

2012 Annual Member Meeting Remarks

by Tom Kaiden, President, Cultural Alliance

Before I begin my remarks tonight, and I have to warn you in advance that there may be just a few references to food. This is the Cultural Alliance after all, and you know us, it's always about the food.

It's probably been that way since I was a kid. I remember the magic in our family kitchen. In our house, we didn't make orange juice from oranges; we had TANG—just like the astronauts. No grinding messy coffee beans for us, our coffee came from crystals.

Now my grandmother, however, was kind of the family holdout. She wasn't what you would call an early adopter. I can remember her peeling potatoes at the sink one night, and I looked up at her dismissively and said, "Grandma—anybody can make mashed potatoes from potatoes, Mom can make it from a box!"

Well, back then, that kind of magical thinking was going on in our education system too—it was the dawn of "new math". Forget Pythagoras, the Romans and the Egyptians—two or three millennia of teaching people to build pyramids, aqueducts and such were washed up. Our school system had just figured out THE way to teach math so that everyone could understand it. Except, unfortunately, our parents, and most of our teachers.

Of course what we know today is that there are multiple learning styles, and there is no one right way to teach—there are many. Good teachers adapt their approach to the student, not the other way around.

Well when it comes to advocacy for arts and culture—I think we sometimes have kind of a new math/old math problem. Some people say we should rationalize investment in arts and culture by making an economic development argument, because it's the language that resonates with political and civic leaders. Others say that the true impact of culture can't be reduced to dollars and cents, and to do so demeans arts and culture.

But of course, it's never that simple. It's not economics OR education OR intrinsic impact. It's economics AND education AND intrinsic impact. We need to adapt our case making to the audience. That's why two years ago the Cultural Alliance introduced the broader messaging campaign, "Arts & Culture—It's How We Grow". Tonight we're going to focus primarily on one of the tools in the Grow toolkit—economic impact. It's an important tool, but just remember, it's not the only one.

So here it is, our latest economic impact research, ***Arts, Culture & Economic Prosperity in Greater Philadelphia***. This is actually the Cultural Alliance's second economic impact study—the first having been released in 2007. You may remember 2007. You may even remember it fondly, since it preceded

the Great Recession. If you're like me you might even like to be frozen in time in 2007, reliving it year after year in a kind of economically positive version of Ground Hog Day. But alas that's not an option. We know that a lot has changed in 5 years, and in 2012 we need to ask whether the changes in the economy have also changed culture's economic impact?

When you do economic impact analysis, you're essentially looking to capture 3 numbers—total economic activity, jobs created and tax revenues generated. This evening we're going to look at all three.

But let me start with a brief explanation of methodology. To undertake an economic impact study requires rigorous analysis. And we are grateful to our partners at Americans for the Arts and the Pennsylvania Cultural Data Project for helping us to do so. And we are also grateful to many of you who allowed us to interview audience members at your locales, so that we could understand their composition and accompanying activities.

The findings we release tonight are based on the shared data of 345 participating organizations, whose representatives are identified here tonight by a blue dot on their name tags. And we gathered over 2000 individual audience interviews at 78 events throughout the region. To get comparative national data, the Cultural Alliance participated with Americans for the Arts as one of 182 regional partners across the country.

That data was then fed into a national input-output economic model at Georgia Tech University that is specifically designed to measure secondary spending as it ripples through the economy of each region. You'll be pleased to hear that this is my only methodology slide. But those of you quant geeks dying to learn more can find a sumptuous two-page methodology spread in the appendix of the report that outlines the research approach in more detail.

For the rest of us, what you really need to know is that when you look at economic impact for an industry, you need to measure both its direct and indirect impact. Direct spending is money spent by cultural organizations PLUS money spent by our audiences on related purchases. Indirect spending is all the resulting economic activity that occurs after the first round of spending is complete, as ripples of secondary spending occur. We stop counting those ripples of secondary spending as soon as the money travels outside of the region.

Well, I guess that's actually two more methodology slides. Ok, now I'm really done. Promise.

So, here's what we learned about culture's economic impact on Greater Philadelphia in 2012:

Direct spending just by cultural organizations in our region totals \$875 million. Of that, \$360 million was spent on salaries & benefits. Almost \$200 million went to artistic, programmatic, and professional services. And another \$267 million was spent on physical plant. And that's just direct spending by cultural organizations.

Now let's look at direct spending by audiences. And here we look in particular at their spending for activities above and beyond the cost of a ticket. That ancillary spending on items such as meals out, retail shopping, parking, hotels, transportation and child care. And all together it comes to \$521 million, or about \$30 per person per event, over and above the price of admission.

