

IMPACT



The Economic and Fiscal Impact of Events at the Kentucky Exposition Center
and the Kentucky International Convention Center

2005



UNIVERSITY OF
SOUTH ALABAMA

TABLE OF CONTENTS

EXECUTIVE SUMMARY	3
INTRODUCTION	5
GENERAL METHODOLOGY & SOURCES OF DATA	6
DISCUSSION OF RESULTS	10

EXECUTIVE SUMMARY

Despite tough market conditions over the last several years, the Kentucky Exposition Center and the Kentucky International Convention Center both managed to post growth in key economic measures during 2005. Attendance by nonresidents, associated hotel room-nights, spending, and tax revenues were all up from our last study four years ago. Events during 2005 contributed around \$435 million to the area economy, supporting 7,150 jobs, and garnering \$33 million in new state and local tax revenues. This booklet details the economic impacts of Louisville's two major expo and hospitality facilities, and compares it to past performance.

In this market situation, it is remarkable that our previous study (even after recent revisions) showed gains of about 22 percent in the number of nonresidents attending Kentucky State Fair Board events and in nonresident spending, of around 15 percent in the net new sales impact of this activity (in constant 2000 dollars) and in the number of jobs the new sales support, and of 4.3 percent in the number of hotel and motel room nights accounted for by nonresident attendees and exhibitors from 1997 to 2001. In the current study we find that the Kentucky State Fair Board has maintained and consolidated its gains. While the overall number of nonresidents decreased somewhat from the peak of 2001, the number of attendee room nights, total nonresident expenditures and state and local government tax revenues all increased. While the total economic impact on the Louisville metro area economy of the 2005 events is slightly less than that of 2001, it is still nearly 13 percent greater than we estimated for 1997 events. 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 KEC is still host to some of the biggest trade shows in the United States, lured by the large high quality (and improving) exhibit space, easy access by interstate highway, and Louisville's large inventory of moderately priced hotel rooms. The KICC downtown has remained quite competitive against ever greater competition.

During 2005, researchers at the University of Louisville tracked activity at all major KEC and KICC events which occurred between October 1, 2004, and September 30, 2005. Telephone 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 document, we report our estimates of the impact of 2005 events and comparisons to results from similar studies performed for events in 1997 and 2001.

Major Findings

The total number of attendees at Kentucky State Fair Board events in 2005 was about 3 million, down 450,000 from 2001. There are a variety of reasons for this, including the loss of professional ice hockey, a lack of blockbuster concerts, and far lower reported attendance figures for UofL and JCPS graduations and Derby Festival events. But there were

also a number of events for which a small drop in attendance was reported.

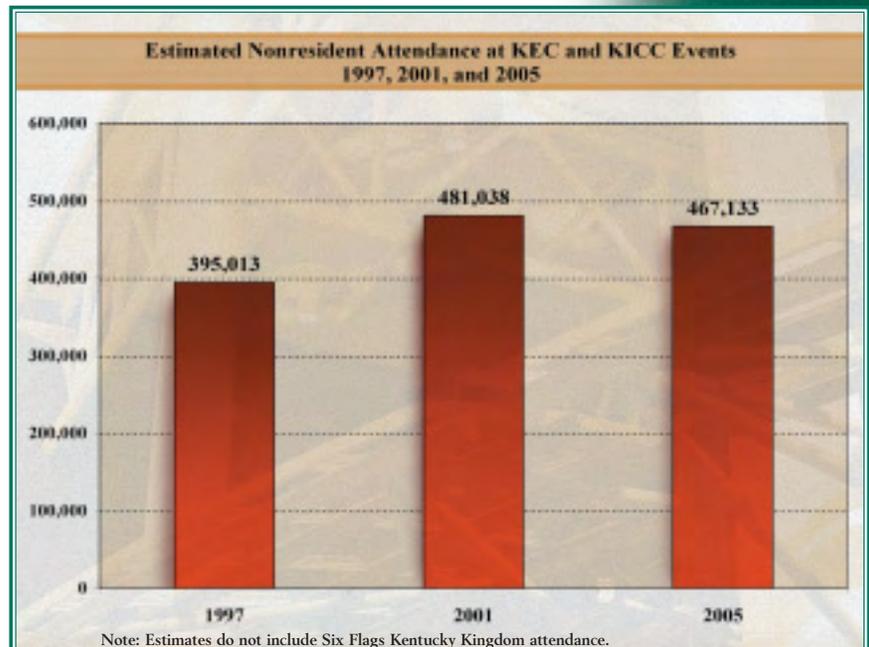
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We estimate that of the total attendees, 467,000 lived outside the Louisville market and stayed overnight in an area hotel or motel. This nonresident attendance is a decrease of 2.9 percent from 2001. An additional 85,000 nonresident exhibitor personnel worked events at the KEC and KICC during 2005, an increase of 5.6 percent over 2001. Nonresident attendance is perhaps the most important single factor in measuring the economic impact of these events.



Summary of Kentucky State Fair Board Events Economic Impact			
	1997	2001	2005
Attendance			
Turnstile Count from Fair Board	4,269,693	3,437,860	3,010,263
Nonresidents	395,013	481,038	467,133
Attendee Expenditures			
Room-nights	309,735	330,934	354,043
Total Nonresident Attendee Spending	\$105,631,343	\$130,616,576	\$137,474,645
Exhibitor & Organizer Expenditures			
Nonresident Personnel	84,278	81,306	85,873
Room-nights	218,709	229,282	224,370
Total Nonresident Exhibitor Lodging, Meal, Personal Expenses	\$33,831,766	\$37,349,260	\$39,296,330
Total Exhibitor/Organizer Business Expenses	\$18,199,911	\$23,639,607	\$23,550,832
Estimated Sales at KFEC/CCC			
Total Receipts	\$30,312,645	\$34,510,236	\$40,351,899
Total Economic Activity Generated by Nonresidents			
Total Nonresident Expenditures	\$171,535,189	\$211,499,422	\$224,226,185
Total Net New Sales Impact, Louisville MSA	\$346,064,731	\$427,373,455	\$453,487,472
Deflated Net New Sales (2000\$), IPD deflator	\$362,698,064	\$417,336,280	\$407,333,920
Jobs Supported by Net New Sales	6,318	7,291	7,143
Net New Payroll Generated	\$111,473,447	\$137,802,208	\$146,346,369
Tax Revenues Generated by KFEC/CCC Events			
Total Kentucky State Taxes	\$20,280,424	\$24,091,571	\$26,059,956
Total Local Taxes, Jefferson County	\$4,724,703	\$5,714,801	\$6,891,879
Grand Total	\$23,005,128	\$29,806,372	\$32,951,835

Impact is measured for the Louisville Metropolitan Statistical Area (MSA), which includes Bellin, Henry, Jefferson, Meade, Nelson, Oldham, Shelby, Spencer, and Trimble counties in Kentucky, and Clark, Floyd, Harrison, and Washington counties in Indiana.



3

Convention and trade show attendance is still very near the peak achieved in 2001. While nonresident attendance at conventions dropped by just under 1 percent from 2001, at trade shows it was up a healthy 5.5 percent over the previous study period. Nonresident attendance at the National Farm Machinery Show was up 7.5 percent and at the North American International Livestock Exposition it was off by about 2.4 percent. Altogether, these event categories saw their nonresident attendance rise by 1.9 percent over the 2001 study period. This is a 28 percent increase from the 1997 figures. Convention and trade show attendance is a particularly important economic barometer since these shows tend to attract many nonresident exhibitors and visitors, who stay several nights in local hotels, eat at local restaurants, and purchase support services from local vendors.

