

Economic Impact of the Arts in Maryland: FY 2015

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
Commerce Office of Research

Sources:

Maryland State Arts Council

Maryland Cultural Data Project - Fiscal Year 2015

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Maryland State Arts Council

An agency of the Department of Commerce Division of Tourism, Film and the Arts

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Economic Impact of MSAC FY 2015

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Summary

Economic Impact of Arts Organizations:

- 299 arts organizations receiving MSAC support were surveyed about operating budgets, expenses and audiences in FY 2015.
- The arts organizations generated \$264 million in direct spending on goods and services.
- The arts organizations generated \$110 million in direct salaries and fringe benefits.
- The arts organizations reported a total of 1,435 full-time employees and 3,550 part-time employees.

Economic Impact of Visitor Spending:

- The arts organizations reported that 9.2 million people attended arts venues, events, classes and workshops.
- The 9.2 million visitors are estimated to have generated \$449 million in direct spending on goods and services, 7,817 direct jobs and \$163 million in salaries.

Economic Impact including Operations and Visitor Spending:

- Arts organizations generated a total \$713 million in direct spending from operations and visitor spending, supporting 10,905 full-time equivalent jobs and \$273 million in salaries.
- The total impact from operations and visitor spending, plus indirect effects, totaled \$1.16 billion in output, supporting 14,564 total full-time equivalent jobs and \$422 million in salaries.
- Through operations and visitor spending, the arts organizations generated \$54 million in state and local taxes.

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 Maryland Department of Commerce using 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 programming 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 museums, art galleries, 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 service organizations, arts councils, folklife and traditional arts organizations, and arts venues.

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 47% of the state's population, followed by the Greater Washington region with 37%. 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, 299 Maryland non-profit organizations received funding from MSAC and provided arts products and services in FY 2015 (Table 1). About 53% of these organizations, or 159 establishments, were engaged in performing arts activities.

Multidisciplinary arts organizations make up about 35% of the organizations surveyed, with 104 establishments. Finally, visual arts organizations, represented by 36 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 (30%), Upper Eastern Shore (7%), Western Maryland (5%), Lower Eastern Shore (5%), and Southern Maryland (3%).

Annual Operating Income of Non-Profit Arts Organizations

Arts organizations reported total income of \$285 million in FY 2015 (Table 2), a 3.5% decrease from FY 2014 revenues. The largest decrease was from earned revenues (30%), largely due to investment losses. Revenues from admission fees, touring and subscriptions also decreased over 2014. Earned income represents 36% of the arts organizations revenues. However, support from foundations, corporations, individuals and other contributions increased 29% over FY 2014. This other support represents a large share of revenue, or 46%. Public support from local, state and federal sources increased 9% from 2014. Federal, state and local government grants represent about 18% of total income, down from almost 30% in FY 2009.

Employment at Maryland's Arts Organizations

In FY 2015, arts organizations reported 1,435 full-time employees and 3,550 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 71% of the paid employment. The arts organizations of the Central region reported 54% of the state's total arts employment and the Greater Washington region accounted for 41% of the arts employment.

Annual Operating Expenditures of Arts Organizations

Expenditures by non-profit arts organizations were estimated to total \$264 million in FY 2015, an 8.1% increase over FY 2014. 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 \$884,530 and ranges from \$120,000 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 sales reported by 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 indirect and induced effects are modeled using the IMPLAN economic model for the State of Maryland.¹

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 2015, expenditures by the arts organizations directly generated \$264 million in gross sales, \$110 million in employee income and 3,088 full-time equivalent jobs. Multidisciplinary arts organizations generated 38% of the total impact from operations, and performing arts 40%, 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 2015, expenditures by these arts organizations generated approximately \$497 million in gross sales, \$175 million in employee income and 4,856 full-time equivalent jobs.

Arts Audience

Visitors to Maryland's non-profit arts organizations generate significant economic impacts for the state. In FY 2015, an estimated 9.2 million people visited the non-profit arts organizations surveyed by MSAC, an 11.6% increase over 2014. Seventy percent of those, or 6.5 million,

¹ IMPLAN Online Version 4.1.0.27273 - IMPLAN Group LLC - www.implan.com

attended for free. The number of school children attending increased by 5% to 2.2 million. In addition, there were another 2.3 million “virtual” visitors.

