

ARTS, CULTURE & ECONOMIC PROSPERITY:

THE ECONOMIC IMPACT OF

Arts & Culture in Montgomery County

Arts, Culture & Economic Prosperity: Greater Philadelphia is an economic and social impact study of the Greater Philadelphia region's nonprofit arts and culture industry.

This is a Montgomery County-based economic impact report prepared as part of the Greater Philadelphia Cultural Alliance's *Arts, Culture & Economic Prosperity* research study based on FY22 data.

Economic Impact			
	Direct Expenditures	Indirect and Induced	Total
Organizational Spending	\$46.1M	\$39.1M	\$85.2M
Audience Spending	\$41.8M	\$24.9M	\$66.7M
Total	\$87.9M	\$63.9M	\$151.9M

Government Revenue			
	Local	State	Federal
Generated By Organizational Expenditures	\$2.2M	\$2.3M	\$6.8M
Generated By Audience Expenditures	\$1.6M	\$1.7M	\$4.7M
Total	\$3.7M	\$4.1M	\$11.6M

Household Income	
Generated By Organizational Expenditures	\$38.3M
Generated By Audience Expenditures	\$26.7M
Total	\$65.0M

Glossary

Direct Economic Impact

A measure of the economic effect of the initial expenditure within a community. For example, when a symphony pays its players, each musician's salary and the associated payroll taxes paid by the nonprofit represent direct economic impact.

Direct Expenditures

The first round of expenditures in the economic cycle (the money buyers pay to sellers in exchange for goods or services). A ballet company's purchase of dance shoes is an example of direct expenditures.

Household Income (or Personal Income)

The salaries, wages, and entrepreneurial income residents earn and use to pay for food, mortgages, and other living expenses. It is important to note that resident household income is not just salary. When a business receives money, for example, the owner usually receives a percentage of the profit, resulting in income for the owner. Household income also includes benefits and employer-paid payroll taxes (Social Security, unemployment, etc.).

IMPLAN

The *Prosperity* study uses IMPLAN for its economic analysis. IMPLAN is short for "IMpact analysis for PLANning." It is a widely used economic modeling and impact analysis tool. Using the IMPLAN economic modeling platform, input-output analysis models were customized for all 373 study regions. These quantitative models measure the economic relationships between hundreds of different industries in each geographic area. IMPLAN is a well-regarded system that is used by more than 1,000 U.S. companies and governments.

Indirect and Induced Impact

Prosperity measures the economic impact of the arts using a methodology that enables economists to track how many times a dollar is respent within the local economy and thus, to measure the economic impact generated by each round of spending. For example, when a theater company purchases paint from the local hardware store, there is a measurable economic effect of that initial expenditure within a community. However, the economic benefits typically do not end there because the hardware store uses some of its income to pay the clerk who sold the paint (induced impact) and other businesses such as the electric bill (indirect impact). The indirect and induced economic impacts are the effects of the subsequent rounds of spending by businesses and individuals, respectively.

Input-Output Analysis

A system of mathematical equations that combines statistical methods and economic theory in an area of economic study called econometrics. Economists use this model (occasionally called an inter-industry model) to measure how many times a dollar is respent in, or ripples through, a community before it leaks out (see Leakage). The model is based on a matrix that tracks the dollar flow between hundreds of finely detailed industries in each community. It allows researchers to determine the economic impact of local spending by nonprofit arts and culture organizations on jobs, household income, and government revenue.

Leakage

Leakage refers to the money that is spent outside of a community. This is measured because nonlocal spending has no economic impact within the community, whereas dollars spent within the community continue to have an economic local impact. A ballet company purchasing shoes from a nonlocal manufacturer is an example of leakage. If the shoe company were local, the expenditure would remain within the community and create another round of spending (and local economic impact) by the shoe company.

Tax Revenue to Local, State, and Federal Governments

The IMPLAN economic modeling platform used in *Prosperity* provides a measure of government tax income based on the transactions of the tracked economic activities. It includes taxes paid by both businesses and individuals such as sales tax, income tax, corporate tax, and property tax.