4

Activity at the Kentucky International Convention Center increased markedly after its expansion and renovation. The number of concerts, conventions, family shows, meetings, public expositions, public sales, sporting events, and trade shows held at the KICC was up more than 40 percent in 2001 over 1997. Such activity was just as high in 2005. We estimate that the number of persons attending conventions at the KICC reached 78,533 in 2001 and was 70,876 in 2005. For trade shows we estimate the number of persons to be 29,491 for 2001 and 33,375 in 2005.

5

The biggest difference in activity at the KICC between 2001 and 2005 came in sporting events. The number of sporting events increased from seven to 16, with 30,000 more people attending sporting events at the KICC in 2005 than in 2001, a near four-fold increase. The KICC hosted three national sporting events in 2005 (four if we count the National Field Archery Association Indoor Nationals, which is in the trade show category because it had an exhibition area as well as competition). No national sporting events were held at the KICC in 2001. In addition, Louisville has become a popular spot for regional martial arts, cheerleading and dance competitions.

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Nonresident attendees and exhibitors accounted for over 778,000 room-nights at area hotels and motels, a 2.4 percent increase over 2001.

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We estimate that nonresident attendees spent \$137 million, and exhibitors spent around \$39 million on lodging, food, shopping, entertainment and other personal items in the Louisville area economy during 2005. Exhibitors and event organizers also spent over \$25 million for business-related items in the Louisville market.

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The total direct spending by nonresidents, including lodging, food, shopping, entertainment, and business expenses, is estimated to be just over \$224 million.

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The total dollar impact of 2005 events, accounting for multiplier effects, is estimated to be around \$453 million. This represents a 6.1 percent increase over 2001. In real dollar terms, after adjusting for inflation, the 2005 impact about 2 percent less than 2001.

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These new dollars generated by Kentucky State Fair Board events supported approximately 7,150 jobs locally, with a payroll of about \$146 million. These represent decreases of around 2 percent from 2001 (the latter after inflation).¹

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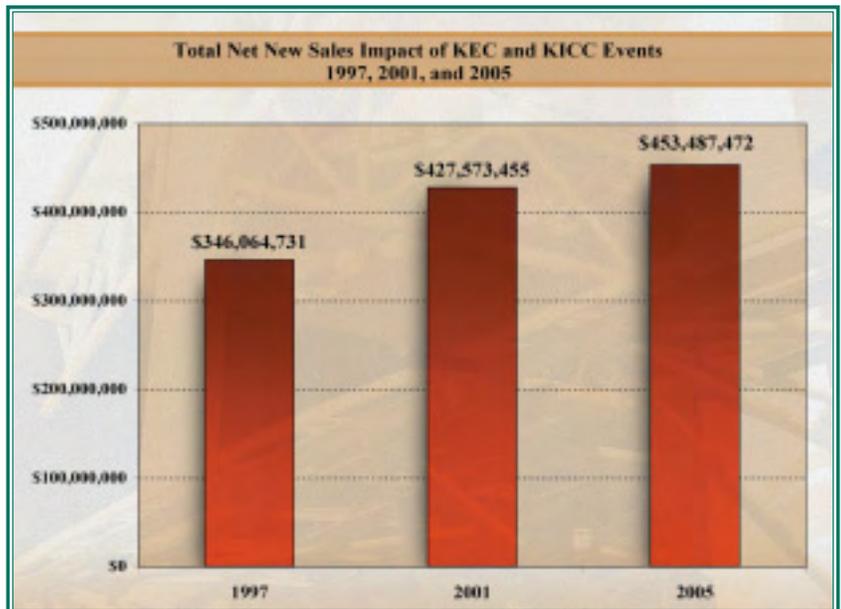
This impact generated about \$26.1 million in state sales and income taxes and \$6.9 million in local occupational and room taxes. These are increases of 8.2 and 20.6 percent, respectively, over the estimated 2001 fiscal impacts. About 95 percent of these tax dollars are believed to be generated by nonresident attendees and exhibitors. That is, they represent new tax dollars, not simply a collection from Kentucky residents.

12

All told, the economic and fiscal impact of events in 2005 was up by 6.4 percent in nominal terms, but down by about 1.5 percent from 2001 in real inflation-adjusted terms.

Beyond the new dollars that Kentucky State Fair Board events generate for Kentucky and the Louisville area, the facilities at the KEC and KICC 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 78 percent of the people attending KEC and KICC events during the year. Parking, admission, concessions, space rental, and other receipts collected by the Kentucky State Fair Board amounted to \$40 million in 2005, up 17 percent from 2001.

¹ It should be noted that in the 2001 study we reported a job impact of nearly 8,700 jobs for 2001 and about 7,500 jobs for 1997. These are both greater than our current highest estimate (2001). This is due to the fact that we are now using updated multipliers that are based upon much more recent economic data. The previous multipliers were based upon the U.S. government's 1992 national benchmark input-output accounts and 1995 regional economic accounts, while we are now using multipliers based on the 1997 national benchmark input-output accounts and 2003 regional economic accounts. Certain structural changes in the economy, especially involving information technology, have taken hold since the early 1990s and are most dramatically reflected in the employment multipliers. The overall pattern of change from study to study remains the same, however.



INTRODUCTION

This report summarizes the results of a year long effort to measure the economic and fiscal impact of Kentucky State Fair Board activities. The study includes all of the events held at the Kentucky Exposition Center (KEC) and the Kentucky International Convention Center (KICC) from October 2004 through September 2005. This is the sixth in a series of assessments conducted roughly every four years since 1983. Each succeeding study has revised and extended the methodology used previously to produce more reliable and accurate data and economic impact estimates. The most extensive revisions occurred in the last study (2001). In the present study we make some small adjustments to the previous methods used in order to produce what we believe to be better estimates and we have adjusted the previous estimates for 1997 and 2001. A description of the methods and sources of data is included in this report.

This series of studies document the services provided by the Kentucky State 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.² These are two types of economic impacts. In the former the Kentucky State 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 Kentucky State 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, National Farm Machinery Show, and Mid-America Truck Show attract thousands of exhibitors, delegates, and spectators from around the country. These non-

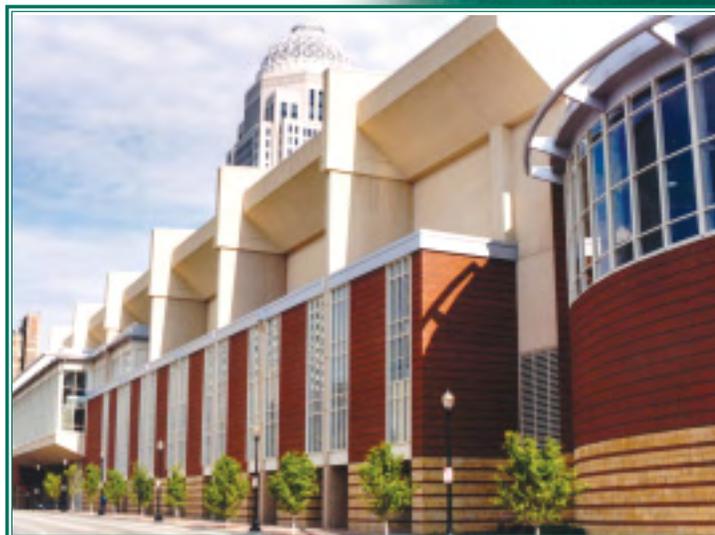
residents are attracted to a Kentucky facility and spend dollars in the local economy that would have been spent in another state had the Kentucky State Fair Board facilities not been here. These new dollars hit our economy first at hotels, restaurants, gift shops, and the establishments of vendors supplying 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 2005, researchers at the University of Louisville tracked activity at all major KEC and KICC events. Telephone 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.

