



KENTUCKY STATE FAIR BOARD
2014 ECONOMIC IMPACT STUDY



KENTUCKY EXPOSITION CENTER
KENTUCKY INTERNATIONAL CONVENTION CENTER

KENTUCKY STATE FAIR BOARD EVENTS

ECONOMIC IMPACT - 2014

Prepared for:

Kentucky State Fair Board

Prepared by

Certec Inc.

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**Certec Inc.
Versailles, KY**

EXECUTIVE SUMMARY

A detailed examination of the expenditure and fiscal impacts generated by the 2014 events at the Kentucky Exposition Center (KEC) and the Kentucky International Convention Center (KICC) has been conducted for the Kentucky State Fair Board. The major findings of the research follow:

- The events at the two facilities contributed over \$482.3 million to Kentucky's economy in 2014 compared to \$435 million in 2005. Direct expenditures of non-resident attendees accounted for \$163.1 million of this total. The direct economic contribution by exhibitors added \$47.9 million to the total. Total sales at KEC/KICC provided \$44.8 million to the total.
- The facilities generated over \$36.4 million in tax revenues to government -\$28.9 million to the Kentucky state government and \$7.5 million locally to Jefferson County.
- The events at the facilities generated jobs that provided nearly \$134.3 million in new payroll to Kentucky workers.
- A total of 6,630 jobs were generated by the expenditures resulting from the events held at KEC/KICC.
- Expenditures of attendees by category showed that food and beverage, lodging, and shopping accounted for over eight out of every ten dollars spent in the Louisville Metropolitan Statistical Area (MSA).
- The top events based on nonresident expenditures are: National Farm Machinery Show & Tractor Pull, Mid-America Truck Show, National Street Rod Association, North American International Livestock Expo, FFA National Convention, and Kentucky State Fair.

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INTRODUCTION

The purpose of this year-long study is to quantify the economic and fiscal impact of Kentucky State Fair Board activities in 2014. The research includes all of the events held at the Kentucky Exposition Center (KEC) and the Kentucky International Convention Center (KICC) from January 2014 through December 2014. Economic benefits begin when a traveler to the facilities, either a Louisville Metropolitan Statistical Area (MSA) non-resident or an out-of-state visitor, spends money in Kentucky. The typical purchases of visitors include goods and services such as lodging, food and beverages, gasoline, souvenirs, admission fees, entertainment, or other retail goods. This initial round of spending is referred to as the direct expenditures.

These direct expenditures create a ripple-like effect through the economy. The businesses receiving these dollars use them to pay wages and salaries, to purchase goods and services for the businesses, and to pay taxes. The individuals and businesses receiving these monies, in turn, spend them on goods, services, and taxes. This process is repeated through several rounds of spending until the impact becomes insignificantly small. The combined impact of these several rounds of spending is referred to as the multiplier effect.

The total economic and fiscal impact of Kentucky State Fair Board tourism is the combination of the direct expenditures and the multiplier effect expressed in terms of spending, jobs, wages, and taxes. It is important to note that tourism impacts all sectors of the local economy. The research findings presented in this report show the importance of tourism to the local economy in 2014. This is accomplished through the use of the Certec approach designed for estimating tourism impacts at the state and local levels, in conjunction with an input-output model designed for estimating the indirect and induced effects of tourist spending. The procedures used are explained in detail in Appendix A.

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Table 1

KENTUCKY STATE FAIR BOARD EVENTS ECONOMIC IMPACT - 2014

	<u>2014</u>
Total Expenditures	\$482,314,432
Attendees Expenditures (Direct)	\$163,158,996
Exhibitor Expenditures (Direct)	\$ 47,897,653
Sales at KEC/KICC	\$ 44,805,768
Total New Payroll Generated	\$134,264,485
Total Taxes	\$ 36,415,651
Kentucky State Taxes	\$ 28,868,144
Local Taxes, Jefferson County	\$ 7,547,507
Total Employment Generated	6,630

