

2010

ECONOMIC ACTIVITY STUDY OF METRO DENVER CULTURE

THE BUSINESS OF CULTURE



YEARS
of CBCA

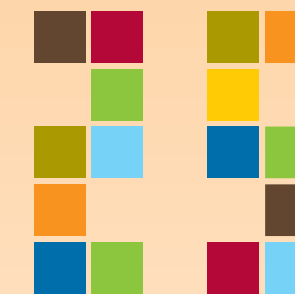


COLORADO BUSINESS COMMITTEE FOR THE ARTS

ABOUT CBCA

This year, Colorado Business Committee for the Arts (CBCA) celebrates its 25th Anniversary. CBCA is a 501(c)(3) nonprofit with the mission to serve as a catalyst for Colorado's business community to leverage the arts for economic vitality. CBCA is a member organization of leading companies and individuals that have a philanthropic commitment to the arts and recognize the link between cultural vitality and creative and innovative success. Established in 1985 by local business leaders, CBCA is an affiliate of Americans for the Arts, formerly the National Business Committee for the Arts founded by David Rockefeller in 1967.

In addition to economic research, CBCA programs include *Leadership Arts* nonprofit board service training, annual *Business for the Arts Awards* and numerous member events designed to educate, raise awareness and encourage participation in arts and culture. Please visit www.cbca.org for more information.



YEARS
of **CBCA**

AUTHORS & ACKNOWLEDGEMENTS

CBCA could not effectively present study results without the ongoing, long-term collaboration of our partners. Thank you to the professionals of Deloitte Consulting LLP and DualDraw LLC for their time and expertise in the calculation of these statistical results. Thank you to the Metro Denver Economic Development Corporation for their guidance. Thank you to the Scientific Cultural & Facilities District (SCFD) staff for their tireless efforts in collecting the data in a timely and consistent manner. And, a special thank you to the 300+ SCFD nonprofit organizations who make time to keep records, improve their accuracy and share information for this purpose.

CBCA also extends sincere appreciation to all sponsors who both value and demonstrate their commitment to collaboration between arts and business. Please thank them for their generosity with your patronage.

CBCA Staff

Deborah Jordy, *Executive Director*

Susan Beyda, *Membership and Communications Director*

Deanne Gertner, *Administrative and Program Assistant*

"Our success as a civilized society will be judged largely by the creative activities of our citizens in art..."

- David Rockefeller, Philanthropist and Founder, Business Committee for the Arts



BACKGROUND & METHODOLOGY

2

CBCA has published biennial economic activity study results for 20 years. Why? While we all know that the arts play a fundamental role in our quality of life and well-being, it is critical to be reminded that they also play an important role in business success and economic development in our communities. The money arts and cultural organizations spend on the “business of culture” provides jobs, pays taxes and encourages tourism. And, as you will see, the total economic activity generated by arts and culture is a large and significant number that makes quite a difference in the metro area!

Greater Denver metro area voters created the Scientific and Cultural Facilities District (SCFD) in November 1988 in order to provide public financial support to scientific and cultural organizations that enlighten and entertain the public. Counties participating in the voter-approved 1¢ on \$10 retail sales and use tax include Adams, Arapahoe, Boulder, Broomfield, Denver, Jefferson and most of Douglas. In 1989, SCFD distributed almost \$14 million to over 120 organizations. In 2009, a little over \$37 million was distributed. Since the first revenue was collected, the SCFD has distributed more than \$628 million to over 500 eligible nonprofit and local government scientific and cultural organizations.

The 2010 CBCA Economic Activity Study of Metro Denver Culture reflects self-reported information that was collected in 2009 from 92% of the nonprofits that receive SCFD funds. The request for information is integrated into the SCFD grant request process. The raw data that results from SCFD reporting is then analyzed by Deloitte Consulting LLP and DualDraw LLC with a data model that is based on the collection questionnaire and is modified over time for consistency.

Over the years, information from this economic activity study has been used by for-profit executives, artists, politicians, members of the media, non-profit directors, local and national leaders and many others who are interested in exploring the connections between business and the arts and the ensuing benefits to our communities. The 2010 CBCA Economic Activity Study of Metro Denver Culture is released with the hope that it will continue to encourage reflection and stimulate thought-provoking discussion.



“I believe that if you show people the problems and you show them the solutions, they will be moved to act.”

- Bill Gates, American Business Magnate and Philanthropist, b. 1955

3

INTRODUCTION

Although the Great Recession[^] was officially declared over in the U.S. in June 2009*, many predict that its effects will linger and economic recovery is likely to continue for some time to come. This long, deep downturn took its toll on the economy: average U.S. unemployment hovered near 10%^{^^} with over 7.2 million jobs cut**, more than 2.8 million homes had foreclosure filings nationwide[^] and the national gross domestic product shrank 2.6%^{^^} in 2009.

Both the state of Colorado and metro Denver largely escaped the early effects of the U.S. recession, but by 2009, metro Denver job losses exceeded the national level and unemployment was over 8%**. Retail sales in the metro area some months fell as low as 19% on a year over year basis** and metro Denver existing home sales fell 12% over 2008**.

