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## Economic Impact of Arts and Culture in St. Petersburg

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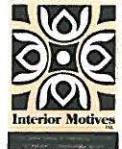
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# Economic Impact of Arts and Culture in St. Petersburg



August, 2010

Conducted by the USF St. Petersburg College of Business,



in collaboration with the St. Petersburg Arts Advisory Committee,

Organizational Advancement Consulting, Arts in Action at Creative Clay,



with support from Bank of America.



# The Economic Impact of Arts and Culture In St. Petersburg

## Executive Summary

September 2010


*Arts and cultural programs in St Petersburg attract a significant, yet previously un-quantified number of attendees every year. The arts are a critical component of a thriving city and contribute to our quality of life, attracting businesses, tourists and residents. This report is part one of a project that demonstrates the economic impact of the City's creative industries through a survey of non-profit arts organizations and of the for-profit Downtown Arts Association's members.*

*In order to generate more public awareness of the creative industries and their contributions to the City, part two builds upon the survey with a street banner program intended to help brand the City as an arts and cultural destination. Banners representing participating organizations will be displayed on street lampposts throughout the city, showcasing the diversity and vitality of our nonprofit and for-profit arts community, and together identify and promote St. Petersburg as a thriving arts and cultural destination.*

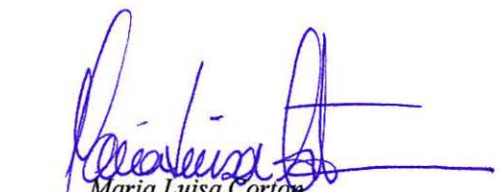
*According to the City of St. Petersburg web site, arts, culture events and tourism is one of the six larger business clusters of the city. The city of St. Petersburg is home of an active performing arts community; home to seven museums, five performing art theaters, 25+ art galleries, and hosts monthly gallery and historic preservation walking tours.*

*The following report that was prepared by Professor Maria Luisa Corton from the College of Business at University of South Florida St. Petersburg under the direction of John Collins from Organizational Advancement Consulting reveals the economic impact of arts and cultural organizations have on the city of St Petersburg. The report provides information on the direct and indirect economic impact of 32 Arts & culture organizations in the Saint Petersburg area (see Appendix A for list of organizations). Together these organizations attracted a total of 1,327,113 visitors in 2009 generating total revenues of \$25,527,058. At least twenty five percent (25%) of these visitors came from outside the Saint Petersburg area. The 32 organizations contributed with approximately \$16 million in direct spending in the City and \$7.4 million in indirect spending for a total economic impact of \$23.3 million. In addition, these organizations were responsible for 519 jobs.*

*Knowing its regional economic impact empowers the arts & culture organizations to demonstrate its economic importance to the local economy, governing bodies and financial contributors. Equipped with knowledge of the value of the economic contribution of arts and culture organizations, state legislators and local businesses will be more willing to provide financial support in addition to having a clear understanding of what the return on their investments in the sector will be.*

  
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## Introduction

This report presents an analysis based on the input-output method to estimate the economic impact of the arts and culture business cluster in the Saint Petersburg area. The method consists of considering the economic linkages between the various sectors which cause every dollar of expenditures to “ripple through” the local economy resulting in every dollar of expenditures being multiplied to various degrees. The outcome is a larger economic effect than the initial expenditure. These “multiplier” effects continue to contribute to the economic impact of the expenditure until the effects “leave” the area of study or become too small to measure. If, for example, a tourist from another state spends a dollar in the local economy, then a local resident receives a dollar of income. In turn, the local resident will spend some of that additional dollar of income on locally produced goods and services. The second round of spending is not as large as the first because some of the income received by the local resident will be saved, some will be paid in taxes, and some will be spent on goods and services produced outside the local area. This reduction in spending in the second round is referred as “leakage.” Nevertheless, the impact of the initial dollar of spending will be some multiple of the amount of the initial spending. The following sections describe how this analysis is performed and its results.

