

IMPACTS OF THE CULTURAL AFFAIRS

COMMISSION'S GRANT PROGRAM



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Background

The Commission on Cultural Affairs for the state of Nevada, has administered a program of grants over the past ten years. These grants, provided by legislative action during the 1991 session, are “to encourage the preservation and development of cultural resources throughout the state by creating a network of cultural centers and activities”¹.

In an effort to monetarily quantify the economic impacts of the program over the past 10 years, Mr. Ronald M. James and Ms. Elizabeth Safford Harvey contacted Tim Rubald with the Nevada Commission on Economic Development. Rubald operates a number of econometric modeling programs for NCED and agreed that one of the programs he operates would provide productive insight to the economic impacts of the Cultural Affairs’ program.

The study was accomplished by running inputs provided by James and Safford-Harvey. These inputs are the result of ten years of investing in, and operating, historic and culturally oriented facilities. The modeling program chosen is a fairly simple input/output model, built for the Nevada Commission on Economic Development by Applied Economics, a firm from Phoenix, Arizona. The model uses the common, reliable, and generally accepted, IMPLAN format and data for its calculations and assumptions. This is a program originally built county by county throughout the United States by and for the US Forest Service and has been proved accurate over the years of its operation.

¹ Ronald M. James and Elizabeth Safford Harvey, *The Commission for Cultural Affairs – A Two-Year Overview – 2000-2002*, May 1, 2002.

The Study

This study was accomplished taking into account both the investment in the facilities and also the operational aspects of the improvements. Additionally, the study briefly looks at the economic impacts of the construction phase of the projects. Although these projects were accomplished separately, and in various counties of Nevada, for the purposes of this study the projects were conglomerated into a single study and the impacts projected are estimated over the entire state, not county by county. Inputs into the model included the investment of the legislative grant program, any matching funds generated for the construction phase, and the wages generated during the operation of the projects after their renovations.

One issue taken into account while completing this study is the fact all of these individual projects are tax exempt organizations. Therefore they do not pay what is considered to be “normal” taxes such as property taxes. Because of this fact, economic impacts to local government may appear to be less than expected. This, of course, is a policy issue the federal, state, and local governments have chosen to exercise. This is not an issue discussed in the study but one that must be taken into account with any other similar studies of the area since comparatively they would be significantly different.

Additionally it is important to note that in all of this impact analysis there is no inclusion of the value of the property; just the value of the improvements made through the grant program and the matching funds. This was done for a number of reasons, not the least of which was that the data were not available...and the tax free issue too.

During the discussion of the study we use the terms direct, indirect and induced.

In order to equalize the basis for these discussions, following are the meanings for these

terms as used here:

Direct Impact – this is the impact which comes from the employment of primary jobs (*the company*).

Indirect Impact – the economic effect of the jobs created because of a new primary employer. The companies and jobs providing goods and services to the company would be “indirect” jobs.

Induced Impact – the economic impact from jobs created because of the spending from the earnings of the direct and indirect jobs. These “induced” jobs would provide goods and services to the direct and indirect job holders.

Total Impact – this is the simple total of all the direct, indirect, and induced impacts combined.

Inputs and Assumptions

To provide impact estimates, a set of inputs were developed by Mr. James and Ms. Safford Harvey. Following is a chart of these inputs:

Year	Building Construction	Employment	Payroll	Taxable Sales
1993	\$6,500,000	18	\$450,000	\$0
1994	none reported for this year			
1995	\$4,000,000	8	\$669,500	\$0
1996	\$4,000,000	0	\$689,600	\$105,000
1997	\$4,000,000	12	\$1,038,100	\$268,000
1998	\$4,000,000	12	\$1,406,900	\$306,000
1999	\$4,500,000	13	\$1,825,900	\$308,000
2000	\$4,100,000	15	\$2,262,900	\$339,000
2001	\$4,115,000	15	\$2,779,000	\$344,000
2002	\$4,060,538	4	\$2,985,500	\$344,000
TOTALS	\$39,275,538	97	\$14,107,400	\$2,014,000

These numbers were then input into the above described model and run through it. The outputs were then generated by the model through its internal machinations.

Construction Impacts

Construction impacts, by their nature, are normally very short term and although significant, oftentimes are not studied. In this particular case, since the investments in the construction process not only are a major portion of the project, but also occur over a ten year period of time, it would be inappropriate to ignore or discount them. The total impacts, by year for the construction investment are listed below:

Year	Employment	Total Population	Number of Households	Personal Income	Economic Output
1993	97	172	65	\$4,491,403	\$10,308,953
1994	none reported for this year				
1995	59	106	40	\$2,763,940	\$6,343,971
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1998	59	106	40	\$2,763,940	\$6,343,971
1999	67	119	45	\$3,109,433	\$7,136,968
2000	61	109	41	\$2,833,039	\$6,502,570
2001	61	109	41	\$2,843,403	\$6,526,360
2002	60	108	40	\$2,805,771	\$6,439,984
TOTALS	582	1,041	392	\$27,138,809	\$62,290,719

Over the period of study, the outputs indicate there are 392 households “created”. This number is probably not accurate due to the actual nature of the construction industry itself. The relatively small amount of construction work, on an annualized basis (\$4-5,000,000), would make it much more likely that a lot of the household based economic activity would be “absorbed” by the local economy. The fact this is based on a statewide model also would support that effort.

There would be significant monetary impacts, reflected above with the total personal income just above \$27 million. This of course would generate the reflected \$62+ million in total economic activity.

Overall Impacts (Not Including Construction)

One of the most significant impacts generated by the static model being used for this study is the *Personal Income* produced from the economic activity of the Commission on Cultural Affairs grant program and its resulting preserved properties. Again, the properties themselves are not included in this analysis, just the investment infused by the grant program and its matching funds. This makes the Personal Income number even more significant.

The following chart provides information on the results of the study including the economic Output.

Year	Employment	Personal Income	Output	Local Tax Revenues	State Tax Revenues
1993	22	\$605,919	\$1,311,874	\$233,645.00	\$98,415.00
1995	15	\$901,473	\$1,951,776	\$156,623.00	\$73,218.00
1996	15	\$928,538	\$2,010,373	\$164,343.00	\$77,368.00
1997	23	\$1,397,788	\$3,026,347	\$182,872.00	\$91,235.00
1998	27	\$1,894,373	\$4,101,500	\$198,429.00	\$105,509.00
1999	32	\$2,458,551	\$5,323,000	\$230,915.00	\$127,366.00
2000	39	\$3,046,966	\$6,596,975	\$233,471.00	\$137,669.00
2001	45	\$3,741,888	\$8,101,549	\$255,000.00	\$158,530.00
2002	35	\$4,019,937	\$8,703,553	\$283,706.00	\$287,206.00
TOTALS	253	\$18,995,433	\$41,126,947	\$1,939,004.00	\$1,156,516.00

The Output includes the direct, indirect and induced aspect of the economic activity. For a \$20 million investment, the various projects returned over \$41 million.

Over a two to one return on investment.