

**THE ECONOMIC IMPACT OF THE ARTS  
ON DELAWARE**

A report to the Delaware State Arts Council

by

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# THE ECONOMIC IMPACT OF THE ARTS ON DELAWARE

## I. INTRODUCTION

Over 7,000 years ago, when the Sahara was green, artists in sandstone caves labored over paintings and engravings. Those paintings and engravings depicted the various important temporal and spiritual aspects of the lives of these pastoral people. The production of this art provided an outlet for the creative expression of early artists and added to the asesthetic and spiritual content of the lives of the many generations who were to dwell in those caves. While these works of art may have had some practical economic value (e.g., providing visual instructions on how to capture and herd gazelles), their economic value was secondary to their asesthetic and spiritual value. And so it is with the arts today; particularly with the nonprofit arts.

This study represents an attempt to measure as precisely and conservatively as possible the extent and exact nature of the economic impact of the nonprofit arts on the state of Delaware. Although its major contribution to the State is asesthetic and spiritual, the nonprofit arts is also an industry that can be measured by the same economic standards applied to any other business. Such a measure is important to the public sector for a number of reasons. First, Federal, State and local government grants are made to the nonprofit arts. Second,

activities of Delaware's nonprofit art organizations generate tax revenues, most significantly to the State and local governments. Third, the nonprofit arts is a significant component of Delaware's tourism and recreation industry, an industry which is, in turn, an important component of the State's economic development efforts. Spatially, the nonprofit arts have traditionally been a major component in development strategies to improve the attractiveness and vitality of the central business districts of older cities.

A better and more detailed understanding of the economic impact of the nonprofit arts should also be of interest to the private sector. Through spending on supplies and support services, nonprofit art organizations are part of the customer base of a broad spectrum of Delaware industries. In addition, expenditures from their wages by nonprofit art organization employees and the expenditures of nonprofit art organization clientele have a significant impact on Delaware industries. A healthy, active and exciting arts environment is also a factor in attracting and retaining the more "footloose" nongoods producing businesses so prevalent in today's economy, and assists those and other Delaware businesses in attracting and retaining qualified professionals.

Finally, nonprofit art organizations themselves should benefit from obtaining a more concise understanding of their contribution to Delaware's economy. They can demonstrate to private, corporate and government patrons the economic return that accompanies the aesthetic and spiritual contribution of the

nonprofit arts to Delaware. The report also provides Delaware's nonprofit art organizations with information on the characteristics of their clientele and may be of assistance in their future marketing efforts. The report offers some insights into the major economic issues threatening the future development and productivity of the nonprofit art industry.

### **Defining and Measuring the Nonprofit Arts**

Although economists usually do not hesitate to wade into issues where sensible persons fear to venture, even an economist will not try to determine what constitutes art. A narrow and simple approach to identifying the nonprofit arts was adopted for this project. The study focuses only upon the 128 nonprofit art organizations identified by the Delaware State Arts Council as conducting on-going cultural programming.

On the positive side, this narrow approach avoids conflicts over what is and is not art and the often ambiguous line between nonprofit and profit seeking organizations and between amateur and professional artists. Alternatively, this narrow approach not only understates the economic impact of the arts in Delaware by omitting profit-making art organizations and artists from consideration; it may also omit a variety of smaller nonprofit art organizations and activities. The many arts festivals in Delaware and the fairs where art works play a prominent role in attracting tourists (e.g., Newark Community Day) were also excluded. The time frame within which the study had to be completed precluded conducting representative surveys of art festival visitors (the major economic impact component). The

same was true for visitors to fairs, where separating the economic impacts resulting from arts and nonarts activities would be arbitrary at best.

Using a simple perspective, all economic activities take place through markets for resources (inputs to production) or markets for goods and services (outputs). The economic value of the activities of nonprofit art organizations can then be measured equivalently in four different ways. The value is equal to: (1) the value of the goods and services produced for sale; (2) the value of the goods and services actually purchased; (3) the value of the resources purchased in the resource market for use in nonprofit arts production; and finally, (4) the value of the resources sold in the resource market for use in nonprofit arts production.

For purposes of this study, we rely primarily upon the third form of measurement: the value of the resources purchased in the resource market for use in production by nonprofit art organizations. In order to produce, nonprofit art organizations, just like profit seeking organizations, must employ workers, buy office supplies, print and publish, advertise and promote, use outside professional services, rent space, buy insurance, construct and maintain buildings, buy and maintain equipment and so forth. When functioning in a free and competitive resource market system the detailed operating and capital expenditures of each nonprofit art organization are assumed to capture the opportunity cost or true value of the resources subsequently used in the production process.

To obtain a complete estimate of the direct economic impact of the Delaware's nonprofit art organizations we had to add to the purchases of inputs the expenditures of the organizations' clientele and visitors. While revenue from ticket purchases and purchases at organization operated concession stands and gift shops would be accounted for in the subsequent organization expenditures on inputs, attendance at art events generates a range of ancillary expenditures for such things as transportation, parking, baby-sitters, food and lodging.

Complete measurement of the nonprofit arts economic impact upon Delaware requires not only accurate estimates of annual levels of organization expenditures on inputs and expenditures by visitors, but also a complete and careful tracking of those expenditures as they ripple through the state's economy. For example, the expansion of an art museum may result in three kinds of effects: (1) there will be an expansion of employment by construction firms to build the new facilities and a possible increase in museum personnel to operate and maintain the expanded museum; (2) there may be an indirect expansion of activity in all sectors of the Delaware economy supplying inputs to either the construction firms or to the operation and maintenance of the museum; and (3) finally, all of the individuals who receive higher incomes because of the new jobs or increased revenue will in turn spend part of their increased incomes in local establishments providing a further, induced stimulus to the state's economy.

In attempting to measure all these effects there are a number of pitfalls to be avoided. For example, adding together audience ticket sales and a theatre's expenditures on supplies would result in a double counting of the same dollars. Also, the degree to which different kinds of expenditures are likely to occur inside or outside of Delaware has to be carefully determined. For example, the impacts upon Delaware resulting from the expenditure of art organization employees' incomes varies significantly depending upon whether the employees are Delaware residents or live outside the state. By the same measure, retail and wholesale trade sales to art organizations have to be adjusted so that the costs of purchased inventories are not included among the impacts. Clearly, however, an understanding of these economic ripple effects from the nonprofit arts industry expenditures is integral to analyzing their complete economic impact.

The process just described is often referred to as a "multiplier" process because the end amount of total economic activity stimulated in Delaware by the nonprofit arts is some multiple of the initial level of direct expenditures. Fortunately, the Bureau maintains a computerized mathematical procedure for tracing all of these multiplier effects and keeping track of them by detailed industrial sectors in terms of employment, output and wages. The impact model is based upon the average input-output relationships among firms in 494 detailed industries in the national economy, adjusted for the degree to

which each is present in the Delaware economy and the usual in-state, out-of-state purchasing patterns for each Delaware firm and household.

### **Report Structure**

In the section which follows, the direct and indirect economic impacts from nonprofit art organization expenditures are detailed. Section III of the report focuses upon the direct and indirect economic impacts of clientele and audience expenditures. Section IV presents data on the revenue sources of nonprofit art organizations in Delaware and discusses some of the major economic and productivity issues confronting those organizations. Finally, section V briefly reviews the direct spending on the arts by Delaware's public and nonprofit private schools.

## II. THE ECONOMIC IMPACT OF ORGANIZATION EXPENDITURES

As indicated in the previous section, the measurement of the economic value of the nonprofit arts industry is focused upon the expenditures of the nonprofit art organizations identified by the Delaware State Arts Council. The basic measures of an industry's economic performance are employment, wages, output and value added. Since the Delaware impact model is able to convert expenditures to all the other measures through the detailed production relationships for 494 industries, expenditures are adequate as the primary measure.

The estimation process began with the design of a questionnaire to be completed by each of the Arts Council's selected organizations (Appendix 1). In addition to detailed information on expenditures for fiscal year 1986, each organization was asked to provide information on its: sources of revenue; number of full-time and part-time employees; number and activity of volunteer workers; contributions to the community including student programs, scholarships, and charity performances; and works commissioned and Delaware artists employed. Two mailings of the questionnaire were conducted by the Census and Data System of the University of Delaware. Follow-up telephone calls were made to nonrespondents with particular attention given to any large organizations.

Almost 60 percent of the organizations completed the survey and the remaining nonrespondents were small, community-based arts organizations. To adjust for nonresponse, a sample of completed

questionnaires from 17 small, community-based arts organizations was selected (Appendix 2). The expenditure data from the sample was averaged and used as representative for the nonrespondents. Given the relatively small averages from the sample, the resulting universe estimate is considered conservative. For example, while comprising 40 percent of the total organizations, the nonrespondents' estimated wages are only 9.7 percent of total wages and the nonrespondents' total operational expenditures comprise only 11.0 percent of the total operational expenditures for the universe.

### **Expenditures**

The estimated 1986 total operating expenditures for Delaware nonprofit arts organizations are found in Table 1. In addition, the expenditure data is broken out for the sub-categories of performing arts organizations (e.g., the Delaware Symphony) and visual arts organizations (e.g., the Delaware Art Museum).

Not surprisingly, the detailed total operating expenditures show the nonprofit arts to be labor intensive, with 66.6 percent of expenditures going directly into wages and an additional 4.0 percent of expenditures for employee medical, dental, disability and life insurance (note also that FICA payments, amounting to approximately 7.5 percent of wages, are excluded from the total expenditures listed in Table 1). A Beethoven symphony reproduced by a synthesizer rather than a live orchestra is more the exception than the rule. In most cases, the nonprofit arts are limited in their ability to substitute capital for labor. Yet the arts must compete for labor and for nonlabor inputs to

Table 1

Operational Expenditures for Delaware Nonprofit  
Arts Organizations, 1986  
(Dollars)

	TOTAL	%	Performing Arts	%	Visual Arts	%
Wages	11,654,216	66.62	1,306,468	43.14	10,347,748	71.53
Marketing						
Radio & tv	61,474	0.35	16,058	0.53	45,416	0.31
Newspaper	87,156	0.50	52,425	1.73	34,731	0.24
Signs & advertis.	83,441	0.48	17,514	0.58	65,927	0.46
U.S. postal	99,182	0.57	50,465	1.67	48,717	0.34
Commercial print.	775,302	4.43	123,083	4.06	652,219	4.51
Office supplies	140,723	0.80	68,754	2.27	71,969	0.50
Facility rent/mortg.						
Rent	118,364	0.68	73,127	2.41	45,237	0.31
Mortgage	124,496	0.71	31,435	1.04	93,061	0.64
Equipment rental	48,584	0.28	16,535	0.55	32,049	0.22
Script/Score fee	23,812	0.14	21,248	0.70	2,564	0.02
Concessions						
Groceries	19,485	0.11	13,700	0.45	5,785	0.04
Rice milling	2,990	0.02	2,102	0.07	888	0.01
Flour	4,236	0.02	2,978	0.10	1,258	0.01
Bread, cake & rel.	3,174	0.02	2,232	0.07	942	0.01
Fruits, nuts & veg.	3,174	0.02	2,232	0.07	942	0.01
Paper products	7,486	0.04	1,925	0.06	5,561	0.04
Plastic products	1,909	0.01	1,038	0.03	871	0.01
Beverages	13,264	0.08	6,225	0.21	7,039	0.05
Beer	9,000	0.05	0	0.00	9,000	0.06
Other	270,491	1.55	79,127	2.61	191,364	1.32
Utilities						
Electric	863,692	4.94	237,749	7.85	324,638	4.33
Gas	76,662	0.44	24,167	0.80	85,071	0.36
Water	31,436	0.18	10,786	0.36	23,427	0.14
Telephone	216,013	1.23	55,452	1.83	195,106	1.11
Oil	49,673	0.28	0	0.00	122,513	0.34
Insurance						
Life, disability, liability	483,012	2.76	90,510	2.99	392,502	2.71
Medical & dental	516,097	2.95	49,042	1.62	467,055	3.23
Maintenance suppl.	55,455	0.32	18,020	0.60	37,435	0.26
Professional services						
Misc professional	898,920	5.14	551,999	18.23	346,921	2.40
Misc business	255,010	1.46	55,986	1.85	199,024	1.38
Government	27,845	0.16	7,555	0.25	20,290	0.14
Other	469,014	2.68	38,205	1.26	430,809	2.98
Total	\$17,494,786	100	\$3,028,142	100	\$14,466,644	100

Source: Bureau of Economic and Business Research, University of Delaware.

production against sectors such as manufacturing, where productivity is continually rising. As a result, expenditures on production of the arts have over time risen significantly faster than inflation (the general price level for consumer goods).

