

# Economic Impact of the Arts in Maryland: FY 2012

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## *Economic Impact of Maryland Arts Organizations and Programs Supported by the Maryland State Arts Council*

Prepared for Maryland State Arts Council by the  
Maryland Department of Business and Economic Development Office of Research

Sources:

Maryland State Arts Council

Maryland Cultural Data Project - Fiscal Year 2012

Department of Business and Economic Development Office of Research

**Maryland State Arts Council**

An agency of the Department of Business and Economic Development  
Division of Tourism, Film and the Arts

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# Economic Impact of the Arts in Maryland: FY 2012

*Economic Impact of Maryland Arts Organizations and Programs Supported by the Maryland State Arts Council*

## Report Highlights

This report focuses on the economic impact of the 241 arts organizations and programs — nonprofit and tax-exempt organizations, as well as units of government — that received operating support from the Maryland State Arts Council in FY 2012. Maryland's arts industry, both arts organizations and arts audiences, continues to provide significant employment and generate substantial tax revenues for Maryland.

- 7.7 million people attended arts events in Maryland in FY2012 and generated significant economic impacts for the state. Of this group, two thirds, 4.8 million people, attended free. Estimated spending of arts audiences was \$345 million.
- Arts organizations generated a total of \$231.5 million in direct spending and a total economic impact of \$1.07 billion.
- A total of 12,700 full-time equivalent (FTE) jobs were generated by the arts industry in FY2012. Total arts related employment generated \$426.5 million in salaries in FY2012.
- Maryland's arts organizations generated \$47.9 million in state and local taxes in FY 2012, up from \$37.8 million in FY2011—an increase of 27%.
- Every \$1 of the arts organizations' operating budgets generates \$3.60 in additional economic activity.

## Introduction

The arts play an important role in the quality of life Maryland offers its residents and visitors. Since the arts make our cities and communities better places to live and work, they are often an important factor used by businesses in their decision to locate in Maryland. In addition to their contributions to quality of life in the state, the arts comprise an industry that also generates economic benefits. The arts industry, as defined in this report, includes all non-profit organizations that provide arts products and services. The study was conducted by the Department of Business & Economic Development (DBED) utilizing Maryland Cultural Data Project data supplied by the grant recipients. The data is supplied by the grantees to the cultural data project as a requirement for grants from the Maryland State Arts Council. These organizations comprise the Council's "general operating grant" category for arts organizations, and "arts program" category for non-arts organizations with ongoing arts as well as the 24 designated county arts councils. The non-profit entities, while not the entire arts industry, clearly are at the core of arts activities in Maryland. Though there are some for-profit theatrical concerns and other enterprises in Maryland, these are not included in this analysis, as they are not directly supported by the Maryland State Arts Council. These non-profit organizations are grouped into three broad categories: performing

arts, visual arts, and multidisciplinary arts organizations. The performing arts organizations include all non-profit institutions engaged in theatrical, dance, music, and opera productions. The visual arts organizations consist of all institutions involved in gallery and museum operations, photography, design and film-making activities. The multidisciplinary arts activities consist of all organizations that produce festivals, radio and television programs, folk arts and other institutions that are engaged in more than one type of artistic activity. The multidisciplinary arts organizations also include a diverse group of institutions that provide assistance to other artistic activities, e.g., arts and artists' associations, fund-raising organizations, publishing and local arts agencies.

The report also provides impact analysis on a regional basis, drawing on the regional definitions used by the MSAC. The six regions are: Western (Allegany, Garrett and Washington counties); Central (Anne Arundel, Baltimore, Carroll, Cecil, Harford, and Howard counties and Baltimore City); Greater Washington (Frederick, Montgomery, and Prince George's counties); Southern (Calvert, Charles and St. Mary's counties); Upper Eastern Shore (Caroline, Kent, Queen Anne's and Talbot counties); and Lower Eastern Shore (Dorchester, Somerset, Wicomico and Worcester counties). The Central region is the largest, with nearly 48% of the state's population, followed by the Greater Washington region with 36%. The rest of the state, including the Western and Southern regions and the Eastern Shore comprises 16% of the population.

