

The **Economic** Impact
of Oregon's Nonprofit **Arts** Sector

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by

WESTAF

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The Western States Arts Federation (WESTAF) is a nonprofit arts service organization that serves the 12 Western states. Focused on strengthening the arts infrastructure of the West, the organization sponsors forums, programs, research, and technical assistance that improve the environment for the arts in the West. The states participating in WESTAF are: Alaska, Arizona, California, Colorado, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, and Wyoming. WESTAF is a 25-year-old organization, with headquarters in Denver, Colorado. For more information, please call 303-629-1166 or visit the WESTAF Website at www.westaf.org.

Executive Summary

In the summer of 2000, the Oregon Arts Commission, Northwest Business for Culture and the Arts, and the Regional Arts and Culture Council commissioned WESTAF to conduct an economic impact study of the nonprofit arts sector in Oregon. The study updates the findings of a 1997 economic impact study also conducted by WESTAF and measures the economic contributions of the nonprofit arts sector to the state economy in fiscal year 2000. A series of interviews and document research also offers a qualitative analysis of the contributions of the creative services sector and the cultural heritage tourism industry to the state's economy. The key findings of the research are:

- Oregon's nonprofit arts sector grew significantly during the past three years. The collective budgets of Oregon's nonprofit arts sector grew by 18.9%. At the same time, the number of arts offerings increased by 50%, indicating increased efficiency and productivity by the nonprofit arts sector.
- Oregon is home to 441 nonprofit arts organizations that contributed \$100.2 million in direct spending to the Oregon economy in fiscal year 2000.
- Oregon's nonprofit arts organizations earn almost half (45.6%) of their income. Despite the low average admission price of \$15.64, admissions represent the largest portion of earned income.
- More than 5.6 million admissions to arts activities were reported in fiscal year 2000. More than one third (36.6%) of these admissions were provided free of charge.
- Oregon's creative services sector is led by nationally-recognized innovators who employ a growing workforce of creatively-educated individuals. Job growth in this sector outpaced that of average metropolitan businesses by two to one; the sector employs 13,500 workers in Portland alone. The fact that the need for workers in the creative services sector far outpaces the availability of such labor in the state articulates the need for additional resources for creative education in Oregon's K-12 schools and its colleges and universities.
- Oregon's nonprofit arts organizations employed 3,623 individuals full- or part-time in fiscal year 2000 and paid wages of \$54.8 million to these employees.
- Volunteers contributed 707,058 hours of service to Oregon's arts sector in fiscal year 2000; these services are valued at more than \$8 million. In addition, in-kind contributions worth \$5.2 million were reported, bringing the total volunteer and in-kind contributions of Oregon citizens and businesses to \$13.2 million, which is equal to 13% of the total collective annual budgets of nonprofit arts organizations in Oregon.
- Cultural heritage tourism is an important component of Oregon's economy. In addition to direct spending at festivals (such as \$32 million in direct spending reported at the

Oregon Shakespeare Festival), cultural heritage activities are integrated into tourism efforts throughout Oregon and attract affluent visitors to activities throughout the state. Construction and renovation expenditures related to ongoing arts facilities expansion are expected to total more than \$60 million over five years.

- Although volunteerism is declining nationally, based on comparative analysis between select organizations from 1997 to 2000, volunteer support of Oregon's nonprofit arts sector remains stable, indicating strong community support for the arts. This point is reinforced by the fact that participation in membership and/or subscription programs increased by 33%.
- In a comparative analysis between nonprofit arts organizations tracked from 1997 to 2000, earned income increased by 36%, although paid admissions fell slightly, from 61.5% to 50.4%, suggesting a diversification of earned income activities. Free admissions also increased by 50% between 1997 and 2000.

When the findings of this study are subjected to multiplier analysis, the total economic impact of spending by nonprofit arts organizations on Oregon's economy in 2000 was \$262.6 million. The overall economic impact of the nonprofit arts sector grew by 14.8% since 1997.

Implications

The impressive growth of Oregon's nonprofit arts sector since 1997 belies the pressures the sector has faced in recent years. These pressures include a growing statewide population that demands an ever-changing menu of services, salary inflation, stagnant financial support from the state arts commission, and ever increasing funding needs. The fact that many arts organizations were able to increase the quantity of activities benefiting the public during this difficult period is a testament to the dedication and ingenuity of arts organization employees and volunteers. The key implications of the findings of this report are detailed below:

- Many business people engaged in creative enterprises lament the dearth of necessary labor to fuel their industries; they report that the gap between available labor trained in creative skills and the creative services industry's need for workers only will expand as that industry grows.
- The creative services industry depends to some degree on the nonprofit arts industry's ability to serve as an incubator for prospective employees and to create an atmosphere that can attract creative service workers. Yet, the nonprofit arts industry faces labor challenges of its own, as it competes with commercial firms for labor as salaries in the general economy increase; nonprofits may find it increasingly difficult to attract workers to lower-paid positions than are available at commercial firms.
- The state's K-12 school system is ill-equipped to implement the new arts content standards. The Department of Education lacks adequate resources to help the schools implement the arts content standards, which do not have a legislatively-defined assessment standard. The need for nonprofit arts organizations to fill this gap will tax their already slim resources.
- Cultural heritage tourism clearly represents a significant growth opportunity for Oregon; there are many lessons to be learned from early efforts in this area. Cultural heritage tourism activities, while often successful, struggle to find a place in the roster of leisure options available to Oregon residents and visitors that center on outdoor activities, sports, and other commercial entertainment activities. Careful planning and audience analyses are essential to the effective development of cultural heritage tourism. In addition, concerted and professional marketing efforts are necessary to integrate cultural activities into Oregon's menu of successful tourism activities.
- The nonprofit arts sector will face even greater challenges in the months and years ahead. Statewide efforts to coordinate the work of the arts, heritage, and humanities communities are encouraging; however, the arts infrastructure already is taxed and will require additional financial support to be a successful partner.

Increases in public funds that support the arts community are urgently needed. This report documents the nonprofit arts sector's tremendous contribution to the economy of Oregon,

to the K-12 school system, to tourism efforts, and to the overall quality of life in the state. Although private citizens and businesses continue to support the industry with their time and money, state funds are an essential component of a healthy nonprofit arts sector. Sufficient state funds are necessary to ensure direct access to the arts for all Oregonians, and to maintain and build the culturally-rich environment that makes Oregon a favorable place to live and work.

Despite the challenges, Oregon's citizens remain committed to maintaining vital arts sector. This is evidenced both by their healthy financial contributions and their generous donation of time and in-kind services to nonprofit arts organizations. Their commitment underscores the importance of the arts to the economy of Oregon. Oregon long has been a state that celebrates and protects its unparalleled natural environment. It also should be recognized as a place that guards its artistic and cultural resources equally jealously.

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Introduction

This report presents quantitative and qualitative data from fiscal year 2000 and describes the economic contribution of the nonprofit arts sector to the Oregon economy. The report is intended to inform and educate residents, business persons, and policymakers of the meaningful role the nonprofit arts sector plays in Oregon's economy and of the ways in which arts and cultural offerings are integrated into and support the state's economy. In addition, the report confirms and documents anecdotal understandings of the economic value of the arts held by industry practitioners. As an update to an economic impact study that WESTAF published in 1997, this report should also help identify the arts industry as an expanding component in the Oregon economy and broaden the public's understanding of the nature and value of the arts industry.

The study measures the economic impact of nonprofit arts institutions. The measurement of the economic impact of independent artists and arts workers as well as commercial, private cultural enterprises such as graphic designers, Internet-based arts and cultural businesses, and commercial art galleries—though assumed to be considerable and referred to anecdotally—were not within the scope of this study.

Characteristics of Oregon's Nonprofit Arts Sector

Oregon's nonprofit arts sector is composed of the state's approximately 441 501(c)3 arts organizations; the arts programming sponsored by Oregon's institutions of higher education; and the arts activities supported by local governments throughout the state. Because the nonprofit 501(c)3 segment of Oregon's arts industry constitutes the core of the industry, it was surveyed to gain a better understanding of its composition and dynamic qualities. For this update to the 1997 study, the universe of nonprofit organizations was expanded to include constituents of the Oregon Arts Commission and the Regional Arts and Culture Council (RACC). The addition of organizations associated with Portland-based RACC allowed for a closer examination of arts activities in the Portland metropolitan area, which is an important nexus of arts activities in the state. However, this study remains statewide in focus, and the results illustrate the economic importance of arts organizations throughout the state. Despite the smaller absolute numbers of organizations outside of Portland, the impact of organizations in rural areas of central and eastern Oregon may be more significant given the smaller overall economies of those areas.

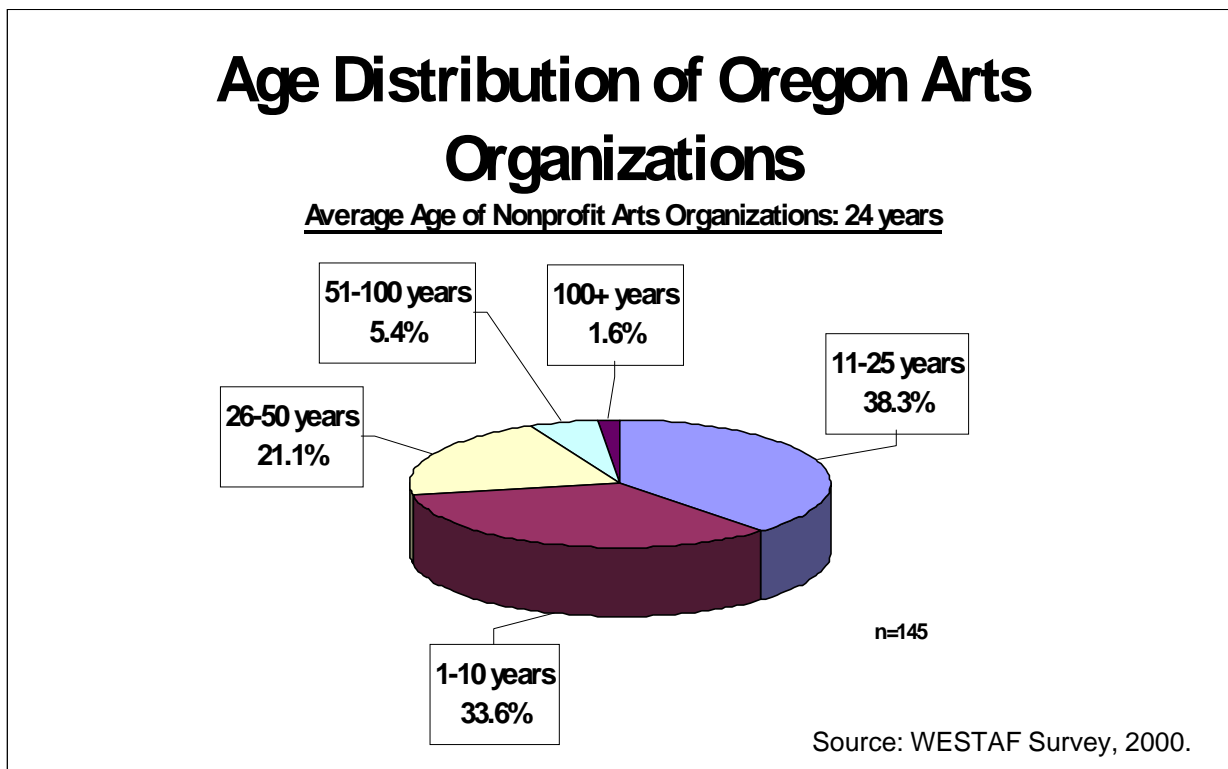
Following is a description of the key characteristics of Oregon's nonprofit arts organizations.

Age of Arts Organizations

The average age of a nonprofit arts organization in Oregon is 24 years, which is fairly young but not uncommon for a western state. Seven percent of the organizations surveyed in Oregon are older than 51 years. Two organizations are older than 100 years: the Oregon Symphony Association (1896) and the Portland Art Museum (1892). Oregon's major organizations generally are growing. Despite the loss of one major organization—the Portland Repertory Theatre—since the last study, the contributions of several other major organizations to the sector have grown. The Portland Institute for Contemporary Art and Portland Center Stage both have become major institutions during the past six years. Additionally, the Portland Children's Museum, a large institution that does not currently focus on the arts, is poised to present arts programming next year that will impact an estimated 200,000 children. Although limited in number, Oregon's older arts organizations serve to anchor the industry and provide stability in a time of growth and transition.

