

STATE OF THE STATE:

Measuring the Economic Impact of Utah's Cultural Businesses and Recommendations for Increasing the Sector's Health



UTAH CULTURAL ALLIANCE

*Celebrating 35 Years of
Fortifying Arts & Humanities*

Since 1981, UCA is the voice of the arts, humanities, and cultural sector of Utah. We serve, empower, and strengthen this community statewide through advocacy, professional development, and awareness.

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UTAH'S CULTURAL BUSINESSES

Utah is a wonderful community for supporting cultural businesses and individual artists, many of whom are essentially small businesses or independent contractors. Cultural businesses are comprised of for-profits and nonprofit structures:

FOR PROFIT

- Galleries
- Design: Graphic/Creative/Interior/Fashion, etc.
- Film/TV/Video
- Photography
- Individual Artists (visual, music, dance, authors, poets, actors, etc.)
- Presenting Venues (Depot)
- Event Production

NONPROFITS

- Museums (arts, history/heritage, science, botanical gardens, zoos)
- Universities
- Archives
- Libraries
- Organizations: arts, folk arts, cultural, humanities, science, education, preservation, history, anthropology/archaeology, and heritage organizations.

Utah Cultural Alliance refers to the creative sector as Cultural Business sector because we're not just nonprofits, our sector includes for-profit businesses like galleries, graphic design, film, photography, etc. as well as individual artists, many of whom are independent contractors.

ECONOMIC DRIVER: THE STATS

Utah's cultural businesses are major contributors to Utah's economic health. According to WESTAF's 2014 Creative Vitality Index,¹ cultural businesses employed over 51,000 Utahns (3% increase from year prior) and generated \$3 billion in earnings

¹ The Creative Vitality™ Index (CVITM) measures annual changes in the economic health of an area by integrating economic data streams from both the for-profit and non-profit sectors. Using per capita measurements of revenue data from both for-profit and non-profit entities as well as job data from a selection of highly creative occupations, the research aggregates the data streams into a single index value that reflects the relative economic health of a geography's creative economy. Index data streams are analyzed by WESTAF and taken from two major data partners: the Urban Institute's National Center for Charitable Statistics, and Economic Modeling Specialists, Inc. (EMSI). The Urban Institute's National Center for Charitable Statistics aggregates information from the Internal Revenue Service's 990 forms. The forms are required to be submitted by non-profit 501(c) organizations with annual gross receipts of \$50,000 or more; however, organizations with smaller revenues also occasionally report.

(7% increase). The nonprofit sector alone generated \$187.1 million in revenue. This is a growth of \$19 million in revenue, which was accomplished despite a 20% decrease in grants. Indeed, this may not even be the complete picture for nonprofit cultural businesses in Utah. Because the CVI pulls primarily from 990 filings, it is missing job numbers and revenue for many organizations earning less than \$50,000 per year. Hence, the impact could be much greater. Nonprofit cultural businesses were assisted by \$1.2 million awarded by State Arts Agency Grants.

Utah is continuously striving towards economic growth. The cultural sector is not only an economic driver and job creator, but according to many national studies, municipalities with vibrant cultural communities see an increase in property value, residents, tourism, an influx of businesses (because their employees want to live/work in exciting places), increase in tax revenue, benefits to K-12 education, and more.²

UTAH LOVES CULTURE

Cultural businesses aren't only economic drivers for the state of Utah. Our state is also unique in its strong support for culture. The National Endowment from the Arts recently released their 2015 Audience Participation Report,³ in which Utah had the highest cultural participation among adults in the nation. Utah was #1 for overall participation outside of the home, i.e. attending a visual or performing arts event or went to the movies. Utah was also first in a number of sub categories such as: art exhibits and watching movies live. Utah was in top ten for visiting heritage buildings, parks or sites and reading literature (poetry, plays, short stories, novels). Utah was eleventh for personally performing or creating artworks. Therefore, Utah could be a friendlier environment for individual artists. The numbers.

#1: 84.5% // Overall Participation outside of home: #1: 51% // Live music, theatre, dance performances

#1: 33.9% // Art exhibits

#1: 72.6% // Watch movies live

#7: 35.6% // Visit Buildings, Neighborhoods, Parks for Historic/Design Value

#6: 57% // Read literature

#11: 53.6% // Personally Perform or Create Artworks

CULTURE IS PART OF OUR HERITAGE

Public support for culture dates to founding of this state and the arrival of the Mormon pioneers. Brigham Young is famous for building a public theatre before he build the Salt Lake Temple. Indeed, Utah's cultural sector owes a great deal to our state's native Utahns such as the Ute tribe who have been creating art for thousands of years.