The last seven or eight years have been rough ones for the convention and trade show business nationwide. The Travel Industry Association of America (TIA) reports that between 1998 and 2003, business and convention travel volume declined by more than 14 percent. There was a rebound of more than four percent in 2004, but they are forecasting just a one percent increase in business travel volume for 2005. Similarly, the industry publication Tradeshow Week, in its annual directory of the 200 largest tradeshow and conventions, shows level or declining attendance over this period. Against this backdrop of stagnant demand there is an ever increasing supply of high quality convention and tradeshow space. Literally dozens of cities across the country have either built new convention



² The Louisville Metropolitan Statistical Area (MSA) consists of Bullitt, Henry, Jefferson, Meade, Nelson, Oldham, Shelby, Spencer, and Trimble counties in Kentucky, and Clark, Floyd, Harrison, and Washington counties in Indiana.

centers or renovated and expanded existing ones over that past six to seven years. Nearly all of the metropolitan areas of the country with at least three-quarters of a million people have a convention facility to rival the KICC, and many of the largest metro areas now have a facility that can at least come close to the 700,000 square feet of class "A" exhibit space under one roof that the KEC offers in its East and South wings. The competition, therefore, to book the kind of events that bring in nonresidents is stiff and is only increasing.

In this market situation, it is remarkable that our previous study showed gains of about 22 percent in the number of nonresidents attending Kentucky State Fair Board events and in nonresident spending, of around 15 percent in the net new sales impact of this activity (in constant 2000 dollars) and in the number of jobs the new sales support, and of 4.3 percent in the number of hotel and motel room nights accounted for by nonresident attendees and exhibitors from 1997 to 2001 (all percentages based on the recently revised data). In the current study we find that the Kentucky State Fair Board has maintained and consolidated its gains. While the overall number of nonresidents decreased by nearly 3 percent from the peak of 2001, the number of attendee room nights, total nonresident expenditures and state and local government tax revenues all increased. While the total economic impact on the Louisville metro area economy of the 2005 events is slightly off from 2001 it is still nearly 13 percent greater than we estimated for 1997 events. 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 KEC is still host to some of the biggest trade shows in the United States, lured by the large high quality (and improving) exhibit space, easy access by interstate highway, and Louisville's large inventory of moderately priced hotel rooms. The KICC downtown has remained quite competitive against ever greater competition.

The remainder of this report discusses in detail our impact estimates. We first describe the general methodology and sources of data, including an explanation of the fairly complicated economic geography involved in such studies. Next, we provide and explain a number of tables showing estimates of attendance, expenditures by event category, economic impact, and tax revenues.

Comparison to Previous Studies

During the 2001 study we updated our methodology and corrected a few shortcomings in the previous study. We then recalculated the economic impact estimates from the four previous studies, which resulted in a set of consistent estimates across time based upon the latest methodology. In the current study we utilize the same basic methodologies as in the 2001 study but update our estimates of various types of attendee and exhibitor spending based upon greater information (both in general and about specific events) and a better understanding of the ways in which the Kentucky State Fair Board reports attendance figures.

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 1997 and 2001 studies to again create consistent estimates across time. But due to a lack of detailed

data and the more limited scope of the 1983, 1988, and 1992 studies, we did not revise those results and constrain comparisons in this study to the previous two studies.

The changes made to the results of the prior studies were small. For example, we fine-tuned our estimates of the geographic distribution of attendees based upon new license plate surveys we conducted and we refined our estimates of the number of personnel per exhibiting company at trade shows and conventions. We revised the estimates of persons attending and nonresident attendance for 1997 and 2001, but not our estimates of their total spending since they would have been very small and comparatively less than the attendance revisions. We note that in the 2001 study we reported total nonresident attendance of 408,932 and 517,438 for 1997 and 2001, respectively, while we now report total nonresident attendance of 395,013 and 481,038 for those two years. Most of the differences resulted from improvements in how we determined the number of individual attendees at the Mid-America Truck Show and the National Quartet Convention. But we also used improved methods of calculating the number of individual attendees to the North American International Livestock Exposition and Arabian Horse Association U.S. National Championship Show which resulted in the addition of some nonresident attendees to the totals.

The largest changes to previously reported results, however, are in the jobs supported by the net new sales arising from the expenditures of nonresidents. We currently report roughly 16 percent fewer jobs supported by the net new sales in 1997 and 2001 than we reported in our prior study. This is due to the fact that we are now using updated multipliers that are based upon much more recent economic data. The previous multipliers were based upon the U.S. government's 1992 national benchmark input-output accounts and 1995 regional economic accounts, while we are now using multipliers based on the 1997 national benchmark input-output accounts and 2003 regional economic accounts. Certain structural changes in the economy, especially involving information technology, have taken hold since the early 1990s and are most dramatically reflected in the employment multipliers. The overall pattern of change from study to study remains the same, however.

GENERAL METHODOLOGY AND SOURCES OF DATA

Determining the impact of Kentucky State Fair Board events is a complicated task. Together, the KEC and KICC played host to over 400 events in 2005, including 72 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 more modest budgets. 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 research has been done tends to paint all events with a very broad brush. We have attempted to deal with these difficulties through a variety of methods. In most cases we have tried to estimate our data in more than one way as a check on the accuracy of our primary methods. This study relied a great deal on surveys of and interviews with event organizers, exhibitors, and attendees, but we also relied on our expertise garnered through conducting similar research over the past decade. The following sections briefly describe how we gathered our data.

Event Organizer Interviews

We contacted, usually by telephone, a sampling of event organizers. We chose the events expected to have fairly large attendance within each of the event categories. We asked the event organizers general questions about the people who attend their events and also 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. Some event organizers sent us detailed lists of their local expenditures, and many provided us with similar information over the phone. A few event organizers sent us copies of their own surveys and economic impact studies. From this data, and similar information from the 1997 and 2001 studies, 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 19 industry categories.

Exhibitor Interviews

To supplement the surveys of event organizers we personally visited several 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, shopping, and transportation, 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.

Attendee Surveys

Over the past eight years we have utilized intercept surveys of attendees at five major events which were conducted by researchers from the University of Louisville and Horizon Research to help us derive spending profiles for out-of-town visitors. These were the 1997 St. James Court Art Show, 2000 Home, Garden & Remodeling Show, 2001 Mid-America Truck Show, 2001 Equine Affaire, and a 2003 Speed Art Museum

exhibition. In each case, the surveyors positioned themselves at high traffic areas and interviewed people at random. The surveys asked each person to supply their home zip code, and went on to ask out-of-town attendees about how many people were traveling in their party, how many days they were spending in the Louisville metro area, how many nights they would be spending in local lodging, and how much they anticipated



spending on lodging, meals, entertainment, shopping, transportation, and other expenses while in town.

License Plate Surveys

Convention and trade show organizers usually have accurate information regarding attendee residency. However, 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 just an educated guess. Some of the largest events each year are trade shows and conventions that are open to the public. Since the economic impacts of these events depends upon the number of participants who come from outside the metro area, it was important that we obtain reasonably accurate estimates of the percentage of attendees at various types of events who do not live in the Louisville metropolitan area (or in Kentucky, either). In order to attain more accurate information on attendee residence we conducted a series of license plate surveys at KEC and KICC parking lots during a number of events.