## Methodology

In this study RIMS II (Regional Industrial Multiplier System II) is utilized. RIMS II is an economic input-output model developed by the Bureau of Economic Analysis (U.S. Department of Commerce) to estimate the economic impact generated by a specific “event”. RIMS II estimates the impact on a region’s economy from an initial change in sales, income, or jobs created by a particular event. Specifically, RIMS II estimates the resulting *economic output, earnings and employment*. In this context, output is defined as *additional economic activity and spending in a region*. Earnings refer to the wages earned by individuals in the economic region; and employment refers to the number of jobs.<sup>1</sup>

Multipliers vary by industry, geographic area and the size of the local economy. The smallest economic area for which RIMS II multipliers are calculated is a county, so Pinellas County is the economic region considered in this study. These multipliers are based on 2006 national annual input-output data and 2006 regional data. In this study it is assumed that these multipliers remained the same for 2009. The idea behind a RIMS II study is to use the 'velocity of money' concept to justify spending on large projects. The basis is to say that for every dollar spent on a project more than one dollar of economic activity will result in a given area. Economic impact is greatest when the source funding comes from outside the area and has a primarily local impact. Multipliers provide valuable information even when no new expansions occur, because the size of the multiplier indicates the relationship of an industry to the economy.

## Data

The data set for the analysis consists of 32 arts and culture organizations located in the City of Saint Petersburg. These organizations were selected from a group of 45 organizations responding to a survey conducted via internet (see Appendix B for complete list of participants). The selection criterion was “completeness of the survey” or those organizations responding to the largest amount

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<sup>1</sup> The official BEA definition of earnings includes the sum of wages and salaries, proprietors’ income, directors’ fees and employer contributions for health insurance, less personal contributions for social insurance.

of questions. However, within this group total expenditures are underrepresented with respect to total income regarding the amount of responses. Each organization identified itself as profit and non-profit, and also according to specific activity as “arts center/gallery,” “museum” and “performing arts.”

### **Limitations**

Multipliers do not always measure indirect economic impacts correctly given the assumptions made about the flow of goods and services when they are calculated. The most important assumption is that trading patterns are fixed. In the particular case of the arts and culture industry it is assumed that the local economy responds in the same way to each additional change in the arts and culture industry provision of services. Additionally, incoming firms in this industry are not always a net new source of economic activity because they can take business away from existing organizations. New arts and culture developments create indirect economic impacts only if they capture spending that formerly left the area or if they attract new spending from outside the area.

The multipliers utilized in the study are specific to Pinellas County. Because the economic area of interest is the City of Saint Petersburg, a population size criterion was considered when applying the multipliers to get the economic impact. The population proportion of the city of Saint Petersburg with respect to the population of the County (60%) was applied as a factor when calculating the economic impact. Thus, the specific indirect impact is reported as a factor related to the size of the population living in the Saint Petersburg area to represent the economic impact of the 32 organizations considered in the study.

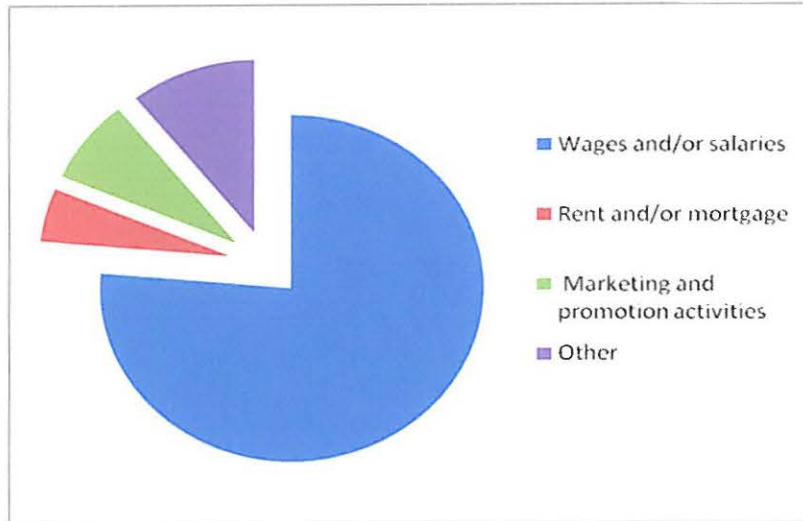
### **Direct Economic impact**

As shown in Table 1, in 2009 total direct expending from the 32 arts and culture organizations participating in the study was approximately \$16 million. As it is depicted in Figure 1, from this amount, 76% goes to local salaries and wages distributed among the 519 local jobs (265 full-time, 254 part-time). It is important to note that the information for rent/or mortgage is underrepresented due to missing information from some organizations.

