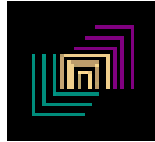




**The Catalyst for Creativity and the
Incubator for Progress:
The Arts, Culture, and the Texas Economy**

Prepared as a Public Service by



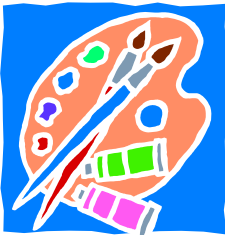
M. RAY PERRYMAN, PHD
The Perryman Group
510 N. Valley Mills Dr., Suite 300
Waco, TX 76710
ph. 254.751.9595, fax 254.751.7855
info@perrymangroup.com
www.perrymangroup.com

for



Texas Cultural Trust
101 West Sixth Street, Suite 517
Austin, TX 78701
ph. 512.478.5289, fax 512.478.5292

January 2001



**The Catalyst for Creativity and the
Incubator for Progress:
The Arts, Culture, and the Texas Economy**

TABLE OF CONTENTS

Executive Summary	i
The Role of Cultural Arts in The Texas Economy	
I. Introduction	1
II. A Comprehensive View	4
III. A Regional Perspective	8
IV. The Traditional Approach	14
V. A Regional Perspective on The Traditional Approach	18
VI. The Nonprofit Sector	24
VII. A Regional Perspective on the Nonprofit Sector	29
VIII. Retrospect and Prospect	34
IX. Synopsis	40
Appendices (Bound Separately)	
Appendix A: Methodology	
Appendix B: Detailed Geographic and Sectoral Results Volumes 1 & 2	
Appendix C: Bibliography	





The Catalyst for Creativity and the Incubator for Progress:

The Arts, Culture, and the Texas Economy

M. RAY PERRYMAN, PHD

President & CEO, The Perryman Group

EXECUTIVE SUMMARY

*A thousand years makes economics silly
and a work of art endures forever . . . Ernest Hemingway*

Purpose of this Study

The legacy of all great civilizations is in large measure the art they leave behind. It is little wonder that when the 100 most influential persons of the past millennium were named, about one-fourth of them were representatives of the cultural arts. In addition to the position of the arts as an essential part of our social structure, they are also a substantial contributor to our economy. The arts are, in fact, totally engrained in our economic system. Virtually all segments of the global economy have at least some component of their production tied to cultural activity.

The purpose of this study is to comprehensively examine the impact of the arts on Texas, its regions, and its metropolitan areas. My firm, The Perryman Group (TPG), is performing this *pro bono* analysis for the Texas Cultural Trust in order to (1) raise the awareness of the total contributions of cultural activities within the state and (2) offer a perspective on future patterns and prospects.

The research design and conclusions emerging from this report surpass typical evaluations of economic impacts, focusing on the full integration of the arts into the entire spectrum of production in Texas. More traditional measures are also provided. In the full report, results are presented accompanied by a comprehensive focus on the past, current, and future role of the arts. Separate volumes of appendices offer a complete methodological discussion, detailed tables of

*The arts are
a vital and
indispensable
element of
our complex
economic
universe.*





findings for all areas of the state, and an extensive bibliography.

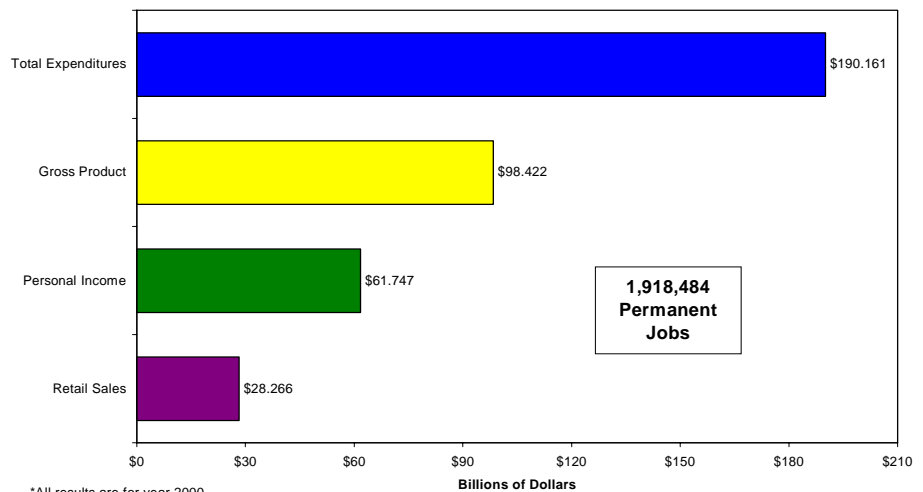
Key Findings

This study seeks to explore the role of the arts in the economy in more detail than ever before attempted. We have examined the very core of their contribution to business activity. The results are clear and unambiguous; **the arts are a vital and indispensable element of our complex economic universe.**

Highlights from the complete study follow:

- ✓ The cultural arts are an integral part of the overall production system of the state. When viewed within the framework of their entire role in the economy, they account for \$190.2 billion in Total Expenditures (12.3% of the state total), \$98.4 billion in Gross Product (13.6%), \$61.7 billion in Personal Income (14.6%), and 1.918 million Permanent Jobs (15.7%). This activity is responsible for about 12.2% of total state fiscal resources (more than \$5.8 billion per annum).

The Total Impact of the Cultural Arts on Aggregate Production in Texas*



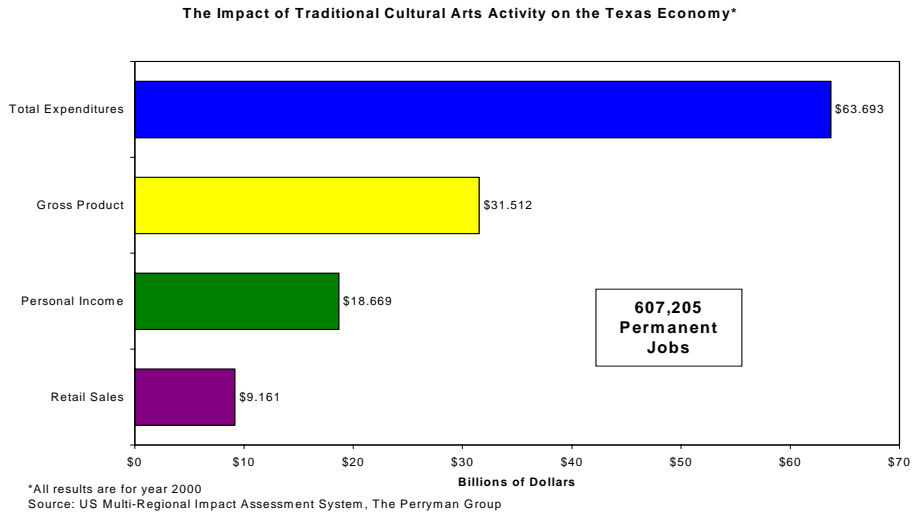
Overall production generated by the arts accounts for \$190.2 billion in Total Expenditures and almost 2 million Permanent Jobs.





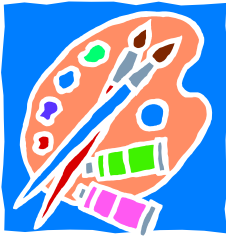
The largest cultural impacts . . . are generally observed in the major urban markets . . .

- ✓ This critical input to overall economic prosperity is observed across all areas of the state. Those exhibiting the largest cultural impacts include Dallas (30.3% of total state activity), Houston (24.1%), and Fort Worth-Arlington (9.4%). The largest relative effects are also generally observed in the major urban markets led by Fort Worth-Arlington (17.0% of the local economy), Dallas (16.1%), San Angelo (16.0%), and Austin-San Marcos (15.0%). The arts constitute \$11.8 billion (6.2%) of total activity in rural Texas.



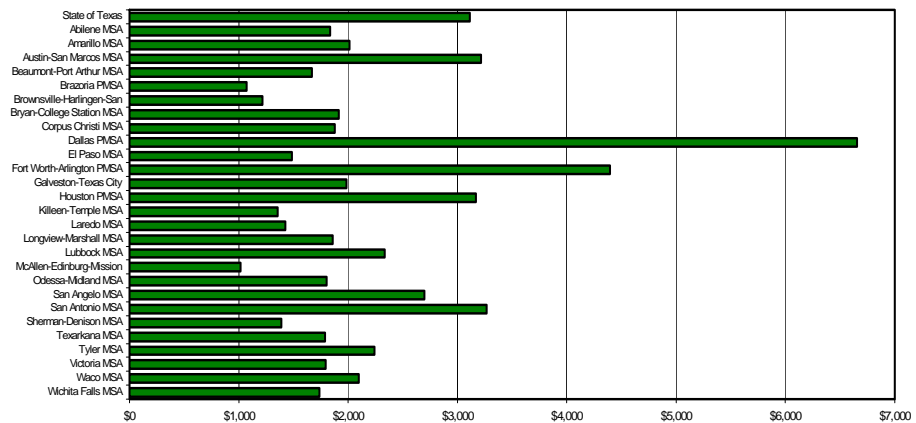
- ✓ The contribution of the cultural arts as traditionally measured (visual, literary, media, and performing) has a substantial impact on the economy of Texas. The overall effects include \$63.7 billion in Total Expenditures, \$31.5 billion in Gross Product, \$18.7 billion in Personal Income, and over 600,000 Permanent Jobs.
- ✓ On a per capita basis, the most “arts intensive” urban areas of the state by this measure are Dallas (\$6,654 per person), Fort Worth-Arlington (\$4,397), San Antonio (\$3,265), and Austin-San Marcos (\$3,216). Approximately 5.5% of the economic impact of traditional cultural arts occurs in rural segments of the state.





The arts are a key component of the educational system.

Per Capita Impacts of Traditional Cultural Arts Activity in the Urban Areas of Texas*



*All results are for year 2000
Source: US Multi-Regional Impact Assessment System, The Perryman Group

- ✓ The cultural arts are responsible for about 19.8% of the total tourism in the state.
- ✓ The nonprofit segment of the arts brings a net benefit to Texas of \$19.0 billion in Total Expenditures, \$9.5 billion in Gross Product, \$5.9 billion in Personal Income, and over 200,000 Permanent Jobs.
- ✓ The areas with the highest levels of per capita nonprofit arts activity are Fort Worth-Arlington (\$1,890 per person), Dallas (\$1,219), and Houston (\$1,138). Rural regions of Texas enjoy 6.6% of all nonprofit arts activity.
- ✓ The arts are a key component of the educational system. Overall, arts education programs contribute \$3.6 billion in Total Expenditures, \$1.8 billion in Gross Product, \$1.2 billion in Personal Income, and 42,982 Permanent Jobs to the state economy.
- ✓ The majority of the educational benefits of the arts accrue from the activities of the independent school districts of the state. Cultural arts in the public schools are responsible for \$2.2 billion in Total Expenditures, \$1.1 billion in Gross Product, \$708.7 million in Personal Income, and 24,762 Permanent Jobs.
- ✓ The arts are also a vital element of educational success, being linked to superior student performance across a broad range of measures.
- ✓ The nonprofit arts sector is the incubator for the vast role of cultural activity in the economy. For every \$1 spent on those





*For every \$1
spent on
nonprofit arts
activities, more
than \$298 in
cultural impact
on the economy
occurs . . .*

activities, more than \$298 of cultural impact on the economy occurs, as well as \$9.20 in State revenues. Supporting this place of origin for much of the innovation in the economy is tantamount to ensuring future prosperity.

- ✓ The arts are the laboratory of our culture, playing a role analogous to that of basic science.
- ✓ The arts are a public good with positive externalities, ensuring benefits to society far exceeding those captured in the marketplace. Without adequate public and philanthropic input, the cultural arts will be underproduced and underconsumed.
- ✓ By their very nature, the arts will not experience the same level of productivity growth as other sectors. Thus, they will be a declining part of the economy in the absence of proactive efforts to the contrary. If they are allowed to fall relative to overall economic activity, the creative force necessary to sustain prosperity will ultimately be undermined.
- ✓ The arts are essential to the long-term economic development initiatives of any community, particularly those in regions characterized by low incomes, inferior workforce skills, or a lack of diversification. In fact, wide-ranging, broad-based investment in the arts can be a fundamental force in providing greater opportunities for the least advantaged segments of society.
- ✓ The arts are an enduring legacy of any great society. Texas must provide a cultural heritage for its role in the “new” economy concomitant with its advanced production processes.
- ✓ Texas needs the arts, and the arts need and deserve the enthusiastic support of the public and private constituencies in the state. It is a win-win opportunity for every area, every ethnic and socioeconomic group, and every future generation of Texans. The economic rationale established in this report is only one of many reasons for this synergy. The arts are a vital part of our lives, our communities, our well-being, our economy, and our very social fabric. **Our cultural arts and heritage define who we are as a people—and as Texans. We cannot afford to be less than our very best.**



The Catalyst for Creativity and the Incubator for Progress:

The Arts, Culture, and the Texas Economy

M. RAY PERRYMAN, PHD

President & CEO, The Perryman Group

*A thousand years makes economics silly
and a work of art endures forever . . . Ernest Hemingway*

I. Introduction

Recently, I stood on a hill overlooking Bilbao, an urban center in the Basque region of Spain. The community was formally established in 1300, but the settlement dates back much earlier. Because of its location and the surrounding resource base, it emerged as a major center of mining, shipping, and iron and steel manufacturing during Europe's industrialization in the 1800s. Its peak as a production center occurred during the first half of the 20th Century and, like many similar cities around the world, Bilbao has experienced periods of economic decline and decay in recent decades.

As I gazed down from my lofty perch, I could certainly see vestiges of its years of difficulty. Yet that was not the overall impression. I saw instead a vibrant, bustling metropolis, with busy streets and crowded shopping venues. New subway stations dotted the area; cathedrals and other ancient edifices were being restored; nearby, a modern new airport was under construction. It was anything but a scene of economic woe; it was more like a renaissance.

The reason for this revival of prosperity is very simple. Bilbao is now graced with a stunning new resource. Standing on the hill and looking to the right, one is struck by a truly remarkable structure. It features a ribbon-like design forged from tons of glistening titanium. Its colors change with the time of day, weather conditions, and the angle of vision. It is the Guggenheim Museum, Frank O. Gehry's indescribable architectural masterpiece. Bilbao won an intense international competition for this facility, and it has quickly become the focal

*The legacy
of great
civilizations
is . . . the art
they leave
behind . . .*





*The arts are . . .
a substantial
contributor to
our economy.*

point of local economic development on a grand scale. The results have been dramatic, to say the least—and the process has only just begun.

The Guggenheim in Bilbao is but one of many examples of situations where the cultural arts have redefined the prospects for an area. It happened in Florence, Italy; it happened in Branson, Missouri; and it happened in Granbury, Texas. Such transformations are only a miniscule part of the role the arts play in society—albeit a highly notable one.

The performing, visual, media, and literary arts are viewed by many as a pleasant appendage to or diversion from the “real” business of our daily lives. In reality, they are much more. Cultural arts shape our attitudes, how we view ourselves, and how our society progresses. Music can change our mood or, as in the case of Verdi’s *Va, pensiero* inspiring the unification of Italy in the mid-19th Century, even the course of world history. The legacy of all great civilizations is in large measure the art they leave behind, be it the elaborate tomb paintings of Ancient Egypt, the distinctive pre-Columbian figures in Latin America, the statuary from Greco-Roman cities, or the rows of terra cotta soldiers recently excavated in Xian, China. We view Elizabethan life through Shakespeare’s eyes, and the glory of the Hapsburgs in Vienna through the music of Beethoven, Haydn, and Schubert. It is little wonder that when the 100 most influential persons of the past millennium were named, about one-fourth of them were representatives of the cultural arts. In fact, the concentration of inventors, philosophers, scientists, and artistic practitioners among this group points to the defining nature of creativity in shaping our destiny.

In addition to the position of the arts as an essential part of our social structure, they are also a substantial contributor to our economy. This aspect of cultural activity takes many forms. At the most obvious level, the spending on producing and attending performances or organizing and viewing exhibits generates a stimulus to local areas across the globe. This type of effect is frequently measured by traditional economic impact studies of the cultural arts.

