

by Robert Lynch

Harnessing the Power Of the Arts

Capitalizing on the Economic Power of the Creative Industry

Each year, the president of the United States recognizes the month of October as National Arts and Humanities Month (NAHM). This is a coast-to-coast collective celebration of culture. Coordinated by Americans for the Arts, it has become the largest annual celebration of the arts and humanities in the nation. From arts center open houses to official proclamations to banners and media coverage, communities across the United States join together to recognize the importance of arts and culture to citizens' daily lives.

Although NAHM is a wonderful celebration bringing attention to the arts, one needs to look a little closer to see the economic value of the arts. The economic power of the arts is one of America's best-kept secrets. The best part of this economic secret is that at least one, if not several, of the nation's 100,000 nonprofit arts and culture organizations already call your city or county home.

They are not like a Fortune 500 company that you need to lure to set up business in your area. They are not a big sports team that demands huge tax breaks—and probably a new stadium or arena—to come to town. The arts, since well before the signing of the Declaration of Independence, have been part of our social fabric and economy. Many of us just don't realize it. But for those who do, there is a robust economic windfall that occurs.

THE ARTS MEAN BUSINESS

According to the 2007 Americans for the Arts report *Arts and Economic Prosperity III*,¹ the key lesson learned is that cities and counties that invest in the arts reap the additional benefits of jobs, economic growth, and a quality of life that positions those areas to compete in our 21st-century creative economy.

During my travels across the country, business and government leaders often talk to me about the challenges of funding the arts and other community needs amid shrinking resources. They worry about jobs and the economic performance of their communities. How well are they competing in the high-stakes race to attract new businesses? Is their region a magnet for a skilled and creative workforce?

I am continually impressed by their commitment to doing what is best for their citizens and to improve the quality of life for all. The findings from *Arts & Economic Prosperity III* send a clear and welcome message: leaders who care about community and economic development can feel good about choosing to invest in the arts.

Most of us appreciate the intrinsic benefits of the arts—their beauty and vision; how they inspire, soothe, provoke, and connect us. When it comes time to make tough funding choices, however, elected officials and business leaders also need to have strong and credible data that demonstrate the economic benefits of a vibrant nonprofit arts and culture industry.

Nationally, the nonprofit arts and culture industry generates \$166.2 billion in economic activity annually, which is a 24 percent increase in just the past five years. That amount is greater than the gross domestic product of most countries. This spending supports 5.7 million full-time jobs in American cities and counties—an increase of 850,000 jobs since Americans for the Arts studied this in 2002. What's more, because arts and culture organizations are strongly rooted in their communities, these are jobs that remain local and cannot be sent overseas.



Photo by Ned Ahearn, Seattle, Washington

Bridge replacement project in Redwood, Washington, involved artist Cliff Garten, Cliff Garten Studios.

Our industry also generates nearly \$30 billion in revenue for local, state, and federal governments every year. By comparison, the three levels of government collectively spend less than \$4 billion annually to support arts and culture. This is a spectacular 7-to-1 return on investment that would thrill even Wall Street veterans.

One does not have to look far to see how the arts give back to their communities. In Champaign County, Illinois, population 184,905, arts and cultural organizations spend \$16,498,717, while their audiences spend an additional \$8,654,148, for a total of \$25,152,865. These activities support 824 full-time-equivalent jobs, generate \$13,337,000 in resident household income, and provide \$1,070,000 in tax receipts for the county.

In Minneapolis, Minnesota, the numbers are even more impressive. Arts and culture generates \$7,873,000 in tax revenue for the city with a population of 373,641. Arts and culture employs 8,683 individuals and generates \$265,384,000 in household income. The arts groups themselves spend \$233,345,767 each year, and their audiences spend another \$94,668,114, for a total of \$328,013,911. This economic activity easily rivals the importance of other industries.

If you want to view the results of the rest of the 156 study regions, visit the Web site, www.AmericansfortheArts.org/research, and click on "Economic Impact Studies."