In the 2010 Economic Activity Study of Metro Denver Culture, the effects of the recession are evident and not too surprising given the economic climate overall. SCFD arts and cultural nonprofit funding fell because tax revenues were down, though Denver was not alone (see comparison chart below). The 2009 total economic activity attributable to area arts nonprofits decreased 14% from 2007. The economic impact figure fell slightly, just over 1%. Full-time employment held relatively steady, possibly explained by federal funding designed to save jobs.

A silver lining of the tough economy has been an increase in collaboration with partners of all kinds and additional creativity in programming, including the development of new income streams and audiences. The arts community exhibited resilience, dedication and survival skills to be proud of and they continued to demonstrate community responsibility during the downturn by supplementing arts and science education in K-12 schools. These numerous outreach efforts resulted in a 20% increase in the number of school contacts. Individual support for community arts is indicated by a 30% increase in volunteer hours and a 13% increase in donations over 2007. However, corporate and in-kind giving fell significantly and total attendance fell 32% from its highest level in 2007.

It is important to note that the 2009 economic activity attributable to area SCFD nonprofit arts, cultural and scientific organizations alone made a hefty contribution to the metro economy in spite of the economic downturn – nearly \$1.5 billion. And the corresponding \$387 million of economic impact would have been sorely missed by many industries. If the economic activity and impact of area university cultural events, concert venues, art districts and other for-profit creative endeavors could be added, it would become even more apparent: the business of culture counts.

[^] New York Times, Wall Street Journal, Forbes, Business Week
^{*} National Bureau of Economic Research (NBER)
^{^^} Bureau of Economic Analysis

** Metro Denver Economic Development Corporation, Monthly Economic Summary, December 2009
^{*^} Denver Business Journal, January 14, 2010

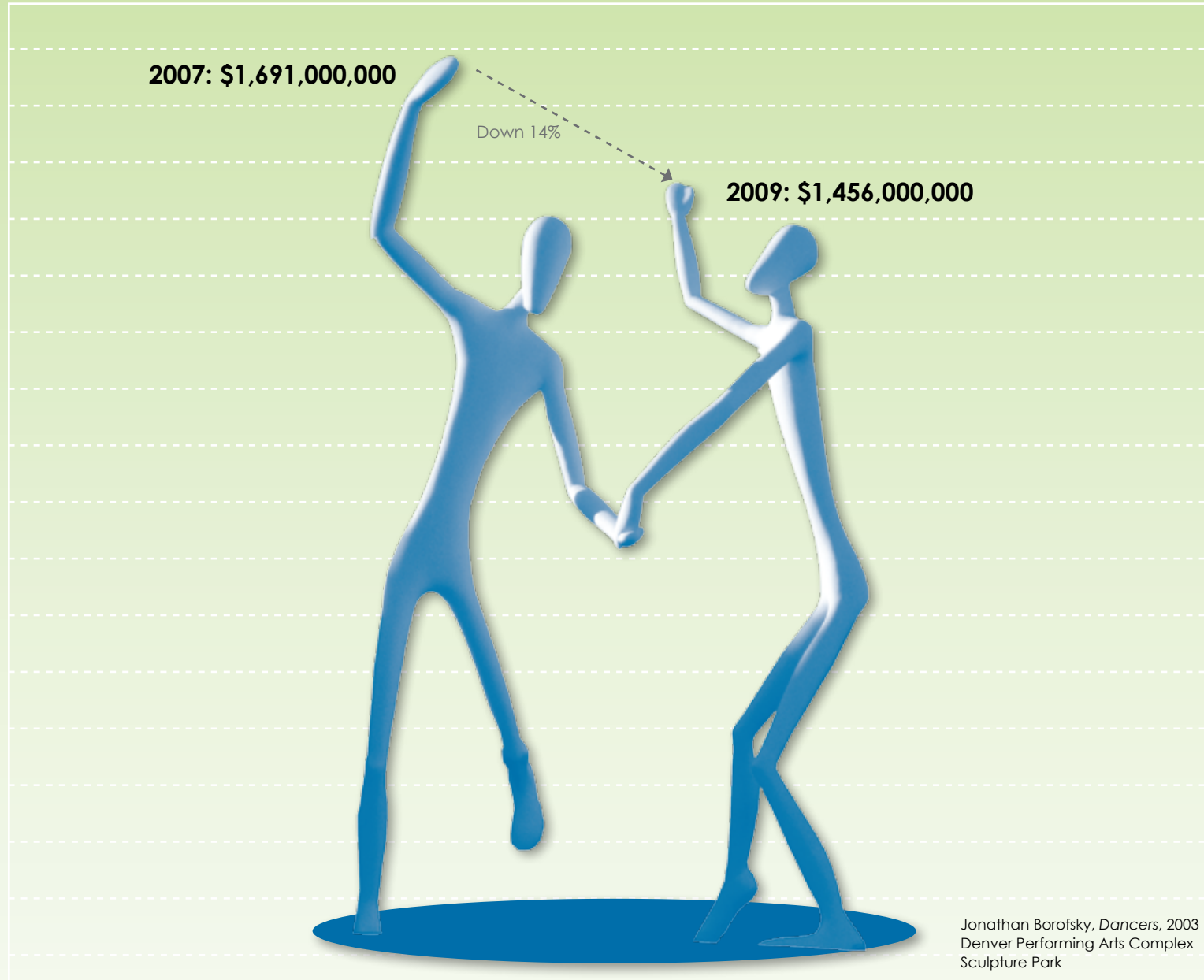
Comparison to Other Cultural Tax Districts