Outside of the core of established major organizations, Oregon's nonprofit arts sector generally is youthful. About one-third of the organizations surveyed are between 1 and 10 years old; 38.8% are between 11 and 25 years old; and 21.1% are between 26 and 50 years old. During the past 50 years the arts industry has grown steadily, with the largest expansion occurring between 1975 and 1990, a period that coincides with the development and expansion of the National Endowment for the Arts. The youthfulness of the arts industry suggests that the state is supportive and able to provide much-needed resources such as volunteers and grant programs that enable start-up organizations to evolve beyond the embryonic stage. The period of growth since 1997 is significant in light of reduced availability of federal and state dollars; it represents a commitment by leading arts organizations as well as the citizenry to support the arts sector. An increased commitment of funds at the state level could serve to increase the economic impact of the arts industry,

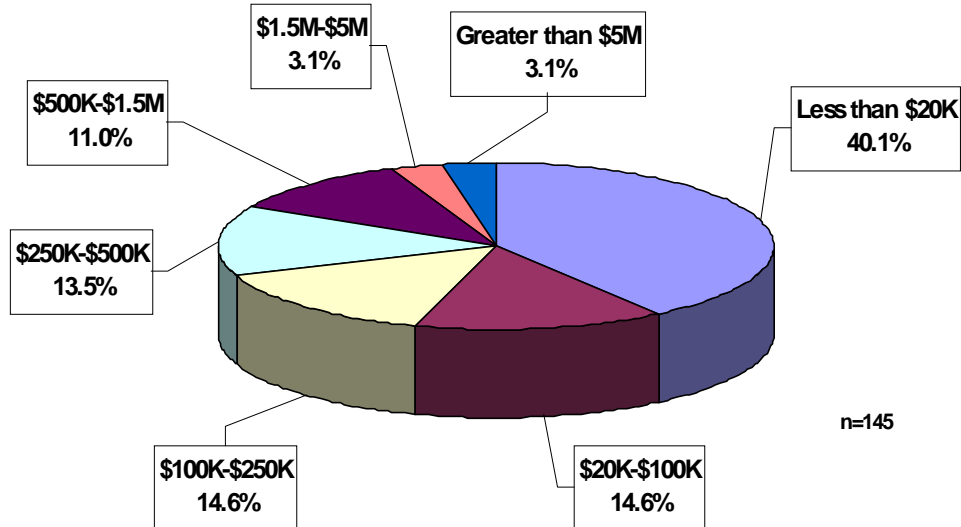
and further encourage private citizens and businesses to support the nonprofit arts sector. Growth in the size and diversity of Oregon’s population can be expected to exert pressure on the nonprofit arts sector. Upward growth trends will present a number of challenges to established and new arts organizations as they endeavor to serve and address the expanding interests of Oregon’s residents. (See “Challenges Facing Oregon’s Nonprofit Arts Sector” on pg. 14.) The kind of commitment evidenced by state leadership in forming the Governor’s Task Force and the Joint Interim Task Force on Cultural Development is an encouraging sign of progress in recognizing the importance of the arts to the state—both in economic and quality of life terms. Despite this commitment, it is clear that current resource allocations do not meet the needs of the nonprofit arts community. In order for significant change in the status of the arts industry to occur, increased state resources—and the resulting leverage of additional private funds—are needed to enable the nonprofit arts sector to continue to expand and contribute to the state’s economy and quality-of-life.



Budget Sizes of Arts Organizations

Based on survey results, the majority of Oregon’s arts organizations operate with an annual budget of less than \$100,000; more than half (54.7%) of the nonprofit arts organizations surveyed fall within this budget category. Although many of Oregon’s arts organizations operate on small budgets, 17.2% of the arts organizations, reported budgets that exceeded \$500,000. Six organizations reported budgets in excess of \$5 million for fiscal year 2000. These organizations are: Oregon Shakespeare Festival (\$15 million), Oregon Symphony Association (\$13.3 million), Pacific Northwest College of Art (\$6.4 million), Portland Art Museum (\$11 million), Portland Center for the Performing Arts (\$7 million), and the Portland Opera Association (\$6.7 million). Not surprisingly, these arts organizations are among some of Oregon’s oldest.

Budget Ranges of Oregon Arts Organizations



Source: WESTAF Survey, 2000.

Organizational Diversity and Focus

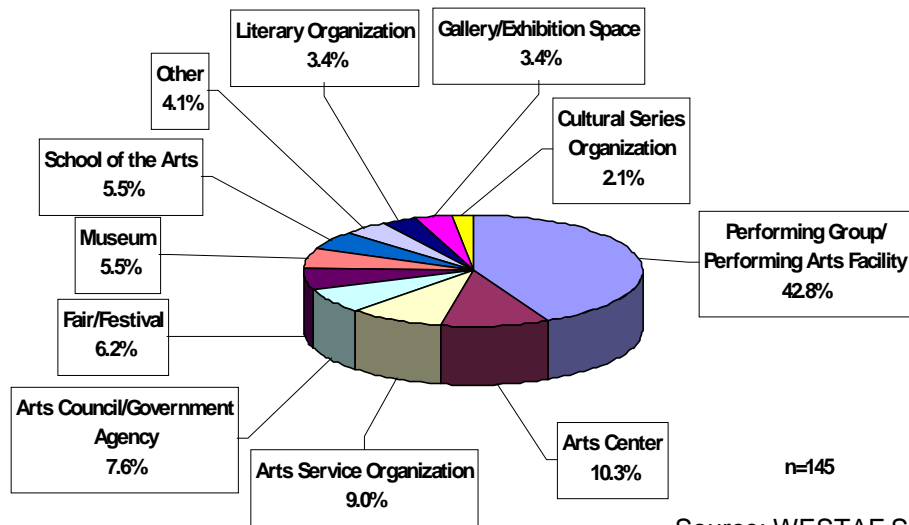
Reflective of national trends, many of Oregon's arts organizations are performance groups/performing arts facilities (42.8%). Approximately 10% identified themselves as arts centers, and 9.0% as arts service organizations.

Oregon supports a system of organizations that offer a rich tradition of arts offerings. Of the organizations surveyed, approximately 24% listed music as their primary function, 19.3% listed theatre, opera, or musical theatre, and 18.7% identified crafts, media, or visual arts.

In recent years, numerous arts organizations have broadened their scope of operations. A relatively significant percentage (more than 24%) of arts organizations in Oregon are multidisciplinary in nature. Multidisciplinary programming enables arts organizations, particularly those in smaller communities and less populated areas, to serve multiple audiences. Arts organizations around the western U.S. face demographic changes, and the organizational response of additional multidisciplinary programming in Oregon mirrors similar shifts in other western states to accommodate new constituents. Moreover, many arts organizations are engaging in multidisciplinary programming to remain relevant to changing communities and the public's evolving and expanding aesthetic interests. Therefore, arts leaders in Oregon have taken the initiative to work cooperatively, forming partnerships among discipline-based arts organizations and engaging in interdisciplinary work with other cultural agencies. The willingness of the arts, humanities, and heritage communities to work together to strengthen cultural resources around the state is truly unique. To some degree, particular challenges in Oregon—such as the statewide K-12 content stan-

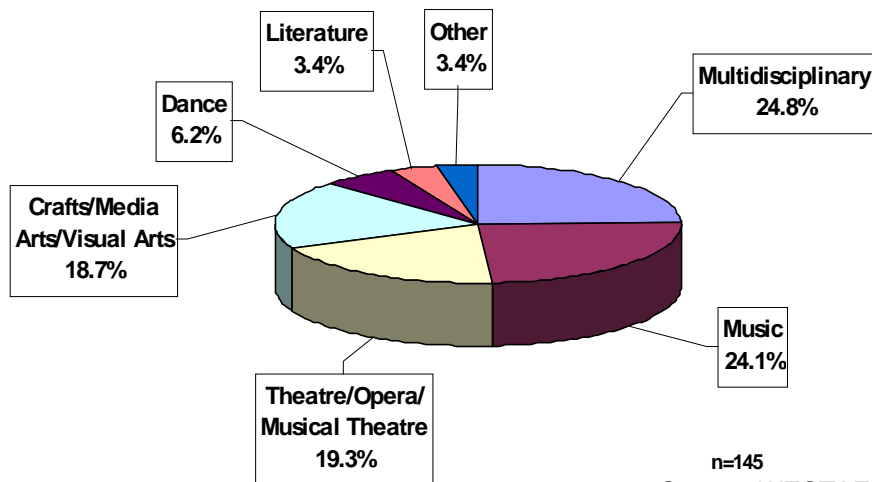
dards for arts and the limited funds available to statewide agencies dealing with culture— have necessitated cooperative work; still, the cooperative efforts displayed in Oregon are unprecedented among western states. A demonstrated commitment to bolster Oregon’s cultural resources can be traced from the Governor’s office through statewide cultural agencies, arts advocacy organizations, and grassroots organizers. This commitment ultimately will govern the success of efforts to sustain a healthy cultural community.

Profile of Oregon Arts Organizations by Type



Source: WESTAF Survey, 2000.

Primary Disciplines of Oregon Arts Organizations



Source: WESTAF Survey, 2000.

Arts Activities and Public Participation

Despite the limited resources possessed by nonprofit arts organizations, a large menu of arts offerings is provided to residents of and visitors to Oregon by this sector. An estimated total of 26,374 arts offerings were made available to the public in the 2000 fiscal year. Although a majority of arts offerings (17,641) were provided by major arts organizations with budgets in excess of \$500,000, Oregon's medium-sized organizations presented a significant number of such offerings (7,081). In addition, Oregon's small arts organizations with annual budgets of less than \$50,000 presented 1,652 cultural events. In some rural areas and small towns, these smaller organizations are the primary or sole source of the arts in the community. Their efforts, although modest in comparison to the major organizations, are central to the cultural life of many of the less populated areas of the state.

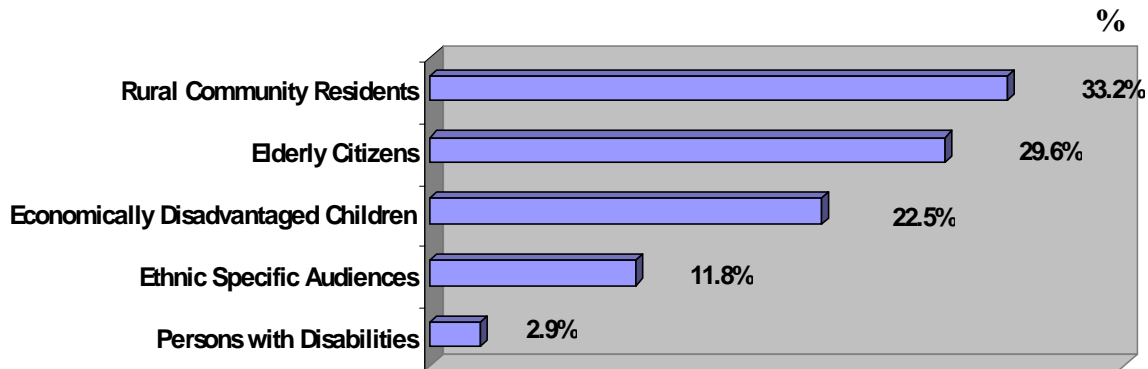
Many of Oregon's residents and visitors take advantage of the state's cultural offerings:

- More than 3,567,000 people, nearly the equivalent of the state's population, paid to attend an arts activity in Oregon.
- For fiscal year 2000, the nonprofit arts sector underwrote free admission to various arts events for more than 2,064,000 million people, a large proportion of which typically were K-12 schoolchildren. An additional 1,763,000 persons were served through outreach programs. Some of those who benefited from outreach programs were rural community residents (33.2%), elderly citizens (29.6%), and underprivileged children (22.5%).
- More than 250,000 of those attending an arts event participated in a subscription or membership program. Hence, 7% of all paid admissions were member- or subscriber-based. Significant income from memberships and subscriptions typically is limited, however, to a few large organizations. For example, 70% of all such income documented in fiscal year 2000 was reported by the Portland Art Museum; this institution reports receiving a greater amount of revenue from subscription and membership sales than from single-ticket admissions.

These figures demonstrate that the arts industry does a remarkable job exposing rural communities to aesthetic events and affording schoolchildren artistic experiences that they may otherwise not encounter in their regular curricular activities. In total, more than 3.6 million persons were provided access to the arts through outreach activities and free admissions; the sum of free and outreach admissions exceeded total paid admissions in the state during 2000.

Based on survey responses, the average admission price to an arts event in Oregon was \$15.94 in fiscal year 2000; this price is less than the price of admission to a rock concert or a professional sporting event. More important, however, is the even balance of paid and free admissions available, a relationship not to be found in the commercial entertainment sector. Oregon residents have the opportunity to participate in rich arts offerings, and this opportunity is not limited by economic standing.