TABLE 1: EXPENDITURES (\$) BY TYPE IN 2009

Wages and/or salaries	12,106,562
Rent and/or mortgage	791,437
Marketing and promotion activities	1,365,932
Other	1,679,822
Total	15,943,753

FIGURE 1: EXPENDITURES BY TYPE IN 2009 (% OF TOTAL EXPENDITURES)



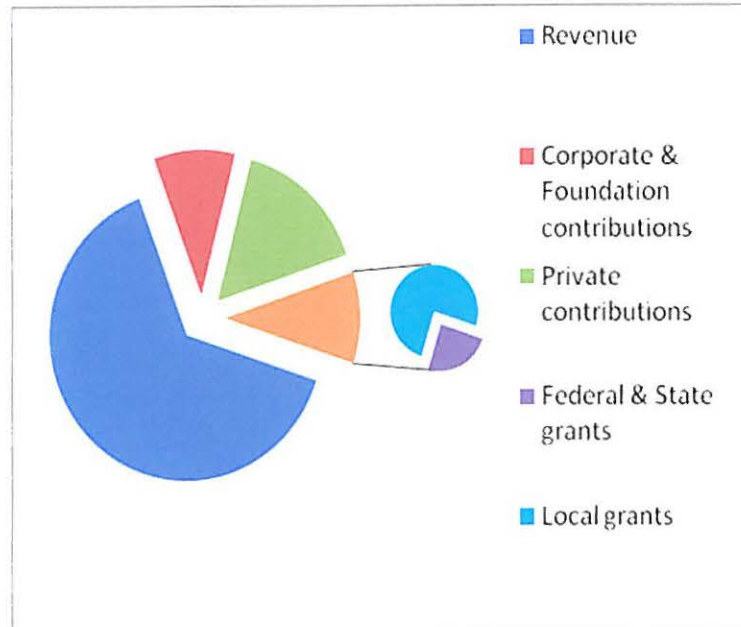
With respect to the income of these organizations, Table 2 depicts the main sources of income classified as revenue, corporate and foundations contributions, private contributions, Federal and State grants, and local grants. In 2009, 706,899 local and 333,343 non-local visitors spent approximately \$5.5 million in admissions at non-profit organizations and \$6 million in profit organizations, as depicted in Table 2.

Figure 2 displays income shares by source. The main sources of income are total revenues (63%), and private contributions (16%) which together represent 80% of total income. The share of Corporate and foundations contributions and grants are the same (10%); It is worth noticing that local grants alone represent 8% of total income.

TABLE 2: INCOME BY SOURCE (\$) - 2009

Admissions (non-profit) & sales (profit)	11,675,781
Contracted Services	2,007,629
Other source of revenue	2,522,297
<b>Total Revenue</b>	<b>16,205,707</b>
Corporate & foundation contributions	2,493,621
Private individual contributions	4,183,309
Federal grants	45,610
State grants	582,452
Local grants	2,016,359
<b>Gross Income</b>	<b>25,527,058</b>

FIGURE 2: INCOME BY SOURCE IN 2009 (% OF GROSS INCOME)



Tables 3 and 4 show the information previously discussed organized in a different way. Table 3 displays the data organized by type of organization. These numbers represent 8 for profit organizations and 24 non-profit organizations. It is important to mention that gross income for the non-profit organizations is underrepresented the incomplete information from one of the largest organizations. Thus the numbers in this table are for illustrative purposes rather than to drawing any financial conclusion about these organizations.