ECONOMIC IMPACT OF TOURISM

Expenditures

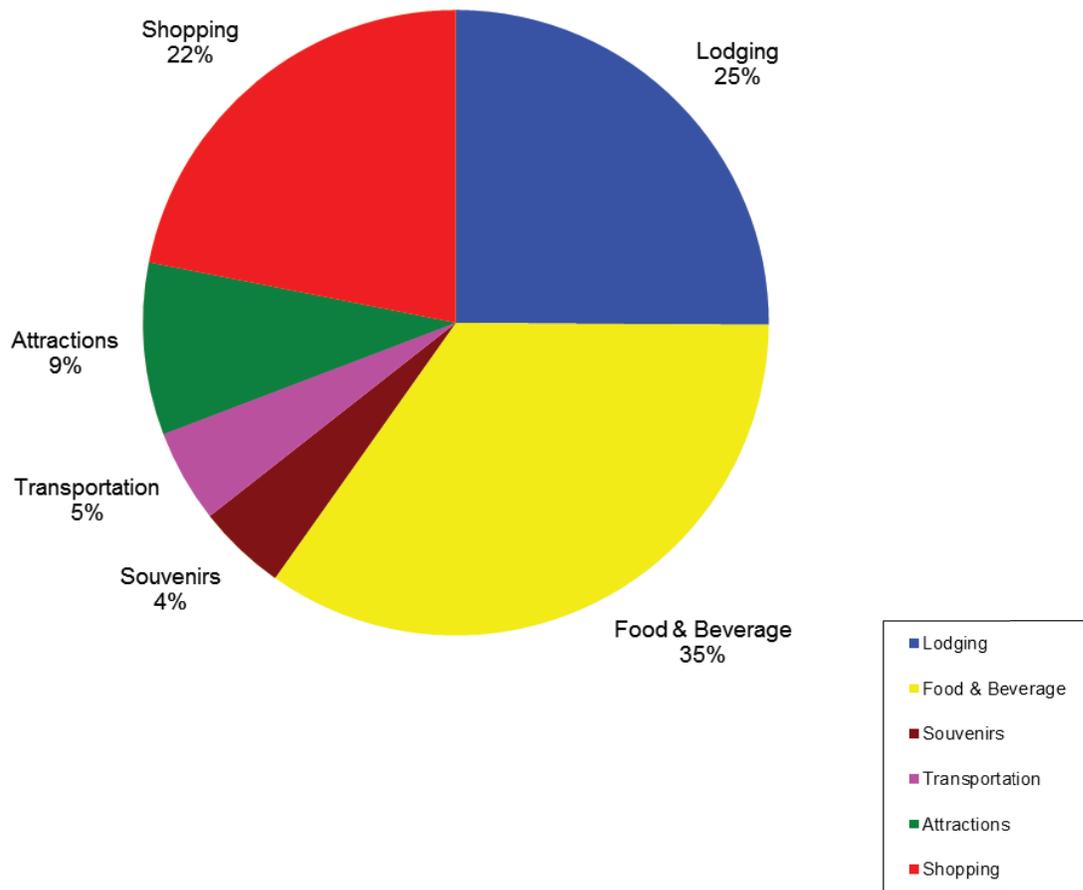
The Kentucky State Fair Board events made a total contribution to Kentucky's economy of \$482.3 million in 2014 (Table 1) compared to the estimate of \$435 million for the previous study for 2005. The direct purchases made by non-resident attendees while in Kentucky accounted for \$163.1 million of this total. The direct economic contribution by exhibitors added \$47.9 million to the total. Total sales at KEC/KICC contributed \$44.8 million to the total. This represents an annual increase in spending of 1.2 percent over 2005 levels.

Lodging guests are the primary drivers of economic impact since they avail themselves of a wider variety of goods and services during their stay in the community. As a group they spend more at restaurants, gas stations, shopping centers and specialty stores, in addition to their lodging purchases. Non-resident attendees in 2014 generated 586,268 room-nights locally. Exhibitors and organizers contributed an additional 215,750 room-nights locally. These overnight visitors made substantial contributions to the direct economic impact presented above.

The difference between the total economic impact and the purchases of travelers was a result of the multiplier effect, i.e. the indirect expenditures. This was triggered by the initial infusion of dollars in the economy. These direct expenditures had a ripple-like quality as they passed from one layer of the economy to the next. The magnitude of these economic benefits diminished during each round of re-spending for goods and services until only an insignificantly small sum was left. The sum of these expenditures for the several rounds of re-spending of the initial dollars was the total multiplier effect of \$226.4 million.

