

The Economic Impact of 1997 Events
at
The Kentucky Fair and Exposition Center
and
The Commonwealth Convention Center

a report for

The Kentucky State Fair Board

by

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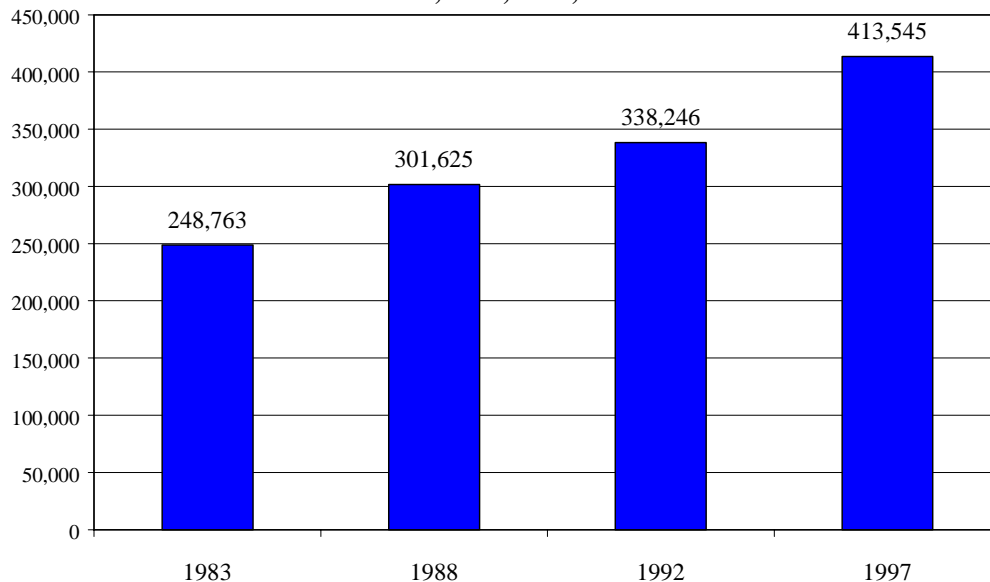
Executive Summary

The number of events, nonresident attendees, and exhibitors continues to grow at the KFEC and CCC in Louisville. The events have a great economic impact on the Louisville and other regional economies in Kentucky, and contribute tens of millions of new tax dollars annually to state and local governments. The KFEC is host to some of the biggest trade shows in the United States, lured by the large high quality exhibit space, easy access by interstate highway, and Louisville's large inventory of moderately priced hotel rooms. The major expansion underway at the CCC downtown should lead to strong growth in convention and meetings business over the next five to ten years.

During 1997, researchers at the University of Louisville tracked activity at all major KFEC and CCC events. Telephone, mail, and face-to-face interviews were supplemented by license plate surveys and accounting data to construct a database on events, visitors, and their expenditures throughout the year. In this summary, we report our estimates of the impact of 1997 events and comparisons to results from similar studies performed for events in 1983, 1988, and 1992.

The total number of attendees at Fair Board events in 1997 was about 4.3 million, down slightly from 1992. The decline was due primarily to a reduction in attendance at sporting events, including minor league baseball, college football, and basketball tournaments. Attendance was up for most other categories, and nonresident attendance, at 413,000 overall, was up 22 percent over 1992. An additional 91,000 nonresident

**Estimated Nonresident Attendance at KFEC and CCC Events
1983, 1988, 1992, 1997**

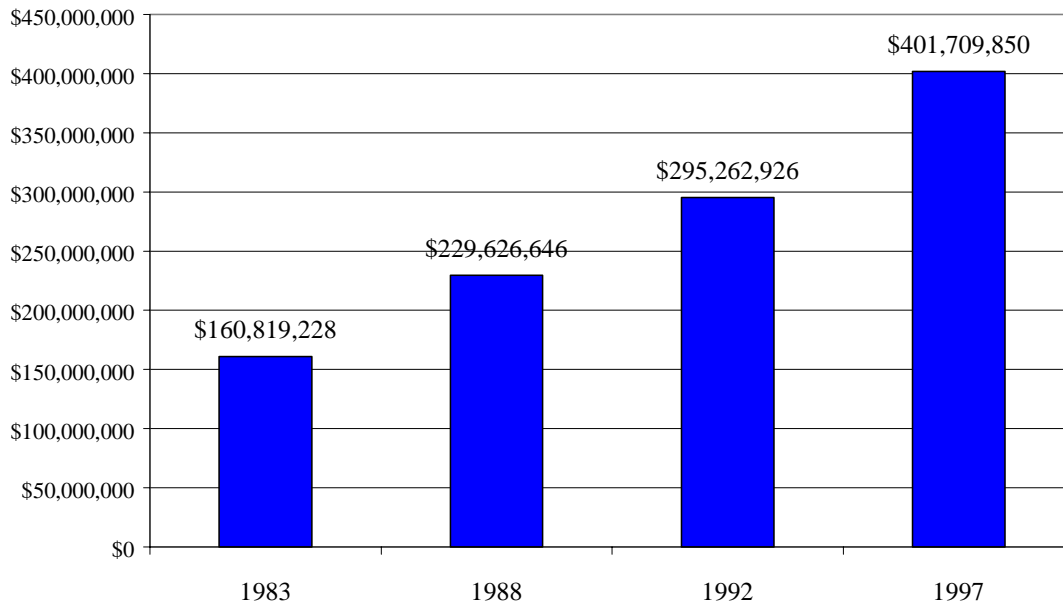


exhibitor personnel worked events at the KFEC and CCC during 1997. Nonresident attendance is perhaps the most important single factor in measuring the economic impact of these events.

Solid growth occurred in trade shows held at the KFEC, including the National Farm Machinery Show, the North American International Livestock Exposition, the International Lawn and Garden Exposition, and about thirty other trade shows. Attendance at trade shows has nearly doubled over the last fourteen years. Trade show attendance is a particularly important economic barometer since these shows tend to attract many nonresident exhibitors and visitors, stay several nights in local hotels, eat at local restaurants, and purchase support services from local vendors.

We estimate that nonresident attendees spent about \$117 million, and exhibitors spent around \$50 million on lodging, food, and shopping in the Louisville area economy during 1997. Exhibitors and event organizers also spent around \$18 million for business-related items in the Louisville market. These nonresidents accounted for nearly 790,000 room-nights at area hotels and motels. The total dollar impact of 1997 events, accounting for multiplier effects, is estimated to be around \$400 million. These new dollars generated by Fair Board events supported around 8700 jobs locally, with a payroll of about \$133 million. This impact generated about \$23.5 million in state sales and income taxes, and over \$5.5 million in local occupational and room taxes. Over 90 percent of these tax dollars are believed to be generated by nonresident attendees and exhibitors. That is, they represent new tax dollars, not simply a collection from Kentucky residents. All told, the economic and fiscal impact of events in 1997 is up by about 21 percent over 1992, due primarily to more overnight stays, increased hotel room rates, and a higher room tax rate.

**Total Net New Sales Impact of KFEC and CCC Events
1983, 1988, 1992, 1997**



Beyond the new dollars that Fair Board events generate for Kentucky and the Louisville area, the facilities at the KFEC and CCC provide unique venues for events attended primarily by Kentucky residents. Examples include the Kentucky State Fair, dozens of major sporting events, music concerts, business meetings, and public expositions. Local residents attending these events in fact accounted for eighty-seven percent of the people attending KFEC and CCC events during the year. Parking, admission, concessions, space rental, and other receipts collected by the Fair Board amounted to \$30 million in 1997, up 27 percent from 1992.

Introduction

This report summarizes the results of a year long effort to measure the economic and fiscal impact of Kentucky Fair Board activities in 1997. Previous assessments of events held at the Kentucky Fair and Exposition Center (KFEC) and the Commonwealth Convention Center (CCC) were conducted for the years 1983, 1988 and 1992. Each succeeding study has revised and extended the methodology used previously to produce more reliable and accurate data and economic impact estimates. In the present study we also adjust the previous methods used and introduce new methodology in order to produce what we believe to be better estimates. To identify trends, we have recalculated the estimates for 1988 and 1992 in the economic and fiscal impact of Fair Board activities. A description of the methods and sources of data is included in this report.

This series of studies document the services provided by the Fair Board facilities and organization to Kentucky residents and businesses. The studies also document the important impact that these events have on the Louisville Metropolitan Area economy and on the state and local tax base. These are two types of economic impacts. In the former the Fair Board provides a service, usually on a fee basis, to Kentucky residents needing exhibit, meeting, wholesale and retail trade, and entertainment space. In that sense, the Fair Board provides services much like those provided by private halls, showrooms, banquet facilities, and entertainment establishments. The fact that no private firm is likely to invest in facilities of the size, scope, and quality as required for important events like the State Fair means that a public entity must make the investment if they are to be held each year.

The latter type of economic effect is traditionally associated with industry - the economic activity induced by sales to nonresidents. Events such as the North American International Livestock Exposition and National Farm Machinery Show attract thousands of exhibitors and spectators from around the country. These nonresidents are attracted to a Kentucky facility and spend dollars in the local economy that would have been spent in another state had the Fair Board facilities not been here. These new dollars hit our economy first at hotels, restaurants, gift shops, and the establishments of vendors supplying business services for conventions and trade shows. They recirculate many times through the local economy, creating more new business, income, jobs, and tax revenues. It is this latter type of effect which corresponds to the strict technical sense of the term "economic impact," and it is what we focus on in this study.