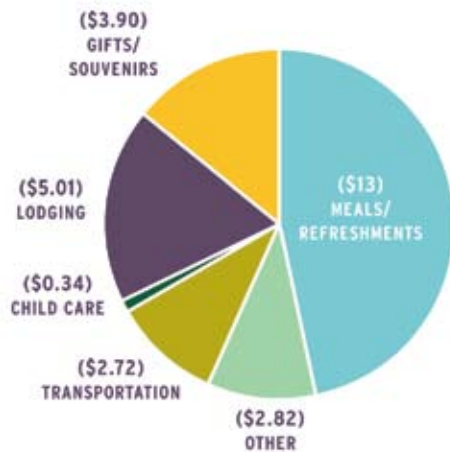
READY TO CREATE

Pick up any newspaper and you will read about the sagging U.S. economy—recession, inflation, the sinking value of the dollar. You will also see hand-wringing articles about America's global competitiveness and creativity—how businesses as diverse as Apple and Procter & Gamble thrive because of it, and how we'll lose our international market share without it. In today's global economy, the competitive business edge belongs to innovators—those providing creative solutions that lead to prosperity in the marketplace. Leaders in government, business, and education are getting savvy to what those in the arts have long known: to fuel creativity and innovation, you need to invest in the arts.

One of the best things about the arts is that they are already in your community. According to Dun & Bradstreet, in January 2008, 612,095 businesses in the United States were involved in the creation or distribution of the arts, and they employed 2.98 million people; this amounts to 4.3 percent of all business and 2.2 percent of all employees in the country.

In King County, Washington (Seattle), again according to Dun & Bradstreet, 7,756 arts-related businesses employed 32,080 people. Although this high number even surprises most artists, the real story is in the comparison of 2007 with 2008. During this time, arts employees grew by 12.49 percent while the arts business grew by 11.87 percent. In other words, in a time of decreasing or stagnant em-

**NONPROFIT ARTS & CULTURE ATTENDEES SPEND \$27.79
PER PERSON ABOVE THE COST OF ADMISSION**



ployment growth, the arts are adding jobs to the local economy.

In New Orleans, arts and culture are at the centerpiece of the state's post-Katrina revitalization efforts. In what is certain to be an underestimation of the arts (remember, in order to be counted, a business must have a Dunn & Bradstreet number), data show that in January 2008, there were 875 arts-related businesses that employed 4,944 people. This is a 33.77 percent jump in employees from 2007 and a 13.64 percent jump in the number of businesses.

It is not just large cities that enjoy the economic benefit of the arts; smaller communities do, too. In Carmel, Indiana, with a 2003 population of 43,083, there are 171 arts-related businesses that employ 754 people. From 2007 to 2008, the arts industry grew by 7.55 percent for businesses and 3.15 percent for employees. Thus, whether you are a major community or not, the arts are present and they contribute, year after year, to the economy.

To learn more about the creative industries, visit www.AmericansfortheArts.org/research and click on "Creative Industries Reports."

CREATIVITY: INTEGRAL TO INNOVATION

New research by business scholars demonstrates a greater understanding that creativity is at the leading edge

of innovation. In the 2006 report, *Are They Really Ready to Work?*—prepared by the Conference Board for its Fortune 1000 business constituency²—U.S. employers point to "creativity and innovation" as one of the top skills needed by new hires to succeed in the workplace.

The applied skills that support innovation, such as critical thinking, communications, and problem solving—all skills commonly acquired in a quality arts education—were rated even more important than the traditional skills of basic reading, writing, and math. These business leaders further stated that the importance of creativity and innovation will only increase in the future.

Putting voice to these findings, Conference Board CEO Jonathan Spector offered the following in his testimony to Congress: "Innovation, creativity, and related skills such as entrepreneurship are clearly a top concern of senior executives As innovation is crucial to competition, so is creativity integral to innovation."³

ARTS: INTEGRAL TO CREATIVITY

So crucial were these findings that the Conference Board partnered with Americans for the Arts and the American Association of School Administrators, which represents the nation's 14,000 school superintendents, to

study this issue in greater detail. Those closest to high-school graduates (school superintendents) and those close to the workforce entrants these graduates become (employers) were surveyed to identify and compare their views surrounding creativity.