The audiences for multidisciplinary arts organizations totaled 6.4 million and accounted for 69% of the arts audiences statewide. Performing arts organizations drew roughly 20% of the arts audiences (about 1.9 million visitors) and visual arts organizations accounted for the remaining 10% of the arts audiences statewide (952,715 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 8.3 million visitors.

Based on the number of visitors to Maryland's non-profit arts organizations and average visitor spending, Commerce estimated spending of \$449 million on lodging, transportation, restaurants, gifts, and other travel-related incidentals in FY 2015. 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 about \$163 million in direct employee income and 7,817 direct jobs statewide (Table 8). Table 9 summarizes the **total** economic impact of the arts audience in Maryland by region. In FY 2015, visitors to Maryland's non-profit arts organizations generated a total of \$658 million in gross sales statewide. These expenditures generated about \$247 million in total employee income, and 9,708 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, 63% of the sales and 60% 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 2015, the arts industry generated over \$1.16 billion in total gross sales, about \$422 million in total employee income, and 14,564 full-time equivalent jobs statewide.

Multidisciplinary arts organizations generated the largest total economic impact – representing 56% of gross sales, 59% of employee income, and about 55% 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 \$43.2 million in selected annual state and local tax revenues in FY 2015. Including indirect effects, these organizations generated \$54.0 million in state and local taxes in FY 2015.

Table 1: Number of Non-Profit Arts Organizations, FY 2015

Region	Multidisciplinary Arts	Performing Arts	Visual Arts	Total
Central	47	84	19	150
Lower Eastern Shore	4	5	5	14
Southern	3	7	0	10
Upper Eastern Shore	8	11	2	21
Greater Washington	35	46	9	90
Western	7	6	1	14
	104	159	36	299

Table 2: Revenues of Arts Organizations, FY 2015

Region	Earned Revenue	Government Support	Other Support	Total Revenues
Central	\$57,525,864	\$32,356,207	\$77,793,700	\$167,675,771
Lower Eastern Shore	1,253,357	972,129	2,388,604	4,614,090
Southern	564,930	389,234	279,812	1,233,976
Upper Eastern Shore	3,350,219	936,506	3,545,856	7,832,581
Greater Washington	37,811,152	14,979,625	44,894,562	97,685,339
Western	1,989,541	1,025,416	2,511,819	5,526,776
	\$102,495,063	\$50,659,117	\$131,414,353	\$284,568,533

Table 3: Number of Paid Personnel of Arts Organizations, FY 2015

Region	Operations Full time	Artistic Full time	Operations Part time	Artistic Part time
Central	729	168	1,349	424
Lower Eastern Shore	21	-	21	-
Southern	3	-	1	-
Upper Eastern Shore	26	5	70	1
Greater Washington	422	38	1,187	374
Western	22	1	43	80
Total	1,223	212	2,671	879

Sources: Maryland State Arts Council, Cultural Data Project, Fiscal Year 2015, Department of Commerce Office of Research
Note: FTE denotes full-time equivalent jobs.
Amounts in 2015 dollars

Table 4: Operating Expenditures of Arts Organizations, FY 2015

Region	Programs	Fundraising	General	Total
Central	\$118,332,217	\$8,921,260	\$29,465,308	\$156,718,785
Lower Eastern Shore	1,831,859	210,621	1,155,815	3,198,295
Southern	823,459	13,116	368,188	1,204,763
Upper Eastern Shore	5,157,624	590,316	1,849,017	7,596,957
Greater Washington	65,299,900	4,930,870	20,507,029	90,737,799
Western	3,206,700	334,880	1,476,683	5,018,263
Total	\$194,651,759	\$15,001,063	\$54,822,040	\$264,474,862

Table 5: Direct Economic Impact of Arts Operations, FY 2015

Region	Gross Sales	Employment FTE Jobs	Employee Income
Central	\$156,718,784	1,773	\$67,533,169
Lower Eastern Shore	3,198,295	42	1,192,307
Southern	1,204,763	17	110,153
Upper Eastern Shore	7,596,957	110	1,998,780
Greater Washington	90,737,798	1,084	37,484,280
Western	5,018,263	63	1,978,652
Total	\$264,474,860	3,088	\$110,297,341

