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*The Economic and Employment Impact of the Arts and Music Industry*

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Chairman Miller, Ranking Member McKeon, and members of the committee, my name is John Thomasian and I am the director of the National Governors Association Center for Best Practices (NGA Center). I appreciate the opportunity to testify before you today on the recent NGA Center report, *Arts & the Economy: Using Arts and Culture to Stimulate State Economic Development* and to discuss governors' work to maximize the economic benefits of the creative industries.

The NGA Center develops innovative solutions to today's most pressing public policy challenges and is the only research development firm that directly serves the nation's governors. The NGA Center's policy experts provide governors advice and examples on a full suite of policy issues, including education, health care, homeland security, the environment, public safety, and economic development.

### **Overview**

Conservative estimates of the number of workers employed nationwide by arts and culture-related industries—also known as “creative industries”—reveal more than 612,000 arts businesses, which employ nearly 3 million workers.<sup>1</sup> These figures represent workers employed strictly by arts-centric sectors such as museums; performing arts (including music); visual arts; film, radio, and television; design and publishing; and arts schools and services. However, artists and other creative workers can be found in a multitude of industries, from tourism and agriculture to technology and consumer products. Broader definitions of the creative industries—or “creative class” as coined by Richard Florida—encompass those whose economic function is to create new ideas or creative content. By this definition, around 40 million Americans—or 30 percent of employed people—are creative sector workers.

Creative industries are far broader than many might initially assume. Today, you will find artists employed by numerous sectors critical to economic development and international competitiveness. The technology sector, for instance, includes workers who specialize in graphic and web design, animation, and media arts. Corporations that develop consumer products rely on artists to enhance the design, look, and feel of their products.

In fact, creative workers are key to America's economic competitiveness in a global market. The market value of products is increasingly determined by a product's uniqueness, performance, and aesthetic appeal, making creativity a critical competitive advantage to a wide array of industries. Apple Corporation's popular iPod is developed through the company's iPod Engineering team, which includes not just engineers, but also two design teams, whose job it is to conceive, design, and produce new iPod products. The company includes “creativity” among the six skills it most desires in its iPod Engineering employees.<sup>2</sup>

For the last several years, the NGA Center has been helping governors understand their state economies in terms of natural assets and clusters of competitive firms. Clusters are simply groups of related producers, suppliers, distributors, and intermediaries that draw advantages from their mutual proximity and relationships. Creative industries represent in several types of clusters, including specialty tourism, graphic and web design businesses, film making industries, and unique agricultural products (wine making for example).

Today, governors recognize that creative industries are valuable components of state economies:

- Creative and new media industries are growing in number and playing increasingly prominent economic and social roles;
- Companies' decisions about where to locate their businesses often are influenced by factors such as the ready availability of a creative workforce and the quality of life available to employees; and
- Many businesses today require collaboration with artists, designers, and media specialist to develop innovative products..

In addition to strengthening a state's competitive edge and contributing revenue for states' economies each year, creative industries can help revitalize weak economic areas, attract a skilled workforce, and bring in tourism dollars. For instance, in **Louisiana** the tourism industry—the state's second-largest industry, employing around 144,000 people—capitalizes on the state's rich history and culture as well as its unique musical and culinary heritage. The tourism industry partners with local musicians and artists each year to draw thousands of tourists to New Orleans, not for Mardi Gras, but for the New Orleans Jazz & Heritage Festival. The festival celebrates the cultural heritage of Louisiana through a showcase of music of every kind—jazz, gospel, Cajun, zydeco, blues, R&B, rock, funk, African, Latin, Caribbean, and folk to name a few—as well as through presentations of crafts by local artists, folklife exhibitions, and distinctly local culinary creations.

In recognition of the impact creative industries have on state economic development, numerous governors have adopted a wide range of strategies designed to foster arts and culture and tap into the resulting economic benefits.

