Greater Philadelphia's Competitive Edge

The Nonprofit Culture Industry and its Economic Value to the Region

A Report of the Regional Arts and Culture Economic Initiative

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Preface

The Regional Arts and Culture Economic Initiative

Across the nation, smart and aggressive regions are recognizing the economic value of their cultural assets and are actively seeking to capitalize on the potential that those assets represent. Greater Philadelphia can and will be one such region. Greater Philadelphia is blessed with a superb collection of cultural assets, assets that are increasingly viewed in an economic development context. Redevelopment of Broad Street into the Avenue of the Arts has heightened awareness of the use of cultural facilities and assets as central pieces of the City's economic development strategy. Major events like the Cezanne exhibition at the Philadelphia Museum of Art and the Flower Show have opened eyes about the connections between the arts and economic opportunity. Suburban museums like the Mercer Museum in Bucks County and the Brandywine River Museum in Delaware County are major assets for the entire region.

However, the challenge remains to capitalize fully on this emerging opportunity, and to understand, in a strategic sense, what can be done and must be done. Only with that clear and focused awareness of the region's cultural competitive advantage, and the creativity and leadership to capitalize on that advantage, can the region build on its cultural assets to compete successfully in a fiercely competitive world.

Understanding the economic contribution of arts and culture to this region goes far beyond quantifying direct and indirect economic impacts. In the new global economy, regions battle to attract companies and jobs to their regions. Every competitive advantage a region may have – whether access to markets, low cost of doing business, a high-quality workforce or an attractive quality of life – must be packaged, marketed, and sold to companies who now have their choice of locating practically anywhere in the world. Understanding how this region's nonprofit cultural community contributes to our economy and its economic is a vital tool in building our economic future.

A task force of regional private sector leadership – the Regional Arts and Culture Economic Initiative (RACE) – was formed in 1997 to take on this challenge. This is the report of that task force. It is the most comprehensive and thorough analysis of Greater Philadelphia's nonprofit cultural industry ever undertaken.

The project was supported by the William Penn Foundation, the Pennsylvania Convention Center Authority, the Greater Philadelphia Chamber of Commerce, Greater Philadelphia First, AT&T, and Bell Atlantic, with in-kind support from the Arts & Business Council, the Greater Philadelphia Cultural Alliance and the Pennsylvania Economy League. The project task force was chaired by Jim Ginty, President of AT&T-Pennsylvania and Chair of the Arts & Business Council, and was staffed by the Pennsylvania Economy League - Eastern Division. (Please see Figure 1 at the end of this section for a full list of the task force.)

With the goal of providing the region's leadership with a critical base of information and knowledge about the role that the arts and culture plays in Greater Philadelphia's competitive future, the project explored four key areas:

- **Economic Impact of the Nonprofit Arts and Culture Industry:** How much do the region's nonprofit arts and culture organizations contribute to the regional economy in the way of spending, jobs, and tax revenues?
- **Importance to Regional Competitiveness:** How does the nonprofit arts and culture industry add competitive advantage to the region in its ability to create, attract, retain and expand its economic base?
- **Fiscal Profile of the Nonprofit Arts and Culture Industry:** What are the fiscal vital signs of the regional arts and culture industry? How do we compare to other regions? What seem to be the fiscal trends?

- **Strategies for Future Growth: Learning from Our Competitors**: What are other cities and regions doing to support and grow their cultural industry, and what can we learn from those efforts?

As Greater Philadelphia considers its future, both as a destination for conventioneers, travelers and tourists *and* as a competitive location for business growth, this analysis, information, and insight will be critically important to the development of strategies and tactics for the economic future of the region.

Project Approach

The research undertaken for this project combined quantitative financial information about the region's nonprofit cultural organizations with candid interviews and comments from a wide range of the region's business, civic, and cultural leadership.

The core of the research into the economic value of the nonprofit culture industry centered on financial information gathered from the 350 nonprofit cultural organizations in the five counties of Southeastern Pennsylvania. PEL utilized a combination of financial information from Pennsylvania Council on the Arts (PCA) applications, responses to a comprehensive survey, and publicly available information from IRS databases to assemble its economic and financial datasets. As a result, PEL was able to estimate total spending (used to calculate economic impact) for 280 organizations and detailed financial information for 209 organizations to create a fiscal profile of the industry. (For more information on the survey, a list of the organizations surveyed, and methodology used to calculate the various elements of economic impact, please see Appendices A and B.)

PEL also conducted more than 120 interviews, focus groups, and meetings with business, civic and cultural leaders from Greater Philadelphia and around the country. A complete list of those whose insights helped shape this analysis can be found in Appendix C.

Finally, it is important to note the difficulty in obtaining good data for financial analysis of the nonprofit culture industry. There is little available on a local or national basis that allows for comparisons or trend analysis. In order to determine how this region compared to others, project staff used data that was obtained from other economic impact analyses conducted around the country that was reasonably comparable to information available about this region. In addition, trend data was obtained from a subset of 56 organizations for which comparable data could be created for 1988 and 1995. Neither approach is perfect; however, interviews with cultural leaders in and out of the region confirmed the general directions of the findings.

Acknowledgments

We would like to thank the following for their help and assistance throughout the project:

- The project task force members, for their countless hours and advice;
- The Pennsylvania Council on the Arts, in particular Brian Rogers; and the Pennsylvania Historic and Museum Commission;
- The numerous interview and roundtable participants for their very candid and helpful insights and suggestions;
- The staff members of the cultural organizations who returned surveys and guided the PEL staff through their financial information; and
- PEL staff members David Thornburgh, Steve Wray, Steve Brockelman, Annette Goldberg, Jennifer Hutt, Ernie Wright, Matt DeCamara, and D'Anne Reed, as well as former PEL Associate Kerry Williams, project consultant Jennifer Hawk, and PEL Research Assistants Chuckie Kamm, Gary Ritter, and Ericke Schulze.

Project Task Force

Figure 1: Project Task Force Members

Task Force Member	Affiliation
James B. Ginty, Chair	AT&T
Donald O.H. Brown	New Freedom Theatre
Robert J. Butera, Esq.	Pennsylvania Convention Center Authority
Donald R. Caldwell	Safeguard Scientifics
John P. Claypool	Greater Philadelphia First
Betsy Z. Cohen	JeffBanks, Inc.
Anne d'Harnoncourt	Philadelphia Museum of Art
Karen Davis	Arts & Business Council
A.J. DiGioia	Bell Atlantic-Pennsylvania, Inc.
Douglas C. Dolan	Mercer Museum
Richard A. Doran	Independence Blue Cross
David Girard-diCarlo	Blank Rome Comisky & McCauley
William Harral III	The Tierney Group
Gail Harrity	Philadelphia Museum of Art
Alexander L. Hoskins	Zoological Society of Philadelphia
Adrienne B. Jenkins	Greater Philadelphia Cultural Alliance
Paul R. Levy	Center City District
Hon. Mario Mele	Chairman, Montgomery County Commissioners
Stephanie W. Naidoff, Esq.	Regional Performing Arts Center
John P. Neary	CoreStates Financial Corp.
Jane G. Pepper	Pennsylvania Horticultural Society
Charles P. Pizzi	Greater Philadelphia Chamber of Commerce
Richard L. Smoot	PNC Bank
Ellen B. Solms	Avenue of the Arts, Inc.
Sheldon L. Thompson	Sun Company, Inc.
Joseph W. Waz, Jr.	Comcast Corporation
Cathy Weiss	William Penn Foundation
M.L. Kelly Wolfington	Wolfington Associates
Roland H. Woodward	Chester County Historical Society

Summary of Findings

Greater Philadelphia's nonprofit cultural industry is a major contributor to the regional economy, and provides significant indirect benefits to regional companies, particularly in attracting and retaining the skilled knowledge workers who support their growth. The industry is poised for growth, flush with major new capital investments and new energy and momentum. However, if it is to grow, it will require spirited and energetic leadership from the business, civic, cultural and political communities.

Economic Impact of the Nonprofit Arts and Culture Industry

Greater Philadelphia's nonprofit cultural industry is a $300 million industry with more than 5,500 direct full- and part-time employees. Its economic impact on the five-county region is impressive. It supports:

- $564 million in spending;
- more than 11,000 jobs; and
- more than $10 million in state and $6 million in city income and sales taxes.

Importance to Regional Competitiveness

More than any other industry its size, Philadelphia's nonprofit cultural industry represents a major competitive advantage for the region. In our diverse regional economy, the nonprofit cultural industry stands out as a leader. It helps define the region's image and adds significant value to regional companies who understand its potential. Partnerships between regional business and cultural leaders help the region by:

- creating a regional image of quality and creativity;
- helping companies recruit talented workers;
- providing venues and opportunities for business development;
- making the region a leader in the growing cultural tourism market; and
- enhancing the for-profit cultural industry.

Fiscal Profile of the Nonprofit Arts and Culture Industry

The industry was fiscally sound in 1995, with income exceeding expenses by about 3 percent. However, between 1988 and 1995, real (inflation-adjusted) revenues grew by only 4 percent (at a time when real personal income in the region grew by 12 percent). Real expenses grew by only 1 percent. If the region's nonprofit cultural organizations had kept pace with the region's economic growth, the cultural revenue base would have been $20 million higher.

The industry has struggled to tap the region's new suburban wealth - either individual or corporate. The suburban markets take much more time and investment to cultivate, and the industry now spends only 4 percent (about $11 million) on marketing in a large and very expensive media market.

Compared to other regions:

- our nonprofit culture industry is less reliant on earned income (tickets, subscriptions, etc.) and much more reliant on endowment income and foundation grants - whose growth will depend on continued growth in the stock market;
- our family attractions (zoo, science center, children's museum, etc.) are very high priced - which limit their attractiveness to cultural tourists; and
- our industry receives much less public operating support, and that support has been on the decline.

Strategies for Future Growth: Learning from Our Competitors

Around the country, other regions have recognized the economic value of arts and culture and are taking steps to support and grow their industries:

- In Charlotte, regional business leaders raise $4 million annually from a workplace giving campaign in support of Charlotte's regional arts council;

- In Silicon Valley, regional corporate leaders raised $12 million to support endowments and deficit reduction, providing on-going operating support for key Silicon Valley cultural organizations; and
- In Denver, $22 million annually from a dedicated regional sales tax are being used to increase cultural audiences – attendance has grown by 39 percent and total income has risen by 93 percent since the sales tax was put in place in 1989.

The Challenge: Growing the Revenue Base

If it is to realize its potential to support economic growth, and increase its impact on the regional economy, Greater Philadelphia's nonprofit cultural industry must grow its base of revenue.

The payoff for investing in the cultural industry - an industry for which the region already has a world-class reputation – can bring enormous returns:

- every dollar invested in the arts supports $2 in total regional spending; every $25,000 in spending supports one job in the region; an additional $20 million in growth in the cultural industry would support $40 million in spending and 800 new jobs;
- investment in the arts can lower ticket prices for the region's major family attractions, making them affordable, accessible, and exciting to tourists and residents alike; and
- a sizzling cultural community can define this region as a modern day "Athens," a place whose image speaks of quality, creativity, and artistic achievement, a place that welcomes and attracts the knowledge workers critical to the success of world class global companies.

These goals are not far-fetched. Every bit of reason and evidence suggests that this region has what it takes to position itself as one of the cultural capitals of the new economy. With leadership and renewed and creative commitment and investment, this is a game that Greater Philadelphia can win.

I. Profile of the Nonprofit Arts and Culture Industry

Philadelphia's nonprofit arts and culture[1] industry is a diversified industry offering a variety of artistic products and product lines. These diversified enterprises, however, have many similarities. Nonprofit cultural organizations, no matter the discipline or artistic field, are asked to produce an artistic product, to offer that product at as low a cost as possible to the public (either free or for a reasonable fee), and to operate without a strong profit motive. They compete for customers with both commercial and other nonprofit cultural entities, and they also compete for investment from companies, foundations, individuals and government.

The industry has been shaped over the past 250 years by a variety of factors: history, the growth and development of its largest institutions, and the changes in the regional economy. Those factors are the key to both understanding its historic development and its exciting future.

Cultural Industry Classifications

Obviously, there are vast differences between orchestras and museums, zoos and arts centers. Treating the arts community as a monolith is as deceiving as treating the "business community" as one entity. The motivations, approaches, and challenges in the arts industry vary to such a great degree that easy characterization of the industry is very difficult. By breaking the industry into four broad artistic categories, it is possible to identify key similarities and differences between the various artistic disciplines.

[1] Throughout this report, the "nonprofit arts and culture industry" may be referred to as the culture industry, the industry, or even arts and culture. In addition, in most cases, the "region" refers to the five counties of Southeastern Pennsylvania: Bucks, Delaware, Chester, Montgomery, and Philadelphia.

Performing Arts: Performing arts organizations present a performance in front of an audience, in a facility that they either own or rent. In the five county region, about 67 percent of these organizations are located in the City of Philadelphia. In some cases, City-based performing arts organizations (particularly those not bound to a specific facility) have shifted some of their performances to suburban facilities in order to broaden their audience base.

Figure 2: Number of Institutions by Artistic Type and County

Institution Type	*Bucks*	*Chester*	*Dela.*	*Montgo.*	*Phila.*	*Total*
Performing arts	10	6	13	10	81	120
Museums, galleries	6	5	1	4	54	70
Art centers	1	3	6	4	25	39
Other	2	4	3	7	35	51
Total	19	18	23	25	195	280

PEL survey of nonprofit cultural organizations, PCA Data. Based on set of 280 organizations used to calculate economic impact. Categories based on PCA definitions.

Museums, Galleries, Historic and Scientific Institutions: Museums and galleries include organizations like art museums, historic parks and sites, science centers, zoos, and other visual arts presenters. Typically their collections are very place-based, with only select items available for traveling or shared presentations. These visual arts institutions account for 80 percent of attendance at regional cultural attractions, with more than 14 million of the region's total 18 million in attendance.[2]

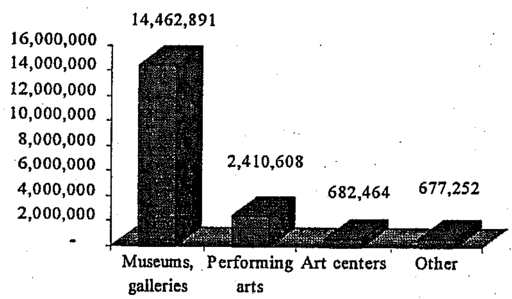
Art Centers: Art centers typically serve as multi-disciplinary community cultural facilities. They may serve a primary function as a visual arts presenter, but typically will offer performances, classes, and other offerings to serve the residents of their community. In many cases, arts centers serve as community development facilities that also provide job

[2] This figure includes more than 6 million visitors to Valley Forge National Historic Park.

training and education programs to local residents.

Other Cultural Organizations: The other category captures a mixture of art forms, including literary magazines and societies, historic societies, arts councils, and community service organizations.

Figure 3: Nonprofit Cultural Attendance by Artistic Type



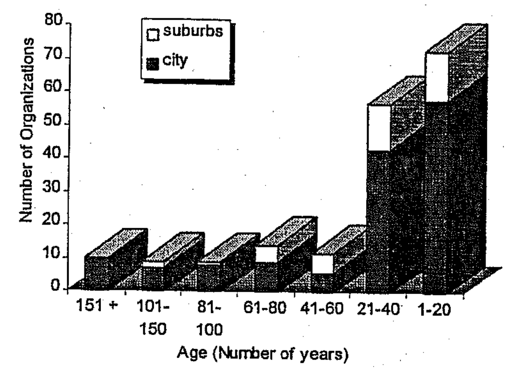
Source: PEL survey, PCA Data
Note: This total includes the attendance for both Valley Forge and Independence Parks, included in the Museums and Galleries category

Historic Roots

While new organizations and companies have emerged on a fairly consistent basis, Philadelphia is dominated by organizations founded before the turn of this century. During the early to mid-1800's, Philadelphia was the cultural capital of the United States. As the "Athens of America," Philadelphia was the center of education, science, music, art, and philosophy for much of the 19th century. As the City approached the onset of the 20th Century, another period of activity and excitement began. Organizations like the Philadelphia Orchestra, the Philadelphia Zoo, the Franklin Institute, and the Philadelphia Museum of Art are all legacies of the generosity of late 19th century Philadelphians.