During 2005, we conducted ten surveys of license plates at KEC and KICC events. Researchers noted the state (and county if in Kentucky, Indiana, or Ohio) issuing the license plate for nearly sixty-five hundred vehicles found in parking lots during events. We also recalculated the results for twenty-four license plate surveys conducted in 2001 based upon Louisville's new metropolitan area definition. Several major trade shows have been surveyed, including the National Farm Machinery Show, Mid-America Trucking Show, and Equitana USA. We have also surveyed during the Kentucky State Fair, the NSRA Street

Average Hotel/Motel Room Rates, 2004-05		
Transient Rooms Only		
	County	Downtown
October, 2004	\$84.93	\$117.10
November, 2004	\$76.45	\$101.89
December, 2004	\$61.89	\$69.85
January, 2005	\$67.18	\$87.90
February, 2005	\$72.13	\$101.21
March, 2005	\$78.54	\$109.26
April, 2005	\$72.45	\$113.59
May, 2005	\$106.57	\$192.05
June, 2005	\$75.13	\$105.61
July, 2005	\$69.30	\$95.63
August, 2005	\$71.91	\$94.45
September, 2005	\$74.66	\$106.59

Source: Louisville/Jefferson County Metro Revenue Commission

Rod Nationals, the National Quartet Convention, the Log Home Living trade show, the National Houseboat Expo, Jim Strader's Hunting and Fishing Show, the Home, Garden, and Remodeling Show, and the Sport, Boat, and RV Show. Other surveys have been conducted during flea markets, gun shows, sports competitions, University of Louisville basketball games, and other primarily local attractions. We also examined twenty-three similar surveys conducted for the 1997 study.

We assume that most of those attendees who stay overnight in area lodging come from more than one hundred miles away. 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 good foundation upon which to base our estimates of attendee residency.

Administrative, Accounting, and Secondary Data Sources

Kentucky State Fair Board Data. Accounting data from the Kentucky State Fair Board were used to calculate the portions of Kentucky State Fair Board revenues that could be attributed to the expenditures of residents and nonresidents at the KEC and KICC 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. We

also adjusted the per diem rate based upon the results of our attendee and exhibitor surveys. Based upon past studies, we believe that this is the most accurate single rate available for general convention and business travel, especially for cost conscious travelers.

Hotel/Motel Room Rates. Monthly data on hotel room rates, generated as a by-product of the room tax collection function of the Louisville/Jefferson County Metro Revenue Commission, were used to estimate actual lodging expenses by attendees and exhibitors per event. For events held at the KICC, the downtown hotel rate for the month was used. For KEC events, the county average rate (which includes the downtown hotels) was used for that month. The table below lists these rates. It is notable that the average room rates for November 2004, December 2004, and August 2005 were lower than the corresponding months in 2000 and 2001.

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 1997 national data and 2003 regional 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.

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. The current tax rate is 6 percent on meals and shopping and effectively 7.6 percent on lodging.

Sales Tax on Expenditures at KEC/KICC. 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 study years. The effective tax rate is less than the nominal rate for 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 that are not subject to sales taxes.





Final Demand Multipliers

Expenditure Category	Output	Earnings	Employment	Industry
Lodging	1.8931	0.6097	28.4916	Hotels & motels
Meals	2.1591	0.6883	44.3380	Food services & drinking places
Shopping/Entertainment	2.0342	0.6431	27.9850	Retail trade
Exhibitor/Organizer Business Expense	0.0000	0.0000	0.0000	Weighted Average (see footnote)
Livestock Maintenance	2.1512	0.7328	34.4330	Agriculture & forestry support activities
KEC/KICC Expenditures	1.9866	0.6807	28.3003	Other amusement, gambling & recreation industries

Source: U.S. Bureau of Economic Analysis, Regional Input-Output Modeling System (RIMS II) Regional Multipliers for Louisville, KY-IN MSA, 2003.

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 are weighted averages of 19 industries based upon detailed lists of local expenditures which we received from event organizers.

State Individual Income Tax Induced by New Payroll. New payroll generated by sales to nonresidents creates 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 study years.

Metro Louisville Hotel Tax. As this is a direct spending category, we simply multiply the nominal room tax rate by estimated lodging expenditures. The current tax rate is 7.5 percent. We did, however, first adjust the lodging expenditure downward by five percent 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 KEC report hotel room requirements approaching (or even exceeding) the capacity of Jefferson County. The room tax only applies to hotels and motels in the Jefferson 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 metro government 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 Kentucky State Fair Board events.

Louisville MSA Nonresidents versus Kentucky Nonresidents

Technically, our economic impact estimates are based upon spending by nonresidents of the Louisville MSA. This means that dollars spent by Kentuckians who do not live in the Louisville market are sometimes counted in our calculations of nonresident expenditures. This would tend to bias upwards our estimates of net new tax revenues for Kentucky state government. On the other hand, our calculations of nonresident expenditures do not include spending by Indiana residents of the Louisville metro area. This acts to depress our estimates of

net new tax revenues for Kentucky state government to the extent that the Indiana residents spend their money on this side of the Ohio River. There are several factors, which, taken together, lead us to believe that our estimates of the impact to Kentucky state government of KEC and KICC events are not biased in either direction.

First, attendee room-nights associated with conventions and trade shows that attract almost exclusively Kentuckians account for only four percent of the overall attendee room-nights at 2005 Kentucky State Fair Board events.

Second, results from Kentucky State 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 the inclusion of the Indiana residents of the MSA in our impact estimate, as described in the previous paragraph.

Finally, a factor which tends to mitigate the four percent overcount 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 just about 21,000 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 Kentucky State Fair Board events can be considered to be about as accurate as the rest of our economic impact estimates.

DISCUSSION OF RESULTS

The economic impact of KEC and KICC events is an important component of the Louisville metropolitan area economy. The following table summarizes all of the results of this study. We will discuss them by topic.

Attendance

Gross attendance at 2005 events, as reported by the Kentucky State Fair Board, was just over three million people, down nearly 450,000 from 2001. There are a variety of reasons for this. The KEC is no longer the home of minor league professional ice hockey or the Kentucky high school football championships (97,704 and 20,000 attendees, respectively). The KEC also hosted the Conference USA men's basketball tournament in 2001 (35,000 attendance). There were also no blockbuster music concerts in 2005 while the KEC hosted Faith Hill & Tim McGraw, Elton John & Billy Joel, and 'Nsync in 2001 (total attendance of 65,592). Attendance estimates for University of Louisville and Jefferson County Public Schools commencement exercises were 33,600 lower in 2005 than in 2001. Kentucky Derby Festival event attendance estimates were also far less in 2005 than for the same events in 2001 (45,920 difference). It is possible that the procedures used to estimate attendance at these events has changed. Two large public festivals are no longer held at the KICC, the Festival of Trees and Lights, and the Kosair Kids Carnival. They had a combined attendance of 32,600 in 2001. Additionally, mirroring a national trend, there were ten computer shows and sales in 2001 with a total attendance of 32,356, while the Kentucky State Fair Board hosted just one such event in 2005 with attendance of just 607 people. Finally, there were 75 fewer catered parties and receptions in the 2005 Kentucky State Fair Board dataset than in 2001. While these facts explain most of the

