

**Written Testimony on behalf of the Pennsylvania Council on the Arts**  
Submitted by Philip Horn, Executive Director  
Pennsylvania House of Representatives  
Urban Affairs Committee

**“The Economic Impact of the Arts in Pennsylvania”**  
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Chairman Petrone and members of the House Urban Affairs Committee, on behalf of the Pennsylvania Council on the Arts, thank you for this opportunity for Pennsylvania’s arts community to present testimony regarding the impact of the arts on the cities of the Commonwealth.

It also seems appropriate to be testifying today in a hearing room in the Irvis Building. Not only was the late Speaker K. Leroy Irvis a noted poet and sculptor, but he was also responsible (in collaboration with his colleague across the aisle, Representative Bob Butera) for drafting the enabling legislation which brought the Pennsylvania Council on the Arts into existence more than 40 years ago.

My name is Philip Horn. I am Executive Director of the Pennsylvania Council on the Arts. The mission of the PCA is to foster the excellence, diversity, and vitality of the arts in Pennsylvania and to broaden the availability and appreciation of those arts throughout the state. The PCA supports twelve hundred artists, arts organizations, arts programs and projects -- providing services to Pennsylvanians throughout the state. This includes world-class organizations that draw millions of visits and small inner-city, or rural, or suburban, community-based, all-volunteer organizations, as well as projects by individual artists and everything in between. Much of this activity takes place in our urban centers.

As our cities have been hollowed out by the outmigration of residents and retail to the suburbs; arts organizations are often the only magnet to continue to attract people to the inner city. After the for-profit entertainment industry has long abandoned the inner city, our non-profit arts organization have stepped in or stepped up to keep these architectural jewels preserved and lively, and to put “feet on the street” in our cities and towns after five p.m.

Nowhere is this model for revitalization more obvious than Pittsburgh, where the Pittsburgh Cultural Trust has led the way, in Pittsburgh and as a model for the nation, in revitalizing the downtown by investment in the rehabilitation of the Benedum Center and the Byham Theatre. The Trust has also created many new contemporary jewels to present the arts in Pittsburgh's now robust downtown arts and entertainment district.

This example has been followed throughout the state, in Wilkes-Barre and Williamsport. In Erie and Greensburg. York, Lansdale, Lancaster, Reading, Altoona, and others.

These arts institutions are the "loss leader" for downtown revitalization. Their programs draw people downtown and the ancillary spending by audiences is estimated at about \$30 per person per event. This is over and above the cost of admission. The price of the ticket usually only covers about half the actual cost of the event. It is no wonder that for-profit businesses have abandoned these efforts. The "cost disease" of the performing arts has been identified as early the mid-1960's, in a study by William J. Baumol and William G. Bowen. It delineates that the nature of the performing arts with their high fixed costs is such that it is impossible for performing arts organizations to present their work without substantial sources of contributed income.

Years ago a friend of mine who worked at the San Francisco Symphony shared with me that the best year they had in terms of finances was the year the orchestra was out on strike. Our downtowns benefit greatly from a robust schedule of events but each event creates more costs that must be filled from sources other than earned income.

Because these organizations are non-profit and mission-driven they strive to keep their ticket prices low and in many cases provide free access to people who lack the means to pay for their own tickets. These organizations also engage in education, enrichment and outreach activities that enhance the education and quality of life of our fellow citizens of all ages, while employing local artists and others in providing these services.

They also strive to produce and present a mix of familiar and new works of art to their community. We have seen the for-profit entertainment industry abandon our downtowns

to greater profitability in the suburbs. It is the non-profit arts organizations that have maintained a presence in our cities and kept people coming downtown. It is the combination of the unprofitability of providing any kind of entertainment in the inner city with the mission to present art works that may be unfamiliar, experimental or challenging (and therefore less remunerative than popular attractions) that creates this conundrum for our cultural institutions.

No one on this committee needs to be reminded that empty buildings and vacant streets are not neutral. Feet on the street, positively-focused activity day and night, keeps our cities both vibrant and safe. The architectural treasures, both new and old, that house our institutions are often attractions themselves, with their unique challenges for adaptation and maintenance.

For years we have heard the statistic that arts organizations outdraw live attendance at professional sporting events. Critics attack this measure of popularity noting the millions of people who watch sports on television. But is there a mayor anywhere who would prefer having fellow citizens watching a game on TV at home over having them join with the neighbors at a live event downtown? Furthermore, the revenues generated by these two activities could not be more distinct. Local arts organizations spend locally. They largely employ local people, be they artists or others who work in the cultural sector. These employees spend locally, recycling these revenues throughout the local economy.