> ***During the early to mid-1800's, Philadelphia was the cultural capital of the United States... Today, the region is poised on the cusp of the next major growth period in its long cultural history...***

Figure 4: Age Distribution of Philadelphia Nonprofit Cultural Organizations



Source: PEL survey

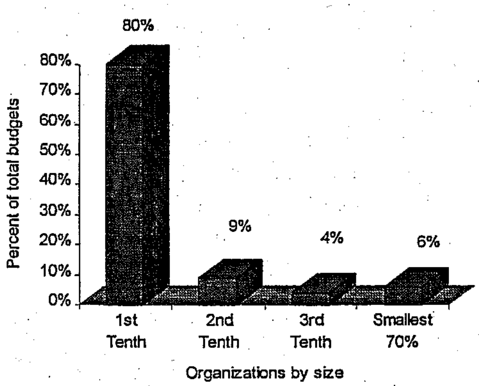
The most dramatic era of growth came with the establishment of the National Endowment for the Arts in the mid-1960's. While today the NEA accounts for less than 2 percent of total arts revenues in the region, 50 percent of the nonprofit arts and culture organizations in the region were founded after the establishment of the NEA.

Today, the region is poised on the cusp of the next major growth period in its long cultural history. With close to $1 billion of new capital projects planned or underway, the region is currently in the midst of a period of capital investment rivaled only by the growth of the late 19th Century.

Dominance by Large Organizations

The diversity of the region's nonprofit cultural industry is most notable for the differences in the size and financial resources of its various cultural entities. Cultural Philadelphia is dominated by its largest organizations – the largest ten percent of organizations in the region account for 80 percent of all spending; the largest 20 percent account for 90 percent of the spending.[3] Philadelphia is not unique – nationally, 50 organizations (about 1 percent of the national total) receive 32 percent of all the contributed support available in the United States.[4]

Figure 5: Distribution of Philadelphia Nonprofit Cultural Organizations by Budget Size



Source: PEL survey, PCA data

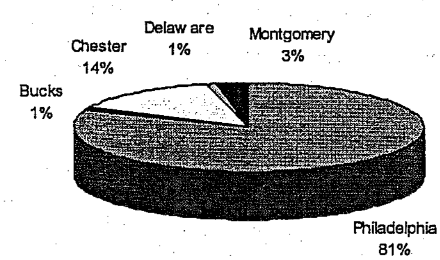
Why is this important? The largest organizations in the region are typically the market leaders - they attract the most attention, the largest audiences, and the most contributions, and bring in the most visitors from out of town. As a result, they account for the vast majority of the direct economic activity created by arts and culture in the region, and they serve as the cultural entry point for most of the populace. In return, smaller organizations benefit from the larger organizations through the development of new audiences, capturing audience spillover, or matching major events with innovative programming of their own.

Geographic Distribution

Just as age and size influence the makeup of the nonprofit cultural industry, so has the increased suburbanization of the region. Over the past 50 years, there has a been a dramatic shift in population and employment in Greater Philadelphia. In 1960, the City of Philadelphia accounted for 56 percent of the population in the five county Southeastern Pennsylvania region. By 1995, the City only accounted for 40 percent of regional population. At the same time, the employment base has shifted outwards as well. In 1980, the City accounted for 47 percent of all five county regional employment. By 1995, Philadelphia captured 38 percent of Southeastern Pennsylvania employment.[5]

While the regional economy and population base have shifted to the suburbs, Cultural Philadelphia remains largely centered in the City of Philadelphia. Seventy percent of all regional nonprofit cultural organizations are located in the City of Philadelphia, and they account for about 81 percent of total spending.

Figure 6: County Share of Total Nonprofit Cultural Spending



Source: PEL survey, PCA data

Despite the regional population and employment shifts, the cultural industry is very place based. It is not likely that cultural organizations are going to move their location, even if their audience has moved. In many cases, the cost of building new facilities or retaining their employees in another location precludes moving. Thus, these organizations must broaden their marketing and development messages across a much larger region. The cost in additional staff and development resources for small and emerging organizations presents a particular challenge.

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3 Source: PEL survey, 1995 data.

4 National Endowment for the Arts, *American Canvass,* written by Gary O. Larsen, 1997, p156.

5 Source: Pennsylvania Department of Labor and Industry, Monthly Unemployment Statistics.

II. Economic Impact of the Nonprofit Arts and Culture Industry

The nonprofit arts and culture industry in Greater Philadelphia is an industry of sizable proportions and importance to the regional economy. The analysis of the industry's impact on the regional economy shows how the spending of cultural organizations and their audiences influence spending by individuals and businesses in the region, create jobs, and result in tax revenues for state and local government. The figures are impressive:

- Philadelphia's nonprofit cultural industry supports $564 million of spending in the five counties of Southeastern Pennsylvania;
- Expenditures by nonprofit cultural organizations and their audiences support more than 11,300 full- and part-time jobs in the five counties of southeastern Pennsylvania;
- Direct payroll expenses of arts organizations, combined with indirect income generated by arts spending, support $224 million in personal income in the five counties; and
- Spending by arts organizations and audiences generates $10.2 million in state income and sales taxes and nearly $6.5 million in City of Philadelphia sales and wage taxes.

Estimating Economic Impact

Calculation of the economic impact of nonprofit cultural organizations in Greater Philadelphia measures both the direct and indirect economic activities supported by organizations and events. The direct economic activity supported by nonprofit cultural organizations includes the operating expenditures of organizations and the expenditures of their audience members. The indirect economic activity is supported by the relationships between nonprofit cultural organizations and other industries. For example, when a cultural organization purchases goods and services from a business, that business buys goods and services from other businesses in the economy, who in turn do the same, starting a cycle of economic activity that can be estimated through economic models. That activity is captured in what are commonly known as multipliers.

In addition to the total impact of all nonprofit cultural spending, the difference was estimated between total spending and "new" dollars brought into the region due to the presence of our nonprofit cultural community. New dollars represent spending that would not occur in the regional economy if not for the activity of the nonprofit cultural organizations. An example of new dollars is the revenue that an organization receives from a foundation located outside the region, or from out-of-town visitors. Thus, they represent the true economic "impact" of nonprofit cultural organizations in the region.

Figure 7:
Summary of Economic Impact

	Total Impact	"New" Dollars Impact
Spending[6]	$564	$265
Jobs	11,377	5,338
Personal Income	$224	$105
Salary	$199	$94

Source: PEL analysis utilizing IMPLAN economic model
Dollars are in millions

As Figure 7 shows, the impact of all nonprofit cultural activity in the region is $564 million in total spending, 11,377 jobs, and $224 million in personal income, including nearly $200 million in wages and salaries. When estimating the impact only from "new" dollars, the new dollars

6 A 1985 economic impact study commissioned by the City of Philadelphia estimated that arts and culture contributed over $1 billion to the economy. That study differs significantly from the PEL analysis in a number of ways. In particular, it included both non- and for-profit cultural activities. However, if the same 2 to 1 relationship of for-profit to non-profit cultural spending holds today, it could be estimated that the total impact of all cultural activities could exceed $1.7 billion.

support $265 million in regional spending, which in turn helps to support more than 5,000 jobs and $105 million in personal income.

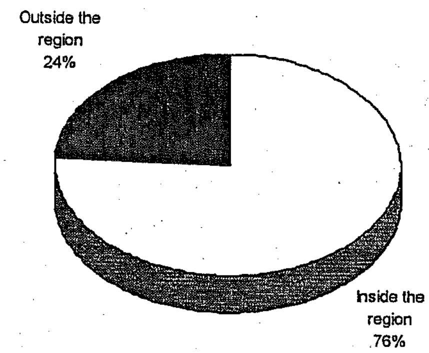
Spending Impacts

In the following sections, two different methods of estimating spending impact will be detailed. In the first, ***total spending***, the analysis will focus on all spending in the five counties of Southeastern Pennsylvania by nonprofit cultural organizations and their audience members. The second, ***"new" dollars spending***, is based upon only that spending which has its origins outside the region – in essence, spending that would not happen unless the nonprofit cultural industry existed.

Total Spending

The total spending impact of the activities of nonprofit cultural organizations in Greater Philadelphia is calculated by first estimating the amount spent by both organizations and their audiences in the Greater Philadelphia region.[7] Only spending that occurs within the specified geographic region is used in the analysis – spending that occurs outside that region does not directly benefit the region's economy. Cultural organizations, including Valley Forge and Independence National Park, spent a total of $294 million – with 76 percent of that spending occurring in the five counties of Southeastern Pennsylvania, resulting in $223 million of direct spending in the region (Figure 8).

**Figure 8:
Where Organizational Direct Spending Occurs: Inside and Outside the Region**



Source: PEL survey

That $223 million is added to $54 million of audience spending in the region to generate the direct spending impact of $277 million. The regional multipliers, which PEL generated using the IMPLAN economic model of the regional economy, for both organization and audience spending are then applied to the direct spending to calculate the indirect impacts which result from additional rounds of spending. The combination of direct and indirect impact result in the total spending impact of $564 million (Figure 9).

**Figure 9:
Total Spending Impact**

	Direct	+	Indirect	=	Total	Multiplier
Organiz. Spending	$223	+	$241	=	$464	2.08
Audience Spending	$54	+	$46	=	$100	1.86
Total Spending	$277	+	$287	=	$564	2.04

Source: PEL survey, PCA Data, IMPLAN
Dollars are in millions

[7] Organizational spending includes the direct spending by organizations on goods and services. Audience spending is the amount spent by audiences outside of the cultural event or facility, but that took place as a direct result of their attendance at that event or facility.

"New" Dollars Spending

Approximately 45 percent of all organizational and audience revenue comes from outside of the five county Southeastern Pennsylvania region. In essence, "new" dollars enter the region solely due to the presence of regional arts and culture organizations.

Taking the proportion of "new" dollars spending to total spending, the infusion of new dollars as a result of non-profit arts and culture activity supports $265 million in total regional spending (see Figure 10).

Figure 10:
"New" Dollars Spending Impact

	Direct	+	Indirect	=	Total	Multiplier
Organiz. Spending	$103	+	$112	=	$215	2.08
Audience. Spending	$27	+	$23	=	$50	1.86
Total Activity	$130	+	$135	=	$265	2.04

Source: PEL survey, PCA Data, IMPLAN
Dollars are in millions

Employment Impacts

To many people, the most visible, and arguably important, impact of nonprofit cultural organizations is support of jobs in the economy. Based upon a survey of nonprofit cultural organizations, it is estimated that regional organizations have more than 5,500 full- and part-time employees. In addition, audience spending supports nearly 1,400 direct employees in places like restaurants, hotels, and other hospitality-oriented sectors. Combining the nearly 6,900 direct jobs with approximately 4,500 indirect jobs created across the economy through the multiplier effect, means that culture supports close to 11,400 jobs in the regional economy (see Figure 11). Those people have combined annual compensation of $199 million - dollars that come home to families throughout the region.

Of even more importance may be the more than 5,000 jobs that are supported as a result of "new" dollars spending. These are jobs that would not be in the region except for the presence of nonprofit cultural organizations.

Figure 11:
Culture-Supported Jobs
Five Counties of SE PA

	Direct Jobs	+	Indirect Jobs	=	Total Jobs
Total Jobs	6,895	+	4,482	=	11,377
"New" Dollars Jobs	3,235	+	2,103	=	5,338

Source: PEL survey, PCA Data, IMPLAN
Note: "New" dollars' jobs are a subset of total jobs.

Generating Tax Revenues

It is also important to understand how tax revenue is generated by nonprofit cultural activities. The two sources of tax revenue that can be estimated with some level of precision are sales tax and personal income taxes in the City of Philadelphia and the Commonwealth of Pennsylvania,[8] based upon consumer purchases and wage levels.

Nonprofit cultural activity across the region generates more than $10 million dollars in sales and income taxes for the Commonwealth of Pennsylvania, and nearly $6.5 million for the City of Philadelphia (see Figure 12). Combined with additional business, property, and other taxes, the business of arts and culture is clearly a significant generator of tax revenue in the region.

Figure 12:
Culture-supported Tax Revenues

Activity	Tax Revenue
PA Income tax	$6.75
PA Sales tax	$3.51
PA total revenue	$10.26
Phil. Wage tax	$6.26
Phil Sales tax	$0.22
Total Phil tax	$6.48

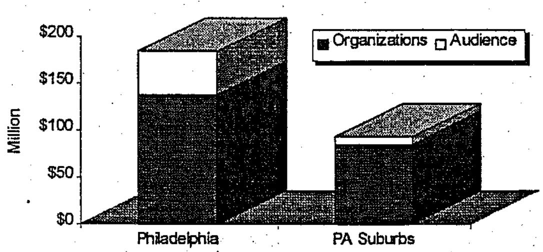
Source: PEL, IMPLAN
Dollars in millions

[8] The multiplicity of local tax rates and municipalities makes it impossible to accurately estimate municipal tax revenues.

Economic Impact Across the Region

Finally, based upon the survey of nonprofit cultural organizations, it is possible to estimate precisely where organizations spent their money. This allows an estimation of how much was spent in the City of Philadelphia and the Pennsylvania suburbs.[9] As Figure 13 shows, nonprofit cultural organizations spent $138 million in the city of Philadelphia, and $85 million in the four Pennsylvania suburban counties. Most audience spending occurs in the city, with $48 million occurring in the city, and $8 million in the suburbs.

**Figure 13:
Where Direct Spending Occurs:
City and Suburbs**

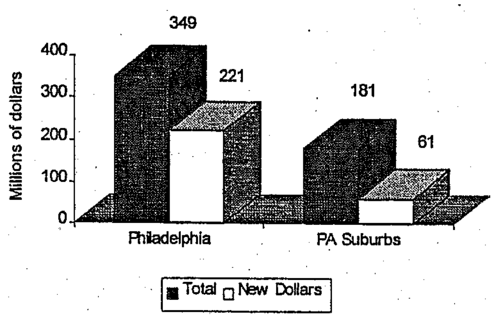


Source: PEL survey of organizations

The location of spending is important to understanding the economic value of arts and culture to all of the region, not just the specific location of the organization. In reality, employees of culture organizations are free to live wherever they choose, which means that their salaries come home to their communities. Those salary dollars begin to circulate in those communities as employees pay their rent or mortgage, or purchase groceries. The organizations themselves may purchase goods or services in regions other than their home location. In some cases, the dollars "leak" out of the region, perhaps as payment to a visiting artist or for a purchase of materials to be used in the construction of a set or exhibit. In most cases, the dollars stay in the region - and then circulate throughout the economy, being spent and re-spent by large and small businesses in Greater Philadelphia.

As Figure 14 shows, both the city and the suburbs receive substantial benefits from the region's nonprofit cultural industry.

**Figure 14:
Total Spending Impact:
City and Suburbs**



Source: PEL, IMPLAN

A more detailed discussion of economic impact methodology and complete tables of results are included in Appendix A.

[9] Bucks, Chester, Delaware, and Montgomery counties.

III. Importance to Regional Competitiveness

Few local industries cast as bright a light on the region as the cultural community does in Philadelphia. The Philadelphia Orchestra is truly one of the world's great orchestras. The Philadelphia Museum of Art is one of a handful of world-class art museums. In Longwood Gardens, this region has one of the great botanical gardens of the world. Combine these giants with the smaller gems - the Mercer and Michener Museums in Bucks County, the Pennsylvania Academy of the Fine Arts and the Rodin in Center City, and the ever-exploding theater community that has spawned a collection of diverse theaters such as the New Freedom, Arden, People's Light, Bristol Riverside and Wilma Theatres - and it is easy to see why this is a region with few peers when it comes to the quality or diversity of its cultural experience. They provide an opportunity for Philadelphia to craft a regional image that is defined by its cultural excellence.

> ***There is an opportunity for Philadelphia to craft a regional image that is defined by its cultural excellence.***

However, understanding the economic value of arts and culture to this region goes far beyond the observable direct and indirect economic impact. In the new global economy, regions compete to attract companies and jobs to their regions. Every competitive advantage a region may have – access to markets, low costs, a high-quality workforce or an attractive quality of life – must be packaged, marketed, and sold to companies who now have their choice of locating practically anywhere in the world. The ability of a region to understand and know its strengths and weaknesses will be a key determining factor in whether that region will be a global competitor.

As the local economy has changed, the rules of the game for global competition have changed as well. Regions and companies now compete directly with locations throughout the world for knowledge workers. These talented people serve as the foundation of successful companies, as well as the creators of new companies.

The presence of a thriving nonprofit cultural community can be a significant competitive advantage when attracting the knowledge workers that are the base of the new global economy. For some of Philadelphia's most significant economic sectors – professional services, health services, and other technology-driven firms – that competitive advantage is crucial to future growth.

In meetings and interviews with regional business leaders, it is clear that the nonprofit culture industry is already a major factor in the region's competitiveness - but that it could be even more. Locally and nationally, a region's culture industry is increasingly important in:

- creating a regional identity to attract and retain companies;
- attracting talented people;
- supporting business development;
- supporting cultural tourism; and
- enhancing the viability of the for-profit cultural industry.