City Organization	Type of Tax	\$ Distributed to Arts & Culture in 2009	% change from 2007 of \$ Distributed to Arts & Culture	# of Arts & Cultural Groups Receiving \$ in 2009	Population
Denver Scientific and Cultural Facilities District	1/10 of 1% sales and use tax	\$37.1 million	-12%	314	2.8 million (7-counties)**
St. Louis Metropolitan Zoological Park and Museum District	Property tax: \$0.28 per \$100 assessed	\$72 million ^{^^}	-1%	5 ^{^^}	1 million (1 county)**
Salt Lake City Zoo, Arts and Parks	1/10 of 1% sales and use tax*	\$11.3 million [^]	-24%	158 [^]	1 million (1 county)**
Pittsburgh Allegheny Regional Asset District	1% county sales tax ^{*^}	\$16.8 million*	-7%	61*	1.2 million (1 county)**

[^] Zoo, Arts and Parks, Salt Lake County
^{*} Allegheny Regional Asset District

^{^^} Metropolitan Zoological Park and Museum District
^{**} U.S. Census Bureau

Total Economic Activity Related to Culture



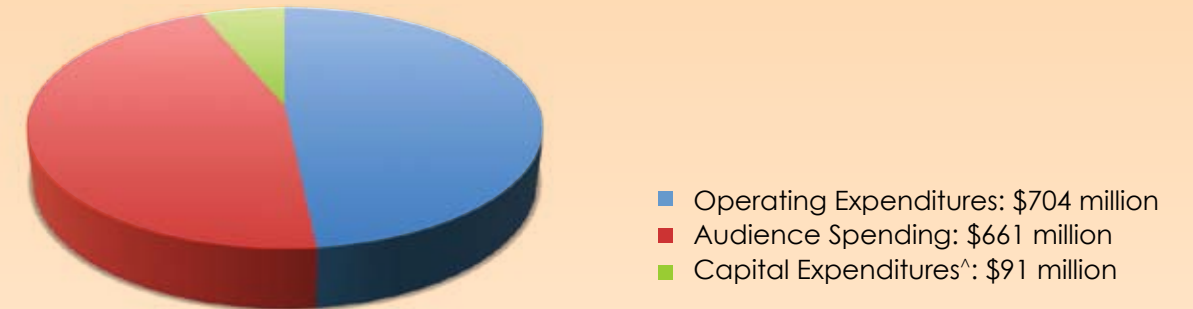
While 2009 total economic activity, \$1.46 billion, is down 14% from 2007, it is not unexpected given the overall downturn in the economy. SCFD funding, while down 12% in 2009, still provided a solid base of nonprofit arts funding and serves as a catalyst for economic activity. Total SCFD funds distributed only represents about 13% of recipient organizations' total operating revenues.



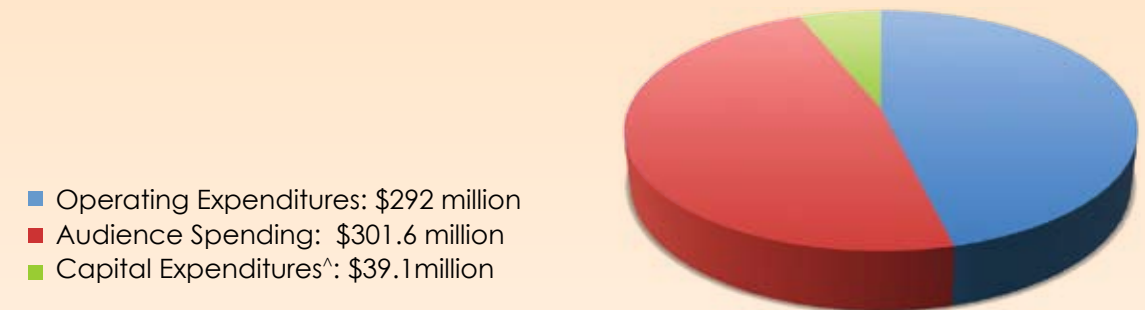
"Making money is art and working is art and good business is the best art."
~Andy Warhol, American Artist, 1928-1987

Breakdown of 2009 Economic Activity

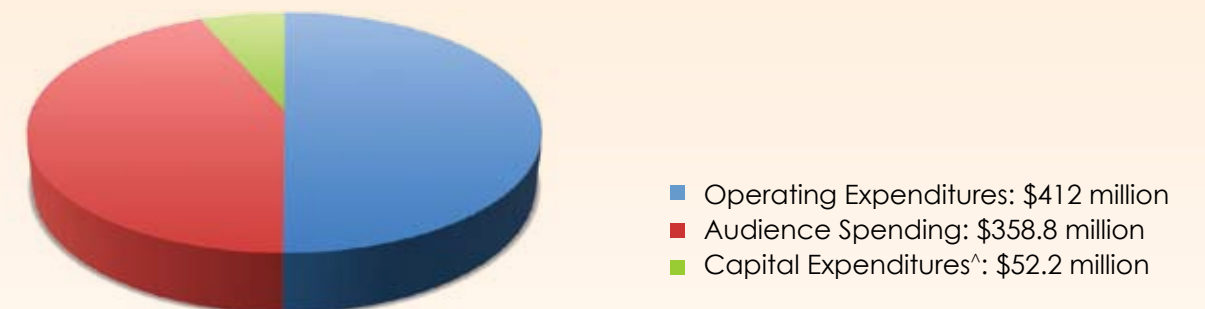
ECONOMIC ACTIVITY: \$1.46 BILLION TOTAL



DIRECT ECONOMIC ACTIVITY: \$632.7 MILLION TOTAL



INDIRECT SPENDING: \$823 MILLION TOTAL



Total economic activity is the sum of the direct and indirect expenditures of the reporting organizations plus the direct and indirect expenditures of their patrons.