The nonprofit arts have found some methods for increasing productivity, such as air conditioning to extend a season through the summer or computerized mailing lists for marketing. Yet in the long run, these measures are still overwhelmed by the rigid labor requirements of the arts. The labor required for the live performance of a Bach quartet or a Shakespeare play, for example, has not changed in hundreds of years and will not change. Meanwhile, with the invention of backhoes and bulldozers, the number of workers and weeks required to excavate a foundation for a new building has declined 10-fold from 300 years ago to today.

Because of its labor intensive production function the economic pressures confronting the nonprofit arts are chronic. The consequences of this with regard to the relationship between expenditures and revenues will be discussed in section IV of the report. One response to these pressures, however, should be noted here. With productivity per person hour roughly constant, any increase in wage rates for arts employees must lead directly to a corresponding increase in costs and prices. As productivity per person hour and associated wages rise throughout the economy, the arts could try to keep its costs per unit of output in line with the general economy by allowing wages per worker in the arts to decline relative to the average wage of workers throughout the economy.

Based upon the survey data, it seems that Delaware's nonprofit arts organizations may, in fact, be trying to control costs by reducing employee salaries relative to the economy average. The estimated average annual wage per nongovernment employee in Delaware for 1986 was \$19,670, with a low of \$9,933 for retail employees and a high of \$30,991 for manufacturing employees. The average wage per employee in the Delaware nonprofit arts during 1986 was \$7,025. So, for 1986 the average wage in Delaware was 2.8 times the average wage of nonprofit arts employees, and the average wage in manufacturing was 4.4 times that of the nonprofit arts employees.

In part, the low wage per employee in the nonprofit arts is due to the high number of part-time personnel. In 1986 approximately 16 percent of the workers in Delaware were employed part-time compared to 67 percent of the 1,659 employees in the nonprofit arts. However, if one conservatively assumes that all the part-time employees in the nonprofit arts worked only 1.25 days per week (25 percent of full-time), the average wage for a full-time equivalent employee in the Delaware nonprofit arts would only rise to \$14,050, or only 71 percent of the average wage per employee throughout the state. (Note that the state average wage is not adjusted upward to reflect full-time equivalent employment.)

The low average wages and substantial use of part-time employees in the Delaware nonprofit arts industry may bring temporary fiscal relief, but it is a poor long term policy for a number of reasons. First, to date the nonprofit arts have been

able to retain quality employees at below average wages by hiring secondary wage earners, who have been predominantly females. Increasingly, however, industry is recognizing the high value per dollar of wages available from female employees, and with increased education and labor market experience, women are able to command increasingly better wages. Even a strong personal commitment to the arts will weaken as the disparity between the wages in the nonprofit arts and alternative occupational opportunities for women grows.

Second, the use of part-time employees does decrease labor costs because benefits are not normally provided to part-time staff (nationally, benefits average between 37 and 43 percent of wages in the private sector). Part-time employees, however, have much higher turnover rates than full-time employees, and turnover means loss of human capital and momentum for an organization. Finally, in addition to the extremely tight labor market currently in Delaware (unemployment rates averaging below 4.0 percent), the "baby-bust" will generate an almost 35 percent decline in the number of young persons entering the Delaware labor market over the next decade. In light of these facts, use of employee salaries to subsidize the nonprofit arts in Delaware would seem to be a self-defeating policy. Whether employees are males or females, if the nonprofit arts are going to retain qualified people, relative salaries must go up.

Following labor costs, the second major category of expenditures for Delaware's nonprofit arts organizations is utilities, which account for 7.1 percent of the total

in 1986. The third major category is professional fees (5.1 percent of total expenditures), composed primarily of payments to visiting artists and performers. In the process of figuring actual production costs, these fees could conceivably be added to employee wages in order to fully represent the true labor intensive character of the arts. The fourth major category is expenditures on commercial printing (4.4 percent of the total). Although listed under marketing in Table 1, commercial printing includes not only newspaper and magazine ads, handbills, mailed brochures and posters; it also encompasses activities such as the printing of tickets, programs and guidebooks. Finally, concession activities, including both food and beverages and gift items, account for 1.9 percent of total expenditures (and, as will be seen in Section IV, account for a much larger proportion of total revenues).

The same general ranking of expenditures are found in both the performing and visual arts. Although the performing arts, with only 43.1 percent of expenditures going to employees' wages, would appear less labor intensive than the visual arts, professional fees to visiting performers add an additional 18.2 percent to the total expenditures on labor (compared to 2.4 percent of the total expenditures in the visual arts). Relative to the visual arts, the performing arts devote a larger proportion of its expenditures to utilities (10.8 percent vs. 5.2 percent) and to marketing (8.6 percent vs. 6.3 percent). In total dollars the visual arts, with \$14.5 million of operational expenditures in 1986, is almost five times larger than the performing arts (with \$3.0 million).

The distribution of expenditures among Delaware's nonprofit arts organizations is extremely skewed. The top 10 financially largest of the 128 organizations (8 percent of the organizations) account for 71 percent of the total 1986 expenditures. The remaining 118 organizations, as one might expect, tend to reduce costs primarily in the area of personnel. The top 10 organizations account for 80 percent of all wages and yet only 47 percent of the nonwage expenditures. With regard to paid staff, the smaller community based organizations average 0.57 full-time and 4.0 part-time employees, using volunteer labor extensively; while the top 10 organizations average 48.6 full-time and 63.2 part-time employees. The average wage per employee is \$8,187 in the top 10 organizations compared to only \$4,486 in the smaller organizations. The smaller organizations apparently trim employee benefits as well (in part through a more intensive use of part-time as opposed to full-time employees). For example, while accounting for 80 percent of total wages, the top 10 organizations account for 89 percent of all expenditures on employee medical and dental insurance.

The proportions of the nonwage expenditures generated by the smaller organizations reflect the inflexibilities inherent in their production functions. Although only 29 percent of the total 1986 expenditures are made by the 118 smaller organizations, these smaller organizations have to market their services and so are responsible for 77 percent of the expenditures on postage, 72 percent of the expenditures on radio and television time and 71 percent of the expenditures on signs

and advertising displays. Lacking significant real property, the smaller organizations generate 86 percent of the spending on facility rentals and mortgages and 85 percent of the spending on equipment rental. Correspondingly, the smaller organizations then account for only 19 percent of the expenditures on utilities in 1986.

In addition to information on operating expenditures, the organization survey also collected data on capital expenditures. The typical capital investments made by Delaware's nonprofit arts organizations include expenditures on equipment such as typewriters, computers and musical instruments, on fixtures such as lighting systems and heating systems, and on plant capacity such as new or expanded buildings and land. Capital goods are generally expected to generate production benefits over an extended period of time. Capital expenditures for any organization, therefore, vary considerably from year to year. To obtain a reasonable and conservative estimate of capital outlay the surveyed organizations were asked to list all capital expenditures made over the past three fiscal years. The capital expenditures were then annualized by simply dividing by three.

The total capital expenditures of Delaware's nonprofit art organizations over the three years were \$11.5 million, or, \$3.8 million per annum (Table 2). So for every one dollar of annual operating expenditures the nonprofit arts organizations are estimated to average 22 cents of capital expenditures during 1986. Expenditures on land (40.3 percent of the 1986 total) and

on building construction, expansion, renovations and repairs (33.9 percent) dominate the capital spending. Building related items such as heating, ventilating and air conditioning systems, lighting fixtures (HAVC) and other fixtures (e.g., seats) account for an additional 14.8 percent. The remaining 11.0 percent is used to purchase typewriters, computers, musical instruments and other equipment.

Table 2

Capital Expenditures for Delaware Nonprofit  
Arts Organizations, 1986  
(Dollars)

	TOTAL	%	Performing Arts	%	Visual Arts	%
Typewriters	\$266,904	6.96	\$3,237	0.47	\$263,667	8.38
Computers	82,012	2.14	36,166	5.28	45,846	1.46
Lighting fixt.	213,611	5.57	61,958	9.05	151,653	4.82
Musical instr.	4,102	0.11	4,031	0.59	71	0.00
Land	1,543,137	40.26	128,594	18.78	1,414,543	44.94
Building	1,299,150	33.90	215,683	31.49	1,083,467	34.42
HVAC equipment	251,948	6.57	203,813	29.76	48,135	1.53
Fixtures	102,961	2.69	5,261	0.77	97,700	3.10
Other equipment	68,940	1.80	26,172	3.82	42,768	1.36
Total	\$3,832,764	100	\$684,915	100	\$3,147,849	100

Source: Bureau of Economic and Business Research, University of Delaware.

In absolute dollars the visual arts clearly dominate capital expenditures, spending \$3.2 million compared to just \$0.7 million of spending by the performing arts. Relative to each sector's

operating expenditures, however, the visual arts and performing arts are quite similar as both sectors average approximately 22 cents of capital spending for each dollar of operational expenditures. The distribution of capital expenditures within each sector do vary. Among the visual arts organizations 79 percent of the capital expenditures are for land and buildings, while for the performing arts only 50 percent of the capital spending is directed to land and buildings with almost 30 percent going to HVAC systems. Although these differences among the two sectors are interesting, given a three-year average where one or two major new facility construction projects could significantly effect the data, conclusions from the distributions should not be overdrawn.

The top 10 organizations are not as dominant in capital spending, as they account for 53 percent of the total 1986 capital expenditures (compared to 71 percent of total operating expenditures). The top 10 organizations are by far the major source of building construction activity as they generate 85 percent of the spending for new, expanded or renovated facilities. The smaller organizations are, however, increasing their labor productivity, as they are responsible for 54 percent of the funds spent on computers. The smaller organizations appear to be land banking in anticipation of one day constructing their own facilities (74 percent of all spending on land is by the smaller organizations).

## **The Economic Impact**

The organization survey was structured so that the detailed operating and capital expenditure data could be readily and accurately assigned to each of the appropriate 494 industries in the impact model. In addition, the survey asked each organization to indicate what proportion of every expenditure went to vendors located inside and outside of Delaware. Only those expenditures to Delaware vendors were used to estimate the economic impact on the state of interindustry spending. Finally, each organization was asked to indicate the percentage of its employees who lived inside and outside of Delaware. The wages of Delaware resident employees were assigned directly to the household sector of the impact model. For nonresident employees, however, only a portion of their wages (11.5 percent) was assigned to various retail sectors (e.g., eating and drinking places; general merchandise stores; gasoline stations). The distribution of the expenditures was based upon the U.S. Department of Labor, Bureau of Labor Statistics' **1981-82 Consumer Expenditure Survey** data on the detailed expenditures of households in the northeastern United States. Given the absence of a sales tax in Delaware, the 11.5 percent allocation was considered conservative.

The resulting "lost" out-of-state expenditures are detailed in Table 3. Overall, 10.1 percent of the direct expenditures by Delaware's nonprofit arts organizations occur outside the state. This includes 11.2 percent of total operational expenditures and 5.0 percent of total capital expenditures. The greatest leakages

among the operating expenditures are for professional services (visiting performers, 80 percent), followed by gift items for concession stands (72 percent), script and score rental fees (61 percent) and radio and television marketing (58 percent). Given the nature of the goods and services being purchased, these losses are not surprising; moreover, very little could be done to redirect the expenditures they represent into Delaware businesses.

