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2-6-1976

## Arts and Humanities: Pell Amendments (1975): Memorandum 04

Harold Horowitz

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February 6, 1976

MEMORANDUM -

TO: R. Contee

FROM: Harold Horowitz *Harold Horowitz*

SUBJECT: Examples of Economic Impacts of the Arts

In the Program Solicitation now out on the street, we are requesting proposals for a study of the economic impact of arts activities and cultural institutions on their communities. This restriction to the community level is deliberate. It is possible that at the community level, significant economic impact can be shown. However, we are fairly sure that economic impacts balance out when considered in terms of the larger national system. This caution should be kept in mind when making an argument for support of the arts because of their economic impacts. The argument can backfire because a benefit to one community can be a loss to another community.

I believe that Nancy is searching for some examples that she has not used before. I'm not sure what has been considered but here are a few fairly recent cases.

1. The Office of Arkansas State Arts and Humanities is currently conducting a study of the economic impacts of the arts in Arkansas. The work is being done by a recent graduate of the Harvard Business School, Jack Deal, in cooperation with several members of the state university faculty. As the study is now in process, the final result is still not available. What is of interest is that they have decided to use a multiplier of 2.5 times the salaries paid to employees of arts and cultural institutions as the basis for the impact of these activities on the whole state.
2. Several interesting items came out of a study of the economic impacts of the Lake Placid Center for Music, Drama and Art conducted for the New York State Council on the Arts by Raymond J. Richardson and John F. Maxwell

of the State University of New York at Plattsburgh. This study used an economic multiplier effect of 1.6 times the total estimated summer expenditures for the Fiscal Year 1973. They estimated the total economic impact on Lake Placid of \$1,179,637, resulting from total local expenditures by the Center of \$325,318. The calculation is as follows:

Estimated tourist expenditures	\$ 439,348
Estimated Vacation Home Party Expenditures	249,345
Estimated North Country Resident Expenditures	42,330
Total estimated Summer Expenditures	<u>731,023</u>
Multiplier Effect	1.6
Estimated Total Economic Impact	<u>\$ 1,169,637</u>

3. A study of economic and social aspects of cultural activities in Utah was conducted in 1974 for the Utah Division of Fine Arts, Utah Division of Industrial Promotion, Utah Department of Development Services, by several bureaus in the University of Utah. It provides the following interesting information on the impact of the Utah Shakespearian Festival in Cedar City during the summer of 1974:
  - a. A lower motel vacancy rate during festival nights in July and August -- 10.8% for festival nights as compared with 15.9% for non-festival nights generating approximately \$26,000 in additional tourist expenditures.
  - b. Out-of-state cars parked at the festival accounting for at least \$50,000 in tourist expenditures.
  - c. The budget of the Utah Shakespearian Festival itself generates additional income payments of almost \$50,000 and 4½ more jobs in the state.

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4. Part of the report titled, "The Arts: A Priority for Investment" conducted by the Governor's Task Force on the Arts and Humanities, Massachusetts in 1973, is a supporting study by Becker Research Corporation titled, "A Study of the Economics of Non-profit Arts and Humanities Organizations in the Commonwealth of Massachusetts." This study finds that over 10,000 persons were employed by the arts and humanities in Massachusetts with a payroll of \$31.5 million in 1973 and this had a total financial impact on the state's economy exceeding \$71 million.

bcc: A. Murphy  
David Waterman  
J. Yellin