

Economic Impact of the Arts in Maryland: FY 2013

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 2013

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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Summary

Economic Impact of Arts Organizations:

- 260 arts organizations were surveyed in FY 2013.
- The arts organizations generated \$236 million in direct spending on goods and services.
- The arts organizations generated \$102 million in direct salaries and fringe benefits.
- The arts organizations reported a total of 1,274 full-time employees and 3,323 part-time employees.

Economic Impact of Visitor Spending:

- The arts organizations reported that 7.6 million people attended arts venues, events, classes and workshops.
- The 7.6 million visitors are estimated to have generated \$369 million in direct spending on goods and services, 6,109 direct jobs and \$138 million in salaries.

Economic Impact including Operations and Visitor Spending:

- Arts organizations generated a total \$605 million in direct spending and a total economic impact of \$1 billion.
- 11,986 total full-time equivalent jobs were generated by the arts organizations in FY 2013.
- Total arts related employment generated \$367 million in salaries in FY 2013.
- The arts organizations generated \$44.6 million in state and local taxes in FY 2013.

Total attendance - 7,574,164

Paid attendance – 2,705,376

Free attendance -4,868,788

Every \$1 of MSAC grantees' operating budgets generates \$3.21 in total 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 many other non-profit and for-profit arts organizations and 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, 260 Maryland non-profit organizations received funding from MSAC and provided arts products and services in FY 2013 (Table 1). About 49% of these organizations, or 127 establishments, were engaged in performing arts activities. Multidisciplinary arts organizations make up about 39% of the organizations surveyed, with 101 establishments. Finally, visual

arts organizations, represented by 32 establishments, comprised the remaining 12% of the Maryland's arts industry. The Central region had the largest concentration of the non-profit arts organizations (50% of all organizations), followed by the Greater Washington region (29%), Upper Eastern Shore (7%), Western Maryland (6%), Lower Eastern Shore (5%), and Southern Maryland (3%).

Annual Operating Income of Non-Profit Arts Organizations

Arts organizations reported total income of \$275 million in FY 2013 (Table 2), an 18% increase over FY 2012 revenues. The largest increase was in earned revenues (35%), largely due to investments gains. Revenues from tickets and subscription sales also increased over 2012. Earned income represents the largest share of the arts organizations revenues, or 46%.

Other support from foundations, corporations and individual contributions represent another 39% of revenue. Individual donations increased by 38%, foundation support increased slightly and corporate donations were down 2.2% from FY2012. Public support decreased 1.2% from 2012 with federal support falling nearly 12%. Federal, state and local government grants fell to about 15% of total income, down from almost 30% in FY 2009.

Employment at Maryland's Arts Organizations

In FY 2013, arts organizations reported 1,274 full-time employees and 3,323 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 72% of the paid employment. The arts organizations of the Central region reported 51% of the state's total arts employment and the Greater Washington region accounted for 43% of the arts employment.

Annual Operations Expenditures of Arts Organizations

Expenditures by non-profit arts organizations were estimated to total \$236 million in FY 2013, a 2% increase over FY 2012. 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 \$907,000 and ranges from \$130,000 in Southern Maryland to over \$1 million in the Central and Greater 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 2013, expenditures by the arts organizations directly generated approximately \$236 million in gross sales, \$102 million in employee income and 2,991 full-time equivalent jobs. Multidisciplinary arts organizations generated 40% of the total impact from operations, and performing arts 36% while visual arts organization generated 24% 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 2013, expenditures by these arts organizations generated approximately \$404 million in gross sales, \$158 million in employee income and 4,342 full-time equivalent jobs. Note that although the direct effects increased, the estimated indirect effects are lower than compared to FY2012. This is due to a recalibration of the IMPLAN economic impact model for the State of Maryland. The changes reflect corrections to the model and new economic patterns in the economy since the prior 2010 model.

Arts Audience

Visitors to Maryland's non-profit arts organizations generate significant economic impacts for the state. In FY 2013, an estimated 7.6 million people visited the non-profit arts organizations surveyed by MSAC, a slight decrease over 2012. Nearly 36% of the visitors paid admission or attended paid events while 4.9 million people attended for free. In addition, there were another 6.1 million "virtual" visitors. The number of school children attending increased by 6%.