Table 3

Out-of-State Operational and Capital Expenditures  
for Delaware Nonprofit Arts Organizations, 1986  
(Dollars)

		% of Total Organ. Expenditures
<b>Operational</b>	<b>\$1,960,343</b>	<b>11.20</b>
Wages	\$718,122	6.16
Marketing		
Radio & tv	35,738	58.14
Newspaper	13,304	15.27
Signs & advertis.	10,836	13.00
U.S. postal	167	0.17
Commercial print.	38,512	4.97
Office supplies	10,513	7.47
Facility rent/mortg.	0	0.00
Equipment rental	14,090	29.00
Script/Score fee	14,443	60.65
Concessions		
Beverages	1,200	9.05
Other	195,514	72.28
Utilities	0	0.00
Insurance		
Life, disability, liability	28,014	5.80
Medical & dental	11,000	2.13
Maintenance supplies	2,374	4.28
Professional services		
Misc. professional	719,136	80.00
Misc. business	56,455	22.14
Other	90,925	19.38
<b>Capital</b>	<b>191,472</b>	<b>5.00</b>
Typewriters	64,081	24.01
Computers	0	0.00
Lighting fixtures	6,175	2.89
Musical instruments	0	0.00
Land	0	0.00
Building	15,325	1.18
HVAC	5,000	1.99
Fixtures	100,000	97.12
Other	891	1.29
<b>Total</b>	<b>\$2,151,815</b>	<b>10.09</b>

Source: Bureau of Economic and Business Research, University  
of Delaware.

The total direct, indirect (resulting from interindustry purchases) and induced (resulting from the expenditure of employees wages) impacts upon employment, wages, output and value added for Delaware are summarized in Table 4 and are detailed in Table 5. During 1986, the nonprofit arts organizations in Delaware generated 1,964 jobs, \$15.3 million of wages and \$47.5 million of output.

The employment, wage and output multipliers associated with the expenditures of the nonprofit arts organizations throughout Delaware are 1.44, 1.43 and 1.37 respectively. The multipliers indicate that every 100 direct jobs in the nonprofit arts creates 44 additional jobs in Delaware's economy, every \$100 of direct wages creates an additional \$43 of wages, and every \$100 of production adds another \$37 to total output. Although not insignificant, the multipliers are low relative to the multipliers associated with a typical Delaware manufacturing industry (e.g., the employment multiplier for the automobile assembly sector in Delaware is 1.73). The primary reason for the relatively lower multipliers is the lower average wage of the nonprofit arts employees and the large proportion of part-time employees. Still, compared to other service sector industries, such as banking, the multipliers for Delaware's nonprofit arts organizations are notable.

Table 4

Economic Impact of Delaware Nonprofit Art Organizations  
(Millions of Dollars)

	Employment	Output	Wages	Value Added
AGRICULTURE	6.6	\$0.205	\$0.058	\$0.068
AGRICULTURAL SERVICES, FORESTRY & FISHERIES	0.6	0.024	0.006	0.012
MINING	0.0	0.005	0.001	0.003
CONSTRUCTION	22.0	1.543	0.373	1.042
MANUFACTURING	27.8	1.817	0.406	0.576
TRANSPORT. & PUBLIC UTILITIES	12.3	1.527	0.275	0.711
WHOLESALE	9.4	0.475	0.201	0.336
RETAIL TRADE	90.3	2.247	0.972	1.493
FINANCE, INSURANCE, & REAL REAL ESTATE	35.9	3.468	0.591	2.452
SERVICES	1757.5	36.096	12.332	2.177
GOVERNMENT	1.6	0.131	0.033	0.057
TOTAL	1963.9	\$47.540	\$15.248	\$8.927
MULTIPLIERS	1.436	1.369	1.432	1.333

Source: Bureau of Economic and Business Research, University of Delaware.

Table 5

Detailed Economic Impact of Delaware  
Nonprofit Art Organizations  
(Millions of Dollars)

	Employment	Output	Wages	Value Added
AGRICULTURE	6.6	\$0.205	\$0.058	\$0.068
DAIRY PROD., POULTRY, & EGGS	3.6	0.155	0.032	0.041
MEAT ANIMALS & MISC. LIVESTOCK	0.1	0.007	0.001	0.001
COTTON	0.0	0.000	0.000	0.000
GRAINS, & MISC. CROPS	0.0	0.002	0.000	0.001
TOBACCO	0.0	0.000	0.000	0.000
FRUITS, NUTS, & VEGETABLES	1.0	0.017	0.009	0.010
FOREST PROD.	0.0	0.000	0.000	0.000
GREENHOUSE & NURSERY PROD.	1.7	0.023	0.015	0.016
AGRI. SERV., FORESTRY, & FISH	0.6	0.024	0.006	0.012
AGRI. SERVICES (07)	0.5	0.012	0.005	0.006
FORESTRY (08)	0.0	0.001	0.000	0.001
FISHING, HUNTING, & TRAPPING (09)	0.1	0.011	0.001	0.006
MINING	0.0	0.005	0.001	0.003
METAL MINING (10)	0.0	0.000	0.000	0.000
ANTHRACITE MINING (11)	0.0	0.000	0.000	0.000
BITUM. COAL & LIGNITE (12)	0.0	0.000	0.000	0.000
OIL & GAS EXTRACTION (13)	0.0	0.004	0.001	0.003
NONMETAL MIN.-EX. FUELS (14)	0.0	0.000	0.000	0.000
CONSTRUCTION	22.0	1.543	0.373	1.042
GENERAL BLDG. CONTRACTORS (15)	13.1	1.284	0.207	0.844
HEAVY CONST. CONTRACTORS (16)	0.0	0.000	0.000	0.000
SPECIAL TRADE CONTRACTORS (17)	8.9	0.259	0.166	0.198
MANUFACTURING	27.8	1.817	0.406	0.576
FOOD & KINDRED PROD. (20)	1.2	0.108	0.015	0.026
TOBACCO MANUFACTURES (21)	0.0	0.000	0.000	0.000
TEXTILE MILL PROD. (22)	0.0	0.001	0.000	0.000
APPAREL & OTHER PROD. (23)	0.0	0.001	0.000	0.000
LUMBER & WOOD PROD. (24)	0.0	0.001	0.000	0.000
FURNITURE & FIXTURES (25)	0.0	0.000	0.000	0.000
PAPER & ALLIED PROD. (26)	0.1	0.021	0.003	0.007
PRINTING & PUBLISHING (27)	13.7	0.893	0.200	0.287
CHEMICALS & ALLIED PROD. (28)	0.2	0.048	0.007	0.011
PETROLEUM & COAL PROD. (29)	0.1	0.078	0.002	0.010
RUBBER & MISC. PLASTICS (30)	0.0	0.000	0.000	0.000
LEATHER & LEATHER PROD. (31)	0.0	0.001	0.000	0.000
STONE, CLAY, & GLASS (32)	0.1	0.004	0.001	0.002
PRIMARY METAL PROD. (33)	0.0	0.002	0.000	0.000

FABRICATED METAL PROD. (34)	0.0	0.000	0.000	0.000
MACHINERY, EXCEPT ELEC. (35)	1.1	0.069	0.023	0.024
ELECTRIC & ELEC. EQUIP. (36)	2.0	0.166	0.043	0.061
TRANSPORTATION EQUIPMENT (37)	0.0	0.005	0.001	0.001
INSTRUMENTS & REL. PROD. (38)	0.0	0.000	0.000	0.000
MISC. MANUFACTURING IND'S (39)	9.2	0.420	0.111	0.145
TRANSPORT. & PUBLIC UTILITIES	12.3	1.527	0.275	0.711
RAILROAD TRANSPORTATION (40)	0.5	0.031	0.014	0.017
LOCAL PASS. TRANSIT (41)	1.5	0.061	0.016	0.041
TRUCKING & WAREHOUSING (42)	1.4	0.084	0.031	0.051
WATER TRANSPORTATION (44)	0.1	0.007	0.002	0.003
TRANSPORTATION BY AIR (45)	0.0	0.002	0.001	0.001
PIPE LINES-EX. NAT. GAS (46)	0.0	0.000	0.000	0.000
TRANSPORTATION SERVICES (47)	0.2	0.002	0.001	0.001
COMMUNICATION (48)	3.9	0.329	0.088	0.208
ELEC., GAS, & SANITARY SERV. (49)	4.7	1.011	0.122	0.389
WHOLESALE	9.4	0.475	0.201	0.336
WHL SALE-DURABLE-GOODS (50)	4.2	0.215	0.094	0.156
WHL SALE-NONDURABLE GOODS (51)	5.2	0.260	0.107	0.179
RETAIL TRADE	90.3	2.247	0.972	1.493
BLDG. MAT.-GARDEN SUPPLY (52)	6.5	0.179	0.091	0.137
GENERAL MERCH. STORES (53)	16.9	0.304	0.154	0.238
FOOD STORES (54)	9.0	0.229	0.117	0.180
AUTO. DEALERS-SERV. STAT. (55)	13.0	0.387	0.196	0.299
APPAREL & ACCESS. STORES (56)	7.3	0.126	0.063	0.094
FURNITURE & HOME FURNISH. (57)	4.1	0.117	0.062	0.093
EATING & DRINKING PLACES (58)	17.5	0.494	0.125	0.205
MISCELLANEOUS RETAIL (59)	15.9	0.413	0.165	0.246
FINANCE, INS., & REAL ESTATE	35.9	3.468	0.591	2.452
BANKING (60)	14.4	0.568	0.236	0.420
CREDIT AGENCIES EX. BANKS (61)	2.4	0.131	0.053	0.067
SECURITY, COMM. BROKERS (62)	0.1	0.007	0.003	0.005
INSURANCE CARRIERS (63)	2.3	0.122	0.044	0.056
INS. AGENTS, BROKERS (64)	4.0	0.230	0.069	0.135
REAL ESTATE (65)	10.7	2.231	0.142	1.657
COMB. REAL ESTATE, INS. (66)	0.4	0.085	0.005	0.063
HOLDING-OTH. INV.. OFF'S (67)	1.7	0.096	0.039	0.049
SERVICES	1757.5	3.696	1.332	2.177
HOTELS & OTHER LODGING (70)	2.0	0.053	0.015	0.023
PERSONAL SERVICES (72)	5.4	0.181	0.067	0.108
BUSINESS SERVICES (73)	17.4	0.674	0.225	0.408
AUTO REPAIR, SERV., GARAGES (75)	2.9	0.346	0.046	0.151
MISC. REPAIR SERVICES (76)	2.9	0.115	0.038	0.067
MOTION PICTURES (78)	1.0	0.016	0.005	0.007
AMUSEMENT & RECREATION (79)	5.2	0.118	0.054	0.072
HEALTH SERVICES (80)	33.9	1.441	0.596	0.877
LEGAL SERVICES (81)	3.1	0.214	0.087	0.155
EDUCATIONAL SERVICES (82)	6.4	0.092	0.033	0.047

SOCIAL SERVICES (83)	624.6	12.086	4.103	5.898
MUSEUMS,BOTAN-ZOO.GARDENS (84)	211.3	4.087	1.388	2.019
MEMBERSHIP ORGANIZATIONS (86)	838.5	16.225	5.508	7.942
MISCELLANEOUS SERVICES (89)	2.8	0.191	0.078	0.138
GOVERNMENT	1.6	0.131	0.033	0.057
<hr/>				
TOTAL	1963.9	\$47.283	\$15.161	\$24.662
MULTIPLIERS	1.436	1.369	1.432	1.333

Source: Bureau of Economic and Business Research, University of Delaware.

### III. THE ECONOMIC IMPACT OF CLIENTELE EXPENDITURES

An important economic aspect of the nonprofit arts is the expenditures of arts clientele in the local community. Expenditures, in this instance, exclude the clients' payment for admission to the arts event and expenditures by clients on concessions operated by the nonprofit arts organizations. The economic impact of these client expenditures on admissions and concessions were already accounted for through the subsequent spending of the arts organizations (examined in section II).