At the other end of the spectrum, the enthusiastic spark engendered when a young person attends a concert for the first time may manifest itself years later in a medical breakthrough, a new technology, or an innovative corporate





**Students
exposed to fine
arts perform
better on
college entrance
exams . . .**

enterprise. The mere exposure to a bigger world provided by the arts transforms the perspectives and prospects of many. Such phenomena are not easily measured, yet they undoubtedly occur on an ongoing basis.

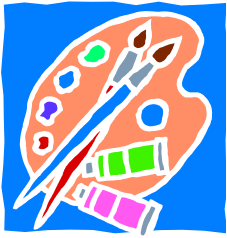
Substantial empirical evidence reveals that students with significant exposure to fine arts disciplines (1) perform much better on college entrance exams than their peers, (2) enjoy a higher acceptance rate to medical schools, and (3) have a markedly lower incidence of substance abuse. Similarly, the arts incontrovertibly create economic value by enhancing the quality-of-life for individuals, communities, and nations, but this factor is also intangible and difficult to quantify. Perhaps the best indication of its existence is the fact that many patrons through their commitment of time and financial resources in effect pay far more than the market price of admission to “consume” arts activities.

To characterize the commercial aspects of cultural arts at either of these extremes, however, is unduly limiting. The arts are, in fact, totally engrained in our economic system. When we pay a premium for the design components of clothing, vehicles, furniture, or any other product, we purchase the output of the cultural arts. Every time we admire a well-crafted brochure, web site, or advertisement, we observe the work of arts practitioners. Virtually all segments of the global economy have at least some element of their production tied to cultural activity. In fact, it is astonishing to think of how many of the vibrant, colorful, and diverse items we encounter each day would, absent their artistic input, be dull, drab, indistinguishable commodities.

The purpose of this study is to comprehensively examine the impact of the arts on Texas, its regions, and its metropolitan areas. My firm, The Perryman Group (TPG), is performing this *pro bono* analysis for the Texas Cultural Trust in order to (1) raise the awareness of the total contributions of cultural activities within the state and (2) offer a perspective on future patterns and prospects. While economic benefits are certainly not the sole or even primary rationale for promoting creative endeavors, quantifying them in a broad context provides a much needed framework for evaluation and sheds light on other facets of their value.

The research design and conclusions emerging from this report surpass typical evaluations of economic impacts,





Quantifying the economic benefits of the arts provides a much needed framework for evaluation . . .

focusing on the full integration of the arts into the entire spectrum of production in Texas. More traditional measures are also provided. Once the results are presented, a comprehensive focus on the past, current, and future role of the arts is given. Separate volumes of appendices offer a complete methodological discussion, detailed tables of findings for all areas of the state, and an extensive bibliography.

II. The Role of Cultural Arts in The Texas Economy— A Comprehensive View

The first major empirical analysis in this study reflects an effort to determine in a comprehensive manner the full effects of the arts on economic activity. While many aspects of the long-term benefits of culture to business activity inherently defy measurement, it is possible to model the various channels through which the arts contribute to economic activity over a given period of time. In effect, this exercise provides a glimpse of how the ongoing stream of artistic endeavors ultimately permeates the entire production process. The approach will necessarily understate some elements of the pervasive presence of the arts in the economy, yet it will nonetheless give a view of the magnitude of the interrelationship which extends well beyond any prior efforts.

Specifically, through a complex data compilation and modeling process (see Appendix A for details), TPG estimated (1) the net level of expenditures for all “arts” industries (those sectors which generate a product or service directly tied to the cultural arts) in Texas; (2) the magnitude of incremental outlays associated with attendance at and participation in cultural activities; and (3) the inputs of arts-related activity and employment into the various “non-arts” production categories. Once this analysis was completed for more than 500 separate industrial sectors, the aggregate effects of this activity were simulated using the appropriate geographic submodels of the US Multi-Regional Impact Assessment System (USMRIAS). This detailed model, which was developed and is maintained under my direction, has been used in hundreds of applications across the US over the past two decades.

In essence, this methodology explicitly recognizes and accounts for the fact that there is a cultural component to



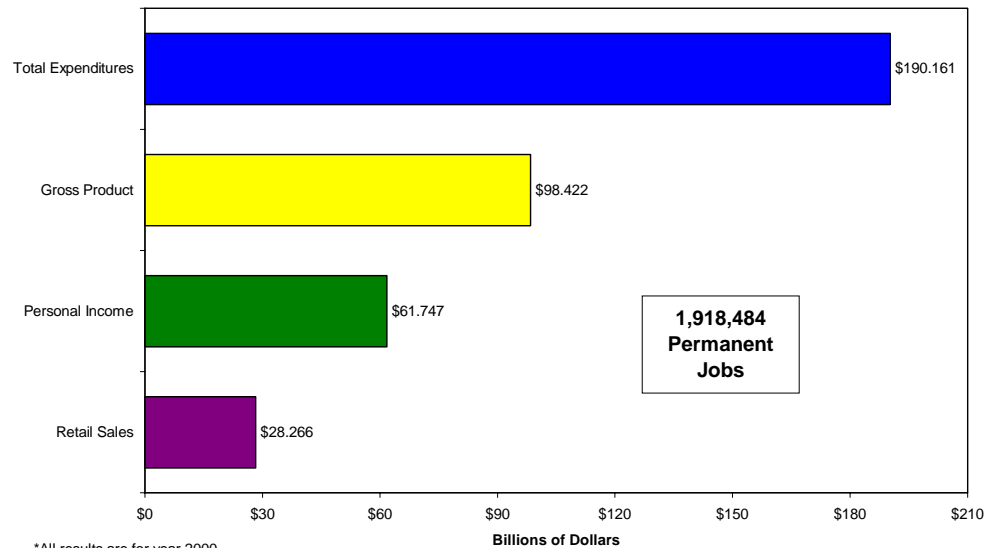


virtually every aspect of the economy—certainly not a new idea. Alfred Marshall, the Cambridge don who was the foremost economist of the late 19th and early 20th centuries, noted that “the development of the artistic faculties of the people is in itself an aim of the very highest importance, and is becoming a chief factor of industrial efficiency.” Despite the early recognition of this phenomenon, prior research efforts have failed to measure it. The present investigation represents the attempt to provide empirical content for this notion across all components of business activity.

The results of this analysis indicate that the aggregate impact of the cultural arts across the entire Texas economy in 2000 is estimated to be

- ✓ \$190.2 billion in annual Total Expenditures
- ✓ \$98.4 billion in annual Gross Product
- ✓ \$61.7 billion in annual Personal Income
- ✓ \$28.3 billion in annual Retail Sales
- ✓ 1.918 million Permanent Jobs.

Figure 1
The Total Impact of the Cultural Arts on Aggregate Production in Texas*



*There Is
a cultural
component to
virtually every
aspect of the
economy . . .*





The aggregate impact in 2000 is \$190 billion ... and 1.9 million Permanent Jobs ... About 1 of every 6.3 workers in Texas reflects the role of the cultural arts ...

These amounts reflect 12.3% of all outlays in the state, 13.6% of output, 14.6% of individual income, and 15.7% of employment. In other words, about 1 of every 6.3 workers in Texas reflects the role of the cultural arts in the state. These amounts include approximately \$6.9 billion (19.8% of the state total) in direct tourism expenditures stemming from (1) trips specifically taken for cultural activities, (2) extensions of stays for purposes of attending cultural venues or events, and (3) incremental local spending directly attributed to arts activities.

Moreover, these effects are seen across a wide variety of production sectors, ranging from manufacturing to services and from transportation to retail trade (see Table 1). This activity also contributes almost \$5.9 billion to annual State fiscal revenues, approximately 12.2% of the total. Measured in terms of expenditures, the arts industries themselves (those specifically tied to cultural activities, such as book publishing, media, museums, participation in artistic events, construction of arts venues, and so forth) generate about 50% of this impact, with the remainder being derived from the role of the arts in all other aspects of the production process. (See Appendix B for detailed results regarding both the overall contributions and those specifically linked to arts industries.)

The findings are quite remarkable. When examined on a sufficiently comprehensive basis, their implications are unambiguous. The arts are fundamental to the economy and a key component of the entire production chain. They are central to the creative elements of virtually every industry and, thus, a catalyst to growth and innovation, extending well beyond even the levels depicted in this broad-spectrum analysis.



Table 1
The Total Impact of the Cultural Arts on Aggregate Production in Texas*
Detailed Sectoral Results

Industrial Sector	Total Expenditures	Gross Product	Personal Income	Employment (Permanent Jobs)
Agricultural Products & Services	\$2,699,903,820	\$923,983,188	\$532,182,033	21,159
Forestry & Fishery Products	\$67,991,012	\$80,161,801	\$21,183,698	813
Coal Mining	\$232,832,029	\$95,113,517	\$70,491,154	830
Crude Petroleum & Natural Gas	\$3,430,633,726	\$1,003,195,470	\$363,791,455	4,011
Miscellaneous Mining	\$64,466,652	\$22,248,520	\$15,963,484	329
New Construction	\$3,498,835,822	\$1,359,133,930	\$1,132,734,449	29,942
Maintenance & Repair Construction	\$3,602,428,979	\$1,920,629,470	\$1,598,743,544	37,327
Food Products & Tobacco	\$6,434,543,961	\$1,791,599,958	\$808,162,805	25,077
Textile Mill Products	\$85,154,890	\$21,956,725	\$16,778,544	573
Apparel	\$1,103,265,637	\$523,425,987	\$310,432,078	14,397
Paper & Allied Products	\$1,406,203,473	\$498,037,620	\$289,841,309	6,904
Printing & Publishing	\$10,747,097,601	\$5,361,961,552	\$3,679,861,818	97,164
Chemicals & Petroleum Refining	\$9,594,382,530	\$1,462,871,254	\$1,020,603,956	7,891
Rubber & Leather Products	\$879,532,039	\$388,850,805	\$220,407,785	7,112
Lumber Products & Furniture	\$507,619,311	\$200,691,461	\$127,461,607	4,521
Stone, Clay, & Glass Products	\$442,579,388	\$219,886,455	\$125,985,134	3,532
Primary Metal	\$440,931,157	\$128,072,817	\$93,497,661	2,050
Fabricated Metal Products	\$1,003,795,634	\$387,833,612	\$251,968,169	6,884
Machinery, Except Electrical	\$1,547,038,766	\$888,378,228	\$477,899,560	8,587
Electric & Electronic Equipment	\$1,799,449,323	\$1,199,230,441	\$604,104,163	11,065
Motor Vehicles & Equipment	\$515,843,040	\$94,245,576	\$81,388,368	2,049
Transp. Equip., Exc. Motor Vehicles	\$564,344,162	\$190,548,570	\$191,837,434	3,870
Instruments & Related Products	\$353,269,227	\$128,570,420	\$120,862,684	2,656
Miscellaneous Manufacturing	\$1,213,598,022	\$532,317,365	\$352,888,417	9,000
Transportation	\$8,480,067,850	\$5,095,221,084	\$3,374,485,969	73,195
Communication	\$15,036,746,202	\$9,807,360,693	\$4,329,247,645	66,562
Electric, Gas, Water, Sanitary Services	\$7,683,477,050	\$1,980,949,557	\$812,580,297	6,701
Wholesale Trade	\$7,715,726,204	\$5,958,184,869	\$3,134,321,142	71,140
Retail Trade	\$18,603,818,461	\$14,834,363,877	\$9,303,414,746	409,749
Finance	\$3,229,274,408	\$2,305,788,773	\$1,163,884,267	22,666
Insurance	\$2,917,162,523	\$1,853,229,732	\$1,121,343,770	22,816
Real Estate	\$18,157,439,899	\$4,544,092,232	\$490,773,148	10,683
Hotels, Lodging Places, Amusements	\$10,285,602,039	\$4,742,387,129	\$3,219,840,314	136,826
Personal Services	\$4,038,692,055	\$2,545,367,123	\$1,960,036,487	60,303
Business Services (1)	\$16,205,641,084	\$10,655,176,635	\$9,016,412,056	188,687
Eating & Drinking Places	\$9,662,248,815	\$5,237,444,571	\$3,026,714,875	230,862
Health Services	\$5,763,590,135	\$3,905,600,429	\$3,427,660,357	93,813
Miscellaneous Services (2)	\$9,980,629,542	\$5,368,250,684	\$4,695,361,549	197,482
Households	\$165,215,284	\$165,215,284	\$161,708,448	19,258
Total	\$190,161,071,755	\$98,421,577,412	\$61,746,856,379	1,918,484

*All results are for year 2000

(1) Includes non-educational impacts in the public sector

(2) Includes educational impacts in the public sector

SOURCE: US Multi-Regional Impact Assessment System, The Perryman Group





*Arts benefits
are somewhat
more prevalent
in the urban
centers . . .*

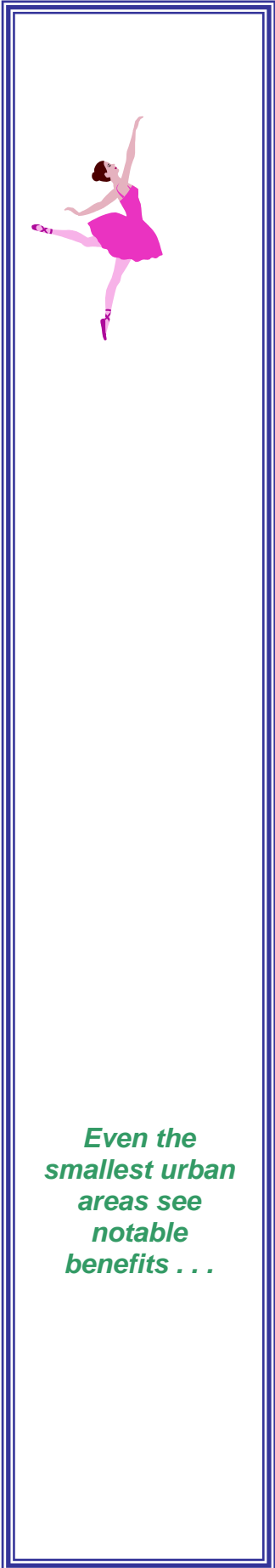
III. The Role of Cultural Arts in The Texas Economy— A Regional Perspective

Benefits from the cultural arts are widely dispersed across the vast terrain of Texas. From the Plains to the Rio Grande Valley—in major urban centers and small rural communities alike, the creative spark adds vitality and strength to thousands of enterprises. Summary results for the state’s metropolitan statistical areas (MSAs), 24 planning regions, and 10 economic regions are given in Tables 2, 3, and 4, respectively.

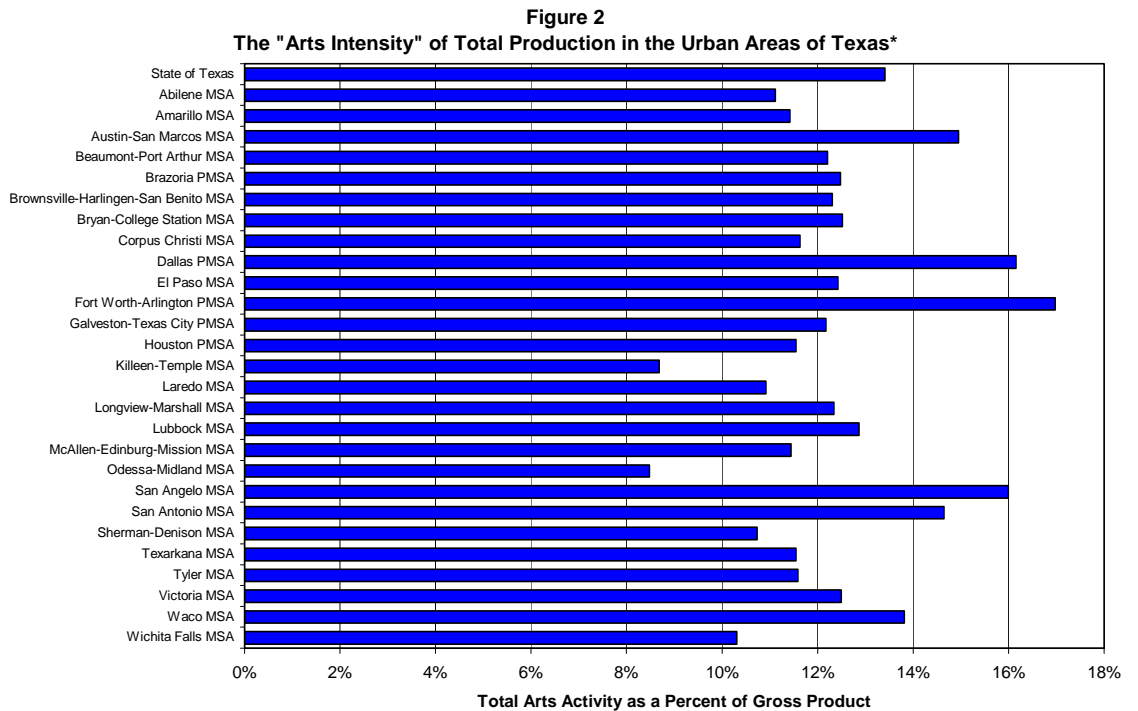
As would be expected, the largest impacts on an absolute basis occur in the most populous areas of the state. When viewed in terms of total expenditures, the five metropolitan areas with the greatest volume of arts contributions to their economies are Dallas (\$57.6 billion or 30.3% of the state total), Houston (\$45.9 billion or 24.1%), Fort Worth-Arlington (\$17.8 billion or 9.4%), San Antonio (\$13.8 billion or 7.3%), and Austin-San Marcos (\$12.8 billion or 6.7%). Thus, these areas account for about 77.8% of the composite cultural impact in Texas, as compared with approximately 73.7% of aggregate state business activity (gross product). This finding suggests that arts benefits are somewhat more prevalent in the urban centers than other segments of the economy.

