

Memorandum

To: Mike Stotts, Managing Director, Paper Mill Playhouse
From: Econsult Solutions, Inc.
Date: January 12, 2024
RE: Economic Impact of Paper Mill Playhouse – 2023 Update

1 Purpose and Summary

Econsult Solutions, Inc. (ESI) was engaged by the Paper Mill Playhouse (“PMP”) to analyze the economic impacts from: 1) a \$40 million capital investment to renovate its current facility and construct a new education center, and 2) its ongoing annual operations and patronage. ESI published a full report in May 2022 (“previous study”) documenting the impacts of PMP reflecting a \$30 million capital investment¹ and operations from FY2022. This memorandum (“current study”) serves as an update to this full report based on the most up-to-date data available, including the most recent capital budget and operations and patronage from calendar year 2023. The economic and fiscal impacts presented in this memorandum include those to the Township of Millburn, Essex County, Three-County Region,² and New Jersey (“geographic study areas”).

2 Total Combined Annual Impact Summary

Figure 1 compares the one-time economic impact from construction between the previous and current studies across each of the four geographic study areas. Figure 2 compares the one-time tax impact from construction for the State of New Jersey. Figure 3 compares the ongoing annual impacts from operations and ancillary visitor spending for each of the geography study areas between the previous and current studies. Figure 4 compares the annual tax impact for the State of New Jersey from operations and ancillary visitor spending. The previous study did not include ancillary patron spending in the analysis; therefore, the current study shows a proportionally more robust economic and tax impact. Sections 3, 4, and 5 of this memorandum provide the assumptions and results for the current impacts presented in these figures.³

¹ The previous study also included fundraising expenditures as part of the total capital budget for a total direct impact of \$32.9 million.

² Essex, Morris, and Union counties in New Jersey

³ Throughout this memorandum, numbers in summary tables do not always total to do rounding.

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Figure 1: One-Time Economic Impact of the Renovation of Paper Mill Playhouse and Construction of Education Center

	Previous Study (2022)	Current Study (2023)
Millburn		
Direct Output (\$M)	\$32.9	\$36.1
Indirect and Induced Output (\$M)	\$0.4	\$0.4
Total Output (\$M)	\$33.3	\$36.6
Total Employment (FTE)	190	170
Employee Compensation (\$M)	\$11.5	\$9.5
Essex County		
Direct Output (\$M)	\$32.9	\$36.1
Indirect and Induced Output (\$M)	\$16.4	\$18.7
Total Output (\$M)	\$49.4	\$54.8
Total Employment (FTE)	260	250
Employee Compensation (\$M)	\$16.3	\$14.8
Three-County Region		
Direct Output (\$M)	\$32.9	\$36.1
Indirect and Induced Output (\$M)	\$19.9	\$23.0
Total Output (\$M)	\$52.8	\$59.1
Total Employment (FTE)	270	260
Employee Compensation (\$M)	\$17.3	\$16.0
New Jersey		
Direct Output (\$M)	\$32.9	\$36.1
Indirect and Induced Output (\$M)	\$26.4	\$30.1
Total Output (\$M)	\$59.3	\$66.3
Total Employment (FTE)	300	290
Employee Compensation (\$M)	\$19.2	\$18.1

Source: PMP (2023), IMPLAN (2022), ESI (2023)

Figure 2: One-Time Tax Revenue Impact of the Renovation of Paper Mill Playhouse and Construction of Education Center for State of New Jersey

Tax Type	Previous Study (2022)	Current Study (2023)
Income	\$0.4	\$0.4
Sales	\$0.6	\$0.6
Business	\$0.2	\$0.2
Total Tax Impact	\$1.2	\$1.1

Source: IMPLAN (2022), ESI (2023)

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Figure 3: Ongoing Annual Economic Impact of Paper Mill Playhouse and Education Center’s Operation and Ancillary Visitor Spending