Creating a Regional Identity

The ultimate goal in the economic development business is to become a "hot" city - one that is known to every recruiter, business analyst, and newspaper reporter as a great place to live and work. That image can be created in a number of ways – through a hot industry segment (high-tech and Silicon Valley, computer software and the Pacific Northwest), with low costs and incentives (much of the Sunbelt), or even through historic dominance and reputation (New York or Boston could qualify here).

The nature of Philadelphia's diversified economy makes it difficult to create a "hot" industry segment. While progress is being made on the cost front, Philadelphia will never be a low cost location.

However, the traditional cost factors may not be as important to today's global companies. Economist David Birch, in his annual report on the best places to start and grow a business, puts it clearly:

"In today's economy, the traditional 'factor cost' argument is largely irrelevant. [Entrepreneurial] firms are not locating so as to minimize taxes, or costs associated with labor, energy, transportation, etc. In fact, if there is any pattern, it is a shift to higher, rather than lower, cost areas...."[10]

The importance of image to a city's economic prospects cannot be overlooked. "A city's success depends on what people – residents and outsiders – think of it and what they want it to be," wrote two analysts, "If a city has a weak image, a bad image, or no image, initiating or sustaining effective action will be difficult. Since image is tied closely to reality, problems with image must be addressed with the same competence and determination as other development problems."[11]

Despite overwhelming agreement on the quality of the region's nonprofit cultural assets, those interviewed for this project - from both the business and the cultural community - almost unanimously pointed to a lack of defining identity as a real challenge for Greater Philadelphia. Most linked this to a historic failure to market the region effectively, and hope that the recent emergence of the Greater Philadelphia Tourism Marketing Corporation will be a positive development. However, that enthusiasm was tempered by the GPTMC's limited funding and the need to play catch-up in improving the region's image regionally and nationally.

Harvard economist Rosabeth Moss Kanter, in her book *World Class*, notes that in the new economy, companies increasingly view their home cities as showplaces. "In larger companies, top managers and professionals are recruited on a national and international basis; companies need to make sure that their home city has maximum amenities and minimum problems in order to compete for talent in a global labor market. Civic amenities and services are important for those posted at headquarters, rotating through it, or visiting it for meetings....Headquarters is a frequent destination for customers or suppliers, so the home city needs to have attractive facilities, entertainment, and transportation."[12]

In today's economy, the traditional 'factor cost' argument is largely irrelevant. [Entrepreneurial] firms are not locating so as to minimize taxes, or costs....The search appears to be for high quality, not low cost...

There are a number of vivid examples. Systems and Computer Technologies (SCT), a fast growing technology firm, combines its annual client meeting with the Philadelphia Orchestra's Academy Ball, both showing off the Orchestra and providing a prestigious setting for entertaining and meeting with its most important clients. Consulting firms like KPMG Peat Marwick often utilize the region's museums for meetings or entertainment, taking advantage of world-class settings to impress their increasingly global clients.

In the ongoing battle to attract and retain companies, Greater Philadelphia faces constant challenges from regions both around the country and the world. While the project's interviews did not find evidence of any specific deals that were closed because of the region's cultural

10 Birch, David, et. al., *Entrepreneurial Hotspots: The Best Places in America to Start and Grow a Company*, ©Cognetics, Inc. 1997

11 Penne, R. Leo and Shanahan, James L., "The Role of the Arts in State and Local Economic Development," from *The Economics of Amenity: Community Futures and the Quality of Life,"* McNulty, Penne, and Jacobson, 1985 p127.

12 Kanter, Rosabeth Moss, *World Class*, 1995, p179.

assets, most of those interviewed felt that without its nonprofit cultural assets, Philadelphia might not even get to the table.

Quality of life rankings bear out the region's status. Philadelphia ranks 10th in the 1996 *Places Rated* rankings. In 1997, Fortune magazine rated Philadelphia 3rd as the best city in the US in which to work and live – and cited the region's cultural assets as the key to that ranking.

The competition and attention paid to these often subjective rankings validates the importance of cultural assets to the quality of life for a region. Around the country, fast-growing regions are struggling to build and sustain the types of cultural assets that have called Philadelphia home for decades and even centuries. The recognition is that low costs only go so far – the name of the game in the future is giving companies an edge when it comes to recruiting and retaining talented people. Philadelphia has a competitive advantage in its nonprofit cultural industry, which, if utilized correctly, could be a crucial piece of our regional business attraction and retention efforts.

In his report, Birch goes on to say that there are hard and soft determinants that seem to be key factors in the development of an entrepreneurial economy. The hard determinants are universities, a skilled labor pool, airports, and a nice place to live. In describing a "nice place to live" Birch focuses on climate, density, quality of education, and recreational and **cultural** opportunities. As Birch says – workers in the 1990's can choose where to live, and then demand that employers follow them. Regions that can attract workers will naturally attract companies.

On the "soft" side, Birch focuses on tolerance. "Tolerance and recognition of new and different people doing new and different things is the hallmark of a place in which entrepreneurs will start and grow companies."[13] This is where a region's cultural gazelles and innovators can have important ramifications on the success of a regional economy. Interesting, creative, talented people will seek out exciting venues and organizations. A region that supports that type of creativity is much more likely to support the risk-taking attitudes prevalent in the entrepreneurial economy.

> ***A city's success depends on what people – residents and outsiders – think of it and what they want it to be ...***

> ***Workers in the 1990's can choose where to live, and then demand that employers follow them. Regions that can attract workers will naturally attract companies.***

This may turn the old economic development strategy of smokestack chasing on its head. Rather than giving major grants to large companies in an effort to get them to pick up and move to your region, regions will focus on improving existing assets. The goals will be to make the region a more attractive place for the workers that companies are trying to recruit.

Attracting Talented People

There was broad consensus among those interviewed that the arts are a major factor in helping a company recruit and retain a high quality workforce. In an economy where the premium is now on smart, talented people, knowledge workers and their families are seeking interesting and exciting environments in which to work. Company representatives, particularly from the technology oriented firms, said that our cultural assets give them a leg up when it comes to recruiting workers - and maybe even more important, in retaining them.

Robert McNulty, the founder and President of Partners for Livable Places, puts it well:

"For an increasingly large share of the economy, a particular business does not have to be anywhere in particular. Among other things, this means that today, to a much greater extent than in the past, jobs can follow people rather than

13 Birch, et. al.

the reverse. In the most rapidly growing sectors, in fact, the critical factors are human intelligence and skill in the form of technical innovators and entrepreneurs. As a result, businesses are more likely to locate where these people want to live. Thus the changes in the economy have made it much more important that cities link economic development and quality of life."[14]

Corporate headhunters raised a point that is a good news/bad news story - they say Philadelphia is one of the toughest cities to get people to come to, but also very hard to get people to leave. That means that the challenge is to get the word out to those thinking about moving to Philadelphia that people who live here find this an exciting place to work and live.

Perhaps the most telling comments came from a focus group held with a group of graduate and undergraduate students from Penn's Wharton School. The message was clear - Philadelphia was not on the location short list of many of the region's best and brightest. In an economy that more and more depends upon the ability to attract and retain the most talented workers and managers, that is an area of concern.

Those students from outside the region had little knowledge of the quality or depth of the

> ***...a particular business does not have to be anywhere in particular...To a much greater extent than in the past, jobs can follow people rather than the reverse....The changes in the economy have made it much more important that cities link economic development and quality of life.***

region's cultural assets when they arrived. Once they were here, they still found it difficult to know what the options were. Just as important, though, were the opinions by those few who <u>had</u>

> ***When we bring in people for training from our other locations around the country, they don't want to go back...***

explored the region's cultural assets that the region stacked up well. In fact, for a number of the students, it was the region's accessible quality of life that put the city in play as a place where they might consider looking for work.

Interviews with technology oriented and professional service firms confirm the importance of amenities to recruiting knowledge workers. Their success, they claim, depends upon their ability to recruit – and retain – a highly skilled workforce. In particular, regional technology firms are practically begging for workers. Given that the Philadelphia region is not naturally supplying these workers through growth, technology firms hope that the region becomes a "hot" place to live and work. As one person said, "Philadelphia needs to become a place where young, smart people will do anything – even sleep on a friend's couch for awhile – to live and work here." Until the region reaches that stage, its companies are in danger of being unable to sustain growth due to a shortage of talented workers.

A corporate recruiter might have put it best. "While the key to any placement is the quality of the employment opportunity, a sense of momentum and sizzle makes a big difference when it comes to breaking ties."

Finally, there was a general belief that the region's high quality of life made a difference to their ability to keep workers, as well as attract them. As one said, "When we bring in people for training from our other locations around the country, they don't want to go back, after sampling everything that this region has to offer." Others interviewed commented that they felt that both the corporate community and the nonprofit cultural community could do a better job of showing off the region's assets during the corporate recruiting process, believing that the same benefits that are seen when someone visits

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14 McNulty, Robert H. "Quality of Life and Amenities as an Urban Investment," in *Interwoven Destinies: Cities and the Nation,* Henry G. Cisneros, ed. p. 235

for an extended time need to be demonstrated to people in for a short recruiting visit.

Business Development

A company can utilize a relationship with a cultural organization to raise its profile, both locally and nationally. Just as the region can enhance its image with its cultural community, so can a company improve its bottom line by its association with a particular event or organization.

No matter the partnership, organizations are increasingly looking to leverage their relationships with cultural organizations to improve sales and corporate images, or enhance relationships. Savvy arts organizations are parlaying their knowledge of their audience and supporters into campaigns that provide companies with well-targeted opportunities for image and product development.

One way they can create productive partnerships is by partnering with organizations that exhibit similar characteristics. Just as the business community is not a monolith, neither is the cultural community. Cultural organizations differ not only by artistic type, but by size, business approach, audience demographics, and a whole host of other factors. Two organizations which are in the same basic artistic classifications (e.g. museums) may have entirely different approaches to how they position their products, how they market themselves, and their expectations for growth.

Following this argument, the region's nonprofit cultural organizations can be described as:

- blue-chip institutions;
- regional leaders;
- "gazelles" or rapidly growing firms;
- innovators or centers of research and development;
- community development institutions; or
- neighborhood organizations

Each type has different characteristics and potential opportunities for business partnerships.

Organizations	Characteristics	Potential Partners	Benefits
Blue Chips	• dominant in industry • national / international markets • long histories	national / international firms, local firms looking to increase their visibility, regional leaders	association with quality, reaching a broader regional or national audience
Regional Leaders	• large companies • regional markets • long histories	locally focused firms: utilities, banks	market penetration, local visibility
Gazelles	• fast growing • high energy • seeking major investments	fast growing firms, risk takers	opportunity for growth, association with change/success
Innovators	• cutting edge • talent / product incubators • uncertain markets	R&D oriented firms, technology firms	association with talented, creative people; demonstrated commitment to risk-taking
Community Development	• use art to teach other skills, self-esteem • broader mission	Community-oriented firms	market segmentation and targeting; community redevelopment
Neighborhood Organizations	• serve community market • funding from local sources	local businesses	community pride and enhancement

Used strategically, the cultural industry can be an integral part of a business development strategy for both local and national companies. Companies looking to enhance an image of quality might look for an affiliation with one of the region's blue-chip or regional leader institutions. Firms that thrive on being on the cutting edge could be more inclined to develop a relationship with one of the region's innovators.

Advanta's sponsorship of the Cezanne exhibition demonstrates the cross-fertilization opportunities. By sponsoring this once-in-a-lifetime event, Advanta was able to increase its national and international presence, as well as support the Art Museum's efforts. Advanta was able to realize corporate goals of increasing brand awareness for their products among the attendees of the exhibit, as well as through the very visible advertising and sponsorship recognition opportunities.

In addition to Advanta's efforts, the Cezanne exhibition served as the backdrop for numerous entertainment opportunities for local companies, as clients were brought to the Art Museum for special exhibitions, dinners, and behind-the-scenes tours.

A common theme that emerged from the interviews was the need to take advantage of the opportunity to attract national sponsorship of Philadelphia nonprofit cultural organizations. As the nation's fifth largest metropolitan region, as well as the center of a broader Mid-Atlantic corridor, Philadelphia's cultural attractions should be very attractive to national consumer-goods firms.

However, the costs of identifying and reaching national partners may be prohibitive for even some of the larger organizations. Expanding that market opportunity may require a coordinated marketing campaign to introduce potential national partners to the benefits of investing in Philadelphia's nonprofit cultural industry.

Cultural Tourism

Throughout the US, countless cities are focusing on tourism as a key economic development strategy. Beyond building convention centers and hotels, attracting "me-too" theme restaurants, and developing upscale urban shopping centers, regions are looking to market and promote their cultural assets as tourism attractions. As the battle for the tourism dollar continues, it is becoming more clear that arts and cultural assets may be a key differentiating factor between cities.

...the region has plenty of room to grow in the hospitality sector. Despite 141,000 jobs in the hospitality cluster, the region's employment concentration in hospitality is only 71 percent of the national average...

In recent years, Philadelphia has become one of the leaders promoting "cultural tourism." The startling success of the Barnes and Cezanne shows at the Philadelphia Museum of Art demonstrated to cities throughout the country that New York and Washington don't have monopolies on the use of cultural assets as tourism attractions.

As the City and region work to increase the number of visitors to the region, the nonprofit cultural industry must be an integral element of the regional package. In the vernacular of the technology and communications industry, the nonprofit cultural industry is a key supplier of "content" for potential visitors – offering unique experiences only found in this region. Philadelphia has an opportunity here – it is a step ahead of most regions in terms of existing and high-quality cultural attractions that can appeal to a wide range of audience members.

Given Philadelphia's geographic location it is ideally positioned as a weekend destination. The recent investment by the City of Philadelphia, the Commonwealth of Pennsylvania, and the Pew Charitable Trusts in the Greater Philadelphia Tourism Marketing Corporation will only accelerate the attention on the region as a tourist destination, as well as increase the demand for the content that cultural assets will provide for tourists.

The potential growth of the cultural tourism industry in Philadelphia is made clear by the realization that Philadelphia has only just begun to aggressively promote the hospitality industry as a key economic generator. Until the creation of the GPTMC, spending on tourism marketing in the region was almost negligible – and we were falling far behind the nation in hospitality industry jobs. Greater Philadelphia First, in its 1995 economic development strategy, showed that the region has plenty of room to grow in the hospitality sector. Despite 141,000 jobs in the hospitality cluster[15], the region's employment concentration in hospitality (based on an index of the ratio of hospitality jobs to all jobs) is only 71 percent of the national average – meaning that the region has not been drawing a proportional share of the nation's hospitality industry.

For-Profit Arts Synergy

Considerable synergy exists between the region's nonprofit cultural assets and for-profit arts-related businesses. When the growth of the theatre industry provides a pool of local actors that are attractive to potential movie-makers, or the explosion of art galleries in Old City showcases the works of local artists, the strength of the region's nonprofit cultural industry can have a profound positive impact on the development of a thriving *commercial* cultural industry.

While this analysis did not attempt to estimate the economic impact of the for-profit cultural community, the economic power of this community should not be underestimated. A 1985 cultural impact study commissioned by the City of Philadelphia showed that for every dollar of spending supported by the nonprofit community, two dollars was supported by the for-profit cultural community of artisans, Broadway shows, art galleries, historic renovation, and broader tourist destinations. If the same relationship were to hold today, that would place the total impact of nonprofit and for-profit cultural organizations at nearly $1.7 billion.

In addition, cities like New York and Los Angeles have demonstrated that the presence of a creative artistic workforce can have cross-over benefits to commercial industries like television production, advertising, and multi-media software development. A region that provides a steady stream of creative individuals is increasingly attractive to firms looking for cutting-edge ideas and products. As the nonprofit culture industry grows, an ever-growing pool of available part-time actors, musicians, and artists is an increasingly attractive draw for "new" economy firms. Supporting the growth of the nonprofit cultural industry in Philadelphia will result in the development of a high-quality, creative talent pool for existing and new regional companies.

A region that provides a steady stream of creative individuals is increasingly attractive to firms looking for cutting-edge ideas and products...

15 The hospitality cluster includes the sectors of eating and drinking places; hotels and other lodging places; amusement and recreation services; and museums, botanical, zoological gardens.

IV. Fiscal Profile of the Nonprofit Arts and Culture Industry

As the previous section demonstrated, the economic value of the nonprofit culture organizations can be measured by both its direct and indirect contributions to the region's economy and economic competitiveness. Given its importance to the region, the project task force also felt that it was important to understand the fiscal situation of the nonprofit culture industry. Specifically, what are the fiscal vital signs of the regional arts and culture industry? How do we compare to other regions? And what seem to be the fiscal trends?