TABLE 3: DATA BY TYPE OF ORGANIZATION - 2009

	TOTAL VISITORS	EXPENDITURES (\$)	GROSS INCOME(\$)
Non profit (24 organizations)	1,047,154	14,390,167	18,022,730
Profit (8 organizations)	279,959	1,553,586	7,504,328
Total	1,327,113	15,943,753	25,527,058

Table 4 shows the data organized by type of activity. Again, the data showed in this table is only for illustrative purposes rather than to perform a rigorous financial analysis given that gross income is underrepresented.

TABLE 4: DATA BY TYPE OF ACTIVITY - 2009

	NUMBER OF ORGANIZATIONS	TOTAL VISITORS	EXPENDITURES (\$)	GROSS INCOME(\$)
Arts Center/Gallery	9	161,803	2,483,263	9,324,115
Museums	6	278,071	5,756,538	5,317,842
Performing Arts	17	887,239	7,703,952	10,885,101
Total	32	1,327,113	15,943,753	25,527,058

## Total Economic Impact

The size of the economic multipliers for the *Performing Arts, Museums and related activities* in the Pinellas County economy represent the overall relationship of the industry to the economy of the County. The interpretation of these multipliers follows below.

- *Performing Arts, Museums and related activities* rank #5 among all industries in the Pinellas County area when it comes to the impact on earnings of households living in the Pinellas County. Every \$1 spent in the arts and culture business generates \$0.6 in household’s earnings across the Pinellas county economy including the arts and culture business.
- Each additional “new” job in the *Performing Arts, Museums and related activities* supports an additional 0.45 job in the Pinellas county economy.
- Every \$1 spent in the arts and culture business generates \$1.775 of economic activity across the Pinellas county economy, including the arts and culture business. This means that a \$1 million new project in the *Performing Arts, Museums and related activities* industry generates an additional \$775,000 in the economy of the County.
- Every \$1 million spent in the *Performing Arts, Museums and related activities* industry generates 22.22 jobs across Pinellas economy including the arts and culture industry.

Turning to the specific economic impact of the 32 arts and culture organizations participating in the study in the City of Saint Petersburg economic area, direct spending has been reported to be approximately \$16 million. This amount produces a ripple effect in the city of Saint Petersburg economy equal to an additional \$7.4 million for a total economic impact in the city of \$23.3 million. The total dollar change in earnings of households for each additional dollar of earnings paid directly to households employed by the *Performing Arts, Museums and related activities* is approximately \$5.7 million. The results are summarized in Table 5.

TABLE 5: DIRECT AND INDIRECT ECONOMIC IMPACT IN ST. PETERSBURG – 2009

ECONOMIC EFFECT	AMOUNT (\$)
Direct Expending	15,943,753
Indirect (Ripple) effect	7,413,845
<b>Total Economic impact</b>	<b>23,357,598</b>
Impact on household earnings	5,716,792



## References

City of St. Petersburg Economic Development  
[http://www.stpete.org/economic\\_development\\_dept/](http://www.stpete.org/economic_development_dept/)

Pinellas Cultural council: <http://www.pinellasarts.org/>

Pinellas county : <http://www.pced.org/>

creative industries report Pinellas county  
[http://www.pinellasarts.org/pdf/Creative\\_Industries\\_Report\\_AFTA\\_09.pdf](http://www.pinellasarts.org/pdf/Creative_Industries_Report_AFTA_09.pdf)