Direct activity combines the organizations' operating and capital expenses with money spent by audiences.

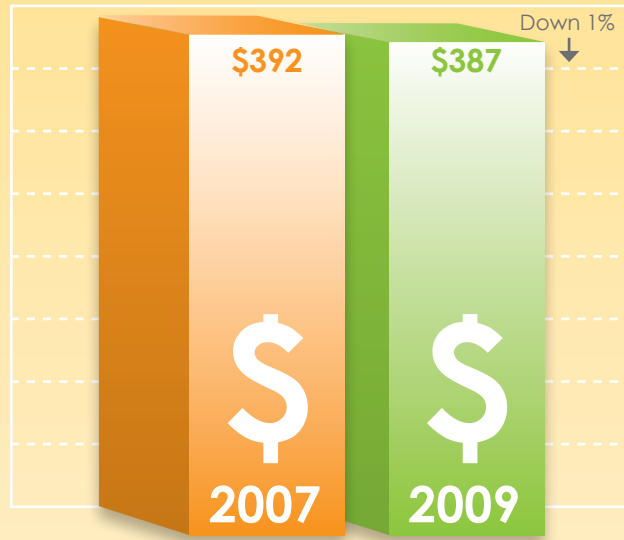
Indirect activity is determined by applying RIMS multipliers* to direct activity. RIMS multipliers are used to estimate the effect of one industry on another or on the entire economy of a particular region. This calculates the local spending stimulated by the cultural nonprofits themselves and their patrons. For example, arts nonprofits have business expenses including rent, services and office supplies. On the audience side, there are event-related expenditures such as food purchases, retail souvenirs, hotel stays, parking and gasoline.

[^] A capital expenditure is money spent that is expected to have a value longer than one year, such as any new construction, major renovation or remodeling and equipment.

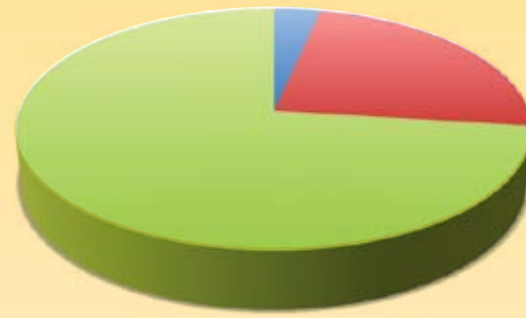
* Regional Input-Output Modeling System (RIMS) benchmark series multipliers are provided by the U.S. Bureau of Economic Analysis, with additional input from the Colorado Division of Local Government, 2007.

ECONOMIC IMPACT

6

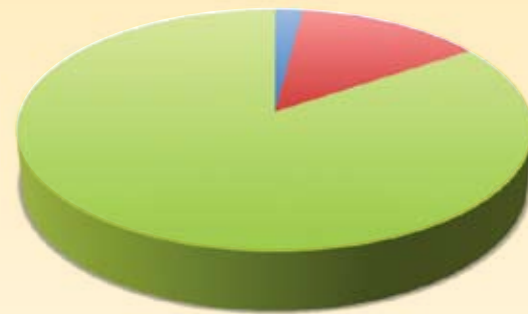


Total Income
(in millions)



Breakdown of 2009 Income

- Federal Government Grants = \$13 million (+65%)
- Capital Expenditure Impact = \$91 million (+72%)
- Cultural Tourism[^] = \$283 million (-15%)



Breakdown of 2007 Income

- Federal Government Grants = \$8 million
- Capital Expenditure Impact = \$53 million
- Cultural Tourism[^] = \$331 million

The vibrancy of a cultural community and its attractions contributes to encouraging people to visit, companies to remain or relocate and money from outside the region to be designated to a geographic area. This “new money” – money that normally would not be spent in the metro area – equated to \$387 million of economic impact in 2009, very close to the 2007 level. To put this in perspective, this economic impact figure is equal to building a new Invesco Field or hosting 1.5 Democratic National Conventions every year*.

While Federal Government Grants and Capital Expenditures increased in the seven-county area, the drop in Cultural Tourism significantly affected the overall economic impact of the arts. There were 1.6 million fewer visits to arts and cultural organizations from outside the metro area in 2009 (1.81 million) than there were in 2007 (3.41 million). However, the drop in Cultural Tourism was offset by the increase in Federal Grants (72%) and Capital Expenditures (65%) in the seven-county area.

[^] Cultural tourism as statistically defined here is the impact of visitors from outside the metro area on both operating expenditures and event related spending.
* Metro Denver Economic Development Corporation



“The highest use of capital is not to make more money but to make money do more for the betterment of life.”