The attendee expenditure data were further classified by type of purchase. The distribution of these expenditures is provided in Chart 1. Spending on food and beverage accounted for nearly 35 percent of these \$163.1 million in direct purchases. Lodging accounted for over 25 percent of all travel expenditures. Shopping accounted for nearly 22 percent of the purchases. Attractions and transportation collected nine and five percent, respectively. Souvenir purchases contributed four percent of the total.

Travel Expenditures by Category



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EVENT ATTENDANCE

Attendance exceeded 1.9 million at the 385 events held at KEC and KICC in 2014 (Table 2). Important contributors to economic impact, conventions and trade shows, showed increases over the numbers reported for 2005. Meetings also demonstrated a healthy growth between the two reporting years. A substantial decline was reported for sporting events and public expositions/sales. A major contributor to this decrease was the shift of University of Louisville basketball games from Freedom Hall to the new KFC Yum! Center in downtown Louisville. Given the up and down shifts within categories of events at the two facilities, the overall attendance between the two reporting years declined less than ten percent.

Table 2

ESTIMATED ATTENDANCE AT KENTUCKY STATE FAIR BOARD EVENTS

<u>Event</u>	<u>2014</u>
Catered Party/Reception	5,825
Concerts	23,512
Conventions	235,154
Family Attractions	83,344
Livestock Events	24,166
Meetings, including Educational	123,465
Public Expositions & Sales	106,128
Sporting Events	199,764
State Fair	515,937
Trade Shows	611,495
Total	1,928,790

Tourism stimulates non-tourism industries such as agriculture, fishing, meatpacking, food processing, brewing and distilling, bottling, floriculture, construction and appliance, furniture, and linen manufacture. For example, demand for hotel rooms can create

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demand for the services of contractors, which generates secondary demand for steel, bricks, lumber, tile, marble, glass, plumbing and air conditioning systems, elevator cars, carpets and a variety of other goods. Similarly, tourist demand for restaurant meals creates business not only for restaurants, but for producers and packagers of fresh and frozen foods, butchers, dairies, and ultimately, for manufacturers of farm implements and fertilizers. **Consequently, a healthy tourism industry means additional business for industries throughout the economy.**

Where does this money go once it is in the local economy? Many hold the idea that it all goes to the service and retail sectors to support only low wage jobs. In reality, the economic benefits to the Louisville area are far more widespread. It helps support dozens of local businesses that do not directly serve the county's tourists. It impacts banking, insurance, and real estate; transportation and public utilities; construction; agriculture, and manufacturing.

Employment

In 2014, a total of 6,630 jobs (in FTEs [full time equivalents]) in the Louisville MSA were due to the expenditures made as a result of Kentucky State Fair Board activities (Table 1).

The employment opportunities were distributed throughout the county. A number of the jobs in the community are supported, in part, by tourism. Since tourism jobs are dispersed throughout the local economy, they are more difficult to identify than factory jobs. This contributes to the misunderstanding of the size and importance of tourism to the local economy.

Wages

The expenditures of travelers are the business receipts of the establishments patronized. A portion of these revenues is used by the businesses to pay their employees. The total new payroll generated by Kentucky State Fair Board events was nearly \$134.3 million in 2014 (Table 1).

Taxes

Tourism generates state and local tax revenues. Tourism expenditures from Kentucky State Fair Board events resulted in the collection of over \$36.4 million in tax revenues in 2014 (Table 1). Nearly \$28.9 million of the net new taxes from non-resident spending was in the form of Kentucky state taxes. State sales and income taxes generated these Kentucky taxes. An additional \$7.5 million in local taxes resulted from the non-resident spending. Local hotel and occupational taxes generated these Jefferson County taxes.

APPENDIX A

DATA AND METHODS

In simplest terms the economic impact of tourism is a function of the number of visitors to the area under study and how much they spend while there. The research challenge is to accurately measure these quantities. Determining the economic impact of Kentucky State Fair Board events is a complicated task. The KEC and KICC facilities together hosted 385 events in 2014. These events generated over 1.9 million attendees. Exhibitors numbered in the thousands at the two facilities combined.