Research has shown that the complementary expenditures by arts clientele have in recent years been rising more rapidly than clientele's expenditures on admissions. Certainly in this study, such complementary expenditures have been found to be significant. As it turns out, the total impact of expenditures by clientele of Delaware's nonprofit arts organizations on the state's economy exceeds the total impact of the nonprofit arts organizations themselves. Relative to the organizations' economic impact, clientele expenditures generate 20 percent more employment, 55 percent more wages and 58 percent more output.

Of the total clientele, 45 percent are from outside Delaware, thus bringing new spending into the state's economy. One might argue, as well, that the spending by the remaining 55 percent of the clientele who are Delaware residents might have been lost to surrounding metropolitan areas had not opportunities for consumption of the arts been available in the state.

The methodology used to estimate the total expenditures by the clientele of Delaware's nonprofit arts organizations and the corresponding data are detailed below.

### **The Clientele Survey**

Given project budget constraints, it was decided to conduct the survey of clientele at five representative nonprofit arts organizations. The five organizations selected by the Arts Council were the Delaware Theatre Company, the Grand Opera House, the Delaware Center for the Contemporary Arts, Winterthur Museum and Gardens and the Sussex County Arts Council. Each organization selected representative events between October, 1986 and January, 1987 for clientele surveys. Subsequently surveyed were: the clientele at 11 different productions at the Delaware Theatre Company and the Grand Opera House; two different events sponsored by the Sussex County Arts Council; and two different exhibits by the Center for the Contemporary Arts. At Winterthur clientele surveys were conducted for five representative days.

The clientele survey was designed to be administered on site at the various nonprofit arts organizations. The survey instrument was constructed to fit on one page and to be completed independently by the audience members at the various stage productions and by enumerators at the art center and museum (appendix 3). For the purposes of estimating economic impacts, the data requested included the zip code of the respondent, the number of persons in the respondent's party attending the event and the total expenditures in Delaware by everyone in that group on items such as parking, public transportation, meals and

alcohol. Although it was not needed for estimating the economic impacts, information was also obtained on the marketing channels through which the respondent first learned about the art event and on the respondent's socioeconomic characteristics.

A total of 1,335 completed and usable clientele surveys were collected, coded and keypunched by the University's Census and Data System. The resulting data on the characteristics of the performing arts and museum clientele in New Castle County and the clientele of art productions in southern Delaware are presented in Table 6. The corresponding characteristics of all Delaware residents in 1986 are also included in Table 6.

Research from the mid-1960s through the mid-1980s has repeatedly shown that the typical client of nonprofit arts is from a narrow segment of the general population. Across the nation (and throughout western Europe) the arts clientele is characterized by high levels of income and education. This same pattern clearly is evidenced in Delaware. As shown in Table 6, compared to a mean family income in Delaware of \$15,066 during 1986, the mean income of the clientele attending performances in New Castle County was \$53,231. The mean income of the clientele visiting museums in the County was \$47,123 and the mean income of persons attending performances in southern Delaware was \$36,299. Astoundingly, almost 46 percent of the persons attending theater performances in the County had income of \$60 thousand or greater compared only 1.3 percent of the families in Delaware. Given the high correlation between education and family income, not surprisingly, 80 percent of the performing arts clientele, 68

percent of the museum clientele and 49 percent of the persons attending performances in southern Delaware had four years of college or more. This compares to only 18 percent of all adults in the state.

Table 6  
Characteristics of Clientele of Delaware Nonprofit  
Arts Organizations, 1986

	Theaters in New Castle County	Museums in New Castle County	Art Events in South. Delaware	Delaware*
<b>Age</b>				
Mean Age	51.8	46.4	54.3	41.4
16 - 21 years	2.0%	1.3%	4.8%	12.3%
22 - 39 years	18.1	35.2	14.2	42.2
40 - 59 years	47.5	40.1	35.0	24.9
60 - 64 years	12.2	9.4	15.9	4.6
65+ years	20.2	14.0	30.1	15.9
<b>Sex</b>				
Male	50.1%	41.8%	38.7%	49.5%
Female	49.9	58.2	61.2	50.5
<b>Income</b>				
Mean	\$53,231	\$47,123	\$36,299	\$15,066
Under \$10,000	1.1%	4.3%	8.8%	47.5%
\$10 - \$19,999	4.8	10.4	14.7	26.5
\$20 - \$29,999	11.0	11.3	17.7	13.7
\$30 - \$39,999	12.7	16.7	20.6	7.3
\$40 - \$59,999	24.9	20.9	25.0	3.6
\$60,000+	45.6	36.4	13.2	1.3
<b>Education</b>				
Less than high school	0.6%	0.6%	2.6%	24.9%
High school	7.1	11.4	24.3	37.9
1-3 years college	12.2	19.6	24.3	18.8
4 years college or more	80.1	68.4	48.7	18.3

\* U.S. Department of Commerce, Bureau of the Census, Current Population Survey Data Files for Delaware, 1986.

Source: Bureau of Economic and Business Research, University of Delaware.

The age distributions from the client survey show that, while museums in northern Delaware are capturing a share of the "baby-boom" generation that is only slightly below average, the performing arts throughout the state are faring very poorly with this large segment of the adult population. It may well be that when the "baby-boom" generation moves into their mid-forties and early fifties, their interest in the performing arts will increase as their income rises and their family responsibilities ease. However, research from the late 1960s showed an average age for theater audiences in the mid-thirties. This would seem to indicate that the high demand found among the Delaware theater clientele age 40 to 59 is an expression of preferences which already existed when these individuals were younger. If this is the case, the nonprofit Delaware performing arts must find the right marketing channels and product mix to attract a greater share of the "baby-boomers" who are now entering their early to mid-thirties or jeopardize the future demand for the performing arts.

Certainly, in Delaware as throughout the nation and western Europe, the nonprofit arts also face the continual challenge of reaching a broader and more representative segment of the population. There are two practical reasons to strive for this goal. First, if the arts do contribute to the well being of an individual, then the arts and supporters of the arts, including government, should be concerned with those who are denied the experience due to lack of income. Second, if the arts are to continue to receive government support, they will fare better

with lawmakers when it is evident that the arts benefit a broad segment of the voting constituency. How this might be accomplished, however, is not easily answered. In England where the arts are heavily subsidized and admission prices are quite low, the composition of the audience is still dominated by individuals with higher levels of income and education. In various communities in the U.S. the audience profile at free concerts and other free performances remains largely unchanged from the standard performing arts audience.

### **The Clientele Economic Impact**

As with the survey of organizations, the clientele survey was structured so that the direct expenditures by arts clients could be readily assigned to the 494 industry categories in the Delaware impact model. In addition to the expenditures reported by the clients, automobile expenditures on gasoline, oil, insurance and repairs and maintenance were estimated using the miles traveled to attend the arts event and the costs per mile of owning and operating the average automobile in the mid-Atlantic region (U.S. Department of Commerce, Bureau of the Census, **Statistical Abstract of the United States, 1986**, p. 606). For clients from outside Delaware, no insurance expenditures were assigned and other operating expenditures were estimated only for those clients who cited the attendance at the arts event as very important to their decision to travel into Delaware.

Based upon the number of persons in each party, the survey data was converted into expenditures per client. The expenditures per client were then multiplied by the total

attendance during 1986 for the 128 Delaware nonprofit arts organizations. The total attendance figures were obtained from both the organization survey and from attendance data compiled by the Greater Wilmington Convention and Visitors Bureau.

During 1986, Delaware's nonprofit arts organizations had combined attendance of more than 755 thousand persons, or 130 thousand more persons than live in the State. The attendance was 137 thousand for performing arts events and 618 thousand attending visual arts events. Almost 337 thousand of the clients were out-of-state visitors for whom the arts events were a primary reason for coming to Delaware. In fact, 72 percent cited the arts event as the main purpose for their trip. This includes 91 percent of the out-of-state visitors attending performing arts events in northern Delaware and 70 percent of those attending visual arts events.

The expenditures of the clientele of the Delaware nonprofit arts during 1986 are detailed in Table 7. The largest categories of expenditures were \$17.9 million spent in Delaware restaurants and bars and \$17.7 million spent in miscellaneous shopping. The next largest category was expenditures on hotel/motel accommodations (\$8.4 million), followed by automobile expenditures (\$5.5 million). Expenditures on public transportation, baby-sitters and parking each accounted for less than one percent of the total clientele expenditures during the year.

While the visual arts accounted for 82 percent of the clientele during 1986, they accounted for almost 94 percent of

the clientele expenditures. Visual arts clients were far more likely to take time to shop for retail goods during their trip; for every dollar spent on miscellaneous retail goods by a performing arts client during 1986, a visual arts client spent \$27. Because they traveled longer distances to attend arts events, visual arts clients also accounted for almost all the hotel/motel expenditures in 1986 and 85 percent of the automobile expenses. Clients of the performing arts did tend to spend more per capita on baby-sitters, parking and restaurants/bars than the clients of the visual arts.

Table 7  
Clientele Expenditures for Delaware Nonprofit  
Arts Organizations, 1986  
(Dollars)

Expenditure Category	Theaters in New Castle County	Museums in New Castle County	Art Events in South. Delaware	Total
Parking	\$72,018	\$209,280	\$0	\$281,298
Public Transportation	21,008	347,621	3,475	372,104
Restaurant/Bar	2,261,422	15,438,595	182,090	17,882,106
Babysitting	86,105	202,292	4,309	292,707
Hotel/Motel	89,237	8,252,626	4,309	8,346,172
Miscellaneous Shopping	128,339	17,551,067	8,757	17,688,163
Automobile Expenditures				
Gasoline	128,636	2,665,380	34,000	2,828,016
Oil	2,269	47,008	600	49,877
Insurance	69,140	209,220	24,530	302,889
Repairs & Maintenance	102,999	2,134,185	27,224	2,264,408
Total	2,961,173	47,057,274	289,294	50,307,740

Source: Bureau of Economic and Business Research, University of Delaware.

The total direct, indirect and induced impacts upon employment, wages, output and value added for Delaware from expenditures of the nonprofit arts clientele in 1986 are summarized in Table 8 and are detailed in Table 9. During 1986 the clientele of the nonprofit arts organizations in Delaware generated 2,357 jobs, \$23.7 million of wages and \$75.0 million of output.

Table 8

Economic Impact of Clientele Expenditures  
(Millions of Dollars)

	Employment	Output	Wages	Value Added
AGRICULTURE	22.4	\$0.797	\$0.199	\$0.352
AGRICULTURAL SERVICES, FORESTRY, & FISHERIES	4.3	0.162	0.047	0.081
MINING	0.1	0.017	0.003	0.010
CONSTRUCTION	21.6	0.629	0.405	0.481
MANUFACTURING	7.6	1.061	0.114	0.237
TRANSPORTATION & PUBLIC UTILITIES	22.9	2.816	0.515	1.275
WHOLESALE	25.0	1.280	0.517	0.863
RETAIL TRADE	1470.7	42.597	13.019	19.729
FINANCE, INSURANCE, & REAL ESTATE	12.0	6.145	1.043	4.265
SERVICES	697.2	18.284	7.279	9.834
GOVERNMENT	23.0	1.212	0.506	0.645
TOTAL	2356.8	\$74.998	\$23.648	\$37.772
MULTIPLIERS	1.302	1.490	1.452	1.650

Source: Bureau of Economic and Business Research, University of Delaware.

The employment, wage and output multipliers associated with the clientele expenditures are 1.30, 1.45 and 1.49 respectively. The multipliers indicate that every 100 jobs directly resulting from clientele expenditures create 30 additional jobs in Delaware's economy, every \$100 of direct wages creates an additional \$45 of wages, and every \$100 of production adds another \$49 to total output. Not surprisingly, nearly 92 percent of all the employment is concentrated in retail trade and the service industry. Individual sectors which benefit significantly from the spending of arts clientele include eating and drinking establishments, miscellaneous retail, hotels and other lodging establishments and automobile service stations.