Outreach Audiences Served by Oregon Arts Organizations



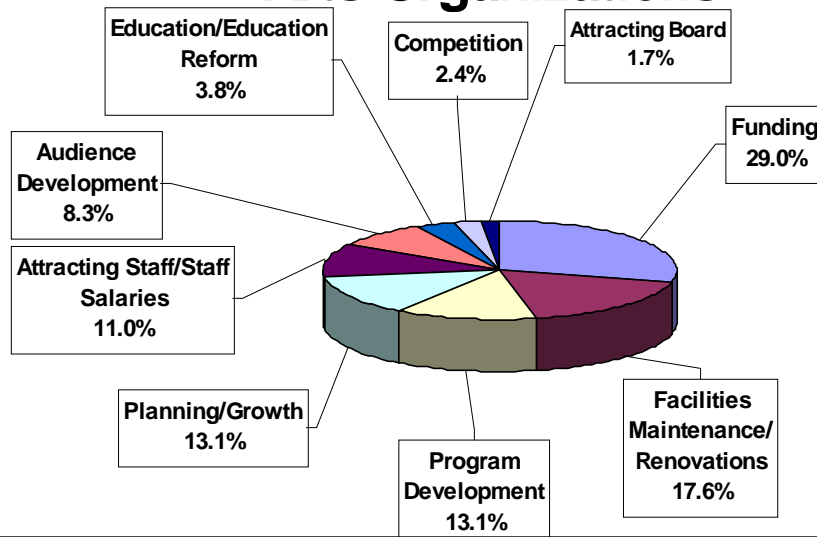
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Source: WESTAF Survey, 2000.

Challenges Facing Oregon's Nonprofit Arts Sector

When asked to identify the greatest challenges that nonprofit arts organizations will face during the next three to five years, 29.0% of the respondents identified funding as a major challenge, followed by facilities maintenance and renovation (17.6%), program development (13.1%), and issues related to long-term planning and growth (13.1%).

Greatest Challenges Facing Oregon Arts Organizations



Source: WESTAF Survey, 2000.

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Public and Private Sector Support

Similar to national trends, generating adequate funding to support arts activities is an ongoing challenge for nonprofit arts organizations in Oregon. The sector's concerns about fiscal development appears to have eased funding concerns slightly; in 1997, 60% of the respondents identified funding as a major concern as opposed to 29% in 2000, a noteworthy decline. In response to pressures to become more self-sufficient, many arts organizations have made organizational adjustments and, as a result, are accomplishing more with fewer resources. This is evident when comparing the number of arts offerings with staffing and volunteer levels. Still, if the nonprofit arts sector hopes to build upon its recent success, public agencies and private citizens will need to strengthen their investment in this principal resource. By establishing a strong financial foundation, arts organizations will be able to plan and prepare adequately for future development and continue their economic ascent. Failure to facilitate the expansion of the arts industry will inhibit its economic influence, detract from the state's quality of life, and adversely impact other industries such as tourism and creative services. Although the amount of public money invested in the nonprofit arts is rather modest, it nonetheless is essential to young organizations initiating operations and established entities seeking to expand their programming schedules to better serve their constituents. The existence of strong public support of the arts also serves to attract additional, much-needed, private funding.

Facilities Improvements

Aligned with funding challenges is the need to obtain adequate presenting and administrative facilities. As with funding, concerns regarding facilities declined 6.8% (24.4% in 1997 to 17.6% in 2000). Since 1997, Oregon invested heavily in physical infrastructure, as evidenced by the construction and renovation projects reported elsewhere in this report. In light of the industry's expansion and economic impact, it is safe to assume that these investments have paid-off. Still, as existing organizations expand operations and new organizations emerge, facilities will need to be renovated and/or built. Physical limitations that are imposed by inadequate facilities will hamper the arts industry's ability to serve its patrons and generally shape and contribute to the state's cultural life. The creation of arts centers and arts alliances where various arts organizations can share space, resources, and staff will enable many emerging organizations to expand and meet their communities' programmatic needs. Continued investment in developing and modernizing the arts industry's physical infrastructure is necessary to sustain the industry's expansion.

Program Development

Concerns regarding the development of programs and services remained consistent through the two studies; as in the 1997 study, 13.1% of the arts organizations in 2000 identified program development as a major challenge. The entertainment market is increasingly competitive with the proliferation of new commercial and noncommercial entertainment options. Many organizations are justifiably concerned about being overshadowed by the attractions of commercial entertainers. Moreover, demographic changes are forcing established arts organizations to reconsider the content and form of their offerings. Re-inventing the arts experience along with presenting new arts offerings that speak to the public's evolving aesthetic interests should help the arts industry maintain its competitive

edge. However, there remains a core collection of arts patrons who appreciate traditional art forms. Hence, for the industry to grow and remain vital to the lives of residents and visitors, artists and arts administrators must strike a balance between these two streams of interest.

Long-term Planning and Growth Issues

Long-term planning and issues related to growth did not appear as concerns in the 1997 study; many organizations may have been more concerned with survival than growth at that time. In 2000, the ability to cope with the effects of growth through planning initiatives is of considerable concern for 13.1% of the organizations surveyed. This topic touches on a number of related issues such as securing adequate staffing, developing organizational and programmatic plans that will anticipate demographic changes and population growth, and ensuring that outreach programs and service projects continue to expand without interruption. Success will be contingent on a number of internal and external factors. Internally, hiring and retaining skilled personnel, coupled with growing the ranks of volunteers, will determine just how much an arts organization can hope to achieve in the coming years. Externally, the degree to which the arts industry is supported by the community, business sector, and government will influence the kinds of developmental choices that are realistically available and their chances for success.

Staffing Concerns

Another emerging concern for nonprofit arts organizations in 2000 is attracting and retaining quality staff, which was not a major concern in 1997. The increasing focus on staff and staff salaries likely is related to the tight labor market in Oregon and the upward pressure on wages. Given that staff salaries have inflated considerably in three years (in the face of largely static nationwide wage inflation), future examinations of the effects of salary inflation and other staffing concerns are warranted.

The Economic Impact of Oregon's Nonprofit Arts Sector

An analysis of the surveys completed by the state's nonprofit arts organizations illustrates the sizeable economic impact of Oregon's arts industry on the state's economy. Portland and Eugene each possess a sophisticated and well-developed arts sector. These cities draw in- and out-of-state visitors as well as attract and retain skilled workers. The arts industry also plays an important role in Oregon's rural areas and small towns, for often it is a key component in a diversified local economy, an enhancement to the area's quality of life, and building block in the local tourism business. In general, the arts industry makes a meaningful contribution to the state's economy. The quantitative economic impacts that are reported below reflect the figures for the 2000 fiscal year.

Employment and Wages

Oregon's nonprofit arts sector employs an estimated 3,623 full- and part-time workers in the areas of administrative, artistic, professional, and scholarly services, and technical production and support. These employees received an estimated \$54,840,298 in compensation in fiscal year 2000.

- An estimated 1,111 full-time employees earned \$33,987,063 for an average annual salary of \$30,591.
- Part-time employees were estimated to total 2,512 and earned \$11,101,263, or an annual wage of \$4,420.
- Contracted employees totaled 6,066 and earned \$9,751,972, or an average of \$1,608 annually.

Of particular interest is the large percentage of part-time employees (25.9%) and contracted individuals (62.6%) who are engaged in the arts industry. The percentage of part-time employees and contracted individuals suggests that nonprofit arts organizations continue to struggle to attract, compensate, and retain full-time employees, despite an average annual salary for a full-time employee that is somewhat higher than the industry average. Although contracted employees—particularly artists and performers for limited-time events—are a regular component of the nonprofit arts sector workforce, the increase in the use of these individuals since 1997 indicates that outsourcing labor is an important factor in the arts industry, as in the employment market at large. Oregon's tight, competitive labor market and the ascent of the creative services industry further complicates the ability of arts organizations to hire and retain labor, and creates upward pressure on salaries.

The nonprofit arts sector is able to function and compete with commercial entertainment interests in part because of the 707,058 volunteer hours that it received in fiscal year 2000. Volunteer hours include donated time from management professionals (81,150 hours), production specialists (68,076 hours), and artists (54,408 hours) as well as communication experts (15,710 hours), accountants (7,106 hours), and members of the legal

profession (2,787 hours). According to survey respondents, the estimated total value of these volunteer hours is \$8,042,249, or an average \$11.37 per hour. The large number of volunteer hours reveals strong community support for the arts industry.

In-kind contributions also enable many arts organizations to operate at professional levels. In fiscal year 2000, the nonprofit arts sector received more than \$5.2 million in in-kind contributions such as printing services and discounted rental rates. Again, without these contributions, the arts industry would not be able to operate sufficiently; services such as outreach programs, instructional programs, and artistic offerings and performances would be noticeably reduced.

The state's nonprofit arts organizations wield an additional \$13.2 million in "buying power," when the value of volunteer time and in-kind contributions are considered. The importance of these services is demonstrated by the fact that their value is equal to 13% of the collective annual budgets of all nonprofit arts organizations in Oregon.

Taxes

Oregon's nonprofit arts organizations paid an estimated \$3,857,179 in federal payroll taxes, \$1,526,764 in state taxes, and \$124,421 in local taxes. Overall, an estimated \$5,508,364 was paid in taxes.

Company-Sponsored Benefits

Oregon's nonprofit arts organizations paid an estimated \$5,372,255 in company-sponsored benefits in fiscal year 2000.

Operating Expenditures

Arts organizations reported spending a total of \$16,222,589 on non-personnel operating expenditures such as utilities, telephone services, and insurance. Of this amount, less than 5% was reported to have been expended out-of-state.

Purchase of Goods and Services

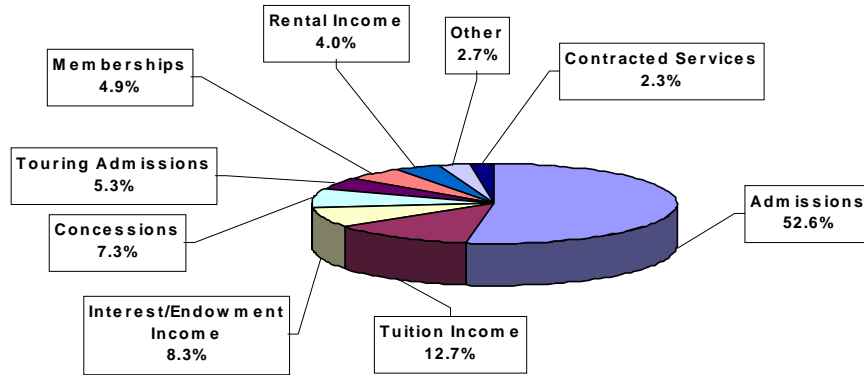
Purchases of goods and services such as furniture, equipment, supplies and exhibition materials, meals, transportation, printing, and postage totaled \$32,027,434. An estimated 10% of these expenditures were made out of state, slightly reducing their influence in stimulating the state's economy.

Total expenditures for operating and the purchases of goods and services for Oregon's nonprofit arts sector was \$48,250,023.

Sources of Income

Oregon's nonprofit arts sector generated \$72,752,201 through earned income activities; 52.6% came from admissions, 12.7% from tuition income, and 8.3% from investment and endowment interest. The arts industry earned \$1.8 million from fees received from services provided to schools; the industry also contributed 88,490 hours of volunteer time to K-12 schoolchildren through programs in the schools. Thus, the nonprofit arts sector underwrote a large portion of the fee income it earned through school activities by discounting its labor cost.

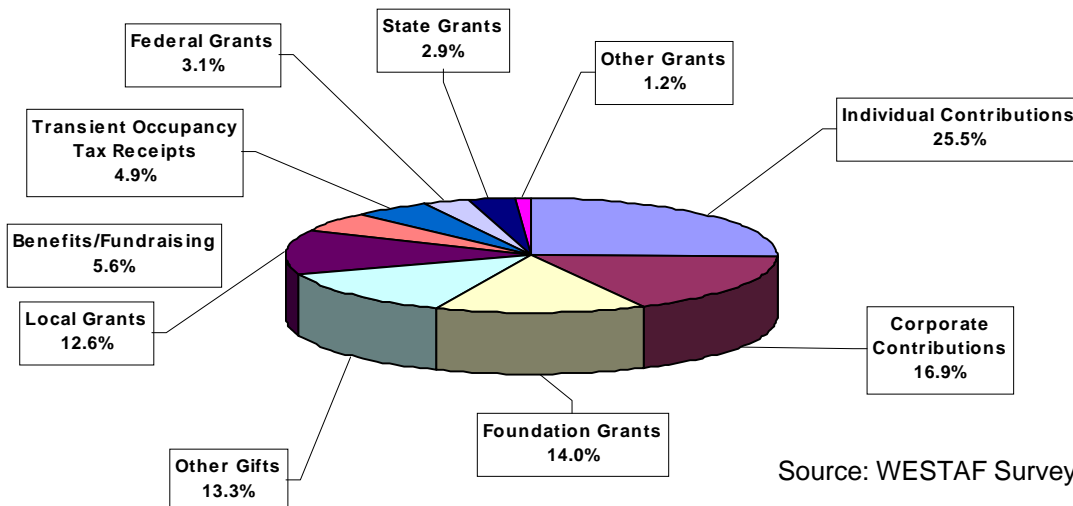
Major Sources of Earned Income for Oregon Arts Organizations



Source: WESTAF Survey, 2000.