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Kentucky State Fair Board

Data were collected from a number of sources during the year-long research project. The Kentucky State Fair Board provided comprehensive information on the individual events at each facility including the number of attendees and type of event. **A number of the events were defined as local and their attendees were excluded from the economic analysis.** Accounting data on sales at KEC/KICC were obtained. It also provided contact information on a number of the event organizers/exhibitors.

Organizers/Exhibitors Surveys

Certec Inc. contacted a sample of these event organizers/exhibitors with a mail survey to obtain supplemental information on number of staff at event, number of person-nights in local hotels, and total expenditures in Jefferson County. A copy of the survey form is in Appendix C.

Visitor Spending Database/Surveys

Certec Inc. maintains an extensive database of visitor spending in Kentucky by tourism sector and geographic area. This database was supplemented with on-site surveys of attendees and exhibitors at selected Kentucky State Fair Board events. The surveys asked visitors to provide home zip code, how many people were in the party, how many days they were staying in the Louisville area, how many nights in local lodging, and how much they anticipated spending on lodging, meals, shopping, souvenirs, entertainment, transportation, and other expenses while in the area. Information obtained from Smith Travel Research reports available from the Kentucky Tourism, Arts, and Heritage Cabinet were also used to supplement the Certec Inc. database.

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License Plate Surveys

In addition to the attendee surveys, Certec Inc. also conducted extensive license plate surveys of vehicles in the parking lots during selected events. Since the economic impact depends on the numbers of visitors who arrive from outside the Louisville metro area, it is important to have a reasonably accurate estimate of the proportion of attendees at events who live outside the Louisville metro area. Vehicles were identified by state (and county for Kentucky and Indiana) issuing the license plate for the over five thousand vehicles found in parking lots during events.

Multiplier Effects

The indirect and induced expenditures, jobs, and payroll resulting from the initial infusion of money into the local economy were calculated using the RIMS II input-output (I-O) model developed by the U.S. Bureau of Economic Analysis. For continuity the final demand multipliers used for the 2005 study were used for the 2014 study.

The tax revenues resulting from the events were also estimated. State and local tax revenues were obtained by using the appropriate sales tax rate, local lodging tax rate, income tax rate, and occupational tax rate. The goal was to maintain continuity with the 2005 study.

Estimates of event-generated employment were obtained in a similar fashion. Appropriate employment multipliers were applied to expenditure data to determine jobs supported by the net new sales. An adjustment was made based on job to spending changes resulting from the 2008-2009 recession. The net effect was to reduce the employment impact of tourism spending.

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The addition of the multiplier effects to the direct effects provided the complete picture of the economic impact of the Kentucky State Fair Board events presented in this report.

APPENDIX B

DEFINITION OF TERMS

Direct Expenditure	the exchange of money or the promise of money for goods or services while traveling in Louisville Metropolitan Statistical Area (MSA), including any advance purchase of public transportation, tickets, lodging or other items normally considered an incident of travel, but which may be purchased in advance of the trip.
Indirect Expenditure	the second and subsequent rounds of spending of the travel dollars (direct expenditures) in Kentucky for Kentucky-produced goods and services; i.e. the multiplier effect.
Input-Output (I-O) Model	an economic analysis method which is designed to measure the indirect and induced effects of a direct change in a region's economy.
Travel and Tourism Industry	the tourism industry consists of all those firms, organizations and facilities (including accommodations, food, transportation, and related services) which are intended to serve the specific needs and wants of travelers.

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APPENDIX C

Office Use Only

Interview _____

KENTUCKY STATE FAIR BOARD EVENT QUESTIONNAIRE

Please answer the following questions and return this sheet to Certec Inc. in the enclosed business return envelope.

1. Number of staff attending and/or working event at Fair Board facility _____
2. Number of person-nights at Jefferson County hotels during event _____
3. Total expenditures in Jefferson County while at the event \$ _____
4. Please provide a breakdown by major categories of expenditures, if possible.

NOTE: Certec Inc. is collecting this type of information for a sample of events held at Kentucky State Fair Board facilities in CY 2014. No information will be released in any way that would permit the identification of your business. All individual business information will remain confidential.