In other words, these areas tend to exhibit such characteristics as (1) a relatively strong concentration of high value-added industries with a large creative component, (2) an active set of arts industries, and (3) a rich variety of cultural opportunities which induce substantial tourism spending activity. Nonetheless, even the smallest urban areas see notable benefits from the presence of the cultural arts in their industrial output. Texarkana (Texas portion only), which has the smallest overall impact, enjoys an annual contribution of \$470.7 million in aggregate spending; Victoria receives \$559.1 million; and Sherman-Denison receives \$561.7 million. The rural segment of the state exhibits annual arts-related activity within its production of \$11.8 billion, representing 6.2% of aggregate output.





It is also instructive to examine the importance of the arts in the MSAs of the state on a relative basis. This analysis permits us to evaluate the “arts intensity” of production as it varies across communities. As a percentage of total output, the most notable urban areas are Fort Worth-Arlington (17.0%), Dallas (16.1%), San Angelo (16.0%), Austin-San Marcos (15.0%), San Antonio (14.6%), and Waco (13.8%).

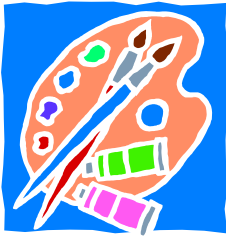


*All results are for year 2000
Source: US Multi-Regional Impact Assessment System, The Perryman Group

Even the smallest urban areas see notable benefits . . .

The lowest levels are found in Laredo (10.9%), Sherman-Denison (10.7%), Wichita Falls (10.3%), Killeen-Temple, with its large military presence (8.7%), and Odessa-Midland, with its dominance of oil and gas extraction (8.5%). (Within the input-output structure, military activity and petroleum exploration and production exhibit relatively low arts-intensity factors, thus resulting in lower contributions in areas dominated by these industries as a percentage of the overall economy.) The non-metropolitan areas were determined to have an arts intensity factor of 9.6%. These results suggest that the large metropolitan areas generally tend to have the most significant production complexes with major arts components, although there are notable exceptions. Nevertheless, all regions of Texas unfailingly exhibit a substantial dependence on cultural phenomena in their



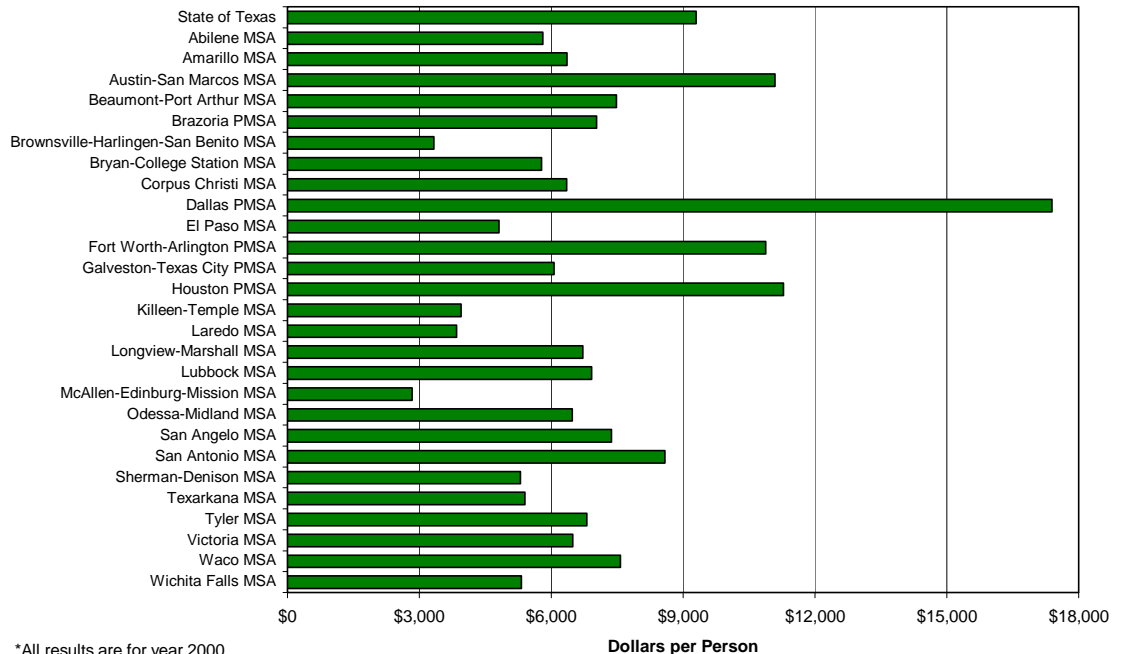


economic structure. When viewed in the context of development strategy, the analysis also indicates that greater commitment to cultural activity may be an effective long-range method for achieving greater diversification.

On an expenditures per capita basis, the greatest impacts are observed in Dallas (\$17,388 per person), Houston (\$11,281), Austin-San Marcos (\$11,090), Fort Worth-Arlington (\$10,878), and San Antonio (\$8,587). The lowest ranking areas by this measure are El Paso (\$4,816), Killeen-Temple (\$3,951), Laredo (\$3,851), Brownsville-Harlingen-San Benito (\$3,332), and McAllen-Edinburg-Mission (\$2,836). Rural Texas experiences impacts of \$3,725 per person. It may thus be concluded that (1) even when adjusted for population, the large metropolitan areas exhibit a diverse production mix which is characterized by a strong cultural component, and (2) the areas along the Texas-Mexico border, with a relatively low per capita income, high unemployment, and low skill levels in the workforce, reveal a set of industries with a smaller presence of creative inputs. From a policy perspective, these findings suggest that supporting additional arts activity in economically disadvantaged areas can be an effective tool in promoting long-term business development.

Supporting additional arts activity in economically disadvantaged areas can be an effective tool in promoting long-term business development.

Figure 3
Per Capita Impacts of Total Arts Production Activity in the Urban Areas of Texas*



*All results are for year 2000
Source: US Multi-Regional Impact Assessment System, The Perryman Group



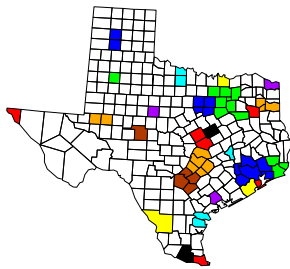


Table 2
The Total Impact of the Cultural Arts on
Aggregate Production in Texas*
Results by Metropolitan Area

Area	Total Expenditures	Gross Product	Personal Income	Employment (Permanent Jobs)
Metropolitan Statistical Areas (MSAs) and Primary MSAs (PMSAs):				
Abilene MSA	\$735,016,951	\$386,474,613	\$246,629,335	10,165
Amarillo MSA	\$1,391,820,708	\$728,421,139	\$458,162,551	17,401
Austin-San Marcos MSA	\$12,775,694,292	\$6,814,315,541	\$4,316,465,849	130,711
Beaumont-Port Arthur MSA	\$2,905,580,962	\$1,303,978,100	\$854,087,564	27,975
Brazoria PMSA	\$1,664,255,434	\$670,645,929	\$451,505,169	13,589
Brownsville-Harlingen-San Benito MSA	\$1,121,839,148	\$593,454,197	\$380,357,032	16,172
Bryan-College Station MSA	\$804,850,969	\$429,502,125	\$273,882,953	11,029
Corpus Christi MSA	\$2,572,939,291	\$1,261,058,830	\$808,486,066	29,219
Dallas PMSA	\$57,601,947,116	\$30,428,689,154	\$18,648,017,378	512,667
El Paso MSA	\$3,525,256,375	\$1,853,175,327	\$1,171,595,149	44,791
Fort Worth-Arlington PMSA	\$17,822,996,874	\$9,143,130,885	\$5,778,632,725	179,044
Galveston-Texas City PMSA	\$1,531,526,201	\$716,425,067	\$459,306,500	16,568
Houston PMSA	\$45,865,699,069	\$23,441,675,806	\$14,911,307,775	429,275
Killeen-Temple MSA	\$1,251,651,723	\$665,979,536	\$427,739,523	16,882
Laredo MSA	\$743,433,821	\$403,872,492	\$258,203,351	10,217
Longview-Marshall MSA	\$1,461,914,402	\$720,373,331	\$457,224,046	16,997
Lubbock MSA	\$1,672,781,264	\$895,680,074	\$560,220,222	21,680
McAllen-Edinburg-Mission MSA	\$1,515,294,292	\$802,948,198	\$518,515,727	22,036
Odessa-Midland MSA	\$1,638,689,689	\$828,069,992	\$513,882,264	18,746
San Angelo MSA	\$787,742,003	\$423,336,025	\$252,822,312	9,319
San Antonio MSA	\$13,796,578,123	\$7,375,611,680	\$4,587,819,494	150,912
Sherman-Denison MSA	\$561,691,620	\$290,822,467	\$182,153,454	7,045
Texarkana MSA	\$470,685,359	\$247,941,415	\$159,419,547	6,222
Tyler MSA	\$1,189,533,244	\$633,139,560	\$396,173,825	14,408
Victoria MSA	\$559,075,719	\$273,233,073	\$176,422,481	6,714
Waco MSA	\$1,607,327,266	\$820,099,345	\$521,373,334	19,293
Wichita Falls MSA	\$765,613,368	\$408,931,623	\$257,895,565	10,137
Consolidated MSAs (CMSAs):				
Dallas-Fort Worth CMSA	\$75,424,943,990	\$39,571,820,039	\$24,426,650,104	691,712
Houston-Galveston-Brazoria CMSA	\$49,061,480,703	\$24,828,746,803	\$15,822,119,444	459,432
Non-Metropolitan Areas	\$11,819,636,473	\$5,860,591,886	\$3,718,555,186	149,271
State Total	\$190,161,071,755	\$98,421,577,412	\$61,746,856,379	1,918,484

*All results are for year 2000

SOURCE: US Multi-Regional Impact Assessment System, The Perryman Group



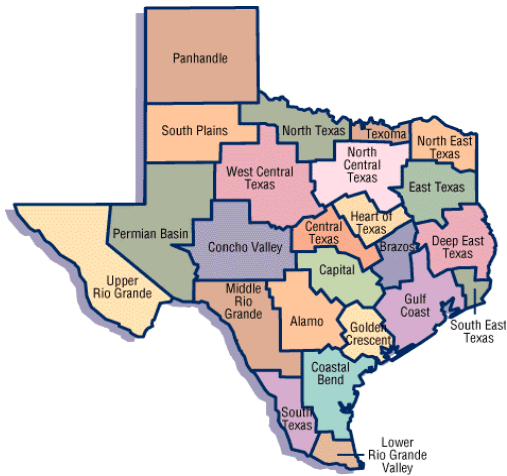


Table 3
The Total Impact of the Cultural Arts on
Aggregate Production in Texas*
Results by Planning Region

Planning Region	Total Expenditures	Gross Product	Personal Income	Employment (Permanent Jobs)
Alamo	\$14,584,994,300	\$7,783,036,208	\$4,849,173,348	161,510
Brazos Valley	\$1,413,388,378	\$726,192,121	\$460,207,398	16,709
Capital	\$13,139,652,796	\$7,002,697,823	\$4,435,928,045	135,742
Central Texas	\$1,432,693,579	\$757,884,536	\$487,354,708	19,422
Coastal Bend	\$3,057,788,478	\$1,507,661,978	\$966,164,140	36,032
Concho Valley	\$923,536,456	\$490,149,834	\$295,729,859	11,333
Deep East Texas	\$1,384,300,872	\$708,842,778	\$449,855,021	17,490
East Texas	\$3,805,968,819	\$1,951,961,348	\$1,236,166,170	46,625
Golden Crescent	\$1,043,445,554	\$479,901,151	\$312,593,722	11,656
Gulf Coast	\$49,846,250,055	\$25,216,344,387	\$16,069,907,719	468,885
Heart of Texas	\$1,937,998,848	\$989,809,193	\$630,005,411	23,668
Lower Rio Grande Valley	\$2,682,099,195	\$1,420,535,788	\$914,221,397	38,851
Middle Rio Grande	\$398,894,331	\$210,742,299	\$137,005,711	6,092
North Central Texas	\$75,942,560,962	\$39,823,755,608	\$24,585,625,925	697,570
North East Texas	\$1,261,293,892	\$622,431,495	\$394,136,604	15,766
North Texas	\$1,033,943,913	\$544,567,158	\$343,820,628	13,851
Panhandle	\$2,354,391,066	\$1,148,538,045	\$717,316,998	27,717
Permian Basin	\$2,145,811,931	\$1,076,907,461	\$668,719,721	25,168
South East Texas	\$2,905,580,962	\$1,303,978,100	\$854,087,564	27,975
South Plains	\$2,183,416,240	\$1,149,734,026	\$716,512,397	28,354
South Texas	\$844,307,745	\$456,881,548	\$293,556,998	11,936
Texoma	\$793,080,675	\$410,184,981	\$258,024,648	10,181
Upper Rio Grande	\$3,625,294,736	\$1,905,925,870	\$1,204,755,871	46,209
West Central Texas	\$1,420,377,970	\$732,913,676	\$465,986,373	19,741
State Total	\$190,161,071,755	\$98,421,577,412	\$61,746,856,379	1,918,484

*All results are for year 2000

SOURCE: US Multi-Regional Impact Assessment System, The Perryman Group



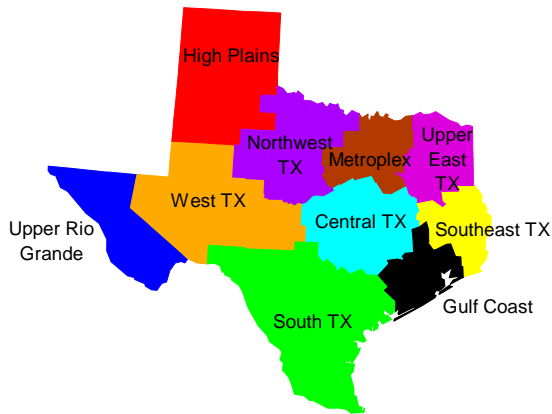


Table 4
The Total Impact of the Cultural Arts on
Aggregate Production in Texas*
Results by Major Economic Region

Economic Region	Total Expenditures	Gross Product	Personal Income	Employment (Permanent Jobs)
Central Texas	\$17,923,733,602	\$9,476,583,674	\$6,013,495,562	195,541
Gulf Coast	\$49,846,250,055	\$25,216,344,387	\$16,069,907,719	468,885
High Plains	\$4,537,807,307	\$2,298,272,071	\$1,433,829,395	56,071
Metroplex	\$76,735,641,637	\$40,233,940,589	\$24,843,650,573	707,750
Northwest Texas	\$2,454,321,883	\$1,277,480,834	\$809,807,001	33,592
South Texas	\$22,611,529,603	\$11,858,758,972	\$7,472,715,318	266,078
Southeast Texas	\$4,289,881,833	\$2,012,820,878	\$1,303,942,585	45,466
Upper East Texas	\$5,067,262,711	\$2,574,392,843	\$1,630,302,774	62,391
Upper Rio Grande	\$3,625,294,736	\$1,905,925,870	\$1,204,755,871	46,209
West Texas	\$3,069,348,387	\$1,567,057,295	\$964,449,580	36,501
State Total	\$190,161,071,755	\$98,421,577,412	\$61,746,856,379	1,918,484

*All results are for year 2000

SOURCE: US Multi-Regional Impact Assessment System, The Perryman Group





The arts and economic progress are inseparable!