The economic impact of the arts is estimated separately for each sub-state region and for the state as a whole. The impact is measured in terms of the arts industry's annual contribution to the economy's output, employment, payroll and tax revenues. Total annual economic and fiscal impacts are the sum of transactions and activities at the arts events site, the impact of Maryland suppliers to the event-related activities, and the concurrent spending of increased payrolls in Maryland.

### **Arts Organizations in Maryland**

According to the Maryland State Arts Council, 241 Maryland non-profit organizations received funding from MSAC and provided arts products and services in FY 2012 (Table 1). About 51% of these organizations, or 123 establishments, were engaged in performing arts activities. Multidisciplinary arts organizations make up about 38% of the organizations surveyed, with 92 establishments. Finally, visual arts organizations, represented by 26 establishments, comprised the remaining 11% of the Maryland's arts industry. The Central region had the largest concentration of the non-profit arts organizations (48% of all organizations), followed by the Greater Washington region (30%), Upper Eastern Shore (8%), Western Maryland (6%), Lower Eastern Shore (5%), and Southern Maryland (4%).

### **Annual Operating Income of Non-Profit Arts Organizations**

Arts organizations reported total income of \$224 million in FY 2012 (Table 2), a 12.7% decrease over FY 2011 revenues. Of that amount 42% was earned revenue from various program activities including events, classes, touring, sponsorships, subscriptions, etc. Earned revenue decreased 29% over FY 2011,

largely due to losses from investments. However, revenues from admissions, concessions, tuition and memberships increased over 2011.

Public support decreased nearly 13% from 2011 with federal support falling nearly 22%. Federal, state and local government grants remained at about 19% of total income, down from almost 30% in FY 2009. Other support from foundations, corporations and individual contributions represent the remaining 39% of revenue. Individual donations were down 11%, corporate donations were unchanged and foundation support rose 24.6% over FY2011. The arts organizations of the Central and Greater Washington regions reported the largest operating income, with 92% of total income reported by all arts organizations. The arts organizations of all other regions accounted for the remaining 8% of the operating income.

### **Employment at Maryland's Arts Organizations**

In FY 2012, arts organizations reported 1,266 full-time employees and 3,935 part-time employees. Table 3 summarizes the distribution of paid personnel by region and by type of occupation. The arts organizations reported that most full-time employees are in operations positions. Part-time operations and artistic positions made up 76% of the paid employment. The arts organizations of the Central region reported 44% of the state's total arts employment and the Greater Washington region accounted for 50% of the arts employment.

### **Annual Operations Expenditures of Arts Organizations**

Expenditures by non-profit arts organizations were estimated to total \$232 million in FY 2012, a 7% increase over FY 2011. The distribution of annual operating expenditures of Maryland arts organizations by region and by type of activity is highlighted in Table 4. The average operating budget for non-profit arts organizations in the state is \$960,000 and ranges from \$143,000 in Southern Maryland to more than \$1 million in the Central and Washington regions.

### **Economic Impact of the Arts Industry**

To estimate the economic impact of arts organizations supported by MSAC, only spending that occurs in Maryland has been included. The economic impact is measured in terms of additional output or sales, employee income and employment generated in Maryland resulting from: 1) annual operating expenditures of the arts organizations, and 2) annual expenditures of the arts audience occurring outside the arts organizations. The direct economic impact also includes corresponding direct employee income and employment generated by the arts organizations and their visitors. To avoid double counting of the economic impact, all audience expenditures that take place inside the arts organizations, and are therefore included in the annual operating budget of these organizations, are excluded from the analysis.

The direct expenditures associated with the annual activities of the arts organizations generate substantial secondary economic benefits in Maryland. Secondary impacts include both indirect and

induced economic activities generated statewide in response to those initial expenditures. The indirect impact is generated by Maryland industries supplying the input needs of the local vendors selling directly to the arts organizations and their audience. The induced impact results from the increased demand created by the employees of the arts industry and the employees of its suppliers spending their incomes in Maryland. The total economic impact of the arts industry is the sum of direct and all secondary economic impacts. In this report, the impact on employment is represented in terms of annual full-time equivalent jobs. Therefore, in all impact tables, part-time jobs have been converted into full-time equivalents.