The audiences for multidisciplinary arts organizations averaged 5.1 million and accounted for 67% of the arts audiences statewide. Performing arts organizations drew roughly 21% of the arts audiences (about 1.6 million visitors) and visual arts organizations accounted for the remaining 12% of the arts audiences statewide (919,000 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 6.9 million visitors.

Based on the number of visitors to Maryland's non-profit arts organizations, DBED estimated spending of \$369 million on lodging, transportation, restaurants, gifts, and other travel-related incidentals in FY 2013. The estimates assume that only a share of spending represents new spending that can be attributed directly to the arts activity. The expenditures in turn generate \$138 million in direct employee income and nearly 6,109 direct jobs statewide (Table 8). Table 9 summarizes the **total** economic impact of the arts audience in Maryland by region. In FY 2013, visitors to Maryland's non-profit arts organizations generated a total of \$589 million in gross sales statewide. These expenditures generated about \$209 million in total employee income, and 7,643 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 64% of the total jobs, 60% of the sales and 57% 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 2013, the arts industry generated approximately \$0.99 billion in total gross sales, about \$367 million in total employee income, and about 11,986 full-time equivalent jobs statewide.

Multidisciplinary arts organizations generated the largest total economic impact – representing 56% of gross sales, 54% of employee income, and about 54% 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 \$35.4 million in selected annual state and local tax revenues in FY 2013. Including indirect effects, these organizations generated \$44.6 million was in state and local taxes in FY 2013.

Table 1: Number of Non-Profit Arts Organizations, FY 2013

Region	Multidisciplinary Arts	Performing Arts	Visual Arts	Total
Central	41	72	17	130
Lower Eastern Shore	4	4	4	12
Southern	3	5	1	9
Upper Eastern Shore	8	9	1	18
Greater Washington	36	31	8	75
Western	9	6	1	16
	101	127	32	260

Table 2: Revenues of Arts Organizations, FY 2013

Region	Earned Revenue	Government Support	Other Support	Total Revenues
Central	82,632,730	27,247,550	61,014,596	170,894,876
Lower Eastern Shore	1,051,791	959,390	1,094,008	3,105,189
Southern	566,541	320,305	466,750	1,353,596
Upper Eastern Shore	3,540,577	806,582	2,773,207	7,120,366
Greater Washington	36,743,348	11,621,973	39,410,689	87,776,010
Western	2,459,769	999,005	1,805,643	5,264,417
	126,994,756	41,954,805	106,564,893	275,514,454

Table 3: Number of Paid Personnel of Arts Organizations, FY 2013

Region	Operations Full time	Artistic Full time	Operations Part time	Artistic Part time
Central	664	110	1,172	419
Lower Eastern Shore	19	0	23	0
Southern	4	0	3	0
Upper Eastern Shore	24	3	11	4
Greater Washington	407	22	1,366	185
Western	22	0	57	83
Total	1,140	134	2,632	691

Sources: Maryland State Arts Council, Cultural Data Project, Fiscal Year 2013,
 Department of Business and Economic Development Office of Research
 Note: FTE denotes full-time equivalent jobs.
 Amounts in 2013 dollars

Table 4: Operating Expenditures of Arts Organizations, FY 2013

Region	Programs	Fundraising	General	Total
Central	99,025,050	9,843,822	29,488,184	138,357,056
Lower Eastern Shore	1,868,540	121,992	780,594	2,771,126
Southern	797,809	4,834	360,848	1,163,491
Upper Eastern Shore	5,025,132	494,588	1,278,465	6,798,185
Greater Washington	59,913,220	4,594,804	17,324,824	81,832,848
Western	3,498,228	271,363	1,297,377	5,066,968
Total	170,127,979	15,331,403	50,530,292	235,989,674