Table 9  
Detailed Economic Impact of Clientele Expenditures  
(Millions of Dollars)

	Employment	Output	Wages	Value Added
AGRICULTURE	22.4	\$0.797	\$0.199	\$0.352
DAIRY PROD., POULTRY, & EGGS	5.3	0.227	0.047	0.059
MEAT ANIMALS & MISC. LIVESTOCK	0.1	0.008	0.001	0.001
COTTON	0.0	0.000	0.000	0.000
GRAINS, & MISC. CROPS	7.2	0.412	0.063	0.203
TOBACCO	0.0	0.000	0.000	0.000
FRUITS, NUTS, & VEGETABLES	6.1	0.099	0.054	0.055
FOREST PROD.	0.0	0.002	0.000	0.001
GREENHOUSE & NURSERY PROD.	3.6	0.048	0.032	0.032
AGRI. SERV., FORESTRY, & FISH	4.3	0.162	0.047	0.081
AGRI. SERVICES (07)	3.9	0.089	0.040	0.041
FORESTRY (08)	0.0	0.006	0.001	0.003
FISHING, HUNTING, & TRAPPING (09)	0.4	0.067	0.006	0.037
MINING	0.1	0.017	0.003	0.010
METAL MINING (10)	0.0	0.000	0.000	0.000
ANTHRACITE MINING (11)	0.0	0.000	0.000	0.000

BITUM. COAL & LIGNITE (12)	0.0	0.000	0.000	0.000
OIL & GAS EXTRACTION (13)	0.1	0.016	0.002	0.010
NONMETAL MIN.-EX. FUELS (14)	0.0	0.001	0.000	0.000
CONSTRUCTION	21.6	0.629	0.405	0.481
GENERAL BLDG. CONTRACTORS (15)	0.0	0.000	0.000	0.000
HEAVY CONST. CONTRACTORS (16)	0.0	0.000	0.000	0.000
SPECIAL TRADE CONTRACTORS (17)	21.6	0.629	0.405	0.481
MANUFACTURING	7.6	1.061	0.114	0.237
FOOD & KINDRED PROD. (20)	4.1	0.374	0.050	0.094
TOBACCO MANUFACTURES (21)	0.0	0.000	0.000	0.000
TEXTILE MILL PROD. (22)	0.0	0.003	0.001	0.001
APPAREL & OTHER PROD. (23)	0.1	0.003	0.001	0.001
LUMBER & WOOD PROD. (24)	0.0	0.001	0.000	0.000
FURNITURE & FIXTURES (25)	0.0	0.000	0.000	0.000
PAPER & ALLIED PROD. (26)	0.6	0.100	0.013	0.031
PRINTING & PUBLISHING (27)	1.0	0.083	0.017	0.026
CHEMICALS & ALLIED PROD. (28)	0.1	0.018	0.003	0.005
PETROLEUM & COAL PROD. (29)	0.3	0.406	0.011	0.052
RUBBER & MISC. PLASTICS (30)	0.0	0.002	0.000	0.001
LEATHER & LEATHER PROD. (31)	0.2	0.005	0.001	0.001
STONE, CLAY, & GLASS (32)	0.2	0.012	0.003	0.005
PRIMARY METAL PROD. (33)	0.0	0.001	0.000	0.000
FABRICATED METAL PROD. (34)	0.0	0.001	0.000	0.000
MACHINERY, EXCEPT ELEC. (35)	0.3	0.013	0.005	0.007
ELECTRIC & ELEC. EQUIP. (36)	0.0	0.000	0.000	0.000
TRANSPORTATION EQUIPMENT (37)	0.0	0.009	0.001	0.002
INSTRUMENTS & REL. PROD. (38)	0.0	0.000	0.000	0.000
MISC. MANUFACTURING IND'S (39)	0.7	0.030	0.008	0.011
TRANSPORT. & PUBLIC UTILITIES	22.9	2.816	0.515	1.275
RAILROAD TRANSPORTATION (40)	1.3	0.090	0.041	0.048
LOCAL PASS. TRANSIT (41)	2.8	0.118	0.030	0.079
TRUCKING & WAREHOUSING (42)	3.8	0.231	0.084	0.140
WATER TRANSPORTATION (44)	0.5	0.039	0.009	0.015
TRANSPORTATION BY AIR (45)	0.1	0.006	0.002	0.003
PIPE LINES-EX. NAT. GAS (46)	0.0	0.000	0.000	0.000
TRANSPORTATION SERVICES (47)	0.6	0.007	0.004	0.005
COMMUNICATION (48)	3.4	0.282	0.084	0.201
ELEC., GAS, & SANITARY SERV. (49)	10.2	2.043	0.260	0.784
WHOLESALE	25.0	1.280	0.517	0.863
WHLSALE-DURABLE-GOODS (50)	7.7	0.416	0.166	0.276
WHLSALE-NONDURABLE GOODS (51)	17.3	0.864	0.352	0.587
RETAIL TRADE	1470.7	42.597	13.019	19.729
BLDG. MAT.-GARDEN SUPPLY (52)	23.8	0.804	0.268	0.390
GENERAL MERCH. STORES (53)	29.8	0.534	0.270	0.419
FOOD STORES (54)	14.4	0.365	0.186	0.286
AUTO. DEALERS-SERV. STAT. (55)	282.6	5.779	2.795	4.106
APPAREL & ACCESS. STORES (56)	12.9	0.222	0.111	0.166
FURNITURE & HOME FURNISH. (57)	7.0	0.200	0.107	0.159
EATING & DRINKING PLACES (58)	630.6	17.809	4.497	7.410
MISCELLANEOUS RETAIL (59)	469.6	16.883	4.784	6.793

FINANCE, INS., & REAL ESTATE	62.0	6.145	1.043	4.265
BANKING (60)	19.4	0.767	0.318	0.567
CREDIT AGENCIES EX. BANKS (61)	4.4	0.244	0.100	0.126
SECURITY, COMM. BROKERS (62)	0.3	0.025	0.013	0.018
INSURANCE CARRIERS (63)	10.5	0.562	0.202	0.257
INS. AGENTS, BROKERS (64)	4.4	0.253	0.075	0.148
REAL ESTATE (65)	19.0	3.965	0.253	2.945
COMB. REAL ESTATE, INS. (66)	0.7	0.150	0.010	0.112
HOLDING-OTH. INV.. OFF'S (67)	3.2	0.178	0.073	0.092
SERVICES	697.2	18.284	7.279	9.834
HOTELS & OTHER LODGING (70)	463.9	9.959	4.409	5.118
PERSONAL SERVICES (72)	20.1	0.749	0.252	0.417
BUSINESS SERVICES (73)	22.0	0.853	0.281	0.508
AUTO REPAIR, SERV., GARAGES (75)	6.1	0.736	0.097	0.320
MISC. REPAIR SERVICES (76)	7.1	0.284	0.091	0.158
MOTION PICTURES (78)	1.7	0.028	0.009	0.012
AMUSEMENT & RECREATION (79)	16.5	0.377	0.174	0.231
HEALTH SERVICES (80)	63.9	2.460	0.880	1.280
LEGAL SERVICES (81)	13.2	0.895	0.366	0.648
EDUCATIONAL SERVICES (82)	15.7	0.226	0.082	0.117
SOCIAL SERVICES (83)	20.6	0.341	0.116	0.166
MUSEUMS, BOTAN-ZOO. GARDENS (84)	7.0	0.115	0.039	0.056
MEMBERSHIP ORGANIZATIONS (86)	27.7	0.458	0.155	0.223
MISCELLANEOUS SERVICES (89)	11.8	0.801	0.328	0.580
GOVERNMENT	23.0	1.212	0.506	0.645
-----				
TOTAL	2356.8	\$74.998	\$23.648	\$37.772
MULTIPLIERS	1.302	1.490	1.452	1.650

Source: Bureau of Economic and Business Research, University of Delaware.

#### IV. ARTS ORGANIZATION REVENUES

Although the economic impact of Delaware's nonprofit arts organizations' expenditures has already been estimated (Section II), a brief analysis of organization revenue sources provides some insights into what types of actions might best address the chronic economic bind of those organizations.

##### **Revenue Sources**

The distribution of 1986 revenues for Delaware's nonprofit arts organizations is found in Table 10. The total revenues for visual arts and performing arts organizations are also shown in the table. The distribution of total revenues parallels the distribution of clientele, as the visual arts accounted for 82 percent of the 1986 clientele and 84 percent of the total revenues.

**Earned Income** - Overall, almost 42 percent of the organizations' revenues were earned; only 13.4 percent, however, was from admission charges. Admission earnings ranged from a low of 9.5 percent of revenues for the visual arts to 34.6 percent for the performing arts.

The amount of revenue raised through admissions is of no small consequence, since any potential patron of the arts may wish to first be convinced that the arts are making a reasonable effort to be self-supporting. Given the relatively high income of the arts clientele (Section III), it would seem reasonable to assume that admission charges could generate substantial revenues. To the extent that high prices may represent a barrier to particular populations (e.g., children, students, the elderly

and the poor), price discrimination can be instituted through vehicles such as special discounts (e.g., senior citizen prices; low prices on tickets sold through community centers in distressed neighborhoods; free wheelchair spaces). Matinees and weekday performances - usually at reduced rates - would further increase accessibility to special audiences such as school groups and senior citizens. Most Delaware art organizations are already using one or more of these special forms of pricing.

Table 10  
Revenues of Delaware Nonprofit  
Arts Organizations, 1986

	Visual Arts	%	Performing Arts	%	TOTAL	%
EARNED INCOME						
Admissions	\$2,295,297	9.5	\$1,563,813	34.6	\$3,859,110	13.4
Concession/Gift shp	6,408,508	26.5	72,299	1.6	6,480,807	22.6
Parking	2,006	0.0	0	0.0	2,006	0.0
Class & workshops	112,177	0.5	110,067	2.4	222,244	0.8
Net \$ from art sales	54,017	0.2	398	0.0	54,415	0.2
Other earned income	816,074	3.4	529,189	11.7	1,345,263	4.7
CONTRIBUTED INCOME						
Corporate	1,140,233	4.7	448,026	9.9	1,588,259	5.5
Individual	1,289,135	5.3	432,134	9.6	1,721,269	6.0
Foundations	825,885	3.4	44,059	1.0	869,944	3.0
Municipal	60,971	0.3	1,343	0.0	62,314	0.2
Federal	590,741	2.4	40,802	0.9	631,543	2.2
State	368,754	1.5	368,399	8.2	737,153	2.6
County	131,022	0.5	548	0.0	131,570	0.5
MISCELLANEOUS INCOME						
Endowment	9,198,142	38.0	412,183	9.1	9,610,325	33.5
Fund raising	140,435	0.6	240,352	5.3	380,787	1.3
Investment earnings	550,689	2.3	18,586	0.4	569,275	2.0
Auxiliary groups	10,541	0.1	29,761	0.7	40,302	0.1
Other	223,750	0.9	202,971	4.5	426,721	1.5
Total	\$24,218,887	100	\$4,514,929	100	\$28,733,816	100

Source: Bureau of Economic and Business Research, University of Delaware.

The strategy of relatively low admissions charges for the visual arts can be justified in two ways. First, unlike the performing arts, the visual arts are not selling an ephemeral (perishable) product with high operating costs. Given the physical limitations of the musicians and the high operating to fixed costs, the performance of a Beethoven symphony can be offered only a limited number of times during a week. Once set into place, an art exhibit, on the other hand, can be offered almost continuously, incurs low operating costs and has high initial average fixed costs that will then decline with each additional client. Second, nearly 27 percent of the visual arts' revenues come from concession sales (compared to 1.6 percent of the revenues in the performing arts). Concession sales include food, beverages, souvenirs and gift shop items. So low admission charges and high client volume (4.5 clients to every client of the performing arts in 1986) is a successful strategy for the visual arts by making the arts product accessible to a broad segment of society at a relatively low cost, while generating significant earned income from concessions. (Note that because of the strong performance of the Winterthur Museum and Gardens the data most likely over represents the concession earnings performance of the average Delaware visual arts organization. Note also that a potential major issue facing all nonprofits is pending action by Congress to remove the nonprofit tax status from operations such as concessions which allegedly compete directly with the private sector.)