### **Arts Organizations**

The **direct** economic impact of arts organizations corresponds to the operating expenditures and salaries paid by the organizations. Direct employment impact is expressed in terms of full-time equivalent jobs. The direct impacts distributed by region are presented in Table 5. In FY 2012, expenditures by the arts organizations directly generated approximately \$232 million in gross sales, \$100 million in employee income and 2,484 full-time equivalent jobs. Multidisciplinary arts organizations generated 40% of the total impact from operations, and performing arts 38% while visual arts organization generated 22% of sales.

The **total** economic impact of arts organizations includes the direct and secondary impacts. The total impacts distributed by category and region are presented in Table 6. In FY 2012, expenditures by these arts organizations generated approximately \$472 million in gross sales, \$211 million in employee income and 4,400 full-time equivalent jobs.

### **Arts Audience**

Visitors to Maryland's non-profit arts organizations generate significant economic impacts for the state. In FY 2012, an estimated 7.7 million people visited the non-profit arts organizations surveyed by MSAC, a slight decrease over 2011. Nearly 37% of the visitors paid admission or attended paid events. *In addition, there were another 5.6 million "virtual" visitors.* Attendance from school groups increased by 7%.

The audiences for multidisciplinary arts organizations averaged 5.1 million and accounted for 66% of the arts audiences statewide. Performing arts organizations drew roughly 22% of the arts audiences (about 1.7 million visitors and visual arts organizations accounted for the remaining 12% of the arts audiences statewide (913,000 visitors). The distribution of the arts audiences in Maryland by region is highlighted in Table 7. The Washington region and Central regions generated the largest share of the arts audience with over 7 million visitors.

Based on the number of visitors to Maryland's non-profit arts organizations, DBED estimated spending of \$345 million on lodging, transportation, restaurants, gifts, and other travel-related incidentals in FY

2012. These expenditures in turn generate about \$139 million in direct employee income and nearly 6,400 direct jobs statewide (Table 8). Table 9 summarizes the **total** economic impact of the arts audience in Maryland by region. In FY 2012, visitors to Maryland's non-profit arts organizations generated a total of \$594 million in gross sales statewide. These expenditures generated about \$215 million in total employee income, and 8,290 full-time equivalent jobs.

### **Arts Industry (operations and visitor spending)**

The economic impact of the arts industry as a whole combines the impacts of both arts organizations and arts audiences. Arts audience expenditures account for a large portion of the industry impact, generating 72% of the total jobs, 60% of the sales and 58% of salaries. The **total** economic impact of the arts industry, which is the sum of the total impacts by arts organizations and arts audience, is presented in Table 10. In FY 2012, the arts industry generated approximately \$1.0 billion in total gross sales, about \$426 million in total employee income, and about 12,700 full-time equivalent jobs statewide.

Multidisciplinary arts organizations generated the largest total economic impact – representing 56% of gross sales, 53% of employee income, and about 52% of full-time equivalent jobs statewide.

### **Fiscal Impact of the Arts Industry**

The employment and income generated by the arts industry translate into revenues for the state. The fiscal impact, or tax impact, represents annual state retail sales tax and personal income tax receipts from the expenditures generated at all levels—direct, indirect, and induced—by the artistic activities of Maryland's non-profit arts organizations. The fiscal impact also includes local receipts from the personal income surtaxes. State retail sales tax receipts include tax revenues from direct expenditures generated by the events held at the arts organizations. These expenditures include monies spent on lodging, food and beverages, transportation, and all other event related expenses by the arts audience. In addition, state retail sales tax receipts comprise tax revenues generated by the employees of the arts organizations and the employees of all other supporting businesses spending their disposable incomes on taxable goods and services in Maryland.