### **The NGA Center's Report and Findings**

In January, the NGA Center for Best Practices released a report, *Arts & the Economy: Using Arts and Culture to Stimulate State Economic Development*.<sup>3</sup> The National Endowment for the Arts funded the report, which highlights the governors' efforts to maximize the economic impact of creative industries. A copy of the full NGA Center report is attached to my written testimony.

In summary, the NGA Center report found that governors are taking action to develop creative industries by supporting businesses and entrepreneurs; partnering with universities to train creative workers; encouraging collaborations between artists and traditional industries; improving local development by incorporating arts into community planning; and attracting tourists to their states by promoting cultural assets and products.

The NGA Center report is not an advocacy piece for arts and culture. Rather, it aims to shed light on the creative cluster that many governors have identified through studies of their statewide and regional economies. Creative workers and businesses comprise a significant portion of the economy in many states. For example, creative industries in **Arkansas** employs nearly 27,000 individuals and generates \$927 million in personal income for Arkansas citizens. Creative enterprises are the state's third largest employer—after transport and logistics and perishable and processed foods. In **North Carolina**, the wages and income of workers employed by creative industries infused \$3.9 billion into the state's economy in 2006. And in **Massachusetts**, the 17.6 percent yearly growth of the cultural sector contributed \$4.23 billion to the state's economy.

As governors identify the extent to which creative industries contribute to state economies, they work to support creative industries through businesses, entrepreneurs, and networks and by developing a skilled workforce for the sector to draw upon. Governors incorporate arts and culture into community development plans through the use of grants, enterprise zones, and by supporting development of art space. Finally, they include arts and culture in state tourism strategies, particularly through efforts that promote unique cultural heritage or local products.

### *Developing Creative Industries*

Governors are leading many different approaches to develop and strengthen states' creative industries. **North Carolina**, for example, focuses energy on developing and expanding its crafts industry. HandMade in America in North Carolina—established in 1993 with assistance from the North Carolina Arts Council—encourages and enables product development among local craft artisans. HandMade hosts a business boot camp to teach business planning, marketing, and entrepreneurship skills to artists.

HandMade links more than 320 regional artists, crafts producers, bed and breakfasts, farm tours, restaurants, and other businesses through a 200-mile-trail system that is part of a larger tourism marketing campaign.

**Ohio** bolsters its arts-focused nonprofits through the Ohio Arts Council's Sustainability grant program, which provides two-year grants to nonprofit organizations that offer broad-based, ongoing arts programs within their communities. In **Texas**, the Commission on the Arts couples grants with technical assistance to help nonprofit arts organizations build organizational capacity and strengthen business management practices. Likewise, **Virginia's** Commission for the Arts provides Technical Assistance Grants to support nonprofit management and operations training.

Creative industries encompass a number of small businesses and individual entrepreneurs as well as nonprofit arts organizations. In **Mississippi**, grants to artist-entrepreneurs emerged as a formidable post-Katrina revitalization strategy. The state's Business Recovery Grant Program, awarded \$5,000 grants to small arts businesses, self-employed artists, and craft enterprises affected by the storm. Recipients used the grants to purchase tools, equipment, and supplies to create and sell arts or crafts. The program, which included a series of workshops, including business plan development, accounting practices, and insurance needs, was featured in Governor Haley Barbour's Recovery Expo, a 2006 forum on recovery strategies and resources.

Working with state universities and community colleges, governors also are bolstering the business acumen of artists, to maximize economic impact. In **Alaska**, the University of Alaska Rural Extension Program provides support for artist-entrepreneurs in rural communities through the Native Arts Program, which provides workshops and business courses to address issues important to entrepreneurs, such as quality control, market analysis, pricing, and federal and state regulations. Another example is **Connecticut's** Film Industry Training Program at Middlesex Community College, Norwalk Community College, and Quinnipiac University, offered by the Connecticut Office for Workforce Competitiveness in partnership with the Commission on Culture & Tourism. The program trains individuals who want to learn the basics of feature film and episodic television production and pursue entry-level freelance work in the industry.