As discussed previously, since it is difficult for the performing arts to substitute capital (e.g., equipment) for labor, the costs per unit of output in the performing arts will rise more rapidly than inflation. If earned income from the performing arts were kept in line with costs, one would expect that admissions charges would rise faster than the general price level (as represented by the Consumer Price Index). As shown in Table 11, preliminary evidence indicates that the Delaware performing arts have done just that. Over the past decade, while the general price level in the Philadelphia area (including northern New Castle County) increased 87 percent, at the Grand Opera House the average price of symphony tickets rose 179 percent, jazz concert tickets prices rose 131 percent and pop symphony ticket prices rose 77 percent. The lower increase in

Table 11

Admission Charges in the Delaware Nonprofit  
Performing Arts, 1976-86

Event	1976	1986	Percent Change
Symphony	\$8.25	\$23.00	178.8
Jazz Concert	6.50	15.00	130.8
Pop Symphony	8.50	15.00	76.5
Philadelphia Area Consumer Price Index	171.9	321.7	87.1

Sources: Grand Opera House, Wilmington, Delaware; U.S.  
Department of Labor, Bureau of Labor Statistics.

the price of pop symphony tickets may reflect the generally weaker and less mature market for such a product in northern Delaware and/or a deliberate marketing strategy to reach young adults.

While the need to earn more revenues from admissions charges is a pressing issue for the performing arts, the task is far from easy. First, even when ticket prices rise significantly faster than the general price level, the increased revenue is barely keeping pace with increased costs. Second, research indicates that a one percent increase in personal income in a region generates only a 0.2 percent increase in the consumption of the performing arts. Third, the performing arts face increasing competition through such readily available substitutes as video tapes, laser discs, stereo television and the overall growth in the supply of leisure/recreation goods and services. Finally, with the extraordinary rise in the labor force participation of females starting with the "baby boom" generation, the performing arts is competing for an increasingly scarce resource: consumers' time (and perhaps energy). When both adults in a household are working, it becomes more difficult to find the time and energy to commit three to four hours to attending an arts performance.

In order to maintain earned income, the nonprofit arts, particularly the performing arts, must devote more time and resources to sophisticated and innovative marketing. The variations in market segments must be recognized and marketing strategies that recognize the price sensitivity of different segments must be developed. The importance of time to clients

needs to be taken into account. For example, tickets must be increasingly convenient to obtain (e.g., credit card purchases by telephone) and impulse buyers must be encouraged and accommodated. Activities which cultivate an appreciation of and interest in the arts should be undertaken (e.g., free 45 minute lunch hour performances at the Grand Opera House).

While three or four of the largest performing arts organizations in Delaware have very competent and able marketing directors, the remaining smaller organizations cannot afford such an investment. A possible solution would be the hiring of an independent marketing consultant by a group of performing arts organizations or increase technical assistance in the area of marketing by the State Arts Council. The sharing of a marketing director is a simple way for Delaware's smaller performing arts organizations to take advantage of management economies of scale.

Finally, given the minuscule concession revenues earned by the performing arts in 1986 (\$72 thousand) compared to the visual arts (\$6.4 million), the hiring of an independent consultant to provide assistance to performing arts organizations through seminars and counseling on concession supply and management could be very valuable.

**Contributed Income -** Overall, contributed income was 20 percent of the revenues of Delaware's nonprofit arts organizations during 1986. Individual gifts (\$1.7 million) and corporate gifts (\$1.6 million) were the two most significant sources, together accounting for almost 60 percent of all contributed income. Foundations (\$870 thousand), the State (\$737) and the Federal government (\$632 thousand) were the next

greatest sources of contributed income. Contrary to popular perception, revenue to the nonprofit arts from all government sources accounted for only 27 cents out of every dollar of contributed income and a mere 5.4 cents out of every dollar of total revenue during 1986. The nonprofit arts in Delaware appear to not be in great danger of becoming dependent upon public sector largesse.

The visual arts rely less upon contributed income than do the performing arts. Out of every dollar of contributed income to the nonprofit arts in 1986, the visual arts received 77 cents (with a clientele share of 82 percent) and the performing arts 33 cents. Slightly more than 18 percent of the visual arts' total 1986 revenues were from contributed income compared to almost 30 percent of the revenues in the performing arts. In terms of the relative distribution of contributed income by source, the performing arts fared best with the State as 50 percent of the State's contributed income went to the performing arts. Compared to their clientele share of 18 percent, the performing arts received 28 percent of the corporate contributions and 25 percent of the contributed income from individuals. The performing arts fared poorly with the foundations, receiving only 5 percent of the 1986 contributions and fared poorly with the Federal, municipal and county governments.

Further investigation of this 1986 distribution of contributed income may uncover reasonable grounds for the relatively poor showing of the performing arts with respect to foundations and all governments but the State. If not, perhaps

an independent consultant or technical assistance from the State Arts Council might assist the performing arts to improve their contacts and exposure with the foundations and the Federal government. Training might be provided for part-time development officers and the Arts Council might assist a coalition of smaller organizations to support a full-time development officer to serve all coalition members.

**Miscellaneous Income** - Overall, miscellaneous income accounted for 38.4 percent of the total revenues of Delaware's nonprofit arts organizations during 1986. The major source of miscellaneous income was endowment funds (\$9.6 million) which were 87 percent of all miscellaneous income. Investment earnings (\$569 thousand) were next in importance with 5 percent of all miscellaneous income, followed by fund raising events (\$381 thousand) and auxiliary groups (\$40 thousand).

Because of their large endowments, the visual arts organizations dominated the miscellaneous income category, accounting for 92 percent of the total. The visual arts organizations received 96 percent of the endowment funds and, not surprisingly, the visual arts also received 97 percent of the investment earnings. The performing arts fared well in the areas of fund raising events and auxiliary group activities.

Certainly it is every nonprofit organization's dream to build a large endowment and be able to know that a significant amount of endowment funds will be available for meeting each year's operating costs. Generally, for whatever the reasons, one does not find performing arts organizations with large endowments, and there may be little that can be done in Delaware

to increase the performing arts' share of endowment funds. For both visual and performing arts organizations it may be that the smaller organizations may pool their account balances, approach a major financial investment organization and thereby receive higher monthly earnings on their funds.

### **The Distribution of Revenues By Organization Size**

In Section II it was indicated that the distribution of expenditures among Delaware's nonprofit arts organizations was extremely skewed, with the ten largest organizations (out of 128 organizations) accounting for 71 percent of the total 1986 expenditures. As shown in Table 12, the distribution of revenues was even more skewed, as the top ten organizations received 81 percent of the 1986 total revenues.

The revenue sources from which the smaller organizations received a proportion of income larger than their average share of 19 percent during 1986 included municipal government (93 percent), classes and workshops ( 74 percent), auxiliary groups (56 percent), State government (42 percent), admission charges (31 percent), fund raising events (26 percent) and individual contributions (24 percent). Again, with access to staff and expertise through an independent consultant or the Arts Council the smaller organizations throughout the State may be able to capture larger shares of the contributed income from corporations and foundations and endowment funds.

Table 12

Revenue of the Top Ten  
Nonprofit Arts Organizations, 1986

	Top Ten Organizations	TOTAL	Top Ten As A % of Total
<b>EARNED INCOME</b>			
Admissions	\$2,671,722	\$3,859,110	69.2
Concessions/Gift shops	5,560,561	6,480,807	85.8
Parking	0	2,006	0.0
Class & Workshops	56,889	222,244	25.6
Net \$ from art sales	43,579	54,415	80.1
Other earned income	1,114,780	1,345,263	82.9
<b>CONTRIBUTED INCOME</b>			
Corporate	1,355,954	1,588,259	85.4
Individual	1,336,273	1,721,269	77.6
Foundations	752,975	869,944	86.6
Municipal	4,662	62,314	7.5
Federal	508,300	631,543	80.5
State	425,492	737,153	57.7
County	116,177	131,570	88.3
<b>MISCELLANEOUS INCOME</b>			
Endowment	8,169,844	9,610,325	85.0
Fund raising	282,694	380,787	74.2
Investment earnings	458,384	569,275	80.5
Auxiliary groups	17,834	40,302	44.3
Other	354,372	426,721	83.1
<b>Total:</b>	<b>\$23,230,492</b>	<b>\$28,733,816</b>	<b>80.9</b>

Source: Bureau of Economic and Business Research, University  
of Delaware.

### In-kind Contributions

In addition to revenue received, the operation of the nonprofit arts in Delaware is made possible by the contributions of labor and in-kind services and equipment. Based upon the organization survey, more than 12,000 Delaware residents volunteered 1,022,700 hours to Delaware arts organizations in 1986. These volunteers served as bookkeepers, docents, secretaries, legal advisors, managers, artistic and technical

crew members and performers. Moreover, not included in the total are the hundreds of hours contributed by the dedicated and talented boards of directors. Based on the average hourly wage of nonsupervisory employees in the service sector during 1986, the value of these volunteer contributions was conservatively estimated to be \$8.3 million.

The organization survey showed that in addition to the contribution of time to the arts, Delaware residents also made in-kind donations including such things as free print and radio advertising, typesetting, signs, costumes, props, use of facilities and utilities. Conservatively estimated, these in-kind contributions totaled \$863 thousand in 1986.

In total, the value of this volunteered labor, services and equipment increases the effective revenues of Delaware's nonprofit arts organizations in 1986 by almost one-third.

## V. EDUCATIONAL EXPENDITURES ON THE ARTS

Another important segment of the Delaware community involved with the arts is the educational system. If the nonprofit arts is to have a viable future in Delaware, it is essential that through the schools young people are encouraged to enjoy, appreciate and participate in the arts.

Delaware's public and nonprofit private schools (kindergarten through twelfth grade) offer a broad variety of courses and special programs in the arts. Included in the arts curriculum are music, dance and art classes, and opportunities to participate in chorus, drama and marching, concert and jazz band. The emphasis on the arts varies significantly among schools as well. These arts courses and activities may be for credit or strictly voluntary and may be elective or required for graduation. The Delaware State Arts Council, through its Arts in Education program, supplements the efforts of the schools throughout the State, spending \$87,150 in 1986 to place 179 artists in 150 schools, ultimately affecting 36,000 students.

### **Expenditures**

A survey of Delaware public and nonprofit private schools was undertaken in order to be able to estimate the total expenditures of the schools on the arts during fiscal year 1986. The survey instrument covered both operating and capital expenditures (see Appendix 4). The questionnaires were distributed to the business managers of 19 public school districts and to a random sample of the 113 Delaware private

schools, as identified through the 1986 Delaware Department of Public Instruction's Education Directory. Special education and vocational schools were omitted from the survey.

Despite two mailings and telephone follow-up, the response to the survey was not overwhelming. Four of the 19 school districts and a dozen of the nonpublic schools returned completed questionnaires. To convert the data to statewide totals the returns were first separated by public and private school. Next, the two returns from New Castle County public school districts were separated from the two returns from southern Delaware public school districts. The operating and capital expenditures from the three categories of returns (New Castle County public school districts; southern Delaware public school districts; and private schools) were converted to per pupil expenditures using the appropriate 1985-86 published enrollment statistics from the Department of Public Instruction. Finally, state totals were estimated by multiplying the public school enrollments in New Castle County and southern Delaware and the private school enrollments times the corresponding per public expenditures and summing the results.

