

# The Dividends of Culture

## Understanding Direct & Indirect Economic Activity of Metro Denver Culture

The total economic activity of the cultural industry in metro Denver is \$1.3 billion. This amount includes direct and indirect expenditures. Direct economic activity is spending by the cultural industry – operating, capital, and audience event-related expenditures.

To measure the indirect economic activity generated by cultural industry spending, the US Bureau of Economic Analysis developed a multiplier known as the Regional Input-Output Modeling System (RIMS). The Colorado Department of Local Affairs, Division of Local Government, has provided the RIMS data for Colorado.

RIMS quantifies relationships among industries, measuring the waves of economic activity that occur when one industry experiences an increase in sales due to the expenditures of another industry. Operating, capital, and all non-ticket audience expenditures have unique multipliers to calculate the sales, employment, and earnings generated in other industries as a result of cultural industry spending.

### **Operating Economic Activity**

Operating expenditures of cultural organizations include things like salaries, rent, and utilities. The \$357 million in indirect economic activity in 2003 is a result of \$214 million of direct spending by the cultural industry. Indirect economic activity accounts for additional sales created by each dollar of direct spending. For example, when a theatre company pays its employees, those earnings are then spent on a variety of things like consumer goods, house payments, and car insurance.

### **Capital Economic Activity**

Capital expenditures include construction, remodeling, and purchase of new equipment. The \$47 million in indirect capital expenditures in 2003 result from \$37 million of direct spending by cultural organizations. For example, when a museum builds a new wing, it hires a general contractor to perform the work. The general contractor in turn purchases labor and materials to build the expansion, thus creating increased economic activity referred to as indirect economic activity.

### **Audience Event-Related Economic Activity**

All non-ticket items paid by cultural audiences for expenses like restaurant visits, shopping, hotel stays, childcare, and parking for cultural events make up audience event-related direct economic activity. In 2003, this amounted to \$301 million. For example, a family purchases dinner prior to taking in a musical performance and pays to park near the venue. The monies that the restaurant and parking ramp collect are used to make purchases, pay rent, and support the business. These businesses' expenditures create indirect economic activity, amounting to \$355 million in 2003.