In summary, the arts exert an enormous influence on the overall economy of Texas. Their effects span a broad range of industries and every region of the state. While the measures presented in this section fail to capture every aspect of the role of the arts in the economy, they far and away represent the most extensive evaluation yet attempted. The basic outcome of this analysis is inescapable—the arts and economic progress are inseparable!

IV. The Role of Cultural Arts in The Texas Economy— The Traditional Approach

In addition to illustrating the all encompassing nature of the arts in our business complex, it is also useful to explore their role in Texas using traditional concepts. Under this framework, arts impacts include the overall effects of such factors as (1) exhibitions and productions associated with the visual, performing, media, and literary arts; (2) industrial activity (such as book publishing) directly tied to the creation of the arts; (3) the incremental tourism spending brought into an area as a result of various cultural endeavors; and (4) the construction, remodeling, and maintenance of arts-related facilities. Such an evaluation is enlightening in that it provides a perspective on the level of arts involvement actively supported in Texas and its regions and the resulting net benefits to the economy. In other words, this traditional approach corresponds to the generally accepted view of cultural factors as they relate to the economy and our daily lives.

In conducting this segment of the analysis, TPG made extensive use of pertinent economic data from multiple government sources, reviewed numerous surveys and related studies regarding arts participation, analyzed the budgets of hundreds of arts organizations, compiled data directly from field research, and conducted numerous interviews and discussions with knowledgeable individuals (for more detail, see Appendix A). Through this process, it was possible to derive reliable estimates of spending directly linked to arts activities in various categories for Texas and its regions. This information was extensively tested relative to numerous other geographic markets and the nation as a whole; the data were found to be consistent with comparable measures in other reputable studies. When adjusted for growth and the more comprehensive nature of the current investigation, the derived





values were also generally in line with the limited data available from prior studies of Texas areas as well.

TPG determined that direct spending on the arts in Texas on an annual basis currently totals almost \$22.1 billion. A substantial portion of these outlays (\$6.9 billion) reflects incremental audience and tourism outlays, with other significant expenditures associated with educational institutions (\$1.0 billion) and the construction and maintenance of facilities (\$427.4 million). This remaining portion (\$13.7 billion) represents the specific activities associated with creating and presenting artistic endeavors of various types. As Figure 5 illustrates, this amount is dispersed over multiple categories of cultural expression, thus revealing the rich diversity and penetrating influence of the arts. The aggregate direct, indirect, and induced economic activity associated with the arts in Texas includes

- ✓ \$63.7 billion in annual Total Expenditures
- ✓ \$31.5 billion in annual Gross Product
- ✓ \$18.7 billion in annual Personal Income
- ✓ \$9.2 billion in annual Retail Sales
- ✓ 607,205 Permanent Jobs.

Direct spending on the arts in Texas totals almost \$22.1 billion per year.

Figure 4
The Impact of Traditional Cultural Arts Activity on the Texas Economy*

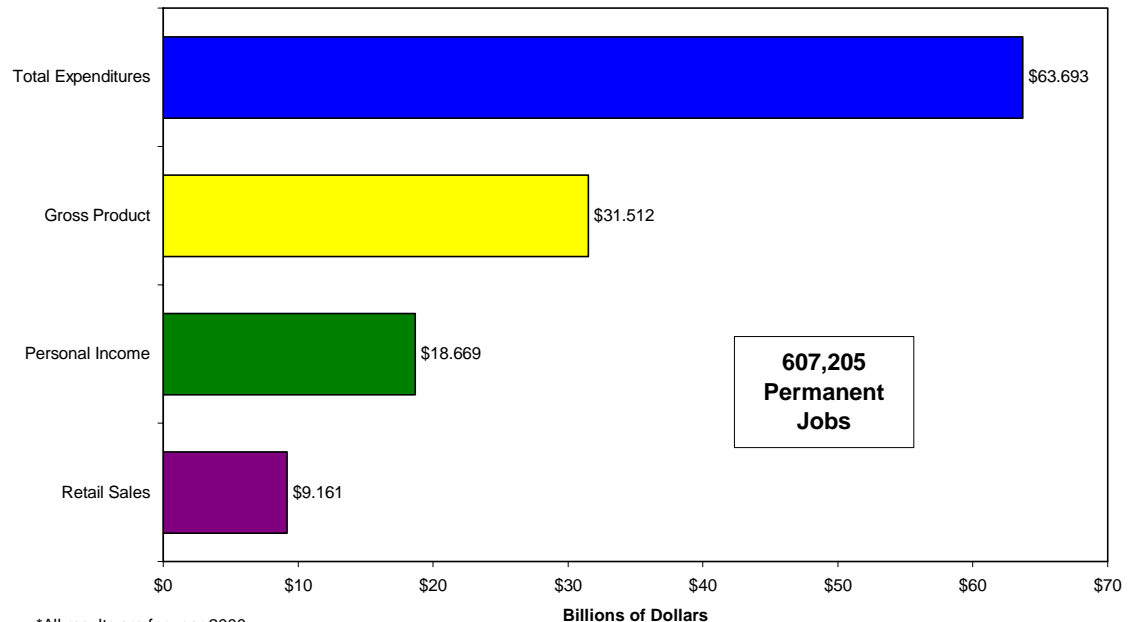
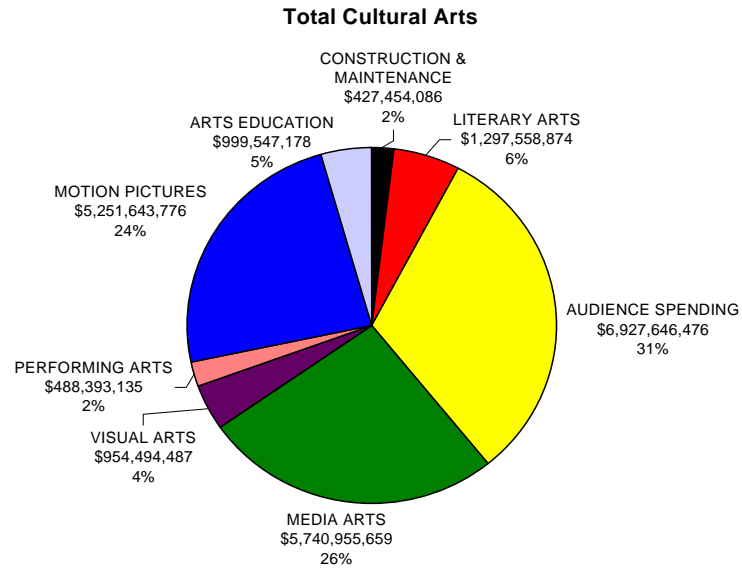
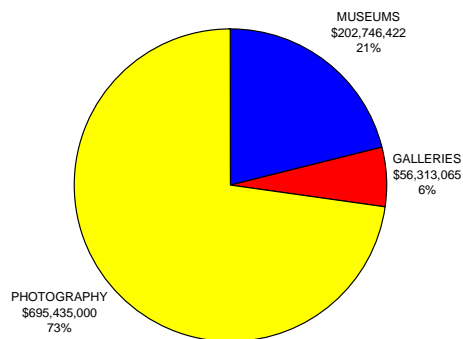




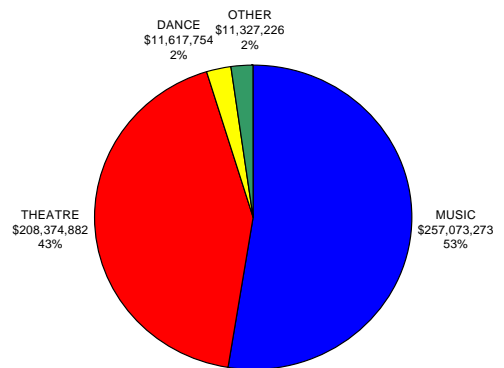
Figure 5
Total Composition of Traditional Cultural Arts Expenditures in Texas



Visual Arts



Performing Arts



The arts as traditionally measured contribute \$63.7 billion in annual spending and more than 600,000 permanent jobs.



Table 5
The Impact of Traditional Cultural Arts Activity on the Texas Economy*
Detailed Sectoral Results

Industrial Sector	Total Expenditures	Gross Product	Personal Income	Employment (Permanent Jobs)
Agricultural Products & Services	\$1,055,808,854	\$343,326,561	\$191,223,752	5,496
Forestry & Fishery Products	\$25,491,416	\$34,439,030	\$8,922,388	335
Coal Mining	\$82,635,239	\$34,187,563	\$25,338,729	297
Crude Petroleum & Natural Gas	\$726,206,120	\$212,050,587	\$73,372,369	784
Miscellaneous Mining	\$21,899,872	\$7,581,601	\$5,444,169	107
New Construction	\$397,244,754	\$173,092,895	\$143,961,499	3,254
Maintenance & Repair Construction	\$1,209,831,113	\$646,424,078	\$537,631,417	12,153
Food Products & Tobacco	\$2,213,077,688	\$649,218,253	\$292,522,922	8,838
Textile Mill Products	\$32,294,770	\$8,291,546	\$6,325,766	213
Apparel	\$426,758,488	\$202,711,303	\$119,419,359	5,425
Paper & Allied Products	\$370,470,119	\$128,845,771	\$74,677,475	1,746
Printing & Publishing	\$2,110,740,085	\$890,376,717	\$610,326,279	16,079
Chemicals & Petroleum Refining	\$2,003,472,348	\$212,616,955	\$135,463,409	1,047
Rubber & Leather Products	\$273,715,586	\$121,203,197	\$68,954,092	2,114
Lumber Products & Furniture	\$137,953,948	\$53,717,797	\$33,650,955	1,117
Stone, Clay, & Glass Products	\$169,222,942	\$85,132,720	\$48,554,277	1,313
Primary Metal	\$127,520,630	\$36,690,205	\$26,729,686	555
Fabricated Metal Products	\$300,497,118	\$108,182,710	\$70,013,294	1,816
Machinery, Except Electrical	\$168,039,214	\$96,017,625	\$48,983,414	838
Electric & Electronic Equipment	\$272,787,912	\$181,372,908	\$88,187,646	1,523
Motor Vehicles & Equipment	\$133,639,891	\$21,140,551	\$18,161,646	428
Transp. Equip., Exc. Motor Vehicles	\$120,546,631	\$35,678,088	\$37,058,083	675
Instruments & Related Products	\$53,813,318	\$17,120,668	\$16,001,046	325
Miscellaneous Manufacturing	\$130,736,171	\$54,299,762	\$35,684,830	892
Transportation	\$4,710,065,813	\$2,777,697,932	\$1,838,393,223	39,391
Communication	\$7,065,616,937	\$4,310,383,922	\$1,768,127,557	26,540
Electric, Gas, Water, Sanitary Services	\$2,364,050,701	\$609,858,070	\$235,572,338	1,948
Wholesale Trade	\$1,825,493,188	\$1,370,167,017	\$712,126,098	15,199
Retail Trade	\$5,235,162,718	\$4,175,299,631	\$2,593,866,161	110,799
Finance	\$801,251,135	\$506,703,594	\$249,324,086	4,618
Insurance	\$953,382,362	\$564,906,924	\$340,819,464	6,681
Real Estate	\$6,230,928,808	\$1,735,784,909	\$182,887,412	3,866
Hotels, Lodging Places, Amusements	\$9,492,982,354	\$4,057,653,340	\$2,708,024,990	112,546
Personal Services	\$1,550,254,729	\$957,905,831	\$731,873,558	21,716
Business Services (1)	\$2,468,024,836	\$1,446,036,953	\$1,186,524,877	24,717
Eating & Drinking Places	\$3,925,382,338	\$2,122,789,832	\$1,223,394,498	90,724
Health Services	\$1,650,093,880	\$1,112,735,155	\$975,878,241	25,542
Miscellaneous Services (2)	\$2,780,747,249	\$1,335,256,800	\$1,132,556,192	46,835
Households	\$74,718,957	\$74,718,957	\$73,127,378	8,713
Total	\$63,692,560,232	\$31,511,617,958	\$18,669,104,575	607,205

*All results are for year 2000

(1) Includes non-educational impacts in the public sector

(2) Includes educational impacts in the public sector

SOURCE: US Multi-Regional Impact Assessment System, The Perryman Group





*The arts . . .
provide a
notable,
ongoing net
contribution to
production,
income, sales,
and
employment.*

As indicated in the accompanying Table 5, these gains are enjoyed across a broad spectrum of industries. The production stemming from direct cultural outlays also generates almost \$2 billion in yearly State revenues, or about 4.1% of our aggregate fiscal resources. The arts, in addition to their aesthetic value, impact our quality-of-life and make immeasurable contributions to our creativity and social progress; as this study clearly demonstrates, they also provide a notable, ongoing net contribution to production, income, sales, and employment.

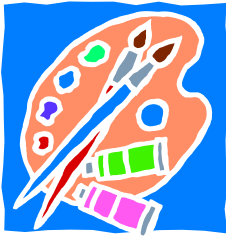
V. The Role of Cultural Arts in The Texas Economy— A Regional Perspective on The Traditional Approach

Through focusing our attention on specific geographic areas, we quickly discover the cultural arts are a vital part of life in communities across Texas. Plays, concerts, recitals, and exhibits bring a critical dimension to the enlightenment and enjoyment experienced by both local citizens and those who visit and participate in such events. They also add to the vitality of area economies in varying degrees.

The overall impacts of the direct arts activities on the MSAs, planning regions, and economic regions of the state are summarized in Tables 6, 7, and 8. Disaggregated results for individual industries are presented in Appendix B. These findings reveal, as expected, that cultural benefits in absolute terms are most prevalent in the largest metropolitan areas. Specifically, the greatest impacts in terms of expenditures are found in Dallas (\$22.0 billion or 34.6% of the state total), Houston (\$12.9 billion or 20.2%), Fort Worth-Arlington (\$7.2 billion or 11.3%), San Antonio (\$5.2 billion or 8.2%), and Austin-San Marcos (\$3.7 billion or 5.8%). Together, these urban centers account for 80.2% of the total arts activity in Texas, which is somewhat above their combined output share in the economy as a whole (73.7%). This finding suggests that the large urban areas in Texas attract cultural activities and the associated tourism activity at a pace above that observed in aggregate production. Even the smallest metropolitan areas in the state, however, have a rich array of cultural opportunities and, thus, receive associated economic benefits (see Table 6).