PUBLIC SUPPORT FOR CULTURE

An important factor in the economic health of Utah's cultural businesses is the impact of public support, especially for nonprofit organizations and to a limited scale, support to further the careers or provide training for individual artists of all media. The state provides grants through the Utah Department of Heritage and Arts, its 5 divisions. Hundreds of Local Arts Agencies (LAAs) are give funds to artists and nonprofits as well as create programming. Eight municipalities in Utah have % for Public Art programs. Those programs are: Ogden City Arts, Salt Lake City Arts Council, Salt Lake County , Utah

²See Americans for the Arts Art & Economic Prosperity IV report; see also annual reports from National Endowment of the Arts/The U.S. Bureau of Economic Analysis (BEA)

³

<https://www.arts.gov/sites/default/files/map-book-sept-rev3-sept2016.pdf>; This profile features state-level estimates of arts participation rates from the NEA's Annual Arts Basic Survey (AABS) and the Survey of Public Participation in the Arts (SPPA). Both surveys are produced by the NEA in partnership with the U.S. Census Bureau. The SPPA is conducted approximately every five years; the AABS is a short-form version of the SPPA. AABS question topics alternate: they include (for years ending in odd numbers) items about arts attendance, literary reading, and arts classes taken, and (in even numbers) items about personal performance or creation of artworks.

Division of Arts & Museums Public Art, Park City, Summit County, St. George ("Art Around the Corner" which is a non-profit public art organization), and newly, Moab. % for Art programs typically require 1% of of the costs of public capitol projects (some of which are buildings, some parks, some recreation capitol projects, it depends on the municipality), be saved for public art. Many of Utah's % for art programs require that the art made by that project's money be used within the project itself. Others collect all of the % for art revenues into a central pot. Not all of these % for Art programs are spelled out in statue. Some are merely a practice of that municipality's government. Tax revenue saved for cultural purposes is another source, In Utah, a significant amount of funding comes from RAP-type taxes since their creation in 1993. Currently six counties and twenty-seven cities within Utah have RAP-type tax programs. The various names are: ZAP, RAP, PAR, RAMP, RAPZ, CARE.

Cities and Counties that have passed the 1/10 of 1% Sales Tax for Cultural Organizations:

Counties:	Cities:
	Helper
Cache, RAPZ	Price
Salt Lake, ZAP	Bountiful
Summit, RAP	Centerville
Uintah,	North Salt Lake
Washington, RAP	Woods Cross
Weber, RAMP	West Bountiful
	Duchesne City
	Roosevelt
	Cedar City
	Brian Head
	Blanding
	Monticello
	Centerfield
	Gunnison
	Mayfield
	Aurora
	Redmond
	Richfield
	Salina
	Tooele, PAR
	American Fork
	Lindon
	Orem, CARE
	Cedar Hills
	Clearfield
	Farmington

Because RAP-type taxes are such an important part of funding for many cultural businesses, we will take a closer look at this income source. By statute, RAP-type funds cannot replace funding available from the state through its grants to cultural nonprofits. The statute reads, "Without jeopardizing the state's ongoing support of its recreational and zoological facilities and its botanical, cultural, and zoological organizations, the Legislature intends to permit the counties of the state of Utah to enhance public financial support of Utah's publicly owned or operated recreational and zoological facilities, and botanical, cultural, and zoological organizations owned or operated by institutions or private nonprofit organizations, through the imposition of a county sales and use tax." Additionally, city and county RAP-type taxes are not allowed to coexist. If a county passes a RAP-type tax in which there is a city with an already existent one, the city is required to dissolve their RAP-type tax. Each RAP-type tax is different. All of them can only be used for projects within the municipality that created it. Some fund cultural programming created by government, some are primarily regrants, some cover capitol projects, some cover government-only capitol projects, some include recreation (whereas some do not), and more.

