Economic Impact of the Arts
Monongalia County 2001

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Executive Summary

Arts Monongahela has commissioned the Bureau of Business and Economic Research, West Virginia University, to undertake a comprehensive study of the economic impact of the arts in Monongalia County.

The study found that the arts organizations spent in total $3,313,000 in business volume in 2001. The $3,313,000 injected in the Monongalia County economy generated another $2,199,000 in indirect and induced business volume resulting in a total business volume impact of $5,512,000. About 73.3 percent of the total business volume is attributed to the services sector, 11.7 percent goes to retail trade sector, 5.1 percent to the finance, insurance and real estate sector, and the balance of 9.9 percent goes to the rest of the sectors.

The arts organizations employed in total 122 persons in their operation. Associated with these employees was $1,493,900 in employee compensation. Their activities generated the indirect and induced impacts resulting in an additional $634,800 in employee compensation and 369 additional employees. In sum, the arts community surveyed had a total economic impact of $5,512,000 in business volume, which generated 491 jobs and associated with it $2,128,700 in employee compensation.

It is important to note that these figures represent only one part of the local arts economy. As will be shown, this report identifies four elements that contribute to the overall economic impact of the arts in the county: non-profit, public arts organizations and events; for-profit arts organizations; individual artists; and visitors/consumers of the arts. A thorough analysis of the arts economy entails an analysis of the economic contribution of each of these four sectors. However, this study is focused only on the first sector, namely the economic contribution of non-profit and public arts organizations and events. The economic impact estimates shown above are the results of this particular study. It is envisioned that future studies will address the other three elements of the arts economy so that a complete picture will be painted.

This study was not designed to measure either the impacts associated with the quality of life improvements of residents and visitors who interact with the arts, or the growing role of the vibrant arts community in attracting and retaining businesses and individuals in Monongalia County. It is known, however, that a high quality of life is one of the reasons Morgantown was selected as one of the best small cities in the U.S.

Monongalia County is fortunate to have substantial arts resources that contribute significantly to the local economy on several levels. With the continued support for this sector combined with the projected growth in performance and conference facilities and the energy and leadership from the arts community, the future for the arts economy is very bright.
Introduction

“A thousand years makes economics silly
And a work of art endures forever….”

Ernest Hemingway

The arts surround us every day. Through active participation in the performing, visual, media and literary arts, individuals are able to ‘unleash’ their creativity while contributing to the advancement of their communities. The arts shape our attitudes, change our views of ourselves, and influence the future directions of our society.

Increasingly we recognize the importance of the arts in the development of our economy. It is well recognized that the growth of the arts and the economic performance of the overall economy are very intertwined. Economic development professionals showcase the arts and culture of a region to prospects in the hopes of attracting the higher paid industries into the community. Equally important, it is now well recognized that the arts are an essential part of the economy through the generation of employment and income from their activities.

Nationally, a recent national study reveals that America's non-profit arts industry generates $134 billion in economic activity every year, including $24.4 billion in federal, state, and local tax revenues. The $134 billion total includes $53.2 billion in spending by arts organizations and $80.8 billion in event-related spending by arts audiences. The $53.2 billion represents a 45 percent increase (from $36.8 billion) since 1992, when Americans for the Arts last studied spending by arts organizations.

The $80.8 billion in event-related spending by arts audiences reflects an average of $22.87 per person in spending for hotels, restaurants, parking, souvenirs, refreshments, or other similar costs—with non-local attendees spending nearly twice as much as local attendees ($38.05 compared to $21.75).

The $134 billion in total economic activity has a significant national impact, generating the following:

- 4.85 million full-time equivalent jobs
- $89.4 billion in household income
- $6.6 billion in local government tax revenues
- $7.3 billion in state government tax revenues
- $10.5 billion in federal income tax revenues


2 Americans for the Arts, Arts and Economic Prosperity: the Economic Impact of Nonprofit Arts Organizations and Their Audiences, 2002, available at http://www.artsusa.org/economicimpact. For an extensive bibliography of state and local studies on the impact of the arts, see the references at the end of this report.
The most comprehensive economic impact study of the non-profit arts industry ever conducted, this national study was based on surveys of 3,000 non-profit arts organizations and more than 40,000 attendees at arts events in 91 cities in 33 states, plus the District of Columbia.