	Previous Study (2022)		Current Study (2023)	
	Total	Operations	Visitor Spending	Total
Millburn				
Direct Output (\$M)	\$20.6	\$31.0	\$3.8	\$34.7
Indirect and Induced Output (\$M)	\$0.5	\$0.8	\$0.1	\$0.9
Total Output (\$M)	\$21.0	\$31.8	\$3.8	\$35.6
Total Employment (FTE)	180	210	50	260
Employee Compensation (\$M)	\$11.5	\$17.3	\$1.7	\$19.0
Essex County				
Direct Output (\$M)	\$20.6	\$31.0	\$3.8	\$34.7
Indirect and Induced Output (\$M)	\$11.3	\$19.2	\$2.3	\$21.5
Total Output (\$M)	\$31.9	\$50.2	\$6.1	\$56.2
Total Employment (FTE)	230	290	50	340
Employee Compensation (\$M)	\$14.4	\$22.1	\$2.4	\$24.5
Three-County Region				
Direct Output (\$M)	\$20.6	\$31.0	\$3.8	\$34.7
Indirect and Induced Output (\$M)	\$12.5	\$21.7	\$2.8	\$24.5
Total Output (\$M)	\$33.0	\$52.7	\$6.5	\$59.2
Total Employment (FTE)	240	300	60	360
Employee Compensation (\$M)	\$16.2	\$23.0	\$2.5	\$25.5
New Jersey				
Direct Output (\$M)	\$20.6	\$31.0	\$3.8	\$34.7
Indirect and Induced Output (\$M)	\$16.2	\$26.7	\$3.5	\$30.2
Total Output (\$M)	\$36.7	\$57.7	\$7.3	\$65.0
Total Employment (FTE)	260	320	60	380
Employee Compensation (\$M)	\$17.3	\$24.5	\$2.7	\$27.3

Source: PMP (2023), IMPLAN (2022), ESI (2023)

Figure 4: Ongoing Annual Tax Revenue Impact of Paper Mill Playhouse and Education Center’s Operation and Ancillary Visitor Spending for State of New Jersey

Tax Type	Previous Study (2022)		Current Study (2023)	
	Total	Operations	Visitor Spending	Total
Income	\$0.3	\$0.5	\$0.1	\$0.6
Sales	\$0.5	\$0.8	\$0.1	\$0.8
Business	\$0.1	\$0.1	\$0.0	\$0.1
Total Tax Impact	\$0.9	\$1.4	\$0.2	\$1.5

Source: IMPLAN (2022), ESI (2023)

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3 One-Time Impacts from Direct Capital Investment

The previous study included a total proposed capital expenditure budget of \$37.5 million⁴ for the renovation of PMP’s current theater facility and construction of an education center over a four-year period, while the current study reflects the revised budget of \$40 million.⁵ Figure 5 provides the one-time impacts from this capital investment across the four geographic study areas. The direct output of \$36.1 million is lower than the total budget of \$40 million since it excludes land acquisition costs and a portion of estimated soft costs.

Figure 5: One-Time Economic Impact Generated by Capital Investments by Paper Mill Playhouse

	Millburn	Essex County	Three-County Region	New Jersey
Direct Output (\$M)	\$36.1	\$36.1	\$36.1	\$36.1
Indirect and Induced Output (\$M)	\$0.4	\$18.7	\$23.0	\$30.1
Total Output (\$M)	\$36.6	\$54.8	\$59.1	\$66.3
Total Employment (FTE)	170	250	260	290
Employee Compensation (\$M)	\$9.5	\$14.8	\$16.0	\$18.1

Source: Paper Mill Playhouse (2023), IMPLAN (2022), ESI (2023)

Direct capital expenditures, as well as its induced and indirect activity, will produce business, sales, and income tax revenues. Upon completion, the cumulative capital investments will have generated approximately \$296,000 in one-time permit fees to the Township of Millburn. These capital investments will also contribute approximately \$1.1 million to New Jersey during the construction period.