In addition to earned income, the arts industry received \$76,279,404 in contributed monies and endowment contributions. Individual contributors were the largest source of this income (excluding endowment contributions), accounting for 25.5% of contributions, followed by 16.9% from corporate contributions, and 14.0% from foundation grants.

Major Sources of Contributed Income for Oregon Arts Organizations



Source: WESTAF Survey, 2000.

Contributions to nonprofit organization endowments totaled \$26,621,537 in fiscal year 2000. The vast majority (\$24,000,000 or 90.0%) of this money was contributed to the Portland Art Museum's endowment fund.

Local and state grants constituted 12.6% and 2.9%, respectively, of the total amount of funds contributed to the nonprofit arts sector. Although combined state and local grants constitute a relatively modest proportion of arts organization budgets (15.5%), this money is an important catalyst for additional giving and central to fundraising endeavors and planned giving programs. Without this financial support and recognition, many arts entities would have a difficult time inducing patrons, foundations and corporate contributors to invest in their organizations and programs. In addition, this money supports general operations of organizations, funds emerging artists and arts organizations, enables arts organizations to engage in outreach and arts education programs, and increases the accessibility of the arts. The ability of arts organizations to provide these essential services would be hampered in the absence of this source of general operating income, as general funds typically are the most difficult to raise from private sources.

Still, the very low proportion of state funds in nonprofit organization budgets is less than optimal, and at the bottom of the list of national averages. Oregon's legislature appropriated \$0.42 per capita for the Oregon Arts Commission in fiscal year 2000, placing it 46th among the 50 states in per capita allocations for state arts agencies; only Tennessee, Washington, Montana, and Texas allocate a lower per capita amount to the arts. Oregon's arts community is particularly challenged both by an increase in the state's population and the resulting need to serve a larger and more diverse population. Additionally, the recently adopted education standards for the arts necessitate substantial direct involvement of the arts community in local school programs, as schools currently are not equipped to implement the standards. Additional legislative appropriations are warranted in order to help the nonprofit arts sector keep pace with Oregon's dynamic environment.

Construction Expenditures

Nonprofit arts organizations in Oregon reported spending \$35,237,025 on new construction and \$24,766,281 on building renovation in the last five years. Within this time frame, 12 new facilities were constructed, and 81 buildings underwent renovation. On average, annually, \$7,047,405 was spent on new construction and \$4,953,256 on renovations. The significant expenditures devoted to construction demonstrates both the public and private sectors' commitment to and interest in supporting the arts. While these capital investments have resulted in increased services and cultural offerings as well as enhanced the profile of the arts industry in Oregon, respondents indicated that in five to ten years, many performance and administrative facilities will again be inadequate. Medium-sized and small arts organizations, in particular, indicate that current performance facilities will be unable to accommodate their anticipated growth. Inadequate administrative facilities are expected to pose a serious problem for nearly all arts organizations in about ten years. Failure to address these issues could adversely effect the economic and programmatic expansion of the arts industry.

Overall Economic Impact of Oregon's Nonprofit Arts Sector

The spending by 154 nonprofit arts organizations was researched in detail and extrapolated to the remaining 287 known nonprofit organizations in the state to determine the economic impact of the expenditures of nonprofit arts organizations. This extrapolation was grounded in the use of a stratified sample. Surveys were collected from virtually all organizations with large budgets (greater than \$500,000), which tend to differ the most from one another. Additionally, surveys were collected from three quarters of medium-sized organizations with budgets of between \$50,000 and \$500,000. The majority of imputations were made regarding organizations with very small budgets (less than \$50,000 annually), which tend to be more uniform and impact the overall economic picture to a lesser degree.

Ideally, the economic impact of arts organizations would be divided into the key elements of organization spending and audience spending. Unfortunately, the resources available for this study allowed only for the study of organizational spending. If the measurement of audience spending were possible, such spending would have been identified as either resident or visitor spending and then would be further divided into spending directly related to an arts activity and spending related to a visitor's attendance at an arts event (e.g., meals, lodging, travel expenses). This audience spending would have been analyzed further to identify the taxes that such spending generates.

Although audience-spending data cannot be reported as a result of this study, the scope of such spending as reported in studies of the economic impact of the arts in other states is informative. State economic impact studies that measure audience spending consistently have demonstrated that such spending can make a significant economic contribution to a state.

Oregon's nonprofit arts sector was found to spend directly \$100,243,862 on personnel and operating costs combined. Survey data also revealed that a modest 3.8% of all operating expenditures by arts organizations were made to out-of-state sources. Because those funds left the state and had almost no influence on Oregon's economy, they were deducted from the direct total spending enumerated above.

An input-output model designed specifically for Oregon's arts industry does not exist and must be inferred from similar studies that have addressed the same issues. While the design of a customized arts-based input-output model for the industry in Oregon is beyond the scope of this study, a review of arts economic impact study multipliers made for the 1997 study indicates that 2.5 is a conservative and acceptable number that is grounded in quality input-output research. This same multiplier is used for the current study for consistency.

(Note: An input-output model measures the "ripple" effect produced by expenditures of various kinds of goods and services on the state's economy, through which these direct expenditures cause further rounds of local economic activity, until they "leak out" and flow into other economies.)

When the findings of this study were subjected to multiplier analysis, the total economic impact of nonprofit arts organization spending on Oregon's economy in 2000 was \$250,609,000.

An additional component of economic impact is the value of spending for construction and renovation. Oregon's nonprofit arts organizations currently are in a building boom, which must be viewed as cyclical. In 1997, the total five-year value of construction and renovation projects reported was \$16.7 million; the average annual value of construction was \$3.3 million. By contrast, the five-year value of construction and renovation projects reported in 2000 was \$60 million; the average annual value of construction was \$12 million. While it is true that construction dollars circulate widely in the economy, the "boom and bust" nature of this industry means that this period of intense construction activity is not likely to be sustained. The construction figures were not subjected to a multiplier analysis; rather, the direct value of the annual average construction expenditures was added to the overall economic impact.

Thus, the overall economic impact of nonprofit arts organization spending on Oregon's economy in 2000—including the direct and secondary impact of all arts organization expenditures and the direct impact of construction expenditures—was \$262,609,000.

Note Regarding Tracking Overall Economic Impact

Although the current study was designed to allow for comparison with the 1997 study, the universe of arts organizations surveyed was expanded greatly; the expansion of the survey more accurately reflects the overall composition of the arts industry in Oregon. However, the expanded universe makes comparison difficult for some measures. In the case of overall economic impact, an analysis was made of organizations that returned surveys for both studies and of new organizations created between 1997 and 2000. This analysis indicates that the growth in overall economic impact of Oregon's nonprofit organizations over the three-year period between studies is 14.8%. This level of growth is significant for a number of reasons.

- In 1997, many arts organizations were fighting for their very survival. A severe reduction in the availability of federal funds meant that local communities were forced to seek financial support from within the community. The growth of organizations since 1997 suggests that Oregon's nonprofit arts organizations have emerged from the previous funding malaise, established strong support from within their home communities, and grown at a sustainable rate.
- While the budget of the Oregon Arts Commission has not grown significantly during this period, that entity appears to have been successful in fostering growth among the nonprofit community through targeted efforts. This fact suggests that increases in the level of statewide funding, such as could be realized through the work of the Joint Interim Task Force on Cultural Development, are likely to have an impact far beyond the actual spending.

- The modest growth in the arts community appears sustainable. Despite a period of strong economic growth in the state, spending related to employment and operations has risen, but not astronomically. It is prudent for organizations to take advantage of a healthy economy to stage capital campaigns for construction and renovation, such as was observed in the study. However, the level of annual operating expenditures appears to have risen appropriately, without creating expectations that cannot be sustained through a downturn in the overall economy.

The overall economic impact of the nonprofit arts segment on Oregon's economy indicates that the industry is a growing contributor to the state's prosperity.

Longitudinal Growth of Oregon's Nonprofit Arts Sector

Much like the nation, Oregon has experienced a remarkable economic expansion during the past ten years. While resource extraction industries struggle in Oregon, service industries continue to expand at impressive rates. The arts industry in particular has benefited from and contributed to the state's robust economy.

The following comparative information is based on data from the previous economic impact study completed by WESTAF for the 1997 fiscal year and information gathered for the current study, which is based on the 2000 fiscal year.

Method of Tracking

The organizations that participated in the 1997 study were tracked in the 2000 study to assess the changes that occurred during this three-year period. Due to the modest size of the universe of arts organizations in Oregon, tracking data were compiled only for organizations that completed surveys during both studies. Organizations that were formed after the 1997 study were included as growth elements.

Twenty-eight organizations that completed surveys in 1997 also submitted surveys for the 2000 study. During this three-year period, one major organization ceased operating (Portland Repertory Theatre), while 16 new organizations were created. Seven of these new organizations have operating budgets of between \$50,000 and \$500,000, and nine organizations have operating budgets of less than \$50,000. In total, data from 44 nonprofit arts organizations from the 2000 data set were analyzed.

Comparative Analysis

Overview

From 1997 to 2000, the collective budgets for Oregon's nonprofit arts organizations increased by 18.9%. Such growth is attributable to a number of factors such as general expansion of the nonprofit arts sector, expansion of revenue producing activities, and increased charitable contributions to nonprofit arts organizations. This increase in collective buying power means that arts organizations are able to offer more activities to residents and visitors. In fact, the number of arts offerings increased 50% for the organizations tracked. Such growth is remarkable considering that volunteer and employment levels remained relatively flat and/or declined during the last three years.

The number of volunteer hours donated to Oregon's nonprofit arts sector remained unchanged in the tracking sample (0.0% growth was reported). At first glance, this lack of growth may appear disheartening. Given that volunteerism is declining across the nation, however, the nonprofit arts sector's ability to defy this downward trend suggests continued success in eliciting community support.

Although the economy and the state's population are expanding, the number of full- and part-time workers in the tracked arts organizations decreased by 6.5% during the last three years. Although full- and part-time employment fell, wages and salaries rose:

- The average annual wage for a full-time employee in 1997 was \$23,667 and \$33,570 in 2000. This rate of wage growth is significant, and may be attributed to the fact that the tracked organization sample is dominated by the largest arts organizations in the state, and wages at these established, stable organizations are likely to grow faster than for smaller and start-up organizations.
- The average annual wage for a part-time employee in 1997 was \$3,092 and \$4,972 in 2000.

Since 1997, contract employment, unlike full- and part-time employment, rose in Oregon. Although some contract employment of artists is expected in the arts, the unique increase in this type of employment suggests that organizations are having difficulty finding and retaining or cannot afford regular staff. More than 25% more individuals were employed by tracked organizations on a contract basis in 2000. Additionally, the wages of contract workers rose from \$2,100 in 1997 to \$3,493 in 2000. This finding is reflective of national trends of outsourcing activities to specialized firms and hiring contract workers to reduce costs.

The increase seen in average annual wages reflects a tight, competitive labor market and the pressure to increase salaries in order to recruit and retain qualified workers. This tension is reflected as an increase in the number of organizations that report “attracting staff and staff salaries” as their greatest upcoming challenge (see pg. 12) in 2000. An attempt to keep pace with inflation rates may also account for wage increases. Although employment rates have declined moderately, the investment in hiring and retaining skilled personnel has translated into increased organizational efficiency and production as evidenced by the increase in arts offerings.

Income

Earned income in 1997 totaled 53.4% of total nonprofit arts sector income for tracked organizations. An estimated 61.5% of this income was derived from paid admissions. In contrast, tracked nonprofit arts organizations generated 36.0% more earned income in fiscal year 2000. Approximately 50.4% of fiscal year 2000 earned income was derived from admission sales. Although the proportion of earned income from admissions dropped, the actual revenues associated with admissions increased in fiscal year 2000. Additionally, overall earned income increased, which indicates that arts organizations have diversified their earned income activities through means such as increased concession sales and sales of contracted services. Moreover, 1997 might have been an exceptional year insofar as several major arts organizations staged highly successful and popular “blockbuster” arts offerings, commanding unusual attention and generating extraordinary box office receipts.

