event admission<sup>1</sup>)</b>			
	<b>City of Laguna Beach</b>	<b>Median of Similar Study Regions <i>Pop. Fewer than 50,000</i></b>	<b>National Median</b>
Total Audience Expenditures	<b>\$55,244,985</b>	\$3,011,967	\$18,871,511
Full-Time Equivalent Jobs	<b>1,327</b>	64	430
Resident Household Income	<b>\$26,265,000</b>	\$1,344,000	\$8,402,500
Local Government Revenue	<b>\$2,460,000</b>	\$134,500	\$898,000
State Government Revenue	<b>\$2,764,000</b>	\$165,000	\$1,007,500

<sup>1</sup> Why exclude the cost of admission? The admissions paid by attendees are excluded from the audience analysis because those dollars are captured in the operating budgets of the participating nonprofit arts and cultural organizations and, in turn, are spent by the organizations. This methodology avoids “double-counting” those dollars in the study analysis.



## Cultural Tourists Spend More

The 458 audience survey respondents were asked to provide the ZIP code of their primary residence, enabling researchers to determine which attendees were local residents (live within Orange County) and which were nonresidents (live outside Orange County). In the City of Laguna Beach, researchers estimate that 65.3 percent of the 937,034 nonprofit arts attendees were residents; 34.7 percent were nonresidents.

**Nonresident attendees spent an average of 95 percent more per person than local attendees (\$86.54 vs. \$44.30) as a result of their attendance to cultural events.** As would be expected from a traveler, higher spending was typically found in the categories of lodging, meals, and transportation. When a community attracts cultural tourists, it harnesses significant economic rewards.

<b>TABLE 4: Event-Related Spending by Arts and Culture Event Attendees Totaled \$55.2 million in the City of Laguna Beach (excluding the cost of event admission)</b>			
	<b>Residents</b>	<b>Nonresidents</b>	<b>All City of Laguna Beach Event Attendees</b>
Total Attendance	611,883	325,151	937,034
Percent of Attendees	65.3%	34.7%	100%
Average Dollars Spent Per Attendee	\$44.30	\$86.54	\$58.97
<b>Total Event-Related Expenditures</b>	<b>\$27,106,417</b>	<b>\$28,138,568</b>	<b>\$55,244,985</b>

<b>TABLE 5: Nonprofit Arts and Culture Event Attendees Spend an Average of \$58.97 Per Person in the City of Laguna Beach (excluding the cost of event admission)</b>			
	<b>Residents</b>	<b>Nonresidents</b>	<b>All City of Laguna Beach Event Attendees</b>
Refreshments/Snacks During Event	\$7.62	\$9.07	\$8.13
Meals Before/After Event	\$18.20	\$22.03	\$19.53
Souvenirs and Gifts	\$9.73	\$18.86	\$12.90
Clothing and Accessories	\$4.24	\$5.21	\$4.58
Ground Transportation	\$2.47	\$7.16	\$4.10
Event-Related Child Care	\$0.23	\$0.16	\$0.21
Overnight Lodging ( <i>one night only</i> )	\$1.72	\$23.74	\$9.36
Other	\$0.09	\$0.31	\$0.17
<b>Total Per Person Spending</b>	<b>\$44.30</b>	<b>\$86.54</b>	<b>\$58.97</b>

## The Arts Drive Tourism

Each of the nonresident survey respondents (i.e., those who live outside Orange County) were asked about the purpose of their trip: **42.1 percent indicated that the primary purpose of their visit to the City of Laguna Beach was “specifically to attend this arts/cultural event.”** This finding demonstrates the power of the arts to attract visitors to the community.

The audience-intercept survey also asked nonresident attendees if they would have traveled somewhere else (instead of to the City of Laguna Beach) if the event where they were surveyed had not occurred: **57.2 percent of nonresident attendees would have “traveled to a different community to attend a similar cultural event.”**

Of the 34.7 percent of arts attendees who are nonresidents, 22.0 percent reported an overnight lodging expense. Not surprisingly, nonresident attendees with overnight expenses spent considerably more money per person during their visit to the City of Laguna Beach than did nonresident attendees without overnight lodging expenses (\$210.62 and \$51.52, respectively). For this analysis, only one night of lodging expenses is counted toward the audience expenditure, regardless of how many nights these cultural tourists actually stayed in the community. This conservative approach ensures that the audience-spending figures are not inflated by non-arts-related spending.

## The Arts Retain Local Dollars

The survey also asked local resident attendees about what they would have done if the arts event that they were attending was not taking place: **50.0 percent of resident attendees said they would have “traveled to a different community to attend a similar cultural event.”**

The cultural tourism findings on this page demonstrate the economic impact of the nonprofit arts and culture industry in its truest sense. If a community fails to provide a variety of artistic and cultural experiences, not only will it fail to attract new dollars from cultural tourists, it will also lose the discretionary spending of its own residents who will travel elsewhere for a similar experience.

"As a banker, I have visited businesses in almost every city and town in my state. There is a visible difference in places with a vibrant arts community. I see people looking for places to park, stores staying open late, and restaurants packed with diners. The business day is extended and the cash registers are ringing!"