### **APPENDIX A: Arts and Culture organizations considered in the study**

<b>Arts Center/Gallery</b>	1	Craftsman House Gallery	Profit
	2	Creative Clay, Inc., Cultural Arts Center	Non-Profit
	3	Family Resources Inc. / Youth Arts Corps	Non-Profit
	4	Florida Craftsmen, Inc.	Non-Profit
	5	Grand Central Stained Glass & Graphics	Profit
	6	Mindy Solomon Gallery	Profit
	7	Morean Arts Center	Non-Profit
	8	Salt Creek Artworks	Profit
	9	St. Petersburg Clay Company	Profit
<b>Museum</b>	1	Florida Holocaust Museum	Non-Profit
	2	Great Explorations	Non-Profit
	3	Museum of Fine Arts	Non-Profit
	4	St. Petersburg Museum of History	Non-Profit
	5	The Salvador Dali Museum	Non-Profit
	6	The Science Center of Pinellas County Inc.	Non-Profit
<b>Performing Arts</b>	1	Al Downing Tampa Bay Jazz Association, Inc.	Non-Profit
	2	American Stage Theatre Company	Non-Profit
	3	Florida West Ballet	Non-Profit
	4	Gulf to Bay Chorus Inc.	Non-Profit
	5	Junteeth	Non-Profit
	6	Progress Energy - Mahaffey Theater	Profit
	7	Mahaffey Theater Foundation	Non-Profit
	8	Master Chorale	Non-Profit
	9	Pinellas Youth Symphony	Non-Profit
	10	Royal Theater Arts Academy	Non-Profit
	11	Second Time Arounders	Non-Profit
	12	Soulful Arts Dance Academy	Non-Profit
	13	St. Petersburg Little Theatre	Non-Profit
	14	St. Petersburg Opera Co.	Non-Profit
	15	Suncoast Dance and Music Academy -- now Gulfcoast Academy of Performing Arts	Profit
	16	The Florida Orchestra	Non-Profit
	17	The Studio@620	Non-Profit

## APPENDIX B: All participating Arts and Culture organizations

<b>Arts Center/Gallery</b>	1	Bluelucy, LLC	Profit
	2	Craftsman House Gallery	Profit
	3	Creative Clay, Inc., Cultural Arts Center	Non-Profit
	4	Croatian Naive Art Gallery	Profit
	5	Dazzio Art Experience	Profit
	6	Donna Gordon Gallery & Studio	Profit
	7	Family Resources Inc. / Youth Arts Corps	Non-Profit
	8	Florida Craftsmen, Inc.	Non-Profit
	9	Grand Central Stained Glass & Graphics	Profit
	10	Interior Motives, Inc.	Profit
	11	Lynn Merhige Gallery	Profit
	12	Mindy Solomon Gallery	Profit
	13	Morean Arts Center	Non-Profit
	14	Salt Creek Artworks	Profit
	15	St. Petersburg Clay Company	Profit
	16	The Sebastian Thomas Gallery	Profit
<b>Museum</b>	1	Dr. Carter G. Woodson African American Museum	Non-Profit
	2	Florida Holocaust Museum	Non-Profit
	3	Great Explorations	Non-Profit
	4	Museum of Fine Arts	Non-Profit
	5	St. Petersburg Museum of History	Non-Profit
	6	The Salvador Dali Museum	Non-Profit
	7	The Science Center of Pinellas County Inc.	Non-Profit
<b>Performing Arts</b>	1	Al Downing Tampa Bay Jazz Association, Inc.	Non-Profit
	2	American Stage Theatre Company	Non-Profit
	3	Dance Infused Fitness!	Profit
	4	Florida West Ballet	Non-Profit
	5	FreeFall Theatre	Non-Profit
	6	Gulf to Bay Chorus Inc.	Non-Profit
	7	Junteeth	Non-Profit
	8	Progress Energy -Mahaffey Theater	Profit
	9	Mahaffey Theater Foundation	Non-Profit
	10	Master Chorale	Non-Profit
	11	Pinellas Youth Symphony	Non-Profit
	12	Royal Theater Arts Academy	Non-Profit
	13	Second Time Arounders	Non-Profit
	14	Soulful Arts Dance Academy	Non-Profit
	15	St. Petersburg Little Theatre	Non-Profit
	16	St. Petersburg Opera Co.	Non-Profit
	17	Suncoast Dance and Music Academy - Gulfcoast Academy of Performing Arts	Profit
	18	The Florida Orchestra	Non-Profit
	19	The St. Petersburg Shakespeare Company	Non-Profit
	20	The Studio@620	Non-Profit
<b>Presenter</b>	1	Council of Neighborhood Associations	Non-Profit
	2	Six Degrees of Success	Profit
	3	Tec Tao Studios	Profit