Recognizing the emergence of the arts as a major economic force and contributor to the quality of life, Arts Monongahela has commissioned the Bureau of Business and Economic Research, West Virginia University, to undertake a comprehensive study of the economic impact of the arts in Monongalia County.

This study has the same purpose as the above and other studies, namely quantifying the economic impact of the arts on the Monongalia County economy. Similar to other studies, this study measures the magnitude of the impacts based on the economic activities associated with producing, creating, maintaining, facilitating, organizing, and performing arts in Monongalia County. These activities have economic value because the spending associated with these functions directly brings in dollars to the local economy.

To better understand the arts economy, Figure 1 identifies the four key elements of the arts economy: non-profit and public arts organizations and events; for-profit arts organizations; individual artists; and visitors / consumers of the arts. A thorough analysis of the arts economy entails an examination of the economic contribution of each of these four sectors; however, the scope of this study is focused on the first sector, namely the economic contribution of non-profit and public arts organizations and events. It is envisioned that future studies will address the other three elements of the arts economy so that a complete picture will be painted.

This study was not designed to measure either the impacts associated with the quality of life improvements of residents and visitors who interact with the arts, or the growing role of the vibrant arts community in attracting and retaining businesses and individuals in Monongalia County. It is known, however, that a high quality of life is one of the reasons Morgantown was selected as one of the best small cities in the U.S.

*Direct, indirect* and *induced* economic impacts of non-profit and public arts organizations / events are measured in this study. Expenditures by these non-profit and public arts organizations / events, such as payroll, fringe benefits, rent, utilities, supplies, etc., represent the *direct* economic impact of the arts on Monongalia County. *Indirect* economic impacts are the economic activities (e.g. sales, wages, etc.) that result from non-profit organizations and events purchases. For example, a non-profit organization may purchase supplies from an office supply store. The office supply store, in turn, purchases manufactured goods, utility services, and pays employee wages, among other expenditures. The continued backward linkages from organizations buying from their suppliers, and suppliers buying from their suppliers, etc., results in a continued re-spending of these funds. The *induced* economic impact of the arts represents the expenditures by households of the income they received associated with the direct and indirect impacts. For example, the individuals employed in the arts earn wages and salaries, a portion of which they spend locally on the consumption of goods and services. The economic multipliers associated with the *indirect* and *induced* economic impacts are a clear indication of the strong economic linkage between the arts and
the rest of the local economy. The sum of the direct, indirect and induced economic impacts is the total economic impact of the arts.³

Figure 1
The Arts Economy and Its Impact

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³ The economic impacts estimated in this study use economic multipliers from the IMPLAN software and associated databases covering Monongalia County. For further information about IMPLAN, see the Appendix.
Scope of Study and Research Methodology

Monongalia County is blessed with having a wide range of arts organizations, many of which contributed to this study. The following is a list of the cooperating organizations:

- Arts Monongahela, Inc.
- M.T. Pockets Theater Company
- Metropolitan Theatre Preservation Foundation
- Monongalia Arts Center
- Morgantown Theatre Company
- Northern West Virginia Dance Council
- Riverfront Museums, Inc.
- West Virginia Public Theater
- West Virginia University
  - College of Creative Arts
  - Craft Center
  - WVU Press

The county also hosts a number of arts events during the year. Many of these events were contacted and the following is a list of the cooperating events:

- Art Expo
- First Night Morgantown
- Florence Merow Mason Dixon Festival
- International Double Reed Festival
- Main Street Morgantown West Virginia Birthday Party
- Monongalia County Commission Noon Time Concert Series
- Monongalia County Fair
- Morgantown Municipal Band Concert
- West Virginia University
  - Mountaineer Week Craft Fair
  - Department of English Visiting Author Readings and Lectures
- West Virginia Wine and Jazz Festival