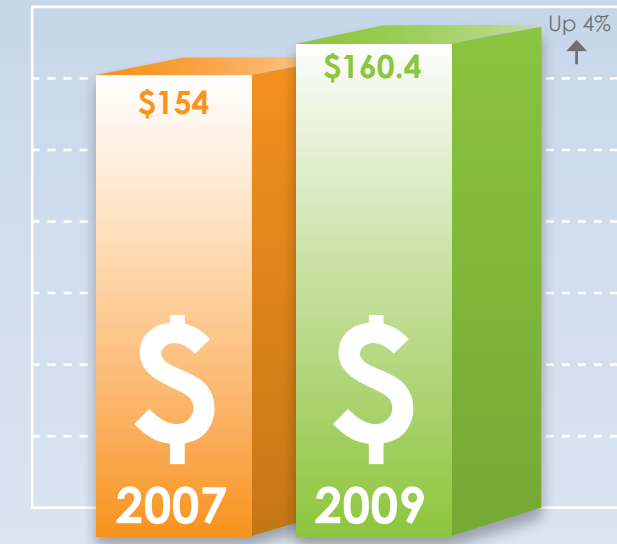
- Henry Ford, American Industrialist, 1863-1947

GIVING TO THE ARTS

7

Type	2007 (in millions)	2009 (in millions)	% Change
Individual	\$24.5	\$27.6	+13%
Corporate Sponsorships	\$12.4	\$8.6	-31%
In-Kind Donations All Donors	\$19.8	\$16	-19%
All Foundations	\$27.2	\$27.3	+0.4%
Federal Government	\$3.1	\$5.5	+77%
Other Government [^]	\$15.8	\$26.5	+67%
SCFD	\$42.1	\$37.1	-12%
Endowment*	\$3.9	\$5.5	+41%
Other	\$5.2	\$6.3	+21%
Total Contributed	\$154	\$160.4	+4%

[^] Other Government includes all state, local and regional grants and funding excluding SCFD funds.
* Realized Endowment (gain/loss) is a transfer of money donated to an institution, usually with the stipulation that it be invested and the principle remain intact in perpetuity or for a defined time period.



Total Contributions
(in millions)

Total giving to the arts in metro Denver rose by 4% in 2009, in contrast to the rest of the country which had a 2.4% decrease in giving to arts and culture[^]. At the same time, the earned income of area arts nonprofits dropped 3%, resulting in an even 50% split between earned and contributed revenue in 2009. This is consistent with national results*.

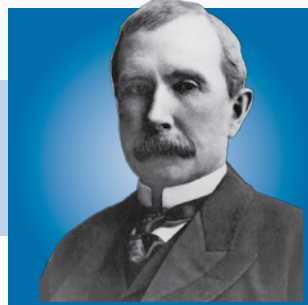
Corporate contributions to arts and culture were down 31% locally in 2009. Companies nationwide are aligning giving practices with corporate marketing strategies and transitioning from monetary to in-kind gifts and pro-bono services[^]. The result is that corporate philanthropy dollars have been allocated to causes such as human services, environmental, animal-related, health and international aid in lieu of giving to the arts[^]. However, local individual, foundation and government grants filled the gap left by decreased corporate and SCFD funding in 2009.

The American Recovery and Reinvestment Act of 2009 (ARRA) increased nonprofit arts grants from federal, state and local agencies. Nearly \$358,000^{^^} of grants from The National Endowment for the Arts (NEA) was awarded through the Denver Office of Cultural Affairs, Colorado Creative Industries and Western States Arts Federation to SCFD nonprofits. Additional NEA grants made directly to seven-county organizations with ARRA funds were \$175,000^{**}. Therefore, Denver metro area arts organizations received a total of \$533,000 from ARRA funds to preserve or restore jobs in jeopardy due to the economic climate.

[^] Giving U.S.A. 2010, Giving U.S.A. Today Foundation
^{**} Americans for the Arts
^{^^} Denver Office of Cultural Affairs, American Recovery & Reinvestment Act press release, 9.10.2009
^{**} National Endowment for the Arts

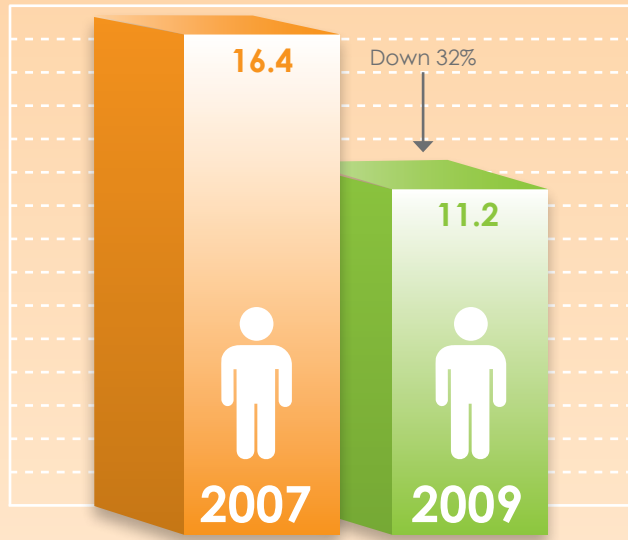
“Think of giving not only as a duty, but as a privilege.”