During 1997, researchers at the University of Louisville tracked activity at all major KFEC and CCC events. Telephone, fax, mail, and face-to-face interviews were supplemented by license plate surveys and accounting data to construct a database on events, visitors, and their expenditures throughout the year. We find that the number of events, nonresident attendees, and exhibitors continues to grow at the KFEC and CCC in Louisville. The events have a great economic impact on the Louisville and other regional economies in Kentucky, and contribute tens of millions of new tax dollars annually to state and local governments. The KFEC is host to some of the biggest trade shows in the United States, lured by the large high quality exhibit space, easy access by interstate highway, and Louisville's large inventory of moderately priced hotel rooms. The major expansion underway at the CCC downtown should lead to strong growth in convention and meetings business over the next five to ten years. Among the major findings:

- Over 4.3 million persons came through Fair Board gates to attend events during 1997, including around 510,000 nonresident attendees and exhibitors.
- Out-of-town attendees and exhibitors rented nearly 790,000 room-nights at area hotels and motels, directly contributing over \$53 million in sales for the local lodging industry.
- These nonresidents purchased about \$54 million in meals from area restaurants.
- The total direct spending by nonresidents, including lodging, food, shopping, entertainment, and business expenses, is estimated to be around \$200 million.
- The total dollar impact of the events, accounting for multiplier effects, is estimated to be around \$400 million. This represents a 21 percent increase over 1992, even after adjusting for inflation.

- New dollars generated by Fair Board events supported around 8700 jobs locally with a payroll of about \$133 million. These are 22 and 21 percent increases over 1992 (the latter after inflation).
- State and local tax revenues generated by Fair Board events are estimated to be over \$29 million in 1997. This is an increase of 40 percent over the estimated 1992 fiscal impact. Over 90 percent of these tax dollars are believed to be generated by nonresident attendees and exhibitors. That is, they represent new tax dollars, not simply a collection from Kentucky residents.

The remainder of this report discusses these findings in more detail. We provide and explain a number of tables showing estimates of attendance, expenditures by event category, economic impact, and tax revenues.

General Methodology and Sources of Data

Determining the impact of Fair Board events is a complicated task. Together, the KFEC and CCC played host to over 450 events in 1997, including 70 conventions and trade shows. Each of these events has a different character in terms of its economic impact on the surrounding community. Some serve only local residents and little money changes hands. Some almost exclusively serve nonresidents and thousands of dollars change hands daily. Some events have very few exhibitors, if any at all, while others attract hundreds of companies with hundreds of employees working exhibits. Some attract nonresidents who stay in the finest hotels and spend hundreds of dollars daily on food, entertainment, and shopping. Other events attract attendees on a more modest budget. Some events may actually draw dollars out of the local economy as nonresident promoters and exhibitors sell tickets and fill orders from local citizens and businesses.

Unfortunately, little research nationally or locally appears to have been done to develop spending profiles for attendees and exhibitors at different types of events. What little research has been done tends to paint all events with a very broad brush. Previous studies conducted by researchers at the University of Louisville for the Fair Board in 1983, 1988, and 1992 relied heavily upon estimates made by the event organizers themselves. They were asked to estimate attendance, attendee residency, attendee spending by category, and exhibitor residency and spending. Most organizers responded to most questions with a rough guess, typically on the high side. This study also relies a great deal on surveys of and interviews with of event organizers, but we have expanded on the methodology of the previous studies in the hope of better capturing the variety of spending patterns associated with different event types. The following sections briefly describe how we gathered our data.

Event Organizer Surveys

We sent out, usually by fax, surveys to a sampling of event organizers. We chose the events expected to have fairly large attendance within each of the event categories. In addition to the questions asked in previous studies we asked the event organizers about their own spending in the Louisville area economy on items supporting their events. Event organizers often spend thousands of dollars in the local area on such things as flowers, decorations, catering, transportation and equipment rental, security, contract labor, and advertising. However, the previous studies had not incorporated this element of economic impact. Our response rate was about 50 percent. We also contacted by telephone the organizers of an additional dozen or so events. Eleven event organizers sent us detailed lists of their local expenditures, and many of our telephone contacts provided us with similar information. A few event organizers sent us copies of their own surveys and economic impact studies. From this data we were able to derive estimates of local spending by event organizers for several different types of events. In addition, the detailed expenditure lists allowed us to construct output, earnings, and employment multipliers for local exhibitor and event organizer business expenses as weighted averages of four industry categories.

Exhibitor Interviews

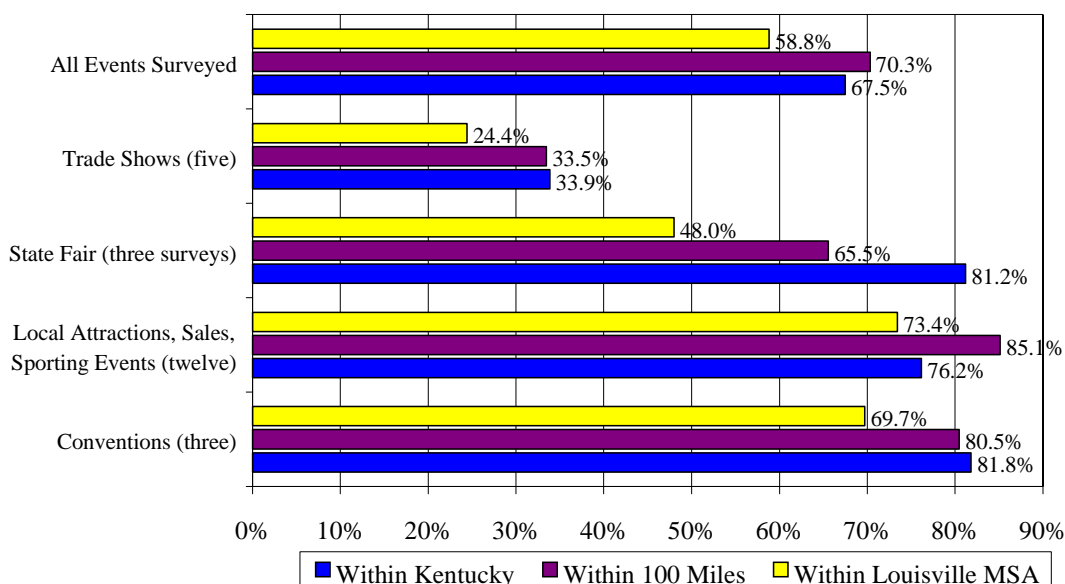
The previous studies had relied almost exclusively on event organizer guesses concerning the local expenditures of vendors exhibiting at conventions and trade shows. To supplement the surveys of event organizers we personally visited a few trade shows and interviewed a sample of vendors. We asked them about the number of people they brought to the event, the number of hotel rooms they were using, how many nights they were staying, where they were staying, how much they were spending on food, entertainment, and shopping, and any other local expenses they may have incurred in the operation of their exhibit. This helped in deriving exhibitor profiles for different types of events. A surprising finding was that exhibitors from very different types of events had very similar costs associated with the setup, operation, and tear-down of their exhibits.

License Plate Surveys

Attendee residency was another area in which the previous studies relied almost exclusively on information from event organizers. While convention and trade show organizers usually have accurate information, if there is no official registration or the event is open to the general public, as are sporting, public exposition, and public sale events, the event organizer's response is an educated guess. In order to attain more accurate information on attendee residence we conducted a series of license plate surveys at KFEC and CCC parking lots during events of various types.

During 1997, we conducted twenty-three surveys of license plates at KFEC and CCC events. Researchers noted the state (and county if in Kentucky or Indiana) issuing the license plate for over eight thousand vehicles found in parking lots and garages during events. Five major trade shows were surveyed, including the North American International Livestock Exposition, and the National Farm Machinery Show. Three surveys were taken during the Kentucky State Fair in August. Three conventions were surveyed: the Kentucky Music Educators, the Kentucky Bar Association, and the Mid-America Square Dance Jamboree. The other surveys were conducted during public sales, a circus, University of Louisville basketball games, and other primarily local attractions.

**Estimated Geographic Distribution of Attendees and Exhibitors
1997 Events at KFEC and CCC**



Source: University of Louisville surveys of 8,124 license plates in parking lots and garages during 1997 events.
The Louisville MSA includes Bullitt, Jefferson, and Oldham counties in Kentucky; and Clark, Floyd, Harrison, and Scott counties in Indiana.
State Fair results may be biased slightly towards non-Louisville MSA attendees because most of the vehicles were surveyed on a weekend.

As is evident from the accompanying table, trade shows are the biggest attractors of nonresidents, with only one-fourth coming from the Louisville MSA and but one-third from the state of Kentucky. Most other events appear to draw around three out of four attendees from the local area. We have used the results of the license plate surveys to estimate the number of overnight stays at Fair Board events. We assume that many of those coming from more than one hundred miles away will stay in an area hotel. For many events, particularly public expositions (such as car and gardening shows), public sales (such as flea markets), and sporting events we adjust for the fact that many people will drive in just for the day. These surveys provided us with a solid foundation upon which to base our estimates of attendee residency.