— Ken Fergeson, Chairman, NBC Oklahoma  
Past President, American Bankers Association

## Travel Party and Demographic Characteristics of Arts Attendees

The tables below list the audience-intercept survey findings related to travel party size as well as the age, educational attainment, and household income reported by the survey respondents.

**TABLE 6: Travel Party and Demographic Characteristics of Arts Audiences in the City of Laguna Beach**

	Residents	Nonresidents
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<b>Travel Party Size</b>		
Average number of adults (18 years or older)	2.4	2.6
Average number of children (younger than 18)	0.2	0.1
Average travel party size	2.6	2.7

<b>Trip Characteristics</b>		
Average number of nights spent away from home as a result of arts event	0.2	1.0
Percentage with any nights spent away from home as a result of arts event	7.7%	37.1%
Percentage attending the arts event or facility (where they were surveyed) for the first time	20.9%	39.2%

<b>Age of Cultural Attendees</b>		
18-34	8.6%	9.0%
35-44	8.6%	8.3%
45-54	23.1%	16.7%
55-64	28.6%	32.1%
65 or Older	31.0%	34.0%

<b>Educational Attainment of Cultural Attendees</b>		
Less than high school	0.3%	1.3%
High school	5.8%	5.1%
2-year college/technical/associates degree	17.8%	18.6%
4-year college/bachelors degree	42.8%	41.0%
Masters degree	25.7%	26.9%
Doctoral degree	7.5%	7.1%

<b>Annual Household Income of Cultural Attendees</b>		
Less than \$40,000	10.0%	7.3%
\$40,000 to \$59,999	11.1%	7.3%
\$60,000 to \$79,999	13.3%	15.3%
\$80,000 to \$99,999	11.1%	11.7%
\$100,000 to \$119,999	12.6%	14.6%
\$120,000 or More	41.9%	43.8%

<b>Civic Engagement of Cultural Attendees</b>		
Percentage that voted in 2016 U.S. presidential election	91.6%	88.4%

“Mayors understand the connection between the arts industry and city revenues. Arts activity creates thousands of direct and indirect jobs and generates billions in government and business revenues. The arts also make our cities destinations for tourists, help attract and retain businesses, and play an important role in the economic revitalization of cities and the vibrancy of our neighborhoods.”

— Oklahoma City Mayor Mick Cornett  
President, The United States Conference of Mayors

# Conclusion

**The nonprofit arts and culture sector is a \$95.4 million industry in the City of Laguna Beach—one that supports 2,512 full-time equivalent jobs and generates \$8.8 million in local and state government revenue.**

Nonprofit arts and cultural organizations are businesses in their own right. They spent \$40.1 million during fiscal year 2015 to employ people locally, purchase goods and services from local establishments, and attract tourists. They also leveraged a remarkable \$55.2 million in additional spending by cultural audiences—spending that pumps vital revenue into restaurants, hotels, retail stores, parking garages, and other local businesses.

This study puts to rest a misconception that communities support arts and culture at the expense of local economic development. In fact, communities that support the arts and culture are investing in an industry that supports jobs, generates government revenue, and is the cornerstone of tourism. This Arts & Economic Prosperity 5 study shows conclusively that **the arts mean business in the City of Laguna Beach!**

“A vital component to generating economic growth in our communities can be attributed to supporting and funding the arts. It is apparent that decreased support of the arts has negatively impacted some areas of our country. To compete and thrive in today’s workforce environment it is apparent that supporting the arts helps foster a more creative and innovative workforce that strengthens our economy.”

— Nevada Assemblywoman Maggie Carlton  
Co-Chair, National Conference of State Legislatures  
Labor & Economic Development Committee



# The Arts & Economic Prosperity 5 Calculator

To make it easier to compare the economic impacts of different organizations within the City of Laguna Beach (or to calculate updated estimates in the immediate years ahead), the project researchers calculated the economic impact per \$100,000 of direct spending by nonprofit arts and cultural organizations and their audiences.

## Economic Impact Per \$100,000 of Direct Spending by ORGANIZATIONS

For every \$100,000 in direct spending by a nonprofit arts and cultural organization in the City of Laguna Beach, there was the following total economic impact.

<b>TABLE 7: Ratios of Economic Impact Per \$100,000 of Direct Spending by Nonprofit Arts and Cultural Organizations in the City of Laguna Beach</b>			
	<b>City of Laguna Beach</b>	<b>Median of Similar Study Regions <i>Pop. = Fewer than 50,000</i></b>	<b>National Median</b>
Full-Time Equivalent Jobs	<b>2.95</b>	3.25	3.52
Resident Household Income	<b>\$81,381</b>	\$63,198	\$74,554
Local Government Revenue	<b>\$3,953</b>	\$2,605	\$3,563
State Government Revenue	<b>\$5,045</b>	\$4,887	\$4,891

### An Example of How to Use the Organizational Spending Calculator Table (above):

An administrator from a nonprofit arts and cultural organization that has total expenditures of \$250,000 wants to determine the organization’s total economic impact on full-time equivalent (FTE) employment in the City of Laguna Beach. The administrator would:

1. Determine the amount spent by the nonprofit arts and cultural organization;
2. Divide the total expenditure by 100,000; and
3. Multiply that figure by the FTE employment ratio per \$100,000 for the City of Laguna Beach.