Figure 6: One-Time Tax Revenue Impact Generated by Capital Investments for the State of New Jersey (\$M)

Tax Type	Total Tax Revenue
Income	\$0.4
Sales	\$0.6
Business	\$0.2
Total One-Time Tax Revenue Impact	\$1.1

Source: IMPLAN (2022), ESI (2023)

⁴ While the proposed hard and soft construction costs were around \$30 million, the budget also included costs for site acquisition and fundraising, resulting in a total of \$37.5 million. After deducting acquisition costs and some non-applicable soft costs, this resulted in a modellable amount of \$32.9 million.

⁵ According to PMP, the development cost for the education center will likely exceed the current projected cost; therefore, the economic and tax impacts from direct capital investment presented in this analysis are likely understated.

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4 Annual Impact from Current and Projected Ongoing Operations

The previous study considered total operating expenditures of \$20.6 million, while the current study used the actual operating expenditures from calendar year 2023 of \$31.2 million⁶ in addition to projected operational spending for the education center. After excluding payroll taxes, modellable operating expenditures of PMP were \$29.5 million. Of this total, approximately \$16.4 million was dedicated to wages and benefits for Paper Mill Playhouse’s direct workforce as well as contractor artists. The remaining \$13.1 million was dedicated to other operating costs, including the procurement of goods and services. Using the same assumptions from the 2022 report, the future education center will have an operating cost of \$1.5 million, with \$1.1 million in direct wages and \$0.4 million in other expenses.

Figure 7: Paper Mill Playhouse and Education Center Annual Operating Expenditures at Full Capacity (\$M)

Modellable Operation Cost	Employee Compensation	Other Expenses	Total
Paper Mill Playhouse	\$16.4	\$13.1	\$29.5
Education Center	\$1.1	\$0.4	\$1.5
Total	\$17.5	\$13.5	\$31.0

Source: PMP (2023), ESI (2023)

The \$31.0 million in direct operating expenditures is estimated to generate a total economic impact of \$31.8 million for Millburn, supporting around 210 jobs with \$17.3 million in employee compensation. Within Essex County, the total economic impact is estimated to amount to \$50.2 million, supporting 290 jobs and \$22.1 million in employee compensation. In the Three-County Region, the total economic impact is approximately \$52.7 million, supporting 300 jobs and \$23.0 million in employee compensation. In New Jersey, the total economic impact reaches \$57.7 million, supporting 320 jobs and generating \$24.5 million in employee compensation.⁷

⁶ According to PMP, 2023 had higher-than-usual operational spending due to the runs of two higher budget performances (The Great Gatsby and Disney’s Hercules). While average annual operational spending is typically around \$27 to \$28 million, the spending in 2023 demonstrates the historic economic impact as well as economic potential of PMP.

⁷ While PMP paid wages for nearly 1,200 staff, personnel, and contractor artists, the majority of these individuals were part-time workers. The direct, indirect, and induced jobs presented in this analysis reflect full-time equivalent jobs.

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Figure 8: Potential Ongoing Annual Economic Impact from Expanded Paper Mill Playhouse Operations

	Millburn	Essex County	Three-County Region	New Jersey
Direct Output (\$M)	\$31.0	\$31.0	\$31.0	\$31.0
Indirect and Induced Output (\$M)	\$0.8	\$19.2	\$21.7	\$26.7
Total Output (\$M)	\$31.8	\$50.2	\$52.7	\$57.7
Total Employment (FTE)	210	290	300	320
Employee Compensation (\$M)	\$17.3	\$22.1	\$23.0	\$24.5

Source: PMP (2023), IMPLAN (2022), ESI (2023)

The direct operating expenditures by PMP and the education center will also significantly contribute to the tax base of the State of New Jersey. It is estimated that the operation will on average generate approximately \$1.4 million in tax revenue for the State of New Jersey. This comprises \$0.5 million in income tax, \$0.8 million in sales tax and \$0.1 million in business tax.⁸

Figure 9: Potential Tax Impact from Expanded Paper Mill Playhouse Operations for the State of New Jersey (\$M)

Tax Type	Total Tax Revenue
Income	\$0.5
Sales	\$0.8
Business	\$0.1
Total Tax Impact	\$1.4