Secondary Sources

Fair Board Data. Accounting data from the Fair Board were used to calculate expenditures by residents and nonresidents at the KFEC and CCC facilities. This included data on attendance, ticket sales, gate receipts, parking, concessions, space rental, programs, novelties, and other purchased goods and services.

Per Diem Expenses. Meal per diem rates reported by the federal government's Per Diem Travel & Transportation Allowance Committee (PDTATAC, a joint committee of the departments of State and Defense and the General Services Administration) for the Louisville/Jefferson County area were used to estimate food expenditures per person for all exhibitors at all events and attendees at most events. For events which attracted primarily families or people bringing some of their food with them a slightly lower per diem was used for attendees. Our belief that this is the most accurate single rate is bolstered by the fact that the lodging per diem rate published by the PDTATAC for 1997 was almost exactly the average hotel/motel room rate reported by the City of Louisville/Jefferson County Revenue Commission for the first three quarters of 1997.

Hotel/Motel Room Rates. Monthly data on hotel room rates, generated as a by-product of the room tax collection function of the City of Louisville/Jefferson County Revenue Commission, were used to estimate actual lodging expenses by attendees and exhibitors per event. For events held at the CCC, the downtown hotel rate for the month was used. For KFEC events, the county average rate was used for that month. The table below lists these rates.

Average Hotel/Motel Room Rates, 1997 Transient Rooms Only

| | County | Downtown |
|-----------|---------|----------|
| January | \$59.16 | \$76.15 |
| February | \$66.18 | \$80.51 |
| March | \$66.28 | \$83.13 |
| April | \$66.68 | \$86.34 |
| May | \$88.76 | \$124.78 |
| June | \$66.85 | \$83.31 |
| July | \$65.72 | \$84.36 |
| August | \$67.71 | \$82.11 |
| September | \$64.12 | \$85.72 |
| October | \$64.17 | \$83.23 |
| November | \$59.67 | \$75.56 |
| December | \$58.57 | \$78.63 |

Source: City of Louisville/Jefferson County Revenue Commission.

October, November, and December averages are estimates based upon the rates during those months of 1996, and the average percent increase over 1996 for the first nine months of 1997 for each location.

Sales, Earnings, and Employment Multipliers. Multipliers from the Regional Input-Output Modeling System (RIMS II) developed by the U.S. Bureau of Economic Analysis were used to measure linkages between out-of-town attendance and new local jobs and payroll. The model has detailed information for nearly 500 local industries. It predicts how much each industry must buy from every other industry to produce its good or service, and how much of that is purchased within the metro economy. It measures the number of jobs required to produce a dollar of output in each industry, as well as earnings per job. The model is updated periodically, with the current multipliers based on 1995 data. We use different multipliers for each of our six expenditure categories because each industry has unique linkages to the rest of the economy. These are summarized in the following table.

| Final Demand Multipliers | | | | |
|---------------------------------------|---------------|-----------------|-------------------|--|
| Expenditure Category | Output | Earnings | Employment | Industry |
| Lodging | 2.1332 | 0.7092 | 46.3 | Hotels & Lodging Places |
| Meals | 1.9554 | 0.5783 | 46.3 | Eating & Drinking Places |
| Shopping/Entertainment | 1.9678 | 0.7159 | 45.4 | Retail Trade, Except Eating & Drinking |
| Exhibitor/Organizer Business Expenses | 1.9447 | 0.6386 | 32.1 | Weighted Average (see footnote) |
| Livestock Maintenance | 1.9678 | 0.7159 | 45.4 | Retail Trade, Except Eating & Drinking |
| KFEC/CCC Expenditures | 2.0487 | 0.6926 | 58.6 | Other Amusement & Recreation Services |

Source: U.S. Bureau of Economic Analysis, Regional Input-Output Modeling System (RIMS II) Regional Multipliers for Louisville, KY-IN MSA, 1997.

The Employment multiplier is expressed in terms of a \$1 million change in final demand output.

The multipliers for the Exhibitor/Organizer Business Expenses category is a weighted average of four industries based upon the eleven detailed lists of local expenditures which we received from event organizers. The industries and their weights are: advertising (.125), eating and drinking places (.175), other business services (.35), and miscellaneous equipment rental and leasing (.35).

Tax Revenues Generated by Nonresidents and Residents

The tax flows were estimated by multiplying effective tax rates times the relevant expenditure categories. A discussion of the effective tax rate calculations and applications follows.

Sales Tax on Lodging, Meals, and Shopping. As these are direct spending categories, the nominal Kentucky sales tax rate was multiplied by the respective expenditure categories. For 1997 and 1992, the tax rate was 6; for previous years, the tax rate was 5%.

Sales Tax on Expenditures at KFEC/CCC. The nominal sales tax was used here, also. However, it was only applied to some of the receipt categories. Parking, Fees, and Space Rental receipts are exempt from the state sales tax.

Sales Tax Induced by New Payroll. New payroll generated by sales to nonresidents generates sales tax revenue as the earnings are spent and respent in the Louisville economy. We used historical ratios of sales tax revenues to area payroll to estimate the effective sales tax rate for each of the four study years. Note that the effective tax rate is less than the nominal rate. There are several reasons. Among the most important are (1) the numerator includes only taxes generated to Kentucky state government while the denominator includes payroll for the entire metro area, including counties in Indiana; (2) much of the payroll is spent to purchase goods and services outside the region; and (3) much of the payroll is spent on items like groceries and rent which are not subject to sales taxes.

State Individual Income Tax Induced by New Payroll. New payroll generated by sales to nonresidents generates income tax revenue as the earnings are spent and respent in the Louisville economy. We used historical ratios of income tax revenue to area payroll to estimate the effective income tax rate for each of the four study years.

Jefferson County Hotel Tax. As this is a direct spending category, we simply multiply the nominal room tax rate times estimated lodging expenditures. For 1997, the tax rate was 6%; for previous years, the tax rate was 4%. We did, however, first adjust the lodging expenditure downward by 5% to roughly account for the fact that some of the hotel rooms rented were in surrounding counties. No data exist to make a more precise adjustment; however, we felt it important to apply some discount since several of the large events held at the KFEC report hotel room requirements approaching (or even exceeding) the capacity of Jefferson County. The room tax only applies to hotels and motels in the county.

City/County Occupational Taxes. Jefferson County levies a tax on all payroll earned in the county. The rate is 1.25% levied by the city and county governments on all workers, an additional 0.2% levied on all workers to support the local bus system (TARC), and an additional 0.75% levied only on county worker/residents to support the Jefferson County Public School System. We used effective tax rates based on historical ratios to estimate the new local government tax flows generated by fair Board events.

Louisville MSA Nonresidents versus Kentucky Nonresidents

Technically, our economic impact estimates are based upon nonresidents of the Louisville MSA. This means that dollars spent by Kentuckians who do not live in the Louisville market are sometimes counted as new spending in our calculations of net new tax revenues for Kentucky state government. There are several factors, however, which, taken together, lead us to believe that our estimates of the impact to Kentucky state government of KFEC and CCC events are not biased.

First, attendee room-nights associated with conventions and trade shows that attract Kentuckians almost exclusively account for only 4 percent of the overall attendee room-nights at 1997 Fair Board events.

Second, results from Fair Board sponsored surveys indicate that the percentage of non-Kentucky residents attending the State Fair is about the same as the percentage of non-Louisville MSA resident attendees. This leads us to believe that the effect of adding the Indiana residents of the MSA to the count of nonresident attendees while subtracting the Kentucky residents who are not part of the MSA will not change the resulting percentage of nonresident attendees very much for most events, and particularly not for public expositions (such as car and gardening shows), public sales (such as flea markets), or sporting events.

Third, for most family attractions, public expositions, public sales, and sporting events we have adjusted the percentage of nonresidents found in our license plate surveys to reflect the fact that many people will just drive in for the day for these type of events. Therefore the extra Kentuckians counted per event is probably not a very large percentage of the nonresidents. Furthermore, this is very likely mitigated by having to count the Indiana residents of the MSA as Kentucky nonresidents, as described in the previous paragraph.

Finally, a factor which tends to mitigate the 4% over count of non-Kentucky residents due to strictly regional conventions and trade shows, described above, is the fact that the very largest events, such as the National Farm Machinery Show, are known to spill over into the counties surrounding the Louisville MSA. Attendees, seeking moderately priced motel rooms, search out places to stay along Interstates 64 and 65 as far away as Elizabethtown, Frankfort, and sometimes even Lexington. We have attempted to create room-night estimates that are in line with the lodging capacity of the Louisville MSA. However, since the MSA has fewer than 14,000 hotel and motel rooms available to all travelers, our estimates for certain very large events are clearly pushing the limits of credibility if we maintain that all those people stayed in hotels within the metro area. For these events we are implicitly counting dollars spent in Kentucky, but outside the Louisville metro area, as impacting the Louisville economy.