So, when you add the organizational spending of \$875 million to the audience spending of \$521 million, you get... \$1.4 billion in direct expenditures from the region's cultural sector that goes straight back into Philadelphia's economy.

But that's just the beginning of the story. Those dollars then trigger subsequent rounds of spending that ripple through our economy.

In the Prosperity report we provide several examples of how the ripple effect of indirect spending plays out. In one example-- a couple, Rachel & Malik, head out for First Friday, and grab a bite to eat at a local restaurant. Their dinner bill helps pay a waiter and a food supplier. The supplier then employs a purchasing agent and pays a local produce farmer and a seafood supplier. The seafood supplier in turn buys from a fishmonger, and the produce farmer buys seed from another vendor. These people all benefit from an activity that was initiated by the cultural sector. That's how indirect spending works and it adds up to a lot of activity--in our region it generates an additional \$1.9 billion.

So when you add our direct spending of \$1.4 billion to the indirect spending of \$1.9 billion, you get a total economic impact from this sector of \$3.3 billion. That's our first big number. \$3.3 billion.

And the impact is not just in dollars. It's also in jobs. Which leads us to our second big number, at a time when Philadelphia's unemployment rate is hovering around 9%, this sector produces 44,000 full-time-equivalent jobs. Those are real jobs, both in culture and other industries.

These jobs help generate over \$1 billion dollars in household income—money that is going directly into the wallets of citizens. What can that \$1 billion buy? A lot.

\$1 billion is enough for 577,000 Philadelphia area households to gas up their cars for a full year. Or buy groceries for 281,000 families, clothing for 572,000, or make house payments for 127,000 families. Or, if we use Philadelphia's favorite unit-of-currency, it's enough to chow down on 129 million-966 thousand-625 cheesesteaks. That is 32 and 1/3 cheesesteaks for each resident of southeastern PA. (It however does not cover the cost of subsequent visits to your cardiologist.)

Now let's talk about the tax revenues generated by all this economic activity. We are frequently engaged in conversations with policy makers about the difficult budget choices they face, and the argument is often framed something like this..."how can we spend public money on something as discretionary as the arts when we still have people without health insurance, a roof over their heads, or good schools?"

Well, here are the facts. The Arts & Culture sector in this region is responsible for generating \$74 million in local tax revenues for the City of Philadelphia and the 4 surrounding counties. Now compare that to local government spending on arts & culture of \$ 28 million. We're generating \$74 million on an investment of \$28 million.

At the state level, it's a similar picture. \$95 million in state tax revenues is generated by arts and culture—but the Commonwealth only spends \$ 41 million to fund the Council on the Arts, Historic & Museum Commission, zoos and cultural capital projects. So the next time someone frames a public funding debate as a choice between culture and other vital public services, it may be helpful to point out that it's not a zero sum game. When state and local taxes are combined, we are actually helping to generate \$169 million in tax revenues. Money that pays for services like public safety, education and health care.

Another part of the Prosperity report examined how important culture is to the Philadelphia region compared to other parts of the country. As I mentioned earlier, we participated as one of 182 communities across the country. Virtually every major metro area in the country was represented, except New York and Boston, who chose not to participate. In all, there were 41 regions and 141 individual cities, and we participated in both data sets so we could see how Greater Philadelphia stacks up both regionally, and as a city. The answer is, very well.

When you look at our performance as a City, our per capita expenditures of over \$800 per person, place us in the top tier ahead of cities like Chicago and Atlanta. And in total job creation, we beat Miami, San Francisco and DC.

As a region, when we compare Southeastern Pennsylvania to other participating regions with populations over 1 million, we are #2 in the country in direct expenditures generated. And we are #1 in the country in job creation. In fact, we generate 11 jobs/thousand residents, which is double the national average.

What else is in this new edition of Arts Culture and Economic Prosperity? For the first time, we've broken the analysis down by 11 cultural disciplines. So we can understand in more detail where the jobs, economic activity and tax revenues are coming from. Our research particularly highlights the importance of museums, science & nature and history, each of which accounts for roughly 20% of the sector's total economic impact. And the performing arts account for another 20%.

We also surveyed individual respondents about their activities, demographics and geography. We confirmed, once again, that cultural audiences are SUPER voters. 89% said that they voted in the last presidential election. 75% voted in the 2010 congressional elections. And, underscoring the importance of culture to our tourism economy, we learned that 18% of cultural participants stay overnight. And the spending of those visitors is \$45/person, almost double that of residents. Those guests also told us that if it were not for the cultural event they attended, 70% of them would not have come to Philadelphia.