There is an additional social benefit to the services provided by artists and arts organizations in their efforts to provide for their local communities. Civic engagement is an important, though unplanned, outcome of their work. Bringing fellow citizens together for cultural events contributes to the local economy and to a sense of community, to shared experiences, and valuing the rich resources found only in our downtowns. The non-profit arts are an antidote to cocooning in our homes. Thousands of volunteers across the state make the arts possible. The arts, like politics, are local. At the same time, they have the ability to bring the rest of the world to our communities through traveling exhibitions and touring companies.

The non-profit arts industry is a growth industry as the handout we've provided from the recent Arts & Economic Prosperity study indicates. Wouldn't we like to see these kinds of numbers from the auto industry or manufacturing? Recognizing that non-profit organizations are exempt from certain taxes, we must also realize that the non-profits arts generally do not usurp or replace for-profit efforts but step in to fill the void left by businesses that could no longer sustain themselves. Three movie theatres in the Northern Tier have been rescued, revived and put back into use – creating jobs and economic activity where before there had been a void.

A number of communities throughout the nation and especially in the northeast and the rust belt have come to see artists and arts organizations as part of the solution to revitalizing our downtowns. In his recent monograph for The Reinvestment Fund, “Creativity and Neighborhood Development: Strategies for Community Investment,” analyst Jeremy Nowak observed, “Artists are expert at uncovering, expressing and re-purposing the assets of place – from buildings and public spaces to community stories. They are natural placemakers who assume – in the course of making a living – a range of civic and entrepreneurial roles that require both collaboration and self-reliance.” Author and former Carnegie Mellon University professor Richard Florida has written a new book, *Who's Your City: How the Creative Economy is Making Where to Live the Most Important Decision of Your Life*. In it, he cites the presence of artists and cultural institutions as a leverage point.

Pennsylvania is well positioned to take advantage of the arts. As we know from our friends in tourism, Pennsylvania sits within easy reach of half of the nation's population. Within that population is the highest concentration of artists as well. This presents an opportunity to draw artists to our downtowns and use them to help revitalize our communities and act as a magnet for retail and other activities in our downtowns.

The new economy, the creative economy, presents an opportunity to use the rich and beautiful physical infrastructure, now in dis-use and a drain on our communities, to re-invigorate hollowed out cities.

On my first visit to Scranton about 15 years ago two things struck me. First the beauty of the downtown, the city square, the architecture of its many empty or underused buildings. And, second (having been born in Manhattan and worked there early in my career) I was keenly aware of the proximity of Scranton to New York City, home to many of the nation's artists. What a great opportunity, if we can only show artists the quality of life they can get for their dollar in Pennsylvania.

I am happy to say that Scranton and Lackawanna County are actively pursuing this opportunity, only waiting for completion of work by the Corps of Engineers, before they begin development of a mixed-use facility that will provide both housing and studio space for artists, as well as professional offices, expansion space for the college, restaurants and retail. These facilities will remain on the tax rolls.

We are proud that the PCA has had a role in advising and assisting in this worthy initiative. We have taken this example and used it and others as the launching pad for our agency's efforts to help inform and assist cities throughout the state with their efforts to incorporate arts and culture into their ongoing work to revitalize their communities.

One of the things that is true about the arts in Pennsylvania – that retards the advantage we can take of the arts – is the absence of the development of local arts agencies. Where they exist, they've been established as private, non-profit organizations, with no mandate from any political entity and little, if no financial support from local government. There are exceptions of course, but the local arts agency movement which took place in other states across the nation, never really happened in Pennsylvania. As a consequence, except for self-appointed non-profits, local government planning for arts and culture and engagement by local governments in using their arts to advance their agenda, simply has not happened across the state.

The PCA's new Cities and Communities Initiative provides information and limited financial support for technical assistance to help cities envision ways in which the arts can contribute to their efforts.

Lackawanna County has distinguished itself by creating the first government-sanctioned cultural plan in Pennsylvania. The County has also created a \$1.2 million fund for the arts and established a position in county government to oversee these efforts. The PCA has advised and assisted the County in its efforts and we continue to work with them to provide information and opportunities to enhance their efforts.