- John D. Rockefeller, American Oil Magnate, 1839-1937



ATTENDANCE

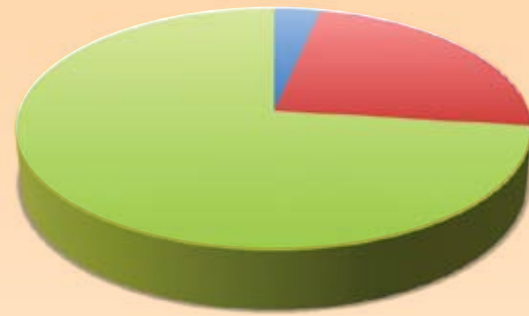
8



Attendance Totals
(in millions)

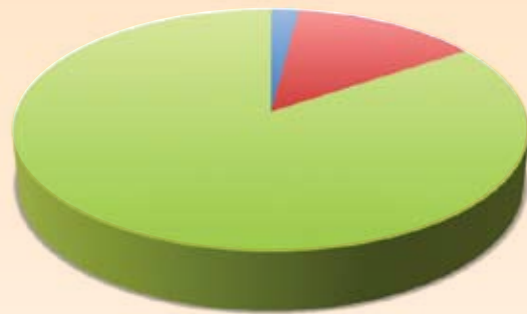
In 2009, arts and cultural attendance fell close to the 11.3 million visits of 2003, down 32% from the 2007 high of 16.4 million. However, it still indicates a strong participation from the Denver metro community. The total number of visits equates to an average of four arts and cultural experiences per seven-county resident in 2009[^] and demonstrates that arts and culture continue to be important to the citizens of the metro area, even during the recession. Free and reduced attendance numbers both dropped from 2007. Organizations point to budget cuts, loss of sponsorships and increased demands on staff for reductions in free outreach activities.

[^] U.S. Census Bureau, Seven-County Population = 2,801,318



Breakdown of 2009 Attendance

- Free Visits: 5.1 million (- 45%)
- Paid Visits: 4 million (-16%)
- Reduced Rate Visits: 2 million (- 8%)



Breakdown of 2007 Attendance

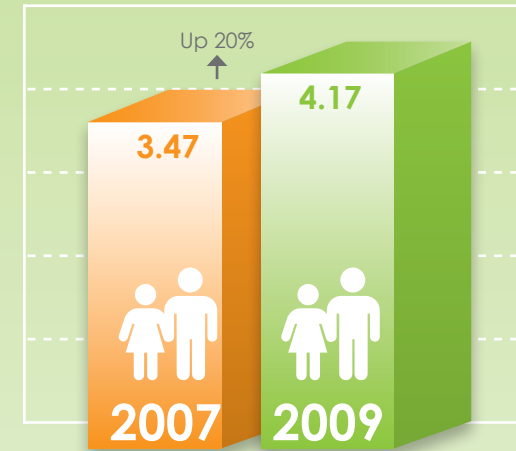
- Free Visits: 9.4 million
- Paid Visits: 4.8 million
- Reduced Rate Visits: 2.2 million



"Art is the only way to run away without leaving home."
- Twyla Tharp, American Dancer, b. 1965

OUTREACH TO SCHOOL CHILDREN

9



School Children Attendance
(in millions of contacts*)

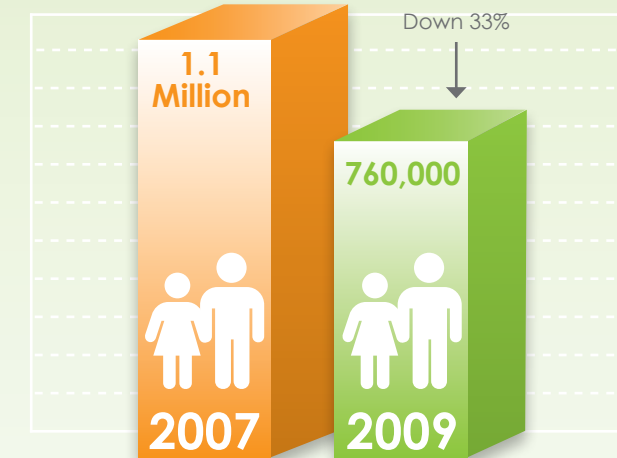
Over 4.17 million school children had contact with arts and cultural events in 2009, which equates to nearly nine contacts[^] per student in the metro Denver area*. This number has increased 20% from 2007.

[^] Contacts are defined as the total number of students participating in a program or event.
* Colorado Department of Education, 2009 Fall Pupil Membership: 467,796

OUTREACH THROUGH CLASSES

In 2009, 760,000 people participated in classes at arts and cultural institutions. While that number has fallen 33% from 2007, it is still greater than the total population of Denver County and equals approximately 27% of the total seven-county residents^{^^}.