Summary of Economic and Fiscal Impacts of Kentucky State Fair Board Events

	1997	2001	2005
Attendance			
Number of Persons Attending	3,393,968	2,554,250	2,141,458
Nonresidents	395,813	481,038	467,133
Turnstile Count from Fair Board	4,269,693	3,457,860	3,010,263
Attendee Expenditures			
Room-nights	589,735	530,934	554,045
Total Lodging Expenses	\$35,472,787	\$42,194,176	\$45,318,870
Total Meal Expenses	\$37,485,431	\$49,974,185	\$54,048,562
Total Personal Shopping, Entertainment, Other Expenses	\$32,773,285	\$38,448,214	\$38,107,213
Total Nonresident Attendee Spending	\$185,651,343	\$130,616,576	\$137,474,645
Exhibitor & Organizer Expenditures			
Nonresident Personnel	84,278	81,306	85,873
Room-nights	218,709	229,282	224,370
Total Lodging Expenses	\$14,672,339	\$17,672,193	\$17,838,591
Total Meal Expenses	\$12,521,528	\$12,626,385	\$14,434,838
Total Personal Shopping, Entertainment, Other Expenses	\$6,637,899	\$7,859,683	\$7,831,122
Other Exhibitor Business Expenses	\$7,504,421	\$8,895,848	\$8,811,748
Event Organizer Expenses	\$9,119,870	\$13,472,548	\$13,785,290
Livestock Maintenance Expenses	\$1,576,420	\$3,271,211	\$2,939,794
Total Expenditures by Nonresident Exhibitors	\$52,831,677	\$62,988,867	\$64,833,382
Estimated Sales at KEC/KICC			
Proceeds from Own Events	\$2,580,638	\$2,697,484	\$4,176,792
Gate Receipts	\$2,279,675	\$2,529,728	\$2,538,942
Parking Receipts	\$4,185,198	\$3,806,343	\$4,468,170
Fees	\$1,241,895	\$1,632,625	\$1,728,128
Concessions	\$8,445,188	\$9,529,538	\$10,426,949
Programs and Novelties	\$348,769	\$829,527	\$245,683
Space Rentals	\$6,895,636	\$9,077,165	\$10,085,600
Sales and Services	\$2,111,517	\$2,819,363	\$3,707,377
Other Receipts	\$2,424,289	\$2,188,463	\$2,982,218
Total	\$38,512,645	\$34,310,236	\$48,351,859
Total Economic Activity Generated by Nonresidents			
Total Nonresident Expenditures	\$171,335,189	\$211,499,422	\$224,226,185
Total Net New Sales Impact, Louisville MSA	\$346,864,731	\$427,573,455	\$483,487,472
Deflated Net New Sales (2000\$), IPD deflator	\$362,698,864	\$417,556,280	\$407,555,928
Jobs Supported by Net New Sales	6,316	7,291	7,143
Net New Payroll Generated	\$111,475,447	\$137,882,206	\$146,346,389
Tax Revenues Generated by KEC/KICC Events			
Kentucky Sales Tax: Lodging, Meals, Shopping	\$9,460,981	\$11,616,327	\$13,148,873
Kentucky Sales Tax: Expenditures at KEC/KICC	\$1,870,469	\$1,185,875	\$1,429,457
Kentucky Sales Tax: Public Sales (Brandeis Auctions)	\$1,380,000	\$676,704	\$8
Kentucky Sales Tax: Ticket Sales	\$368,748	\$497,339	\$349,985
Kentucky Sales Tax Induced by New Payroll	\$3,834,755	\$4,867,242	\$5,224,566
Kentucky Income Tax Induced by New Payroll	\$4,173,471	\$5,248,085	\$5,907,155
Jefferson County Hotel Tax	\$2,858,268	\$3,412,383	\$4,499,399
City/County Occupational Tax	\$1,148,144	\$1,413,383	\$1,475,547
City/County School Board Occupational Tax	\$538,602	\$656,276	\$683,773
City/County TARC Occupational Tax	\$179,690	\$232,760	\$233,161
Total Kentucky State Taxes	\$28,280,424	\$24,091,571	\$26,059,956
Total Local Taxes, Jefferson County	\$4,724,783	\$5,714,801	\$6,891,879
Grand Total	\$25,885,128	\$29,806,372	\$32,951,835

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.

decrease, there were also a number of events for which a small drop in attendance was reported.

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 Kentucky State Fair Board events in each of the different event categories. Once we account for the drops in attendance discussed above, we can see that the total number of



individual people attending Kentucky State Fair Board events in 2005 was on par with the 2001. The 1997 attendance data is inflated by Louisville Redbirds baseball (600,000), huge reported attendance figures for the Greater Louisville Auto Dealers Association Expo (63,000 and 70,000 more than for 2001 and 2005), a Bacon's warehouse sale (45,000 people), a change in the way flea market attendance was reported (33,000 difference), and several of the biggest touring music acts of the year.

There is considerable variation within some of the categories. The drop in attendance at Livestock events is due to the fact that dog, cat, and bird shows are now categorized as public expositions. The drop in the miscellaneous category of events is due in large part to the re-categorization of several events.

Most importantly for economic impact, attendance at conventions and trade shows was virtually equal to the peak reached in 2001. Attendance at conventions is still up 51 percent over 1997, while at trade shows it is still up 11 percent over 1997. The National Farm Machinery Show (NFMS) and the North American International Livestock Exposition (NAILE) remain blockbuster events.

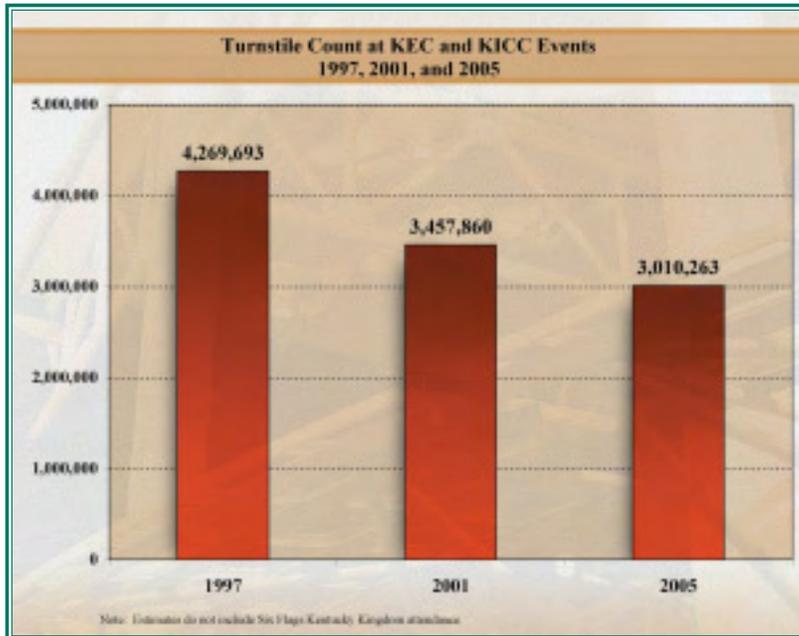
Activity at the Kentucky International Convention Center increased markedly after its expansion and renovation. There were 162 concerts, conventions, family shows, meetings, public expositions, public sales, sporting events, and trade shows held at the KICC in 2001, up more than 40 percent over 1997. Such activity was just as high in 2005 (157 events). We estimate that the number of persons attending conventions at the KICC reached 78,533 in 2001 and was 70,876 in 2005. For trade shows we estimate the number of persons to be 29,491 for 2001 and 33,375 in 2005.

Events held at the KICC now account for 20 percent of total nonresident expenditures arising from Kentucky State Fair

Board events, up from 18.3 percent in 2001.

The biggest difference in activity at the KICC between 2001 and 2005 came in sporting events. After accounting for events that were listed in another event category during one of the years (two cheer-leading events and a dance event in 2001 and a martial arts event in

2005), the number of sporting events increased from seven to 16. Thirty thousand more people attended sporting events at the KICC in 2005 than in 2001, a near four-fold increase. The KICC hosted four national sporting events in 2005 (five if we count the National Field Archery Association Indoor Nationals, which is in the trade show category because it had an exhibition area as well as competition), a summer high school basketball tournament, the U.S. Acrobatic Gymnastics



	1997	2001	2005
Concerts	162,877	132,536	69,982
Conventions	139,242	217,631	210,028
Family Attractions	68,558	66,536	79,092
Horse Shows	12,378	29,728	21,006
Livestock Events	36,472	6,023	11,558
Meetings	40,401	34,445	41,652
Miscellaneous	295,309	220,560	65,872
Catered Party/Reception	na	56,080	21,766
Public Expositions	396,793	334,120	293,723
Public Sales	481,728	361,096	285,033
Sporting Events	1,150,116	506,146	464,762
State Fair	391,625	362,843	349,331
Trade Shows	111,064	125,850	123,693
Nat'l Farm Machinery Show	64,093	57,456	61,795
N. American Int'l Livestock Expo	43,312	43,200	42,166
Total	3,393,968	2,554,250	2,141,458

Note: Estimates do not include Six Flags Kentucky Kingdom attendance.

