

*White Paper on the Economic Impact of the
Arts and Culture Industry in San Jose*

Prepared for the San Jose Arts and Culture Roundtable
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Executive Summary

The significant economic impact of the arts challenges the perception that the arts are only worthy of support in prosperous times, but hard to justify when the economy is struggling. In fact, during fiscal year 2001-2002, expenditures by nonprofit arts and culture organizations and their audience of **3.8 million** contributed over **\$177 million** to the local economy, directly and indirectly generating over **5,800** full-time equivalent jobs. These organizations also generated **\$18.2 million** in tax revenue in California; **\$7.6 million** for local government and **\$10.6 million** for state government. Furthermore, nonprofit arts and culture organizations attracted and leveraged an additional **\$25.2 million** in contributed income from other public and private resources.¹

Reports on the economic impact of the nonprofit arts and culture industry in various communities have demonstrated that investing in this industry does not come at the expense of economic benefits, but rather strengthens the economy and fuels economic revitalization by supporting local jobs, stimulating consumer spending, and generating revenue to local and state governments. In short, arts and culture are good for business and the local economy.

Arts & Culture Stimulate National and State Economy

The growing awareness of the economic importance of the arts and culture industry has led communities across the country to view investment in this industry as a vital strategy for economic and community revitalization. Local policy makers understand the arts and culture generate commerce for local businesses, such as hotels, restaurants and retail stores. They also realize that a flourishing and vibrant arts and culture environment acts as a powerful magnet that attracts visitors and strengthens local tourism. Consequently, there is a growing understanding that investing in the nonprofit arts and culture industry not only makes communities more attractive, but has a positive effect on the economy as well.

Most recently, Americans for the Arts, the leading nonprofit organization for advancing the arts, conducted an economic study that measured the impact of spending by nonprofit arts organizations and their audiences. The results were impressive. The nonprofit arts industry generates \$134 billion in total economic activity and \$24 billion in tax revenues in the US.² That is more than the gross domestic product of most nations in the world. Spending by nonprofit arts organizations and their audiences generate 4.85 million full-time equivalent jobs, which is a greater percentage of the U.S. workforce employed as accountants, lawyers, physicians, or computer programmers.³

The arts industry in California has grown over 800% in the past decade.⁴ This industry generates \$16.75 billion in annual economic activity (excluding artists and the entertainment industry), \$6.65 billion in spending by arts organizations, and an additional \$10 billion in event-related spending by arts audiences.⁵ The industry supports more than 400,000 full-time and part-time jobs and generates an estimated \$830 million in state income. California nonprofit arts organizations often contribute much more to the economy in income and jobs than they receive in private contributions and public funding.

Arts & Culture Boosts San Jose Economy

San Jose has a vibrant arts and culture industry that is reflective of the City's ethnic and cultural diversity. This vibrant industry not only produces tangible social benefits, such as offering a venue for creative expression, but it is also a driving force in the economy. In San Jose, the arts and culture industry has a tremendous economic impact on the local economy by supporting jobs, generating tax revenue and stimulating event related consumer spending.

A model constructed by Americans for the Arts in their comprehensive economic impact study of non-profit arts organizations in 91 communities estimates that the nonprofit arts and culture industry in San Jose generates \$177 million in economic activity and contributes \$18.2 million in revenue to local and state government.⁶ An estimated 5,800 full-time equivalent jobs are directly

and indirectly supported by the nonprofit arts and culture industry. Increased salary and wages generated from this employment builds consumer purchasing power and fuels the local economy.

Total Impact of the Nonprofit Arts & Culture Industry in San Jose	
Total Expenditures	\$177 million
Full-Time Equivalent Jobs	5,800
Household Income	\$120.6 million
Local Government Revenue	\$7.6 million
State Government Revenue	\$10.6 million

Nonprofits Arts Organizations/Events

Arts and culture organizations are responsible business employers and consumers. The impact of spending by this sector is far reaching. Arts and culture organizations pay their employees, purchase supplies, contract services and acquire assets. These actions, in turn, support jobs, create personal household income, and generate revenue to local and state governments. Spending by nonprofit arts and culture organizations/events in San Jose amounted to \$59.7 million in Fiscal Year 01-02 and directly and indirectly supported 1,800 jobs. Furthermore, these organizations attracted and leveraged an additional \$25.2 million in contributed income from other public and private resources.⁷