Counterbalancing the decline in paid admissions is a discernable 50% increase in free admissions. Ostensibly, the arts industry is engaging more persons by removing a key financial barrier to arts participation. Many small- and medium-sized arts organizations that cater primarily to local and regional audiences are a major source of free admissions. Additionally, the establishment of 16 new arts organizations in the small-to-medium range accounts for some increase in free admissions.

Participation in membership and subscription programs also increased by 33%; this exceptional increase suggests that the arts industry has carefully and steadily expanded its core group of supporters. Increased commitment among arts patrons will help further stabilize and grow the industry.

Contributed funds also increased substantially by 94% since 1997; this extraordinary gain largely was related to contributions to capital campaigns. Again, such growth demonstrates the degree to which residents, corporations, foundations, and other key funding entities value, support, and champion the arts industry. In general, the percentage of earned and contributed income derived from out-of-state sources remained virtually unchanged at 18% of total revenues.

Expenditures

Overall expenditures on non-personnel items and goods and services increased by 13%. This increase in expenditures corresponds to an increase in the overall budgets of Oregon's nonprofit arts organizations, as well as an increase in the programs and services they provided in 2000.

Conclusion

Overall, Oregon's nonprofit arts sector has expanded significantly since 1997. Despite a scarce labor market and fierce competition among commercial and noncommercial entertainment entities, Oregon's nonprofit arts sector has increased services, participation in membership and subscription programs, and sustained volunteer involvement. Moreover, the sector has increased its accessibility to the public through free admission, providing visitors and residents with more options to engage in arts activities.

The Value of Creative Skills in Oregon's Economy

Technological innovations, changing lifestyles, and declining resource extraction industries are reforming Oregon's economic makeup. Oregon is experiencing both subtle and dramatic shifts among industries that contribute to the state's economy. Oregon's creative services industry, in particular, is undergoing rapid expansion. According to the Portland Development Commission, between 1992 and 1997 jobs in creative services grew twice as fast as the regional economy (9% annually for creative services, 4.4% for the average metropolitan business). Oregon's creative services industry has the potential to evolve tremendously provided that certain challenges are met and key skills and talents are cultivated and nurtured.

The need for a strong pool of creative talent in Oregon is evidenced in a number of ways. Oregon (and Portland in particular) is blessed by a strong and growing creative services segment, which is discussed below. Innovators such as Will Vinton, President of Will Vinton Studios, which is responsible for inventing Claymation (as used in the past "California Raisins" ad campaign) and Foamation (as used in *The PJs* television show), have begun to make Portland identifiable with cutting-edge creative services. Individuals like Vinton argue passionately for the need to develop a workforce to feed this growing industry.

Oregon leads the way in recognizing the value of a creatively-educated workforce, but the demand for these workers certainly will only increase as the creative services sector expands. In addition to educational reform addressing the development of creative skills, it is essential that the state continue to develop an environment that fosters lifelong participation in creative activities, and attracts creatively-trained workers from Oregon as well as from other parts of the nation and the world to live in Oregon and staff this industry. A thriving arts sector is fundamental to this effort.

Oregon's Creative Services Industry

The creative services industry is an amalgam of interconnected businesses and companies that operate at the juncture of technology, communication, and the arts. Portland alone is home to more than 800 creative services firms with employees that total 13,500 workers, which translates into a payroll of more than \$600 million annually. These figures do not capture the large number of freelance and contracted workers that constitute the bulk of the creative services workforce. This knowledge-based industry's primary focus is designing, producing, and presenting creative content in multiple media forms and communication packages. Components of this industry include but are not limited to graphic design, advertising, public relations, film and video, and multimedia and software. While numerous creative services companies exist in southern Oregon and Eugene, the vast majority of them are concentrated in Portland. Kevin Carroll from Nike, Inc. observes that Portland is becoming an "oasis of creativity. It has a lot of untapped talent." Instead of traveling to New York or Chicago, Kevin Carroll, whose job at Nike is "Katalyst," is concentrating on developing innovative partnerships between Nike and Portland's leading creative services companies such as Dark Horse Entertainment, Flying Rhino Productions, and Michael Curry Design Studies.

Although Oregon's creative services industry is expanding rapidly, it has yet to obtain the same status as New York's, Chicago's, San Francisco's, or Los Angeles'. A number of issues need to be addressed before Oregon's creative services industry is elevated to a first tier creative services center. Specifically, Oregon needs to craft a national image as a creative services hub, provide the necessary infrastructure to ensure rapid expansion, and consolidate creative service businesses within specific geographical locations. Doing so will allow creative services companies to leverage their resources, reduce operational costs, and engage in collaborative projects. Also, access to creative services companies will be increased significantly, allowing people like Kevin Carroll to engage the industry's talent without difficulty.

Several signs suggest that Oregon's creative services industry is emerging from its nascent stage and positioning itself to compete on the national and international level.

- The Portland Development Commission and Venerable Properties/Kalberer Company have partnered on a project that entails renovating the 70,000 square foot Kalberer Building at 234 NW Fifth, which when finished will serve as Portland's Creative Services Center. Occupancy is expected in July 2001. In addition, there are plans to erect a similar structure immediately south and eventually link the two buildings, creating 140,000 square feet for creative-oriented companies.
- More than 15 graphic arts, new media, software, film, and educational associations have joined together to form the Creative Services Alliance. The Alliance's goal is to help brand Portland as a creative services hub so it can compete with San Francisco, Los Angeles, Chicago, and New York and expand its national and international business.
- Jeannette Pilak, Executive Director of the Creative Services Alliance, is working to establish an industry network by creating an Internet site and building alliances with professional organizations that are associated with the creative services industry.

As indicated above, Oregon is exhibiting promising signs of growth and expansion. Creating a national image, consolidating many of the creative services businesses within one geographic location, and providing the necessary infrastructure are the required steps for success. Vinton believes that the necessary "elements leading to a critical mass" are in place and that a "very good foundation has been laid which can be built upon." Nonetheless, there are several obstacles that need to be addressed in order for Oregon's creative services industry to grow as expected.

Workforce Development

The creative services industry's expansion is contingent in part on the ability of firms and companies to access a deep and talented workforce. Rapid technological innovations and intense marketplace pressures are placing a premium on educational programs that develop imaginative and technologically adept students and provide continued training for working professionals. Vinton asserts that "the most creative thinkers emerge at the intersection of arts and technology," and that practitioners in the creative services industry are

distinguished by their ability to think “outside the box” and provide progressive and ingenious products and services. Arts education cultivates specific skills that are germane to the creative services industry such as analysis, synthesis, and critical judgement; creativity and imagination; the ability to work as a team; and sensitivity to and appreciation of diversity and differences.

The 1997 WESTAF study that measured the economic impact of the arts in Oregon showcased a study by the Oregon Employment Department. The results of that study reported that artistic and communication skills are the “most transferable” to a wide variety of occupations, and that “it is arguable that the skills developed in art, music, dance, drama, literature, and writing classes are the very skills that enable workers to use creativity to find ways to work more productively, allowing their employers to do business more competitively.”¹¹

New occupational projections from the Oregon Department of Employment for writers, artists, entertainers, and other creative services workers reveal that demand for their skills will increase steadily in the upcoming years.

Occupational Title	1998 Employment	2008 Employment	% Growth
Writers & Editors	1,253	1,467	17.1%
Film Editors	121	160	32.2%
Artists & Related Workers	2,125	2,744	29.1%
Music Directors/Composers	884	1,037	17.3%
Musicians	1,006	1,148	14.1%
Dancers & Choreographers	73	85	16.4%
Producers, Directors, & Actors	1,305	1,720	31.8%

In light of the creative services industry’s ascent, there is a significant need for progressive technology and arts education programs in K-12 schools and at the state’s universities. In Vinton’s estimation, the arts are neglected in Oregon schools. Jeannette Pilak believes that several causes are to blame for Oregon’s unremarkable and uneven arts education record: 1) a lack of state funding; 2) the absence of an appropriate and/or proven arts education curriculum; 3) and the dearth of creative/technological skills among educators.

To some degree, the need for the development of creative skills is recognized in the state’s new education content standards; “arts” is one of the areas that Oregon’s K-12 students are expected to master. However, educators also are wrestling with extremely ambitious standards for English, mathematics, science, and social sciences that have defined standards on which students will be tested by the state. Arts and second language stand out as two areas for which assessment is left up to the individual school districts. Therefore, the inclusion of arts as a content standard is a promising development; however, the implementation of the standard will be challenged by the ambiguous standards for assessment and the lack of resources for implementation.

As someone who is forced to search nationally and internationally for skilled employees, Vinton believes that Oregon needs to develop a magnet program that merges the arts with

technology. He believes that this program should exist at one of the colleges in or near Portland in order to foster the creative connectivity between the private and public sector. Naturally, industry should work closely with education to provide curriculum, programming, technological support, and student exposure to experiences in the creative services industry. Currently, no such program exists in Oregon or the Pacific Northwest.

With the ascent of the creative services industry, there is an immediate demand to re-evaluate the role of the arts in the education system. Oregon's "Silicon Forest" already provides a context in which technology can flourish. While many education programs are working diligently to integrate technology and new communication systems into the classroom, the same cannot be said for the arts, design, and other related education that builds creative skills. The immediate challenge, therefore, is raising the level and profile of arts education in Oregon. Doing so will expand and deepen the creative services workforce pool, which is essential to the industry's growth.

Cultivating the Arts in Public Life

The value of promoting the arts is not limited to educational institutions and their role in creating a skilled workforce. Promoting the arts also helps brand a location as a creative service hub. Cities such as New York, Chicago, and San Francisco are nationally and internationally renowned for the quality and quantity of their arts offerings; they are also creative services industry hubs. The arts can be used to project a distinct image, one that is infused with creativity and aesthetic stimulation, and advance the creative services industry's reputation beyond Oregon.

The arts in public life can also serve as a catalyst for creativity. Kevin Carroll notes that the creative services industry needs to exist in an environment that is characterized by "constant change." The arts are essentially about creativity and invention. Will Vinton states, "artists get their creative energy from their surroundings. They demand a constant diet of stimulation." Despite the absence of an identifiable arts district, Vinton believes that Portland's art scene is "really good." Indeed, there are a significant number of highly regarded arts activities and cultural offerings in Portland that help inspire and refresh creative service workers.

Finally, promoting the arts and maintaining an active and healthy arts scene is crucial to creating a particular lifestyle that will attract and retain the kind of skilled workers found in the creative services industry. Vinton notes that in recruiting potential employees to work for Vinton Studios, the quality of life of Portland is a major appeal. Not everyone wants to live in New York or Chicago. What sets Portland apart from other creative services hubs are both its big city attractions and intimate, personal character.

Cultural Heritage Tourism

Alternative sources of commerce have become increasingly important to Oregon's economy due to the decline of some of Oregon's major resource extraction industries. Tourism stands out as one of the more successful service segments that are helping to offset economic losses in other sectors of the economy. "In 1999, travel spending was \$5.5 billion, a 6.3 percent increase over the preceding year."¹ In addition, tourism spending was directly responsible for the creation of almost 79,000 jobs in 1999.² While tourism cannot cure all of Oregon's economic ailments, its economic impact and expansion possibilities warrant careful consideration.

Oregon is endowed with a remarkable and varied landscape that attracts a large number of recreational and outdoor enthusiasts. When it comes to tourism, Julie Curtis, Assistant Director for the Oregon Tourism Commission, asserts that "the state's natural beauty and landscape are its greatest assets."³ Travelers have enjoyed Oregon's scenic wonders and natural beauty since the establishment of Crater Lake National Park in 1902. In 1999, 877,410 travelers visited one of the four national park sites in Oregon.⁴ Outdoor recreation remains Oregon's primary tourist attraction. Within the last decade, however, travelers have begun to recognize and appreciate Oregon's other great tourism resource—the state's cultural heritage.

Curtis suggests that the Oregon Trail Celebration in 1993 served as a major catalyst for the development of cultural heritage tourism in the state.⁵ Although cultural heritage offerings and activities were available before this time, 1993 marks the first time a concerted effort was made by various public agencies and private organizations to aggressively promote the state's cultural resources. Spearheading this drive was the celebration of the Oregon Trail and the development of interpretive centers that commemorate the trail's role in the extension of the frontier and the settlement of the Pacific Northwest. Today, travelers can visit one of five Oregon Trail interpretive centers: Four Rivers Cultural Center (Ontario), National Historic Oregon Trail Center at Flagstaff Hill (Baker City), Tamastlikt Cultural Institute (Pendleton), Columbia Gorge Discover Center/Wasco County Historical Museum (The Dalles), and the End of the Oregon Trail Interpretive Center (Oregon City). David Porter, Executive Director of the End of the Oregon Trail Interpretive Center, states that these centers "play an important role in educating people about Western culture and articulating the history of Oregon."⁶

Oregon has much to offer cultural heritage travelers. In addition to the five Oregon Trail interpretive centers, the state has 62 districts on the National Register of Historic Places, more than 100 museums and 40 cultural celebrations, more than a dozen renovated historic theaters, 48 covered bridges, and the critically acclaimed Oregon Shakespeare Festival in Ashland. This list, of course, is a small sampling of what is available for travelers who want to engage in cultural heritage activities. In general, Oregon has a broad and rich collection of cultural heritage resources, enough to develop a key niche market and expand the state's tourism industry.