Estimated Nonresident Attendance at Kentucky State Fair Board Events

	1997	2001	2005
Concerts	4,610	11,259	4,014
Conventions	95,658	149,783	148,467
Family Attractions	4,696	4,316	3,279
Horse Shows	7,485	20,063	15,048
Livestock Events	6,363	2,911	8,413
Meetings	4,772	1,429	5,905
Miscellaneous	4,231	10,396	769
Catered Party/Reception	na	0	0
Public Expositions	12,521	27,410	18,408
Public Sales	18,006	5,964	4,971
Sporting Events	37,724	39,146	43,551
State Fair	47,450	46,991	45,685
Trade Shows	80,564	90,036	94,996
Nat'l Farm Machinery Show	39,270	40,219	43,257
N. American Int'l Livestock Expo	31,663	31,115	30,370
Total	395,013	481,038	467,133

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 2005 methods.

championship, the U.S. Fencing Association Junior Championship, and an NCAA regional volleyball tournament. No national sporting events were held at the KICC in 2001. In addition, Louisville has become a popular spot for regional martial arts, cheerleading and dance competitions. In 2005, the KICC hosted three regional martial arts tournaments and seven cheerleading or dance competitions. The comparative numbers for 2001 were one and three, respectively.

The KEC and KICC hosted 16 national conventions, trade shows and competitions during the study period that routinely change locations from year to year. This is up from 11 in 2001. They are listed in the accompanying table along with other recent or future locations for the event. While none of these events have recently or will soon be held in New York, Chicago, Atlanta, San Francisco, Atlanta, Boston, or Las Vegas, we do see many members of the next tier of convention cities listed in the table. That Louisville is competing against such cities as New Orleans, Dallas, Denver, Kansas City, Orlando, Minneapolis, Anaheim, and Austin is very good news.

The largest single event, in terms of attendance, is the Kentucky State Fair. The Fair is held over eleven days

each August at the KEC. The announced attendance of 629,740 is essentially a count of the number of tickets sold. This is greater than the 520,563 people who entered the gates. The difference is accounted for by unused discount tickets bought at Kroger supermarkets, and unused tickets bought in bulk by people with an item or animal entered in the Fair, participants in the World's Championship Horse Show, and exhibitors and concession operators at the Fair. A telephone survey conducted after the 2000 Fair indicated that the average number of visits per fairgoer is 1.5.

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 467,000 such nonresidents attended Kentucky State Fair Board events during 2005.

This represents a slight 2.9 percent drop from 2001, but a healthy 18.3 percent increase over 1997. The results are shown in the accompanying table.

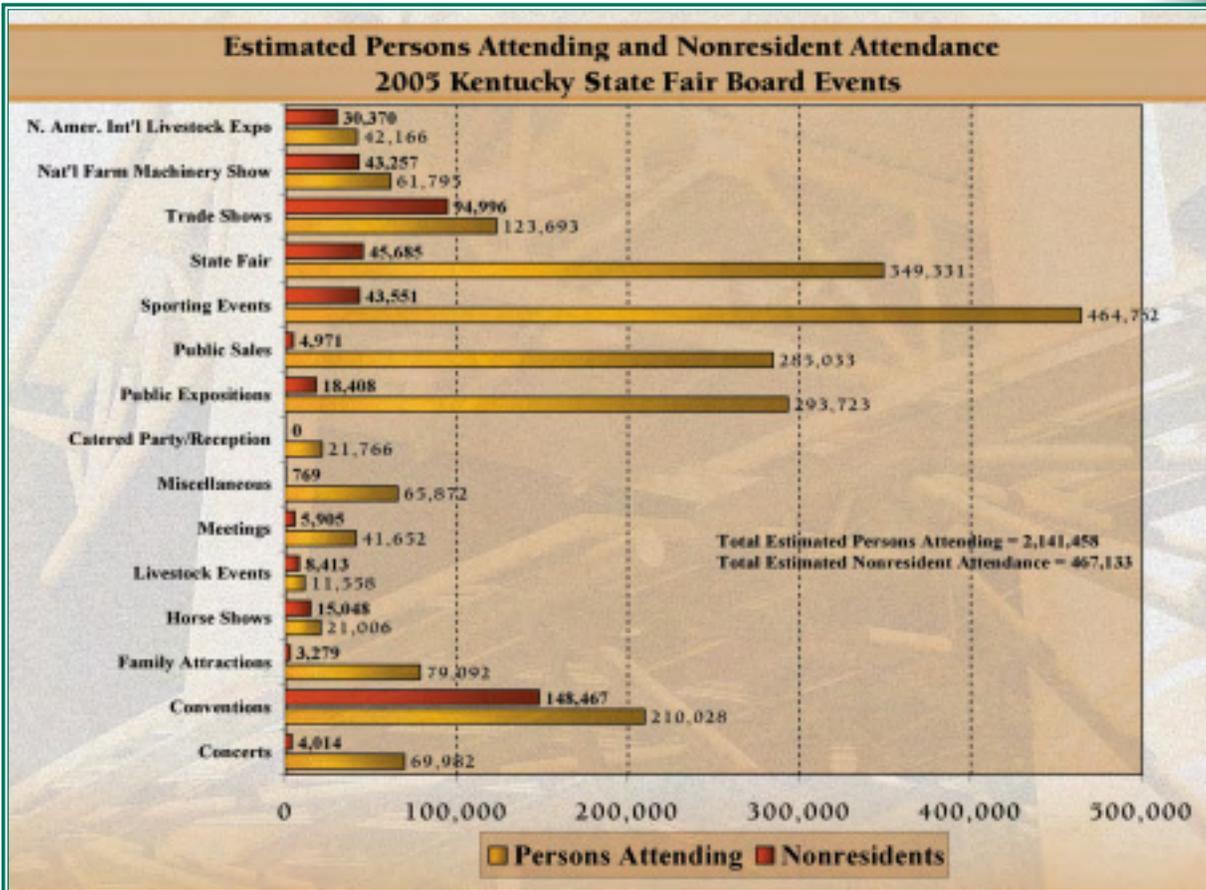
The overall drop in nonresident attendance was primarily driven by the concert and public exposition categories. The situation was different for conventions and trade shows (including the NFMS and NAILE). Nonresident attendance at conventions dropped by just under 1 percent from 2001, while at trade shows it was up a healthy 5.5 percent over the previous study period. Nonresident attendance at the NFMS was up 7.5 percent and at the NAILE it was down by about 2.4 percent. Altogether, these event categories saw their nonresident attendance rise by 1.9 percent over the 2001 study period. This is a 28 percent increase from the

National Conventions, Trade Shows, and Competitions with Rotating Locations held at the KEC or the KICC, 2005

Event Name	Recent or Future Locations
Acrobatic Gymnastics National Championships	New Orleans, LA; Jacksonville, FL; Palm Springs, CA
American Astronomical Society, Division of Planetary Sciences Annual Meeting	Cambridge, England; Pasadena, CA; Orlando, FL
American Football Coaches Association Convention	Dallas, TX; San Antonio, TX
Disc Action Sports Tour	Denver, CO; Portland, OR; San Jose, CA; Orlando, FL
International Auto Sound Competition Association World Finals	Kansas City, MO; Memphis, TN
International Society of Glass Beadmakers Gathering	Kansas City, MO; Minneapolis, MN
National Association of Free Will Baptists National Convention	Birmingham, AL
National Field Archery Association Indoor National Championships	Tulsa, OK; Kansas City, MO
National Sheriff's Association National Conference & Exhibition	Orlando, FL; Salt Lake City, UT; Indianapolis, IN; Fort Lauderdale, FL; Anaheim, CA
National Strength & Conditioning Association Sport Specific Training Conference	Dallas, TX; San Antonio, TX
Snow & Ice Management Association Annual Symposium	Hartford, CT
Society of American Military Engineers Education & Training Conference & Expo	New Orleans, LA; Philadelphia, PA
U.S. Fencing Association Junior World Cup	recently held
U.S. Quad Rugby Association National Championships	Denver, CO; Phoenix, AZ; Austin, TX
USA Junior Olympic Volleyball Championships	Austin, TX; Minneapolis, MN
USAF Environmental Training Symposium	Pittsburgh, PA

Tire Industry Association World Tire Expo





1997 figures. Convention and trade show attendance is a particularly important economic barometer since these events tend to attract many nonresident exhibitors and visitors, who stay several nights in local hotels, eat at local restaurants, and purchase support services from local vendors.