Impact of Nonprofit Arts & Culture Organizations/Events	
Total Expenditures	\$59.7 million
Full-Time Equivalent Jobs	1,800
Household Income	\$49 million
Local Government Revenue	\$2.2 million
State Government Revenue	\$2.1 million

Nonprofit Arts and Culture Audiences

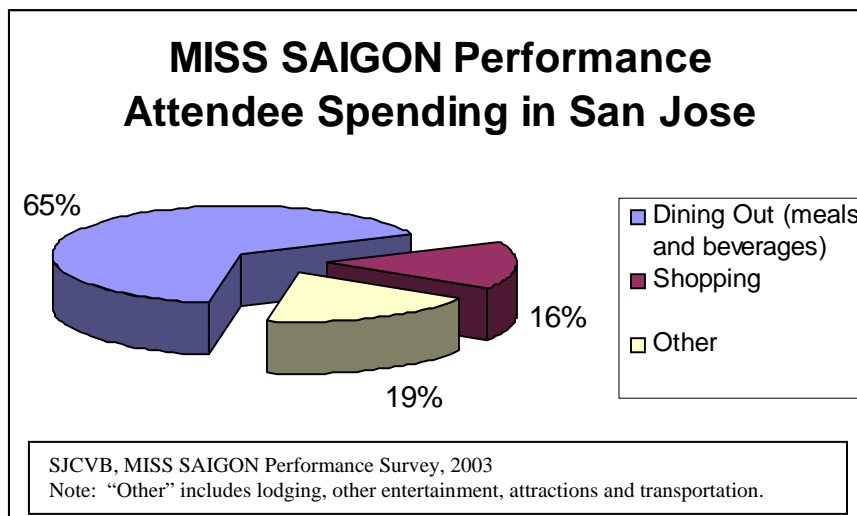
The nonprofit arts and culture industry, unlike most other industries, leverage a sizeable amount of events-related spending by their audiences. According to the model constructed by Americans for the Arts, audiences in San Jose spent an estimated \$117.3 million in FY 01-02. Art and culture event attendees boost the local economy as they purchase goods, such as food, shopping, and

other entertainment before and after an event and spend on average \$22.87 per person in California.⁸

Impact of Nonprofit Arts & Culture Audiences	
Total Expenditures	\$117.3 million
Full-Time Equivalent Jobs	4,000
Resident Household Income	\$71.6 million
Local Government Revenue	\$5.4 million
State Government Revenue	\$8.5 million

Local Study Supports Impact of Audience Related Spending

A study conducted by the San Jose Convention and Visitors Bureau (SJCVB) revealed that a three-week MISS SAIGON performance of the American Musical Theatre generated \$2.92 million for San Jose. On average, the 34,747 attendees spent approximately \$56.55 per ticket and \$27.60 on dining, shopping, attractions, lodging, transportation, incidentals and other entertainment.⁹ The MISS SAIGON study attests to the tremendous effect arts and culture events have on the local economy as merchants and business owners in the neighboring vicinity benefit from the increased commerce.



Exposure to the Arts Builds Skills

Over 3.8 million individuals are exposed to some form of a visual or performing arts experience each year in San Jose. In surveying the 10 largest arts groups, over 380,000 youth were served. This reflects a deep commitment by area policymakers to ensure that no child is left behind in arts educational experiences, whether it is through attending a children's theatre workshop by the San Jose Repertory Theatre or participating in an interactive play at the Children's Discovery Museum. Studies conducted by the Arts Education Partnership support the theory that exposure to the arts contributes to an individual's ability to develop their analytical, imagination, communication, and team-building skills. Additionally, a child begins to develop his/her openness to experiences within different cultures through exposure to a variety of music, theater, spoken word and visual experiences.

Competitive Edge

The nonprofit arts and culture industry not only benefits the economy through its significant spending power, but it also allows San Jose to have a competitive edge. In San Jose, visionary leaders in planning and economic development believe that companies and communities most likely to thrive in the coming years are those that can generate and apply new ideas. According to Bruce Chizen, President and CEO of Adobe, "The arts industry is a vibrant and vital force in San Jose and nurtures the creative spirit that drives the larger Silicon Valley economy and helps retain and attract our innovative workforce."