It is not known whether the various factors cancel each other out, but we believe that any remaining bias is probably small and that our estimates of the impact on Kentucky state government revenues of Fair Board events can be considered to be about as accurate as the rest of our economic impact estimates.

Comparison to Previous Studies

The 1992 study recalculated the 1983 and 1988 impacts based on its current methods and tools. This valuable exercise resulted in a set of consistent estimates across the three previous study years. In this study, where our current methodology suggests a significant difference in the estimates for a specific event or event category, we have updated the results of the previous studies to again create consistent estimates across time. Since all of the economic impact estimates derive from prior estimates of the number of individual people attending Fair Board events, the percentage that are nonresidents among them, and the number of hotel room-nights they use, we focused our attention primarily on these aspects of the 1992 study.

There were a few shortcomings in the previous study which we corrected. First, since some of the later calculations use the ratio of nonresidents to total attendees, it is important that they are counted alike. The 1992 study resolved most of the problems of cumulative attendance (turnstile counts) being used instead of the number of individual attendees when calculating the number of nonresidents, but there was still a considerable amount of double counting in the total attendance figures.

Second, the 1992 study assumed that no nonresidents attending family attractions, public expositions, public sales, or single day sporting events stayed overnight in the Louisville area. It also assumed that all exhibitors at such events were local. From our license plates surveys we learned that there were significant numbers of nonresidents attending these events, some from states beyond Kentucky or Indiana. Our discussions with promoters of the largest public sales indicated that some of those attendees were staying overnight, and that nearly two-thirds of the vendors at such sales are nonresidents who spend several nights in area motels. Sporting events bring athletes, coaches, trainers, broadcast crews and die-hard fans from out-of-town.

Third, the previous study calculated room-nights in a uniform manner regardless of the type of event. We assumed that certain events, those catering mostly to families, would result in more individuals per hotel room.

We reevaluated total and nonresident attendance estimates for each event during 1992 and 1988 for which we had attendance information (there was no such information in our files for any individual event of 1983). Individual attendance (eliminating double counting), nonresidents, and room-nights were recalculated for both attendees and exhibitors based upon detailed event information from the 1992 study when it was available, supplemented by the current methodology. Every event which occurred in more than one year was checked to make sure that it was assigned to its 1997 event category (ten 1992 events and eleven 1988 events needed to be moved). Finally, exhibitor business expenses were adjusted to reflect the new information regarding out-of-town public sale vendors.

During the course of recalculating the economic impacts based upon this revised attendance and expense data we discovered a few errors in the formulas used in these calculations in the previous study. The result of this work is the consistent estimates presented in the table on the following pages. It should be noted that while the estimates of the component expenditure categories are different, the total nonresident expenditures estimated in the current study are very close to those of the 1992 study and the total economic impacts reported are similar, especially for 1992.

Discussion of Results

The economic impact of KFEC and CCC events has grown steadily over the past fourteen years. The table on the following pages summarizes all of the results of this study. We will discuss them by topic.

Kentucky Fair Board Events
Summary of Economic and Fiscal Impacts

| | 1992 | 1997 |
|--|---------------|---------------|
| Attendance | | |
| Number of Persons Attending | 3,475,624 | 3,379,524 |
| Nonresidents | 338,246 | 413,545 |
| Turnstile Count from Fair Board | 4,619,535 | 4,331,381 |
| Attendee Expenditures | | |
| Room-nights | 472,940 | 546,123 |
| Total Lodging Expenses | \$26,545,881 | \$37,835,910 |
| Total Meal Expenses | \$29,513,142 | \$40,226,387 |
| Total Personal Shopping, Entertainment, Other Expenses | \$34,698,664 | \$39,468,425 |
| Total Nonresident Attendee Spending | \$90,757,687 | \$117,530,722 |
| Exhibitor & Organizer Expenditures* | | |
| Nonresident Personnel | 64,716 | 91,658 |
| Room-nights | 178,674 | 242,549 |
| Total Lodging Expenses | \$9,540,061 | \$16,094,872 |
| Total Meal Expenses | \$8,206,497 | \$13,970,888 |
| Total Personal Shopping, Entertainment, Other Expenses | \$9,648,396 | \$20,031,389 |
| Other Exhibitor Business Expenses | \$10,569,576 | \$7,489,421 |
| Event Organizer Expenses | \$8,110,887 | \$9,119,070 |
| Livestock Maintenance Expenses | \$0 | \$1,576,420 |
| Total Expenditures by Nonresident Exhibitors | \$46,075,416 | \$68,282,060 |
| Estimated Sales at KFEC/CCC | | |
| Proceeds from Own Events | \$1,959,499 | \$2,580,638 |
| Gate Receipts | \$1,654,321 | \$2,279,675 |
| Parking Receipts | \$3,523,523 | \$4,185,198 |
| Fees | \$650,316 | \$1,241,895 |
| Concessions | \$7,109,585 | \$8,445,108 |
| Programs and Novelties | \$321,157 | \$348,769 |
| Space Rentals | \$5,435,882 | \$6,895,636 |
| Sales and Services | \$1,256,308 | \$2,111,517 |
| Other Receipts | \$2,044,646 | \$2,424,209 |
| Total | \$23,955,237 | \$30,512,645 |
| Total Economic Activity Generated by Nonresidents | | |
| Total Nonresident Expenditures | 1992 | 1997 |
| Total Net New Sales Impact, Louisville MSA | \$147,050,984 | \$199,579,077 |
| Deflated Net New Sales (1992\$), IPD deflator | \$295,262,926 | \$401,709,850 |
| Jobs Supported by Net New Sales | \$295,262,926 | \$357,297,741 |
| Net New Payroll Generated | 7,143 | 8,740 |
| | \$98,159,725 | \$133,455,189 |

1997 Kentucky Fair Board Events
Summary of Economic and Fiscal Impacts (continued)

| Tax Revenues Generated by KFEC/CCC Events | | |
|--|---------------------|---------------------|
| Kentucky Sales Tax: Lodging, Meals, Shopping | \$8,209,986 | \$11,148,767 |
| Kentucky Sales Tax: Expenditures at KFEC/CCC | \$841,462 | \$1,070,469 |
| Kentucky Sales Tax: Public Sales (Brandeis) | \$1,080,000 | \$1,380,000 |
| Kentucky Sales Tax: Ticket Sales | \$263,871 | \$360,748 |
| Kentucky Sales Tax Induced by New Payroll | \$3,484,670 | \$4,590,858 |
| Kentucky Income Tax Induced by New Payroll | \$3,776,327 | \$4,945,469 |
| Jefferson County Hotel Tax | \$1,371,266 | \$3,074,055 |
| City/County Occupational Tax | \$1,071,636 | \$1,485,404 |
| City/County School Board Occupational Tax | \$522,973 | \$719,425 |
| City/County TARC Occupational Tax | \$172,129 | \$240,601 |
| Total Kentucky State Taxes | \$17,656,316 | \$23,496,311 |
| Total Local Taxes, Jefferson County | \$3,138,004 | \$5,519,484 |
| Grand Total | \$20,794,319 | \$29,015,795 |

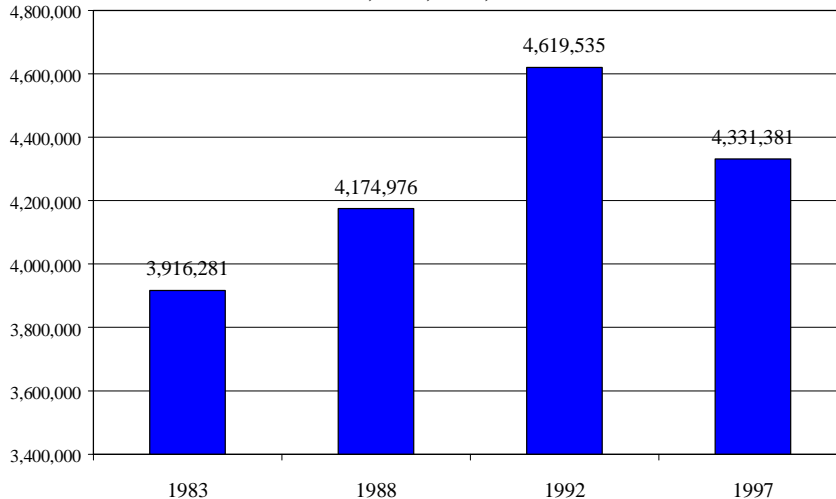
Additional tax revenues and other collections are likely, but are not as easy to measure. These include the County-wide net profits tax, the County-wide insurance premiums tax, Kentucky liquor taxes, Kentucky corporate income and license taxes, Kentucky motor vehicle usage and gasoline taxes.

* In previous studies livestock maintenance expenses were mixed up in both the Shopping, Entertainment, Other and Other Exhibitor Business expense lines. In the current study, some of the Personal Entertainment expenses are actually Exhibitor Business expenses. Therefore, for exhibitor spending the most meaningful comparison across years is for the sum total of those three lines.

