

# THE BUSINESS OF THEATER

THE CONTEMPORARY AMERICAN THEATER FESTIVAL'S  
ECONOMIC IMPACT ON WEST VIRGINIA

FEBRUARY 2009

SHEPHERDSTOWN, WEST VIRGINIA

THE CONTEMPORARY AMERICAN THEATER FESTIVAL

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## TABLE OF CONTENTS

EXECUTIVE SUMMARY	4
METHODOLOGY	5
OVERVIEW	6
SURVEY STATISTICS	7
GRAPHICS AND TABLES	8
SURVEY QUESTIONS	12
DIRECT, INDIRECT AND INDUCED IMPACTS	16
IMPACT OF THE CATF ORGANIZATION	17
VOLUNTEERISM AND IN-KIND	17
CONCLUSION	18
FREQUENTLY USED TERMS	19

## **EXECUTIVE SUMMARY**

The Gateway New Economy Council executed a survey of patrons attending the Contemporary American Theater Festival (CATF) during the 2008 Season in Shepherdstown, WV in order to measure the magnitude of CATF's impact on the local economy. The Benedum Foundation contributed to the funding for this survey.

Located in Jefferson County, in the Eastern Panhandle of West Virginia, Shepherdstown has a strong cultural foundation due in no small part to the presence of CATF. For nineteen years, CATF has hosted an annual professional theater festival attracting audiences from around the world. For four weeks in July and early August, up to five new plays are offered in three venues on the campus of Shepherd University. The plays are performed in repertory, allowing audiences to see all five plays in a two to three day period.

When considering the economic impact of any event, it is important to do so in light of the current financial landscape. Jobs fell for six months in a row prior to the summer of 2008. Gas prices topped \$4.00 a gallon. All forms of travel were affected with "day trips" gaining popularity over traditional summer vacations. The economic picture was further impacted by households burdened by debt, falling home prices and growing fears of layoffs and recession.

CATF has long believed that their annual event economically benefits the local community in a substantial way. However, when it comes time to make tough funding choices, elected officials and business leaders need to have strong and credible data that demonstrate the economic benefits of a vibrant nonprofit arts and culture industry. This survey makes clear that an investment in CATF is an investment in West Virginia.

### **CATF PATRON CONTRIBUTIONS TO SHEPHERDSTOWN, THE REGION AND THE STATE:**

**\$3.2 million: Total Impact**  
**\$2.1 million: CATF patron spending**  
**\$1.1 million: CATF corporate/organizational spending**  
**\$132: Average spending per individual above ticket sales**  
**87: Full time job equivalents**

### **CATF AND SHEPHERDSTOWN AS A TOURIST DESTINATION:**

**11,559 tickets sold**  
**60% of the audience from out of state**  
**25 states outside of West Virginia were represented**  
**80% traveled more than 50 miles to Shepherdstown**  
**66% reported spending one or more nights away from home**

### **CATF PATRON DEMOGRAPHICS:**

**66% range in age from 45-64**  
**66% of respondents have a masters or doctoral degree**  
**55% are in the \$80,000-\$250,000 household income range**  
**60% of the respondents are women**  
**74% of subscribers attended the FIVE play repertory**

## **METHODOLOGY**

To accurately measure the economic impact of the Contemporary American Theater Festival, GNEC set about to examine two main spending sources.

These include:

Phase I - Economic Impact of Arts Patrons Spending

Phase II - Economic Impact of the CATF Organization Spending

All survey instruments were developed in conjunction with CATF staff members. The Phase I surveys were distributed at CATF beginning in early July and ending in early August 2008. The Phase II data was compiled by CATF staff at the completion of the theater season.

The Phase I survey instrument was distributed by CATF staff and volunteers along with Festival programs at each of the 84 performances. Audiences were offered the opportunity to submit their completed forms either at the theater, by US mail, or by completing them electronically on-line. The survey gathered information about where the visitors came from, the purpose of their trip, their interest in other area attractions and events, as well as their spending related to CATF events. This report summarizes the results of that survey and the economic impact of the theater patrons spending.