- There are several compelling reasons for developing cultural heritage tourism: Cultural heritage travelers spend more money per trip (\$615) than the average U.S. traveler (\$425), stay longer per trip (4.7 nights) than the average U.S. traveler (3.3 nights), and are more likely to engage in shopping activities (45%) than the average U.S. traveler (33%).⁷
- Cultural heritage tourism can drive traffic to areas within the state that previously have been under-visited. The injection of new money that increased traffic brings to a location can further stabilize its economy. In some cases, cultural heritage tourism may broaden the economic base of a rural locale that is dependent on limited agriculture, ranching, and/or natural resource extraction industries.
- Cultural heritage expands the menu of attractions that Oregon can offer tourists and thus provides the tourism industry with opportunities to develop new tour packages and regional touring circuits. Julie Curtis states, “by promoting the built environment, the state broadens its overall tourism appeal.”⁸
- Oregon residents derive many benefits from tourist spending at cultural heritage attractions. Successful cultural heritage tourism generates interest in and funding for local historic sites and, through preservation and interpretation of sites, adds value to such locales and the heritage activities that occur within them. Oregonians, therefore, enjoy attractions that document and celebrate their culture and heritage that their own spending might not otherwise support. In turn, cultural heritage tourism can attract new businesses.
- Cultural heritage tourism uses the output of feeder industries (food processing, construction, banking, etc.) and thus will stimulate the expansion of those industries.
- Cultural heritage tourism, like any industry, generates jobs. While the wages of workers are modest, the cultural sector is responsible for creating jobs for the traditionally disadvantaged: minority groups, women, and youth. As such, cultural heritage tourism provides an avenue for people to gain financial independence as well as contribute to the state’s economic growth.
- Individual artists both benefit from cultural heritage tourism and build on successful tourist concerns. The work of local artists often is sold in galleries and gift stores at cultural attractions. Tourists who purchase their work return to their home communities with local artwork that reflects Oregon’s rich cultural heritage, and this artwork also advertises these attractions to their friends and family.

There are considerable economic and social incentives for developing cultural heritage tourism. “Nationally, the tourism industry is predicted to grow 3-4 percent annually; Oregon has grown at 5.7 percent per year since 1991.”⁹ The promotion of tourism, cultural heritage tourism in particular, should help Oregon’s tourism industry maintain its impressive expansion.

The following brief profiles of cultural activities across the state offer a glimpse of the breadth, quality, and economic importance of Oregon's cultural heritage resources. These cultural heritage activities are successful in part because of the creative skills, diverse resources, and invaluable services that are readily found in the cultural sector in the state. In addition, the investment of public and private funds is responsible for nurturing these activities through their embryonic stage and facilitating their economic expansion and programmatic development. Although cultural heritage tourism has experienced dramatic growth within the last decade, room for improvement and expansion remains. Fortunately, Oregon has built a solid foundation for growth.

Ashland

Ashland is an excellent example of the ability of a small community to parlay cultural heritage attractions into an important economic engine for the town. Ashland's theatrical activity, coupled with other cultural and recreational offerings, renders it a popular destination for travelers. Many visitors make Ashland's outdoor attractions a priority. Skiing at nearby Mt. Ashland Ski Area, a municipally owned facility, draws on average 70,000 skier visits per season. Hiking trails and winery tours attract large numbers during the rest of the year. In addition to its appealing outdoor activities, Ashland possesses several noteworthy cultural attractions.

Ashland's primary cultural draw is the Oregon Shakespeare Festival, now in its 63rd season. During a nine-month season (February-October), the festival presents eleven plays in repertory—five by Shakespeare and the remainder by classic or contemporary playwrights—in three theaters. In 1999, 395,840 paid to attend a festival. The average playgoer spends \$78.52 in addition to buying tickets, sees 3.9 plays, and stays 3.4 nights. The total direct impact on Ashland's economy is \$32 million, according to data compiled by the festival. With 430 employees, the festival is Ashland's third-largest employer.

Capitalizing on the festival's success, Southern Oregon University's Theatre Department offers supplementary play-going opportunities, workshops, and educational programs. The Oregon Cabaret Theatre provides playgoers an additional alternative—musical-comedy dinner theatre. This professional resident company began producing in 1986 in an intimate 140-seat venue housed in a restored Baptist church. Since it opened, it has attracted nearly a quarter-million patrons. Today, the Oregon Cabaret Theatre is one of Ashland's top 25 employers.

Mary Pat Parker, Director of Tourism for the Ashland Convention and Visitors Bureau, notes that Ashland offers "an attractive mix of indoor-outdoor activities." By bundling outdoor activities with Ashland's cultural resources, tourists are afforded a unique and attractive tourist package. Ashland has benefited from this strategy. According to a study by the Southern Oregon Regional Service Institute, 80% of Ashland's visitors are repeat visitors. In addition, a number of cultural activities and accompanying businesses have emerged in Ashland due to the immense success of the festival. Ashland is home to a mix of specialty and craft shops, plus some 80 restaurants and coffeehouses. The Schneider Museum at Southern Oregon University hosts important traveling exhibitions, and a score of galleries

present local and regional art. The first of what is hoped to become an annual three-day Blues Festival is slated for January 2001. Parker declares, "There is a lot to do around here. Shakespeare put us on the map, but we're an up-and-coming art town, too."

Cultural tourism is a stabilizing influence on the economic health of this town of 19,400, offsetting the fluctuating fortunes of the timber industry. By steadily building upon and leveraging its natural and cultural resources, Ashland has been able to carve out a sizable niche in the cultural tourism industry.

Bend

By developing its cultural heritage resources, Bend has been able to diversify its economy, broaden its appeal, and tap into the emerging cultural heritage tourism market. Cultural resources such as the High Desert Museum and the Cascade Music Festival successfully induce travelers to visit and/or extend their stay in Bend.

Nestled in a sweeping curve of the Deschutes River on the eastern slopes of the Cascade Mountains, Bend's natural scenery and mild climate attracts visitors throughout the year. While recreational activities long have been a mainstay of its economy, cultural events and historical attractions increasingly beckon tourists to this city of 50,000 in the center of Oregon.

Wood products and timber are the leading industry in Bend, but tourism is a close second. More than 26% of all jobs in the county are in the services industry, according to the Bend Chamber Visitor and Convention Bureau. The Mt. Bachelor ski area generates 400,000 skier visits annually and is the area's third-largest employer, with 850 employees during the season. The 24 area golf courses bring in duffers the rest of the year. According to Jackie French, Director of the Bend Chamber Visitor and Convention Bureau, most visitors live in Oregon, with Washington and California rounding out the top three.

Outdoor recreation also often includes a visit to the High Desert Museum, says Forrest Rodgers, Vice President of Development and Public Affairs for the museum. The museum opened in 1974 and has grown in size and stature over the years. In fiscal year 2000, more than 166,000 people visited and another 40,000 students in Oregon and throughout the Pacific Northwest were served through outreach programs. Fifty full-time staff and 300 volunteers run the museum. Through exhibits and education programs, the museum explains the culture, history, and natural history of the high desert. Among its exhibits are a wild-animal habitat where otters, porcupines, and birds of prey are housed, and a 150-acre second growth Ponderosa pine forest where conservation issues can be explored. The museum's living-history program focuses on the effects of European exploration and settlement of the area beginning in the mid-1800s and features volunteers engaged in activities of the period. Rogers notes that the museum "is certainly one thing that pulls visitors to Bend." According to a 1999 visitors' survey, 10% said they came principally to visit area museums. A new wing is under construction and expected to open by spring 2001.

Bend also is the setting for the Cascade Music Festival, which celebrated its 19th season in 2000. The festival attracts 8,000-10,000 visitors primarily from the western United States

for the 10-day event, held annually in late August in a large music tent downtown. For the past three years, the festival has been affiliated with the Oregon Symphony, and now draws 60% of its musicians from the Symphony. Festival musicians also conduct master classes with young area performers and offer a range of evening performances. Jackie French characterizes the festival as a community event, with local families playing host to the musicians, and strong corporate support provided from area businesses.

Eugene

Eugene, a community of 210,000 (including Springfield), long has been ranked as one of the top cycling destinations in the nation, annually hosting major bicycle events as well as providing more than 100 miles of bicycle paths, lanes, and trails to residents. For 31 years, Eugene also has played host to the Bach Festival, one of the largest in the world.

Eugene's Bach Festival offers 57 concerts, lectures, and other events, about one third of them for free, during more than 17 days each summer. According to Peg Renkert, Bach Festival Development Director, attendance continues to grow each year. More than 36,000 attended at least one ticketed event in 2000, compared to 32,000 in 1999. The festival generated an estimated \$4.5 million in revenue in 1999. Most visitors stay five or six days, and Renkert estimates about 30% of them come from outside Oregon. According to festival data, festival-goers spent an average of \$150 to \$160 a day, plus tickets, in 1999. The Bach Festival is a self-supporting program of the School of Music of the University of Oregon, which contributes about \$75,000 a year; an additional \$1.3 million is raised through ticket sales, grants, and corporate sponsors. Renkert says "It is the big driver of cultural tourism in Eugene."

The Bach Festival has successfully generated complementary events. The Pacific International Children's Choir Festival runs the week before the Bach Festival begins. The High School Choral Academy, led by Anton Armstrong, Director of St. Olaf's Choir, runs concurrent with the festival. Now in its third year, the Academy draws teenage singers from six Northwestern states, who are mentored by members of the festival chorus. In addition, every other year the University's Music School hosts a Composer's Symposium, which dovetails with the Bach Festival and may feature the composer of a new work to be performed.

Eugene hosts other cultural attractions in addition to the Bach Festival, such as the Oregon Festival of American Music, which began in 1992 as a celebration of "classical" American music—from movie scores and Broadway tunes to folk and jazz. For 10 days each August it presents a series of concerts, recitals and lectures, attracting some 15,000 visitors. In 1997, festival organizers inaugurated an American Composers Series, a four-day event usually scheduled in late January that attracts more than 5,000 people. Sara Clippard, Public Relations Director for the festival, states, "Most visitors stay for the weekend and take in all of the concerts and lectures." Eugene also offers the Dance Theatre of Oregon, the Eugene Ballet, the Eugene Concert Choir, the Eugene Opera, and the Oregon Mozart Players. They all have a home at the city-owned Hult Center for the Performing Arts. Total attendance figures indicate audience growth over the past year—from 179,279 in fiscal year 1999 to 201,165 in fiscal year 2000.

Natalie Inouye, Vice President of Tourism and Marketing for the Convention & Visitors Association, notes that visitors “don’t necessarily come for a specific cultural event, except for the Bach Festival. They come to recreate, but the cultural amenities give them much more and encourage them to stay longer.” According to the Convention & Visitors Association of Lane County, sightseeing was the number one attraction for visitors; shopping ranked second. Visiting historic sites and museums was fourth on the list, and festivals and performing arts ranked sixth and seventh, respectively, ahead of fishing, cycling and golf. In 1999, visitors to Lane County spent \$426.4 million, supported 6,500 jobs, and generated a \$90.6 million payroll.

Hood River

Hood River, population 5,000, was designated “the perfect sports town” by the national media in the 1980s. Hood River has parlayed its active recreational community into a rich destination for visitors. In the mid-1980s, Hood River’s top economic generators were agriculture and timber, with recreation a distant third. Today, agriculture remains number one, but close behind is recreation/tourism, according to Mike Doke, Director of Marketing for the Hood River Chamber of Commerce. Tourism industry in Hood River increased from \$112 million in 1991 to \$168 million in 1995.

“Extreme sports”—such as windsurfing, paragliding and mountain biking—remain a staple, and organized competitions draw scores of visitors to Hood River. The annual Gorge Games is one of the biggest events of its kind, attracting 1,000 athletes and 20,000 to 30,000 spectators annually. In addition to attending this sport spectacle, visitors participate in street dances during the run of the Games in downtown Hood River. Complementing Hood River’s outdoor recreation scene are a number of cultural attractions.