Table 6: Total (Direct and Indirect) Impact of Arts Operations, FY 2015

Region	Gross Sales	Employment FTE Jobs	Employee Income
Central	\$295,413,741	2,836	\$106,000,606
Lower Eastern Shore	6,006,499	61	1,979,277
Southern	2,170,125	24	389,712
Upper Eastern Shore	14,291,293	158	3,908,704
Greater Washington	169,815,727	1,681	59,453,838
Western	9,509,244	96	3,228,425
Total	\$497,206,629	4,856	\$174,960,562

Sources: Maryland State Arts Council, Cultural Data Project, Fiscal Year 2015,
 Department of Commerce Office of Research
 Note: FTE denotes full-time equivalent jobs.
 Amounts in 2015 dollars

Table 7: Arts Audience, FY 2015

Region	Multidisciplinary	Performing Arts	Visual Arts/Design	Total
Central	3,209,660	1,050,998	591,840	4,852,498
Lower Eastern Shore	49,710	14,207	33,181	97,098
Southern	26,619	96,396	0	123,015
Upper Eastern Shore	291,505	31,730	54,605	377,840
Greater Washington	2,673,003	586,968	227,542	3,487,513
Western	135,846	92,713	45,547	274,106
Total	6,386,343	1,873,012	952,715	9,212,070

Table 8: Direct Economic Impact of the Arts Audience, FY 2015

Region	Gross Sales	Employment FTE Jobs	Employee Income
Central	\$236,461,874	4,118	\$85,670,359
Lower Eastern Shore	4,731,578	82	1,714,255
Southern	5,994,512	104	2,171,817
Upper Eastern Shore	18,412,116	321	6,670,727
Greater Washington	169,946,255	2,959	61,571,688
Western	13,357,165	233	4,839,314
Total	\$448,903,501	7,817	\$162,638,160

Table 9: Total (Direct and Indirect) Impact of the Arts Audience, FY 2015

Region	Gross Sales	Employment FTE Jobs	Employee Income
Central	\$346,567,472	5,114	\$130,098,390
Lower Eastern Shore	6,934,780	102	2,603,256
Southern	8,785,783	130	3,298,106
Upper Eastern Shore	26,985,493	398	10,130,118
Greater Washington	249,079,663	3,675	93,502,321
Western	19,576,767	289	7,348,947
Total	\$657,929,958	9,708	\$246,981,138

Sources: Maryland State Arts Council, Cultural Data Project, Fiscal Year 2015,
 Department of Commerce Office of Research
 Note: FTE denotes full-time equivalent jobs.
 Amounts in 2015 dollars

Table 10: Total Economic Impact of the Arts Industry, FY 2015

Region	Gross Sales	Employment FTE Jobs	Employee Income
Central	\$641,981,213	7,950	\$236,098,996
Lower Eastern Shore	12,941,279	163	4,582,533
Southern	10,955,908	153	3,687,818
Upper Eastern Shore	41,276,786	556	14,038,822
Greater Washington	418,895,390	5,357	152,956,159
Western	29,086,011	385	10,577,372
Total	\$1,155,136,587	14,564	\$421,941,700

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

Table 11: Fiscal Impact of the Arts Industry, FY 2015

Category	Direct	Indirect	Total
State Taxes			
Retail Sales Tax	\$31,760,330	\$3,601,070	\$35,361,400
Personal Income Tax	\$6,439,930	\$4,349,090	\$10,789,020
Local Taxes			
Personal Income Surtax	\$4,114,410	\$2,783,500	\$6,897,910
Hotel Tax	\$904,310	-	\$904,310
Total of Selected State and Local Taxes	\$43,218,980	\$10,733,660	\$53,952,640

Arts Industry: Includes both arts organizations and arts audiences

Sources: Maryland State Arts Council, Cultural Data Project, Fiscal Year 2015,
Department of Commerce Office of Research
Note: FTE denotes full-time equivalent jobs.
Amounts in 2015 dollars