More than 11,000 tickets were sold to individuals who attended 84 performances during CATF's 2008 season. Surveys returned from 613 individuals, representing 1,756 theater patrons, were used to estimate the expenditures of all patrons. With such a sample size and a confidence level of .95, or a 5% margin of error, the surveys achieve a scientifically significant representative sampling size level.

Each of the theater patrons responded to the same series of traditional demographic survey items. They reported their expenditures for a wide range of items including lodging, dining, transportation, shopping, souvenirs/gifts and "other" personal services. The survey requested that one person per party complete a questionnaire with that person reporting spending on behalf of their entire party. That person also indicated the number of people in their party. With this information, the average per person expenditure was calculated for each theater patron.

During the survey period, GNEC estimates that CATF patrons directly spent more than \$1.46 million in the local economy, generating a total economic impact in excess of \$2.1 million. Aside from the cost of the event, theater patrons spent money in area restaurants, hotels, grocery stores, retail shops, gas stations, and more. The average visitor spent \$132.84 in these area businesses.

The Phase II survey instruments included financial data, prepared by CATF staff members, which reflect the commerce transactions of the organization. CATF staff is defined as the organization's full-time year-round employees.

## OVERVIEW

When we support the arts, we enhance our quality of life as well as invest in our regional economic well-being. Cultural events leverage additional spending by out of town visitors that pump vital revenue into local restaurants, hotels, retail stores, and other businesses. Valuable commerce is generated for local merchants and this economic significance should give CATF greater respect among the business community, public officials, and the public in general.

Survey respondents were asked to provide their home zip code. This information was used to determine how far or near the patrons live to Shepherdstown, WV. There were 573 responses to this question with 13% of the respondents living within a 25 mile radius of the CATF zip code. Living within a 50 mile radius of CATF were 21% of the respondents. Moving outward, 61% of the survey responses indicated that they live more than 50 miles, but less than 100 miles from the 25443 zip code and approximately 27.5% lived more than 100 miles, but less than 200 miles away. Altogether, 88% of the reporting patrons live less than 200 miles from CATF. Equal numbers (10 per region) came from New York and Charleston, WV. New York visitors, interestingly enough, are actually geographically closer than our own state capitol of Charleston. The remaining 68 respondents lived in a variety of zip codes from as far away as Laguna Beach, CA and Ashland, OR.

Survey respondents were also asked to identify the primary purpose for being in the area at that time. More than 11 percent of respondents were in the area because they “live here” with slightly more than 1.5% selecting “part time resident”. Less than 4% identified “visiting friends/relatives” as their reason, while about 2.5% selected “vacation/holiday” as their primary purpose. An overwhelming 79% reported they were here to “attend this event.”

Visitors historically spend more money when attending cultural events than do local residents. This was borne out in this research project as well. A look at the data for all full-time residents (non-visitors) who responded to the survey indicates that 66 respondents reported for a total of 140 local theater patrons. The average amount spent per person by this group was \$44.96 while the total amount spent by all these reporting resident groups amounted to less than \$6,000. An examination of this group's median spending per person returns a value of \$15 each. Also, in 24 resident instances, the patron groups reported spending nothing in conjunction with the event. When spending per person is compared between residents and visitors, only 7 of the resident groups exceeded the average visitor per person spending level of \$132.84. Thus, CATF visitors were clearly the stimulus for the great majority of theater patron spending as they invigorated the local economy with their dollars. This data supports the contention that communities that attract cultural tourists (visitors) harness significant economic rewards.