Numerous music festivals and cultural events attract visitors, especially from the Portland and Seattle areas, and contribute to the town’s unique and attractive lifestyle. Doke states, “People come here for the lifestyle. In addition to great recreation opportunities and events, there are also excellent food, music, and art galleries they can attend when they are done playing.” For example, the Oregon Bluegrass and Cowboy Music Festival, which began two years ago, draws an estimated 2,000 visitors. The annual Pear and Wine Festival, usually in late May or early June, attracts several thousand for a weekend of food and wine tasting. The 18th Annual Hood County Harvest Festival, held for three days in early October, usually draws about 22,000 visitors. In 2000, the Jazz on the Water Festival moved from its home in Newport to Hood River. Geno Michaels, Founder and Director of the festival, points out that the Columbia Gorge has “a history of music events and an active music scene.” Ticket prices range from \$30 to \$150, and many people buy the weekend package for the three days. Michaels expects 7,500 people to attend this year’s event in Hood River, which should help fill local hotels and restaurants.

Much like Oregon’s other tourist destinations, Hood River provides a tasteful and attractive mix of outdoor recreation activities along with cultural events and festivals. To be sure, the tourism industry in Hood River makes a meaningful contribution to the local economy and helps buttress the town’s agriculture and timber industries.

Pendleton

The eastern Oregon community of Pendleton (population of 17,000) has taken advantage of its geographical location and heritage sites by transforming itself into a popular tourist destination. Between 65,000 and 70,000 tourists visit area attractions each year. Many attend the annual Pendleton Round-Up, one of the nation's top rodeos. The rodeo has been held in September every year since 1910. According to Leslie Carnes, Executive Director of the Pendleton Chamber of Commerce, the Round-Up alone generates some \$20 million in local spending, and attracts 40,000 to 50,000 people to Pendleton for the week. A steadier source of visitors is supplied via two cruise ships—stern-wheelers plying the Columbia River 40 weeks a year. Both “The Queen of the West” and “The Columbia Queen” dock at the Port of Umatilla once a week and bus about 150 passengers to Pendleton, 35 miles away, to shop and sightsee. Carnes attributes a significant part of the growth of area attractions to the fact that the ships together bring about 300 people a week, or 12,000 annually, into Pendleton.

One of the most popular heritage attractions is Pendleton Underground Tours, operated as a nonprofit organization and open since 1989. Chinese laborers working for the railroad dug tunnels to connect local businesses to the railhead, allowing merchants to move their goods underground to avoid robbers. The interconnecting system later became a social center, with card rooms, an icehouse, and a Chinese laundry. Today it attracts 125,000 visitors annually, many of them school children and cruise passengers.

Another stop on the heritage trail is the Tamastlikt Cultural Institute, a nonprofit organization operated by the Confederated Tribes of the Umatilla Indian Reservation. The Institute opened in August 1998, and in its first full year of operations attracted 50,000 visitors. According to its Marketing Director, Charles Denight, many visitors are drawn “off the freeway. Interstate 84 is only a mile away, so it is easily accessible. One benefit of the cruise connection is its 40-week season, which means a fairly steady stream of customers even in late fall and early spring. They also tend to spend more than the \$10-per-visitor average in the Institute’s shop.”

Pendleton takes advantage of the amount of traffic that comes to and through the town by adding attractions that will induce travelers to visit and/or extend their stay. For example, the Downtown Merchants Association sponsors a series of free concerts that attracts up to 600 individuals per event. The Pendleton Center for the Arts is also expected to open in late 2000, following renovation of the town’s former Carnegie Library building. Pendleton has a core of reputable attractions and a steady flow of visitors to build upon and expand its tourism industry.

Developing Cultural Heritage Tourism

The tourism and cultural heritage industries are aware of their mutual interests and realize that by coordinating their efforts they can leverage the benefits of extending visitors’ stays and spending. While initial efforts to develop cultural heritage tourism have generated successful new economic activity, there are lessons to be learned that can help policymakers and cultural heritage workers make better decisions about the continued development and promotion of cultural heritage tourism.

Although cultural heritage tourism in general has expanded in Oregon in the last decade, attendance at some sites has not increased at the rates initially predicted. For example, visitation at the Oregon Trail interpretive centers is down from last year. Center Director David Porter concedes that “they have not yet been able to generate a sustainable level of visitation.” Joyce White, Executive Director of Grantmakers of Oregon and Southwest Washington, conducted a study for the Meyer Memorial Trust to discover why the centers are struggling. White found that

Feasibility studies and master plans failed to accurately predict future operating experience. There were a number of contributing factors: projects changed over time; anticipated financial resources were not available to operate in the manner described; studies used inappropriate comparative models, and capture rates were overstated or were based on flawed assumptions.

Due to miscalculations, some sites were over-built and now are saddled with high operating costs. Use of better models, conservative estimations, and hard-earned experience should help planners and cultural heritage workers build sites and plan events that are better aligned with a community’s carrying capacity. Achieving this is particularly important for sites and activities proposed in rural areas. As White notes, “heritage communities are about local histories; they are dependent on local volunteers and interest for their basic survival.”

Information from the survey of organizations conducted for this study indicates that Oregon’s nonprofit arts organizations are in a growth phase, particularly with regard to the construction or renovation of facilities. Experience demonstrates the importance of planning for the operation and maintenance of these new facilities, as well as for programming meaningful content that will continue to draw both local and tourist support. While the large number of capital campaigns have been successful at raising funds for construction, many organizations admit that ongoing operating revenues are more challenging to raise and sustain. To some degree, many organizations are retrofitting interpretive centers that were designed with 1970’s technology, and the new attractions in themselves will attract a new generation of visitors with up-to-date technology. However, efforts to push planning to the local level would be wise, and could easily build upon the holistic statewide examination of cultural activities that has been so successful in advancing the cultural agenda in Oregon in the past two years.

Although cultural heritage tourism is not a panacea to economic development, it is a clean, low impact, and community enhancing form of business that is making a discernable impact on the economies of Ashland, Hood River, Bend, and elsewhere in Oregon. According to Bobbie Conner, Executive Director of the Tamastslikt Cultural Institute, cultural heritage tourism in Pendleton has “unquestionably” enhanced the local economy. The value of cultural heritage tourism is undeniable. The challenge is growing this sector of tourism effectively. The way in which cultural heritage tourism is promoted will have a significant bearing on its development.

Promoting Cultural Heritage Tourism

Amy Cuddy, a member of the Oregon Tourism Commission, reports that “research shows that tourists have a positive impression of Oregon, but tourists also say they are not sure what they would do if they came for a visit.” In the last year, the Oregon Tourism Commission changed ad campaigns. Rather than show spectacular scenery, advertisements now show people engaging in various activities in the scenery. Cuddy states, “cultural heritage sites and activities fit into this advertising program.” Arnstad agrees; “we need to diversify our message slightly. We need to push our profile higher on the cultural side, like we do with nature and sports.” Conner concurs; Oregon, “needs to stop presenting the vast wilderness/recreation/outdoor image as a singular one for Oregon. We are so much more.”

In diversifying Oregon’s tourist message, caution must be exercised to not focus solely on cultural aspects. Cuddy speculates that most travelers “don’t view themselves as cultural tourists, except those going to the Shakespeare Festival. So our job is not to market cultural heritage tourism exclusively but to make sure that all visitors include cultural activities sometime during their stay.” Curtis agrees; “when cultural heritage tourism is promoted by itself, it is a weak package; its appeal is much stronger when bundled with other cultural and recreational activities.”¹⁰ The number of entertainment opportunities and recreational options are increasing on a regular basis in Oregon. The majority of residents and travelers to Oregon continue to engage in outdoor recreation and leisure activities. To broaden the state’s appeal, avoid direct competition with the outdoor recreation industry, and extend travelers’ visits, promoters should market cultural heritage offerings with recreational activities, thereby creating a more alluring vacation package and robust tourist experience.

In addition, advertisements should appeal to residents as well as travelers. The Oregon Travel Commission has found that many residents are unaware of the state’s cultural resources. Conner believes that “all of the cultural and heritage resources in eastern Oregon are underused.” Residents who do engage in local cultural activities often do so when friends and relatives visit. Hence, expanding cultural heritage tourism must also involve developing awareness and interest at the grassroots level. Doing so will help generate local support, which is essential for achieving sustainability.

Finally, marketing cultural heritage resources requires a consolidation of resources and a coordinated effort at the state, regional, and local levels. Many cultural heritage sites are under-staffed and under-resourced. For each site to market itself individually would be unrealistic. Instead, Cuddy suggests that the “trick is to package the area, to market the area as a whole, and add cultural heritage sites and activities to the itinerary.” The Oregon Tourism Commission, regional tourism and visitors associations, and local chambers of commerce must market destinations, and not necessarily particular events or individual attractions.

Oregon has a vast collection of natural and cultural heritage resources that must be managed effectively to avoid fragmentation. Combining cultural heritage activities with outdoor recreation will strengthen and enhance Oregon’s image and enable it to be compared more favorably with key competitors. Attracting cultural heritage travelers who are

better educated and more affluent than the average U.S. traveler will also help upscale the Oregon visitor. Through strategic development and marketing, cultural heritage tourism should continue to exert greater influence on the tourism industry and the state's economy.

The Economic Impact of Greater Portland Area's Nonprofit Arts Sector

The greater Portland area reviewed here includes Washington, Multnomah, and Clackamas Counties, and is anchored by the city of Portland. The area has a vibrant cultural life that is encouraged and cultivated by the nonprofit arts sector. Home to critically acclaimed arts organizations, celebrated cultural events, and an emerging creative service industry, the greater Portland area serves as a major cultural hub for Oregon and the Pacific Northwest. In addition to attracting tourists and making Portland one of the most livable urban environments in the country, the nonprofit arts sector positively impacts the local and state economy.

The economic impact reported below is based on figures from the 2000 fiscal year. The figures were obtained by extracting data reported by the arts organizations in the greater Portland area from the Oregon data set. Of the 289 arts organizations that are located in the greater Portland area, 82, or 30.5%, completed a survey. More importantly, approximately 92% of the arts organizations with budgets more than \$500,000 and 72% of the arts organizations with budgets between \$500,000 and \$50,000 returned a survey. Given that these organizations are the arts sector's primary economic engines, their strong response rate enables the researchers to provide an accurate description of the sector's economic impact. All figures are reported in the aggregate.

General Characteristics

The average age of an arts organization in the greater Portland area is 22 years old. The two oldest arts organizations in Oregon reside in Portland—the Oregon Symphony Association (1896) and the Portland Art Museum (1892). These and other mature arts organizations provide a stable foundation for the arts sector, which is experiencing significant growth. Approximately 37% of the arts organizations in the greater Portland area are 10 to 25 years old; 39% of them are less than ten years old. In short, 76% of the arts organizations in the greater Portland area are less than 25 years old.

The average budget for a nonprofit arts organization in the greater Portland area is \$1,058,767, which is dominated by a few large organizations. More telling, however, is the median budget, which is \$160,250.

- While five organizations operate with budgets in excess of \$5 million, approximately 65.5% of the arts organization operate with budgets of less than \$100,000. Many of these organizations are small, run principally by volunteers, and operated out of people's homes and/or donated facilities. Their success is material to the expansion of the arts industry, and public money in the form of federal, state, and/or local grants are essential to their organizational and programmatic development.

More than half of the arts organizations in the greater Portland area (53.7%) relate to the performing arts. The remainder of the arts sector includes various types of organizations such as arts service organizations (7.3%), arts schools (7.3%), and museums (2.4%). The primary discipline for these arts organizations varies from music (26.8%) to theatre (20.7%). Many organizations (15) are multidisciplinary in their focus (18.3%).

The arts sector in the greater Portland area is exceptionally active. In fiscal year 2000, nonprofit arts organizations presented 18,074 cultural events. Given that the greater Portland area has the highest concentration of artists and arts organizations in the state, a vigorous arts scene is to be expected. The ability to meet this expectation, however, is attributable in part to the amount of volunteer hours contributed to the arts sector—498,801. The arts sector estimated the value of these volunteer hours to be \$5,367,833, or approximately \$10.76 an hour. With the aid of volunteers, the arts sector is able to extend its services beyond established resources and engage more people in the arts. The sector's success is evidenced by the level of participation.

Portland's arts sector is heavily patronized. An estimated 2,657,655 persons paid to attend an arts event. Among these paying attendees, 145,316 participated in a membership and/or subscription program. Equally as important are the number of free admissions—1,322,923. Added to this is the number of persons engaged in outreach activities—1,183,555. An estimated 259,376 rural community residents, 256,632 elderly, and 246,954 disadvantaged children benefited from outreach programs. Although located in the northeast corner of the state, the arts sector in Portland does a remarkable job engaging the public in the arts, particularly those who reside in less populated areas.