^{^^} U.S. Census Bureau, Denver County Population = 610,345, Seven-County Population = 2,801,318



Class Participants



" It is the supreme art of the teacher to awaken joy in creative expression and knowledge."
- Albert Einstein, German Physicist, 1879-1955

EMPLOYMENT

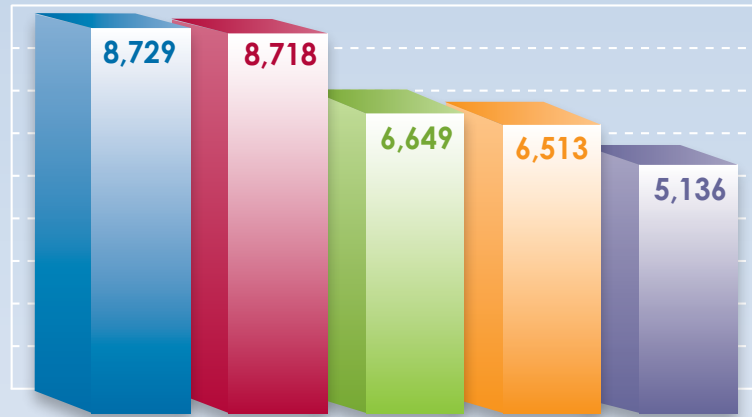
10

In 2009, SCFD organizations employed 8,718 people, a 7% increase over 2007. However, the number of full-time employees remained constant. The job growth is attributable to additional contract and part-time employees.

For comparison, from 2007 to 2009, metro area Educational and Health Services also grew at a rate of 7%[^].

Arts groups on a national level did not fare as well. Since October 2009, 35% of orchestras, 30% of museums, 28% of theatres have reported job losses nationwide*.

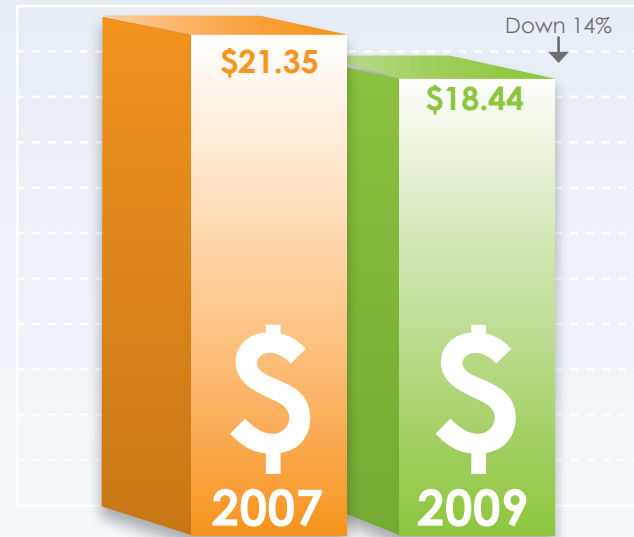
[^] Metro Denver Economic Development Corporation
^{*} Johns Hopkins University's "Listening Post Project, Recession Pressures on Nonprofit Jobs"



Employment Comparison in the Denver Metro Area[^]
(in number of people)

- Sporting, Hobby, Book and Music Stores: 8,729
- SCFD organizations: 8,718
- Health & Personal Care Stores: 6,649
- U.S. Postal Service: 6,513
- Gas Stations: 5,136

PAYROLL, SEAT & SALES TAXES



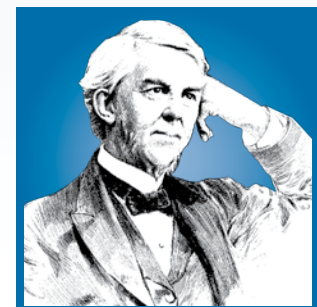
Combined Taxes
(in millions)

Combined payroll, seat and sales taxes for 2009 that arts, cultural and scientific nonprofits paid totaled \$18.4 million, down 14% over 2007.

Many organizations instituted furlough days and pay and benefit cuts. For example, Colorado Symphony Orchestra musicians agreed to a 12.5% pay cut and up to four-weeks of unpaid leave[^]. Denver Art Museum employees had three furlough days, plus three traditionally paid holidays as unpaid days off in 2009* and The Denver Center for the Performing Arts cut wages from the top down^{^^}.

This trend was also reflected nationally. For example, over one third of major U.S. art museum directors took pay cuts of as much as 20%*.

[^] Denver Business Journal, September 22, 2009
^{*} The Art Newspaper, October 2009, Issue 206
^{^^} The Denver Post, April 3, 2009



"I like to pay taxes. With them I buy civilization."

- Oliver Wendell Holmes, Jr., U.S. Supreme Court Associate Justice, 1841-1935

VOLUNTEERISM

11



Over 42,000 people volunteered nearly two million hours for arts and culture in the metro area in 2009 – roughly 46 hours per volunteer – almost 30% more volunteer time than reported in 2007. These volunteers are equivalent to 930 full-time employees and their time is estimated to be valued at \$41.5 million[^].

The Front Range has an educated workforce, high median household income and has a relatively stable housing market*, all of which are contributing factors that positively affect the rate of volunteerism^{^^}.

Increasing arts volunteerism tracks with national trends in volunteering across nonprofit sectors. Approximately 1.6 million more volunteers served in the U.S. in 2009 than in 2008^{^^}.

[^] Independent Sector, 2009 Value of One Volunteer Hour in Colorado, \$21.47
^{*} Metro Denver Economic Development Corporation, 2010 Economic Forecast for Metro Denver
^{^^} Corporation for National & Community Service, Volunteering in America 2010 Fact Sheet



"The greatest gift is a portion of thyself."

- Ralph Waldo Emerson, American Essayist and Poet, 1803-1882

A NOTE FROM AMERICANS FOR THE ARTS

There is both great news and tough news to share about the arts in our country. The great news is that for the past 50 years, the arts have been an astounding growth industry in the United States. Some 7,000 nonprofit arts organizations in the mid-1960s have multiplied to now 100,000 dance, theater, music, visual arts, media and other arts groups serving every town of every size in our nation. Add to that another 586,000 for-profit organizations and it is an industry that makes up 4.2 % of all American businesses. Nonprofit arts organizations alone bring the gift of the arts and culture to well over half of the American public each year.