The first product of this important new strategic alliance is the 2008 report, *Ready to Innovate: Are Educators and Executives Aligned on the Creative Readiness of the U.S. Workforce?* The study makes clear that both business and school leaders are virtually unanimous in rating creativity as increasingly important in U.S. workplaces (97 and 99 percent, respectively). The report, however, also brings to light provocative insights and remarkable disconnects about what business and education leaders value compared with their actions.⁴

Some 72 percent of employers say creativity is of "primary concern" when hiring new employees. Yet, 85 percent of this group can't find the applicants they seek. How to find such workers? Both superintendents and employers agree that an "arts degree" is among the most important indicators of creativity when hiring. School superintendents rank the arts degree as the highest indicator of creativity. Employers rank an arts degree and self-employed work as the top two indicators of creativity in almost identical proportions. Few employers test for creativity in the hiring process; an eye-catching 27 percent said they use the candidate's appearance to assess creative ability.

THE VALUE-ACTION DISCONNECT

Although it is heartening that most respondents feel a responsibility for instilling creativity in the workforce (83 percent of superintendents and 61 percent of employers), researchers found that this sense of duty is not matched by current offerings: not in the schools, not in the workplace. Fewer than 1 in 10 companies provides any kind of creativity training options to all employees; in more than half the companies, it is not offered at all.

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ECONOMIC IMPACT OF THE NONPROFIT ARTS & CULTURE INDUSTRY (2005)
(expenditures by both organizations and audiences)

Total Expenditures	\$ 166.2 billion
Full-Time Equivalent Jobs	5.7 million
Resident Household Income	\$ 104.2 billion
Local Government Revenue	\$ 7.9 billion
State Government Revenue	\$ 9.1 billion
Federal Income Tax Revenue ¹	\$ 12.6 billion

Students in the nation's high schools don't fare much better. Despite findings that the arts play a key role in developing creativity, most high schools offer arts classes on an elective basis only. Creative writing is the sole required course in more than half the districts, and fewer than one in five requires a music class.

In sharing these data with school superintendents, we hear their genuine enthusiasm about the business community's growing understanding of the arts-creativity-innovation connection. Yet, the superintendants also express concern that it is these same business leaders who lean on them to cut the arts in order to balance their school budgets.

This effect of killing the goose laying the golden eggs is not news to most in the arts community. There are, however, bright spots that provide arts advocates a foothold to make change.

A ROLE FOR THE ARTS

In Wisconsin, Lieutenant Governor Barbara Lawton and State Superintendent Elizabeth Burmaster co-chair the newly formed Wisconsin Task Force on Arts and Creativity in Education, established to ensure that the state has the creative workforce and entrepreneurial talent necessary to compete in the new economy.

"Creativity and innova-

tion will be the cornerstone of Wisconsin competitiveness in the years ahead," Lawton said. "We must make strategic investments now to ensure Wisconsin has the bright innovators and entrepreneurs we need to drive our state forward."

New jobs are being created. They include positions such as "creative workforce director" at Big Thought, a Dallas-based organization advancing arts education, or the newly created position of "creative economy director" as part of a statewide economic development strategy in Massachusetts.

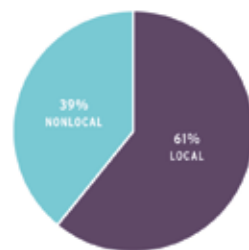
In local governments across the country, arts agencies, business pro-

fessionals, and economic development departments are teaming to host such convenings as Creative D.C.: The Mayor's Summit on the Creative Economy as a means of connecting the arts to the community and helping local businesses flourish.

In higher education, the MBA program at Babson College, ranked first in the nation for entrepreneurship, requires its students to take arts classes. Cooper Union requires its engineering students to complete an arts program. These curriculum choices demonstrate an understanding that, while technical proficiency in an area of study is necessary, it takes the additional element of creativity to arrive at innovative solutions and make quantum leaps in knowledge—and that creativity can be cultivated by the arts.

Americans for the Arts organized the National Arts Policy Roundtable—a convening of 35 national leaders in business, higher education, philanthropy, and the arts—and these leaders came to a similar conclusion in October 2007 when the group coined the 21st-century prescription to America's economic ills: Knowledge + Creativity = A Competitive Edge.

LOCAL VS. NONLOCAL AUDIENCES



While the ratio of local to nonlocal attendees is different in every community, the national sample revealed that 39 percent of attendees traveled from outside of the county in which the event took place (nonlocal) and 61 percent were local (resided inside the county).

