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Understanding and coping with the economic slowdown by Mary Ann Milbourn

Arts give O.C. a \$484 million economic boost

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Orange County's 26 largest non-profit arts organizations contributed \$483.8 million in directly and indirectly to the economy last year, according to a survey by Chapman University released Monday.



Pacific Symphony at the Segerstrom Concert Hall.

That was an average 3.8% a year increase in the four years since Chapman's last study was done and a much better performance than the U.S. economy as a whole. Chapman University President Jim Doti, who made a presentation of the findings to arts leaders at the Center Club in Costa Mesa, said he was worried going into the study that the results would be very dismal.

"The arts are a luxury good," he said. "When the economy suffers, it will even more." That, however, wasn't the total case in Orange County.

Total revenue from earned income (admission and sales of other goods and services) and contributions grew from \$117.6 million in 2005 to \$140.4 million last year, a 4.5% annual growth rate, despite the recession.

And although the arts' surplus declined to \$3 million last year from \$4.6 million in 2005, there was still a surplus.

"A surplus in 2009? I was amazed," Doti said, noting last year was the height of the recession.



The county has 3,624 people working in non-profit arts organizations, a 11.6% decline from 2005, however more jobs are full-

time positions, according to the survey.

Local employment at museums, performing arts and other organizations ranked 23rd among non-government employers, Chapman said.

The arts employed 643 people full-time last year, up from 606 in 2005.

Part-time and contract positions, however, both declined.

And those people who have jobs in the arts are being paid less. Personnel expenses dropped to \$61.7 million last year from \$65.7 million four years ago, the survey said.

Orange County's arts face a tough time going forward. Expenses are expected to increase 0.9% this year but contributions are forecast to decline 6.6%.

"The surplus is getting very thin," Doti said. "There will be greater pressure in terms of challenges between audience building and contributions."

Chapman has been conducting the economic survey of the arts every four years since 1990 in conjunction with the Orange County Business Committee on the Arts.

The Orange County Business Committee for the Arts disbanded last year after 28 years but obtained underwriting for this year's sixth annual economic survey.

Chapman's report noted the significant role the arts play in the economy both with direct spending of non-profit art organizations and the indirect spending of the audience on secondary purchases, like restaurants, drinks and transportation.

Here's a breakdown:

- ▶ Government grants and private donations totaled \$57.5 million, with \$9.9 million (17.2%) going to museums; \$26.2 million (45.6%) going to the performing arts and \$21.4 million (37.2%) going to all other organizations.
- ▶ Individuals and corporations provided over 38.6% of contributed income.
- ▶ Earned income, comprised mainly of admission revenues, was \$83.0 million.
- ▶ Direct spending of \$137.4 million on all personnel and operating costs
- ▶ Expenses, composed of \$61.7 million in personnel expenses (44.9%) and \$75.7 million (55.1%) in operating expenses
- ▶ Indirect spending of \$259.7 million in the arts occurred as a result of personnel and vendor secondary spending.
- ▶ Audience spending on restaurant meals, drinks, transportation, etc. over and above admission revenues is estimated at \$86.6 million.
- ▶ Total economic impact of the 26 responding nonprofit arts organizations was \$483.8 million of which performing arts contributed \$304.6 million, museums contributed \$64.3 million, and other organizations contributed \$114.9 million.

Compared to the last survey in 2005:

- ▶ Paid admissions increased on average 2.8% each year from 1.7 million to 1.9 million for a total increase of 11.6%
- ▶ Average ticket prices decreased on average 4.3% each year from \$29.10 to \$24.60 for a total decrease of 15.6% over the four-year period.
- ▶ Full-time employment increased on average 4.8% each year from 540 to 643 for a total increase of 19.1% over the four-year period.
- ▶ Total contributions increased on average 5.9% each year from \$45.8 million to \$57.5 million for a total increase of 25.4% over the four-year period.
- ▶ Operating expenditures increased on average 12.5% each year from \$47.3 million to \$75.7 million for a total change of 59.9%. Personnel expenditures decreased on average 1.6% over the four-year period from \$65.7 to \$61.7 million for a total decrease of 6.1%
- ▶ The total economic impact increased on average 4.5% each year from \$414.0 million to \$488.0 million for a total increase of 17.9% over this period.

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