Now for the tough news. In this current economic climate virtually every arts organization in America faces some kind of financial setback. Nonprofit arts and cultural organizations get their financial support from three main categories: 50% from earned revenue, such as ticket sales; 40% from private donations, primarily from individuals, plus some from foundations and corporations; and 10% from government, first local, then state and a tiny but important contribution from the federal government.

Each of these critical sources is challenged in a bad economy. There is less money to spend and everyone is more cautious. Tax revenues decline. There have been enormous sacrifices and more will be necessary if all sources don't continue to support the arts. The American public's demand for dance, theater, poetry, music and visual art experiences are reflected in its purchases. The 50% earned-income part of the funding equation remains strong, but the traditional 40% from the private sector has been slipping for a decade and continues to slip. Government dollars continue to dwindle as tax bases erode.

Please be aware and do your part to ensure that the arts and cultural groups you treasure in Colorado have what they need to flourish.

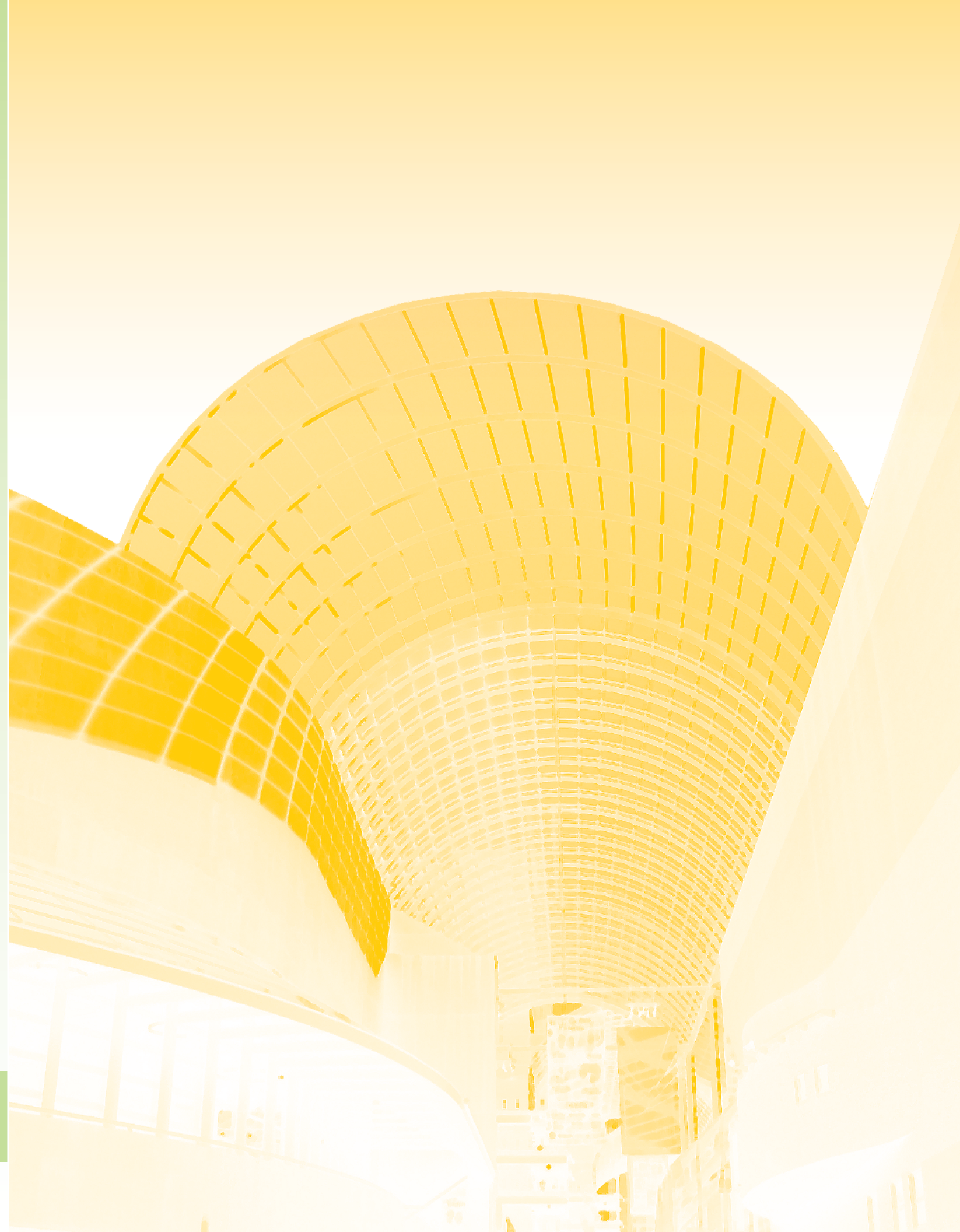
Robert L. Lynch
President and CEO
American for the Arts

November 2010



"To create one's own world in any of the arts takes courage."

- Georgia O'Keefe, American Painter, 1887-1986



THANK YOU TO OUR GENEROUS SPONSORS:

