

## **A Brief Summary of the Economic Impact of the Heritage Center on the Pine Ridge Indian Reservation**

In estimating the economic impact of the Heritage Center, we used an approximate budget of \$400,000 per year.<sup>1</sup> We calculated the economic impact of 10,000 visitors to the Heritage Center per year, with approximately 80% coming from outside the Pine Ridge Indian Reservation.<sup>2</sup> These ‘nonlocal’ visitors (an estimated 8,000 per year) bring money, through their local expenditures, into the Pine Ridge Indian Reservation economy that most likely would otherwise have been spent in their own region.

The Heritage Center is a museum embedded in a private, Jesuit-sponsored school in a local economy with very few industrial sectors. Of the top ten sectors in terms of economic output, six are state and local or federal government sectors. Due to both of these facts – that it is an embedded museum and that the local economy is very sparse – we estimated the impact of the expenditures of the Heritage Center in the private schools and colleges sector rather than in the museum sector, which would have been more typical but is absent in the Pine Ridge economy.

The results below estimate the total economic impact of the Heritage Center using an inter-industry model of the flow of goods and services between sectors of the economy in the Pine Ridge Indian Reservation. Expenditures are made by the Heritage Center; those monies circulate through the regional economy. The suppliers of goods and services to the Heritage Center increase their own purchases to meet the new demand; increased employment results in additional expenditures by households. Similar modeling has been undertaken to estimate the impact of expenditures by nonlocal visitors as well.

The results are calculated for the specific case of the Heritage Center. Estimates of average spending by each nonlocal visitor are based upon an extensive national survey by Americans for the Arts of expenditures made by nonlocal visitors on the day of attendance to a cultural site or event.<sup>3</sup>

### Results:

- The \$400,000 in annual expenditures by the Heritage Center has an estimated economic impact of \$451,418. Sectors of the Pine Ridge Indian Reservation economy (beyond the private schools and

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<sup>1</sup> Annual expenditures of \$400,000 are based on data received from the Heritage Center concerning 2010 expenses.

<sup>2</sup> Our figure of 10,000 visitors to the Heritage Center annually is based on the article “41<sup>st</sup> Red Cloud art show ‘up a notch’”, Rapid City Journal, July 18, 2008, by Sarah Beu at [http://rapidcityjournal.com/news/local/article\\_38fe6e44-9e5c-54d9-b0e9-8aa848df35ab.html](http://rapidcityjournal.com/news/local/article_38fe6e44-9e5c-54d9-b0e9-8aa848df35ab.html) To estimate the economic impact of the Heritage Center based on alternative visitation figures please visit our interactive web page at <http://web.williams.edu/web/Economics/ArtsEcon/econpages/c3ddisplay.php?file=HCEconModelCounty.xml> where you can update visitor and budget numbers to calculate different economic impact scenarios.

<sup>3</sup> Information on the Americans for the Arts study is available for download at [http://www.artsusa.org/information\\_services/research/services/economic\\_impact/default.asp](http://www.artsusa.org/information_services/research/services/economic_impact/default.asp). The survey was carefully designed to count only the expenditures directly tied to visiting a cultural organization on a specific day, so as not to ‘take credit’ for expenditures primarily resulting from an extended vacation or other reasons for traveling.

colleges sector) that experience a significant increase in economic activity due to the presence of the Heritage Center are state and local enterprises, state and local electric utilities, rental value, postal service, telecommunications, and food and drinking places. In addition, the expenditures of the Heritage Center result in an estimated 8 jobs regionally.

- The local expenditures made by 8,000 visitors from outside the Pine Ridge Indian Reservation to the Heritage Center have a total economic impact of approximately \$468,977. Sectors of the economy that benefit most from visitor expenditures are food and drinking places, hotels and motels, retail stores, gasoline stations, rental values, and state and local enterprises. The expenditures of 8,000 nonlocal visitors to the Heritage Center result in an additional 10 jobs in the Pine Ridge Indian Reservation.
- The total economic impact of the Heritage Center consists of the impact of its own annual expenditures and the local expenditures made by visitors who reside outside the Pine Ridge Indian Reservation. ***The total economic impact of the Heritage Center is approximately \$920,000 annually. The total impact in terms of employment in the Pine Ridge Indian Reservation is an estimated 18 jobs.***

The presence of the Heritage Center in the Pine Ridge Indian Reservation results in benefits to the community far beyond its economic impact. This summary is only an estimate of the economic impact of the Heritage Center on the economy of the Pine Ridge Indian Reservation.

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### **About the Heritage Center**

The Heritage Center museum opened in 1982 at Red Cloud Indian School on the Pine Ridge Reservation in Pine Ridge, South Dakota. The Heritage Center is committed to collecting, preserving, and exhibiting the fine arts of all Native Americans and the tribal arts of the Lakota. The Heritage Center has a particularly fine collection with over two thousand paintings, drawings, and sculptures. The Heritage Center is currently planning enhancements and modifications to its historic building, and developing programs to foster individual cultural and artistic awareness and community economic development.

### **About the Williams College Center for Creative Community Development (C<sup>3</sup>D)**

The Center for Creative Community Development (C<sup>3</sup>D) was founded in June 2004 with an initial grant from the Ford Foundation and subsequent funding from the Institute of Museum and Library Services (IMLS), Leveraging Investments in Creativity (LINC), Massachusetts Cultural Council (MCC) and others. This report is part of a research initiative on organizations awarded Space for Change planning and pre-development grants. The Space for Change program is funded by LINC in partnership with the Ford Foundation. C<sup>3</sup>D is a research organization working to better quantify and characterize the impacts of neighborhood-based arts and cultural organizations on their surrounding communities. The Center provides sound data and case studies that can be used for case-making as well as for planning and evaluation purposes. Such measurements are essential for communities to manage the process of change, and to ensure equitable distribution of the benefits created by cultural economic development.

C<sup>3</sup>D is located on the campus of Williams College in Williamstown, Massachusetts, and is directed by Stephen Sheppard, Class of 2012 Professor of Economics. Professor Sheppard (PhD from Washington University in St Louis) is an economist who specializes in urban and regional economics and the use of economic geography to analyze the impacts of cultural and environmental amenities on housing markets, job creation, and neighborhood development.

More information about C<sup>3</sup>D and its analyses is available<sup>3</sup> at [www.c-3-d.org](http://www.c-3-d.org).

### **About this Study**

The economic impacts reported above are based on standard input/output analysis. This type of model has been in use at least since the publication in 1960 of Walter Isard's important book *Methods of Regional Analysis: an Introduction to Regional Science* (M.I.T. Press). An input/output model is a set of mathematical formulas whose values are based on statistical analysis of actual observations. In this case, the formulas are designed to present the workings of the regional economy. The economic impact estimates provided here are the result of a predictive model that estimates the amount of aggregate regional income and employment that is attributable to expenditures by a particular cultural organization and its nonlocal visitors (visitors living outside the county). The model discussed in this report is designed for analysis at the county level, meaning the estimates cover impacts occurring throughout the county.

The input/output model utilizes data from a variety of sources (including the US Bureau of Economic Analysis, the US Bureau of Labor, and the US Census Bureau) to characterize the flow of goods and services among sectors of the economy and the employment and consumption patterns of different sectors of the regional economy. The sectors are identified by NAICS (North American Industry Classification System) codes. Much of the data is collected at the county level through a survey process that examines the spending patterns of representative firms in every sector of the economy in every county in the US. The data collected are used to provide estimates of the purchasing patterns of each sector of the county economy, identifying how much of every dollar spent in one particular sector is received as income in every other sector of the county economy, and how much of every dollar 'leaks' outside the county economy or is considered 'final consumption'. The input/output economic model divides the economy into over 400 sectors ranging from 'Abrasive products' to 'Wood window and door manufacturing'. Not all of these sectors are present in every region. The model also draws heavily on data from the federal ES202 database of unemployment insurance filings and the 'Regional Economic Information System' of the US Bureau of Economic Analysis.

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For more detailed background information on our input/output model for cultural organizations, we encourage you to visit <http://www.williams.edu/Economics/ArtsEcon/econpages/FAQ.html>.