VISITORS SPEND MORE

In addition to spending data, researchers asked each of the 94,478 survey respondents to provide their home zip codes. Analysis of this data enabled a comparison of event-related spending by local and nonlocal attendees. Previous economic and tourism research has shown that nonlocal attendees spend more than their local counterparts. This study reflects those findings.

Local audiences, who live in the county in which the event occurred, spent an average of \$19.53 per person, per event in addition to the cost of admission. Nonlocal attendees, those who live outside the county, spent twice this amount, or \$40.19 per person.

As would be expected, nonlocal attendees spent significantly more in the categories of lodging, meals, and transportation. These findings demonstrate that when a community attracts arts and culture tourists, it harnesses significant economic rewards.

EVENT-RELATED SPENDING BY LOCAL VS. NONLOCAL AUDIENCES



Business and education leaders agree overwhelmingly that creativity is an applied skill necessary to succeed in the workforce. It is the fuel that drives innovation. The task that remains for the arts community is to connect the dots for leaders of business, education, and the community, to help them understand that an investment in arts education is an investment in our economic prosperity.

GOING FORWARD

What does this mean for your city or county? If you cultivate the arts and culture in your community and schools now, you will position yourself as a creative employment zone that will help attract other industries. Nonprofit arts organizations can do amazing things with small amounts of resources. If communities support their local nonprofit arts organizations, they will most certainly benefit themselves, not only financially but by promoting a stronger, more cohesive community for all. **PM**

¹Arts and Economic Prosperity III (Washington, D.C.: Americans for the Arts, 2007), www.AmericansfortheArts.org/information_services/research/services/economic_impact/default.asp.

²Jill Casner-Lotto and Linda Barrington, *Are They Really Ready to Work? Employers' Perspectives on the Basic Knowledge and Applied Skills of New Entrants to the 21st Century U.S. Workforce* (New York: Conference Board, 2006), www.conference-board.org/Publications/describe.cfm?id=1218.

³Jonathan Spector (testimony to the U.S. House Committee on Appropriations, Subcommittee on Interior, Environment & Related Agencies, April 1, 2008). www.AmericansfortheArts.org/images/news/press_room/Jonathan%20Spector%20testimony_040108.pdf.

⁴Conference Board, "Ready to Innovate: Key Findings" (New York: Conference Board, 2008).

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ICMASTATS

An ICMA survey shows that reductions in new housing starts are adversely affecting local governments in more ways than the loss of property tax revenue caused by real estate foreclosures. The electronic survey, conducted in April 2008, was designed to take a snapshot of the effect of foreclosure and property tax-related issues. The responses of the 221 local governments that participated show that

- Almost **40** percent of local governments reported being strongly or extremely affected by a reduction in new housing starts.
- **16** percent are strongly or extremely affected by a loss of property tax revenue caused by a shrinking tax base.
- **27** percent indicate they are strongly or extremely affected by loss of property tax revenue caused by tax caps.
- **56** percent are minimally affected by loss of tax revenue caused by foreclosures, and **21** percent report no effect.
- Close to **80** percent report minimal or no effect from loss of real estate transfer tax revenue.
- **13** percent report being strongly or extremely affected by increased costs associated with vacant property.
- **53** percent report that there has been no effect on their ability to borrow money.

A reduction in new housing starts means a loss of building permit fees, which can be a significant source of revenue for communities. Localities that have been hard hit by the loss of tax revenue caused by foreclosures report laying off staff, freezing vacant positions, reducing existing programs, and holding off on new programs.

Several local governments mentioned consolidating services and selling assets. One city expressed concern over foreclosure properties on which the city has Community Development Block Grant (CDBG) loans, which may result in nonpayment of the outstanding loan amounts.

One of the cities that reported adverse effects on its ability to borrow money indicated that "the much greater issue is weakness in the municipal bond market due to lack of liquidity, impacts upon variable rate bonds and auction rate bonds, and downgrading of municipal bond insurers."

As several cities commented, vacant properties require additional code enforcement, mowing, and other government maintenance. One local government is buying foreclosures and other vacant properties and rehabbing them or redeveloping the sites.

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