It is also worthy of note that the non-metropolitan counties see annual spending of \$3.5 billion and 42,155 permanent jobs



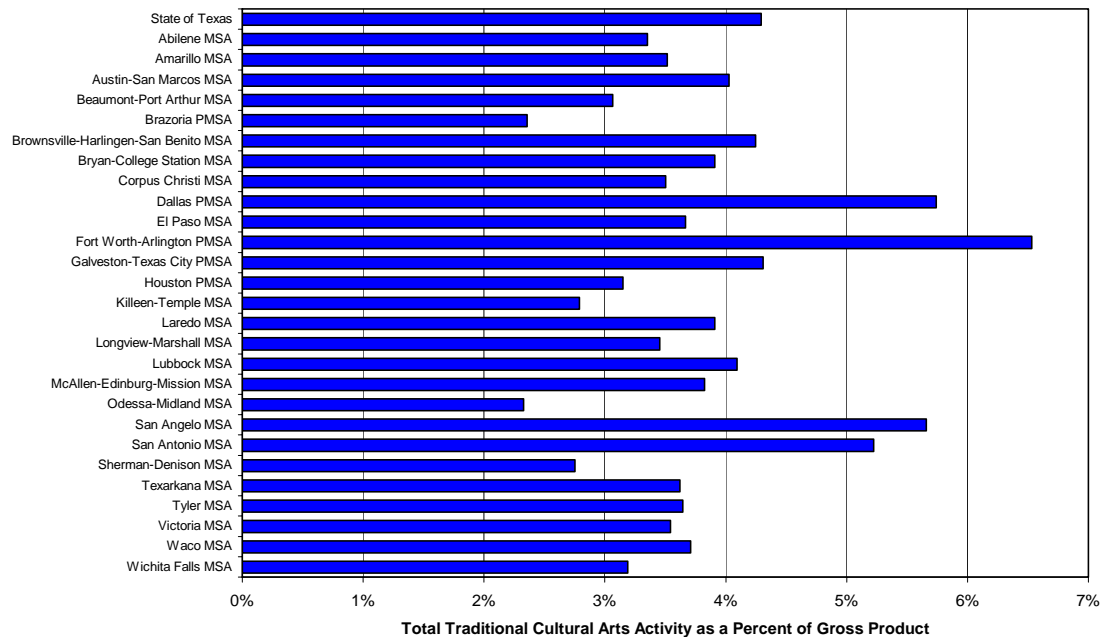


resulting from their direct participation in the cultural arts. This level of participation is 5.5% of the state total, which is modestly below the fraction of total output across all sectors (8.3%) now occurring in rural Texas. Thus, we again observe that (1) the arts are a vital component of all local economies, and (2) investment in the arts may well be a vital mechanism to support growth in the less prosperous areas of Texas.

As with the earlier measures of the overall role of the arts in the economy, it is instructive to view the benefits of direct cultural arts activities on a relative basis. As a percentage of their overall economies, the five most "arts-intensive" urban segments of Texas with regard to direct cultural activity are Fort Worth-Arlington (6.5%), Dallas (5.7%), San Angelo (5.7%), San Antonio (5.2%), and Galveston-Texas City (4.3%). The least concentrated metropolitan areas relative to their total output are Beaumont-Port Arthur (3.16%), Killeen-Temple (2.8%), Sherman-Denison (2.8%), Brazoria (2.4%), and Odessa-Midland (2.3%). The rural portion of Texas exhibits a value of 2.9%. Hence, we observe that (1) the lower percentages are observed in areas dominated by industries with high value-added and relatively low artistic components (extraction and refining) or military operations, and (2) while larger metropolitan areas remain dominant, several smaller cities exhibit an impressive cultural presence.

Urban centers account for 80.2% of the total arts activity in Texas . . .

Figure 6
The "Arts Intensity" of Traditional Cultural Activity in the Urban Areas of Texas*



*All results are for year 2000
Source: US Multi-Regional Impact Assessment System, The Perryman Group



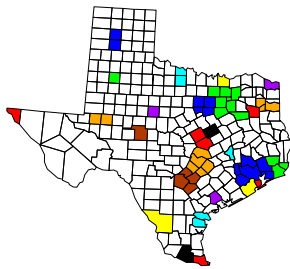


Table 6
The Impact of Traditional Cultural Arts Activity
on the Texas Economy*
Results by Metropolitan Area

Area	Total Expenditures	Gross Product	Personal Income	Employment (Permanent Jobs)
Metropolitan Statistical Areas (MSAs) and Primary MSAs (PMSAs):				
Abilene MSA	\$232,402,652	\$116,615,886	\$69,633,435	3,128
Amarillo MSA	\$441,126,732	\$224,307,259	\$134,831,065	5,390
Austin-San Marcos MSA	\$3,704,355,255	\$1,835,578,710	\$1,086,483,158	35,332
Beaumont-Port Arthur MSA	\$648,686,002	\$327,213,011	\$196,253,128	7,618
Brazoria PMSA	\$253,363,099	\$126,556,895	\$77,237,801	3,147
Brownsville-Harlingen-San Benito MSA	\$409,271,194	\$204,877,336	\$123,561,632	5,417
Bryan-College Station MSA	\$266,451,117	\$134,104,429	\$79,208,479	3,639
Corpus Christi MSA	\$760,510,307	\$379,863,252	\$226,260,808	9,197
Dallas PMSA	\$22,043,681,732	\$10,812,179,959	\$6,289,430,081	180,045
El Paso MSA	\$1,089,240,644	\$547,024,211	\$327,485,512	13,299
Fort Worth-Arlington PMSA	\$7,203,944,328	\$3,517,455,773	\$2,132,244,250	64,939
Galveston-Texas City PMSA	\$502,113,347	\$253,716,713	\$155,375,512	6,267
Houston PMSA	\$12,884,772,604	\$6,395,787,107	\$3,834,589,391	121,677
Killeen-Temple MSA	\$429,768,012	\$213,896,444	\$128,971,462	5,462
Laredo MSA	\$275,234,249	\$144,548,897	\$87,574,229	3,744
Longview-Marshall MSA	\$404,275,127	\$201,656,466	\$119,751,101	5,087
Lubbock MSA	\$565,166,265	\$284,981,106	\$167,982,081	7,110
McAllen-Edinburg-Mission MSA	\$542,468,784	\$268,451,946	\$162,149,507	7,083
Odessa-Midland MSA	\$455,631,571	\$227,156,160	\$135,587,037	5,397
San Angelo MSA	\$288,680,385	\$149,772,332	\$82,588,601	3,039
San Antonio MSA	\$5,245,320,823	\$2,629,912,294	\$1,539,765,280	50,350
Sherman-Denison MSA	\$147,256,205	\$74,581,087	\$44,911,542	1,913
Texarkana MSA	\$156,120,236	\$77,781,037	\$46,354,588	1,971
Tyler MSA	\$391,504,865	\$199,049,458	\$117,669,201	4,567
Victoria MSA	\$154,473,707	\$77,509,651	\$46,843,879	2,020
Waco MSA	\$445,171,211	\$220,271,627	\$132,735,824	5,064
Wichita Falls MSA	\$250,285,118	\$126,436,514	\$74,775,183	3,146
Consolidated MSAs (CMSAs):				
Dallas-Fort Worth CMSA	\$29,247,626,060	\$14,329,635,731	\$8,421,674,331	244,985
Houston-Galveston-Brazoria CMSA	\$13,640,249,050	\$6,776,060,715	\$4,067,202,704	131,091
Non-Metropolitan Areas	\$3,501,284,663	\$1,740,332,401	\$1,048,850,809	42,155
State Total	\$63,692,560,232	\$31,511,617,958	\$18,669,104,575	607,205

*All results are for year 2000

SOURCE: US Multi-Regional Impact Assessment System, The Perryman Group



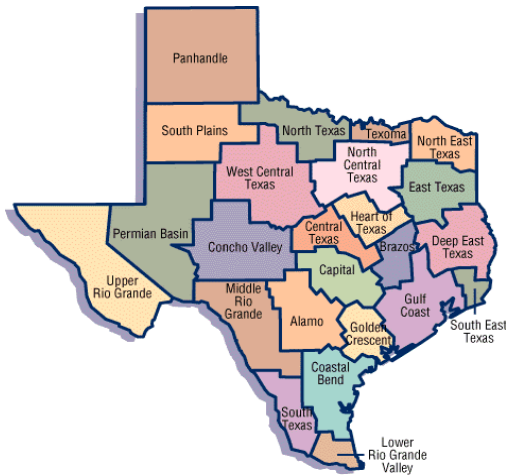


Table 7
The Impact of Traditional Cultural Arts Activity on
the Texas Economy*
Results by Planning Region

Planning Region	Total Expenditures	Gross Product	Personal Income	Employment (Permanent Jobs)
Alamo	\$5,512,032,716	\$2,762,540,757	\$1,619,824,088	53,717
Brazos Valley	\$618,611,078	\$297,828,211	\$178,791,710	5,617
Capital	\$3,831,637,366	\$1,899,584,077	\$1,125,036,126	37,038
Central Texas	\$477,389,693	\$238,153,507	\$143,598,921	6,110
Coastal Bend	\$911,509,285	\$455,206,036	\$271,867,754	11,274
Concho Valley	\$322,016,826	\$166,353,486	\$92,762,170	3,570
Deep East Texas	\$363,159,879	\$183,246,419	\$109,384,697	4,601
East Texas	\$1,131,963,046	\$571,553,545	\$340,529,591	13,977
Golden Crescent	\$233,863,258	\$117,699,103	\$70,978,367	3,088
Gulf Coast	\$13,892,927,963	\$6,899,300,914	\$4,141,690,995	133,912
Heart of Texas	\$536,838,559	\$266,691,537	\$160,922,838	6,213
Lower Rio Grande Valley	\$966,947,438	\$481,009,274	\$290,112,190	12,668
Middle Rio Grande	\$151,128,247	\$75,092,156	\$45,728,646	2,159
North Central Texas	\$29,447,026,726	\$14,424,009,151	\$8,479,290,115	246,675
North East Texas	\$329,362,206	\$165,125,576	\$98,914,838	4,251
North Texas	\$321,915,839	\$162,315,687	\$96,279,311	4,090
Panhandle	\$626,103,259	\$318,834,615	\$191,414,570	7,862
Permian Basin	\$590,841,875	\$295,190,279	\$176,446,998	7,247
South East Texas	\$648,686,002	\$327,213,011	\$196,253,128	7,618
South Plains	\$690,365,129	\$349,136,633	\$205,351,329	8,773
South Texas	\$304,944,164	\$159,458,427	\$96,703,425	4,194
Texoma	\$210,789,405	\$106,579,456	\$64,323,825	2,741
Upper Rio Grande	\$1,135,149,502	\$570,444,446	\$341,452,148	13,889
West Central Texas	\$437,350,771	\$219,051,656	\$131,446,796	5,922
State Total	\$63,692,560,232	\$31,511,617,958	\$18,669,104,575	607,205

*All results are for year 2000

SOURCE: US Multi-Regional Impact Assessment System, The Perryman Group



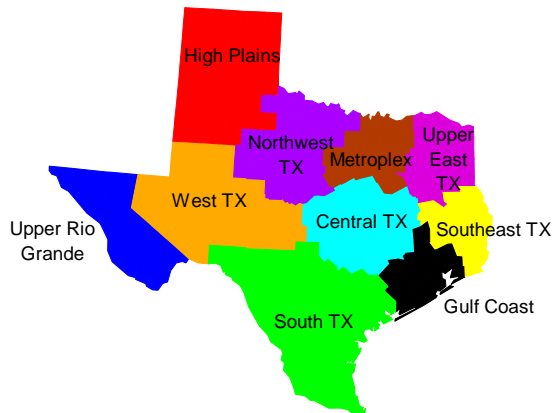


Table 8
The Impact of Traditional Cultural Arts
Activity on the Texas Economy*
Results by Major Economic Region

Economic Region	Total Expenditures	Gross Product	Personal Income	Employment (Permanent Jobs)
Central Texas	\$5,464,476,695	\$2,702,257,332	\$1,608,349,595	54,977
Gulf Coast	\$13,892,927,963	\$6,899,300,914	\$4,141,690,995	133,912
High Plains	\$1,316,468,388	\$667,971,248	\$396,765,899	16,635
Metroplex	\$29,657,816,131	\$14,530,588,607	\$8,543,613,940	249,416
Northwest Texas	\$759,266,611	\$381,367,343	\$227,726,107	10,013
South Texas	\$8,080,425,108	\$4,051,005,752	\$2,395,214,469	87,099
Southeast Texas	\$1,011,845,880	\$510,459,430	\$305,637,825	12,220
Upper East Texas	\$1,461,325,252	\$736,679,121	\$439,444,428	18,227
Upper Rio Grande	\$1,135,149,502	\$570,444,446	\$341,452,148	13,889
West Texas	\$912,858,702	\$461,543,764	\$269,209,168	10,817
State Total	\$63,692,560,232	\$31,511,617,958	\$18,669,104,575	607,205

*All results are for year 2000

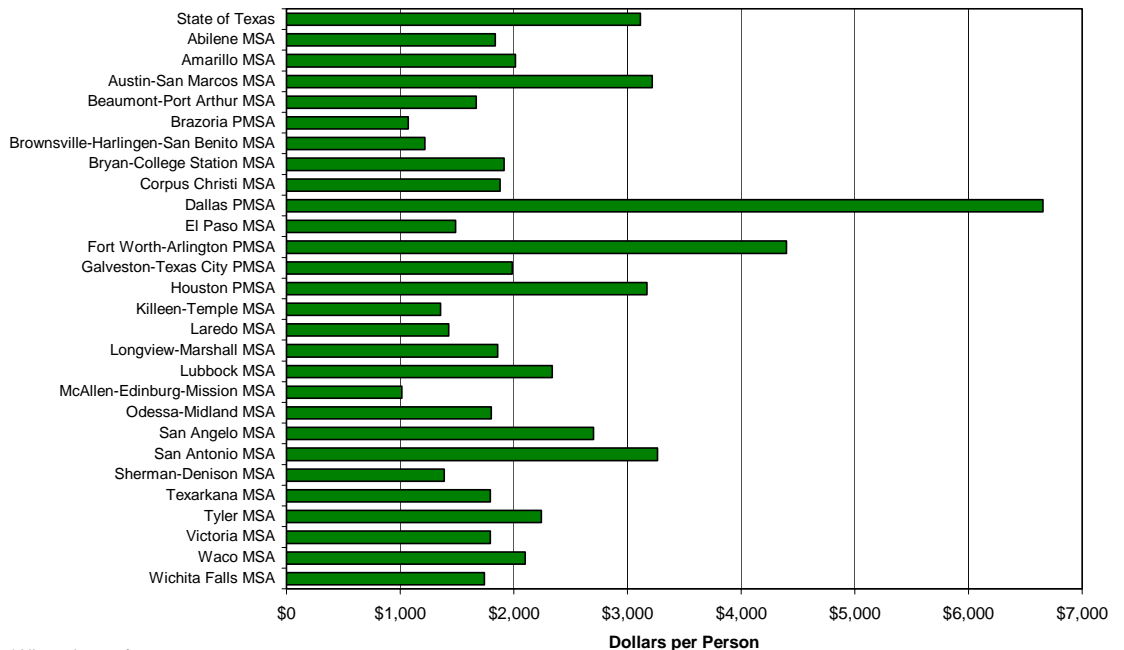
SOURCE: US Multi-Regional Impact Assessment System, The Perryman Group





On a per capita basis, the greatest contributions of the traditional cultural arts occur in Dallas (\$6,654 per person), Fort Worth-Arlington (\$4,397), San Antonio (\$3,265), Austin-San Marcos (\$3,216), and Houston (\$3,169). The lowest values are found in El Paso (\$1,488), Laredo (\$1,426), Sherman-Denison (\$1,389), Killeen-Temple (\$1,357), Brownsville-Harlingen-San Benito (\$1,215), Brazoria (\$1,070), and McAllen-Edinburg-Mission (\$1,015). The non-metropolitan regions of the state receive benefits of \$1,103 per capita. This pattern provides evidence that (1) the large urban centers tend to dominate the cultural arts even when viewed on a per capita basis, and (2) the lower income areas along the border lag in cultural opportunities. Once again, these findings reflect the potential value of proactive efforts to promote the arts in less prosperous areas as a mechanism for economic development.

Figure 7
Per Capita Impacts of Traditional Cultural Arts Activity in the Urban Areas of Texas*



*All results are for year 2000
 Source: US Multi-Regional Impact Assessment System, The Perryman Group

Findings reflect the value of promoting the arts as a mechanism for economic development.

The results from this analysis are impressive. They demonstrate that the cultural arts are indeed vital to the social fabric and economic life of the entire state. Large cities and small communities alike provide a vast cornucopia of cultural enrichment programs which, in turn, bring a substantial net stimulus to business activity. An aggressive and ongoing commitment to the expansion of cultural endeavors





Commitment to the expansion of cultural endeavors will ensure the preservation of the creative force needed for long-term economic prosperity.

throughout the state will ensure the preservation of the creative force needed for long-term economic prosperity.