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APPENDIX D

SELECTED DATA TABLES

ESTIMATED ATTENDANCE AT KENTUCKY STATE FAIR BOARD EVENTS (2014)

<u>Event</u>	<u>KEC</u>	<u>KICC</u>
Catered Party/Reception	1,024	4,801
Concerts	23,512	--
Conventions	154,361	80,793
Family Attractions	83,344	--
Livestock Events	24,166	--
Meetings, including Educational	63,089	60,376
Public Expositions & Sales	84,262	21,866
Sporting Events	161,910	37,854
State Fair	515,937	--
Trade Shows	591,627	19,868
Total	1,703,232	225,558

KENTUCKY STATE FAIR BOARD

SUMMARY OF ECONOMIC AND FISCAL IMPACT

Revenues (FY 2013-2014)	KEC/KICC	
Proceeds from Other Events	\$3,982,378	8.9%
Gate Receipts	3,437,586	7.7
Parking Receipts	6,926,216	15.4
Fees	2,426,886	5.4
Concessions/Catering	3,690,178	8.2
Programs and Merchandise Sales	205,609	0.5
Space Rentals	11,321,489	25.3
Sales and Services	10,140,734	22.6
Other Receipts	2,674,692	6.0
Total	\$44,805,768	100.0%

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APPENDIX E

The economic impact generated by the two Kentucky State Fair Board facilities is provided below. The Kentucky Exposition Center (KEC) accounts for over \$414.6 million of the total \$482.3 million economic impact. The Kentucky International Convention Center (KICC) generates the other \$67.7 million. This large difference is expected given the sizable difference in attendance between the two facilities shown in Appendix D. The results for new payroll, state taxes, local taxes, and employment mirror the difference in spending generated by the two facilities.

KENTUCKY STATE FAIR BOARD EVENTS ECONOMIC IMPACT FOR KEC AND KICC - 2014

	<u>KEC</u>	<u>KICC</u>
Total Expenditures	\$414,631,466	\$67,682,966
Direct Expenditures	\$219,529,954	\$36,332,463
Multiplier Expenditures	\$195,101,512	\$31,350,503
Total New Payroll Generated	\$115,532,142	\$18,732,343
Total Taxes	\$ 31,335,004	\$ 5,080,647
Kentucky State Taxes	\$ 24,840,512	\$ 4,027,632
Local Taxes, Jefferson County	\$ 6,494,492	\$ 1,053,015
Total Employment Generated	5,705	925

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**TOP TWENTY EVENTS OF 2014 BASED ON
TOTAL NONRESIDENT EXPENDITURES**

National Farm Machinery Show & Tractor Pull	\$20.1 million
Mid-America Truck Show	\$19.3 million
National Street Rod Association	\$17.7 million
North American International Livestock Expo	\$16.1 million
FFA National Convention	\$15.7 million
Kentucky State Fair	\$15.3 million
National Archery In Schools National Tournament	\$7.3 million
WSF All Star Cheer & Dance Championship	\$6.8 million
Active Ankle Bluegrass Tournament	\$6.1 million
Green Industry & Equipment Expo	\$4.7 million
AAU Boys Basketball Division 1 National Championship	\$3.5 million
2014 Kentuckiana All-Breed Dog Show	\$2.4 million
Worldventures 2014 [KICC]	\$2.2 million
United Methodist Women's Assembly [KICC]	\$1.8 million
22 nd Annual Show of Shows Antique Military Show	\$1.6 million
2014 NCA High School Open National Championship	\$1.5 million
Kentucky Music Educators Association In-Service [KICC]	\$1.4 million
BMX Bluegrass Nationals	\$1.3 million
2014 Kentucky Junior Beta Convention [KICC]	\$1.3 million
2014 Great Train Expo [KICC]	\$1.2 million

This table provides, in rank order, the most economically important events in 2014. Events at KEC dominate the list, as expected. Shifts both in economic impact and rank occur for selected events compared to the list for the previous reporting period (2005). New events appear on this list and several events from the earlier reporting period no longer appear. This is due to the fact that the mix of events held in the two reporting periods is quite different.