There is certainly room for growth for all of these types of public funding in order to boost the economic impact of the cultural business sector. In return, government receives a significant "bang for its buck," as a snapshot of Salt Lake County's Zoo, Arts, and Parks program reveals:

- Applicants spent \$115.4 Million in Salt Lake County
- 6.5 Million SLCo residents were served
- 2.6 Million SLCo residents received free admission
- 13,645 jobs provided
- 36,240 volunteers
- 32,785 Artists, Scholars, Botanists and Zoologists are involved
- Over \$25 million of in-kind contributions⁴

CULTURAL BUSINESSES GIVE BACK

Investment from state and municipal governments yields a strong return. While data has not yet been collected in UT (it should be, UCA is working on this), multiple economic studies show that cultural businesses are job creators. These employees pay income taxes back to state and federal government. The same employees contribute to additional sales tax revenue. Communities with vibrant cultural offerings see increases in property value and are more attractive to new residents. Cultural businesses attract cultural tourists (we'll investigate this in greater detail). Cultural happenings yield significant increases in indirect spending. Americans for the Arts estimates that cultural attendees spend \$26.4 per person in addition to the costs of the cultural event attended.⁵

CULTURAL TOURISM

Let's look at the economic impact of cultural tourism through two case studies, both of which happen to be UCA members. First Utah Shakespeare Festival brings:

- Total impact: \$35M annually
- Direct spending: \$16.9M
- Indirect: \$18.6M

⁴ 2015 data provided by the Salt Lake County ZAP program

⁵ <http://www.americansforthearts.org/by-program/reports-and-data/research-studies-publications/arts-economic-prosperity-iv>

- 85% of audience drives more than 75 miles ⁶

Once small, Sundance Film Festival is now a major attraction bringing in thousands of nation wide and international visitors. According to published stats, the festival's economic impact in 2015 was significant:

- Economic activity of \$143.3M
- 1,440 jobs
- \$7.9 million in state and local tax revenue
- Attended by more than 46,660 people from 42 states and 16 countries.⁷

UCA is often asked by mayors, city/county council persons, county commissioners, etc. if there are upcoming organizations that could be cultural tourist drivers on the level of a Sundance or Shakespeare Festival. Absolutely. A few of our favorites are Fringe, Moab Music Festival, Utah Festival Opera, Deer Valley Music Festival, Escalante Canyons Art Festival, and the Gina Bachauer Piano Foundation/International Competition, which is one of the most prestigious classical piano competitions in the world. These same elected officials often ask what they can do to help these upcoming possibilities become major tourist destinations. We will now discuss recommendations.

IMPROVING OUR CREATIVE CLIMATE

As we've demonstrated, Utah's cultural businesses are currently quite healthy and are significant contributors to the strength of Utah's economy. However good can always be better. There are many exciting and creative ways that government and cultural businesses can work together to improve the economic health of our state and to attract out of state cultural tourists. Not all of these ideas are appropriate to the state level or legislature as some make more sense on a municipal level.

PROPOSED IDEAS (IN ALPHABETICAL ORDER)

ARTIST-IN-RESIDENCE

In addition to creating new works of art, artists-in-residence within non-arts state or municipal departments can participate in creative thinking and solution building.

ARTS AND

The arena of "Arts AND" another sector is a hot buzz idea on a national level. While the list below says art, any of the combinations can apply to create connections between humanities, history, heritage, and more.

- Arts and Transportation (Transportation American is working on an NEA Our Town grant around this topic)
- Arts and Racial Equity;
- Arts and Social Justice (Think work around prison pipeline, immigration, street vendor codes, specifically Boyle Heights in Los Angeles);
- Arts and the Environment;
- Arts and Workforce Development (bringing creativity/productivity to work force, increasing work retention and attraction);
- Arts and Housing,

⁶ According to data collected by American for the Arts' 2012 Art and Economic Prosperity report

⁷ <http://www.sundance.org/pdf/press-releases/2016-06-15-sff16-economic-impact-release-final3.pdf?1466013794>