To answer those questions, project staff assembled detailed financial information on 209 of the region's nonprofit culture organizations, as well as trend data from 1988 to 1995 for 56 organizations (representing over 50% of the total budgets). In addition, staff met with numerous cultural leaders and analysts to help develop a fiscal profile of the industry.

The consolidated income statement of the nonprofit cultural industry shows a small surplus – meaning that cultural organizations have done an admirable job of managing their expenses in light of a slowly growing revenue base. While serving a vital role in the regional economy, Philadelphia's nonprofit cultural organization's are "squeezing every nickel" on the expense side of the ledger to keep their budgets balanced. From 1988 to 1995:

- Real total expenses increased by only 1 percent over the seven year period;
- Real payroll costs have fallen steeply, with total administrative costs falling by 15 percent; and
- Facility costs have risen steeply – perhaps representing either increased costs associated with new facilities or added expenses as a result of much needed

Figure 15:
Consolidated 1995 Income Statement
Greater Philadelphia Nonprofit Cultural Institutions

	Millions of Dollars	*Percent of Total*	*Real Growth 88-95 (56 Organization Sample)*
INCOME			
Earned Income	132.8	51%	-2%
Contributed Income	95.1	37%	9%
Endowment Income	30.2	12%	20%
Total Income	258.1	100%	4%
EXPENSES			
Administrative Expenses	97.1	39%	-15%
Programmatic Expenses	121.9	48%	3%
Facilities Expense	31.9	13%	87%
Total Expenses	250.9	100%	1%

Source: PEL survey, PCA data. The information in this table represents the 1995 financial statements of 209 nonprofit cultural organizations. It does not include the operating budgets of Valley Forge National Historic Park or Independence National Historic Park for reasons of comparability. PEL's "real" income and expense figures are calculated using the regional consumer price indices for the time period. This allows for comparisons without the influence of inflation.

maintenance and upgrading.

Philadelphia nonprofit cultural organizations spend much less on personnel – including both administrative and artistic personnel – than their counterparts in other regions. At the same time, they spend a much higher proportion of their budgets on facilities, while being outspent on marketing (without the benefit of coordinated regional marketing campaigns – until the recent formation of the GPTMC). Maybe even more important – our largest family institutions are charging higher admission prices than their counterparts around the country.

On the income side, nonprofit cultural organizations have multiple challenges. They are seeking to increase their earned income base while facing increased competition. They are grappling with changes in the contributed funding environment, including decreases in governmental funding, changing corporate and foundation approaches to cultural philanthropy, and reaching an increasingly wealthy – and dispersed – set of individuals with little history of giving to cultural causes. Maybe most important, they are also forced to adjust to structural changes in the regional economy, most notably the consolidation and mergers of many of the leading business supporters of culture, and the shift to a suburban economy.

The numbers bear out the challenges. For example:

- Real total income (inflation-adjusted) increased by only 4 percent (less than 1 percent annually) - during a period of time when regional real personal income grew by 12 percent;
- When adjusted for inflation, real earned income fell by 2 percent from 1988 to 1995;
- In real terms, government income fell by 30 percent, and even real foundation income decreased by 4 percent; and
- On the positive side, corporate and individual gifts increased at a fast pace – 29 percent and 52 percent, respectively in real terms; endowment income, obviously influenced by stock market growth, grew by 20 percent after inflation.

When comparing Philadelphia's nonprofit cultural industry to those in other cities[16], there are some noticeable differences: Philadelphia's organizations:

- earn proportionately less of their income than their counterparts Denver or Dallas;
- they rely much more on the earnings of endowments and the giving of foundations than Denver, Dallas or New York; and
- government funding pales when compared to Denver or New York – or even the national averages.

Finally, the question was asked as to whether regional cultural income sources were reflecting the changes in the regional economy – namely, the transfer of personal and corporate income and wealth to the suburbs of the region. The picture here is mixed:

- Despite the fact that the vast majority of organizations are based in the city of Philadelphia, organizations have done a fairly good job of reaching individuals in the suburbs: 59 percent of revenue[17] from ticket sales, subscriptions, and memberships comes from suburban sources; 62 percent of individual contributions come from the suburbs;
- Corporate support, however, is not as diverse -- only 23 percent of all regional corporate funding comes from the suburbs, despite the fact that 63 percent of all regional payroll is located in the suburbs; and
- Local government operating funds are even more stratified -- of the nearly $5 million in local government funding that went to nonprofit cultural organizations, 97 percent

[16] To identify regions for comparison, PEL staff examined the financial information contained within economic impact analyses undertaken around the country. The regions chosen for comparison, Dallas, Denver, and the New York metro region, represent the closest comparables available.
[17] Revenue here refers to revenue from the five-county region.

came from the City of Philadelphia and went to City-based organizations.

Nonprofit Cultural Expenditures

For nonprofit cultural organizations, expenses are typically driven by the revenue base available to the organization. For much of the past decade, Philadelphia's nonprofit cultural organizations have been required to keep a tight lid on their expenditures in order to avoid outstripping relatively flat revenue growth. As a result, inflation adjusted expenditures rose by only one percent from 1988 to 1995.

While financial discipline and control are a welcome sign in any organization, flat spending growth in a key sector of our economy means that the economic growth of the industry is being limited. The implication is clear – if these organizations are expected to take a lead role in the region's economic growth, they must have the revenue base necessary to expand their offerings, improve the quality of their programming, and keep their prices competitive and affordable.

Nearly half of nonprofit cultural organization spending in Greater Philadelphia goes to programmatic expenses, including expenditures on artistic payroll (actors, directors, or set designers, for example), direct marketing costs (advertisements, fliers, promotions, etc.), and other miscellaneous programmatic costs (set construction, costumes, usher salaries, etc.). With about 13 percent of expenses going to facility expenses (including maintenance, rent, or other facility-related costs), 39 percent of expenses are spent on administration.

Figure 16:
Nonprofit Cultural Expenditures in Greater Philadelphia

		1995 Spending (millions of dollars)	*Percent Of Total Spending*	*Real Growth 88-95 (56 Organization Sample)*
EXPENSES				
Administrative Expenses				
	Personnel Expenses	65.8	26%	-21%
	Misc. Admin.	31.2	13%	1%
	Total Administrative Expenses	97.1	39%	-15%
Programmatic Expenses				
	Artistic Payroll	33.0	13%	-17%
	Marketing Expenses	10.7	4%	1%
	Misc. Programmatic	78.2	32%	10%
	Total Programmatic Expenses	121.9	48%	3%
Facilities Expense				
	Total Facilities Expenses	31.9	13%	87%
	Total Expenses	250.9	100%	1%

Source: PEL survey, PCA data. The information in this table represents the 1995 financial statements of 209 nonprofit cultural organizations. It does not include the operating budgets of Valley Forge National Historic Park or Independence National Historic Park for reasons of comparability. PEL's "real" income and expense figures are calculated using the regional consumer price indices for the time period. This allows for comparisons without the influence of inflation.

Figure 17:
Nonprofit Cultural Spending Comparisons

	Phil (95)	Denver (95)	Dallas (95)	NY/NJ (93)	NALAA (Large cities, 92)
Payroll	38%	NA	NA	53%	52%
Artistic Contract	7%	NA	NA	11%	7%
Total Personnel	45%	51%	51%	64%	59%
Marketing	4%	6%	NA	5%	NA
Facilities	13%	NA	9%	NA	6%

Sources: PEL, Denver Business Committee for the Arts, Dallas Business Council on the Arts, Port Authority of NY/NJ, National Association of Local Arts Agencies. Differences in the way expenditures are accounted for in various analyses precluded direct comparisons in many spending categories.

Spending Trends

Real cutbacks in both artistic and administrative payroll demonstrate the commitment of regional cultural organizations to hold the line on controllable costs. One significant growth area was facilities-related expenses – real expenses in this category grew by 87 percent between 1988 and 1995. This could be the result of either increased maintenance and upkeep costs, or increased costs due to new or expanded facilities.

What does this tell us? Organizations have kept their costs low due to lack of revenue growth. As a result, they have cut costs in the areas where they have the most control. Facilities-related expenses like maintenance, repairs, and even landscaping are much less flexible and less avoidable than are expenditures on administrative and payroll-related areas.

Spending Comparisons

Comparing the spending of Philadelphia-area organizations to those in some other regions (Figure 17), several interesting points emerge. Greater Philadelphia's organizations, on average, spend less on payroll-related expenses than organizations in other regions. They spend slightly less on marketing than Denver and New York – although both of those city's cultural communities have benefited from extended industry or regional marketing campaigns separate from cultural budgets. Finally, Philadelphia's organizations have been spending more on facilities – which could be a reflection of either older facilities requiring more maintenance or new facilities that have increased operating costs.

Figure 18:
Nonprofit Cultural Revenues in Greater Philadelphia

		1995 Revenues (millions of dollars)	*Percent Of Total Revenues*	*Real Growth 88-95 (56 Organization Sample)*
REVENUES				
Earned Income				
	Audience revenues	60.2	23%	n.a.
	Ancillary earned revenues	72.6	28%	n.a.
	Total Earned Income	132.8	51%	-2%
Contributed Income				
	Government grants	17.3	7%	-30%
	Foundation grants	30.0	12%	-4%
	Corporate grants	12.5	5%	29%
	Individual gifts	19.3	7%	52%
	Other private gifts	16.0	6%	83%
	Total Contributed Income	95.1	37%	9%
Endowment Income				
	Total Endowment Income	30.2	12%	20%
	Total Income	258.1	100%	4%

Source: PEL survey, PCA data. The information in this table represents the 1995 financial statements of 209 nonprofit cultural organizations. It does not include the operating budgets of Valley Forge National Historic Park or Independence National Historic Park for reasons of comparability. PEL's "real" income and expense figures are calculated using the regional consumer price indices for the time period. This allows for comparisons without the influence of inflation.

Nonprofit Cultural Revenues

Regional nonprofit cultural organizations have been forced to manage their expenses in light of a slowly growing revenue base. Total revenues grew between 1988 and 1995 by only 4% in real terms, while during the same time period real personal incomes grew by 12%. If cultural organizations' revenues had increased at the same rate of growth, they would be sharing $20 million more in annual revenue.

The revenue base for regional nonprofit cultural organizations can be divided into three broad categories: earned income; endowment income (both restricted and unrestricted); and contributed support, including government (all levels), corporations, foundations, and individuals. In Greater Philadelphia's nonprofit cultural industry, 51 percent of all revenue comes from earned income sources, 37 percent from contributions, and 12 percent from endowments (see Figure 18).

Earned Income

Earned income is vital to the success of most nonprofit cultural organizations. As a source of revenue directly linked to the product of the organization, earned income is an important indicator of the ability of that organization to support itself. The amount of earned income varies greatly by cultural category - performing arts organizations rely on earned income to a greater extent than museums, for example.

In 1995, earned income[18] comprised just more than half of all Greater Philadelphia's nonprofit

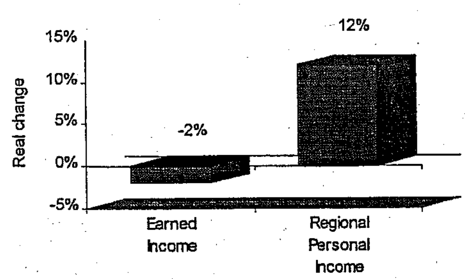
[18] In defining earned income we use the term "audience" loosely: not just one-time ticket holders and subscribers attending a performance or event, but visitors to and members of a museum, zoo, or historical site. Ancillary earned income could include: tuition, class, and workshop fees; souvenir and program sales; food and beverage concessions; space rental; and advertising.

cultural revenue. However, real earned income actually fell by 2 percent between 1988 and 1995 – at a time when regional incomes exceeded inflation by 12 percent (see Figure 19).

Organizations are being asked to "earn their keep" more and more, and are expected to be looking for every opportunity to generate revenue that they can find. As Philadelphia-area nonprofit cultural organizations seek earned income, however, they confront some hard realities:

- much of the base of potential audience members has moved to the suburbs, requiring organizations to work harder to sell tickets; and
- competition from commercial entertainment venues is increasing, forcing nonprofit cultural organizations to compete with national entertainment companies with national marketing budgets.

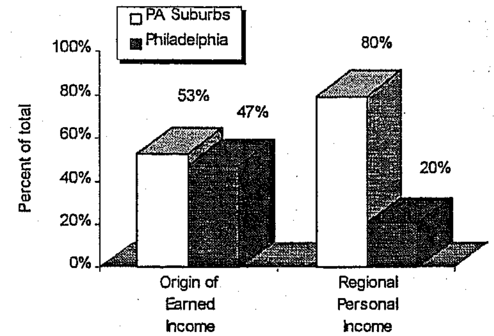
Figure 19:
Real Earned Income Growth vs. Regional Income Growth



Source: PEL survey, PCA Data, Commonwealth of PA Department of Revenue

At the retail level, nonprofit cultural organizations have been successful in reaching the broader regional audience base. Earned income that originates in the suburbs exceeds that from the city (see Figure 20). However, there remains a large gap between regional income levels and earned income sources – leaving the cultural community with some distance to go if it is to track regional personal income growth.

Figure 20:
Geographic Distribution of Earned Income Sources vs. Regional Personal Income



Source: PEL survey
Note: In this figure, earned income refers only to the income from local audience members (within the five county SE PA region)

Organizations have two basic choices if they want to increase their earned income: increase attendance or increase prices. Without a strong foundation of industry marketing support, our largest family institutions have been left without much of a choice. Not surprisingly, when compared to other premier family institutions around the country, Philadelphia's leading family institutions are among the most expensive institutions for a family of four paying full prices.

Figure 21:
Family Institution Price Comparisons

	Family of four	Rank
Phila. Museum of Art	$24	1 (highest) out of 22
Franklin Institute	$36	1 out of 16
Phila. Zoo	$29	2(T) out of 18
Please Touch	$27.80	2 out of 13

Source: PEL survey, phone interviews, Internet research. Family of four includes 2 adults and 2 children at normal daily prices.

According to those interviewed, the implications of high prices are serious. If prices are too high, attendance will fall – reducing the benefits of the higher price levels. More important, higher prices limit access to families and the less fortunate, potentially curtailing long-term audience development. They hurt the development of cultural tourism, particularly when competition between regions is on the rise. Finally, high prices bring the price level for family nonprofit cultural institutions closer to the prices of for-profit family entertainment options, reducing one of the key advantages for nonprofit cultural institutions.

Endowment Income

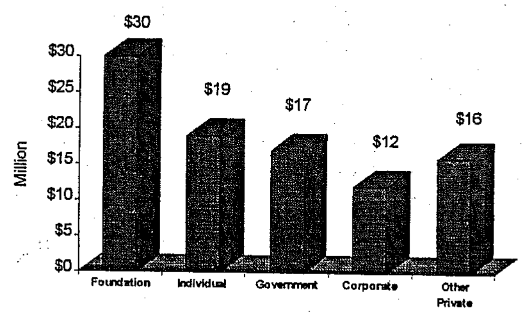
Endowment income provides a much needed buffer during years or seasons when earned income lags due to circumstances beyond an organization's control (e.g., bad weather, economic recession, unfavorable review). Endowments are a function of age, long-term financial success, and strategic thinking. Not every organization is in a position to have an endowment – however it is fair to say that most would like to have one.

Due in part to the historic generosity of Philadelphians, Greater Philadelphia's nonprofit cultural industry has a much higher share of endowment income (12 percent) than is found in other regions. However, endowment income is not evenly distributed throughout the nonprofit cultural community. Not surprisingly, the largest and oldest organizations contribute the most endowment income. In addition, endowment income depends upon the fortunes of the stock market – recent growth in endowment income due to the stock market boom cannot be projected with certainty into the future.

Contributed Income

Contributed income makes up 37 percent of the regional revenue base, and over the past seven years real contributed income has grown by 9 percent. In many ways, the region has relied on a strong base of foundation support (12 percent of total revenue) to carry the load, although there was a slight slippage in foundation revenues between 1988 and 1995. Figure 22 details the various sources of contributed income for Greater Philadelphia's nonprofit cultural community.

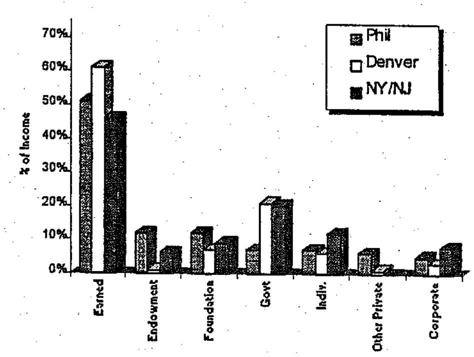
Figure 22:
Sources of Contributed Nonprofit Cultural Income



Source: PEL survey, PCA data

Corporate contributions account for 5 percent of total revenues, with individuals accounting for 7 percent. Both of these sources showed strong growth from 1988 to 1995. Where the region falls short is in public sector support, which only contributes 7 percent of total funds – and in real terms, public sector support declined by 30 percent between 1988 and 1995. By comparison, in New York City and Denver, more than 20 percent of cultural funding comes from public sources (see Figure 23).

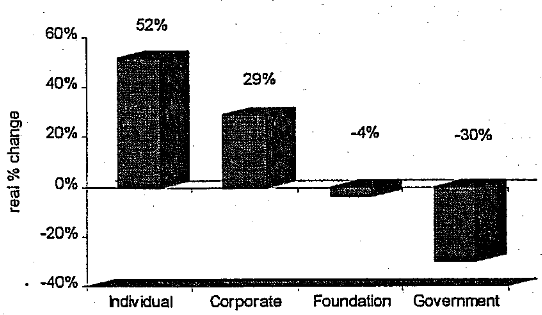
Figure 23:
Income Comparisons: Philadelphia, Denver, New York/New Jersey



Source: PEL survey, Denver Business Committee on the Arts, Port Authority of NY/NJ

The funding world of arts and culture - public and private - has changed dramatically in recent years. More restrictive grants, more demanding application and reporting processes, and more intense competition (within the arts world and with other charitable causes) over a smaller pie of funding have forced arts and culture organizations to "earn" their contributed income. Flat-out contributions are being replaced by sponsorships, competitive funding processes, and resource-intensive giving campaigns, not just in Greater Philadelphia but throughout the entire country.

Figure 24: Contributed Income Trends percent real change, 1988-1995



Source: PEL survey, PCA data

Given the region's strong reliance on contributed income, it is important to understand how the various forms of contributed revenue are changing and how that could impact nonprofit cultural organizations in the region.

Government

In 1995 government support made up about 7 percent of total income, with each level (federal, state and local) hovering around 2 percent. While funding from all levels of government has never been a major source of revenues for regional arts and culture organizations, its level of support is dropping. Between 1988 and 1995, real government support declined by 30 percent.

The most visible cuts in funding for arts and culture surely are those from the federal government and the National Endowment for the Arts. Following a number of relatively stagnant years, federal appropriations to the NEA were slashed by 40 percent between fiscal years 1995 and 1996. Appropriations held steady for fiscal year 1997, but budget negotiations for fiscal year 1998 brought the NEA face-to-face with the prospect of complete elimination, prompted by a vote in the House of Representatives. Only last minute efforts of NEA supporters in a House-Senate conference committee kept the agency alive and its budget intact.

Real cuts and the effect of budget battles at the federal level appear to be trickling down to the state level, where NEA grants flow through state arts agencies. NEA grants to Pennsylvania institutions have followed a pattern similar to that of NEA's budget - relative stagnation until 1995, after which the NEA's budget was drastically cut. These drastic cuts have taken their toll on Pennsylvania's institutions - between 1995 and 1996 NEA grants to Pennsylvania declined by 26 percent.

Meanwhile, state appropriations to the Pennsylvania Council on the Arts, Pennsylvania's state art agency, have not filled the gap left by NEA grants. Having survived a period of serious cuts between 1990 and 1992, state appropriations for PCA grants remained around $9.2 million, or about $75 per capita, until the recently passed FY99 budget. The Governor's FY99 budget is a major step forward with an increase of $1.4 million, and a recognition of the importance of Pennsylvania's cultural assets to the state.

With the notable exception of the City of Philadelphia, support from local governments is not filling the gap left by NEA budget cuts and stagnant state support. In 1995, Cultural Philadelphia received only 2 percent of its total revenue from local government sources – and 97% of local government funding reported by regional nonprofit cultural organizations came from the city of Philadelphia.

Where state and local government have made major contributions is in capital funding. Major projects like the Avenue of the Arts, and less well-known projects like the new theatre for the New Freedom Theatre, have been able to count on strong support from both state and the City of Philadelphia government for capital funding.

97% of local government funding reported by regional nonprofit cultural organizations came from the City of Philadelphia

The reluctance to increase operating funds, which typically require an annual appropriation, and the more enthusiastic support for capital expenditures, point to an over-riding principle. Appropriations for government funding are more likely for non-recurring projects like buildings or other capital projects. Within the context of a capital budget (which is passed separately from the operating budgets), cultural projects compete on relatively equal ground with other capital projects and can be evaluated in a relatively straight-forward manner. Operating funds are much harder to obtain on an annual basis in an era of tight budgetary controls.

Corporations

Corporate cultural funding has become less philanthropic in nature, meaning:

- it is expected to have some added benefit, such as exposure through marketing or the use of facilities (i.e., the "quid pro quo" approach);
- it comes in non-cash forms (e.g., in-kind services); or,
- it is evaluated on its ability to generate a tangible return on the company's investment (e.g., mutual audience/customer base development).

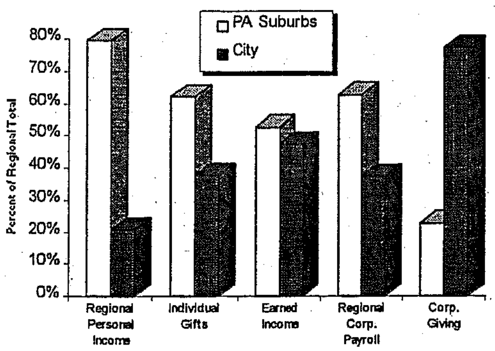
What is the effect of more focused and strategic corporate giving on the budgets of arts and culture organizations? Philadelphia's corporations play a small, but significant role in funding arts and culture organizations, though their funding levels are not as high as foundations and individuals. In 1995 the region derived 5 percent of its income from corporations, as compared to 12 percent from foundations and 7 percent from individuals.

Real corporate contributions increased between 1988 and 1995 by 29 percent. This increase was greater than the increase in total income (4 percent) and than the increase in total private contributed support (9 percent). However, while as a group regional arts and culture organizations overall secured more corporate contributed support, the increase was not evenly distributed. Corporate support increased between 1988 and 1995 for only 53 percent of regional organizations, and for some of these organizations the increase was dramatic. The remaining 47 percent experienced a decrease in corporate funding.

Despite the shift in the regional economy to the suburbs, City corporations continue to dominate the regional funding picture – more than 67 percent of all corporate funding comes from City-based companies.

One point of concern is the continuing difference between the contribution levels of suburban and city corporations. Despite the shift in the regional economy to the suburbs, City corporations continue to dominate the regional funding picture – more than 67 percent of all corporate funding comes from City-based companies.

Figure 25:
Funding by Location vs. Regional Economic Distribution



Source: PEL survey, PCA data

Despite the region's corporate funding increase between 1988 and 1995, most of the cultural leaders interviewed felt that corporate giving had decreased since 1995 because of restructuring - mergers, downsizing, relocations, closures, etc. - and intense pressure to improve the bottom line. Many named specific sponsors who stopped giving because of the tumultuous business environment and intense pressure to be profitable.

Corporate funding is not the only thing that is shrinking - the pool of corporations that fund nonprofit organizations also appears to be shrinking, through mergers, takeovers and changing corporate perspectives.

There is widespread agreement that corporate fundraising today requires far more time, resources, and effort. As one cultural leader said, "You can't just walk down Broad Street and get $100,000 in gifts anymore…."

Foundations

Of the primary sources of private contributed support - foundation, corporate, and individual - the region derived the highest proportion of income from foundation-contributed support. In 1995 this average was 12 percent, compared to five percent for corporate support and seven percent for individual support. Between 1988 and 1995, foundation support for the region's nonprofit cultural activities held relatively steady, shrinking in real terms by about four percent over the seven year period.

As the largest source of contributed revenue, the importance of foundation giving in Greater Philadelphia cannot be understated:

- In 1995, foundations were the largest donors to 13 of the 25 top arts and culture organizations in Greater Philadelphia; the Pew Charitable Trust was the largest donor to 8 of these 13 organizations.[19]
- Pew was the nation's third top foundation funder of arts and culture in 1994 and is the region's top funder in general and of arts and culture organizations specifically.
- The William Penn Foundation recently launched an initiative to fund and provide technical assistance to neighborhood arts and culture organizations. This four-year, $3.5 million initiative has the goal of improving the livability of Philadelphia's poorest neighborhoods.
- Suburban foundations also are major supporters of regional arts and culture. The Grundy Foundation in Bristol is an example of a foundation which serves as a prime sponsor of artistic activities in Bucks County.
- As a result of the stock market surge, four of the largest charitable organizations in Greater Philadelphia (Robert Wood Johnson Foundation, Pew Charitable Trusts, William Penn Foundation, and Longwood Foundation) are more than $3 billion richer and, as a consequence, will give away almost $200 million more than they did in 1994.

While obviously a crucial portion of the regional funding mix, foundations are moving toward a more restrictive distribution of their grants. As foundations receive an increased volume of charitable requests from all sectors, due to pressing needs and government cutbacks

[19]Philadelphia Business Journal. 1996 Edition Book of Business Lists. *Largest Nonprofit Arts and Culture Organizations in the Philadelphia Area*, p. 79.

in social services, they are increasingly making cultural funding contingent upon a rigorous assessment of internal management. These restrictive requirements throughout the nation are being instituted in spite of the swell in foundation assets, mostly due to the run up of the bull market in recent years.

Locally, both the Pew Trusts and the William Penn Foundation are taking a business-oriented approach to their cultural giving. The good news is that more competitive grant processes are emerging alongside a shift towards operating support over longer periods of time (as opposed to one-shot funding for specific projects or programs). The challenge for nonprofit cultural organizations is to adjust to this constantly changing environment.

Individuals

In spite of its reputation for self-effacement, Greater Philadelphia has a strong tradition of individual giving - from Annenberg to Haas to Pew. The strength of the region's cultural community today is largely a legacy of the generosity of the region's ancestors in the 19th century - establishing and funding the foundations of the region's cultural wealth. For today's nonprofit cultural organizations, the challenge is renewing that legacy and re-establishing the region as a center of individual giving to the arts.

Individual support makes up a significant share of income for Greater Philadelphia's nonprofit cultural industry, but as a source of private contributed support it falls between foundation giving and corporate giving. In 1995 the region derived 7.5 percent of its income from individual contributions. From 1988 to 1995, individual giving to the region's nonprofit cultural institutions increased in real terms by 52 percent - far exceeding regional income growth (12 percent).

Many arts and culture organizations, having faced the reality of declining government support and more focused and restrictive corporate and foundation giving, are pinning their hopes on continued success in reaching individuals. Arts and culture organizations are getting creative with their campaigns to attract individual dollars. Memberships and subscriptions are being loaded with perks to encourage ticket holders and one-time event attendees to "upgrade" their support. Many organizations are creating or shoring up their planned giving programs and annual campaigns.

From 1988 to 1995, individual giving to the region's nonprofit cultural institutions increased in real terms by 52 percent - far exceeding regional income growth (12 percent)

Even organizations that traditionally targeted small-size donors (usually through workplace campaigns) are working harder than ever to bring wealthy individuals into the fold. However, the challenge in this region is to reach an increasingly far-flung wealthy community. Just as the region has expanded, so has wealth been dispersed throughout the five counties.

Looking to the Future: Growing the Base

The previous sections painted a picture of slowly growing revenues alongside a funding environment that is growing increasingly restrictive, resource-intensive, and unpredictable. At the same time, our nonprofit cultural organizations are being asked to take on an ever-increasing role in our regional economy. They are major pillars of the tourism industry, setting Philadelphia apart from other regions more than convention centers, theme restaurants, or even restaurants ever can. They are often our windows to the outside world – the Orchestra and Art Museum are better known internationally than any other company or regional asset.

If nonprofit cultural institutions are being asked to lead the region's future, the region must be ready to provide them with the resources necessary to expand and improve their offerings, upgrade their facilities, and ensure that the region is able to reach the world-class status to which it attains.

But if nonprofit cultural institutions are being asked to lead the region's future, the region must be ready to provide them with the resources necessary to expand and improve their offerings, upgrade their facilities, and ensure that the region is able to reach the world-class status to which it aspires. The region must also be ready to help provide a stream of growth capital that is less restrictive, requires less resource-intensive fund-raising tactics, and that helps reduce the risk faced by our nonprofit cultural institutions today.

Finding that operating capital is the key to the future growth of our cultural industry. For it is the flexibility that unfettered sources of operating revenue provide that brings about a long-term strategic view that can lead to wise investment, innovation, and the development of sustainable growth strategies. Increased operating revenue is also key to keeping costs in line at our most important family institutions – providing them with the ability to increase revenues without increasing prices that are already at or near the top of the competitive price structure. And finally, increased operating revenue will support the inevitable, and necessary, growth in expenses that will come from the ongoing spurt in new capital development.

V. Strategies for Future Growth: Learning from Our Competitors

In other areas of the country, arts, business, and government leaders have worked together to develop new strategies for providing arts organizations with the revenues necessary to support growth and development. The exact strategies and tactics may differ from region to region, but the formula for success is consistent:

- organization and coordination of efforts on a regional basis;
- extensive and expensive marketing campaigns designed to raise regional awareness of the benefits of arts and culture to people and businesses;
- broadening the base of support from traditional sources of funding to new and innovative sources of revenue on a regional, rather than central city-dominated, basis; and
- leadership from both the private and cultural sectors.

None of the strategies provide an exact model for Greater Philadelphia, yet there are many lessons to be learned that can inform and shape current efforts to broaden the base of regional support. The regions that project staff examined – Denver, Pittsburgh, Charlotte, St. Louis, Kansas City, and the Silicon Valley area of California – were chosen for their innovative and distinctive approaches to the challenges of funding the arts. The funding strategies developed in these regions divide into three distinct categories:

- public advocacy and cultural marketing;
- collaborative corporate and individual fundraising; and
- regional funding districts.

The following pages will examine each of these three approaches, highlighting the lessons that can be learned from the regions that have already undertaken these efforts.

Public Advocacy and Cultural Marketing

One of the most important strategies for regional nonprofit cultural funding is public advocacy for arts and culture. Strong advocacy and marketing campaigns serve to increase public awareness, funding support, and attendance for nonprofit cultural institutions.

Advocacy can take many forms – political lobbying, public relations campaigns, or coordinated marketing efforts. However, the strongest efforts tend to be led by strong, regionally-based cultural advocacy organizations which have the funding base necessary to act and react quickly and decisively. These coalitions call upon business leaders (often Board members of cultural organizations) to provide effective third-party advocacy for cultural efforts. By providing a base of general support and advocacy, a well-planned advocacy campaign can enhance and strengthen the efforts undertaken by individual organizations.

While each of the strategies described in the following sections were aided by, and in most cases driven by, strong public advocacy for culture, the Cleveland story is interesting given both the turnaround locally, but also the turnaround of the image of the City of Cleveland in the national mindset. Cleveland's efforts were driven by both an aggressive business community-led effort to turn around the region's image, and a cultural community willing to work together to reach broad-based goals.

Finally, in Denver (a more complete picture of Denver's cultural efforts follows later in this section), the two separate million dollar political campaigns which have been waged to implement and reauthorize their cultural funding district have also had the effect of providing broad-based, locally targeted marketing efforts. As one Denver leader put it, "Just doing the (election) campaigns themselves had immense value in raising the image and identity of our cultural community in the region."

Collaborative Fundraising

Changes in the fundraising environment for arts and culture organizations have forced regions to think creatively as to how they can broaden the base of corporate and individual support in light of increasingly dispersed communities. In many cases, the cost of reaching increasingly dispersed individuals and companies outweighs the return that organizations can receive from a grant or donation. If it costs more in time or financial resources to attract the same donation, organizations may be reluctant or unable to pursue potential new partnerships.

Just as important, companies and individuals have expressed a level of frustration with the barrage of requests for funding. They cite a lack of time and resources to evaluate proposals, to follow up on the results of a gift, or to understand the needs of the cultural community.

To combat this cost, regional arts councils and coalitions of arts groups, along with business and community leaders, have turned to collaborative fundraising campaigns in an effort to reduce the transaction costs of fundraising for both cultural organizations and contributors. By allowing for a centralized method of fund collection, as well as for grant-making decisions, it provides both grantmakers and grantseekers a venue in which to broaden the base of fundraising. Grantmakers do not have to become experts concerning every group, and cultural organizations are able to share fundraising costs while hopefully accessing a broader range of potential contributors.

This approach could be considered a cultural mutual fund, of sorts. As with mutual funds, cultural investment opportunities are bundled together to reduce the confusion and risk that novice investors fear. In the arts, such an approach allows for less experienced corporate donors to begin giving to cultural organizations without the base of knowledge or experience typically found in older, more traditional companies. As in mutual funds, once an investor (or donor, in this case) becomes more experienced, they may be more likely to venture out on their own and specify particular organizations in which they have an interest.

Two regions which have employed different versions of collaborative fundraising campaigns are Charlotte, NC, and Santa Clara County in the Silicon Valley region of California.

Charlotte, NC United Arts and Science Fund

Charlotte's United Arts and Science Fund is but one funding component of the Charlotte Arts and Science Council. The Council, governed by a board of civic and business leaders, collects corporate contributions and receives government grants in addition to its operation of the United Arts and Science Fund. The Council has a budget of more than $9 million, with $4 million of that coming from its corporate campaign (ranking third in the US for workforce giving campaigns). The Council funds 19 groups, with 3 groups (the Mint Museum of Art, the Charlotte Symphony, and Discovery Place) receiving more than 50 percent of total funding.

The Arts and Science Council is funded through a mix of public funds, corporate donations, and private fundraising. The United Arts and Science Fund Drive is an annual campaign for individual donations, led by a prominent business leader. In recent years a growing portion of funds raised comes from United Way-like employee giving programs. The Council has approached large employers who already have a payroll deduction program in place for the United Way and request that arts funding be included. Many large employers sponsor special events, such as the symphony playing at lunch, to increase awareness and giving.

The Council promotes an unusually high level of cooperation among the arts and cultural institutions for its success. Arts organizations appear to view the process for distribution of funds as fair and are willing to work together in fundraising efforts. As an example, if an institution is planning a major capital campaign it will apply to the Capital Calendar for a time slot – reducing the overlap of major capital campaigns in the region and multiple requests at a single time to major funders.

Key lessons from the United Arts and Science Fund include:

- **Cooperation** – The cooperative nature of the campaign promotes cooperation among cultural organizations in the Charlotte area. By serving as a clearinghouse of sorts for major funding requests, approval from the Council can serve to smooth the way toward a successful campaign.
- **Low costs** –The Council operates with 19 employees, and administrative costs for the $4 million United Fund drive are only $272,000.[20]
- **Broad participation** – Interviews with the Council led to the impression that participation in the workplace giving program is almost universal among Charlotte's business community. Because companies are accustomed to running United Way workplace campaigns, administrative costs are reduced. As a result, culture organizations are reaching a broader pool of potential individual givers through the workplace.
- **Corporate appeal** – In an era of increasingly tight corporate resources, employee giving programs are appealing, given the fact that payroll deduction programs are relatively simple to administer. The companies are more willing to run an aggressive campaign and sponsor special events to increase awareness.
- **Programming and public funds** - Public funds flows through the Council much like private funds do. Use of public money for programming always carries the risk of controversy – sometimes detracting from the corporate efforts.

Silicon Valley Arts Fund

Silicon Valley, the poster child of America's "new" high-tech economy, was also the home to an innovative cultural funding project in the early 1990s. The Silicon Valley Arts Fund became a vehicle to launch a shared investment fund designed to pay off accumulated deficits of cultural organizations, establish working cash reserves, create permanent endowments for participating cultural organizations, and create a community endowment designed to provide grants for innovations at small organizations.

The fundraising effort did not meet the original goal of $20 million –approximately $12 million was raised by the closing of the fund. While the fund did not reach its initial goal, it did allow many organizations to regain sound financial footing and expand their own fundraising programs.

As described by Peter Hero, the Executive Director of the Community Foundation of Santa Clara County (the administrative arm of the fund), the fund mirrors the unique nature of the Silicon Valley business community. The "structure of the fund is founded on the principles of collaborative team problem solving, seed venture capital from a group of local funders, public/private partnerships as the private sector leveraged its participation with government involvement, and a focus on long-range financial results."[21]

Although hard to believe today, in the early 1990s the Silicon Valley economy was in deep recession. Recognizing the importance of culture to attracting and retaining high value companies and a talented workforce, the Community Foundation and several private foundations studied strategies to overcome the funding gap faced by major cultural organizations and stabilize the financial health

20 "Corporations turn giving into an art form", Charlotte Business Journal, 2/26/96, p 1.

21 Hero, Peter DeCourcy, "The Silicon Valley Arts Fund: Financial Stabilization of Cultural Organizations by Joint Venture Development," *The Journal of Arts Management, Law and Society,* fall 1993, p196-210.

> ***The unique nature of the Silicon Valley Arts Fund... allowed the fund to be marketed as a new way to contribute to arts and culture. By tailoring the fund to more closely resemble the Valley economy, there was less resistance to new or increased giving.***

of the organizations. Frustrated with several requests a year from various arts organizations, David Packard, Chairman of Hewlett-Packard, proposed a one-stop giving campaign, modeled after a closed-end venture fund.

During the three-year campaign, funds were raised through the collaborative efforts of 11 area arts and cultural institutions. Institutions approached donors as a group and agreed to formulas for distribution of funds.

According to people involved with the fund, the success of the effort was not only in the amount of money raised, but also in the relationships built. The Fund overcame the organizational reluctance to share mailing lists and strategies; opened new doors to individuals and companies who had never given to the arts; educated the boards of arts institutions on endowments and long term, planned giving; and encouraged institutions to request larger gifts from "new" sources of corporate and individual wealth.

Some of the lessons that can be derived from the Silicon Valley experience include:

- **Reaching "new" wealth** – The unique nature of the closed-end fund, as well as the goals of long-term financial stability, allowed the fund to be marketed as a new way to contribute to arts and culture. By tailoring the fund to more closely resemble the Valley economy, there was less resistance to new or increased giving.
- **Focus on the long term** – By specifically designating the funds to be used for enhancing the long-term financial health of the major cultural organizations, the benefits of creating new endowments, eliminating accumulated deficits, and supporting innovative new programs will be felt far beyond the time that funds are distributed.
- **Increased cultural collaboration** – The collaborative nature of the fund increased the interaction between both cultural groups and funders, removing some of the competitive nature of the fundraising system in the region. By working together, a greater shared sense of the value of the cultural community to the region's economic future was established. In addition, Silicon Valley cultural advocates were able to expand the pool of potential donors, including increased matching government grants.

Special Funding Districts

The strategy for increased funding that has received the most nationwide attention is the development of special tax districts for funding arts and culture assets. The appeal of special tax districts is clear: they provide ongoing, relatively predictable levels of funding to cultural institutions without having to go through an annual battle for legislatively appropriated funds from either state or local bodies of government. In addition, they broaden the base of funding support over a wider geographic region, extending the reach of cultural organizations into the communities where many of their patrons and customers now live and work.

The source of funds for special funding districts can vary, from St. Louis' property tax to hotel taxes in a number of areas, but increasingly communities are looking to the sales tax as the most attractive means of raising revenue. The appeal of the sales tax is that it is a source of revenue that typically excludes essentials like food or clothing, reducing the regressivity of such a flat tax. Sales taxes are also relatively easy to administer, with collection likely to be handled by state revenue offices, rather than local tax collectors – meaning that revenues can be transferred directly to district administrators, rather than through local government bodies. In addition, cultural sales taxes are typically only a small portion of much larger sales tax levies, and dedicated to institutions that are already supported, and patronized, by strong majorities of the populace.

Typically, the districts are administered by quasi-governmental entities, with local governments participating through board appointments. The administrative bodies themselves serve primarily as administrators, passing through funds according to pre-determined formulas, although they may also have some level of grant-making power for portions of the funds.

Project staff explored regional funding district strategies in four cities: Denver, Pittsburgh, Kansas City, and St. Louis. The methods differ significantly: Denver's sales tax covers six counties to Pittsburgh's one, St. Louis uses a property tax, and Kansas City actually has a bi-state cultural district. The following sections provide brief overviews of the nature of the districts, how they operate, the benefits they provide, and the lessons that can be learned from each.

Denver's Scientific and Cultural Facilities District

The Denver Scientific and Cultural Facilities District (SCFD) is a six-county, regional sales tax supported district, dedicated to funding scientific and cultural facilities in the metro Denver region.

The SCFD was established in 1988, after an extensive legislative and popular political campaign. The impetus for the District was the elimination of state funding for the four Tier I institutions – the zoo, natural history museum, art museum and botanical gardens – forcing them to close wings, eliminate departments, and raise prices. Development of the state legislation for the District took five years to pass, including one failure due to the inability of the cultural community to get together on a fund distribution formula. Legislative success came with the beginning of a million dollar marketing campaign, run as a political campaign, complete

The infusion of operating funds into the Denver's cultural institutions is credited with spurring earned income growth – total revenue rose by 93% from 1989 to 1995, while earned income's share of total income increased from 55% to 61% between 1993 and 1995. Total cultural admissions grew by more than 2 million people between 1989 and 1995....

with intense third-party lobbying efforts in the state legislature. The "Arts to Zoo" media campaign, focused on the use of a polar bear as the unofficial mascot of the initiative, led to a strong win in the six county referendum. The tax district was re-authorized in a 1996 referendum. It will face the voters again in 2006.

The SCFD is funded by a 1/10th of one percent sales tax add-on which has raised upwards of $25 million annually in recent years. The funds are distributed by a nine-member Board of Directors on a basis of 3 distinct funding tiers. The vast majority (nearly 60 percent in 1996) goes to the region's 4 largest Tier I institutions. The Tier II organizations receives the next largest proportion of funds. The final ten percent is awarded on a discretionary basis by county arts councils in each of the district's six counties.

The infusion of operating funds into the region's cultural institutions is credited with spurring earned income growth – total revenue rose by 93% from 1989 to 1995, while earned income's share of total income increased from 55% to 61% between 1993 and 1995. Total cultural admissions grew by more than 2 million people between 1989 and 1995, an increase of 39%.

When cultural organizations were surveyed about the impact of the $25 million-plus of SCFD funding they pointed to the following benefits:[22]

- **Lower prices** - SCFD funding has allowed Denver's major family institutions to reduce their prices. The Denver Zoo currently charges $6.00 for adults, $3.00 for ages 4 - 12, and children 3 and under are free. The Art Museum charges $4.50 for adults and $2.50 for children. Both institutions offer complete free days.
- **More (and cheaper) performances** - SCFD funds support more free and paid performances and exhibits.
- **Increased Outreach** - The SCFD has allowed recipients to increase their outreach activities, reaching new and underserved audiences.
- **Professional marketing and development** - SCFD funds have allowed organizations to shift marketing and development efforts from largely volunteer operations to professional campaigns.
- **Higher artistic quality** - SCFD funds allow organizations to maintain and develop higher quality programs and exhibits.

Some of the lessons that can be drawn from Denver's experience include:

- **The importance of professional campaign management** - After the first legislative initiative failed, a political consultant was hired. The consultant ran a savvy campaign similar to a Senate or gubernatorial race including direct mail, media buys, and promotions that generated free media (TV news) coverage.
- **Strong leadership from the private sector** – Denver cultural advocates are convinced that the SCFD would not be in existence except for the support from the business community.
- **An air of crisis helps** - The elimination of state funding lent the entire effort an air of crisis. The crisis served as an unifying theme and broke down historic walls of distrust.

22 *The Impact of the Arts in Metropolitan Denver;* Deloitte & Touche LLP, Colorado Business Committee for the Arts, October 1996.

Pittsburgh's Regional Asset District

In 1993, following a massive grassroots campaign, the Pennsylvania General Assembly passed legislation authorizing the creation of the Allegheny Regional Asset District (ARAD), using a 1 percent sales tax addition in Allegheny County. The funds, split evenly between tax reduction and regional assets, provide revenue for use by the county and municipalities to reduce nuisance and property taxes and to the Regional Asset District to provide support for regional cultural and community assets and facilities.

By organizing the region's cultural community, as well as broadening the base of political support by including libraries, parks, and even tax reform in the package, the ARAD quickly became a package that was difficult to oppose, despite the sales tax increase.

In 1997, an effort to extend the sales tax to 9 other counties in Southwestern Pennsylvania, as well as further increase the Allegheny County sales tax by 1 percent, was defeated overwhelmingly in a referendum. Most analysts cite the inclusion of proposals for new stadiums for the Pittsburgh Pirates and the Pittsburgh Steelers, a muddled public message, and difficulties in including the outlying suburban counties in the initiative planning, as the primary reasons for the crushing defeat of the "Regional Renaissance" referendum.

Key benefits and lessons from the ARAD include:

- **Broadened the base of support** – The establishment of the ARAD reduced the City of Pittsburgh's burden for funding most major cultural assets. Pittsburgh's tax base has shrunk considerably in the past half-century, reducing the City's ability to continue funding key assets that are enjoyed and supported by the region.

- **Increased awareness and stability for key assets** – The support of the ARAD has allowed a number of regional assets to move away from government dependence to self-sustainability. In particular, the Pittsburgh Zoo moved from a city-supported institution to an independent nonprofit, and has been able to aggressively seek out new private partnerships. The ARAD support of the county's library system makes Allegheny County's libraries a prime example of financial stability in Pennsylvania.
- **Tax reductions** – The ARAD is more than a cultural funding district. It also provides real, demonstrable tax reductions and elimination throughout the county. Most county residents saw an actual decrease in property taxes, as well as elimination of annoying nuisance taxes. Just as important, the provision of funds for assets that were solely government-funded allows local government to enhance or re-allocate funding that was previously earmarked for cultural facilities, parks, or libraries.
- **Political coalition building**– The ARAD came about because of an intense grass-roots lobbying effort. By organizing the region's cultural community, as well as broadening the base of political support by including libraries, parks, and even tax reform in the package, the ARAD quickly became a package that was difficult to oppose, despite the sales tax increase. Business leaders worked alongside cultural leaders to emphasize the importance of these assets to Pittsburgh's competitive future.
- **Organizing volunteers** - The ARAD supporters utilized available financial resources to support the development of a grassroots campaign. As a result, this campaign was not as expensive as some others in the country due to extensive use of volunteer networks.

St. Louis Metropolitan Zoological Park and Museum District

The oldest example of a cultural funding district is St. Louis' Zoological Park and Museum District (ZMD), established in 1970. The ZMD is funded through a property tax which is divided between the zoo, art museum, botanical gardens, and natural history museum. The funding is used to continue the City's principal of "free for all" when it comes to its major family institutions.

The ZMD is controlled by eight directors, four appointed by the Mayor of St. Louis and four by County Executive of St. Louis County. Each subdistrict is controlled by a governing body of ten commissioners and four non-voting advisors, divided evenly between city and county appointments.

By maintaining a policy of free admission for all attendees, the principal members of the ZMD are able to dramatically demonstrate where the tax dollars spent by local residents are going.

Each member institution receives at least half its funding from the District (zoo - 60 percent, art museum - 50 percent, Science Center - 60 percent). No institution, except the Botanical Gardens, may charge a fee for general admission. The Botanical Gardens have lowered their prices since inclusion in the ZMD. Institutions obtain other income through special exhibit fees, retail sales, concessions, memberships, and private fundraising.

Funding from the ZMD ensures the following benefits:

- **Free for all** – By maintaining a policy of free admission for all attendees, the principal members of the ZMD are able to dramatically demonstrate where the tax dollars spent by local residents are going. By linking free admission to property tax, major assets are treated as major elements of the regional infrastructure.

- **Consistent funding** – The property tax may be the most predictable source of revenue available to local governments – albeit one of the most hated. Despite the dislike of the property tax, this is a solid source of very predictable funding – useful when it comes to planning for the future.
- **Maintaining focus** – In recent years, three attempts to broaden the ZMD authorization have been defeated, including an attempt to add sports facilities to the mix. By limiting the pool of recipients, the ZMD is able to provide enough funding to make a major difference in the most visible and economically important assets in St. Louis.

The Kansas City Bi-State Cultural District

Kansas City's Bi-State Cultural District is a story of mixed success. While the district is the first example of a multi-state sales tax district, it also is an example where the inability of the cultural community to cooperate resulted in funding being limited to the development of one specific facility. Although there remains hope for extending the funding to other cultural institutions, the sun-setting of the legislation after the funding for the facility is completed will make it more difficult to provide funds for the cultural community.

The creation of the Bi-State Cultural District was the culmination of a long effort to create a taxing district covering the Kansas City metropolitan region – including both Kansas City, KS and Kansas City, MO. Led by two civic groups, Kansas City Consensus and the Mid-American Regional Council (MARC), regional leaders reacted to a poor rating in the 1983 *Places Rated Almanac* with a determination that there was a need for the two cities to act cooperatively on something. After a good deal of debate, the decision was to focus on regional amenities. Efforts began to pass legislation in both states and the US Congress allowing for a bi-state tax district.

In Kansas City, the failure of the cultural community to get together on a plan for fund distribution made the entire process more difficult and eventually cost most cultural groups their opportunity to increase their funding base.

Following authorization by both states and Congress, it was difficult to get a ballot initiative through the various county commissions. Disagreement between the cultural groups on the division and distribution of funds resulted in a streamlined proposal being put forward, where funding would only go, for a limited time, to the development of the Union Station Science Center, revitalizing the region's central train station as a science museum.

While disappointed, cultural groups agreed to support the campaign to raise $118 million for the Union Station project through a 1/8th of one percent regional sales tax. A million dollar media campaign, with the slogan "Union Station Yes!", starring Walter Cronkite in many commercials, helped carry five of six counties in the metro region.

The District is governed by the Bi-State Cultural Commission, composed of one member of the governing body of each participating county; one member of the governing body of each city over 50,000 population within the participating counties; and one member of the state arts or humanities councils appointed by the governor, and if possible, residents of the district. The Union Station project itself is run by a nonprofit organization, Science City at Union Station.

Key lessons from Kansas City's Bi-State Cultural District include:

- **Focus on a single project and a short time frame** – The ability to focus attention on one specific project with broad public support appears to have made it easier to pass the multi-state tax package. In addition, the time and dollar limit on the sales tax was considered a major factor in its eventual success.

- **Cooperation is key** – The failure of the cultural community to get together on a plan for fund distribution made the entire process more difficult and eventually cost most cultural groups their opportunity to increase their funding base.
- **Public support is not guaranteed** – Polls taken during the planning process showed that local residents were not convinced of the economic or educational benefits of most of the cultural community. In addition, there was a great reluctance to fund the operating expenses of cultural organizations –as opposed to more comfort with funding the capital renovations at Union Station.

VI. The Challenge: Growing the Revenue Base

Greater Philadelphia is at one of those defining points in its long cultural history. In the past decade, there has been a growing realization that much of this region's economic future is tied to its ability to generate energy and excitement about the city and the surrounding region.

As a result, regional leaders have never been more cognizant of the importance of arts and culture to the region's future. One prominent Philadelphian interviewed for this project quipped that the project's goal was to prove the obvious - that arts and culture are a key factor in Philadelphia's future economic success.

The region has no choice. In an economy where companies and people are no longer place-based, it will be those regions that offer a sense of excitement and momentum that will be attractive. In an economy where the key to long-term economic success will be attracting and keeping highly talented people, those regions with thriving and stimulating cultural attractions will have a major advantage. And in the tourism battle, as the nation's (and the world's) cities each develops their own theme restaurants, modern convention centers, and urban entertainment centers, it will be those regions that complement those attractions with unique and special cultural offerings that thrive and move to the forefront.

> ***...a sizzling cultural community can define this region as a modern day "Athens"...***

A great deal is being asked of the nonprofit cultural community. They are being asked to serve as economic development brochures for our region - providing attractive backdrops and locations and visuals as we compete to attract companies to our region. They are being asked to help companies recruit employees and sell their products. And they are being asked to provide the "uniquely Philadelphian "content to our tourism industry.

The economic promise and the economic potential seem clear – but the path to reach that potential is not. On the capital side, an impressive and exciting array of investments – in the Avenue of the Arts, the Regional Performing Arts Center, the Constitution Center and others – have been made or are contemplated. On the operating side, the nonprofit arts industry has struggled to hold its fiscal head above water, even at a time when its finances have been buoyed by healthy returns from endowment and foundation assets made possible by a booming stock market.

> ***The economic promise and the economic potential seem clear – but the path to reach that potential is not.***

How can the industry grow to reach new heights? How can it realize its considerable potential to redefine and re-energize the region? How can cultural institutions build the capacity to take advantage of the substantial new investments being made throughout the region?

These are the questions that face the cultural leaders of Philadelphia, and the business, civic, and political leaders who understand the power of Philadelphia's cultural competitive edge. If these questions can be answered, what difference would it make? The payoff for investing in the cultural industry - an industry for which the region already has a world-class reputation - could be enormous:

- every dollar invested in the arts supports $2 in total regional spending; every $25,000 in spending supports one job in the region; an additional $20 million in growth in the cultural industry would support $40 million in spending and 800 new jobs;

- investment in the arts can lower ticket prices for the region's large family attractions, making them more affordable, accessible, and exciting to tourists and residents alike; and
- a sizzling cultural community can define this region as a modern day "Athens," a place whose image speaks of quality, creativity, and artistic achievement, a place that welcomes and attracts the knowledge workers critical to the success of world class global companies.

These goals are not far-fetched. Every bit of reason and evidence suggests that this region has what it takes to position itself as one of the cultural capitals of the new economy. With leadership, with renewed and creative commitment and investment, this is a game that Greater Philadelphia can win.

Appendix A: Economic Impact Methodology

Key Definitions

Arts & Culture

The "arts and culture" sector includes all not-for-profit arts and culture organizations, encompassing the performing arts, museums, galleries, historic and scientific institutions, historic societies, art centers, literary magazines, arts councils, and art-oriented community service organizations. Two historical sites owned and operated by the federal government – Independence National Historical Park (INHP) and Valley Forge National Historical Park (VFNHP) – were also included because of their key role in the Philadelphia region's historical culture and their global prominence as visitor sites.

Geographic Regions

Philadelphia region – the five counties of Southeastern Pennsylvania (Bucks, Chester, Delaware, Montgomery, and Philadelphia)

- *City* – Philadelphia County
- *Suburbs* – Bucks, Chester, Delaware, and Montgomery Counties
- *"Outside" the region* – all locations outside of the five-county Southeastern Pennsylvania region

Collecting and Preparing the Data

Surveying the Arts and Culture Organizations

The primary data collection instrument for the economic impact analysis was a survey mailed to all known arts and culture organizations in the Philadelphia region (a copy of the survey is provided in Appendix B). The universe of recipients was determined based on the above definition of "arts and culture", consisting of 348 organizations. A total of 113 responses were received, for a response rate of 32.5 percent. This included responses from 27 of the 30 largest organizations in the Philadelphia region.

The arts and culture organizations were surveyed for a variety of financial and economic information, all pertaining to Fiscal Year 1995, the most recent year for which a consistent and comprehensive set of data existed. PEL had already obtained basic income and expenditures data for 169 (or 49 percent) of the institutions in the survey universe, using a database maintained by the Pennsylvania Council on the Arts (PCA). The other 51 percent of the institutions were asked for this financial data on their surveys. All 348 of the organizations were asked for detailed information on the geographic distribution of their income and expenditures, so these monetary flows could be properly allocated in the economic impact analysis. Finally, organizations were asked for employment and attendance data. PEL provided a considerable amount of technical assistance to organizations throughout the survey process to ensure accuracy and maximize the response rate.

Extrapolating the Survey Data

Because of the high response rate on the surveys and the availability of the PCA database, PEL was able to obtain actual data for 280 of the organizations in the survey universe, representing the heavy majority of total dollars within the region's arts and culture sector. Given this, PEL felt confident extrapolating some data across the organizations for which less financial or economic information was available. This would ensure that the dollar flows of all 280 organizations would be represented in the economic impact analysis.

The extrapolation process was conducted in two parts. First, for the small percentage of organizations for which PEL had no budget information, each organization's aggregate 1995 budget data (total income and total expenditures) was obtained from the Internal Revenue Service, and these totals were then distributed into detailed income and expenditure categories based on the average of similar organizations for whom PEL had survey data. This was done by creating a matrix of eight categories of organizations based on size (<$600,000 annual budget or >$600,000 annual budget); location (city or suburbs); and product (performing arts or museums/exhibiting institutions). Each missing organization's total income and expenditures were then distributed according to the average of the category to which it belonged.

The second part of the extrapolation process employed a similar methodology to the somewhat larger set of organizations for which PEL lacked data on the geographic distribution of income and expenditures. Averages within the same eight categories of arts and culture organizations were used to fill in data for the missing organizations, again using the appropriate category for each. The result of the extrapolation process was a complete set of budget data and corresponding geographic allocation, arrived at by a reasonable and justifiable extrapolation methodology.

Conducting the Economic Impact Analysis

The Dynamics of Economic Impact

Before covering the specifics of the arts and culture impact analysis, it might be productive to walk through the overall dynamics of the process by which dollars circulate through a region's economy. When an arts organization in the Philadelphia region purchases a good or service from a local supplier, or pays an employee who lives within the region, this money enters the local economy. This initial impact is known as the "direct effect," comparable to throwing a stone into a pond. The ripples that result are the "indirect effects," which take the form of that local supplier re-spending her income on goods, service, or payroll; and that employee spending his paycheck on any number of consumer goods. As long as the dollars remain in the local economy, they count toward the total impact. Of course, as this process continues, more and more dollars will "leak" out of the local economy, until the initial expenditure has exhausted itself. The net result, however, is an economic impact significantly larger than the initial dollar that entered the local economy.

The Model

PEL chose to use the IMPLAN model to conduct the economic impact analysis of the arts and culture sector. Originally developed by the USDA Forestry Service and now run by the private-sector Minnesota IMPLAN Group, IMPLAN (IMpact analysis for PLANning) is considered one of the foremost regional economic modeling packages available. It is widely used for a range of economic impact analyses, including several arts studies conducted in other regions of the country. The primary asset of the IMPLAN model is that it enables the user to conduct impact analysis at a detailed regional and sectoral level. This means simply that PEL was able to build a customized model of the arts and culture sector within the Philadelphia region. Since each region's economy is unique, it is important to capture the specific purchase and sales relationships within the Philadelphia region's economy to accurately determine the economic impacts of a particular sector. Because IMPLAN allows for county-level analysis, PEL was also able to model the impacts at other geographic levels, including the city, suburbs, and state. Finally, the economic impacts can be evaluated in a variety of forms, including spending (i.e., output), personal income, employee compensation, value-added, and employment.

The Methodology – Organization Spending

Within the scope of this analysis, two types of expenditures make up the total economic impact of the arts and culture sector: expenditures by arts and culture organizations themselves, and audience spending that takes place outside of the arts and culture venue.

The expenditures of arts and culture organizations include all spending on payroll, operating expenses, and facilities; capital expenditures are not included. Because only the "local" portion of these expenditures counts as economic impact – i.e., payments to vendors within the region or payroll expenditures for employees that live in the region – survey data on the geographic distribution of arts and culture organization expenditures was used to determine this local portion on an organization-by-organization basis. As an example, say that the ABC museum spent $100,000 in 1995 to purchase frames for its exhibits, but only half of those frames came from local suppliers; only $50,000 would count toward economic impact.

The local expenditures of the region's arts and culture institutions, including INHP and VFNHP, were aggregated to provide the total direct effect of these organizations' spending. The IMPLAN model generated the indirect effects that resulted from this direct effect, basically calculating and employing a set of multipliers specific to the arts and culture sector in the Philadelphia region. The total impact of arts and culture organization spending was the sum of the direct and indirect effects.

The Methodology – Audience Spending

The second component of the expenditures measured was audience spending done *outside* of the arts and culture venue (spending inside the venue – refreshments, souvenirs – was not counted because it eventually becomes the same money that arts and culture organizations spend, which was already counted in the first component). Examples of this "outside" spending are parking, restaurants and bars, hotels, retail purchases, and public transportation.

The ideal methodology for measuring audience spending is to conduct surveys of the audiences themselves. However, the "off-season" timing of this study's analysis precluded that approach, particularly with performing arts venues. Instead, PEL estimated audience spending using survey data collected from New Jersey arts audiences (*The Arts in New Jersey: A Study of Economic Activity, 1993*). The New Jersey sample encompassed 2,320 audience members surveyed across 23 arts and culture institutions, including large and small; rural, suburban, and urban; and a broad cross-section of both visual and performing arts. The advantage of this data source is that it measured audience spending as a share of venue ticket spending. If one assumes that Philadelphia audiences spend approximately the same proportion of their ticket price on "outside" items as New Jersey audiences, the New Jersey shares can be applied to Philadelphia ticket spending. This methodology therefore accounts for regional differences in ticket prices.

The spending shares break down as follows: for every dollar spent on admissions /subscriptions /memberships at arts and culture institutions:

- 62 cents were spent at restaurants and bars;
- 19 cents at hotels;
- 14 cents on retail purchases;
- 3 cents on parking; and
- 2 cents on public transportation.

Note that expenditures only count toward economic impact if they are made locally; for this reason, retail purchases were adjusted to only include the locally-produced portion of the goods being purchased. These shares were applied to PEL's survey data on total 1995 admissions/subscriptions/membership revenues in the Philadelphia region to obtain a preliminary estimate of total audience spending outside of arts venues.

The next step in the audience spending methodology involved extracting the portion of total audience spending that can be attributed to arts and culture. It is important to understand that audience spending can only be counted if it was done as a *direct result* of the patron's attendance at the arts and culture venue. In other words, would the expenditure have occurred if not for the presence of the arts? Such information must be obtained from surveys of audience members, and although none were conducted for this study, both the New Jersey study and a California study (*The Arts: A Competitive Advantage for California, 1994*) found that approximately half of audience members at arts and culture venues attribute their spending directly to the presence of the arts and culture institution they were attending. Therefore, half of audience expenditures were counted in this analysis.

Audience spending at INHP and VFNHP was handled somewhat differently because of the special characteristics of their "audience" and availability of data. For INHP, 1995 attendance figures were obtained from the Philadelphia Convention and Visitors Bureau and visitor spending data was gleaned from a 1989 study by Coughlin, Keene, and Associates (*Tourists in Philadelphia*); expenditures were then adjusted to 1995 dollars. For VFNHP, park officials supplied attendance figures to the visitor center as the best estimate of "cultural" visitors; though a large portion of VFNHP users are recreation-oriented, these users do not typically stop at the visitors center. Lacking visitor expenditure data for VFNHP specifically, PEL used the New Jersey "per ticket" expenditures and applied these on a per visitor basis.

All of the audience/visitor expenditures from not-for-profit arts and culture institutions as well as the two historical parks were added together to form the total direct effect from audience spending. Finally, this total was broken back down to the component expenditure categories (i.e., total dollars spent on hotels, on restaurants and bars, etc.) so that specific multipliers developed within the IMPLAN model for each of these sectors could be applied to each expenditure category. The result was the indirect effects of audience spending, and added to the direct effects yielded the total economic impact of audience spending.

The two components of economic impact – spending by arts and culture organizations themselves and spending by their audiences – were then added together to arrive at the total economic impact of the arts and culture sector in the Philadelphia region. Though this methodological description has focused on economic impact in terms of spending (i.e., output), the IMPLAN model utilizes economic relationships to convert spending to employee compensation, personal income, employment, and other concepts. Figure 26 displays the economic impact of arts and culture institutions and their audiences for several different concepts. Note that the direct employment impact was derived from the surveys of arts and culture organizations. Note also that volunteer hours were not factored into the overall economic impact – though volunteers are a vital component of the arts and culture workforce, there are no actual dollars involved in their contributions. Figure 26 also provides a more detailed picture of the employment impacts – how many Philadelphia region jobs are supported by arts and culture in a range of sectors and the amount of income generated.

The Economic Impact of "New" Dollars

Up to this point, the methodology has concentrated on deriving the economic impact of all appropriate arts and culture expenditures, the "total spending" analysis. There is, however, an additional approach for measuring economic impact in which only the portion of total expenditures that originated *outside* of the region is counted. These so-called "new" dollars are a subset of total spending, and they are useful because they represent money brought into the region directly as a result of the nonprofit cultural community. These dollars would not have been spent locally if not for the region's arts and culture, and they enable the regional economy to grow in a way that local dollars do not.

The amount of "new" dollars flowing to arts and culture organizations was determined using PEL's survey, which obtained the geographic source of each organization's income, both contributed and earned. All income received from outside of the Philadelphia region was considered "new" dollars. For the audience spending component, the geographic source of admissions /subscriptions / memberships was used as a proxy for determining "new" dollars from the audience members. Stated another way, if the ticket purchase is coming from outside the region, then it is logical that the expenditures on dinner, parking, etc. should be counted as originating outside the region.