VI. The Role of Cultural Arts in The Texas Economy— The Nonprofit Sector

The entire artistic component of the economy, which this study has shown to exceed \$190 billion in annual spending and 1.9 million permanent jobs, begins in the nonprofit sector. Great actors and directors get their start in community theatre; successful artists and writers begin in public school classes; and notable musicians give their first performances in local concerts. At the same time, creative minds in all fields receive their initial exposure to the possibilities of innovation through local cultural exhibits and performances. It is thus worthwhile to explore the magnitude of these nonprofit initiatives. In so doing, we can begin to see how the enormous volume of business activity emerging from the creative arts comes into being and initially enters the production cycle. In particular, this examination reveals the return to the aggregate economy which may be achieved through substantial investments in the nonprofit sector.

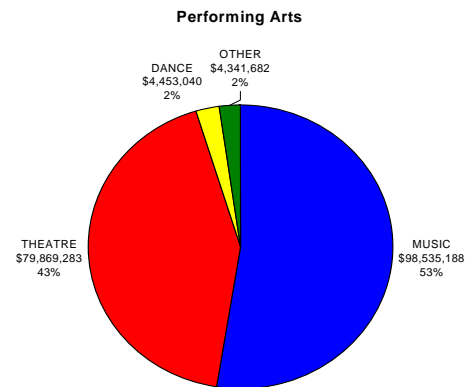
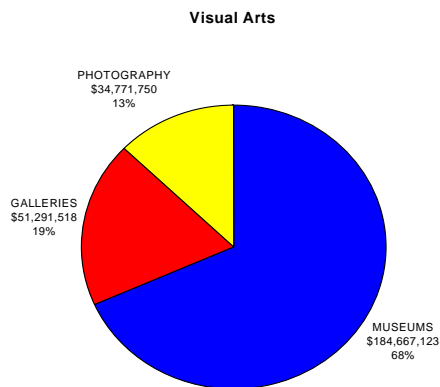
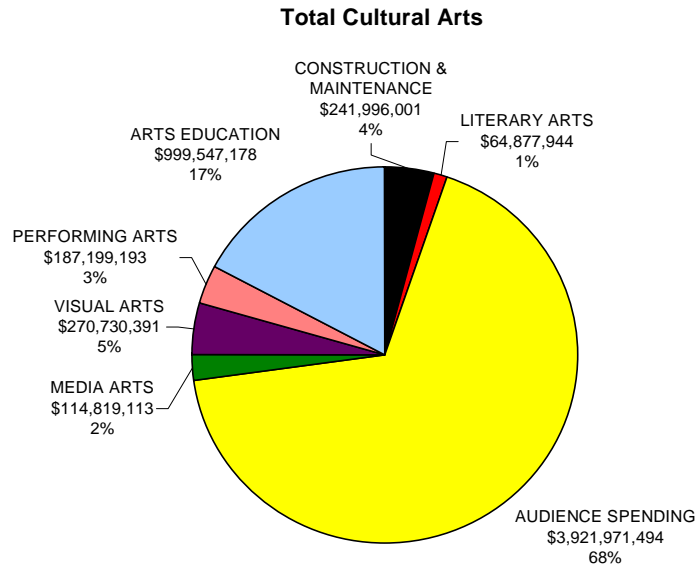
By evaluating various public and private surveys, compiling extensive data from governmental sources, reviewing the budgets of a large number of cultural organizations, conducting extensive primary research and interviews, and analyzing numerous studies of similar phenomena, TPG was able to reliably estimate the level of spending associated with the nonprofit arts in Texas and its various regions.

Total direct outlays in the current year associated with nonprofit cultural enterprises are \$5.8 billion. This assessment includes \$3.9 billion in incremental tourism and audience expenditures, almost \$1.0 billion in arts education, \$242.0 million in construction and maintenance of arts facilities, and \$637.6 million in the activities of nonprofit arts organizations (see Figure 8 for detail on various categories).



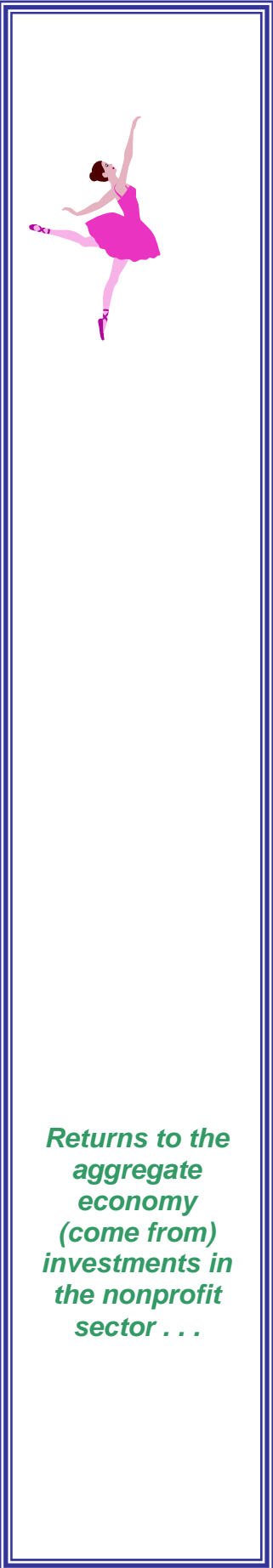


Figure 8
Total Composition of Nonprofit Cultural Arts Expenditures in Texas



The entire artistic component of the economy . . . begins in the nonprofit sector.

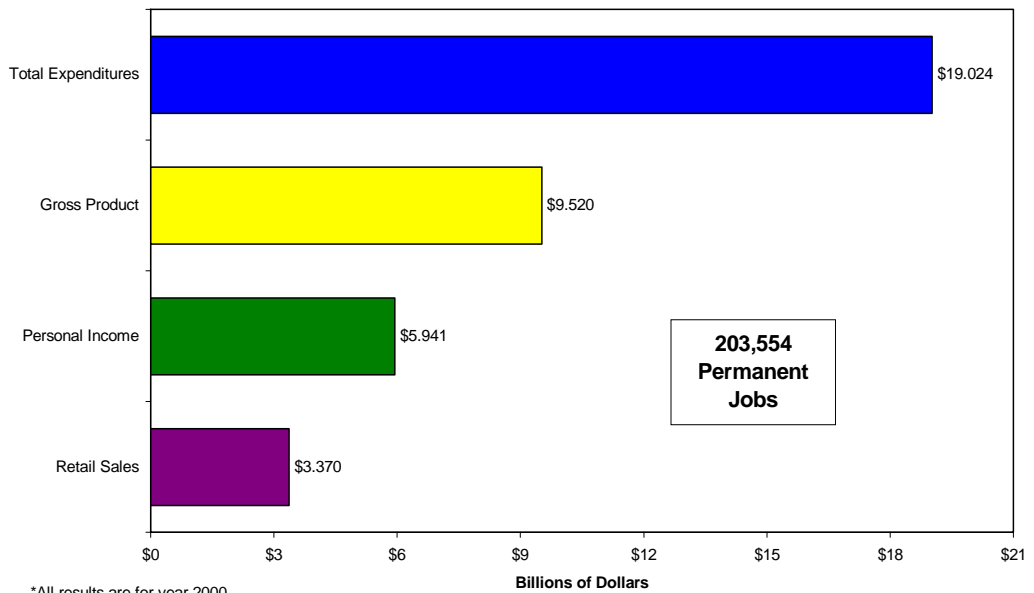




The impact of the aggregate nonprofit arts sector on the state economy is estimated to be

- ✓ \$19.0 billion in annual Total Expenditures
- ✓ \$9.5 billion in annual Gross Product
- ✓ \$5.9 billion in annual Personal Income
- ✓ \$3.4 billion in annual Retail Sales
- ✓ 203,554 Permanent Jobs.

Figure 9
The Impact of Nonprofit Cultural Arts Activity on the Texas Economy*



The detailed industrial effects, which span much of the business complex of Texas, are given in Table 9.

In addition to these amounts, TPG estimates that local volunteers contribute at least 12.2 million hours annually to nonprofit arts activities, with a market value of \$165.2 million. Nonprofit arts activity also generates \$576 million in annual State fiscal revenues.

Returns to the aggregate economy (come from) investments in the nonprofit sector . . .



Table 9
The Impact of Nonprofit Cultural Arts Activity on the Texas Economy*
Detailed Sectoral Results

Industrial Sector	Total Expenditures	Gross Product	Personal Income	Employment (Permanent Jobs)
Agricultural Products & Services	\$391,960,036	\$126,196,694	\$70,288,199	2,020
Forestry & Fishery Products	\$9,411,260	\$13,786,027	\$3,571,657	134
Coal Mining	\$27,342,291	\$11,170,420	\$8,279,164	96
Crude Petroleum & Natural Gas	\$272,184,011	\$79,533,451	\$27,519,650	295
Miscellaneous Mining	\$8,440,928	\$2,918,562	\$2,095,758	41
New Construction	\$224,893,491	\$97,993,655	\$81,501,401	1,842
Maintenance & Repair Construction	\$433,907,755	\$235,705,886	\$196,036,776	4,431
Food Products & Tobacco	\$761,738,506	\$222,124,128	\$100,084,060	3,024
Textile Mill Products	\$9,490,235	\$2,423,265	\$1,848,761	62
Apparel	\$134,129,610	\$63,604,152	\$37,469,876	1,702
Paper & Allied Products	\$119,112,397	\$41,287,629	\$23,929,821	559
Printing & Publishing	\$274,761,498	\$123,548,009	\$84,688,419	2,232
Chemicals & Petroleum Refining	\$745,638,797	\$75,425,173	\$48,055,201	371
Rubber & Leather Products	\$93,304,594	\$41,102,983	\$23,384,027	717
Lumber Products & Furniture	\$46,058,773	\$18,174,326	\$11,385,120	378
Stone, Clay, & Glass Products	\$67,824,825	\$33,502,392	\$19,107,629	517
Primary Metal	\$48,832,567	\$14,039,315	\$10,227,976	212
Fabricated Metal Products	\$113,606,172	\$40,893,774	\$26,465,480	687
Machinery, Except Electrical	\$59,470,694	\$34,002,814	\$17,346,546	297
Electric & Electronic Equipment	\$65,097,781	\$42,231,067	\$20,533,710	355
Motor Vehicles & Equipment	\$43,040,605	\$6,784,528	\$5,828,521	138
Transp. Equip., Exc. Motor Vehicles	\$52,082,639	\$15,854,783	\$16,468,031	300
Instruments & Related Products	\$14,040,484	\$4,608,061	\$4,306,707	88
Miscellaneous Manufacturing	\$46,119,971	\$18,857,148	\$12,392,580	310
Transportation	\$2,238,331,154	\$1,276,737,986	\$844,997,014	18,106
Communication	\$509,475,109	\$322,402,353	\$132,250,047	1,985
Electric, Gas, Water, Sanitary Services	\$780,297,455	\$202,264,653	\$78,129,582	646
Wholesale Trade	\$615,450,716	\$462,128,015	\$240,184,891	5,127
Retail Trade	\$1,777,964,109	\$1,418,241,990	\$881,069,676	37,636
Finance	\$249,499,494	\$154,892,487	\$76,215,025	1,412
Insurance	\$312,070,448	\$185,035,632	\$111,635,635	2,188
Real Estate	\$1,913,589,975	\$510,297,002	\$53,766,396	1,137
Hotels, Lodging Places, Amusements	\$1,597,865,055	\$835,465,205	\$557,578,594	23,173
Personal Services	\$362,735,352	\$225,406,207	\$172,218,218	5,110
Business Services (1)	\$729,245,041	\$436,212,973	\$357,928,296	7,456
Eating & Drinking Places	\$1,591,675,749	\$860,609,029	\$495,981,439	36,781
Health Services	\$526,361,566	\$355,131,146	\$311,453,052	8,152
Miscellaneous Services (2)	\$1,732,936,231	\$885,848,150	\$751,370,676	31,072
Households	\$23,735,187	\$23,735,187	\$23,229,607	2,768
Total	\$19,023,722,561	\$9,520,176,257	\$5,940,823,218	203,554

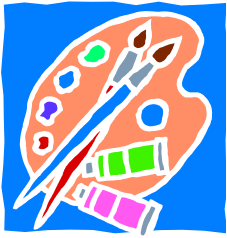
*All results are for year 2000

(1) Includes non-educational impacts in the public sector

(2) Includes educational impacts in the public sector

SOURCE: US Multi-Regional Impact Assessment System, The Perryman Group





**Local
volunteers
contribute 12.2
million hours
annually with a
market value of
\$165.2 million.**

Because of the importance of the education sector to the dissemination of the cultural arts and the distinct contribution of other nonprofit entities, separating the benefits derived from nonprofit involvement in the arts into its noneducational and educational components is useful. The aggregate impetus associated with the noneducational segment is

- ✓ \$15.4 billion in annual Total Expenditures
- ✓ \$7.7 billion in annual Gross Product
- ✓ \$4.7 billion in annual Personal Income
- ✓ \$2.9 billion in annual Retail Sales
- ✓ 160,572 Permanent Jobs.

The activities of these organizations provide \$484.6 million in yearly fiscal gains to the state, or about 1% of total Texas revenues for all sources.

The educational impacts are found to be

- ✓ \$3.6 billion in annual Total Expenditures
- ✓ \$1.8 billion in annual Gross Product
- ✓ \$1.2 billion in annual Personal Income
- ✓ \$462.6 million in annual Retail Sales
- ✓ 42,982 Permanent Jobs.

The industrial results for these simulations are given in Appendix B.

As a final element of our assessment of the statewide nonprofit sector, it is worthwhile to evaluate the role of the arts in public education and the resulting influence on business activity. The contemporaneous contribution of this sector is determined to be

- ✓ \$2.2 billion in annual Total Expenditures
- ✓ \$1.1 billion in annual Gross Product
- ✓ \$708.7 million in annual Personal Income
- ✓ \$270.0 million in annual Retail Sales
- ✓ 24,762 Permanent Jobs.

Disaggregated industrial and regional effects are provided in Appendix B.





Aggregate educational impacts are \$3.6 billion in annual Total Expenditures.

Obviously, the impacts of these vital training grounds for our cultural development extend far beyond those measured in an analysis focusing on short-term expenditure flows. In particular, the efforts of the nonprofit sector over an extended time period ultimately result in the major contributions to the economy quantified earlier in this investigation. Even on the limited basis examined at present, however, the effects on the economy are substantial.

VII. The Role of Cultural Arts in The Texas Economy— A Regional Perspective on the Nonprofit Sector

Nonprofit, volunteer organizations support the cultural arts in large cities, small towns, and rural areas all around Texas. There are more than 150 community theatres, 250 galleries and museums, and thousands of public school fine arts initiatives. The state has a broad array of bands, orchestras, literary societies, and dance organizations. These programs, in addition to their important social benefits, also contribute to the health of local economies. Summary results for the various metropolitan areas, planning regions, and economic regions are given in Tables 10, 11, and 12, respectively. Detailed results for the entire nonprofit sector and its major components (arts organizations, education, and public schools) are given on a comprehensive basis in Appendix B.

Not surprisingly, the greatest absolute impacts (total overall expenditures) are found in the major urban areas. Specifically, Houston has annual benefits of \$4.6 billion or 24.3% of the state total; Dallas enjoys \$4.0 billion in spending (21.2%); Fort Worth-Arlington sees gains of \$3.1 billion (16.3%); San Antonio experiences \$1.6 billion in outlays (8.2%); and Austin-San Marcos sees an overall expenditure level of \$1.0 billion (5.3%). These areas thus account for 75.4% of total nonprofit arts activity in Texas, a slightly larger relative proportion than their representation in overall economic output.

As the accompanying tables indicate, all areas of the state (including the rural segment) have a vibrant presence of nonprofit arts activity.



