

The Economic Impact of the Arts in Spokane County

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February 28, 2007

Executive Summary

The contributions of the arts to the quality of life of a community are generally accepted, both nationally and in the Spokane area. Less well-known, at least locally, are the economic contributions of individuals, organizations, businesses and government entities involved in some capacity in the arts. Consequently, the Spokane Arts Commission asked the EWU Institute for Public Policy & Economic Analysis to carry out a study of the economic impact of the arts in Spokane County.

In contrast to prior studies, the EWU Institute team, with approval from the Commission, used a broad definition of the arts sector. In addition to the core groups of performing and visual artists, this definition included, among others, architects, music stores, photography studios and designers of various types. In total, the study captured the economic activities of 725 independent artists and 1,001 arts organizations and businesses.

An input-output model developed and maintained by the Minnesota IMPLAN Group was used to estimate art impacts. The well-known advantage of this model lies in its ability to capture inter-industry relationships and to calculate impacts on output, earned income or jobs after an initial round of spending. Data for the analysis came from a variety of public and private sources.

In addition, the study team undertook an extensive survey of County artists and arts organizations. The survey attempted to draw profiles of the organizations by level and type of revenue, expenditure patterns and attitudes. It also asked artists to provide socio-economic variables and income sources as well as perceptions of their reception by the local community and state. Most nonprofit arts organizations identified by the Arts Commission completed the survey and 231 of an identified total of 725 artists responded as well.

While the reported expenditures from these two surveys ultimately did not serve as primary data for the impact analysis, some of salient features of the emerging profiles are noteworthy. County arts organizations reported total attendance in their most recent fiscal year (usually calendar 2005) of over 737,000 persons. Ranked by size, performance events

(music, dance or theater) led the count, followed by visual arts exhibits, then festivals and fairs. The bulk of revenue realized by the organizations came from admissions. An estimated 20 percent of their total revenue came from non-County residents.

The socio-economic profile of County artists revealed that most are female, Caucasians with a college degree and have practiced their art or craft for over 24 years. Very few (less than 13 percent) reported proceeds from art sales as their sole income source. The reported median household income was approximately \$55,000, or more than 21 percent higher than for all County households. The share of art sales to non-County residents was 38 percent, although only half answered this question. However, these findings should be interpreted with caution because of the relatively low participation of musicians, at 9.2 percent of all responses. This is a response rate that is undoubtedly lower than musicians' true share of all artists in the County.

Economic impacts on output (sales), earned income and jobs were estimated for four categories: *employers, nonprofits, self-employed and government enterprise*. Additionally, total taxes generated by each category were estimated. The first category, employers, clearly dominated all estimates. The categories were also reorganized into two groups based with individuals and businesses assigned to either "creative & support" and "design & photographic," based on their primary activity so as to differentiate among different definitions of creative activities.

The estimated direct, or first-round, outcomes are as follows:

- \$206.4 million for output or sales
- \$ 74.3 million for earned income
- \$ 6.3 million in local, state & federal taxes, and
- 3,420 jobs

Total impact is the sum of direct, *indirect* (inter-industry) and *induced* (consumer) effects.

Conceptually, indirect and induced impacts of the arts should reflect the effects of spending by non-County residents and local spending substituting for out of County purchases.

However, other than the estimates provided by the nonprofit organizations and artists in the survey, the amounts of these two types of spending could not be determined. Consequently, a range of estimates is offered for the total impacts of creative activities on the County economy. The upper bound assumes that all sales were either to non-County residents or to

residents who would have traveled out of the County to purchase art. (In other words, all expenditures by County residents on local art or art experiences are not substitutable with other local goods and services.)

The lower end of total impact assumes that substitution between local arts or art experiences and other local goods and services exists; consequently out-of-County “injections” and local import substitutions must be discounted. For the lower bound, which seems most reasonable as a **Best Estimate**, the net level of non-County resident spending and local substitution was assumed to be 50 percent of the estimated indirect and induced impacts.

The total impacts are consequently:

- \$276.2 and 346.0 million in output or sales
- \$ 97.5 and 120.6 million in earned income
- \$ 9.8 and 13.3 million in local, state or federal taxes, and
- 4,409 and 5,399 jobs

Expressed as shares of the County economy, the total impact of the arts, depending on the estimate adopted, represents between 1.1 and 1.3 percent of all output, 1.0 and 1.3 percent of all personal income, 1.8 and 2.2 percent of all employment and 1.0 and 1.3 percent of all taxes generated. In general, the “multiplier” (total impact/direct impact) values for the various outcomes lie between 1.2 and 1.7 and for business taxes, between 1.6 and 2.1.

As measured by output or sales, the five economic sectors most affected by the arts in Spokane County, are:

- Healthcare & social assistance
- Information
- Professional, technical & scientific services
- Owner-occupied dwellings
- Retail trade

This report provides only a temporal snapshot of the local economic effects. It also presumes that all other sectors do not grow or decrease during the time period the analysis was conducted. Finally, as mentioned above, it relies on a range of estimates to determine the net impact of a given activity on the local economy.

In conclusion, by representing between 1.1 and 2.2 percent of the local economy, the arts in Spokane County hardly constitute a tiny economic force. If due only to a broader definition of

this sector, this finding is significantly larger than those from prior studies. If repeated on a regular basis such as every three years, an impact study of this type could identify and measure changes in County creative activities. This information would not only be useful to the Arts Commission and policy makers, but also would keep those involved in the arts as well as the public at large informed about contributions of the arts to the local community.