The estimated operational expenditures on the arts by Delaware's public and private schools are found in Table 13. The total operating expenditures for fiscal year 1986 was over \$14.5 million, or approximately \$144 per student. Over \$11.9 million (82 percent) of the operational expenditures were for the services of teachers and instructors. Once again we see that the arts and education in the arts are labor intensive activities. Among the various other categories of operating expenditures the

largest, the marching band, totals \$885 thousand, only 5.8 percent of all operational expenditures; and, 44 percent of the marching band expenditures are wages paid to instructors for extracurricular participation. The remaining expenditures are spread among art, drama, chorus, professional fees, and the basic facility-oriented operating expenditures including utilities, maintenance and insurance.

Table 13  
Operational Expenditures on the Arts  
By Delaware Schools, 1986  
(Dollars)

	TOTAL	%
Wages	\$11,917,556	82.00
Art expenses		
Paper, Art goods	196,663	1.35
Textbooks	43,514	0.30
Other	11,170	0.08
Music expenses		
Music scores	87,651	0.60
Instruments	33,439	0.23
Texts & library	50,747	0.35
Music stands	10,677	0.07
Other	40,004	0.28
Drama expenses		
Script scores	17,658	0.12
Makeup	4,380	0.03
Text & library	4,928	0.03
Set materials	26,556	0.18
Other	3,231	0.02
Marching band expenses		
Uniforms	64,994	0.45
Instruments	163,536	1.13
Sheet music	46,788	0.32
Instructor's wages	372,086	2.56
Transport. services	195,201	1.34
Other	1,933	0.01
Chorus		
Uniforms	16,426	0.11
Sheet music	21,984	0.15
Concessions		
Groceries	1,206	0.01
Beverages	1,095	0.01
Commercial printing	8,213	0.06

Equipment rent	548	0.00
Utilities		
Electric	64,650	0.44
Telephone	52,759	0.36
Water	5,127	0.04
Gas & oil	53,992	0.37
Maintenance supplies	101,193	0.70
Insurance		
Life, disability, liability	267,964	1.84
Medical & dental	173,299	1.19
Professional services		
Misc. professional	55,576	0.38
Misc. business	6,571	0.05
Government	409,566	2.82
<hr/>		
Total	\$14,532,882	100

Source: Bureau of Economic and Business Research, University of Delaware.

The estimated 1986 capital expenditures on the arts by Delaware's public and private schools are shown in Table 14. In combination nearly two-thirds of the \$1.8 million in arts related capital expenditures in fiscal year 1986 related to building, fixtures (including heating equipment) and land. It should be noted that the vast majority of these expenditures were by the nonpublic schools. The reported expenditures for arts equipment, including musical instruments, was less than five percent of total expenditures. Unless significant expenditures on arts equipment were merely placed in the catch-all category of "other capital," the reported capital spending would seem too low to assure the availability of adequate arts equipment throughout the school systems, particularly the public school system.

Combined with operational expenditures, the total expenditures on the arts per pupil was nearly \$162. This is 3.9 percent of the total expenditures per pupil in Delaware's public school system of \$4,184 in 1985-86. Is this significant? Is it

sufficient? Are all children, in both the private and public schools provided access and exposure to the arts? One's general impression is that when public school budgets are tight the arts are one of the first areas where cuts are made. To properly assess these and other issues a survey with a significantly higher response rate is needed. If such a survey is to be accomplished it must be done in cooperation with the Department of Public Instruction and the appropriate private school organizations (e.g., various archdioceses).

Table 14

Capital Expenditures on the Arts By Delaware Schools, 1986 (Dollars)		
	TOTAL	%
Typewriters	\$63,709	3.54
Computers	3,650	0.20
Lighting fixtures	4,563	0.25
Musical instruments	72,824	4.05
Kiln, pottery equip., drawing boards	14,601	0.81
P.A. equipment	10,038	0.56
Land real estate	273,774	15.23
Building & fixtures	611,257	34.00
Heating equipment	283,577	15.77
Transportation	9,808	0.55
Other capital	449,884	25.02
Total	\$1,797,686	100

Source: Bureau of Economic and Business Research, University of Delaware

The complete impact of school expenditures on the arts on the Delaware economy was not estimated for two reasons. First, the majority of the expenditures were from state and local tax revenues, so one would be merely comparing the multiplier effects of tax expenditures on the arts relative to alternative uses of tax revenues. Second, the response to the survey was not considered sufficient to be statistically reliable.

The limited analysis performed in this study was a matter of project resource constraints and not of priorities. The role and place of the arts in public and private education in Delaware is of major importance to the future of the nonprofit arts in the State. The commitment of Delaware schools to the arts should be monitored and encouraged by the State Arts Council and other organizations.

## VI. SUMMARY

Reflecting the trend of the national economy, Delaware's economy has been steadily shifting from goods producing to service producing activities. Compared to manufacturing firms, which are often constrained by proximity to markets, raw materials, and skilled labor, the majority of service firms (such as bank credit operations) are relatively free to locate where they choose. Research indicates that service firms consider quality of life a factor in determining which community they select, particularly those firms which employ mobile and highly trained professionals.

Because the arts are an integral part of the quality of life in a community, maintaining a viable, diversified arts industry is a sound economic development strategy. Moreover, the employment and sales generated by the arts industry are distributed among a variety of industries and occupations throughout the economy. In Delaware, almost 93 percent of arts-generated employment falls into service and retail trades, the two leading sources of net new employment over the past decade. The major beneficiaries in services resulting from arts activity include the hotel and motel industry (\$17.7 million in sales) and professional services (\$1 million in sales). The leading beneficiaries in retail trade are the eating and drinking establishments with \$18.4 million in sales attributed to the arts industry. Outside the service and retail trades, the industries

most significantly impacted by Delaware's arts industry in 1986 were the construction industry (\$2.1 million) and the printing and publishing industry (\$1 million).

While nearly one-third of the impact of the arts by occupation is concentrated in professional, technical, and managerial positions, the arts industry produces jobs for a broad spectrum of Delaware's labor force. Over 12 percent of the jobs generated by the nonprofit arts organizations in the state are blue collar positions, including skilled and semi-skilled crafts. Another 28 percent fall into service occupations, including janitorial, food, and personal services; and nearly 20 percent are clerical.

In turn, Delaware's arts organizations contributed to their communities in a variety of ways. In 1986, they gave 166 charity performances, loaned materials and staff expertise to churches, schools, hospitals, and other nonprofit organizations. Over 45 percent offered special programs and discounts to the handicapped and to senior citizens. Nearly 96,000 students took part in special programs sponsored by arts organizations, and 127 received scholarships.

The economic impacts of Delaware's arts industry, while seemingly small when compared to industries such as automobile manufacturing or chemical research, are substantial. The arts, as mentioned previously, are typified by low salaries and a low proportion of capital to labor. Nevertheless, in terms of public spending, state and local governments receive a considerable return on their investment. For every dollar of government

revenue received, Delaware's nonprofit arts organizations raise 19 additional dollars of revenue. Moreover, for every dollar of state and local revenue granted to Delaware's arts industry in 1986, there was \$4.16 in state and local tax revenues collected. The arts therefore enhance, rather than burden, Delaware's tax base. In fact, when the intangible factors such as quality of life as an inducement to industries relocating to the state are considered, the benefits of public investment in the arts become even more apparent.

In addition to providing a variety of avenues for creative development and expression and a source of pleasure and enlightenment for all ages, the arts generate economic activity. They provide thousands of jobs, expand the tax base, leverage revenue and play a substantial role in tourism and economic development by attracting people and business to Delaware. It is this unique combination of benefits that cannot be duplicated by any other industry in the state.

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**APPENDIX 1**

**A DELAWARE STATE ARTS COUNCIL SURVEY  
FOR ARTS ORGANIZATIONS**

The University of Delaware's Bureau of Economic and Business Research is trying to document the substantial contribution of the arts to the economy of Delaware.

Please answer the following questions as accurately as possible. If you don't have the exact figures, even your best estimate will be helpful. If arts is just one of your organization's activities, please limit your answers to the arts component only.

If you have any questions, please call Mrs. Phyllis Raab at 451-8405. Thank you for your time.

Name of organization: \_\_\_\_\_

County: \_\_\_\_\_

How many years has your organization been in operation? \_\_\_\_\_

Please answer the following using your organization's fiscal year 1986 data (use calendar year 1986 if fiscal year information is not available).

**REVENUES**

**EARNED INCOME (total, not net)**

**Admissions**

Income from admissions/memberships \$ \_\_\_\_\_  
Your approximate attendance in fiscal year 1986 \_\_\_\_\_  
Approximate total number of:  
    paid admissions \_\_\_\_\_ free admissions \_\_\_\_\_

**Concessions/Gift Shops** \$ \_\_\_\_\_

(include net vendor revenues)

**Parking** \$ \_\_\_\_\_

**Class & Workshop Fees** \$ \_\_\_\_\_

**Net Earnings from Art Sales & Exhibitions** \$ \_\_\_\_\_

**Other Earned Income** \$ \_\_\_\_\_

**CONTRIBUTED INCOME**

Corporate \$ \_\_\_\_\_  
Indiv. Contributions \$ \_\_\_\_\_  
Foundations \$ \_\_\_\_\_  
Municipal funding \$ \_\_\_\_\_

Federal funding \$ \_\_\_\_\_  
\* State funding \$ \_\_\_\_\_  
County funding \$ \_\_\_\_\_

\* Should include funds from Delaware State Arts Council

**MISCELLANEOUS INCOME**

Endowment Earnings	\$ _____	Investment Earnings	\$ _____
Fund Raising	\$ _____	Auxiliary groups	\$ _____
Other	\$ _____		

**EXPENDITURES**

For fiscal year 1986 estimate the following expenses your organization incurred. If possible, please break down the amounts spent between Delaware firms and out-of-state firms. Expenditures are separated into operational and capital.

**EMPLOYEES**

	Full-Time	Part-Time
Number of paid	_____	_____
Total gross wages (wages before taxes)	_____	_____
Total FICA	_____	_____
Total Unemploy. Comp.	_____	_____
Employee Place of Residence		
Delaware	_____	_____
Out-of-State	_____	_____

Number of Volunteer Workers \_\_\_\_\_  
Average number of weeks per volunteer per year \_\_\_\_\_  
Average number of hours worked per (active) week \_\_\_\_\_

**OPERATIONAL****TOTAL****DELAWARE  
SUPPLIERS  
(\$ or percent)**

Total Marketing		
Radio/TV	\$ _____	_____
Newspaper	\$ _____	_____
Direct Mailings	\$ _____	_____
Handbills/Posters	\$ _____	_____
Other	\$ _____	_____
Printing		
Programs	\$ _____	_____
Tickets	\$ _____	_____
Office Supplies	\$ _____	_____

	TOTAL	DELAWARE SUPPLIERS
<b>Facility cost</b>		
Rent	\$ _____	_____
Mortgage Payment	\$ _____	_____
<b>Equipment Rent</b>	\$ _____	_____
<b>Script/Score</b>		
fee/rental	\$ _____	_____
<b>Artist Fees</b>	\$ _____	_____
<b>Total Concessions</b>		
Food	\$ _____	_____
Drinks	\$ _____	_____
Paper products	\$ _____	_____
(eg. paper plates, napkins, cups)		
Plastic products	\$ _____	_____
Other (eg. gift shop inventory)	\$ _____	_____
<b>Total Utilities</b>		
Electric	\$ _____	
Gas	\$ _____	
Water	\$ _____	
Telephone	\$ _____	
Other	\$ _____	
<b>Maintenance Supplies</b>		
Soaps & detergents	\$ _____	_____
Sanitation goods	\$ _____	_____
Toilet preparations	\$ _____	_____
Other	\$ _____	_____
<b>Insurance</b>		
Life	\$ _____	_____
Medical	\$ _____	_____
Dental	\$ _____	_____
Disability	\$ _____	_____
Liability	\$ _____	_____
<b>Professional Fees &amp; Services</b>	\$ _____	_____
<b>State Taxes/Fees</b>	\$ _____	_____
(excluding employee withholding)		
<b>Local Taxes/Fees</b>	\$ _____	_____
(excluding employee withholding)		
<b>Other</b>	\$ _____	_____

## CAPITAL EXPENDITURES

We are interested in all the capital expenditures your organization may have had over the last 3 years.