## SURVEY STATISTICS

More than 5,500 surveys were distributed at 84 separate CATF performances between July 2008 and August 2008. The following are a few summary points of the survey:

- Surveys were distributed at **84** CATF events throughout the 2008 theater season
- **15** surveys were determined to be questionable and were excluded from the analysis
- **613** usable surveys were completed representing **1,756** individuals
- **11,002** CATF performance tickets were distributed
- **531** of the **613** survey respondents reported estimated expenditures
- The 613 completed surveys represented expenditures for **1,756** individuals
- These 1,756 individuals spent **\$233,262** in the area economy
- Average group size was **2.8**
- Spending per group averaged **\$380.53**
- Spending per individual averaged **\$132.84**
- Direct expenditures of CATF patrons was in excess of **\$1.4 million**
- The \$1.4 million spent by CATF patrons generates an additional **\$630,000** in the county economy
- The total economic impact of theater patrons to CATF events was **\$2.1 million**

*Note: Totals reported throughout this report may not sum due to rounding.*

Analysis of respondents show that the average audience member spent \$132.84 during their visit to the area with 36% of those funds spent on dining, 9.3% on shopping, and 6% on non-gift clothing, shoes and accessories. An especially important factor in a year of high gasoline prices, 9% of spending went to transportation costs.

Lodging is the largest line item in the visiting theater patron's budget. Unlike most cultural

events, CATF affords their regional lodging partners a great opportunity to secure a large portion of visitor spending due to the nature of the Festival repertory schedule, which encourages patrons to see all five shows over a two or three day period requiring overnight lodging. By comparison, in The Economic Impact of the Arts in Monongalia County report, in excess of 90% of those visitors report spending zero nights away from home in conjunction with the event. With over 36% of survey respondents reporting seeing all five plays, many of these patrons secured lodging. Thus, when asked, "How many nights away from your primary residence will you spend in this area specifically because of your attendance for this arts event?" it is not surprising that over 40% reported spending two or more nights away from home. In this study, the largest spending group, lodging expenditures, accounted for 37% of total patron spending.