Income

The Portland area nonprofit arts sector generated \$52,468,386 in earned income activities. The primary sources of income include admissions (43.6%), followed by tuition income (17.1%), and concessions and endowment income (both with 9%). The arts received \$1.3 million in fees from educational services provided to schools. These fees, however, were subsidized by the arts sector, which devoted 61,032 volunteer hours to K-12 school children and arts education school programs.

In addition to earned income, the arts sector received \$34,727,912 in contributed income and \$24,641,665 in contributions to endowments. Individual contributors accounted for almost one quarter (23.2%) of contributions, followed by corporate donations (19.2%), local grants (17.2%), and foundation grants (15.44%). Contributions to the Portland Art Museum's endowment fund accounted for the vast majority of endowment contributions in fiscal year 2000.

Expenditures

In fiscal year 2000, the arts sector employed an estimated 2,715 full- and part-time workers and paid them an estimated total of \$31,643,507. The breakdown of employment is as follows:

- An estimated 839 persons were employed full-time and paid \$25,026,382, or an average of \$29,829 annually.
- An estimated 1,876 persons worked part-time and were paid \$6,617,125, or an average of \$3,527 annually.
- The arts sector also engaged an estimated 3,269 persons on contract work and paid them \$5,801,042, or an average of \$1,775 annually.

In addition, the arts sector paid an estimated \$2,656,617 in federal payroll taxes, \$1,133,638 in state payroll taxes, and \$116,449 in local taxes. The arts sector also spent an estimated \$4,118,242 on company-sponsored benefits.

The Portland area arts sector spent \$13,236,139 on non-personnel expenditures such as utilities, rent, and telephones. The sector also spent \$25,207,550 on goods and services such as copyright fees, printing, and mailing. The total expenditure for these two categories is \$38,443,689.

Capital Campaigns

Many survey respondents indicated that within five to ten years, their performance facilities and/or administrative facilities will be either marginally adequate (a rating of 4 on a scale of 1 to 7) or inadequate (a rating of 3 on a scale of 1 to 7) to accommodate normal operations and expected growth.

In response, several organizations established capital campaign projects. Within the last five years, \$22,104,597 (\$4,420,919 annually) was spent on five new construction projects and an additional \$11,301,008 (\$2,260,201 annually) on 43 renovation projects. Such expenditures will enable some organizations to keep pace with the expanding economy and the general growth of the arts industry. Still, the importance of continued investment into the infrastructure of the arts sector cannot be overstated—without adequate facilities, the expansion of the arts sector and its impact will be noticeably restricted.

The Economic Impact of Portland Area Nonprofit Arts Organizations

In order to determine the economic impact of the expenditures of nonprofit arts organizations, the spending by 82 nonprofit arts organizations was researched in detail and extrapolated to the remaining 187 organizations in the state. This extrapolation was conducted on a stratified sample, as described with regard to the overall statewide economic impact on page 41.

The result was that nonprofit arts organizations in the greater Portland metro area were found to spend directly a total of \$81,738,367 million on all personnel and operating expenditures. A modest 2.59% of all operating expenditure by arts organizations were made to out-of-state sources. Because those funds left the state and had almost no influence on Portland's economy, they were deducted from the direct total spending specified above.

An input-output model designed specifically for Portland area arts organizations does not exist; the same conservative multiplier of 2.5 that was used for the statewide analysis is applied here.

When the findings of this study are subjected to multiplier analysis, the total economic impact of nonprofit arts organization spending on Portland's economy in 2000 was \$204,345,918.

An additional component of economic impact is the value of spending for construction and renovation. Portland area nonprofit arts organizations currently are in a building boom, which must be viewed as cyclical. The five-year value of construction and renovation projects reported in 2000 was \$33.4 million; the average annual value of construction was \$6.7 million. Construction figures were not subjected to a multiplier analysis; rather, the direct value of the annual average construction expenditures was added to the overall economic impact.

Thus, the overall economic impact of nonprofit arts organization spending on the Portland area economy in 2000—including the direct and secondary impact of all arts organization expenditures and the direct impact of construction expenditures—was \$211,027,039.

As with the statewide analysis, this figure includes only organization spending and does not account for audience spending, as the resources available for this study allowed only for the study of organizational spending.

Conclusion

Oregon has a well-developed and economically significant arts sector. The direct financial contributions of this sector to the state economy as reported in this study are considerable and extensive. The indirect financial contribution such as increased intellectual capital, development of a skilled workforce, and improvement of the state's quality of life also are substantial and multifaceted. The growth of the arts sector over the past three years will serve the state economy well as the sector continues to progress, evolve, and adapt to the changing social, political, and economic context in Oregon. An ongoing enhancement in the arts infrastructure of the state will assure that Oregon's residents and visitors enjoy state-of-the-art facilities for decades to come.

Oregon's nonprofit arts sector is a profitable and growing portion of the arts industry, with a direct economic impact of \$100.2 million in 2000. The industry continues to expand its overall budget and diversify its income sources, resulting in an increase in services and greater financial stability. Oregon residents are the primary beneficiaries of the plethora of arts activities staged by nonprofit arts organizations, more than a third of which can be attended for free.

Oregon's commercial business and nonprofit organizations continue to be challenged by the need to educate new generations of students to participate in the large and growing economy. The nationally-recognized creative services industry often is forced to look beyond the state's borders for labor and laments the lack of creative training available to Oregon students. Nonprofit organizations in Oregon struggle to supplement the meager arts education resources of schools and donate a significant amount of work to K-12 schools. The recently-adopted arts content standards will only further tax a system that already struggles to keep pace with the changes in creative education and the needs of a diverse population of students.

The nonprofit arts sector contributes more than \$262.6 million in direct and indirect spending to the state, making this diverse industry an indisputable resource to the state's economy. Ongoing efforts to enhance the important work of this sector should ensure the long-term success of the industry and vital artistic and cultural resources for generations of Oregonians to come.

Appendix A: Method

The study measures the economic impact of nonprofit arts organizations in Oregon. The economic impact of individual artists, commercial, private arts institutions and companies such as graphic designers, Internet-based arts businesses, and commercial art galleries—though assumed to be considerable—were not within the scope of this study.

This study is designed to update the findings of The Economic Impact of the Arts in Oregon report issued in June, 1997 by WESTAF. The focus of this follow-up study is to update the quantitative findings of the 1997 report; survey instruments and other quantitative methods are repeated in the current study to allow for longitudinal tracking of results. Considerable qualitative findings regarding the profile of individual artists in Oregon, profiles of innovative arts-related companies, and the arts and tourism were reported in the 1997, which still are valid.

To obtain primary data for this study, 441 Oregon nonprofit arts organizations were asked to respond to a mail survey. The surveys were distributed in July of 2000 to capture data from fiscal year 2000, and were collected and tabulated in October of 2000.

The study of the economic impact of Oregon's nonprofit arts sector was designed through a process of consultation with individuals and representatives of the Oregon Arts Commission, the Northwest Business for Culture and the Arts, and the Regional Arts and Culture Council. The survey instrument was designed to retain the key measures used in the 1997 study and mailed to nonprofit arts organizations that were identified as 501(c)3 organizations of record that regularly engage in arts activities and/or are grantees of the agencies that sponsored this study. The final survey list was based on compiled mailing lists provided by the Oregon Arts Commission, the Northwest Business for Culture and the Arts, and the Regional Arts and Culture Council.

The survey was mailed to an adjusted stratified sample of nonprofit arts organizations. The total response rate for the survey was 36%. Of the state's 36 largest arts organizations (as measured by annual operating budgets that exceed \$500,000), 35 responded. In addition, 76% of moderate-sized arts organizations (organizations with annual budgets between \$500,000 and \$50,000) returned completed surveys. And, 14.5% of Oregon's small organizations, with annual budgets below \$50,000, completed surveys.

Survey returns for the small-sized organizations were compared against a pre-selected random sample that was reviewed for representativeness according to discipline, location, and relative budget size. Results of this sample were cross-checked against survey responses of responding arts organizations not in the sample. The rationale for this approach to data collection was that Oregon, like most states, has a plethora of arts organizations with budgets under \$50,000. The researchers made an effort to collect enough data to craft a profile of these organizations and to extrapolate findings to the universe of such organizations; however, the time and resources needed to conduct an actual census of such organizations were deemed better allocated to other areas of the study. The rate of response was sufficient to extrapolate values to the non-respondents.

The low response rate of the state's small-sized nonprofit arts organizations should not be interpreted negatively. Most of these arts organizations are operated by volunteers who are already challenged in their tasks to organize and deliver programming. Completion of a detailed survey form is outside of the time available to most of these individuals. Recognizing that the survey required precious time to complete, the researchers and the study partners expended most of their time encouraging the large-sized organization to complete their forms. Although a greater response rate from the small-sized organizations would have been helpful, WESTAF's experience in surveying such organizations indicates that a modest response from this segment of the arts organization universe is more than sufficient to project its economic impact.

Method of Longitudinal Tracking

The organizations that participated in the 1997 study were tracked in the 2000 study to assess accurately the changes that occurred during this three-year period. Due to the small size of the universe of arts organizations in Oregon, tracking data were compiled only for organizations that completed surveys during both studies, or which were formed after the 1997 study and are new contributors to the economy.

Twenty-eight organizations that completed surveys in 1997 also submitted surveys for the 2000 study. During this three-year period, one major organization ceased operating (Portland Repertory Theatre), while 16 new organizations were created. Seven of these new organizations have operating budgets between \$500,00 and \$50,000, and nine organizations have operating budgets of less than \$50,000. In total, 44 nonprofit arts organizations from the 2000 data set were used for tracking purposes.

It is important to note that while the current study was designed to maximize the ability to track measures, some changes were knowingly made to the methodology. Therefore, the measures in the longitudinal tracking section of this report have been deemed appropriate for tracking purposes; measures not discussed in this section should not be used for comparison.

Appendix B: Individual Interviews

Mary Arnstad, Oregon Tourism Commission

Leslie Carnes, Executive Director of the Pendleton Chamber of Commerce

Kevin Carroll, “Katalyst,” Nike, Inc.

Sara Clippard, Public Relations Director, Oregon Festival of American Music

Roberta “Bobbie” Conner, Director of the Tamustalikt Cultural Center

Amy Cuddy, Member of Oregon Tourism Commission

Julie Curtis, Assistant Director of the Oregon Tourism Commission

Charles Denight, Marketing Director for the Tamastslitk Cultural Institute

Mike Doke, Director of Marketing for the Hood River Chamber of Commerce

Jackie French, Director of the Bend Chamber Visitor and Convention Bureau

Natalie Inouye, Vice President of Tourism and Marketing for Eugene’s Convention and Visitors Bureau

Mary Pat Parker, Director of Tourism for the Ashland Convention and Visitor Bureau

Jeannette Pilak, Director for Creative Service Alliance in Portland

David Porter, Director of End of the Oregon Trail Interpretive Center

Geno Michaels, Director of Jazz on the Water Festival, Hood River

Peg Renkert, Bach Festival Development Director

Amy Richard, Oregon Shakespeare Festival, Media Relations Director

Forrest Rodgers, Vice President of Development and Public Affairs, High Desert Museum

Alice Trindle, Former Member of Oregon Tourism Commission

Will Vinton, President and Owner of Vinton Studios

Joyce White, Executive Director of Grantmakers of Oregon and Southwest Washington, Member of the Northwest Sharing Project.

Notes

- ¹ Dean Runyan Associates, "Oregon Travel Impacts, 1991-1999P," prepared for and printed by Oregon Tourism Commission, January 2000, 9.
- ² Dean Runyan Associates, "Oregon Travel Impacts, 1991-1999P," prepared for and printed by Oregon Tourism Commission, January 2000, 9.
- ³ Julie Curtis, Assistant Director, Oregon Tourism Commission, interview by Erin Trapp and Daniel Buehler, 14 August 2000.
- ⁴ Julie Curtis, "Oregon Travel News," Oregon Tourism Commission, Spring 2000.
- ⁵ Curtis interview.
- ⁶ David Porter, Executive Director of the End of the Oregon Trail Interpretive Center, personal interview by Erin Trapp and Daniel Buehler, 15 August 2000.
- ⁷ Travel Industry Association of America, *Profile of Travelers Who Participate in Historic and Culture Activities* (Washington, D.C.: Travel Industry Association of America, 1997), 13.
- ⁸ Curtis interview.
- ⁹ Oregon Tourism Commission, "Fact Sheet: Oregon's Visitor Industry," March 2000.
- ¹⁰ Curtis interview.
- ¹¹ Oregon Employment Department. *Oregon Occupational Projections Handbook 1997: OPPTS Occupational Program Planning System*. Salem, OR: 1997.