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4 Invitations to participate were sent to all arts related organizations in Monongalia County. A profile of many of these organizations and events can be found at the Arts Monongahela website www.artsmon.org. Arts organizations not listed elected not to participate. As a result, the actual economic impacts are much larger due to the omission of these organizations from the analysis.
In collaboration with Arts Monongahela, BBER researchers developed a comprehensive survey that included a number of questions regarding the revenues and expenses of the participating organizations and festivals. BBER personnel distributed the survey to key individuals in these organizations with follow-up through telephone or personal interviews. Once the surveys were completed and tabulated, use of the IMPLAN modeling system allowed BBER researchers to estimate the indirect and total economic impacts associated with the organizations in 2001.5

The study’s focus is on the quantifiable economic measures of the above non-profit and public arts organizations in 2001. As such, the study explicitly excludes the impacts associated with for-profit arts companies (such as galleries, dance studios, movie theaters, etc.), individual artists and the tourists and consumers attracted to the arts in Monongalia County. As indicated in Figure 1, these are parts of the local arts economy that may be addressed in future studies.

It should be noted that while the International Double Reed Festival listed above was a one-time conference held in 2001, it was included as an example of the various national and international arts conferences and festivals that are and will be increasingly attracted to Morgantown. Plans and construction are currently underway for the completion of additional performing arts venues, such as the Metropolitan Theatre and the West Virginia Public Theater, as well as conference facilities that will add to the likelihood and increase of these kinds of activities in the future.

Measuring the Economic Impacts

The magnitude of the economic impact of the arts is measured primarily based on the dollar (or estimated dollar) expenses made by art organizations in the calendar or fiscal year 2001. The questionnaire used in this study identifies how much the non-profit and public arts organizations / events spent for capital, staffing, and overhead and operating expenses.

The survey carefully distinguishes between educational expenditures associated with the arts, such as instruction at West Virginia University (WVU), from activities leading to arts production and performance. Faculty and staff expenditures for WVU classes were excluded, however expenditures associated with WVU performances and exhibitions were included. Similar care was exercised regarding expenditures on arts related activities by non-profit organizations. For example, only the expenditures associated with the Main Street Morgantown sponsored West Virginia Birthday Party were included but not the total financial report of Main Street Morgantown.

While the ideal data is the specific arts related expenditures, in practice most organizations’ accounting systems do not itemize expenses based on this criteria; or to put it another way, there was no consistent cost accounting system across arts organizations. As a result the research team worked closely with each respondent to estimate that portion of the organization’s expenses attributed to the arts. This method was applied to both operating expenses and personnel costs. For example, although the WVU College of Creative Arts (CCA) has about 100 full-time employees, for the purposes of this study only 68 on a full-time equivalent basis were assumed to be arts-producing related versus instruction related.

5 Definitions of the various economic impacts undertaken in the study are provided in the appendix.
Accordingly, only payroll and employee fringe benefits associated with this portion of employees were recorded as the staff expenses of the CCA. As another example, In Touch and Concerned Inc., which provides service to the elderly and disabled as well as organizes an annual Art Expo, estimated that one sixth of their activities were attributed to coordinating the Expo.

It should be noted, however, that the study has no way of separating the revenues of non-profit organizations and events into art and ancillary categories. Any financial support from federal, state, county or municipal governments, or from other donations or sales, is assigned to the organization as a whole. The organizations often require these funds for overall operational expenses in general, for which the ultimate purpose is to provide an arts related program or event. Also, it was not necessary to separate the revenues into these categories since the focus is on the organizations’ expenditures in the Monongalia County economy. These figures were studied, however, in order to better understand the reliance of the arts community on different revenue streams.

Findings: Revenue Sources

It was difficult to find a clear pattern of sources of income due to the diversity of the groups and activities surveyed, which ranged in scale from those with less than $20,000 to more than $1,000,000 in annual revenues. As a result, this study describes the average income pattern across all organizations.

Of the arts organizations surveyed, 71.4 percent are private, non-profit organizations. As non-profit organizations, it was found that a significant proportion of their income came from non-earned income or donations. The survey found that donations (cash or in-kind) from government or non-government sources were a significant part of the organizations’ income. Private non-profit organizations, not surprisingly, receive less income from government funds than public, government-related organizations. The private non-profits receive on average 21 percent of their income from government sources, while the public organizations receive 50 percent. About 19 percent of the private organizations still rely heavily on government funds (receiving more than half of their income from government sources), compared with 80 percent of the public organizations. The study also found that private patrons showed significant support, with their average contribution of 38 percent of the total income for non-profit organizations and 27 percent for public organizations.