Table 11 highlights the **direct, indirect and total** fiscal impact of the arts industry in Maryland. Overall, Maryland's non-profit arts organizations directly generated an estimated \$34.6 million in selected annual state and local tax revenues in FY 2012. Including indirect effects, these organizations generated \$47.9 million was in state and local taxes in FY 2012.

**Table 1: Number of Non-Profit Arts Organizations, FY 2012**

Region	Multidisciplinary Arts	Performing Arts	Visual Arts	Total
Central	38	64	13	115
Lower Eastern Shore	4	4	3	11
Southern	3	5	1	9
Upper Eastern Shore	8	10	1	19
Greater Washington	32	33	7	72
Western	7	7	1	15
<b>Total</b>	<b>92</b>	<b>123</b>	<b>26</b>	<b>241</b>

**Table 2: Revenues of Arts Organizations, FY 2012**

Region	Earned Revenue	Government Support	Other Support	Total Revenues
Central	52,303,692	27,629,885	49,717,843	129,642,488
Lower Eastern Shore	1,041,052	1,022,601	1,138,626	3,200,602
Southern	620,684	348,276	432,433	1,401,393
Upper Eastern Shore	3,507,556	976,873	3,160,641	7,645,070
Greater Washington	34,237,017	11,524,834	31,376,675	77,183,208
Western	2,286,445	982,584	1,836,090	5,116,519
<b>Total</b>	<b>93,996,446</b>	<b>42,485,053</b>	<b>87,662,308</b>	<b>224,189,280</b>

**Table 3: Number of Paid Personnel of Arts Organizations, FY 2012**

Region	Operations Full time	Artistic Full time	Operations Part time	Artistic Part time
Central	696	112	1,093	402
Lower Eastern Shore	14	0	20	0
Southern	3	0	9	0
Upper Eastern Shore	21	3	25	3
Greater Washington	373	20	1,964	262
Western	24	0	68	91
<b>Total</b>	<b>1,131</b>	<b>135</b>	<b>3,178</b>	<b>757</b>

Sources: Maryland State Arts Council, Cultural Data Project, Fiscal Year 2012,  
 Department of Business and Economic Development Office of Research  
 Note: FTE denotes full-time equivalent jobs.

**Table 4: Operating Expenditures of Arts Organizations, FY 2012**

<b>Region</b>	<b>Programs</b>	<b>Fundraising</b>	<b>General</b>	<b>Total</b>
Central	100,954,146	8,986,558	25,675,882	135,616,586
Lower Eastern Shore	1,774,135	96,048	938,503	2,808,686
Southern	952,148	20,343	319,544	1,292,035
Upper Eastern Shore	4,899,660	608,814	1,250,105	6,758,579
Greater Washington	58,381,580	4,560,666	17,181,824	80,124,070
Western	3,482,148	212,642	1,254,953	4,949,743
<b>Total</b>	<b>170,443,817</b>	<b>14,485,071</b>	<b>46,620,811</b>	<b>231,549,699</b>

**Table 5: Direct Economic Impact of Arts Operations, FY 2012**

<b>Region</b>	<b>Gross Sales</b>	<b>Employment FTE Jobs</b>	<b>Employee Income</b>
Central	135,616,586	1,657	63,533,880
Lower Eastern Shore	2,808,686	12	955,030
Southern	1,292,035	4	249,270
Upper Eastern Shore	6,758,579	25	1,908,620
Greater Washington	80,124,070	734	31,540,090
Western	4,949,743	51	1,996,860
<b>Total</b>	<b>231,549,699</b>	<b>2,484</b>	<b>100,183,750</b>

**Table 6: Total (Direct and Indirect) Impact of Arts Operations, FY 2012**

<b>Region</b>	<b>Gross Sales</b>	<b>Employment FTE Jobs</b>	<b>Employee Income</b>
Central	276,246,650	2,780	134,413,620
Lower Eastern Shore	5,778,920	36	1,939,200
Southern	2,555,700	14	512,390
Upper Eastern Shore	12,725,060	76	3,881,880
Greater Washington	165,059,550	1,412	66,161,970
Western	9,842,800	91	4,215,130
<b>Total</b>	<b>472,208,680</b>	<b>4,409</b>	<b>211,124,190</b>

Sources: Maryland State Arts Council, Cultural Data Project, Fiscal Year 2012,  
 Department of Business and Economic Development Office of Research  
 Note: FTE denotes full-time equivalent jobs.