Thus, \$250,000 divided by 100,000 equals 2.5; 2.5 times 2.95 (from the top row of data on Table 1 above) equals a total of 7.4 full-time equivalent jobs supported (both directly and indirectly) within the City of Laguna Beach by that nonprofit arts and cultural organization. Using the same procedure, the estimate can be calculated for resident household income as well as for local and state government revenue.

## Economic Impact Per \$100,000 of Direct Spending by AUDIENCES

The economic impact of event-related spending by arts audiences can also be derived for an individual organization or groups of organizations in the City of Laguna Beach.

The first step is to determine the total estimated event-related spending by attendees who are residents of Orange County. To derive this figure, first multiply the total attendance by the percentage of attendees that are residents. Then, multiply the result by the average per person event-related expenditure by resident attendees. The result is the total estimated event-related spending by resident attendees.

The second step is to do the same for nonresidents of Orange County. To derive this figure, first multiply the total attendance by the percentage of attendees that are nonresidents. Then, multiply the result by the average per person event-related expenditure by nonresident attendees. The result is the total estimated event-related spending by nonresident attendees.

Then, add the results from the first two steps together to calculate the total estimated event-related audience spending. Finally, the ratios of economic impact per \$100,000 in direct spending can then be used to determine the total economic impact of the total estimated audience spending.

<b>TABLE 8: Audience Spending Ratios for the Arts &amp; Economic Prosperity 5 Calculator in the City of Laguna Beach (excluding the cost of event admission)</b>		
	<b>Residents</b>	<b>Nonresidents</b>
Percent of Attendees	65.3%	34.7%
Average Per Person Event-Related Expenditures	\$44.30	\$86.54

<b>TABLE 9: Ratios of Economic Impact Per \$100,000 of Direct Spending by Nonprofit Arts and Culture Audiences in the City of Laguna Beach</b>			
	<b>City of Laguna Beach</b>	<b>Median of Similar Study Regions <i>Pop. = Fewer than 50,000</i></b>	<b>National Median</b>
Full-Time Equivalent Jobs	<b>2.40</b>	2.11	2.46
Resident Household Income	<b>\$47,543</b>	\$45,365	\$52,101
Local Government Revenue	<b>\$4,453</b>	\$4,128	\$4,449
State Government Revenue	<b>\$5,003</b>	\$5,714	\$5,692

### **An Example of How to Use the Audience Spending Calculator Tables** (on the preceding page):

An administrator wants to determine the total economic impact of the 25,000 total attendees to his/her organization's nonprofit arts and cultural events on full-time equivalent (FTE) employment in the City of Laguna Beach. The administrator would:

1. Multiply the total attendance by the percentage of attendees that are residents;
2. Multiply the result of step 1 by the average per person event-related expenditure for residents;
3. Multiply the total attendance by the percentage of attendees that are nonresidents;
4. Multiply the result of step 3 by the average per person event-related expenditure for nonresidents;
5. Sum the results of steps 2 and 4 to calculate the total estimated event-related audience spending;
6. Divide the resulting total estimated audience spending by 100,000; and
7. Multiply that figure by the FTE employment ratio per \$100,000 for the City of Laguna Beach.

Thus, 25,000 times 65.3% (from Table 8 on the preceding page) equals 16,325; 16,325 times \$44.30 (from Table 8) equals \$723,198; 25,000 times 34.7% (from Table 8) equals 8,675; 8,675 times \$86.54 equals \$750,735; \$723,198 plus \$750,735 equals \$1,473,933, \$1,473,933 divided by 100,000 equals 14.74; 14.74 times 2.40 (from the top row of data on Table 9 on the preceding page) equals a total of 35.4 full-time equivalent jobs supported (both directly and indirectly) within the City of Laguna Beach by that nonprofit arts and cultural organization. Using the same procedure, the estimate can be calculated for resident household income as well as for local and state government revenue.

## **Making Comparisons with Similar Study Regions**

For the purpose of this analysis and unique report, **the geographic region being studied is defined as the City of Laguna Beach, California.** According to the most recent data available from the U.S. Census Bureau, the population of the City of Laguna Beach was estimated to be 23,341 during 2015. For comparison purposes, 458 pages of detailed data tables containing the study results for all 341 participating study regions are located in Appendix B of the National Statistical Report. The data tables are stratified by population, making it easy to compare the findings for the City of Laguna Beach to the findings for similarly populated study regions (as well as any other participating study regions that are considered valid comparison cohorts).

**The National Summary Report and National Brochure are available both by download (free) and hardcopy (for purchase). The National Statistical Report (more than 500 pages in length) is available by download only. All documents and resources can be found at [www.AmericansForTheArts.org/EconomicImpact](http://www.AmericansForTheArts.org/EconomicImpact).**

“In Rhode Island, we know cultural excellence is crucial to economic development and the success of businesses large and small. Arts-related industries create jobs, attract investments, and enhance tourism—the economic impact of arts organizations is significant. The arts also play a role in promoting the health and welfare of our military members which makes our communities and our state stronger.”