Increasingly, governors realize a competitive edge by encouraging collaborations among artists, designers, and product engineers in a variety of manufacturing and high-tech industries, especially in product design. These collaborations stimulate new thinking, encourage new product development, and make the most of a state's collective creative and business resources. For example, The University of **California** Santa Cruz, part of the state university system, partnered with local industry and the city of Santa Cruz to establish the Santa Cruz Design + Innovation Center. The center leverages local design talent to grow design-based business and attract new businesses to the area. It seeks to create opportunities for networking and interdisciplinary collaboration as well as a space for teams to tackle cutting-edge design challenges.

In **Wisconsin**, the John Michael Kohler Arts Center Arts/Industry Residency Program offers artists access to industrial technologies through residencies, workshops, and tours. The primary component of Arts/Industry is a residency program at Kohler Company, the nation's leading manufacturer of plumbing hardware, where artists have the opportunity to spend two to six months creating works of art using industrial equipment and materials—pottery, iron, brass, and enamel—and exploring forms and concepts not possible in their own studios. The Kohler Company, in turn, is given fresh ideas for its product lines. For example, Kohler's "Artist Editions" collection of surface-decorated plumbing fixtures grew directly out of the Arts/Industry program.

### *Community Development*

Arts also can play a major role in community development and redevelopment through job creation and improving the quality of life. Governors are helping localities incorporate arts into community development plans through grants to communities, technical assistance, and financial or tax incentives. Governors also designate select areas as “arts districts” to target their cultural economic development dollars.

**Utah’s** Creative Communities Initiative awards grants to communities to help connect the arts to community building, civic engagement, community planning, and use of public space. These “Utah Creative Communities,” and received access to leadership training to help them leverage additional funding and community buy-in. The measurable economic impact from initiative projects was \$4,500 to \$13,500 per community.

Another approach used by governors is the cultivation of strong local leadership for incorporating the arts into local development. The **South Carolina** Design Arts Partnership (SCDAP) is a joint initiative of the South Carolina Arts Commission and Clemson University. The initiative improves the quality of the state’s built environment through design education and leadership training. South Carolina’s institute provides training for the state’s mayors and municipal and county planners for applying design principles to planning, development, and transportation.

Tax credits are another strategy governors employ to spur economic activity through cultural enterprises. For instance, **Maryland** created a program that designates Arts and Entertainment Districts. These districts receive property tax credits for construction of arts-related spaces, exemptions from the state’s amusement and entertainment tax, and income tax subtractions for artistic work sold by artists residing within the designated district. In return, the districts become focal points that attract businesses, stimulate cultural development, and foster civic pride. Maryland’s Arts and Entertainment Districts have achieved significant increases in retail occupancy rates, property value, and tourist traffic. As of 2008, seven other states—**Indiana, Iowa, Louisiana, New Mexico, Rhode Island, Texas, and West Virginia**—had similar policies in place, leading to the establishment of 58 local arts or cultural districts across the nation.

The presence of cultural facilities is a key component of a productive infrastructure for economic activity through the arts. The **Florida** Division of Cultural Affairs’ Cultural Facilities Program funds the construction, renovation, and acquisition of cultural facilities in Florida. One of the most recent cultural facilities programs among states is the **Massachusetts** Cultural Facilities Fund. Created in 2006 as part of a major economic stimulus bill in Massachusetts, the fund aims to increase investments from both the public and private sectors to support the planning and development of nonprofit cultural facilities in the state.

### *Tourism*

A major focus of governors’ art strategies is strengthening tourism. Many travelers pick vacation spots not only for their natural resources but also for their cultural offerings. Governors use a number of innovative strategies to tap into their states’ unique cultural resources as tourism assets. By encouraging cultural tourism and marketing their unique arts assets, governors are attracting more visitors and augmenting the impact of tourism as a contributor to state economies.