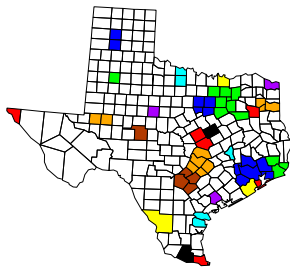


Table 10
The Impact of Nonprofit Cultural Arts Activity
on the Texas Economy*
Results by Metropolitan Area

Area	Total Expenditures	Gross Product	Personal Income	Employment (Permanent Jobs)
Metropolitan Statistical Areas (MSAs) and Primary MSAs (PMSAs):				
Abilene MSA	\$90,054,509	\$45,499,312	\$28,500,203	1,238
Amarillo MSA	\$173,594,697	\$88,809,086	\$55,595,013	2,192
Austin-San Marcos MSA	\$1,016,905,461	\$514,385,897	\$320,163,181	11,686
Beaumont-Port Arthur MSA	\$251,564,355	\$127,753,335	\$80,385,443	3,001
Brazoria PMSA	\$111,998,997	\$56,258,630	\$35,616,923	1,331
Brownsville-Harlingen-San Benito MSA	\$167,262,950	\$84,992,418	\$53,617,120	2,233
Bryan-College Station MSA	\$93,901,169	\$47,659,191	\$29,835,943	1,351
Corpus Christi MSA	\$283,147,478	\$141,838,165	\$88,932,963	3,571
Dallas PMSA	\$4,038,237,376	\$2,025,955,211	\$1,252,715,576	39,528
El Paso MSA	\$404,174,535	\$205,374,145	\$128,479,788	5,014
Fort Worth-Arlington PMSA	\$3,096,293,808	\$1,506,315,432	\$938,217,184	27,722
Galveston-Texas City PMSA	\$258,580,207	\$130,982,107	\$83,574,605	3,376
Houston PMSA	\$4,626,039,219	\$2,307,964,286	\$1,444,345,911	46,266
Killeen-Temple MSA	\$159,396,125	\$80,533,841	\$50,550,927	2,047
Laredo MSA	\$124,661,457	\$66,742,518	\$41,686,388	1,648
Longview-Marshall MSA	\$139,136,370	\$69,918,878	\$43,620,127	1,743
Lubbock MSA	\$185,634,727	\$94,562,569	\$58,644,627	2,415
McAllen-Edinburg-Mission MSA	\$208,582,490	\$105,975,463	\$66,531,624	2,728
Odessa-Midland MSA	\$164,182,468	\$82,443,711	\$51,672,063	2,151
San Angelo MSA	\$61,236,628	\$30,854,849	\$19,040,284	803
San Antonio MSA	\$1,562,866,505	\$786,223,210	\$489,740,098	17,949
Sherman-Denison MSA	\$61,340,223	\$31,309,756	\$19,619,238	760
Texarkana MSA	\$47,952,795	\$24,540,559	\$15,328,795	636
Tyler MSA	\$141,967,536	\$72,111,808	\$45,486,606	1,736
Victoria MSA	\$55,527,197	\$28,282,525	\$17,762,148	725
Waco MSA	\$144,221,161	\$73,246,002	\$46,187,212	1,850
Wichita Falls MSA	\$91,204,691	\$45,789,506	\$28,520,264	1,163
Consolidated MSAs (CMSAs):				
Dallas-Fort Worth CMSA	\$7,134,531,184	\$3,532,270,642	\$2,190,932,760	67,250
Houston-Galveston-Brazoria CMSA	\$4,996,618,423	\$2,495,205,022	\$1,563,537,438	50,973
Non-Metropolitan Areas	\$1,264,057,426	\$643,853,847	\$406,452,966	16,690
State Total	\$19,023,722,561	\$9,520,176,257	\$5,940,823,218	203,554

*All results are for year 2000

SOURCE: US Multi-Regional Impact Assessment System, The Perryman Group



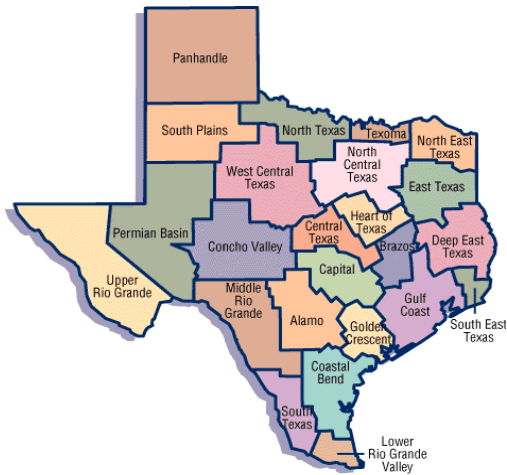


Table 11
The Impact of Nonprofit Cultural Arts Activity on
the Texas Economy*
Results by Planning Region

Planning Region	Total Expenditures	Gross Product	Personal Income	Employment (Permanent Jobs)
Alamo	\$1,673,128,688	\$841,603,287	\$524,498,011	19,366
Brazos Valley	\$139,935,217	\$71,279,143	\$44,787,309	1,958
Capital	\$1,071,240,203	\$541,830,805	\$337,321,383	12,387
Central Texas	\$181,035,891	\$91,555,963	\$57,535,899	2,329
Coastal Bend	\$348,200,651	\$174,872,950	\$109,716,775	4,457
Concho Valley	\$77,691,895	\$39,184,809	\$24,293,830	1,041
Deep East Texas	\$135,730,883	\$69,015,816	\$43,406,253	1,798
East Texas	\$420,765,282	\$213,730,581	\$134,470,632	5,227
Golden Crescent	\$89,897,107	\$45,669,760	\$28,820,040	1,180
Gulf Coast	\$5,073,022,928	\$2,534,164,273	\$1,588,150,412	51,995
Heart of Texas	\$182,042,910	\$92,672,343	\$58,514,207	2,322
Lower Rio Grande Valley	\$380,148,848	\$193,159,626	\$121,545,094	5,020
Middle Rio Grande	\$63,779,777	\$32,334,264	\$20,393,828	857
North Central Texas	\$7,174,862,477	\$3,552,904,429	\$2,203,892,329	67,795
North East Texas	\$121,040,537	\$61,673,617	\$38,719,913	1,585
North Texas	\$119,286,175	\$60,007,691	\$37,506,161	1,543
Panhandle	\$252,207,561	\$129,060,357	\$81,111,923	3,238
Permian Basin	\$217,806,618	\$109,867,459	\$69,082,029	2,879
South East Texas	\$251,564,355	\$127,753,335	\$80,385,443	3,001
South Plains	\$230,223,395	\$117,395,644	\$73,062,122	3,020
South Texas	\$140,265,106	\$74,707,985	\$46,795,785	1,859
Texoma	\$86,405,886	\$44,237,176	\$27,777,876	1,081
Upper Rio Grande	\$425,023,107	\$215,971,792	\$135,163,364	5,312
West Central Texas	\$168,417,063	\$85,523,152	\$53,872,599	2,304
State Total	\$19,023,722,561	\$9,520,176,257	\$5,940,823,218	203,554

*All results are for year 2000

SOURCE: US Multi-Regional Impact Assessment System, The Perryman Group



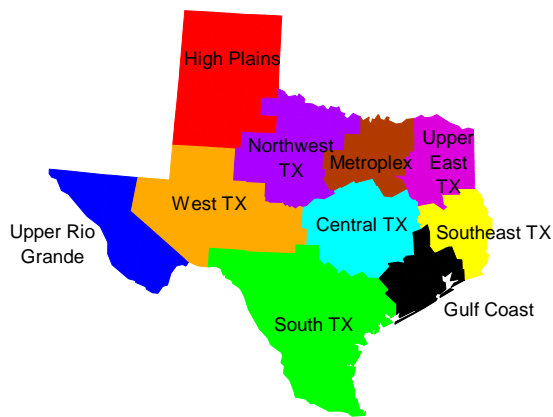


Table 12
The Impact of Nonprofit Cultural Arts
Activity on the Texas Economy*
Results by Major Economic Region

Economic Region	Total Expenditures	Gross Product	Personal Income	Employment (Permanent Jobs)
Central Texas	\$1,574,254,220	\$797,338,255	\$498,158,798	18,996
Gulf Coast	\$5,073,022,928	\$2,534,164,273	\$1,588,150,412	51,995
High Plains	\$482,430,956	\$246,456,001	\$154,174,045	6,258
Metroplex	\$7,261,268,364	\$3,597,141,605	\$2,231,670,206	68,876
Northwest Texas	\$287,703,238	\$145,530,844	\$91,378,760	3,847
South Texas	\$2,695,420,177	\$1,362,347,871	\$851,769,533	32,739
Southeast Texas	\$387,295,238	\$196,769,151	\$123,791,696	4,800
Upper East Texas	\$541,805,819	\$275,404,198	\$173,190,545	6,812
Upper Rio Grande	\$425,023,107	\$215,971,792	\$135,163,364	5,312
West Texas	\$295,498,513	\$149,052,269	\$93,375,859	3,920
State Total	\$19,023,722,561	\$9,520,176,257	\$5,940,823,218	203,554

*All results are for year 2000

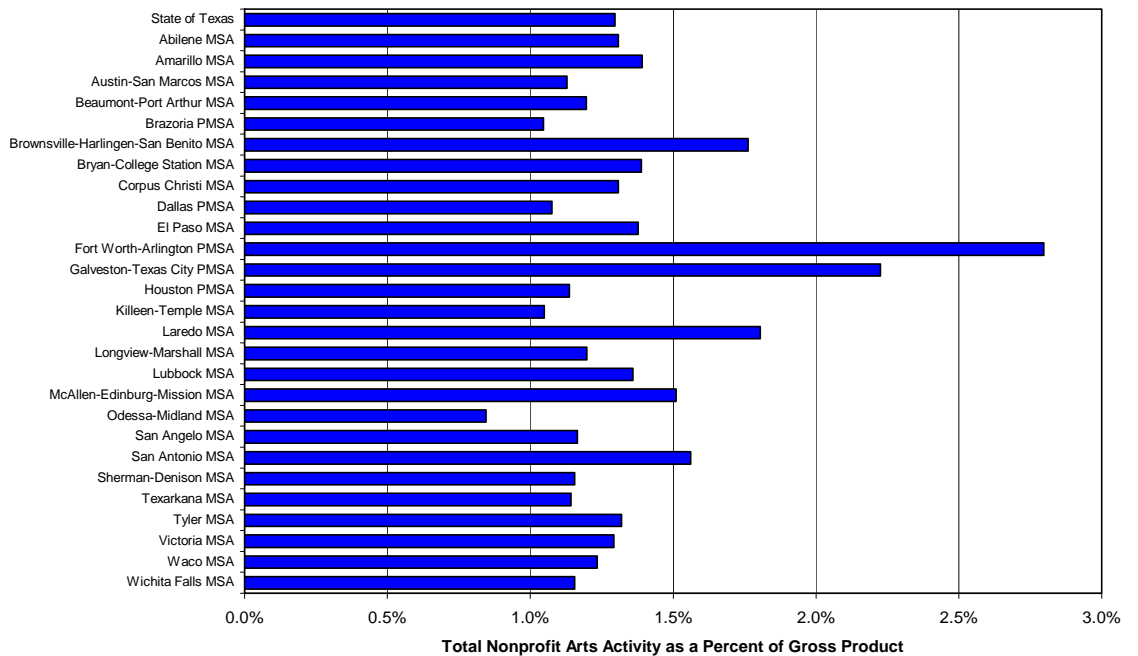
SOURCE: US Multi-Regional Impact Assessment System, The Perryman Group





As a percent of the local economy, the urban centers with the most significant nonprofit sectors are Fort Worth-Arlington (2.8%), Galveston-Texas City (2.2%), Laredo (1.8%), Brownsville-Harlingen-San Benito (1.8%), and San Antonio (1.6%). The lowest ranking areas by this measure are Houston (1.1%), Austin-San Marcos (1.1%), Dallas (1.1%), Killeen-Temple (1.0%), Brazoria (1.0%), and Odessa-Midland (0.8%). The non-metropolitan regions of Texas exhibit a 1.1% proportion.

Figure 10
The "Arts Intensity" of Nonprofit Cultural Activity in the Urban Areas of Texas*



*All results are for year 2000
 Source: US Multi-Regional Impact Assessment System, The Perryman Group

All areas of the state (including the rural segment) have a vibrant presence of nonprofit arts activity.

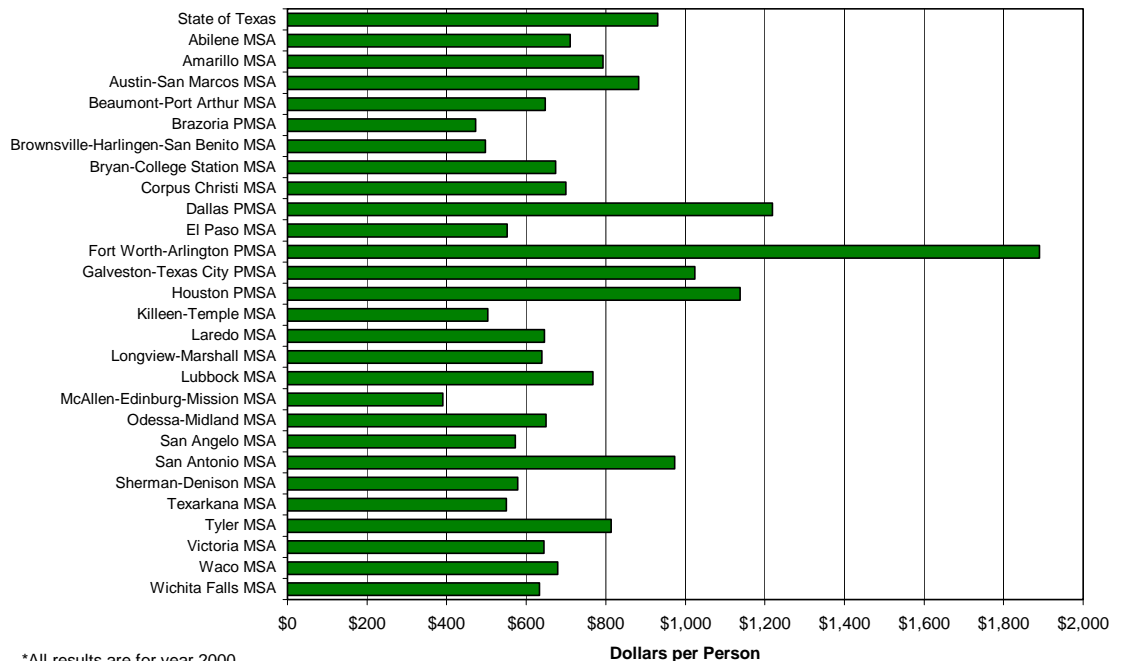
On a per capita basis, the metropolitan areas with the most extensive voluntary arts programs are Fort Worth-Arlington (\$1,890 per person), Dallas (\$1,219), Houston (\$1,138), Galveston-Texas City (\$1,024), and San Antonio (\$973). The lowest levels are found in El Paso (\$552), Texarkana (\$550), Killeen-Temple (\$503), Brownsville-Harlingen-San Benito (\$497), Brazoria (\$473), and McAllen-Edinburg-Mission (\$390). The rural areas of Texas have an average per capita nonprofit arts impact of \$398. Thus, we again observe a broad pattern of activity associated with the cultural arts and a corresponding net increase in local economic activity. Large, diverse urban regions predominate, with lower income areas





lagging behind. These findings reinforce the benefits of economic development strategies focusing on the cultural arts.

Figure 11
Per Capita Impacts of Nonprofit Cultural Arts Activity in the Urban Areas of Texas*



*All results are for year 2000
 Source: US Multi-Regional Impact Assessment System, The Perryman Group

VIII. The Role of Cultural Arts in The Texas Economy— Retrospect and Prospect

A. The Incubator

This study has clearly demonstrated that the cultural arts are an indispensable part of the Texas economy, permeating and adding value to hundreds of key industries. The arts also contribute in immeasurable ways to business prosperity. The creative process is essential to innovation and growth in a dynamic economy; its sustainability requires ongoing nurturing. Countless individuals benefit throughout their careers from the exposure to arts during their youth; most of these opportunities are engendered by nonprofit community efforts.

While it is inherently impossible to quantify these effects, the current analysis offers an appropriate perspective. It

A broad pattern of cultural arts activity corresponds to a net increase in local economic activity.





Cultural arts permeate and add value to hundreds of key industries.

is revealed in Section VI that voluntary nonprofit arts organizations directly spend about \$637.6 million annually. Similarly, we found in Section II that the overall contribution of the arts to expenditures in the state as a whole is about \$190.2 billion. Combining these two results, we see that \$298 in aggregate outlays occurs for every \$1 in direct nonprofit activity. Similar computations reveal \$9.20 in State taxes for each dollar of nonprofit spending and a permanent job created by every \$332 in nonprofit outlays.