**Table 1**

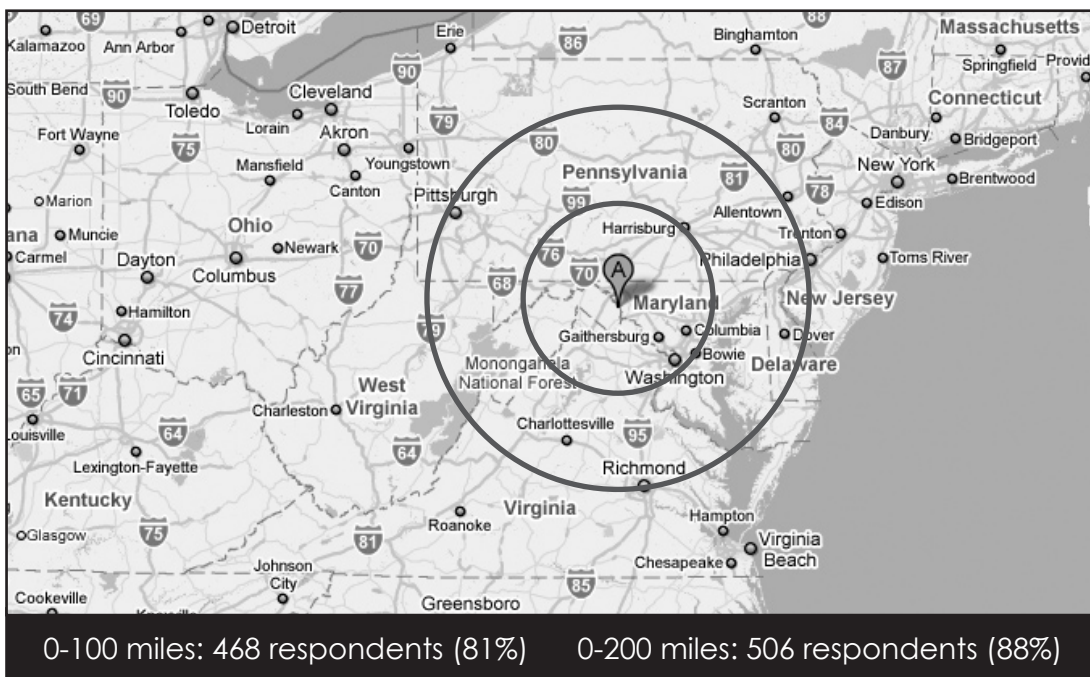
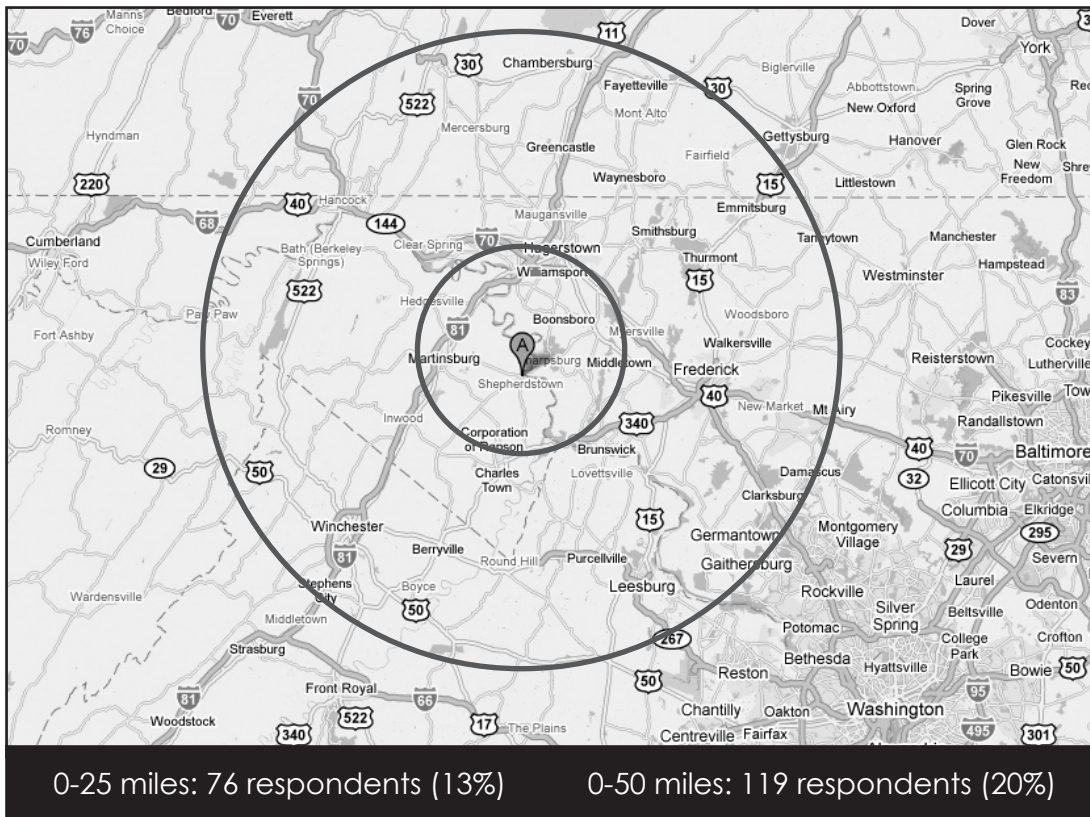
Average Spending By Type

	RESIDENTS	NON-RESIDENTS	ALL
Food or Beverages	31.23	50.01	48.09
Souvenirs & Gifts	4.89	13.22	12.39
Non-Gift Clothing	4.09	8.69	8.32
Transportation	4.32	12.55	11.73
Lodging	1.44	53.87	49.39
Other	2.82	3.10	2.92
<b>Total</b>	<b>48.79</b>	<b>78.21</b>	<b>132.84</b>



# Graphic 1

## Survey Respondents by Zip Code Radius





**Table 2**  
Number of Survey Respondents by State and City

**WEST VIRGINIA**

Berkeley Springs	1	25411	Keyser	1	26726
Charles Town	5	25414	Lewisburg	1	24901
Charleston	10	25301	Martinsburg	13	25401
Dunbar	1	25064	Mozart	1	26003
Falling Waters	2	25419	Sabraton	4	26508
Glengary	1	25421	Shenandoah Junction	4	25442
Harpers Ferry	6	25425	Shepherdstown	29	25443
Huntington	2	25704	Spencer	1	25276
Inwood	2	25428	Sutton	1	26601
Jefferson	1	25177			