Luzerne County, immediately to the south, has taken notice of the groundbreaking work by its neighbor, and the PCA is now acting as the lead consultant to assist them in a planning process.

Community pride is an important part of the contributions of arts and culture toward the vitality of our communities. Just as we take pride in our local sports teams or high school athletics, people take pride in having cultural amenities. Interestingly, this is true whether or not they ever visit them, as so many local residents never visit the popular tourist attractions in their own community, but are proud to have them. And we have seen that residents are prepared to support these organizations, with their own resources and through their federal, state and local governments. As part of the survey of attitudes about the arts that was a key part of the cultural plan for Lackawanna County, citizens were asked to rate the arts as part of the agenda for county government. They placed it an 8 on a scale of 1 to 10, 10 being the highest. (We see this result repeated when our fellow citizens are asked about the importance of arts education. And they are willing to pay more for these services).

At a recent seminar on special tax districts for arts, culture and regional assets, we learned that citizens are willing to pay more to have these assets, if they are assured that the additional revenue will be used for that purpose. Each time one of these regional taxing authorities has been up for reauthorization, the voters have approved it. When asked, "Pay More, What For?" if the question is regional cultural assets, the answer is generally: "Yes."

When communities plan for their cultural futures, we see that they are able to take advantage of the benefits that accrue from investment in the arts. Artists and arts

organizations re-claim abandoned properties and often rehabilitate some of our favorite architectural and iconic structures. Time and again, artists have demonstrated a role as early market entrants in downtown and neighborhood revitalization. Once they move into a challenged area, they often help to stabilize a degrading physical environment and mitigate the risk of investment for real estate owners or developers.

When asked why provide special accommodations for artists through special tax districts, the answer is almost self-evident. Artists make new things. And they invent new uses for old things. They work beyond the usual work hours. They keep their building occupied and active long after others have left for the day. What they want is affordable space and the company of other artists. By making a concerted effort to provide this, other benefits will follow.

These benefits include the rehabilitation of facilities and the attraction of people to these venues to see the work of these artists. Artists do not need and often are reluctant to accept highly finished properties. They want the raw bones of the structure. They value the large undeveloped spaces that they can make their own.

Maryland was the first state to adopt a special tax district for the art and entertainment as a statewide policy in 2001. Special tax incentives are provided to attract artists to these districts. One is the elimination of sales tax on the sale of artwork in these districts. In the first six years, 15 localities received this designation. As a result, Elkton, Maryland saw a transformation from 33 vacant spaces in its downtown to none. Tourism to these districts is flourishing, buildings are being reused and revitalized, and people are moving to the area and paying taxes.

We have studied other creative public investments in the arts that have led to renewal. Paducah, Kentucky has become well-known for its artist relocation program that has drawn artists from all over the county to a once blighted neighborhood, now robust and attractive. Typically, artists are very sensitive to the character of a place, seeking to restore and enhance the unique quality of a city or region. They are likely to preserve and protect, as well as promote and expand on the character of a particular location. Their

own artwork often reflects local images and history. As a result of its relocation program, Paducah has had 70 new resident artists since 2000 with a 300% increase in residential property values in five years. The community has also benefited from its quilt museum, which draws tens of thousands of visitors to their shows and events.

Whatever is accomplished by creating new opportunities in our cities, ongoing funding for these activities will determine if they are successful. The Pennsylvania Council on the Arts has positioned itself as a reliable source of on-going support for the arts in our cities.

Following the industrial revolution, abundant corporate and private wealth was used to create vibrant cultural institutions throughout the state, most notably in our two largest cities, but throughout the state as well. So, Pennsylvania is blessed with many first-class venues and venerable organizations that serve the people of the state with a variety of opportunities to participate in the arts, as audiences and as artists themselves. Perhaps no other state has the richness, diversity and proximity to cultural resources we enjoy in Pennsylvania.

And there are new organizations coming on line every year. Each of these organizations and venues need support. They earn only about half of what it takes to support their efforts. Thanks to the support of the Governor and the General Assembly these organizations have been able to rely on steady (albeit diminishing) support from the state through the PCA.

In closing, the Pennsylvania Council on the Arts would like to thank you again for the opportunity to present this testimony. We hope the information provided will provide the committee with an overview of the many ways in which the arts contribute to the economy of the Commonwealth and we hope you will call upon us if you or the communities you serve seek additional assistance.

Thank you.