	TOTAL	DELAWARE SUPPLIERS
Total Equipment		
Typewriters	\$ _____	_____
Computer	\$ _____	_____
Lighting	\$ _____	_____
Other	\$ _____	_____
Land	\$ _____	_____
Building	\$ _____	_____
Heating & Ventilation	\$ _____	_____
Fixtures (eg., seats)	\$ _____	_____
Other	\$ _____	_____
Please describe: _____		

## GENERAL QUESTIONS

Number of students involved in educational programs last year \_\_\_\_\_

Number of scholarships offered last year \_\_\_\_\_

Number of trips sponsored last year \_\_\_\_\_ Attendance \_\_\_\_\_

Number of charity performances during the last year \_\_\_\_\_

Do you offer special programs or discounts to special groups such as senior citizens or the handicapped \_\_\_\_\_ Yes \_\_\_\_\_ No

How else does your organization contribute to the Delaware community - socially, economically, environmentally?  
Please describe. \_\_\_\_\_

Number of works commissioned by your organization from Delaware artists last year \_\_\_\_\_

Number of Delaware artists employed by your organization last year \_\_\_\_\_

Please use the enclosed envelope mail the questionnaire to:

University of Delaware  
Urban Affairs - Census and Data  
P.O. Box 6003  
Newark, De 19714-9984

\* Please return the completed questionnaire by : February 12, 1987

**APPENDIX 2**

**SUB SAMPLE OF COMMUNITY-BASED ART GROUPS**

American Hollies

Arden Singers

Chinese Community

Christina Cultural Art Center

Cityside Inc.

Delaware Regional Ballet

Delaware Singers

Ecarte

Embroiders of America

Historic Houses of Odessa

Madrigal Singers

Miniking Opera

New Castle County Center of Contemporary Arts

Newark Symphony Orchestra

Possum Point Players

Rockwood \_\_\_\_\_

St. Peter's Art Gallery

### APPENDIX 3

Questionnaire Sponsored  
By  
DELAWARE STATE ARTS COUNCIL

Your answers to this questionnaire will be an important part of a study of the economic impact of the arts in Delaware. We appreciate your taking the time to complete the form. Your answers will be completely confidential and anonymous.

1. How many people are in your group, including yourself? \_\_\_\_\_
2. How far do you live from this facility (number of miles one way)? \_\_\_\_\_
3. In which zip code do you reside? \_\_\_\_\_
4. How important was your attendance at this event to your decision to make a trip into this local area? (circle the appropriate response)

5	4	3	2	1
Very Important				Unimportant
(Only reason for coming to area)				(Would have been in the area anyway)

For this trip only, please estimate the total expenditures in Delaware by everyone in your group on the following items:

5. Parking \$ \_\_\_\_\_
6. Public transportation/taxis \$ \_\_\_\_\_
7. Restaurant/Bar \$ \_\_\_\_\_
8. Babysitter \$ \_\_\_\_\_
9. Hotel (total for all nights) \$ \_\_\_\_\_
10. Shopping \$ \_\_\_\_\_
11. Other(ers) (hairstresser, etc.), please specify \_\_\_\_\_

12. How many events at a gallery, museum or performing arts facility did you attend during the past 12 months? \_\_\_\_\_

13. How did you hear about the event today?

friend or family \_\_\_\_\_

TV/Radio \_\_\_\_\_

direct mail \_\_\_\_\_

newspaper \_\_\_\_\_

poster \_\_\_\_\_

other \_\_\_\_\_

Would you please provide the following information about yourself:

Male \_\_\_\_\_ Female \_\_\_\_\_ Your Occupation \_\_\_\_\_

Age \_\_\_\_\_ Number of children \_\_\_\_\_

Your total family income in 1986, before taxes: Under \$10,000 \_\_\_\_\_

\$10 - \$19,999 \_\_\_\_\_ \$20 - \$29,999 \_\_\_\_\_ \$30 - \$39,999 \_\_\_\_\_

\$40 - \$59,999 \_\_\_\_\_ \$60,000 or more \_\_\_\_\_

Formal education:

Less than High School \_\_\_\_\_

1-3 Years of College \_\_\_\_\_

High School \_\_\_\_\_

4 Years of College or more \_\_\_\_\_

THANK YOU VERY MUCH! Please give your completed questionnaire to an usher or interviewer or deposit it in the box in the Lobby.

**APPENDIX 4**

**A SURVEY OF THE ECONOMIC CONTRIBUTIONS OF THE ARTS  
IN THE SCHOOLS  
FOR THE DELAWARE STATE ARTS COUNCIL**

We need your help documenting the substantial contribution of the arts to the economy of Delaware.

Please answer the following questions as well as you can. If you do not have the exact figures, even your best estimate will be helpful. If arts is just one of your organization's activities, please limit your answers to the arts component only.

If you have any questions, please call Mrs. Phyllis Raab at 451-8405. Thank you for your time.

I.

A. School district: \_\_\_\_\_ School: \_\_\_\_\_

Name of Individual(s) completing questionnaire: \_\_\_\_\_

Telephone Number: \_\_\_\_\_

For the **fiscal year 1986** estimate the following for your organization.

II.

**A. ENROLLMENT IN ALL ARTS-RELATED PROGRAMS:**

Music	_____	Marching Band	_____
Drama	_____	Chorus	_____
Art	_____	Plays	_____
Other	_____		

**B. EMPLOYEES SUPPORTING ARTS-RELATED PROGRAMS**

	Total Number	Full-Time Equivalents	Wages Paid (before taxes, with overtime)
Paid Art, Music and Drama Teachers & Assits.	_____	_____	\$ _____
Volunteers in Arts Programs	_____	_____	

\* If one teacher is half-time in art and another is one-third, the full-time equivalent is .83. If 3 volunteers spend 10 hours per week the full-time equivalent is .75(=30/40 full time hr.)

Number of these teachers & assistants who are  
Delaware residents \_\_\_\_\_

## C. SUPPLIES & OTHER EXPENSES

### Institutional Programs

#### Annual Art Supply Expenses

Paper \$ \_\_\_\_\_  
Paints \$ \_\_\_\_\_  
Glazes \$ \_\_\_\_\_  
Art Goods \$ \_\_\_\_\_  
(pastels, pencils, charcoals)  
Rollers \$ \_\_\_\_\_  
Texts/Instructional \$ \_\_\_\_\_  
Materials

Easels \$ \_\_\_\_\_  
Clay \$ \_\_\_\_\_  
Linoleum \$ \_\_\_\_\_  
Etchers \$ \_\_\_\_\_  
Library Books \$ \_\_\_\_\_  
Other \$ \_\_\_\_\_

#### Annual Music Supply Expenses

Music fees/rental \$ \_\_\_\_\_  
Music scores \$ \_\_\_\_\_  
Instrument rental \$ \_\_\_\_\_  
Texts/Instructional \$ \_\_\_\_\_  
Materials

Music stands \$ \_\_\_\_\_  
Library Books \$ \_\_\_\_\_  
Other \$ \_\_\_\_\_

#### Annual Drama Supply/Expenses

Script fees/rental \$ \_\_\_\_\_  
Make-up \$ \_\_\_\_\_  
Texts/Instructional \$ \_\_\_\_\_  
Materials

Set Materials \$ \_\_\_\_\_  
Library Books \$ \_\_\_\_\_  
Other \$ \_\_\_\_\_

#### Marching Band Expenses

(Regardless of source of funds; including expenditures by Band Boosters  
Parents, etc.)

Uniforms \$ \_\_\_\_\_  
Instruments \$ \_\_\_\_\_  
Sheet music \$ \_\_\_\_\_  
Instructor's wages \$ \_\_\_\_\_

Transportation \$ \_\_\_\_\_  
Gas \$ \_\_\_\_\_  
Other \$ \_\_\_\_\_

(not included in employees in part B)

#### Chorus Expenses

Uniforms \$ \_\_\_\_\_

Music \$ \_\_\_\_\_

#### Performance Expenses

Food & Beverages \$ \_\_\_\_\_  
Programs \$ \_\_\_\_\_

Other \$ \_\_\_\_\_

#### Facility costs

Rent \$ \_\_\_\_\_  
Mortgage Payment \$ \_\_\_\_\_

Other \$ \_\_\_\_\_

Equipment Rentals \$ \_\_\_\_\_

Artist Fees \$ \_\_\_\_\_

**Total Utilities**

Electric \$ \_\_\_\_\_  
Telephone \$ \_\_\_\_\_  
Water \$ \_\_\_\_\_

Gas \$ \_\_\_\_\_  
Other \$ \_\_\_\_\_

**Maintenance Supplies**

Cleaning Supplies \$ \_\_\_\_\_  
Paper products \$ \_\_\_\_\_  
Other \$ \_\_\_\_\_

**Cost of Insurance for arts employees**

Life \$ \_\_\_\_\_  
Medical \$ \_\_\_\_\_  
Dental \$ \_\_\_\_\_

Disability \$ \_\_\_\_\_  
Liability \$ \_\_\_\_\_  
Other \$ \_\_\_\_\_

**Cost of Professional Fees**

**& Services related to the arts program** \$ \_\_\_\_\_

**State Taxes/Fees** \$ \_\_\_\_\_  
**related to arts employees**  
**and the program**  
(excluding employee withholding)

**Local Taxes/Fees** \$ \_\_\_\_\_  
**related to arts employees**  
**and the program**  
(excluding employee withholding)

**Other** \$ \_\_\_\_\_

**D. CAPITAL EXPENDITURES**

We are interested in all the capital (building, construction, renovation and equipment purchases) expenditures for the arts made by your organization in the last 3 years.

**TOTAL****Equipment Purchases**

Typewriters \$ \_\_\_\_\_  
Computer \$ \_\_\_\_\_  
Drawing Boards \$ \_\_\_\_\_  
Lighting \$ \_\_\_\_\_  
Kiln(s) \$ \_\_\_\_\_  
Other (please describe): \_\_\_\_\_

Potter Wheels \$ \_\_\_\_\_  
P.A. Equip. \$ \_\_\_\_\_  
Instruments \$ \_\_\_\_\_

Land purchased \$ \_\_\_\_\_  
Building contracted or rennovated \$ \_\_\_\_\_  
New Installed Heating & Ventilation \$ \_\_\_\_\_  
New Fixtures installed \$ \_\_\_\_\_  
(eg., screens, curtains, seats)  
Transportation \$ \_\_\_\_\_  
(eg., band bus)

Other capital expenditures \$ \_\_\_\_\_  
Please describe: \_\_\_\_\_  
\_\_\_\_\_

### GENERAL QUESTIONS

Is instruction in the arts (visual arts, music, dance, theater, media, creative writing/poetry) included in every grade level in your school?

If so, are the students tested and evaluated? \_\_\_\_\_  
Is there an arts requirement for graduation? \_\_\_\_\_

Number of arts scholarships offered last year \_\_\_\_\_

Number of trips sponsored last year \_\_\_\_\_ Attendance \_\_\_\_\_

Total cost of art related field trips \$ \_\_\_\_\_

Number of outside performances, assemblies (young audiences, AIE artists, DIAE, etc.) brought in during the year \_\_\_\_\_

Total expenditures for the above \$ \_\_\_\_\_

When you charge admission for performances, do you offer special programs or discounts to special groups such as senior citizens or the handicapped  
\_\_\_\_\_ Yes \_\_\_\_\_ No

Number of Delaware artists employed by your organization last year \_\_\_\_\_

Are there any in service growth programs available to arts specialists in your school/district?

Please use the enclosed envelope to mail the questionnaire to:

University of Delaware  
Urban Affairs - Census and Data  
P.O. Box 6003  
Newark, De 19714-9984