Some organizations earn income through ticket, food and beverages sales to visitors, lesson fee charges, and fund raising activities. Some of the organizations, however, have a mission to provide public service and access, and as a result, most of the arts performances and activities they provide are actually free to the public. Even when attendees are charged admission fees, the resulting price is substantially under the performance or activity cost. There is a limit to the ability of arts organizations to increase revenues income from higher admission fees. This study found that even under these restraints, nearly 50 percent of the private organizations have managed to generate sufficient earned income so that it becomes their main source of revenue, contributing more than half of their total income.

In sum, each of the three major revenue streams, government, non-government, and earned income, is an important income source for private, non-profit organizations and
events, as only a few non-profit organizations rely totally on one income source. On the other hand, most public organizations are very dependent upon their government funding.

**Figure 2**
AVERAGE DISTRIBUTION OF INCOME BY TYPE OF ORGANIZATIONS AND INCOME SOURCES

- **Public Organizations**
  - Earned: 23%
  - Government Fund: 50%
  - Non-Government Fund: 27%

- **Private Non-Profit Organizations and Events**
  - Earned: 41%
  - Government Fund: 21%
  - Non-Government Fund: 38%

**Findings: Volunteers**

One reason for inexpensive ticket prices for non-profit and public arts organizations was the use of unpaid volunteers in administrative or programmatic roles. Almost all organizations surveyed, except for those associated with large organizations such as WVU, used volunteers as the main labor source in their operation. For some organizations the only cost they incurred was the operational costs associated with the activity. The personnel cost would have been zero in the absence of paid performing artists. Based on those respondents reporting volunteers, there were as many as 431 people volunteering for 11,797 hours for these arts organizations in 2001. This equates to about 7 full-time employees and is an underestimate of the actual number of volunteer hours due to non-responses on the part of a number of organizations. In addition, the nature of work and funding for these the arts organizations means that most employees are part-time or contracted performers instead of full-time. The role of the volunteers for their respective organizations is much more crucial to the organizations’ programs and success than the reported responses indicate. In the absence of these volunteers the organizations’ programs might well be in jeopardy.

**Findings: Visitors and Consumers**

As detailed in Figure 1, the arts economy includes the visitors and consumers of arts events. In this view there are two important components to this part of the arts economy: how many visitors and consumers from outside Monongalia County came for the art event and how much money did they spend locally. If estimated, the impact of this specific art-related visitors and consumer spending on the economy could comprise a very significant part of the overall economic impact. For example, a report of *Arts in Tucson’s Economy* (2001) found that visitors’ spending generated even larger economic impacts than arts organizations’ operating spending, and almost the same impact as the employee spending. The report showed the visitors’ spending generated $43.1 million in total sales impact, compared with...
$18.4 million generated by operating spending, and $44.4 million by employee spending. This study on Monongalia County, however, was not intended to measure the economic impact of visitors and consumer spending, as currently less than 50% of these arts organizations / events collect this marketing information.

**Findings: Economic Impacts**

As noted earlier, total economic impact represents the sum of direct, indirect and induced values. In this study, the direct impact represents the dollar values of the organizations’ expenses that were spent in Monongalia County in 2001. On average, arts organizations spend almost about equal amounts on staff and overhead-operating expenses. Staff expenses are defined to include not only payments to regular employees but also payments to performing artists and contract employees. Some of the payments leak outside the Monongalia County economy to pay non-local artists or employees; however, most of staff expenses go to local employees or artists. In the case of overhead and operating expenses, arts organizations spend significant expenses on royalties, contract services (legal, audits, consultant), printing or copying, and utilities.

Overall, after excluding the leakage due to payments made to non-local artists, employees, and companies, the total dollar amount directly generated in business volume by the arts organization reporting in this study in Monongalia County economy was $3,313,000 in 2001. The $3,313,000 in business volume injected in the Monongalia County economy by the responding arts organizations generated another $2,199,000 in indirect and induced business volume resulting in a total business volume impact of $5,512,000. About 73.3 percent of the total business volume is attributed to the services sector, 11.7 percent goes to retail trade sector, 5.1 percent to the finance, insurance and real estate sector, and the balance of 9.9 percent goes to the rest of the sectors.