**VIRGINIA**

Alexandria	13	22314	Herndon	6	20191
Arlington	17	22209	Hillsboro	2	20134
Ashburn	1	20148	Leesburg	3	20176
Berryville	1	22611	Manassas	2	20112
Bluemont	2	20135	Oakton	2	22124
Bowling Green	2	22546	Purcellville	2	20132
Boyce	2	22620	Reston	8	20190
Burke	2	22015	Richmond	2	23220
Chantilly	1	20152	Roanoke	2	24013
Charlottesville	2	22947	Sterling	2	20164
Fairfax	6	22031	Vienna	2	22181
Falls Church	4	22046	Virginia Beach	1	23464
Front Royal	2	22630	Waterford	1	20197
Gainesville	1	20155	Winchester	8	22646
Great Falls	6	22066	Woodbridge	1	22192
Harrisonburg	1	22801			

**WASHINGTON, DC**

Washington, DC	9	20015	Washington DC	6	20024
Washington DC	48	20016	Washington DC	5	20036
Washington DC	1	20020			

**MARYLAND**

Aberdeen	1	21009
Annapolis	3	21403
Baltimore	4	21136
Baltimore	9	21218
Baltimore	35	21229
Beltsville	1	20705
Bethesda	25	20209
Boonsboro	2	21713
Chestertown	2	21620
College Park	2	20740
Columbia	8	21043
Ellicott City	6	21042
Frederick	11	21704
Frostburg	2	21532
Gaithersburg	9	20878
Germantown	2	20874
Grasonville	1	21638
Greenbelt	2	20770
Hagerstown	4	21742
Havre de Grace	1	21034
Hyattsville	1	20783

Keedeysville	1	21756
Kensington	3	20895
Laurel	2	20707
Laurel	1	20723
Lutherville	6	21093
Mechanicsville	1	20659
Meyersville	1	21773
Middle River	1	21220
Mitchellville	1	20721
Odenton	2	21113
Owings Mills	3	21117
Pasadena	2	21122
Rockville	37	20850
Silver Spring	25	20910
St Charles	1	20602
Takoma Park	3	20912
Thurmont	2	21788
Timonium	1	21013
Upper Marlboro	2	20774
Weaverton	2	21758

**PENNSYLVANIA**

Bethlehem	2	18017
Chambersburg	2	17201
Chambersburg	1	17202
Fogelsville	1	18051
Gettysburg	3	17325
Glen Rock	2	17327
Greencastle	2	17225
Johnstown	1	15904
Lancaster	1	17603

McKees Rock	2	15136
Mercersburg	1	17236
Newtown Square	1	19073
Pittsburgh	6	15222
Reading	1	19603
Sharpsville	1	16150
Shrewsbury	1	17361
Wayne	1	19087
Waynesboro	2	17268

**OTHERS**

Indian Springs	AL	1	35124	Chapel Hill	NC	1	27514
Laguna Beach	CA	1	92651	New Bern	NC	1	28560
The Villages	FL	1	32162	Buchanan	ND	1	58420
DeLand	FL	1	32724	Plymouth	NH	1	03264
Boynton Beach	FL	1	33436	Jackson Twp,	NJ	1	08527
St Petersburg	FL	1	33715	New York	NY	5	10007
Greensboro	GA	1	30642	New York	NY	4	10040
Chicago	IL	2	60647	Brooklyn	NY	1	11201
South Bend	IN	2	46617	East Hampton	NY	1	11937
Williamsburg	MA	1	01096	Canton	OH	1	44708
Shrewsbury	MA	1	01545	Rossville	OH	1	45013
Concord	MA	1	01742	Yellow Springs	OH	1	45387
W Somerville	MA	1	02144	Ashland	OR	1	97520
South Bristol	ME	1	04568	Charleston	SC	1	29412
Grosse Pointe	MI	1	48230	Johns Island	SC	1	29455
Minnetonka	MN	1	55345	Hilton Head	SC	1	29926
Winston Salem	NC	2	27103	Lexington	SC	1	29072