**Table 7: Arts Audience, FY 2012**

<b>Region</b>	<b>Multidisciplinary</b>	<b>Performing Arts</b>	<b>Visual Arts/Design</b>	<b>Total</b>
Central	1,973,046	971,144	584,724	3,528,914
Lower Eastern Shore	16,231	9,288	19,000	44,519
Southern	2,136	58,715	0	60,851
Upper Eastern Shore	202,556	32,791	80,000	315,347
Greater Washington	2,832,132	541,554	179,569	3,553,255
Western	90,757	80,512	49,565	220,834
<b>Total</b>	<b>5,116,858</b>	<b>1,694,004</b>	<b>912,858</b>	<b>7,723,720</b>

**Table 8: Direct Economic Impact of the Arts Audience, FY 2012**

<b>Region</b>	<b>Gross Sales</b>	<b>Employment FTE Jobs</b>	<b>Employee Income</b>
Central	157,668,520	2,923	63,333,660
Lower Eastern Shore	1,989,070	37	798,990
Southern	2,718,760	50	1,092,100
Upper Eastern Shore	14,089,400	261	5,659,550
Greater Washington	158,756,060	2,943	63,770,510
Western	9,866,650	183	3,963,320
<b>Total</b>	<b>345,088,460</b>	<b>6,398</b>	<b>138,618,130</b>

**Table 9: Total (Direct and Indirect) Impact of the Arts Audience, FY 2012**

<b>Region</b>	<b>Gross Sales</b>	<b>Employment FTE Jobs</b>	<b>Employee Income</b>
Central	271,350,520	3,787	98,412,970
Lower Eastern Shore	3,423,220	48	1,241,530
Southern	4,679,050	65	1,696,990
Upper Eastern Shore	24,248,130	338	8,794,270
Greater Washington	273,222,180	3,814	99,091,780
Western	16,980,700	237	6,158,530
<b>Total</b>	<b>593,903,800</b>	<b>8,290</b>	<b>215,396,070</b>

Sources: Maryland State Arts Council, Cultural Data Project, Fiscal Year 2012,  
 Department of Business and Economic Development Office of Research  
 Note: FTE denotes full-time equivalent jobs.

**Table 10: Total Economic Impact of the Arts Industry, FY 2012**

<b>Region</b>	<b>Gross Sales</b>	<b>Employment FTE Jobs</b>	<b>Employee Income</b>
Central	547,597,170	6,568	232,826,590
Lower Eastern Shore	9,202,140	83	3,180,730
Southern	7,234,750	80	2,209,380
Upper Eastern Shore	36,973,190	415	12,676,150
Greater Washington	438,281,730	5,226	165,253,750
Western	26,823,500	328	10,373,660
<b>Total</b>	<b>1,066,112,480</b>	<b>12,700</b>	<b>426,520,260</b>

Arts Industry: Includes both arts organizations and arts audiences  
Includes Direct and Indirect Impacts

**Table 11: Fiscal Impact of the Arts Industry, FY 2012**

<b>Category</b>	<b>Direct</b>	<b>Indirect</b>	<b>Total</b>
State Taxes			
Retail Sales Tax	22,436,190	2,619,380	25,055,570
Personal Income Tax	7,016,850	6,542,380	13,559,230
Local Taxes			
Personal Income Surtax	4,606,410	4,193,250	8,799,660
Hotel Tax	507,270	-	507,270
<b>Total of Selected State and Local Taxes</b>	<b>34,566,720</b>	<b>13,355,010</b>	<b>47,921,730</b>

Arts Industry: Includes both arts organizations and arts audiences

Sources: Maryland State Arts Council, Cultural Data Project, Fiscal Year 2012,  
Department of Business and Economic Development Office of Research  
Note: FTE denotes full-time equivalent jobs.