$1,493,900 in employee compensation by the arts organizations was associated with total employment of 122 in 2001. The indirect and induced impacts resulted in an additional $634,800 in employee compensation and 369 additional employees.

In sum, the arts community surveyed resulted in $5,512,000 in total business volume, which generated 491 jobs and $2,128,700 in employee compensation in 2001 (See Table 1). Again, these figures do not reflect the added importance of a vibrant arts community in attracting individuals and businesses to Monongalia County.

**Table 1. Total Economic Impact of the Arts in Monongalia County, 2001**

<table>
<thead>
<tr>
<th>Type of Impact</th>
<th>Direct Impact</th>
<th>Indirect &amp; Induced Impact</th>
<th>Total Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Volume Impact</td>
<td>$3,313,000</td>
<td>$2,199,000</td>
<td>$5,512,000</td>
</tr>
<tr>
<td>Employee Compensation</td>
<td>$1,493,900</td>
<td>$634,800</td>
<td>$2,128,700</td>
</tr>
<tr>
<td>Employment Impact (jobs)</td>
<td>122</td>
<td>369</td>
<td>491</td>
</tr>
</tbody>
</table>

Source: BBER calculations using the IMPLAN software.
The Future of the Arts Economy in Monongalia County

This study clearly identifies the contributions of one part of the arts economy, namely the direct, indirect and induced expenditures of non-profit and public arts organizations and events.

To better understand the overall arts economy in Monongalia County, additional studies need to be undertaken with a focus on the estimation of the economic impact of the for-profit arts sector, individual artists and visitors / consumers of arts. Through these studies, additional information will be forthcoming permitting the development and implementation of a long-range strategic plan for enhancing the arts—and in effect, the overall economy—in Monongalia County. With the development of clear and executable strategies, the resources available can be leveraged to yield a greater return.

In addition, communication with the arts organizations regarding their economic contribution is essential. Each organization, large or small, needs to understand their role in the growing arts economy. As such, being able to demonstrate the economic contribution may also enhance these organizations’ abilities to secure private sector sponsorship and underwriting of their programs. The organizations also need to understand the value of collecting information on their individual programs and patrons. For example, organizations undertake events wherein individual artists sell their products and services; however, the absence of information on these sales results in an underestimate of the actual economic contribution of the event. Finally, one major benefit of patron market surveys is the development of new programs and activities that may increase the financial viability of the organization.

In summary, Monongalia County is fortunate to have substantial arts resources that contribute significantly to the local economy on several levels. With the continued support for this sector combined with the projected growth in performance and conference facilities and the energy and leadership from the arts community, the future for the arts economy is very bright.
Bibliography


Appendix

Economic Impact Definitions

**Business Volume:** Sales plus net increase in finished inventories and the value of intra-corporate shipments. Equals output (see below) plus the cost of goods sold in retail and wholesale trade.

**Employment:** The number of jobs in a business, industry, or region. It includes the number of jobs attributable to an impact. This is a measure of the number of full-time and part-time positions, not necessarily the number of employed persons. Annual average is by place of work.

**Employee Compensation:** Wages and salaries plus employers' contribution for social insurance (social security, unemployment insurance, workers compensation, etc.) and other labor income (pension contributions, health benefits, etc.). Annual average is by place of work.

**Impacts:** The results of the recirculation of funds throughout a regional economy due to the activity of a business, industry, or institution. Estimated by tracing back the flow of money through the initial businesses' employees and suppliers, the businesses selling to the employees and suppliers, and so on. Thus, they are a way to examine the distribution of industries and resources covered in the costs of the initial activity.

**IMPLAN:** A regional input-output modeling system with associated data. It has three functions: 1) data retrieval, 2) data reduction and model development, and 3) impact analysis. Use of the system allows an economist the ability to calculate a variety of economic multipliers associated with economic activities and changes therein. These multiplier and the associated economic activities are used to generate the economic impacts. The economic multipliers vary by geography and industry. See [www.implan.com](http://www.implan.com) for further information.

**Output:** For most sectors, measured as sales plus net inventories and the value of intra-corporate shipments. For retail and wholesale trade, measured as gross margins (i.e. mark-ups on goods sold).