— Rhode Island Lieutenant Governor Dan McKee  
Chair, National Lt. Governors Association

# About This Study

This Arts & Economic Prosperity 5 study was conducted by Americans for the Arts to document the economic impact of the nonprofit arts and culture industry in 341 communities and regions (113 cities, 115 counties, 81 multi-city or multi-county regions, 20 states, and 12 individual arts districts)—representing all 50 U.S. states and the District of Columbia.

The diverse local communities range in population (1,500 to four million) and type (rural to urban). The study focuses solely on nonprofit arts and cultural organizations and their audiences. The study excludes spending by individual artists and the for-profit arts and entertainment sector (e.g., Broadway or the motion picture industry). Detailed expenditure data were collected from 14,439 arts and culture organizations and 212,691 of their attendees. The project economists, from the Georgia Institute of Technology, customized input-output economic models for each participating study region to provide specific and reliable economic impact data about their nonprofit arts and culture industry: full-time equivalent jobs, household income, and local and state government revenue.

## The 250 Local, Regional, and Statewide Study Partners

Americans for the Arts published a Call for Participants in 2015 seeking communities interested in participating in the Arts & Economic Prosperity 5 study. Of the more than 300 potential partners that expressed interest, 250 local, regional, and statewide organizations agreed to participate and complete four participation criteria: identify and code the universe of nonprofit arts and cultural organizations in their study region; assist researchers with the collection of detailed financial and attendance data from those organizations; conduct audience-intercept surveys at cultural events; and pay a modest cost-sharing fee (no community was refused participation for an

inability to pay). Thirty of the 250 partners included multiple study regions as part of their AEP5 participation (e.g., a county as well as a specific city located within the county). As a result, the 250 local, regional, and statewide organizations represent a total of 341 participating study regions.

**The City of Laguna Beach Cultural Arts Department Arts Commission responded to the 2015 Call for Participants, and agreed to complete the required participation criteria.**

## Surveys of Nonprofit Arts and Cultural ORGANIZATIONS

Each of the 250 study partners identified the universe of nonprofit arts and cultural organizations that are located in their region(s) using the Urban Institute’s National Taxonomy of Exempt Entity (NTEE) coding system as a guideline. The NTEE system—developed by the National Center for Charitable Statistics at the Urban Institute—is a definitive classification system for nonprofit organizations recognized as tax exempt by the Internal Revenue Code. This system divides the entire universe of nonprofit organizations into 10 Major categories, including “Arts, Culture, and Humanities.” The Urban Institute reports that approximately 100,000 nonprofit arts and cultural organizations were registered with the IRS in 2015.

The following NTEE “Arts, Culture, and Humanities” subcategories were included in this study:

- A01 – Alliances and Advocacy
- A02 – Management and Technical Assistance
- A03 – Professional Societies and Associations
- A05 – Research Institutes and Public Policy Analysis
- A11 – Single Organization Support
- A12 – Fund Raising and Fund Distribution
- A19 – Support (not elsewhere classified)
- A20 – Arts and Culture (general)
- A23 – Cultural and Ethnic Awareness
- A24 – Folk Arts
- A25 – Arts Education
- A26 – Arts and Humanities Councils and Agencies
- A27 – Community Celebrations
- A30 – Media and Communications (general)
- A31 – Film and Video
- A32 – Television
- A33 – Printing and Publishing
- A34 – Radio
- A40 – Visual Arts (general)
- A50 – Museums (general)
- A51 – Art Museums
- A52 – Children’s Museums
- A53 – Folk Arts Museums
- A54 – History Museums
- A56 – Natural History and Natural Science Museums
- A57 – Science and Technology Museums
- A60 – Performing Arts (general)
- A61 – Performing Arts Centers
- A62 – Dance
- A63 – Ballet
- A65 – Theatre
- A68 – Music
- A69 – Symphony Orchestras
- A6A – Opera
- A6B – Singing and Choral Groups
- A6C – Bands and Ensembles
- A6E – Performing Arts Schools
- A70 – Humanities (general)
- A80 – Historical Organizations (general)
- A82 – Historical Societies and Historic Preservation
- A84 – Commemorative Events
- A90 – Arts Services (general)
- A99 – Arts, Culture, and Humanities (miscellaneous)

In addition to the organization types listed above, the study partners were encouraged to include other types of eligible organizations if they play a

substantial role in the cultural life of the community or if their primary purpose is to promote participation in, appreciation for, and understanding of the visual, performing, folk, literary arts, and/or media arts. These include government-owned and government-operated cultural facilities and institutions, municipal arts agencies and councils, private community arts organizations, unincorporated arts groups, living collections (such as zoos, aquariums, and botanical gardens), university presenters and cultural facilities, and arts programs that are embedded under the umbrella of a nonarts organization or facility (such as a community center or church). In short, if it displays the characteristics of a nonprofit arts and cultural organization, it is included. With rare exception, *for-profit businesses and individual artists are excluded from this study.*

To collect the required financial and attendance information from eligible organizations, researchers implemented a multipronged data collection process. Americans for the Arts partnered with DataArts to collect detailed budget and attendance information about each organization’s fiscal year that ended in 2015. DataArts’ Cultural Data Profile (CDP) is a unique system that enables arts and cultural organizations to enter financial, programmatic, and operational data into a standardized online form. To reduce the survey response burden on participating organizations, and because the CDP collects the detailed information required for this economic impact analysis, researchers used confidential CDP data as the primary organizational data collection mechanism for the Arts & Economic Prosperity 5 study. This primary data collection effort was supplemented with an abbreviated one-page paper version of the survey that was administered to organizations that did not respond to the CDP survey.