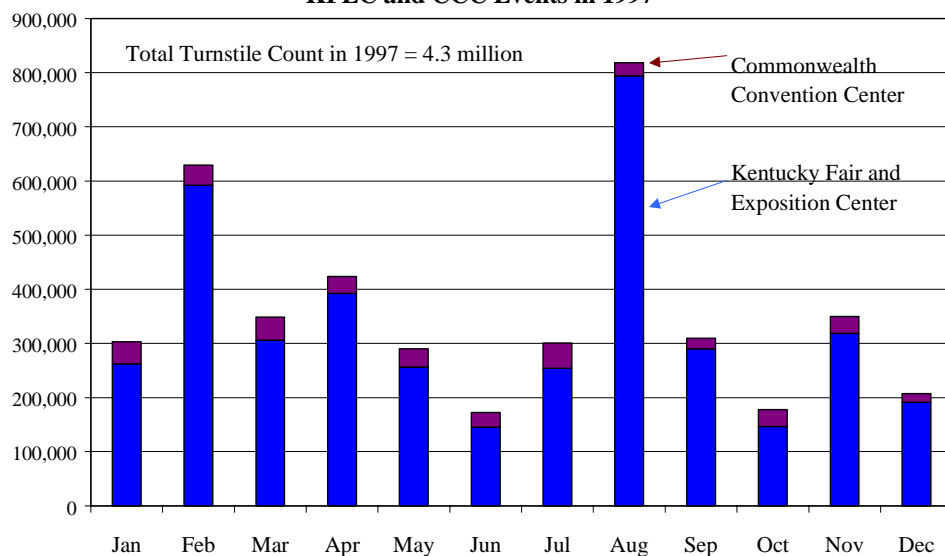
Attendance

Gross attendance at 1997 events, as reported by the Fair Board, was over 4.3 million people, down slightly from 1992. The decline was due primarily to a reduction in attendance at sporting events, including minor league baseball, college football, and basketball tournaments (there were none at the KFEC during 1997). Turnstile attendance was up for most other event categories.

Turnstile Count at KFEC and CCC Events
1983, 1988, 1992, 1997



Tunstle Count by Month
KFEC and CCC Events in 1997



Turnstile counts include quite a bit of double counting as people go in and out or attend multiple days of a single event such as a convention. After adjusting for such double counting, we arrived at estimates of the number of individual people who attended Fair Board events in each of the different event categories. As can be seen in the table below the total number has been extremely stable over time, but there is considerable variation within some of the categories. Over 90 percent more people attended conventions and trade shows at the KFEC and CCC in 1997 than during 1983. Attendance has risen by over 60 percent at the National Farm Machinery Show, and over three times as many people are attending the North American International Livestock Exposition as in 1983. Altogether, the Fair Board is now hosting twice as many people for these type of events as it did fourteen years ago, and attendance is up nearly a third since 1992. The drop in family attractions is due primarily to fewer traveling ice shows, circuses, and the like being booked into Freedom Hall. However, Freedom Hall has lately been the site of more musical concerts.

Estimated Persons Attending Kentucky Fair Board Events

| | 1983 | 1988 | 1992 | 1997 |
|----------------------------------|------------------|------------------|------------------|------------------|
| Concerts | 123,100 | 128,053 | 133,044 | 180,994 |
| Conventions | 83,039 | 76,568 | 118,506 | 159,242 |
| Family Attractions | 183,685 | 92,423 | 90,127 | 68,558 |
| Horse Shows | 10,000 | 27,046 | 14,687 | 12,045 |
| Livestock Events | 13,650 | 24,851 | 45,846 | 36,472 |
| Meetings | 40,203 | 41,659 | 42,059 | 40,401 |
| Miscellaneous | 226,164 | 140,837 | 211,344 | 295,309 |
| Public Expositions | 266,566 | 281,759 | 348,970 | 396,793 |
| Public Sales | 520,250 | 494,863 | 586,606 | 481,728 |
| Sporting Events | 1,517,086 | 1,391,379 | 1,397,855 | 1,163,116 |
| State Fair | 243,365 | 250,341 | 294,543 | 294,219 |
| Trade Shows | 68,875 | 90,751 | 98,846 | 136,064 |
| Nat'l Farm Machinery Show | 40,333 | 45,763 | 51,357 | 66,000 |
| N. American Int'l Livestock Expo | 13,333 | 27,500 | 41,833 | 48,583 |
| Total | 3,349,649 | 3,113,793 | 3,475,624 | 3,379,524 |

The largest single event, in terms of attendance, is the Kentucky State Fair. The Fair is held over eleven days each August at the KFEC. The announced attendance of 673,716 is essentially a count of the number of tickets sold. There were actually only 584,437 people who entered the gates. About 5,000 of the difference is accounted for by unused discount tickets sold at Kroger supermarkets. Another 25,000 is accounted for by unused tickets bought in bulk by participants in the World's Championship Horse Show. The remainder is the result of unused tickets bought in bulk by exhibitors and concession operators at the Fair. Over 4,500 responses at computer touchscreen surveys during the 1997 Fair indicate that the average fairgoer visits the Fair twice.

Nonresident attendance is perhaps the most important single factor in measuring the economic impact of these events. For the purposes of this study we define nonresident to be an attendee who is not a resident of the Louisville MSA and who spends at least one night in an area hotel or motel. We estimate that over 413,000 such nonresidents attended Fair Board events during 1997. This represents a healthy 22 percent increase over 1992.

We have adjusted the nonresident estimates retroactively for many events in most of the event categories using our current methodology. The results are shown in the table on the next page. As with individual attendance, there was strong growth for conventions, trade shows, the National Farm Machinery Show, and the North American International Livestock Exposition. Together, these four event categories experienced a 37.5 percent increase in nonresident attendance over 1992. The growth in trade show attendance was a remarkable 59 percent. Trade show attendance is a particularly important economic barometer since these shows tend to attract many nonresident exhibitors and visitors, stay several nights in local hotels, eat at local restaurants, and purchase support services from local vendors.

| Estimated Nonresident Attendance, KY Fair Board Events | | | | |
|---|----------------|----------------|----------------|----------------|
| | 1983 | 1988 | 1992 | 1997 |
| Concerts | 0 | 0 | 0 | 0 |
| Conventions | 68,799 | 54,468 | 74,894 | 97,658 |
| Family Attractions | 12,581 | 6,932 | 6,759 | 4,696 |
| Horse Shows | 2,500 | 15,600 | 10,700 | 7,485 |
| Livestock Events | 2,850 | 7,330 | 7,608 | 6,363 |
| Meetings | 0 | 550 | 750 | 4,772 |
| Miscellaneous | 0 | 0 | 1,362 | 4,231 |
| Public Expositions | 3,622 | 22,597 | 24,617 | 12,521 |
| Public Sales | 12,259 | 11,031 | 13,416 | 18,006 |
| Sporting Events | 20,210 | 32,397 | 31,498 | 37,724 |
| State Fair | 39,394 | 37,537 | 44,930 | 47,450 |
| Trade Shows | 52,603 | 67,028 | 63,140 | 100,564 |
| Nat'l Farm Machinery Show | 25,713 | 29,174 | 32,740 | 42,075 |
| <u>N. American Int'l Livestock Expo</u> | <u>8,233</u> | <u>16,981</u> | <u>25,832</u> | <u>30,000</u> |
| Total | 248,763 | 301,625 | 338,246 | 413,545 |

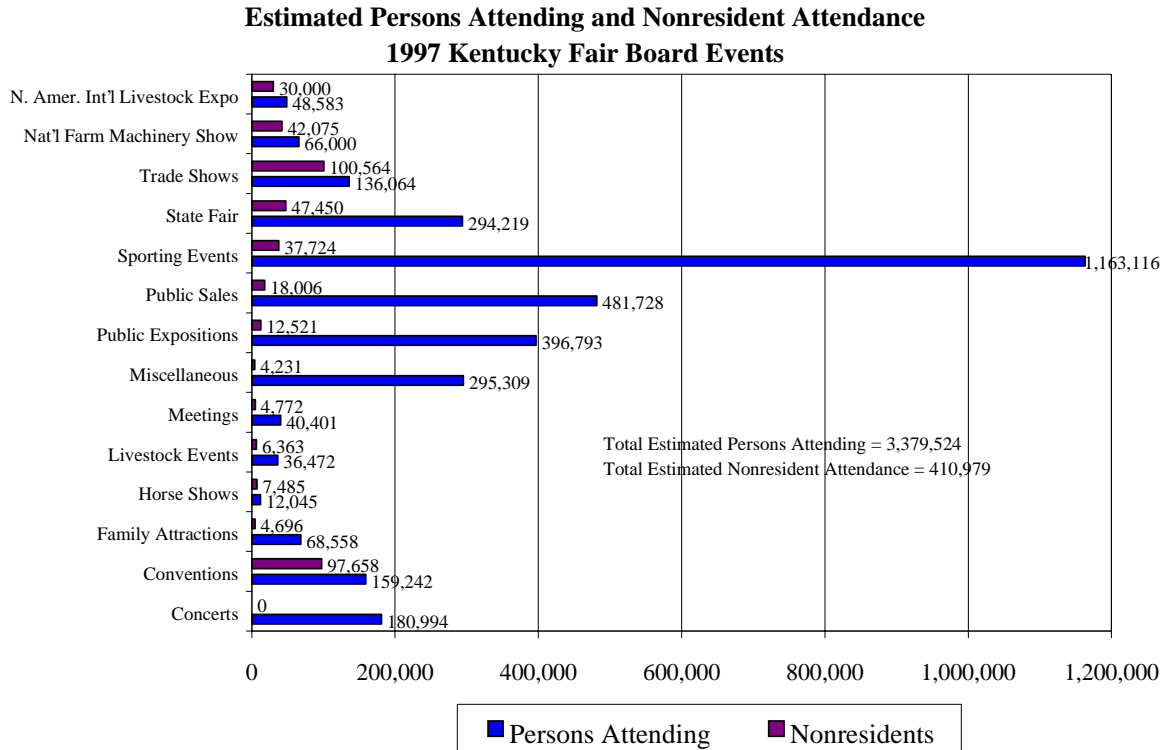
The term "nonresident" assumes that the individual is staying overnight in an area hotel or motel. We have attempted to factor out attendees residing elsewhere but only in town for the day for a specific event.