**Table 3**

Number of Survey Respondents by Distance from Shepherdstown

Distance from Shepherdstown	Response Frequency	Percent of Respondents
Less than 25 miles	76	13%
26 - 50 miles	43	7%
51-100 miles	349	61%
101-200 miles	38	7%
Greater than 201 miles	68	12%

**Table 4**

Other Events/Attractions Enjoyed by Survey Respondents

Attraction		Attraction		Attraction	
Art Galleries	9	Dining	25	Historic Sites	3
Battlefields	14	Farmers Market	3	The River	3
Bavarian Inn	3	Golf	3	Shops	19
Berkeley Springs	2	Goose Route	2	The Woods	3
Charles Town Races & Slots	3	Harpers Ferry	6		

## SURVEY QUESTIONS, RESPONSE OPTIONS AND FREQUENCIES

### QUESTION 1

What is the zip code of your primary residence (i.e. not a vacation or second home)?  
[see Table 2, page 9]

### QUESTION 2

Which of the following best describes your reason for being in the area today?  
(Check only one).

Category	Answer Options	Response Frequency
1	Full time resident/I live here	69
2	Part-time resident	10
3	To attend this arts event	486
4	I am here on business	0
5	Business & pleasure combined	4
6	Visiting friends/relatives	23
7	Vacation/holiday	15
8	Other	3
9	No answer	3

### QUESTION 3

Including yourself, how many people are attending this event? (Immediate party?)

Category	Answer Options	Response Frequency
1	Adults	1,739
2	Children	18
3	No Answer	1

### QUESTION 4

How many performances will you be attending?

Category	Answer Options	Response Frequency
1	Single	105
2	Two Performances	131
3	Three Performances	52
4	Four Performances	97
5	All Five Performances	219
6	No Answer	9

**QUESTION 5**

How many nights away from your primary residence will you be spend in this area specifically because of your attendance at this arts event? If you are a resident and you will not spend any nights away from home, please respond with "0."

Category	Answer Options	Response Frequency
1	One Night	129
2	Two Nights	194
3	Three Nights	51
4	Four or More Nights	23
5	Zero Nights	205
6	No Answer	11

**QUESTION 6**

Have you, or will you be, attending another attraction while in this area?  
Please explain:

Category	Answer Options	Response Frequency
1	Yes – Shopping	32
2	Yes - Dining	33
3	Yes – Historic Site	30
4	Yes - Other	63
5	No answer	455

**QUESTION 7**

I am the/a:

Category	Answer Options	Response Frequency
1	Ticket purchaser	477
2	Guest of the ticket purchaser	127
3	No Answer	9

**QUESTION 8**

My ticket type is:

Category	Answer Options	Response Frequency
1	4 Show CAT card	91
2	5 Show CAT card	209
3	Single ticket purchase	286
4	No Answer	27

**QUESTION 9**

List below the estimated amount that you and the members of your immediate travel party have spent, or plan to spend, in this area specifically as a result of your attendance at this arts event? Remember to include money spent before, during and after the event.

Category	Answer Options	Response Frequency
1	Food or drinks	503
2	Souvenirs, gifts, books, music, art	228
3	Clothing, shoes, accessories – non-gift	121
4	Transportation (gas, parking, tolls)	365
5	Overnight accommodations	329
6	Other	41
7	No answer	83

**QUESTION 10**

What is your gender?

Category	Answer Options	Response Frequency
1	Male	224
2	Female	369
3	No Answer	20

**Question 11**

Which range includes your age?