Nationally, information was collected from 14,439 eligible organizations about their fiscal year 2015 expenditures, event attendance, in-kind contributions, and volunteerism. Responding organizations had



budgets ranging from \$0 to \$785 million (Smithsonian Institution). Response rates for the 341 communities ranged from 9.5 percent to 100 percent and averaged 54.0 percent. It is important to note that each study region's results are based solely on the actual survey data collected. No estimates have been made to account for nonparticipating eligible organizations. Therefore, the less-than-100 percent response rates suggest an understatement of the economic impact findings in most of the individual study regions.

**In the City of Laguna Beach, 16 of the 23 eligible nonprofit arts and cultural organizations identified by the City of Laguna Beach Cultural Arts Department Arts Commission participated in this study—a participation rate of 69.6 percent**

## **Surveys of Nonprofit Arts and Cultural AUDIENCES**

Audience-intercept surveying, a common and accepted research method, was conducted in all 341 of the study regions to measure event-related spending by nonprofit arts and culture audiences. Patrons were asked to complete a short survey while attending an event. Nationally, a total of 212,691 attendees completed a valid survey. The randomly selected respondents provided itemized expenditure data on attendance-related activities such as meals, retail shopping (e.g., gifts and souvenirs), local transportation, and lodging. Data were collected throughout 2016 (to account for seasonality) as well as at a broad range of both paid and free events (a night at the opera will typically yield more audience spending than a weekend children's theater production or a free community music festival, for example). The survey respondents provided information about the entire party with whom they were attending the event. With an overall average travel party size of 2.56 people, these data actually represent the spending patterns of more than 544,489 cultural attendees.

**In the City of Laguna Beach, a total of 458 valid audience-intercept surveys were collected from attendees to arts and cultural performances, events, and exhibits during 2016.**

## **Economic Analysis**

A common theory of community growth is that an area must export goods and services if it is to prosper economically. This theory is called economic-base theory, and it depends on dividing the economy into two sectors: the export sector and the local sector. Exporters, such as automobile manufacturers, hotels, and department stores, obtain income from customers outside of the community. This "export income" then enters the local economy in the form of salaries, purchases of materials, dividends, and so forth, and becomes income to residents. Much of it is respent locally; some, however, is spent for goods imported from outside of the community. The dollars respent locally have an economic impact as they continue to circulate through the local economy. This theory applies to arts organizations as well as to other producers.

## **Studying Economic Impact Using Input-Output Analysis**

To derive the most reliable economic impact data, input-output analysis is used to measure the impact of expenditures by nonprofit arts and cultural organizations and their audiences. This is a highly-regarded type of economic analysis that has been the basis for two Nobel Prizes. The models are systems of mathematical equations that combine statistical methods and economic theory in an area of study called econometrics. They trace how many times a dollar is respent within the local economy before it leaks out, and it quantifies the economic impact of each round of spending. This form of economic analysis is well suited for this study because it can be customized specifically to each study region.

**To complete the analysis for the City of Laguna Beach, project economists customized an input-**

**output model based on the local dollar flow among 533 finely detailed industries within the unique economy of Orange County.** This was accomplished by using detailed data on employment, incomes, and government revenues provided by the U.S. Department of Commerce (County Business Patterns, the Regional Economic Information System, and the Survey of State and Local Finance), local tax data (sales taxes, property taxes, and miscellaneous local option taxes), as well as the survey data from the responding nonprofit arts and cultural organizations and their audiences.

### **The Input-Output Process**

The input-output model is based on a table of 533 finely detailed industries showing local sales and purchases. The local and state economy of each community is researched so the table can be customized for each community. The basic purchase patterns for local industries are derived from a similar table for the U.S. economy for 2012 (the latest detailed data available from the U.S. Department of Commerce). The table is first reduced to reflect the unique size and industry mix of the local economy, based on data from County Business Patterns and the Regional Economic Information System of the U.S. Department of Commerce. It is then adjusted so that only transactions with local businesses are recorded in the inter-industry part of the table. This technique compares supply and demand and estimates the additional imports or exports required to make total supply equal total demand. The resulting table shows the detailed sales and purchase patterns of the local industries. The 533-industry table is then aggregated to reflect the general activities of 32 industries plus local households, creating a total of 33 industries. To trace changes in the economy, each column is converted to show the direct requirements per dollar of gross output for each sector. This direct-requirements table represents the “recipe” for producing the output of each industry.