Many nonresidents attended events over several days.

We have adjusted each event category retroactively using 1997 methods.

Our estimates of nonresident State Fair attendance are not far off the estimates of the 1992 study, but we feel much more confident in them. Firstly, we are now using the appropriate gate admissions figure (584,437 in 1997) as the base attendance. Secondly, we now have the results of four surveys to guide us rather than just two. A 1987 study by the University of Louisville estimated that one-half of all fairgoers lived outside of the metro area, while 6 percent lived more than a two-hour drive from Louisville. A 1991 study by Horizon Research estimated that 36 percent of fairgoers lived outside the Louisville MSA, and that 11 percent lived

more than 100 miles from Louisville. Our three license plate surveys indicated that about 50 percent of fairgoers lived outside the MSA, and that nearly 35 percent lived more than 100 miles from Louisville (the latter figure may be biased upwards due to most of the vehicles having been surveyed on a weekend). And the results from 4,500 responses to surveys on four computer touchscreens located at various sites on the fairgrounds during this past Fair showed 45 percent of fairgoers residing outside the metro area, and 15 percent living more than 100 miles away (they also showed 18 percent residing outside of Kentucky). We applied the figure of 15 percent to estimate the number of nonresidents passing through the gates into the Fair. The computer surveys indicated that the average attendee visits the fair twice. We use this information to arrive at an estimate of the number of individual attendees who were nonresidents of the Louisville MSA.



Over 91,000 exhibitor personnel spent at least one night in an area hotel or motel, which is up 41.6 percent over 1992, and nearly double the number of fourteen years ago (see Summary table). This matches the rate of increase for nonresident attendees among conventions and trade shows.

Lodging Expenditures

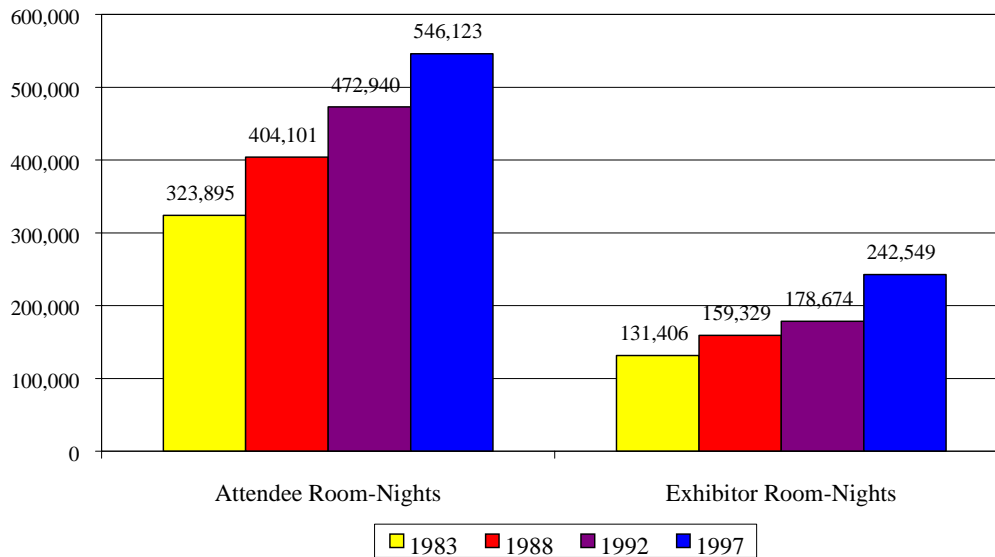
For most events we assumed that there were on average 1.9 nonresident attendees per room. This is consistent with industry averages as reported by the Louisville Convention and Visitors Bureau. For event drawing many families we assumed an average of 2.5 nonresident attendees per room. We assumed that exhibitors stayed on average 1.5 people per room for all but a few events (where we used a rate of 1.9 per room). This lower occupancy rate was supported by information from event organizers and interviews with exhibitors during trade shows (as was the higher rate for events such as the National Quartet Convention where exhibitors are on a more limited budget).

We estimate that around 540,000 room-nights were rented to attendees in 1997 leading to over \$37 million in room sales for local hotels and motels. The implied average room rate is \$69.35. This represents a 15 percent increase in room-nights over 1992, and 71 percent greater than in 1983. In combination with the 23

percent increase in the average room rate since 1992 (an average 4.3 percent increase per year), the room-night increase lead to a hefty 42.6 percent rise in total lodging expenses by nonresident attendees.

Exhibitors are estimated to have rented over 240,000 room-nights, leading to an additional \$16 million in room sales, an increase of nearly 70 percent over 1992 exhibitor lodging expenses. The implied average room rate for exhibitors was \$66.36.

**Estimated Room-Nights Used at Area Hotels and Motels
by Attendees and Exhibitors: 1983, 1988, 1992, 1997**



Multiplier analysis shows that the spending and respending of this \$54 million in room sales generated roughly \$115 million in “new” sales dollars for the Louisville economy. Even after adjusting for inflation, the sales impact appears to have grown by around one-third over the past five years. These new sales dollars support almost 2,400 jobs, with a total payroll of about \$38 million.

Food Expenditures

It was estimated that nonresident attendees spent about \$40 million on meals during their stays in Louisville. This is a 36 percent increase over our estimate for 1992. We also estimated that nonresident exhibitors spent nearly \$14 million of food, matching the 70 percent increase in lodging expenses. The implied food per diem for attendees was \$36.28, while it was \$38.40 for exhibitors.

Applying the appropriate multipliers to this \$54 million in food expenditures results in a net new sales impact of about \$106 million to the Louisville metro economy, which supported over 2,400 jobs having a total payroll of about \$31 million. Even after adjusting for inflation, the total direct and indirect effects from food expenditures appears to have grown by about 28 percent.

Other Expenditures by Nonresident Attendees and Exhibitors

Per diem rates for personal shopping, entertainment, and other expenses were derived from survey information received from event organizers and interviews with exhibitors, supplemented with common sense. For attendees the per diem rate used was \$50 for most conventions and trade shows, and \$20 for livestock

events and events drawing a lot of families, such as the State Fair, family attractions, most public expositions and sales, and single day sporting events. The various events at the KFEC and CCC attract attendees with varying levels of income and propensities to spend money on entertainment while they are in town. For exhibitors the per diem rate used was \$75 for professional conventions, trade shows, and many public expositions, and \$20 for all other events.

We estimate that nonresident attendees spent over \$39 million on other personal expenditures in 1997, about a 16 percent increase over 1992. The implied rate per day was \$36.23, about the same as the 1992 study.

Personal shopping, entertainment, and other expenses by nonresident exhibitors are not strictly comparable from one study year to the next. There are two main reasons for this. First, in the current study, much of the entertainment dollars counted under other personal expenses are in fact business related expenses. Second, in the previous studies livestock maintenance expenses were mixed up in both the Shopping, Entertainment, Other and Other Exhibitor Business expense lines. Therefore, for exhibitor spending the most meaningful comparison across years is for the sum total of those three lines.

We found a surprising similarity among disparate types of events in the local expenditures of exhibitors associated with the setup, operation, and tear-down of their exhibits. We assumed a cost of \$500 per nonresident business for conventions, public expositions, and trade shows. For public sales we based our estimates on information received from the largest flea market promoter. We assumed \$50 per nonresident business if the event organizer was not from the Louisville area, and \$250 per nonresident business when the event organizer was local (in order to cover booth space rental).

Nonresident exhibitor expenses for shopping, entertainment, other personal expenses, business, and livestock maintenance are estimated to be \$29 million for 1997, an increase of 44 percent over the \$20 million estimate for 1992.

Estimates for event organizer expenses were derived from survey information received from and telephone interviews with event organizers. This was supplemented with information on the Fair Board's own external expenditures for its in-house produced events. Livestock events, a few very low-key conventions, and public sales are the cheapest types of events to put on. Public expositions cost a little more (on a per attendee basis). Trade shows and conventions with a lot of official functions are the most costly, with lower profile professional conventions between public expositions and fancy conventions. We estimate event organizer expenses to be about \$9 million for 1997. Since this type of spending was ignored in the previous studies, we simply adjusted for inflation to arrive at estimates for the prior years (we did not adjust for changes in attendance because many event organizer expenses are relatively fixed and do not vary with attendance).