So to summarize, what did we learn from this year's report. Here again are the five main findings:

- 1) With a \$3.3 billion impact, our vibrant cultural sector is critical to our local economy.
- 2) Arts & Culture means jobs—44,000 of them.
- 3) Culture supports families—Those jobs provide over \$1 billion in household income
- 4) Philadelphia's cultural sector is outperforming the country as a whole—with 11 jobs/1000 residents, double the national average.
- 5) Culture is a civic investment, not an amenity—\$169 million in tax collections far exceed public expenditures on culture, so we are a generator, not a draw on, public resources

Ultimately, the reason we conduct the Prosperity report is to be accountable, and to quantify our impact in simple, visual terms to people both inside and outside the cultural sector.

But economic impact analysis is just table stakes. It gets us a seat at the table. It lets us play, but it's not enough to win.

To do that, as I said at the outset, we need to tell the full story. We need to remember that arts and culture is what economists call a public good. A public good is a product where its consumption not only directly benefits the user, but indirectly benefits other people around them. A classic example of a public good is mass transit. If you travelled to this meeting tonight via SEPTA, you actually helped other people who are automobile commuters by reducing traffic congestion around them. You also made it a little cheaper for them to fill up their tank by helping to reduce the demand for and the price of oil. And you made the air that we all breathe a little cleaner. That's why we, as taxpayers, heavily subsidize mass transit and only charge \$1.55 for a subway token, even though the cost of providing that ride is actually closer to \$4.

It's the same with arts and culture. When a child participates in a cultural performance, clearly there is an immediate direct artistic benefit to that child. But our community benefits as well because that child's education is enhanced, her creativity is stimulated, her neighborhood is made more vibrant, and public safety increases as she and her classmates have a positive outlet for their energies. And when she graduates from school, there are more jobs in her city, more creativity in her work place and a quality of life that will make her want to stay and reinvest her time and energy in Philadelphia. Arts and culture is a public good. And it is a public good worthy of investment.

So here are some tangible next steps you can take with this report:

- 1) Share it with your board and staff. This report is deliberately written to communicate quickly and visually with a wide audience. And feel free to bring us into your office. I, and the other members of the Cultural Alliance team, are available to you to present this information on site.
- 2) Run your own economic impact analysis. At Philaculture.org, we have created a personal on-line economic impact calculator that again allows you to determine the individual economic impact of your organization. So use that calculator in your board discussions, development appeals and public advocacy. And for those of you that participated in the study, the Cultural Alliance will create and mail to you an economic impact report for your organization as a thank you for your participation
- 3) Be active advocates. We've given you solid ammunition to speak with your state and local officials. But it's of no value unless you actually use it. Make a point to share the numbers with your elected officials. On the Cultural Alliance web site, in addition to the calculator, are tools to locate and communicate with your officials, and practical advice about how to speak with them.
- 4) Marry data with stories. Two years ago we shared with you the philosophy of "data + stories = proof". There is no substitute for a specific personal example to illustrate numeric impact. We've provided the numbers. You have the stories. Marry them together.

In the end, the value that our sector gives to the Philadelphia region goes well beyond our economic impact. Our highest value is as change agents. Culture allows us to change perspective, to change opinion, to change behavior, to change outcomes, and ultimately, to change Philadelphia.

As leaders of cultural organizations we need to take our role as civic change agents seriously. We need to embrace that role and lead by example. The civic dialog, expression and creativity that we offer are building blocks for all of our citizens and organizations. And it means that we must be open to change ourselves. This recession has taught us that the status quo is not an option. History is a lifeforce in Philadelphia, but it is best used to inform future action, rather than to shackle us to past habit.

Here's how we're embracing change at the Cultural Alliance. We have written a new strategic plan, which has at its core an initiative called "Creating Change". Over the next two years you will see a series of new research releases from us to help the sector and the community. The first is tonight's report, but in addition to economic impact, we will address demand forecasting, business modeling, individual philanthropy, patron loyalty and measuring engagement. You will also see us restructuring our existing programs, including Funsavers, Phillyfunguide and the rebirth of our list co-op as Audience Analytics. We have realigned the Alliance's infrastructure with a leaner staff operating from new office space in a new neighborhood. And next year we will be introducing an individual membership category as part of our community engagement strategy to build our base of advocates beyond the non-profit sector. We make

these changes in response to a structurally different economy, recognizing our unique value to the field, our commitment to serve the community and our responsibility to use scarce resources wisely.

As we slowly emerge from the recession into a changed economy, Greater Philadelphia is at a fascinating juncture. We face challenges in our education system, workforce, and entrenched interests, BUT we also have huge opportunities in our affordability, location and quality of life. The difference between success and failure will come down to Philadelphia's adaptability, creativity and ability to engage the next generation. Few sectors beyond arts and culture will have the chance to play as big a role in shaping our collective future. Let's embrace that role, and lead our region as an incubator of creativity and renaissance. We are the change agents. We are the change agents.

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