Figure 26:
Economic Impacts by Industry Sector

Industry (ranked by spending impact)	Spending	Income	Employment
Arts & culture	$ 243,858,608	$ 100,393,848	5,736
Retail	$ 61,113,319	$ 28,076,543	2,070
Finance, insurance, real estate	$ 54,480,324	$ 7,202,894	307
Engineering, accounting, consulting	$ 28,832,344	$ 14,754,920	471
Manufacturing	$ 26,667,365	$ 6,584,365	188
Health services	$ 22,624,218	$ 13,702,716	414
Business services	$ 19,967,159	$ 10,293,285	461
Hotels and lodging places	$ 14,171,316	$ 6,327,122	336
Wholesale trade	$ 13,335,309	$ 5,800,020	149
Automotive services	$ 13,229,618	$ 3,588,407	242
Construction	$ 12,158,884	$ 4,775,716	137
Transportation services	$ 8,708,558	$ 2,517,898	122
Utilities	$ 8,585,389	$ 1,741,506	26
Government	$ 6,765,575	$ 2,895,193	72
Legal services	$ 5,719,802	$ 4,352,829	74
Communications	$ 4,790,996	$ 1,263,773	24
Membership organizations	$ 4,552,103	$ 2,369,614	110
Educational services	$ 3,691,787	$ 2,143,087	97
Social services	$ 2,854,565	$ 1,795,193	93
Personal services	$ 2,420,736	$ 1,152,128	94
Repair services (excl. auto)	$ 1,634,766	$ 517,088	27
Other amusement & recreation svcs.	$ 1,300,168	$ 951,654	51
Motion pictures	$ 1,100,279	$ 258,635	15
Agriculture & mining	$ 656,567	$ 288,703	22
All other services	$ 263,814	$ 263,814	39
Total	$ 563,483,569	$ 224,010,946	11,377

The total economic impact of "new" dollars was calculated in the same manner as the total spending analysis, using the same set of IMPLAN multipliers to derive indirect effects.

Geographic Variations

The study's primary analysis focused on the economic impact that the Philadelphia region's arts and culture sector has on the Philadelphia region itself. However, it is also very instructive to assess how that economic impact plays out over other geographic areas, to identify concentrations of economic benefits and patterns of monetary flows. So in addition to a Philadelphia region analysis, PEL performed economic impact analyses for the city, the suburbs, and the Commonwealth of Pennsylvania. This involved using the PEL survey data on geographic distribution of expenditures and origin of income (for "new" dollar analysis) to identify the proper direct effects of spending by arts and culture organizations and audience members. The IMPLAN model enabled PEL to conduct customized analysis of each geographic area, providing multipliers specific to the respective economies of the city, suburbs, and state in order to determine indirect effects.

Tax Impacts

To better understand the fiscal benefits of the arts and culture sector, it was necessary to estimate selected tax impacts of the economic activity. Though it is too difficult to estimate most local taxes because of the multiplicity of local tax rates, it was possible to estimate the following tax impacts:

Pennsylvania income tax: The state income tax rate of 2.8 percent was applied to the personal income impact for both the total spending scenario and the "new" dollar scenario (both scenarios were conducted for each of the tax impacts).

Philadelphia wage tax: PEL's survey data was used to determine the share of arts and culture organization employees required to pay the wage tax as well as the breakdown of those employees by residency – city residents paid 4.96 percent and suburban residents working in the city paid 4.31 percent. These shares were applied to the direct employment compensation impact of arts and culture spending to get the wage tax impacts from arts and culture employees. For employees in other sectors of the regional economy who were required to pay the wage tax (direct employee compensation in the audience spending sectors, and all indirect employee compensation impacts across the economy), city employees were assumed to be 77 percent city residents and 23 percent suburban residents (breakdown based on city wage tax records), and PEL estimates that 10 percent of suburban employees reside in the city and therefore owe the wage tax. All of these percentages were applied to the appropriate employee compensation levels to arrive at a wage tax revenue estimate.

Pennsylvania sales tax: The first step was to determine the share of employee compensation that the average Pennsylvanian spends on taxable items. The Bureau of Labor Statistics *Consumer Expenditure Survey* details annual purchases for residents of both the Philadelphia and Pittsburgh metro areas. Using an average of these and a measure of average annual compensation statewide, PEL determined that 30.8 percent of purchases were taxable, of which 95 percent were assumed to be made within the state. Therefore, the effective sales tax rate was 1.75 percent, given the state sales tax rate of 6 percent. The effective sales tax rate was applied to the total employee compensation impact on the state to yield sales tax impact.

Philadelphia sales tax: This methodology was similar to that used for the Pennsylvania sales tax impact, but was complicated by the need to isolate purchases made within the city. The share of taxable purchases made in the Philadelphia region was 28.9 percent, yielding an effective tax rate of .289 percent, given the city sales tax rate of 1 percent. This effective tax rate was then applied to shares of employee compensation based on a variety of assumptions about what portion of purchases would be made in the city, depending on where the employee worked and lived. The total of all these calculations, for both arts and culture employees and employees of all other sectors, yielded the city sales tax impact.

A Conservative Methodology

There are different variations on economic impact methodologies, and the arts and culture sector is no exception. It is worth pointing out, however, that compared to a number of existing arts and culture studies in this and other regions, this economic impact methodology is fairly conservative because it strives for an accurate accounting of the region's not-for-profit arts and culture sector. Some specifics:

- does not include for-profit arts and culture organizations;
- does not include commercial ventures like art supply stores, music stores, bookstores, media outlets;
- does not include individual artists, except as they are involved in the spending of arts and culture organizations;
- audience spending is only counted if it can be attributed to the arts, rather than automatically counting all audience spending; and
- only the local portion of expenditures are counted – though this is the correct methodology, not all economic impact analyses follow this policy.

Appendix B: Organizational Survey and List of Organizations

On the following pages are a list of the 348 regional organizations surveyed and a copy of the survey instrument that was used to gather information from the region's arts and culture organizations.

Survey Recipients

1807 and Friends
29th Street Community Service Center
Abington Art Center
Academy Chamber Players
Academy of Music
Academy of Natural Sciences
Academy of Vocal Arts
Actors Lab Theatre Company
African American Museum of Philadelphia
Allens Lane Art Center
American Family Theatre, Inc.
American Flag House and Betsy Ross Memorial
American Historical Theatre
American Music Theater Festival
American Poetry Review
American Swedish Historical Museum and Foundation
American Women's Heritage Society
Anne-Marie Mulgrew Dance Company
Annenberg Center
Arden Theatre Company
Art Mobile
ArtForms Gallery Manayunk
Artreach
Arts West
Asian Americans United
Asian Arts Initiative
Asociacion de Musicos Latino Americanos
Astral Artistic Services
Athenaeum of Philadelphia
Atwater Kent Museum
Ausdruckstanz Dance Theater
Avenue of the Arts, Inc.
Awbury Arboretum
Bach Festival of Philadelphia
Balch Institute of Ethnic Studies
Barnes Foundation
Beaver College Art Gallery
Big House (Plays and Spectacles)
Black Family Reunion Cultural Center
Bloody Someday Productions
Body Language Dance Company
Brandywine Ballet Company
Brandywine Conservancy for Brandywine River Museum
Brandywine Graphic Workshop, Inc.
Brick Playhouse
Bridge Ensemble
Bristol Riverside Theatre
Bucks County Choral Society
Bucks County Symphony Society, Inc.
Bushfire Theatre of Performing Arts
Cambodian Association of Greater Philadelphia
Carpenters' Company of the City and County of Philadelphia
Centennial Hall at the Haverford School
Chadds Ford Historical Society
Charles & Elizabeth Gershman YM & YWHA
Cheltenham Center for the Arts
Chester County Art Association
Chester County Historical Society
Chester Fine Arts Center East Inc.
Chester Springs Studio
Chestnut Brass Company
Chestnut Hill Historical Society
Children's Choir of Bucks County
Chinese Cultural & Community Center
Choral Arts Society of Philadelphia
Choral Society of Montgomery County
Chorus America
Citizens for Restoration of Historical LaMott
Civil War Library and Museum
Clay Studio
Cliveden of the National Trust
Coalition of African American Cultural Organizations
Colonial Flying Corp. Museum
Colonial Pennsylvania Plantation
Community Arts Center of Wallingford
Community Education Center
Community Music School
Concerto Soloists Chamber Orchestra
Convergence - Dancers & Musicians, Ltd.
Cornerstone of the Arts c/o Tri County Chamber of Commerce
COSACOSA art at large, Inc.
Creative Access
Creative Artists Network
Cultural Programming
Curtis Institute of Music
Dance Affiliates
Dance Conduit

Dance Theatre of Pennsylvania
DanceFusion
Danceteller
Darlington Fine Arts Center
Davidsbund Chamber Players
Delaware County Historical Society
Delaware County Institute of Science
Delaware Valley Arts Consortium
Delaware Valley Opera Company
Delius Society - Philadelphia Branch, Inc.
Drexel University Museum
Eastern State Penitentiary Historic Site
Ebenezer Maxwell Mansion
Eboni Theatre Company of Philadelphia
Edge Productions
Elfreth's Alley Association, Inc.
Encore Chamber Players
Esther M. Klein Gallery
Evelyn Graves Drama Productions (EGDP)
Fabric Workshop and Museum
Fairmount Park Art Association
Fireman's Hall
Fonthill Museum/Mercer-Fonthill Trust
Fort Mifflin on the Delaware
Foundation for Today's Art - Nexus
Frankford Preservation Project
FrankfordStyle
Franklin Institute
Friends of Independence National Historic Park
Friends of the Delaware Canal, Inc.
Friends of the Falls of Schuylkill Library
Friends of the Japanese House and Garden
Gallery of the Art Institute of Philadelphia
Genuine Myth: A Theatre Company
German Society of Pennsylvania
Germantown Historical Society
Germantown Theatre Guild
Glen Foerd Mansion on the Delaware
Goldie Paley Gallery
Grand Army of Republic Civil War Museum and Library
Group Motion Dance Company
Hancock Concerts, Inc.
Haverford Township Historical Society
Headlong Dance Theater
Hedgerow Theatre
Hicks Art Center
Highlands Historical Society
Historic Fallsington, Inc.
Historic Morrisville Society
Historic Rittenhousetown, Inc.
Historic Yellow Springs, Inc.
Historical Society of Fort Washington
Historical Society of Mongtomery County
Historical Society of Pennsylvania
Historical Society of the African Episcopal Church of St. Thomas
Hmong United Association of Pennsylvania
Holocaust Awareness Museum of Delaware Valley
Independence Hall Association
Independence National Historical Park
Independence Seaport Museum
Independent Eye
Institute of Contemporary Art
InterAct Theatre Company
International House of Philadelphia
Islamic Cultural Preservation and Information Council
James A. Michener Art Museum
John Bartram Assc., Historic Bartram's Garden
John W. Coltrane Cultural Society
Kardon Institute of the Arts
Karen Bamonte Dance Works
Kennett Symphony of Chester County
King of Prussia Historical Society
Koresh Dance Company
La Salle University Museum
Lansdale Historical Society
Lansdowne Symphony Orchestra Association
Latin American Guild for the Arts
Latin Fiesta
Lenape Chamber Ensemble
Levy Gallery for the Arts
Library Company of Philadelphia
Locks Gallery
Longwood Gardens
Lower Makefield Society for the Performing Arts
Main Line Art Center
Main Street Theatre of Quakertown
Manayunk Art Center
Manayunk Community Center for the Arts
Mann Music Center for the Performing Arts
Matinee Musical Club of Philadelphia
Melanie Stewart Dance
Mendelssohn Club of Philadelphia
Mercer Museum of the Bucks County Historical Society
Merriam Theater
Minority Arts Resource Council
Moonstone, Inc.
Moravian Pottery and Tile Works
Morgan Log House
Morris Arboretum of The University of Pennsylvania
Morton Homestead
Movement Theatre International
Mum Puppettheatre, Ltd.
Museum of Archaeology and Anthropology
Music Group of Philadelphia

Mutter Museum
National Archives - Mid Atlantic Region
National Exhibits by Blind Artists
National Museum of American Jewish History
Network for New Music
NetworkArts Philadelphia
New Freedom Theatre
New Hope Arts Commission
New Liberty Productions, Inc.
New Year's Shooters and Mummers Museum, Inc.
Newlin Grist Mill
Newtown Chamber Orchestra
Norman Rockwell Museum
North Light Community Center/North Light Players
North Penn Symphony Orchestra (NPSO)
Northwest Passage Arts Center
Novel Stages Theater Company
NuVisions for Disabled Artists
Odunde, Inc.
Office of Cultural Arts
Old Academy Players
Opera Company of Philadelphia
Opera North
Orchestra 2001
Painted Bride Art Center
Paley Design Center
Patchwork: A Storytelling Guild
Pennsbury Manor
Pennsylvania Academy of the Fine Arts
Pennsylvania Ballet Association
Pennsylvania Horticultural Society
Pennsylvania Pro Musica
Pennypacker Mills
People's Light & Theatre Company
Performance Orchestra
Performing Arts Series
Performing Arts Series
Philadelphia All Star-Forum Series, Inc./Philly Pops
Philadelphia Alliance for Performance Alternatives
Philadelphia Area Repertory Theatre (PART)
Philadelphia Art Alliance
Philadelphia Arts Bank
Philadelphia Boys Choir and Chorale
Philadelphia Chamber Music Society
Philadelphia Children's Ballet Academy
Philadelphia Civic Ballet Company
Philadelphia Classical Guitar Society
Philadelphia Classical Symphony
Philadelphia Clef Club of Jazz and the Performing Arts
Philadelphia Dance Alliance
Philadelphia Dance Company (PhilaDanCo)
Philadelphia Doll Museum
Philadelphia Festival Theatre for New Plays
Philadelphia Fire Department Historical Corporation
Philadelphia Folklore Project
Philadelphia Folksong Society
Philadelphia Freedom Band
Philadelphia Museum of Art
Philadelphia Music Alliance
Philadelphia Orchestra Association
Philadelphia Promenade Concerts
Philadelphia Revels
Philadelphia Shakespeare Festival
Philadelphia Singers, Inc.
Philadelphia Sketch Club
Philadelphia Society for Preservation of Landmarks
Philadelphia Theater Caravan
Philadelphia Theatre Company
Philadelphia Water Color Club
Philadelphia Young Playwrights Festival
Philadelphia Youth Orchestra & Philadelphia Young Artists Orchestra
Philip and Muriel Berman Museum of Art
Philomel Concerts, Inc.
Piffaro, The Renaissance Band
Pig Iron Theatre Company
Plastic Club
Play and Players Theater
Please Touch Museum
Plymouth Meeting Historical Society
Poets & Prophets
Point Breeze Performing Arts Center
Polish-American Cultural Center
Pottstown Symphony Orchestra Association (PSOA)
Print Center
Prints in Progress
Quenzell A. McCall Performing Arts & Education Center
Raices Culturales Latinoamericanas, Inc.
Raymond & Miriam Klein Jewish Community Center
Reading Terminal Market Preservation Fund
Relache & The Relache Ensemble
Rose Tree Pops Orchestra
Rosenbach Museum and Library
Rosenwald-Wolf Gallery
Rotunda Gallery
Samuel S. Fleisher Art Memorial
Savoy Company
SCRAP Performance Group
Scribe Video Center
Sedgwick Theater
Settlement Music School
Shubin Theater
Singing City, Inc.
Skippack Historical Society
Society for Performing Arts of the Media Theatre
Society Hill Playhouse

Sounds of Liberty
Southeastern Cherokee Confederacy of PA
Southwest Community Arts Enrichment Center
Sruti, The India Music and Dance Society
Stages of Imagination
Stenton
Stephen Girard Collection
Storybook Musical Theatre
Stra-Bis-Mus Theatre Co.
Strings for Schools, Inc.
Suburban Music School
Summertrios, Inc.
Susan Hess Modern Dance
Swiss Pine Gardens
Taller Puertorriqueno
Tap Team Two & Company, Inc.
Theatre Ariel
Thomas Eakins House Cultural Center and Museum, Inc.
TOVA
Town and Country Players
Tri-County Concerts Association, Inc.
Tyler Arboretum
Tyler Gallery
Ukranian Educational and Cultural Center
University City Arts League
University City Historical Society
Upper Merion Cultural Center
Valley Forge Historical Society
Valley Forge National Historical Park
Venture Theatre
Village of Arts and Humanities
Villanova University Theatre
Voces Nove Et Antiquae
Voices for Children Foundation
Wagner Free Institute of Science
Walnut Street Theatre Company
Warwick Township Historical Society
Wayne Art Center
Welsh Preservation Society
West Chester Ballet Theatre
West Philadelphia Cultural Alliance
Wharton Esherick Museum
Whitemarsh Community Art Center
Wilma Theatre
Women's Theatre Festival
Women's Theatre, Inc.
Wood Turning Center
Woodmere Art Museum
Wyck Association
Yellow Springs Institute
Young Audiences of Eastern Pennsylvania, Inc.
Zoological Society of Philadelphia

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General Director, Opera Company of Philadelphia
Philadelphia, PA

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Artistic Director, Painted Bride Arts Center
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Managing Director, People's Light & Theatre Co.
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Sheraton Society Hill, Hotel Association
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Johnson County Arts and Humanities Council
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Wint, Dennis M.
President and CEO, The Franklin Institute
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Woodward, Roland
President & Director, Chester County Historical Society
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Yoder, Karen
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