The economic impact figures for Arts & Economic Prosperity 5 were computed using what is called an “iterative” procedure. This process uses the sum of a power series to approximate the solution to the economic model. This is what the process looks like in matrix algebra:

$$T = IX + AX + A^2X + A^3X + \dots + A^nX.$$

T is the solution, a column vector of changes in each industry’s outputs caused by the changes represented in the column vector X. A is the 33 by 33 direct-requirements matrix. This equation is used to trace the direct expenditures attributable to nonprofit arts organizations and their audiences. A multiplier effect table is produced that displays the results of this equation. The total column is T. The initial expenditure to be traced is IX (I is the identity matrix, which is operationally equivalent to the number 1 in ordinary algebra). Round 1 is AX, the result of multiplying the matrix A by the vector X (the outputs required of each supplier to produce the goods and services purchased in the initial change under study). Round 2 is A<sup>2</sup>X, which is the result of multiplying the matrix A by Round 1 (it answers the same question applied to Round 1: “What are the outputs required of each supplier to produce the goods and services purchased in Round 1 of this chain of events?”). Each of columns 1 through 12 in the multiplier effects table represents one of the elements in the continuing but diminishing chain of expenditures on the right side of the equation. Their sum, T, represents the total production required in the local economy in response to arts activities.

Calculation of the total impact of the nonprofit arts on the outputs of other industries (T) can now be converted to impacts on the final incomes to residents by multiplying the outputs produced by the ratios of household income to output and employment to output. Thus, the employment impact of changes in outputs due to arts expenditures is calculated by multiplying elements in the column of total outputs

by the ratio of employment to output for the 32 industries in the region. Changes in household incomes, local government revenues, and state government revenues due to nonprofit arts expenditures are similarly transformed. The same process is also used to show the direct impact on incomes and revenues associated with the column of direct local expenditures.

**A comprehensive description of the methodology used to complete the national study is available at [www.AmericansForTheArts.org/EconomicImpact](http://www.AmericansForTheArts.org/EconomicImpact).**

"Americans for the Arts' Arts and Economic Prosperity 5 study is an invaluable tool for Guilford County and counties across the nation. The data it has collected and analyzed provide an unparalleled understanding of the influence of the arts on the economy, locally and nationally. It is vital that we continue to measure the impact of the arts on our economy to show our constituents and the nation its value. We are grateful for the work Americans for the Arts does to help us show what an important asset the arts are in the areas of education and health, both physical and mental, and as an economic driver."

— Kay Cashion, Commissioner, Guilford County, N.C.  
Chair, National Association of Counties Arts & Culture Commission

# Frequently Used Terms

## **Cultural Tourism**

Travel directed toward experiencing the arts, heritage, and special character of a place.

## **Direct Economic Impact**

A measure of the economic effect of the initial expenditure within a community. For example, when the symphony pays its players, each musician's salary, the associated government taxes, and full-time equivalent employment status represent the direct economic impact.

## **Direct Expenditures**

The first round of expenditures in the economic cycle. A paycheck from the symphony to the violin player and a ballet company's purchase of dance shoes are examples of direct expenditures.

## **Econometrics**

The process of using statistical methods and economic theory to develop a system of mathematical equations that measures the flow of dollars between local industries. The input-output model developed for this study is an example of an econometric model.

## **Econometrician**

An economist who designs, builds, and maintains econometric models.

## **Full-Time Equivalent (FTE) Jobs**

A term that describes the total amount of labor employed. Economists measure FTE jobs—not the total number of employees—because it is a more accurate measure of total employment. It is a manager's discretion to hire one full-time employee, two half-time employees, four quarter-time employees, etc. Almost always, more people are affected than are reflected in the number of FTE jobs reported due to the abundance of part-time employment, especially in the nonprofit arts and culture industry.

## **Indirect and Induced Economic Impact**

This study measures the economic impact of the arts using a methodology that enables economists to track how many times a dollar is respent within the local economy, and thus to measure the economic impact generated by each round of spending. When a theater company purchases paint from the local hardware store, there is a measurable economic effect of that initial expenditure within a community. However, the economic benefits typically do not end there, because the hardware store uses some of its income to pay the clerk that sold the paint, as well as to pay its electric bill and to re-stock the shelves. The indirect and induced economic impacts are the effects of the subsequent rounds of spending by businesses and individuals, respectively. (See the example on Page 5 of this report.)

## **Input-Output Analysis**

A system of mathematical equations that combines statistical methods and economic theory in an area of economic study called econometrics. Economists use this model (occasionally called an inter-industry model) to measure how many times a dollar is respent in, or “ripples” through, a community before it “leaks out” of the local economy by being spent non-locally (see Leakage below). The model is based on a matrix that tracks the dollar flow among 533 finely detailed industries in each community. It allows researchers to determine the economic impact of local spending by nonprofit arts and cultural organizations on jobs, household income, and government revenue.

## **Leakage**

The money that community members spend outside of the local economy. This non-local spending has no economic impact within the community. A ballet company purchasing shoes from a non-local manufacturer is an example of leakage. If the shoe company were local, the expenditure would remain within the community and create another round of spending by the shoe company.