Table 5: Direct Economic Impact of Arts Operations, FY 2013

Region	Gross Sales	Employment FTE Jobs	Employee Income
Central	138,375,156	1,820	64,045,555
Lower Eastern Shore	2,692,006	25	969,603
Southern	1,144,143	10	185,948
Upper Eastern Shore	6,834,801	66	1,923,742
Greater Washington	81,940,921	1,008	33,030,034
Western	5,002,647	63	1,990,466
Total	235,989,674	2,991	102,145,348

Table 6: Total (Direct and Indirect) Impact of Arts Operations, FY 2013

Region	Gross Sales	Employment FTE Jobs	Employee Income
Central	235,941,131	2,599	96,389,130
Lower Eastern Shore	4,641,972	40	1,613,231
Southern	1,922,779	16	447,913
Upper Eastern Shore	11,593,709	105	3,485,915
Greater Washington	141,740,339	1,490	52,811,254
Western	8,650,703	92	3,199,188
Total	404,490,633	4,342	157,946,631

Sources: Maryland State Arts Council, Cultural Data Project, Fiscal Year 2013,
 Department of Business and Economic Development Office of Research
 Note: FTE denotes full-time equivalent jobs.

Amounts in 2013 dollars

Table 7: Arts Audience, FY 2013

Region	Multidisciplinary	Performing	Visual	Total
		Arts	Arts/Design	
Central	1,879,553	944,162	600,835	3,424,550
Lower Eastern Shore	46,194	9,480	23,752	79,426
Southern	34,300	36,254	2,500	73,054
Upper Eastern Shore	222,070	23,651	52,324	298,045
Greater Washington	2,730,296	507,729	198,128	3,436,153
Western	145,483	75,884	41,569	262,936
Total	5,057,896	1,597,160	919,108	7,574,164

Table 8: Direct Economic Impact of the Arts Audience, FY 2013

Region	Gross Sales	Employment FTE Jobs	Employee Income
Central	166,915,744	2,762	62,558,043
Lower Eastern Shore	3,871,297	64	1,450,916
Southern	3,560,720	59	1,334,516
Upper Eastern Shore	14,526,990	240	5,444,544
Greater Washington	167,481,285	2,771	62,770,001
Western	12,815,745	212	4,803,189
Total	369,171,781	6,109	138,361,209

Table 9: Total (Direct and Indirect) Impact of the Arts Audience, FY 2013

Region	Gross Sales	Employment FTE Jobs	Employee Income
Central	266,470,557	3,456	94,459,677
Lower Eastern Shore	6,180,284	80	2,190,815
Southern	5,684,466	74	2,015,055
Upper Eastern Shore	23,191,432	301	8,221,003
Greater Washington	267,373,408	3,468	94,779,724
Western	20,459,535	265	7,252,588
Total	589,359,682	7,643	208,918,862

Sources: Maryland State Arts Council, Cultural Data Project, Fiscal Year 2013,
 Department of Business and Economic Development Office of Research
 Note: FTE denotes full-time equivalent jobs.

Amounts in 2013 dollars

Table 10: Total Economic Impact of the Arts Industry, FY 2013

Region	Gross Sales	Employment FTE Jobs	Employee Income
Central	502,411,688	6,055	190,848,807
Lower Eastern Shore	10,822,256	120	3,804,046
Southern	7,607,245	89	2,462,968
Upper Eastern Shore	34,785,141	406	11,706,918
Greater Washington	409,113,747	4,957	147,590,978
Western	29,110,238	358	10,451,776
Total	993,850,315	11,986	366,865,493

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

Table 11: Fiscal Impact of the Arts Industry, FY 2013

Category	Direct	Indirect	Total
State Taxes			
Retail Sales Tax	26,192,490	2,796,640	28,989,130
Personal Income Tax	5,279,760	3,914,030	9,193,790
Local Taxes			
Personal Income Surtax	3,388,910	2,492,890	5,881,800
Hotel Tax	531,450	-	531,450
Total of Selected State and Local Taxes	35,392,610	9,203,560	44,596,170

Arts Industry: Includes both arts organizations and arts audiences

Sources: Maryland State Arts Council, Cultural Data Project, Fiscal Year 2013,
Department of Business and Economic Development Office of Research
Note: FTE denotes full-time equivalent jobs.
Amounts in 2013 dollars