In a Silicon Valley Opinion Survey conducted by Cultural Initiatives Silicon Valley (CISV), more than 40% of workers describe their jobs as requiring "a lot" of creativity.¹⁰ Advocates for the arts in San Jose are beginning conversations about how integral the arts are to where our idea-based economy is headed. According to the 'Creative Communities Index' developed by CISV, companies and communities that will thrive in the coming years are those that can generate and apply new ideas. Ideas will drive economic growth.¹¹ In an economy based on ideas, creativity is the ultimate competitive advantage.

Investing in the Arts & Culture Strengthens Local Economy

Reports on the economic impact of the arts and culture in various communities have demonstrated that this investment does not come at the expense of economic benefits, but rather strengthens the economy and fuels economic revitalization. In San Jose, the arts and culture not only fosters beauty, creativity, and originality but is also a sound economic investment. City investment in arts and culture strengthens this industry and leverages increased support from the private sector as well as from other public sources. Presently, for each dollar invested by the City of San Jose's Office of Cultural Affairs, \$9 in total revenue is generated by nonprofits.¹² With sustained investment, the arts and culture industry can continue to enhance the quality of life in San Jose, strengthen the local economy and play a strategic role in developing, attracting and retaining creative people, and nurturing creative industries.

Endnotes

¹ City of San Jose Office of Cultural Affairs.

² *Arts & Economic Prosperity: The Economic Impact of Nonprofit Arts Organizations and Their Audiences*, Americans for the Arts, Summary, June 2002.

³ *Ibid.*

⁴ *Economic Impact of the Nonprofit Arts Industry in California*, California Arts Council, 2003.

⁵ *Ibid.*

⁶ *Arts & Economic Prosperity*, Americans for the Arts' national economic impact study of nonprofit arts organizations and their audiences. 3,000 non-profit organizations and 40,000 attendees at arts events in 91 cities in 33 states plus the district of Columbia were surveyed. When using model, please keep in mind that figures are only estimates. For more information on the model please visit American for the Arts website at www.Americansforthearts.org.

⁷ City of San Jose Office of Cultural Affairs.

⁸ *Economic Impact of the Nonprofit Arts Industry in California*, California Arts Council, 2003.

⁹ Miss Saigon Study, San Jose Convention and Visitors Bureau, 2003.

¹⁰ *Creative Community Index: Measuring Progress Toward A Vibrant Silicon Valley*, Cultural Initiatives Silicon Valley, 2002.

¹¹ *Ibid.*

¹² City of San Jose Office of Cultural Affairs.

Methodology

Findings were generated using a model constructed by Americans for the Arts, the nation's leading nonprofit organization for advancing the arts. It is important to keep in mind that findings generated from the model are estimates and are based on the averages of similarly populated communities. These averages were derived from Americans for the Arts national study on the economic impact of the arts, which included a survey of 3,000 nonprofit arts organizations and 40,000 attendees in 91 cities.

Data for the white paper was collected primarily from the City of San Jose Office of Cultural Affairs (OCA), Arts Council Silicon Valley and the San Jose Arts and Culture Roundtable (SJACR). The paper includes data from 115 small to large nonprofit arts and cultural organizations/events, such as Arte Flamenco and the San Jose Museum of Art. Arts and cultural events include Cinequest and the Cinco de Mayo Festival. Data from OCA and SJACR did not include expenditures and city support for facilities and maintenance.

Definitions:

- *Total Expenditures*: The total dollars spent by nonprofit arts organizations and their audiences. Event-related spending by arts audiences is estimated using the average dollar spent per person by arts event attendees in similarly populated communities.
- *FTE Jobs*: The total number of full-time equivalent jobs that are supported by the expenditures made by arts organization and/or their audiences. An FTE can be one full-time employee, two half-time employees, four employees working quarter time, etc.
- *Household Income*: The total dollars paid to community residents as a result of the expenditures made by arts organizations and/or arts audiences. Household income includes salaries, wages, and proprietary income.
- *Government Revenue*: The total dollars received by local and state governments (e.g., license fees, taxes) as a result of the expenditures made by arts organizations and/or their audiences.
- *Total Revenue*: “Earned Income” plus “Contributed Income”. Contributed Income includes grants and donations from private, nonprofit and public sources.