## **Multiplier** (often called Economic Activity Multiplier)

An estimate of the number of times that a dollar changes hands within the community before it leaks out of the community (for example, the theater pays the actor, the actor spends money at the grocery store, the grocery store pays its cashier, and so on). This estimate is quantified as one number by which all expenditures are multiplied. For example, if the arts are a \$10 million industry and a multiplier of three is used, then it is estimated that these arts organizations have a total economic impact of \$30 million. The convenience of a multiplier is that it is one simple number; its shortcoming, however, is its reliability. Users rarely note that the multiplier is developed by making gross estimates of the industries within the local economy with no allowance for differences in the characteristics of those industries, usually resulting in an overestimation of the economic impact. In contrast, the input-output model employed in Arts & Economic Prosperity 5 is a type of economic analysis tailored specifically to each community and, as such, provides more reliable and specific economic impact results.

## **Resident Household Income** (often called Personal Income)

The salaries, wages, and entrepreneurial income residents earn and use to pay for food, mortgages, and other living expenses. It is important to note that resident household income is not just salary. When a business receives money, for example, the owner usually takes a percentage of the profit, resulting in income for the owner.

## **Revenue to Local and State Government**

Local and state government revenue is not derived exclusively from income, property, sales, and other taxes. It also includes license fees, utility fees, user fees, and filing fees. Local government revenue includes funds to city and county government, schools, and special districts.



# Frequently Asked Questions

## **How were the 341 participating communities and regions selected?**

In 2015, Americans for the Arts published a Call for Participants for communities interested in participating in the Arts & Economic Prosperity 5 study. Of the more than 300 participants that expressed interest, 250 agreed to participate and complete four participation criteria: (1) identify and code the universe of nonprofit arts and cultural organizations in their study region; (2) assist researchers with the collection of detailed financial and attendance data from those organizations; (3) conduct audience-intercept surveys at cultural events; and (4) pay a modest cost-sharing fee (no community was refused participation for an inability to pay). Thirty of the 250 partners included multiple regions as part of their participation (e.g., a county as well as a city located within the county); as a result, the 250 local, regional, and statewide partners represent a total of 341 participating study regions.

## **How were the eligible nonprofit arts organizations in each community selected?**

Local partners attempted to identify their universe of nonprofit arts and cultural organizations using the Urban Institute's National Taxonomy of Exempt Entity (NTEE) codes as a guideline. Eligible organizations included those whose primary purpose is to promote appreciation for and understanding of the visual, performing, folk, and media arts. Government-owned and government-operated cultural facilities and institutions, municipal arts agencies and councils, private community arts organizations, unincorporated arts groups, living collections (such as zoos, aquariums, and botanical gardens), university presenters and cultural facilities, and arts programs that are embedded under the umbrella of a non-arts organization or facility (such as a hospital or church) also were included if they play a substantial role in the cultural life of the community. For-profit businesses and individual artists are excluded from this study.

## **What type of economic analysis was done to determine the study results?**

An input-output economic analysis was customized for each of the participating study regions to determine the economic impact its nonprofit arts and cultural organizations and arts audiences. Americans for the Arts, which conducted the research, worked with highly regarded economists to design the input-output models.

## **What other information was collected in addition to the arts surveys?**

In addition to detailed expenditure data provided by the surveyed organizations and cultural attendees, researchers and economists collected extensive wage, labor, tax, and commerce data provided by the U.S. Department of Commerce (County Business Patterns, the Regional Economic Information System, and the Survey of State and Local Finance), as well as local and state tax data for use in the input-output analyses.

## **Why doesn't this study use a multiplier?**

When many people hear about an economic impact study, they expect the result to be quantified in what is often called a multiplier or an economic activity multiplier. The economic activity multiplier is an estimate of the number of times a dollar changes hands within the community (e.g., a theater pays its actor, the actor spends money at the grocery store, the grocery store pays the cashier, and so on). It is quantified as one number by which expenditures are multiplied. The convenience of the multiplier is that it is one simple number. Users rarely note, however, that the multiplier is developed by making gross estimates of the industries within the local economy

and does not allow for differences in the characteristics of those industries. Using an economic activity multiplier usually results in an overestimation of the economic impact and therefore lacks reliability.

### **Why are the admissions expenses excluded from the analysis of audience spending?**

Researchers assume that any admissions dollars paid by event attendees are typically collected as revenue for the organization that is presenting the event. The organization then spends those dollars. The admissions paid by audiences are excluded because those dollars are captured in the operating budgets of the participating nonprofit arts and cultural organizations. This methodology avoids “double-counting” those dollars in the analysis.

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

Any time money changes hands there is a measurable economic impact. Social service organizations, libraries, and all entities that spend money have an economic impact. What makes the economic impact of arts and culture organizations unique is that, unlike most other industries, they induce large amounts of related spending by their audiences. For example, when patrons attend a performing arts event, they may purchase dinner at a restaurant, eat dessert after the show, and return home and pay the baby-sitter. These expenditures have a positive and measurable impact on the economy.