Through the New York State Heritage Area Program, **New York** is able to offer state-level coordination of its cultural, natural, and historical resources. The program includes 19 “heritage areas,” which encompass more than 425 municipalities. The Heritage Area Program aims to promote and preserve cultural and historical areas throughout New York through a state-local partnership. The New York State Office of Parks, Recreation and Historic Preservation offers a guide and a brochure to promote the state’s heritage areas.

**Connecticut** has recently instituted Culture & Tourism Partnership Grants to encourage interdisciplinary collaborations among arts, historical, film, and tourism organizations with the goal of helping localities build relationships and develop strategies to generate revenue and attract visitors. The Arts Division of the Connecticut Commission on Culture & Tourism administers the grants, which can be as much as \$3,000. In 2006, projects funded by the grant program included an arts festival, a family-friendly museum exhibit “trail,” a film festival, a historic garden trail, a Halloween craft and event festival, and a theater package.

Branding is an important marketing technique used in **Montana** to promote unique homemade and homegrown products of Montana artists and farmers. The Made in Montana (MiM) program was established in 1984 to help market products created, produced, or enhanced in the state by Montana residents. Likewise, the **Kentucky** Craft Marketing program uses a unique brand to help promote products crafted by Kentucky artists. In addition, the program supports efforts to market the products themselves to wholesale trade outlets, the tourism industry, and the public. It uses an annual exhibition that connects Kentucky artists and craftspeople with national buyers for their products and serves as an information clearinghouse to help artisans locate sales opportunities, materials, and funding.

**New Jersey** is another state that uses branding to attract tourist dollars and bolster the sales and marketing of resident artists and arts organizations. Discover Jersey Arts is a statewide campaign to promote cultural tourism, build arts audiences, and generate revenue for arts organizations. Sponsored by the New Jersey State Council on the Arts and local partners, Discover Jersey Arts uses its Web site, a toll-free hotline, the Jersey Arts Guide, a Jersey Arts Ticket member card program, and other cooperative marketing programs to promote the Discover Jersey Arts brand.

Other states, like **New Mexico**, attract visitors by promoting unique cultural destinations. The New Mexico Fiber Arts Trails is a collaboration between the state and a network of fiber artists. The program promotes New Mexico’s heritage while boosting tourist traffic and creating opportunities for New Mexican artists. This program allows rural artists to practice their heritage and remain in their homes, which helps develop rural areas of the state.

## **Conclusion**

As these examples—and others highlighted in the NGA Center report—demonstrate, governors are leading efforts to capitalize on the numerous benefits creative industries can offer to state economies. Through creative industries, states can create jobs, attract investments, generate tax revenues, and stimulate local economies through tourism and consumer purchases. In addition, creative industries are playing a key role in the contemporary workforce, making creative contributions to industries’ products and services, and infusing culture into community development.

Thank you for having me here today to discuss the impact of creative industries on economic development and jobs. I look forward to answering your questions about the NGA Center Report.

## **Attachment**

NGA Center Report: *Arts and the Economy: Using Arts and Culture to Stimulate State Economic Development*. Available at: <http://www.nga.org/Files/pdf/0901ARTSANDECONOMY.PDF>.

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<sup>1</sup> Americans for the Arts, *Creative Industries in 2008: The State Report*, (Washington, D.C.: Americans for the Arts, 2008). [www.americansforthearts.org](http://www.americansforthearts.org)

<sup>2</sup> Apple.com, *Job Opportunities: Skills You’ll Need*, (Web site). <http://www.apple.com/jobs/us/pro/ipod/skills.html>.

<sup>3</sup> Chris Hayter and Stephanie Casey Pierce, *Arts & the Economy: Using Arts and Culture to Stimulate State Economic Development* (Washington, D.C.: National Governors Association Center for Best Practices, 2009). <http://www.nga.org/Files/pdf/0901ARTSANDECONOMY.PDF>