- Arts and Civic Engagement

COMMUNITY DEVELOPMENT

- Mayors can use Community Development Block Grant (CDBG) for cultural projects. The idea is that local government can provide seed money and/or the use of the bully pulpit, further, the arts and culture can do many great things to help with local economy. The primary idea with this philosophy is of “investing” in culture, not “giving money” to it.
- There is nobody better than artists and cultural nonprofits to bring excitement, creativity, and vibrancy to a suppressed neighborhood.
- Cultural and/or public art master plans can be used to connect cultural businesses into the larger economic vision of a community.
- Creative thinkers/artists/nonprofits can be used as idea generators for creative uses as well as sources for raising the profile of a neighborhood through ideas such as:
 - Main street programs, get arts groups to put stuff in the vacant windows/stores.
 - Hennepin Theatre Trust has the largest popup shop program, Made Here. It’s the largest storefront initiative of its kind in the nation, in its sixth iteration filling more than 40 vacant commercial storefronts over 15 city blocks in West Downtown, Minneapolis with MN based creativity. They have produced 336 displays in the past three years featuring a minimum of 40% artists from communities of color and equal men and women. They have an advisory panel with 19 artists and arts professionals from diverse backgrounds who curate the project blind twice per year. Their application is very simplified, they do not ask for an artist statement, resume, or exhibition history. Every selected artist is paid \$500 and given professional installation assistance, professional photography, a dedicated page on our website, and a documentary short for those who are interested.
 - SLC’s greenspace program.
 - REDUCED RENT/Assistance with studio space, event space, buildings, rehearsal space, recording space etc.
 - Property tax // if you’re working to attract businesses to your community by waiving property tax, TREAT NONPROFITS THE SAME. We are job creators and economic drivers.
 - Building cultural facilities such as the Eccles Theatres in both Logan and the new one in SLC are central core buildings in their respective downtowns. Even small scale such as the Empress Theatre in Magna or the MARC in Moab can drive the cultural soul of a town.
 - % for art programs, iconic public art can drive tourism and identity for your municipality // % for art programs can be statutory or cultural (i.e. just a policy of a municipality)
 - Art in crosswalks, signage, transportation hubs, etc.

CULTURAL DISTRICTS

- Municipal governments can create Cultural Districts - with or without tax incentives.
- Governments sometimes fund these via bed or tourism taxes within the Cultural District boundaries, but it can be done within municipal budgets and can also be done fairly cheaply.
- Great examples: Maryland, Massachusetts, Texas, and South Carolina recently started cultural districts program (South Carolina’s is a bed tax)
- Recent legislation makes it difficult to create new historic districts. As heritage sites are a tourist draw, changes could be made to deregulate historic districts.

FUNDING

- Nonprofits need help to reach financial sustainability. The municipalities that help nonprofits reach financial sustainability, attract more cultural businesses to their town.
- Increased unrestricted funds: there is significant funding for programs and special projects; it is hard to find funding to cover general expenses, employee salaries, and marketing dollars. It's also hard to keep the lights on if a nonprofit's primary source of revenue is restricted dollars that can't cover items such as rent and utilities.
- For-profit cultural businesses such as individual artists and galleries have a hard time finding start up investments.
- Increased access to legislative appropriations; it is sometimes hard for smaller organizations to find success through appropriations.
- New possible sources of funding:
 - Increasing granting budgets of state or regional arts councils, or at least staying even with inflation
 - RAP-type taxes, including statewide
 - Bed/tourism taxes
 - Bonds

HEALTHCARE

- Healthcare is a big issue. It is difficult for small cultural businesses (for profit or nonprofit) to secure healthcare for their employees.
- Be the facilitator between cultural entities and hospitals/providers. Help subsidize plans, make connections for them, etc.
- Additionally, this is especially difficult for individual artists who are often self-employed and have difficulty getting coverage, even with the new exchange

INTEGRATE CULTURAL STAFF IN EXECUTIVE LEADERSHIP

- Local Governments can create a cabinet level arts and culture advisor, i.e. Boston & Philadelphia, Moab just added one. SLC used to have a cabinet level cultural position, now it's a Senior Advisor role, still important
- Recently Kansas City, MO added a city level director - there are a number of examples across the country.

REGULATIONS

Cultural businesses, especially nonprofits, are highly regulated in the state of Utah. While transparency and reporting is necessary whenever public funds are involved, nonprofits within UT are asked to do far more reporting than are for-profits who receive legislative appropriations. The health of Utah's cultural businesses could improve with decreased regulation.

TOURISM

- Municipalities can facilitate partnership between cultural organizations and the local tourism sector to boost the local economy
- Independent artists have a very difficult time getting the word out about their art, particularly outside the region in which they live. Municipalities that help build buzz around their individual artists will attract more artists to their community.
- Houston is a great example, they have been working for the last 10 years to strengthen relationships

- Utah Shakespeare Festival in Cedar City is a great example, they are a primary source of tourism to their community
- Partnerships can include Marketing \$ for out-of-state or out-of-region advertising, helping connect cultural organizations with conventions and hotels/concierges, helping them get in brochure displays, including cultural offerings in your municipalities own advertising for what makes it a great community, etc.

CONCLUSION

Utah is a great place to live and work, in large part because of it's vibrant cultural community. Indeed, Utah is also a friendly environment that fosters healthy cultural businesses. While there is always room for improvement, the Utah Cultural Alliance is proud to see so many successful cultural businesses thrive in this State in 2016.