### **Will my local legislators believe these results?**

Yes, this study makes a strong argument to legislators, but you may need to provide them with some extra help. It will be up to the user of this report to educate the public about economic impact studies in general and the results of this study in particular. The user may need to explain (1) the study methodology used; (2) that economists created an input-output model for each community and region in the study; and (3) the difference between input-output analysis and a multiplier. The good news is that as the number of economic impact studies completed by arts organizations and other special interest areas increases, so does the sophistication of community leaders whose influence these studies are meant to affect. Today, most decision makers want to know what methodology is being used and how and where the data were gathered.

You can be confident that the input-output analysis used in this study is a highly-regarded model in the field of economics (the basis of two Nobel Prizes in economics). However, as in any professional field, there is disagreement about procedures, jargon, and the best way to determine results. Ask 12 artists to define art and you may get 12 answers; expect the same of economists. You may meet an economist who believes that these studies should be done differently (for example, a cost-benefit analysis of the arts).

### **How can a community not participating in the Arts and Economic Prosperity 5 study apply these results?**

Because of the variety of communities studied and the rigor with which the Arts & Economic Prosperity 5 study was conducted, nonprofit arts and cultural organizations located in communities that were not part of the study can estimate their local economic impact. Estimates can be derived by using the Arts & Economic Prosperity 5 Calculator (found at [www.AmericansForTheArts.org/EconomicImpact](http://www.AmericansForTheArts.org/EconomicImpact)). Additionally, users will find sample PowerPoint presentations, press releases, Op-Ed, and other strategies for proper application of their estimated economic impact data.

# Acknowledgments

Americans for the Arts expresses its gratitude to the many people and organizations who made *Arts & Economic Prosperity 5: The Economic Impact of Nonprofit Arts and Cultural Organizations and Their Audiences in the City of Laguna Beach* possible and assisted in its development, coordination, and production. A study of this size cannot be completed without the collaboration of many partnering organizations.

Generous funding for this project was provided by the lodging establishments and the City of Laguna Beach, the Arts Commission and Cultural Arts Department served as the local project partner and as such was responsible for the local implementation and data collection requirements of this customized analysis for the City of Laguna Beach.

Special thanks to the John D. and Catherine T. MacArthur Foundation, the Barr Foundation, and The Ruth Lilly Fund of Americans for the Arts for their financial support of the national implementation of Arts & Economic Prosperity 5.

Finally, each of our 250 local, regional, and statewide research partners contributed time and/or financial support toward the completion of this national study. We thank each and every one of them for committing the time and resources necessary to achieve success. A study of this magnitude is a total organizational effort; appreciation is extended to the entire board and staff of Americans for the Arts. The research department responsible for producing this study includes Randy Cohen, Ben Davidson, Isaac Fitzsimons, and Graciela Kahn.

## **The City of Laguna Beach's Participating Nonprofit Arts and Cultural Organizations**

This study could not have been completed without the cooperation of the 16 nonprofit arts and cultural organizations in the City of Laguna Beach, listed below, that provided detailed financial and event attendance information about their organization.

City of Laguna Beach Arts Commission; Community Art Project; Festival of Arts of Laguna Beach; Laguna Art Museum; Laguna Art-a-Fair; Laguna Beach Live!; Laguna Beach Sister Cities Association; Laguna College of Art & Design; Laguna Community Concert Band; Laguna Dance Festival; Laguna Playhouse; Laguna Plein Air Painters Association; LagunaTunes; LOCA - Arts Education; No Square Theatre; and Sawdust Art Festival.

## **The City of Laguna Beach's Participating Cultural Event Attendees**

Additionally, this study could not have been completed without the cooperation of the 458 arts and cultural audience members who generously took the time to complete the audience-intercept survey while attending a performance, event, or exhibit within the City of Laguna Beach during calendar year 2016.





AMERICANS FOR THE ARTS IS THE NATION'S LEADING NONPROFIT ORGANIZATION FOR ADVANCING THE ARTS IN AMERICA. ESTABLISHED IN 1960, WE ARE DEDICATED TO REPRESENTING AND SERVING LOCAL COMMUNITIES AND CREATING OPPORTUNITIES FOR EVERY AMERICAN TO PARTICIPATE IN AND APPRECIATE ALL FORMS OF THE ARTS.



The following national organizations partner with Americans for the Arts to help public- and private-sector leaders understand the economic and social benefits that the arts bring to their communities, states, and the nation.

Cover: Andrew Shurtleff Photography

(Clockwise from Top) Concert for Miami, Knight Concert Hall, Miami-Dade, FL.; Photos from the Broward 100 'InsideOut' campaign "Creatives Making a Difference in Hollywood". Presented by the Community Redevelopment Agency of Hollywood and supported by the Downtown Hollywood Mural Project and the Art and Cultural Center of Hollywood, FL. Photo by Jill Weisberg.; The Pool, El Paso Museums & Cultural Affairs Department, TX. Photo by Jen Lewin.; Dancer at outdoor performance. Fulton County Arts Council, GA. Photo by CGC Studios.