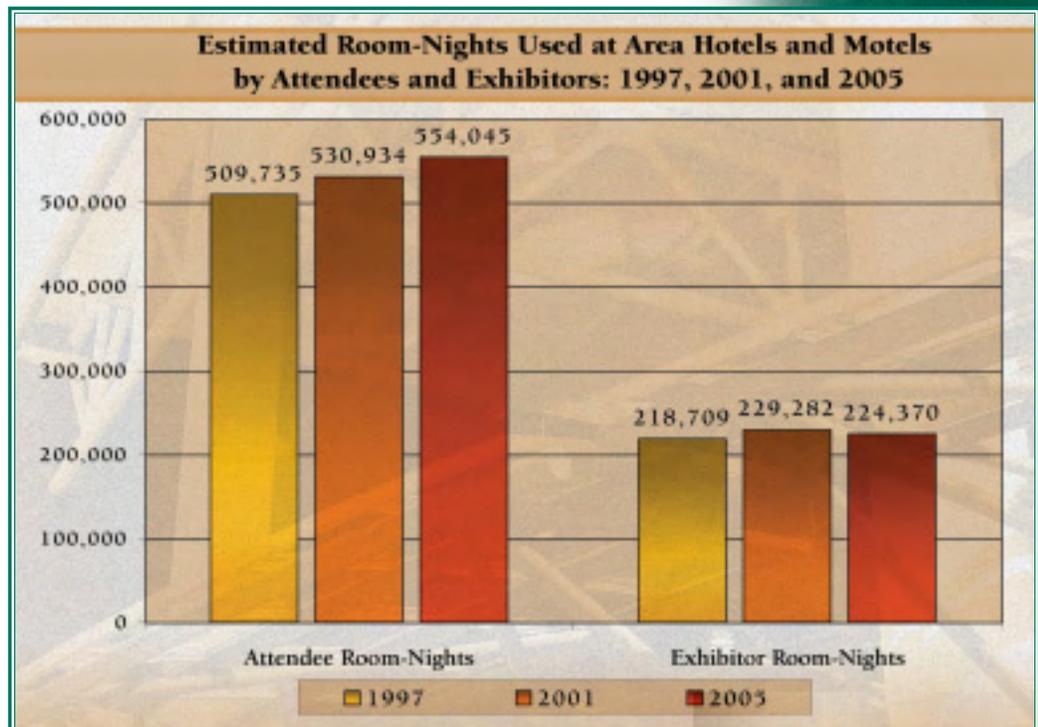
Our estimates of nonresident State Fair attendance are based on data from three previous surveys of fairgoers and two previous license plate surveys. Based on those results we applied the figure of 15 percent to estimate the number of nonresidents passing through the gates into the Fair. We assume that the average fairgoer traveling at least 100 miles who stays overnight in the metro area visits the fair twice. We used this information to arrive at an estimate of the number of individual attendees who were nonresidents of the Louisville MSA.

Almost 86,000 exhibitor personnel spent at least one night in an area hotel or motel, which is the highest we have ever estimated. It is an increase of 5.6 percent over 2001 and of 1.9 percent over the previous high in 1997. This is primarily the result of there being about one thousand more exhibiting companies represented at 2005 conventions than there were at 2001 conventions. The additional exhibitions

were staffed by an additional three thousand nonresident personnel.

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 events drawing many families we assumed an average of 2.5 nonresident attendees per room. For a few events that involved large groups of teenagers traveling together we assumed an average of three 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 just over 554,000 room-nights were rented to attendees in 2005 leading to \$45 million in room sales for local hotels and motels. The implied average room rate is \$81.80. This represents a four percent increase over the number of room-nights during 2001. In combination with the 2.9 percent increase in the average room rate since 2001, the room-night increase led to a 7.4 percent rise in total lodging expenses by nonresident attendees.

Exhibitors are estimated to have rented more than 224,000 room-nights, leading to an additional \$17.8 million in room sales, nearly identical to 2001 exhibitor lodging expenses. The implied average room rate for exhibitors was \$79.47. While there were more exhibitor personnel in 2005, their stays were somewhat shorter than in 2001.

Multiplier analysis shows that the spending and respending of this \$63.1 million in room sales generated roughly \$119.5 million in total “new” sales dollars for the Louisville economy. After adjusting for inflation, the sales impact is about 2.9 percent less than in 2001. These new sales dollars support about 1,720 jobs, with a total payroll of around \$38.5 million.

Food Expenditures

It was estimated that nonresident attendees spent about \$54 million on meals during their stays in Louisville. This is an 8.2 percent increase over our estimate for 2001. We also estimated that nonresident exhibitors spent around \$14.4 million on food, a 14 percent increase over 2001. The implied food per diem for attendees was \$41.94, while it was \$42.89 for exhibitors.

Applying the appropriate multipliers to this \$68.5 million in food expenditures results in a net new sales impact of almost \$149 million to the Louisville metro economy, which supported approximately 2,900 jobs having a total payroll of about \$47 million. Even after adjusting for inflation, the total direct and indirect effects from food expenditures appear to have grown a bit (0.7 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 and attendees, supplemented with common sense. For attendees the per diem rate used was \$50 for most conventions and trade shows, and \$20 for livestock events, events attended almost exclusively by Kentuckians, and events drawing many families, such as the State Fair, family attractions, most public expositions and sales, and single day sporting events. The various events at the KEC and KICC 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 \$20 for all events except the largest trade shows where it was \$50.



We estimate that nonresident attendees spent about \$38 million on other personal expenditures in 2005, almost identical to our 2001 estimate. The implied rate per day was \$33.78, five percent less than the daily average in 2001. Personal shopping, entertainment, and other expenses in 2005 by nonresident

exhibitors were estimated to be just over \$7 million, again about the same as in 2001.

The multiplier analysis shows that the spending and respending of this \$45.1 million of personal expenditures generated roughly \$92 million in “new” sales dollars for the Louisville economy. After adjusting for inflation, the sales impact appears to have shrunk by about 8.7 percent over the past four years. These new sales dollars support about 1,200 jobs, with a total payroll of over \$29 million.

In our exhibitor interviews, we found a surprising similarity among disparate types of events in terms of what exhibitors spent locally on items associated with the setup, operation, and tear-down of their exhibits. We used a cost of \$600 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 \$300 per nonresident business when the event organizer was local (in order to cover booth space rental). Nonresident exhibitor business expenses were estimated to be \$8.8 million for 2005, roughly the same as for 2001.