Category	Answer Options	Response Frequency
1	>18	0
2	18-24	3
3	25-34	12
4	35-39	18
5	40-44	29
6	45-49	33
7	50-54	51
8	55-64	190
9	65 +	27
10	No answer	250

**QUESTION 12****What is the highest level of education that you have completed?**

Category	Answer Options	Response Frequency
1	Less than high school	0
2	High School	22
3	2 year college/technical/associates	22
4	4 year college degree	169
5	Masters degree	222
6	Doctoral degree	154
7	No Answer	24

**QUESTION 13****Which of the following ranges includes your annual household income?**

Category	Answer Options	Response Frequency
1	>\$40,000	26
2	\$40,000-\$79,999	101
3	\$80,000-\$124,999	170
4	\$125,000-\$249,999	168
5	\$250,000-\$499,999	51
6	\$500,000-or More	14
7	No answer	83



## DIRECT, INDIRECT AN INDUCED IMPACTS

The direct, indirect and induced economic impacts of CATF were measured in this study. This data is based on input/output theory which traces the number of times the same dollar is spent and re-spent within a community. As a dollar cycles through each spending round in an economy, the impact of the dollar grows weaker as some of it leaks outside the immediate community. The initial round of spending serves as the direct impact. The \$1.4 million in expenditures spent by CATF patrons in Shepherdstown is the direct impact.

This spending, in turn, creates an additional economic impact on the local economy. Shepherdstown restaurants buy food, supplies, and business services (e.g. accounting services) with the dollars CATF patrons spend. Many of these business expenditures ripple to other businesses in Jefferson County creating the indirect impact, or the impact of businesses buying from other businesses. Any expenditures that ripple outside the region are considered a leakage.

Finally, there is an induced economic impact of the CATF event which represents the expenditures by households of the income they received associated with the previously described direct and indirect impacts. For example, a local florist experiencing increased commerce as a result of CATF would offer extra employment hours to an employee. The economic impact that results from the spending of the employee's extra income is defined as the induced impact. The recirculation of that money through the county economy, often referred to as the multiplier effect, generates an additional indirect and induced business volume impact in the Jefferson County economy that exceeds \$630,000.

The sum of each of these elements is the total economic impact of the Contemporary American Theater Festival. This study indicates that the total business volume impact is \$2.1 million annually.

<b>Table 5</b>			
<b>Economic Impact of CATF Patron Spending</b>			
Impact Type	DIRECT	INDIRECT & INDUCED	TOTAL IMPACT
Business Volume	\$1,400,000	\$630,000	<b>\$2,100,000</b>
Employment	39	17	<b>56</b>

*Notes: Employment is reported in average annual jobs. Totals reported throughout this report may not sum due to rounding. Assorted taxes include consumer sales taxes, personal income taxes, and business taxes.*

## IMPACT OF THE CATF ORGANIZATION

The Contemporary American Theater Festival, as an organization, is an active contributor to the business community. They are employers, producers, and consumers. They are members of other area organizations as well as a key partner in the marketing and promotion of the region and state.

Spending by the CATF organization totaled almost \$800,000 during 2008. This spending is far-reaching: they pay employees, purchase supplies, contract for services, and acquire assets within the community. These actions, in turn, support other jobs, create household income, and generate revenue to the local and state governments. Data was collected from CATF as they provided detailed budget information about many expenditure categories (e.g., labor, payments to local and non-local artists, operations, materials, facilities, etc) as well as their total attendance figures. The following table demonstrates the direct and total impacts of this spending.

<b>Table 6</b>			
<b>Economic Impact of CATF Organization Spending</b>			
Impact Type	DIRECT	INDIRECT & INDUCED	TOTAL IMPACT
Business Volume	\$797,000	\$342,700	<b>\$1,140,000</b>
Employment	22	9	<b>31</b>

<b>Table 7</b>			
<b>Total Impacts</b>			
Impact Type	DIRECT	INDIRECT & INDUCED	TOTAL IMPACT
Business Volume	\$2,197,000	\$972,700	<b>\$3,240,000</b>
Employment	61	26	<b>87</b>

## VOLUNTEERISM AND IN-KIND – AN IMPORTANT IMPACT EXCEEDING FINANCES

There is another subtle but significant contribution to consider when evaluating the CATF economic impact. It reflects on the organization without necessarily financially impacting the regional economy. It is the result of volunteerism and in-kind contributions. In 2008, 168 volunteers donated 2,645 hours to the CATF organization. This represents a donation of time with an estimated value of \$47,716 (Independent Sector estimates the value of the average volunteer hour to be \$18.04). While these organizations and volunteers may not have an economic impact as defined in this study, they clearly have an enormous impact by helping CATF function.