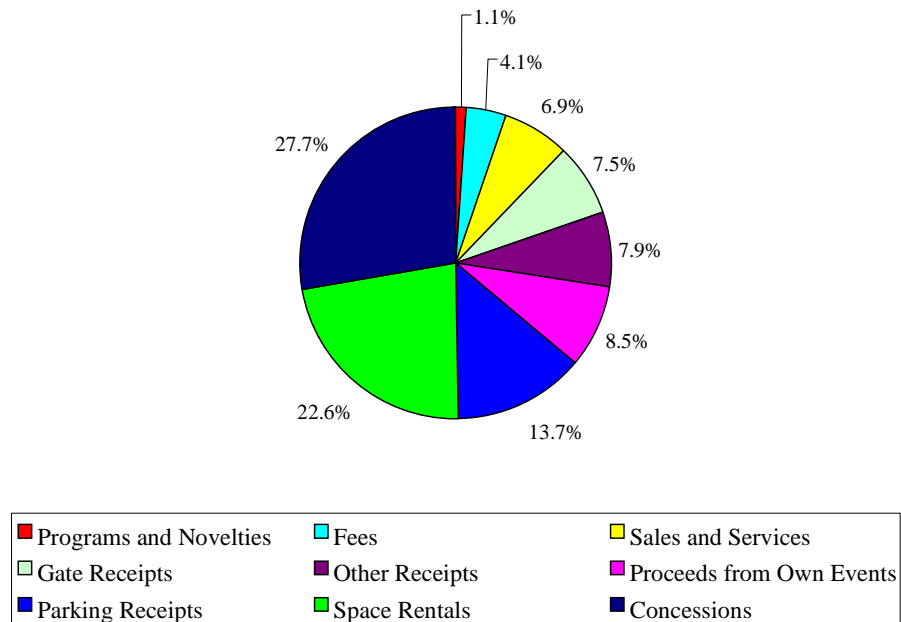
Multiplier analysis of these three spending categories - Livestock Maintenance, Exhibitor/Event Organizer Business Expenses, and Shopping, Entertainment, Other - shows that the spending and respending of the \$77.5 million in combined sales generated roughly \$152 million in "new" sales dollars for the Louisville economy. After adjusting for inflation, the impact of these expenditures appears to have grown by 11 percent over the past five years. These new sales dollars support over 3,100 jobs, with a total payroll of about \$54 million.

Fair Board Receipts

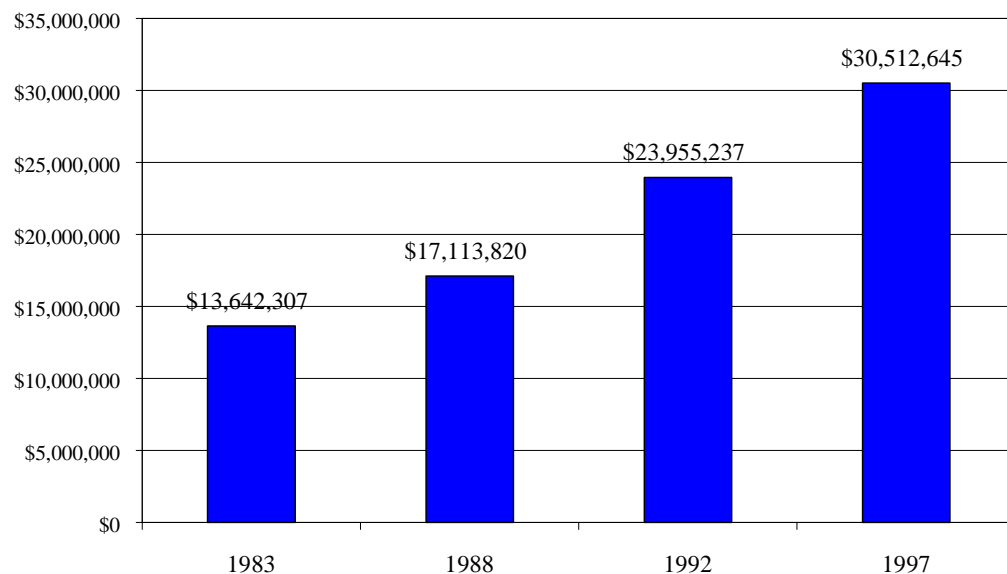
The Fair Board provided accounting information by event for 1997 and 1992 on receipts for tickets, admission, parking, fees, concessions, novelties, space rental, and other goods and services. In most cases, concession proceeds to the Fair Board are actually a commission paid by concessionaires operating on the premises. The commissions vary by event and product category. After consultation with our Fair Board data provider we decided to continue using the estimate of average commission from the 1992 study, which was 33%. We use that figure to blow up Fair Board receipts to a gross sales value. Estimates for 1988 and 1983 were made by category using the detailed 1992 data, attendance changes, and an adjustment for inflation.

These data provide solid estimates of the volume of on-site economic activity for each event. Total receipts collected by the Fair Board amounted to \$30 million in 1997, up 27 percent from 1992. For our multiplier analysis, we allocated proceeds for each event to residents and nonresidents based on the residency mixture of individual attendees. Nonresidents accounted for 45 percent of the receipts of the Fair Board in 1997. This generated a total of \$28 million in net new sales in the Louisville metro area, an increase of nearly 20 percent after adjusting for inflation. This sales impact supported around 750 jobs with a payroll of about \$9 million.

Distribution of Kentucky State Fair Board Receipts, 1997



Kentucky State Fair Board Receipts: 1983, 1988, 1992, 1997

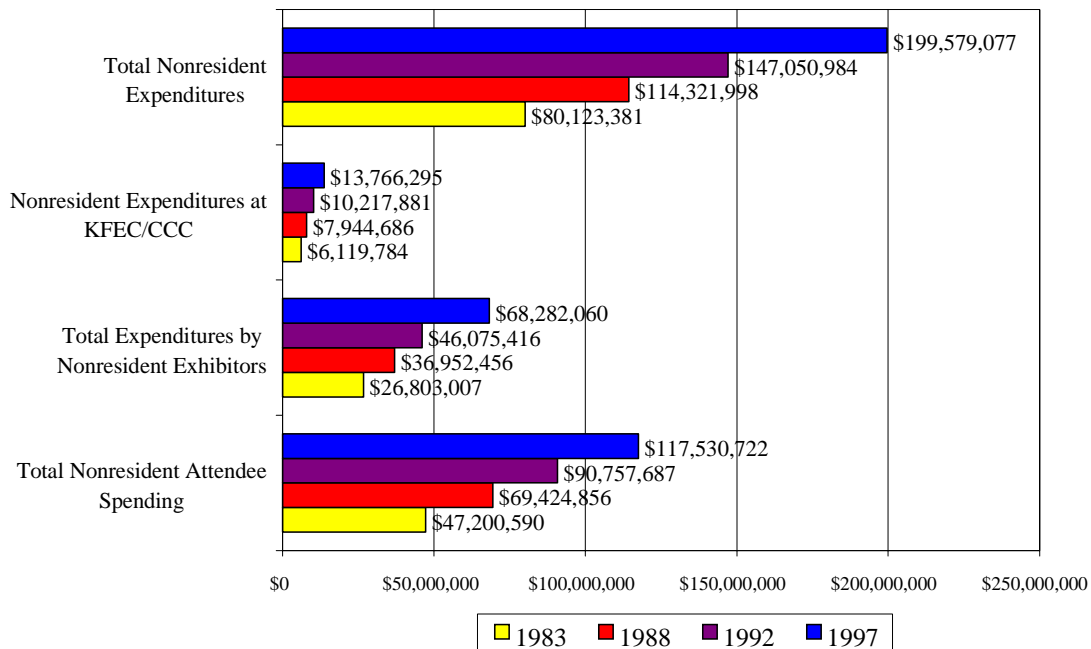


Total Spending by Nonresidents

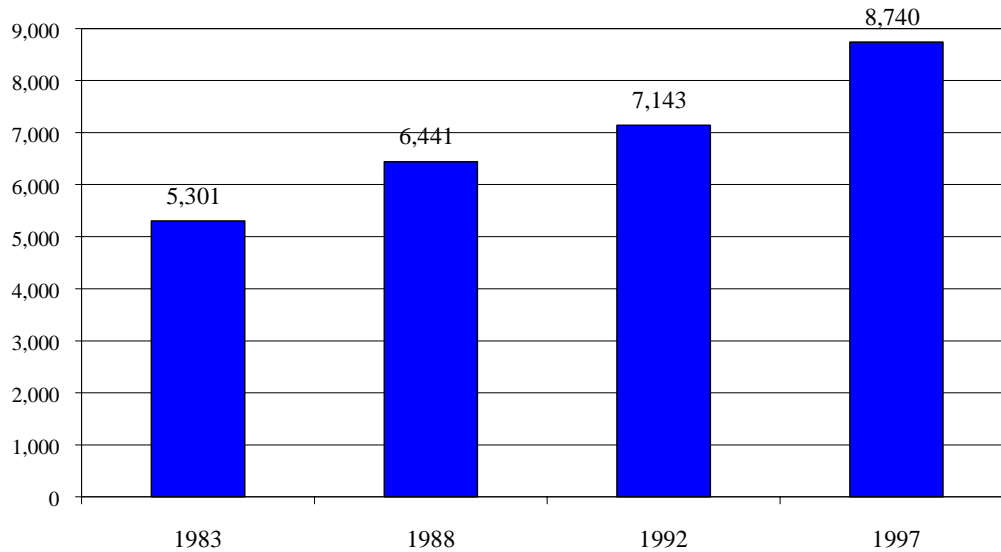
We estimate that total direct spending by nonresident attendees and exhibitors at Fair Board events was about \$199 million in 1997, \$147 million in 1992, \$114 million in 1988, and \$80 million in 1983. These estimates are simply the sum of estimates for lodging, meals, shopping, entertainment, business, livestock, on-site Fair Board, and other expenditures. See the Summary table for details.