Source: IMPLAN (2022), ESI (2023)

5 Annual Impacts from Ancillary Spending from Patronage

The previous study did not consider ancillary patron spending, since the study was conducted during the height of the COVID-19 pandemic when PMP performance activity and operations were substantially diminished. The current study used the calendar year attendance of 190,000, which is reflective of patronage moving forward. Among these visitors, approximately 45 percent were from the Three-County Region, around 38 percent from other parts of New Jersey, and 16 percent from New York. Using a representative sample of state and home zip code records of attendees provided by PMP, this report classified PMP visitors into two categories – local visitors (Three-County Region residents) and day trip visitors (all other patrons).

Ancillary spending is defined as spending that occurs outside of PMP that can be attributed to the trip.⁹ For example, day trip visitors spend money at local restaurants, for local transportation, and for other

⁸ Due to PMP’s 501(c)(3) status, it is exempt from business tax. This exemption is reflected proportionately in the calculation of business tax.

⁹ This excludes spending on tickets or concession since these expenditures directly support PMP operations and these impacts are already captured in Section 3.

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retail purchases. Assuming \$68 per person per trip,¹⁰ it is estimated that non-local PMP patrons generated \$5.3 million ancillary spending.^{11 12}

Figure 10: Annual Average Daytrip Visitor Spending Attributable to PMP (\$M)

Type	Total Spending
Transportation	\$1.0
Food & beverage	\$2.6
Retail purchases	\$1.8
Total	\$5.3

Source: Longwoods International Travel USA (2019), American for the Arts (2017), BLS Consumer Price Index (2023), PMP (2023), ESI (2023)

Spending by visitors not only directly benefits local businesses but also indirectly stimulates various sectors of the local economy as the money flows through the community. Of the estimated \$5.3 million in ancillary spending by PMP patrons, IMPLAN estimates that only \$3.8 million is a direct economic impact.¹³ The total economic impact amounts to \$3.8 million in Millburn, \$6.1 million in Essex County, \$6.5 million in the three-county region and \$7.3 million in New Jersey. The more detailed economic impacts on the four geographies are outlined in the following figure.

Figure 11: Potential Ongoing Annual Economic Impact from Patrons of Paper Mill Playhouse

	Millburn	Essex County	Three-County Region	New Jersey
Direct Output (\$M)	\$3.8	\$3.8	\$3.8	\$3.8
Indirect and Induced Output (\$M)	\$0.1	\$2.3	\$2.8	\$3.5
Total Output (\$M)	\$3.8	\$6.1	\$6.5	\$7.3
Total Employment (FTE)	45	54	56	59
Employee Compensation (\$M)	\$1.7	\$2.4	\$2.5	\$2.7

Source: Paper Mill Playhouse (2023), IMPLAN (2022), ESI (2023)

¹⁰ Based on data from Americans for the Arts’ Arts & Economic Prosperity 5 (2017), adjusted to constant dollars; the most recent study released in October 2023 is not yet available.

¹¹ This analysis makes conservative assumptions to exclude the estimated spending of local visitors, since their spending is not considered “new money” to the local economy.

¹² This study does not include the potential spending impacts of visitors to the education center, since it is assumed that the vast majority of these visitors would be local.

¹³ Total direct impact (\$3.8 million) is lower than total ancillary spending (\$5.3 million) because IMPLAN estimates that commodities consumed by visitors were not all produced locally. The difference between the input and output represents the leakage outside of the study areas.

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Non-local ancillary spending also contributed to the tax revenue to the State of New Jersey. It is estimated that the net new spending by PMP patrons generated around \$0.2 million in tax revenue for the State.

Figure 12: Potential Tax Impact from Patrons of Paper Mill Playhouse for the State of New Jersey (\$M)

Tax Type	Total Tax Revenue
Income	\$0.1
Sales	\$0.1
Business	\$0.0
Total Tax Impact	\$0.2

Source: IMPLAN (2022), ESI (2023)