In addition, CATF supplied the values of this in-kind support. In-kind contributions are non-cash donations such as materials (e.g., office supplies from a local retailer) services (e.g., printing costs from a local printer) and housing (from Shepherd University). CATF reported that they received in-kind contributions with an aggregate value of \$254,170 during the 2008 season.

## CONCLUSIONS

CATF is a powerful economic engine in Jefferson County, West Virginia, one that supports 87 full-time equivalent jobs and generates \$2.1 million in local revenue. The festival attracts both local patrons and visitors to the region. Theater patrons and their associated CATF spending pump vital revenue into local restaurants, hotels, retail stores, parking, and other businesses.

Because of the structure of the Festival performances, many visitors see the majority of the plays, often in a two or three day period of time. This structure contributes significantly to the number of overnight stays by patrons. Similarly, because the Festival attracts patrons from diverse zip codes, long-distance visitors also tend to enjoy overnight stays in conjunction with the Festival. Both of these factors make important contributions to local lodging revenues.

Overnight visitors generally have little or no access to meal preparation resources while traveling. As a consequence, these visitors also tend to dine out with greater frequency. As demonstrated by this research, almost three quarters of all respondent spending was expended on either dining or lodging.

This study demonstrates that CATF yields significant economic benefits to the region. Communities that support the arts are not doing so at the expense of local economic development. Rather, support for CATF should be viewed as an investment in the local hospitality industry that supports jobs, generates revenue, and serves as an ambassador for tourism.

## **FREQUENTLY USED TERMS**

### **CULTURAL TOURISM**

Travel directed toward experiencing the arts, heritage, and special character of a place.

### **DIRECT ECONOMIC IMPACT**

A measure of the economic effect of the initial expenditure within a community.

### **DIRECT EXPENDITURES**

The first round of expenditures in the economic cycle.

### **ECONOMETRICS**

The process of using statistical methods and economic theory to develop a system of mathematical equations that measures the flow of dollars between local industries. The input-output model developed for this study is an example of an econometric model.

### **EMPLOYMENT**

The number of jobs in a business, industry, or region. Also the number of jobs attributable to an impact (see below). This is a measure of the number of full-time and part-time positions, not necessarily the number of employed persons.

### **FULL-TIME EQUIVALENT (FTE) JOBS**

A term that describes the total amount of labor employed. Economists measure FTE jobs—not the total number of employees—because it is a more accurate measure of total employment. It is a manager's discretion to hire one full-time employee, two half-time employees, four quarter-time employees, etc. Almost always, more people are affected than are reflected in the number of FTE jobs reported due to the abundance of part-time employment, especially in the nonprofit arts and culture industry.

### **INDIRECT IMPACT**

Each time a dollar changes hands, there is a measurable economic impact. When people and businesses receive money, they re-spend much of that money locally. Indirect impact measures the effect of this re-spending on jobs, household income, and revenue to local and state government. It is often referred to as secondary spending or the dollars "rippling" through a community. When funds are eventually spent non-locally, they are considered to have "leaked out" of the community and therefore cease to have a local economic impact. Indirect impact is the sum of the impact of all rounds of spending.

### **INPUT-OUTPUT ANALYSIS**

A system of mathematical equations that combines statistical methods and economic theory in an area of economic study called econometrics. Economists use this model (occasionally called an inter-industry model) to measure how many times a dollar is re-spent in, or "ripples" through, a community before it leaks out (see Leakage). The model is based on a matrix that tracks the dollar flow between 533 finely detailed industries in each community. It allows researchers to determine the economic impact of local spending by nonprofit arts and culture organizations on jobs, household income, and government revenue.

### **LEAKAGE**

The money that community members spend outside of a community. This non-local spending has no economic impact within the community.

**GATEWAY NEW ECONOMY COUNCIL STAFF**

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