Our prior multiplier analyses indicate that the total “new” sales dollars generated, both directly and indirectly through the multiplier effect, by all this spending associated with 1997 events is over \$400 million. This is more than \$105 million more than our estimate for 1992. Even after adjusting for inflation, the sales impact appears to have grown by around 21 percent over the past five years. Similarly, we estimate that the Fair Board events generate sales which support over 8,700 jobs and roughly \$133 million in payroll for Louisville area residents. Both of these figures are up significantly over our estimates for previous years (up 22 percent from 1992 for jobs, and 21 percent after adjusting for inflation for payroll).

Estimated Nonresident Expenditures: 1983, 1988, 1992, 1997



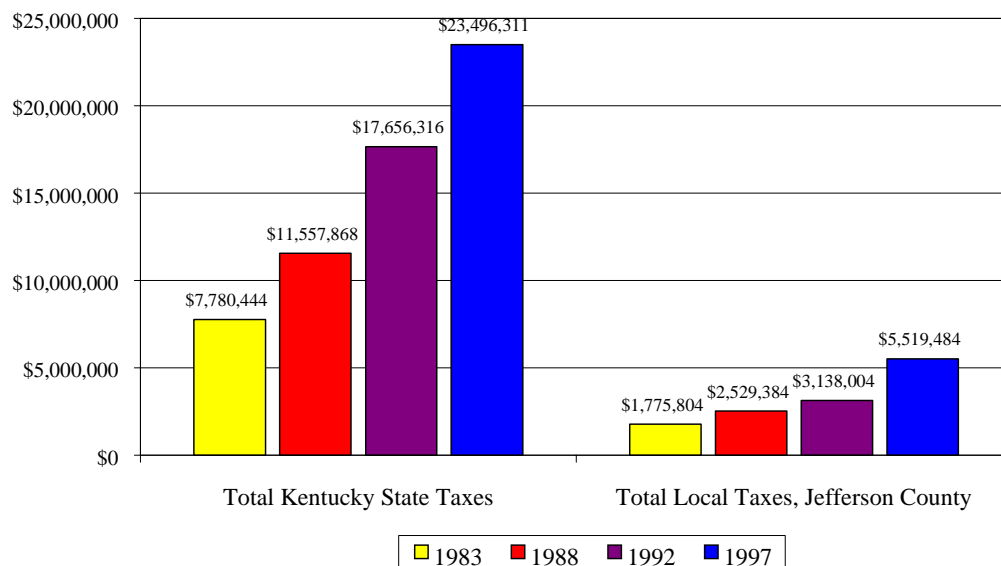
**Jobs Supported by Net New Sales Impact of KFEC and CCC Events
1983, 1988, 1992, 1997**



Tax Revenues Generated by Nonresidents and Residents

Our research suggests that the Fair Board events are a major source of “new” tax dollars for state and local government. We estimate that roughly \$22 million in state tax revenues were generated from the spending by nonresident attendees and exhibitors in 1997, up by over \$5.5 million from our estimate for 1992. In addition, we estimate that Fair Board events generated over \$5 million in local tax revenue for Jefferson County in 1997. This is a big jump of \$2.3 million from 1992. Actual tax flows are probably higher than those we have been able to estimate. Though millions more in tax revenues are likely induced by the new economic activity, there is no readily available way to measure flows such as the state corporate income tax, state

**State and Local Tax Revenues Generated by KFEC and CCC Events
1983, 1988, 1992, 1997**



gasoline taxes, the state insurance premiums tax, the county net profits tax, additions to property tax assessments and taxes due, and other taxes and fees.

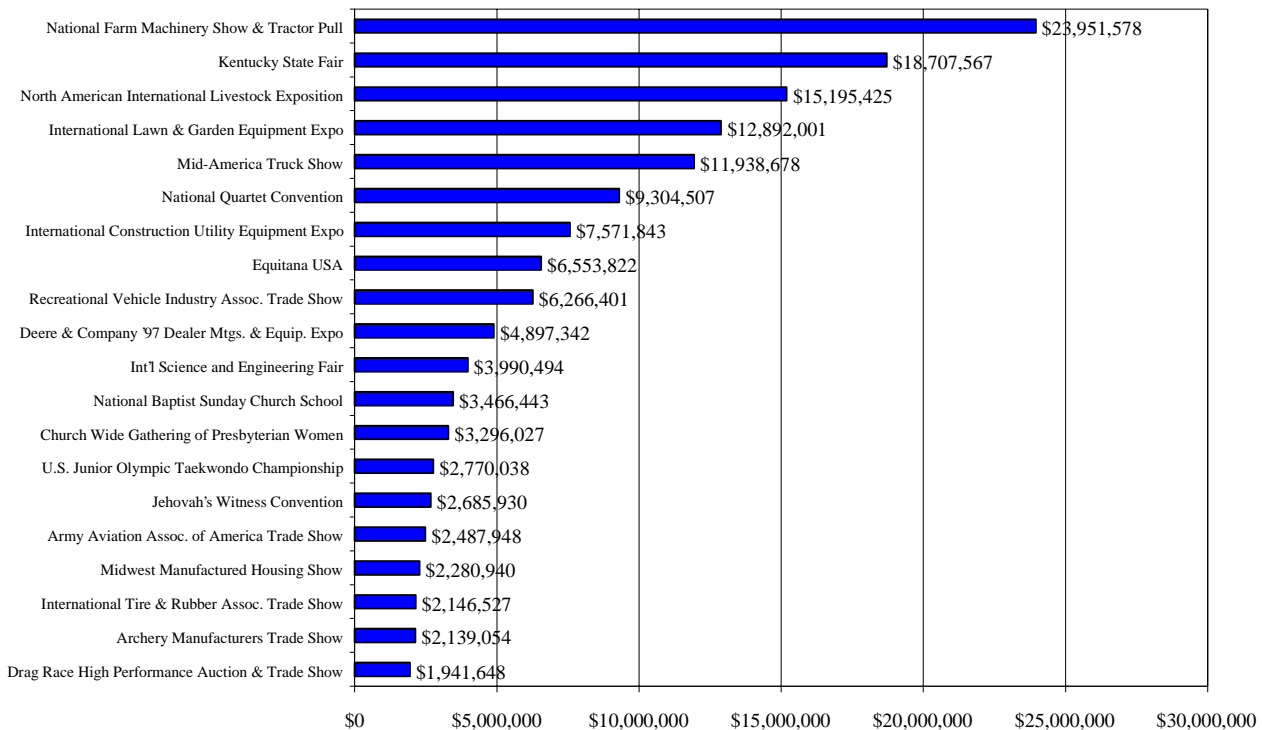
An additional \$1.4 million is estimated to have been collected from residents by states and local governments. This is an increase of about \$300,000 over 1992. This is surely a conservative estimate. We were not able to ascertain sales tax collections at flea markets and other retail sales events.

The fiscal impact of Fair Board events in 1997 on state government is about \$23 million, an increase of 34 percent over our estimate for 1992. The fiscal impact of 1997 Fair Board events on local government is about \$5.5 million, up 76 percent from our estimate for 1992. The overall fiscal impact is up 40 percent from 1992.

Most Economically Important 1997 Events

We have calculated the total nonresident expenditures in the Louisville MSA for each event held at the KFEC or CCC during 1997. A ranking of events by their nonresident expenditures should be very close to their relative total economic and fiscal impacts (which take into account multiplier effects). In the following chart we list the top twenty of 1997 ranked according to their total nonresident expenditures. The World Championship Horse Show is responsible for \$4.5 million of the \$18.7 million in nonresident expenditures attributed to the Kentucky State Fair.

Top Twenty Events of 1997 Based on Total Nonresident Expenditures



The World Championship Horse Show is responsible for \$4.5 million of the \$18.7 million in nonresident expenditures attributed to the Kentucky State Fair.

Caveats

The reader should be aware of the nature of the estimates included in this report. By and large, the data used are not accounting data but rough estimates provided by participants. We have attempted to control the quality by checking responses against other related information and common sense. The economic information (tax rates, multipliers, etc.) is also based upon estimates which are subject to various errors.

The numbers should be interpreted as best estimates of true unknown figures. Statistical confidence intervals are not possible since formal sampling methods were not used. An educated guess is that the final impact numbers are within 10% to 20% of the true unknown value.