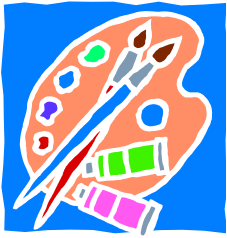
It is not appropriate to say that the money spent on the nonprofit cultural arts each year specifically “causes” the contemporaneous spectrum of arts activity in the state’s production processes. In fact, many of the foremost contributors at any given time likely received their benefits from the volunteer sector years or even decades earlier. It is accurate to suggest, however, that the steady flow of arts inputs to the economy—be it advertising, fashion design, software presentation, architecture, or any of thousands of other interactions—is greatly enhanced by the ongoing spark of inspiration provided by voluntary arts organizations.

Stated differently, the nonprofit arts are an incubator of our culture, a catalyst to future prosperity. Herein lies an essential component of the economic rationale for public and private philanthropic support of the arts. Given the phenomena revealed in the current analysis, it is essential that investments in cultural programs be focused on the “big picture.” If the view is restricted to an immediate time frame or a specific project, it will generally (though not always) appear to be more economically rewarding to support a tax abatement to secure a large manufacturer than to spend a comparable amount on a cultural endeavor. The reason is simply that the short-term “multipliers” for production facilities are typically greater and more readily apparent than those from cultural activities. Viewed in a broader, more proper context, however, the role of the arts as a catalyst for creativity brings far greater returns.

B. The Laboratory

A second stone in the economic foundation for investing in the cultural arts is found in the theory of externalities.





*The steady flow
of arts inputs to
the economy
is greatly
enhanced by
voluntary arts
organizations.*

An externality is nothing more than some good or bad attribute of a product or service that is not captured in the market. As a widely publicized example of a negative externality, the price of tobacco products has historically failed to capture the costs to society of adverse health consequences. On the positive side, the value of education to society as a whole exceeds the benefits to the individual purchaser. Thus, if the allocation of these goods were left solely to the private market, we would produce and consume too much tobacco and too little education. Positive externalities are often associated with “public goods,” those most efficiently provided by some form of governmental or other collectively funded action, such as transportation infrastructure.

When examined from this framework, the cultural arts clearly exhibit positive characteristics far exceeding those reflected in the private market. They enhance the quality-of-life and economic competitiveness of an area; they encourage creativity and innovation; they improve educational performance at all levels; and they define and enrich our cultural heritage and experience.

In many respects, the benefits of the cultural arts to society parallel those of basic scientific research. The laboratories of the world contribute new discoveries which improve productivity, healthcare, and indeed our understanding of the universe. These endeavors have long been subsidized on a massive scale by public funds. This commitment reflects our collective belief that (1) basic science has overall benefits that exceed private gains, and (2) successful research often requires high-risk experimentation, uncertain outcomes, and the freedom to fail—characteristics not easily accommodated in the market. Basic science is in many ways a laboratory of our natural and physical worlds, opening the way to greater social achievement and economic prosperity.

The arts may be similarly viewed as the laboratory for our culture. As with basic scientific exploration, the arts are where we experiment. New forms of expression, creative ways to communicate, and the shape and content of our evolving character are given life through the arts. The participants in the arts, to be optimally





The arts may be viewed as the laboratory for our culture.

effective, must have the ability to experiment, to break molds, to take risks, and to fail. Maximizing our potential requires that cultural forums be available to all segments of society. While corporate support of the arts has been notable in recent years, the contributions tend to be cyclical and the focus tends to be on established, traditional approaches. With some notable exceptions, philanthropic organizations also often promote the kinds of activities desired by their membership, benefactors, or other constituencies. The result is that many of the most creative endeavors of our pluralistic populace go unfunded. It is incumbent on private groups and the public sector alike to encourage the broad development of the arts, the laboratory for our culture; by doing so, we foster not only human progress, but also our ability to create value-added production and sustainable prosperity.

C. The Paradox

A third element of the economic rationale for supporting the arts lies in what might be called the “paradox of productivity.” The most important factor driving the recent remarkable economic growth without inflation in Texas and the US has been the substantial gains in productivity. As workers generate more output from a given amount of effort, we can enjoy greater prosperity without associated increases in prices. The improvement in productivity stems from multiple sources, including the contributions of global competition, a highly skilled and experienced workforce, and—especially—the dramatic enhancements in technology and innovation. In fact, the capacity for ongoing expansion is inextricably linked to a continuous stream of new ideas. These new ideas must ultimately emerge from creative sources; the cultural arts are a critical component of this process. They play a direct role in innovation as well as an indirect role in encouraging other creative endeavors.

The paradox occurs because the cultural arts, while essential to maintaining productivity growth, tend to decline in relative importance in an expanding economy. The reason for this conundrum is simply the fact that while some aspects of the arts certainly benefit from new technology, others cannot. No matter how far microelectronics advances, it still requires four musicians





The capacity for ongoing expansion is inextricably linked to a continuous stream of new ideas.

to play a quartet and a dance company to perform a ballet. A play must have all of its characters, and a landscape artist must take the time to execute each and every brushstroke. An original sculpture cannot be produced on an assembly line.

Thus, as typical industries increase their productivity and output, the arts will inevitably fall behind. In the absence of proactive efforts to the contrary, the arts are in peril of becoming a declining part of the overall economy. If this situation persists, the reduced flow of creative and innovative ideas will ultimately limit the capacity to expand. This risk can only be averted through consistent, strong support of the cultural arts through public and private philanthropic sources.

D. The Horizon

As noted at the outset, the arts can be a defining force in economic development. There are examples throughout the world, including many close to home. The downtown redevelopments in Houston and Fort Worth have a strong component of cultural activity. The Abilene Arts Alliance has won national recognition for its many and varied efforts which are a cornerstone of successful local business initiatives.

As a general rule, however, most economic development resources tend to flow to more immediate opportunities and crises—competing for a new plant location, trying to retain an existing facility, or supporting a local expansion. These efforts are indeed important and should not be minimized. On the other hand, the essence of a successful program over an extended period of time is much more strategic in nature. An area must implement a plan which leads to its long-term desirability as a place to live, work, and conduct business. The cultural arts are a vital part of any such program in several respects. They make the community more desirable aesthetically; they make the workforce more productive and creative; they improve the quality of educational outcomes; they encourage tourism; and they generate growth in output, incomes, and jobs.

Virtually every city with sustained expansion over an extended time horizon has embraced the arts. Virtually





*The arts are in
peril of
becoming a
declining part of
the overall
economy.*

every city that has revitalized a declining economic base included a large dose of the arts in their prescription for success. Ultimately, the proper framework for economic development is a long-term vision, and the arts must be an integral part of the process. This finding is convincingly demonstrated in the current study through comparisons of the performances of large, diverse urban areas with those of the economically distressed areas along the Texas-Mexico border.

E. The Legacy

The great civilizations of history have left a grand reservoir of artistic achievement. The statuary of Greece and Rome remain the most visible legacy of these remarkable commercial empires. The prosperous international financial empire of Italy a half millennium ago gave us the Renaissance. The wealth from trade in the heyday of power for Holland and the Dutch East India Company gave us Rembrandt and the other Dutch masters and redefined landscape painting. England's Golden Age brought us Shakespeare and his contemporaries. The Hapsburgs gave us our finest symphonies and chorales—and the list goes on and on.

The US is now the most prosperous society to ever exist. Texas is exceeding the nation in virtually every performance category. It is, thus, incumbent upon us to leave an enduring cultural legacy. Texas has a well-established identity based on our glorious past. We are identified with easily recognized genre of music, dance, art, and literature. Many of the legends of country music, Western swing, and the Austin sound—from Bob Wills, Ernest Tubb, and George Jones to Willie Nelson, Waylon Jennings, George Strait, and Jerry Jeff Walker—are Texas products. Other music legends as diverse as Roy Orbison, Buddy Holly, Selena, Janis Joplin, Stevie Ray Vaughn, and Van Cliburn trace their roots to the Lone Star State. Georgia O'Keeffe, Tommy Tune, Tommy Lee Jones, Sandy Duncan, Larry McMurry, and thousands of other artistic icons are profoundly influenced by their Texas experiences.

As we make our transition from an economy dominated by oil and agriculture to one reflecting the technological age, we should both preserve our historical heritage and





Virtually every city with sustained expansion over an extended time horizon has embraced the arts.

fashion a new legacy of creative identity. We can do no less. As noted Victorian poet, philosopher, artist, and critic John Ruskin wrote, “Great nations write their autobiographies in three manuscripts—the book of their deeds, the book of their words, and the book of their art.”

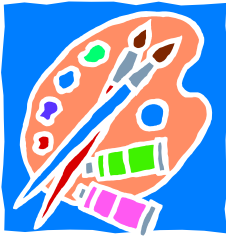
IX. Synopsis

This study seeks to explore the role of the arts in the economy in more detail than ever before attempted. We have examined the very core of their contribution to business activity. The results are clear and unambiguous; the arts are a vital and indispensable element of our complex economic universe.

In many ways, however, the real value of cultural endeavors lies elsewhere. It is found in Wickett, a small town in Ward County where a Performing Arts Center started in an abandoned school building became “a great asset and a shining star in a depressed community with a failing economy.” It is found in the unlocked creativity discovered in a poetry workshop for students in Galveston with severe disciplinary problems. It is found in a group of centenarians in Dallas dancing to the music of the Light Crescent Doughboys and being transported back to their youth. It is found in the performance of a group of chanting monks coalescing a new community spirit in San Angelo. It is found in at-risk youths in Austin learning responsible citizenship through the arts. It is found in a program initiated by the Dallas Children’s Theatre which raised the Texas Assessment of Academic Skills (TAAS) scores of “hard-to-reach” 4th graders by 71% in reading, 39% in writing, and 215% in math. It is found in the life of a young man in El Paso who was transformed from gang member to mural artist through the dedicated efforts of an art teacher and two talented friends.

The spirit of the arts is found in a paralyzed dancer in Arlington learning to perform ballet in a wheelchair. It is found in hundreds of deaf students across the state participating in multidisciplinary arts programs. It is found in the dramatic achievements of at-risk students at Aldine’s Bethune Academy for Mathematics, Science, and the Fine Arts. It is found in a young student from Tarrant County with a long history of heart disease and mental disabilities who unexpectedly rose from her wheelchair to walk into an





*We must both
preserve our
historical
heritage and
fashion a new
legacy of
creative identity.*

exhibition in Austin where her watercolor was being displayed. It is found in the CineSol Latino Film and Video Festival, a highlight of cultural life in the Lower Rio Grande Valley and northern Mexico. It is found in education programs at the San Angelo Museum of Art, which attracts 10,000 people annually. It is found in Albany, Texas, a town of 2,000 where the Old Jail Art Center attracts more than 30,000 visitors each year. It is found in college entrance exam scores 20% above the state and national average and the highest grade point averages in the state.

Given the focus of this analysis, however, I would be remiss if I did not highlight the key findings.

- ✓ The cultural arts are an integral part of the overall production system of the state. When viewed within the framework of their entire role in the economy, they account for \$190.2 billion in Total Expenditures (12.3% of the state total), \$98.4 billion in Gross Product (13.6%), \$61.7 billion in Personal Income (14.6%), and 1.918 million Permanent Jobs (15.7%). This activity is responsible for about 12.2% of total state fiscal resources (more than \$5.8 billion per annum).
- ✓ This critical input to overall economic prosperity is observed across all areas of the state. Those exhibiting the largest cultural impacts include Dallas (30.3% of total state activity), Houston (24.1%), and Fort Worth-Arlington (9.4%). The largest relative effects are also generally observed in the major urban markets led by Fort Worth-Arlington (17.0% of the local economy), Dallas (16.1%), San Angelo (16.0%), and Austin-San Marcos (15.0%). The arts constitute \$11.8 billion (6.2%) of total activity in rural Texas.
- ✓ The contribution of the cultural arts as traditionally measured (visual, literary, media, and performing) has a substantial impact on the economy of Texas. The overall effects include \$63.7 billion in Total Expenditures, \$31.5 billion in Gross Product, \$18.7 billion in Personal Income, and over 600,000 Permanent Jobs.
- ✓ On a per capita basis, the most “arts intensive” urban areas of the state by this measure are Dallas (\$6,654 per person), Fort Worth-Arlington (\$4,397), San Antonio (\$3,265), and Austin-San Marcos (\$3,216).





The arts are responsible for about 12.2% of total state fiscal resources . . .

Approximately 5.5% of the economic impact of traditional cultural arts occurs in rural segments of the state.

- ✓ The cultural arts are responsible for about 19.8% of the total tourism in the state.
- ✓ The nonprofit segment of the arts brings a net benefit to Texas of \$19.0 billion in Total Expenditures, \$9.5 billion in Gross Product, \$5.9 billion in Personal Income, and over 200,000 Permanent Jobs.
- ✓ The areas with the highest levels of per capita nonprofit arts activity are Fort Worth-Arlington (\$1,890 per person), Dallas (\$1,219), and Houston (\$1,138). Rural regions of Texas enjoy 6.6% of all nonprofit arts activity.
- ✓ The arts are a key component of the educational system. Overall, arts education programs contribute \$3.6 billion in Total Expenditures, \$1.8 billion in Gross Product, \$1.2 billion in Personal Income, and 42,982 Permanent Jobs to the state economy.
- ✓ The majority of the educational benefits of the arts accrue from the activities of the independent school districts of the state. Cultural arts in the public schools are responsible for \$2.2 billion in Total Expenditures, \$1.1 billion in Gross Product, \$708.7 million in Personal Income, and 24,762 Permanent Jobs.
- ✓ The arts are also a vital element of educational success, being linked to superior student performance across a broad range of measures.
- ✓ The nonprofit arts sector is the incubator for the vast role of cultural activity in the economy. For every \$1 spent on those activities, more than \$298 of cultural impact on the economy occurs, as well as \$9.20 in State revenues. Supporting this place of origin for much of the innovation in the economy is tantamount to ensuring future prosperity.
- ✓ The arts are the laboratory of our culture, playing a role analogous to that of basic science.
- ✓ The arts are a public good with positive externalities, ensuring benefits to society far exceeding those





captured in the marketplace. Without adequate public and philanthropic input, the cultural arts will be underproduced and underconsumed.

- ✓ By their very nature, the arts will not experience the same level of productivity growth as other sectors. Thus, they will be a declining part of the economy in the absence of proactive efforts to the contrary. If they are allowed to fall relative to overall economic activity, the creative force necessary to sustain prosperity will ultimately be undermined.
- ✓ The arts are essential to the long-term economic development initiatives of any community, particularly those in regions characterized by low incomes, inferior workforce skills, or a lack of diversification. In fact, wide-ranging, broad-based investment in the arts can be a fundamental force in providing greater opportunities for the least advantaged segments of society.
- ✓ The arts are an enduring legacy of any great society. Texas must provide a cultural heritage for its role in the “new” economy concomitant with its advanced production processes.

Texas needs the arts, and the arts need and deserve the enthusiastic support of the public and private constituencies in the state. It is a win-win opportunity for every area, every ethnic and socioeconomic group, and every future generation of Texans. The economic rationale established in this report is only one of many reasons for this synergy.

I will close this analysis with an illuminating story. When Abraham Lincoln was criticized for completing the capitol dome during the Civil War, he defended his actions as providing a symbol that the Union would be preserved. Four-score years later, Franklin D. Roosevelt faced similar attacks as he dedicated the National Gallery of Art as war raged around the world. In his response, he harkened back to Lincoln’s statement, defending his actions as a testimony to the world that our culture would likewise endure. John F. Kennedy recalled both of these events as he initiated the National Endowment for the Arts.

Without adequate public and philanthropic input, the cultural arts will be underproduced and underconsumed.





The significance of Roosevelt's actions cannot be overlooked. He put the preservation and progress of our culture on a par with securing the Union itself—and well he should. The arts are a vital part of our lives, our communities, our well-being, our economy, and our very social fabric. Our cultural arts and heritage define who we are as a people—and as Texans. We cannot afford to be less than our very best.

Respectfully submitted,

M. Ray Perryman, President
The Perryman Group

*The arts are a
vital part of
our lives, our
communities,
our well-being,
our economy,
and our very
social fabric.*