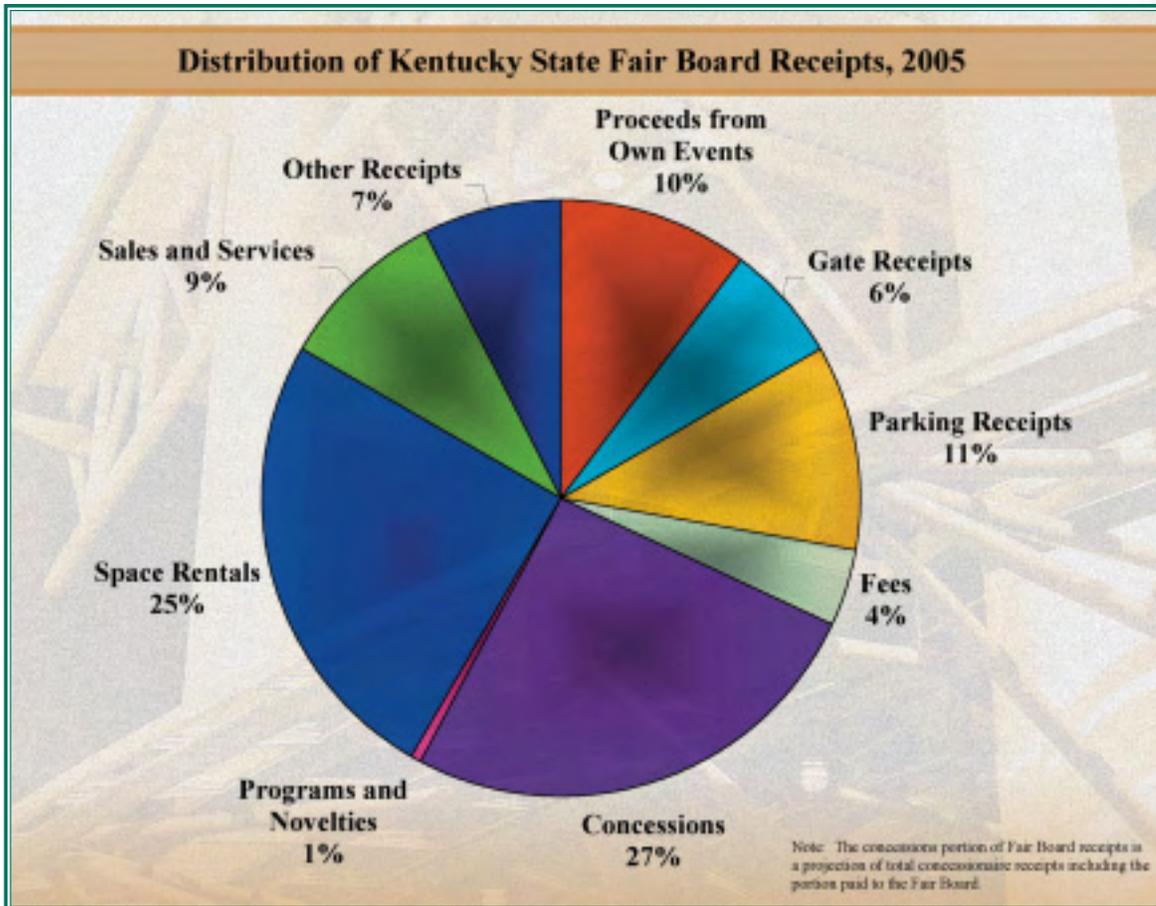
Estimates for event organizer expenses were derived from survey information received from and telephone interviews with event organizers. This was supplemented with information on the Kentucky State Fair Board’s own external expenditures for its in-house produced events. Livestock events, a few very 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 number of official functions are the most costly, with lower profile professional conventions between public expositions and high profile professional conventions. In addition, moderately sized trade shows and conventions are more costly on a per attendee basis than the largest events due to economies of scale. We estimate event organizer expenses to be nearly \$14 million for 2005. This represents an increase of 2.3 percent over the 2001 estimate.





Multiplier analysis of Exhibitor and Event Organizer Business Expenses shows that the spending and respending of the \$22.6 million in combined sales generated roughly \$44.4 million in “new” sales dollars for the Louisville economy. After adjusting for inflation, the impact of these expenditures is about 7 percent less than in 2001. These new sales dollars

In most cases, concession proceeds to the Kentucky State 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 Kentucky State Fair Board data provider we decided to continue using the estimate of average commission from the 1992 study,

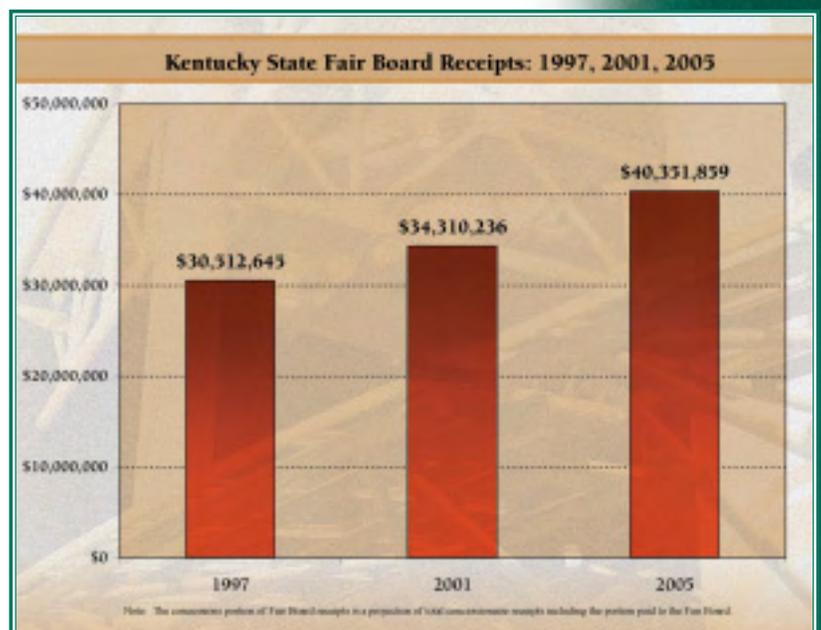


support about 630 jobs, with a total payroll of nearly \$14.6 million.

Spending to bed, feed, and otherwise care for animals housed at the KEC during events was estimated to be approximately \$2.9 million in 2005. This is a bit of a drop from four years ago. However, it should be noted that record keeping on the number of animals housed at the KEC during the NAILE is incomplete and seems to vary from year to year and source to source. It is quite possible that the number of animals at the NAILE was overestimated in 2001 or underestimated in 2005. Applying the multipliers for this category of spending results in an overall impact of over \$6.3 million in new sales, supporting almost 100 jobs with a payroll of \$2.1 million.

Kentucky State Fair Board Receipts

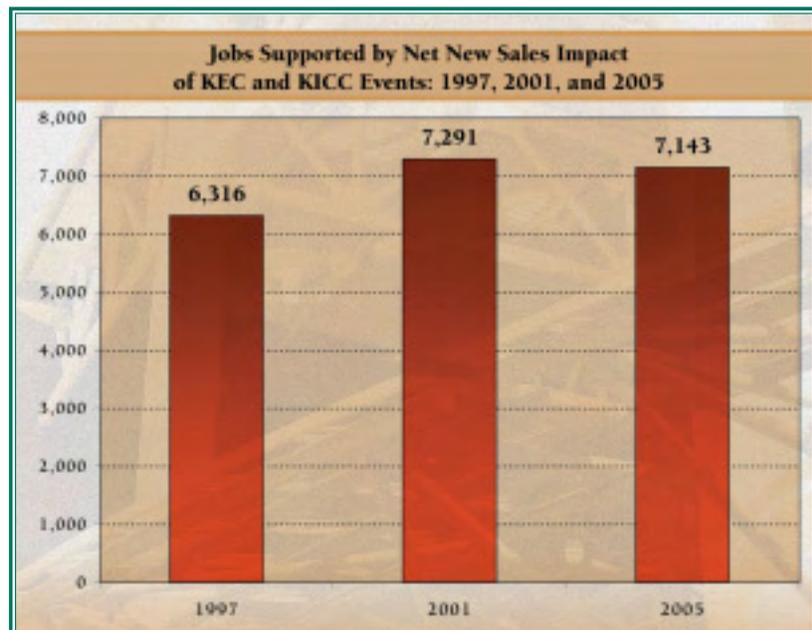
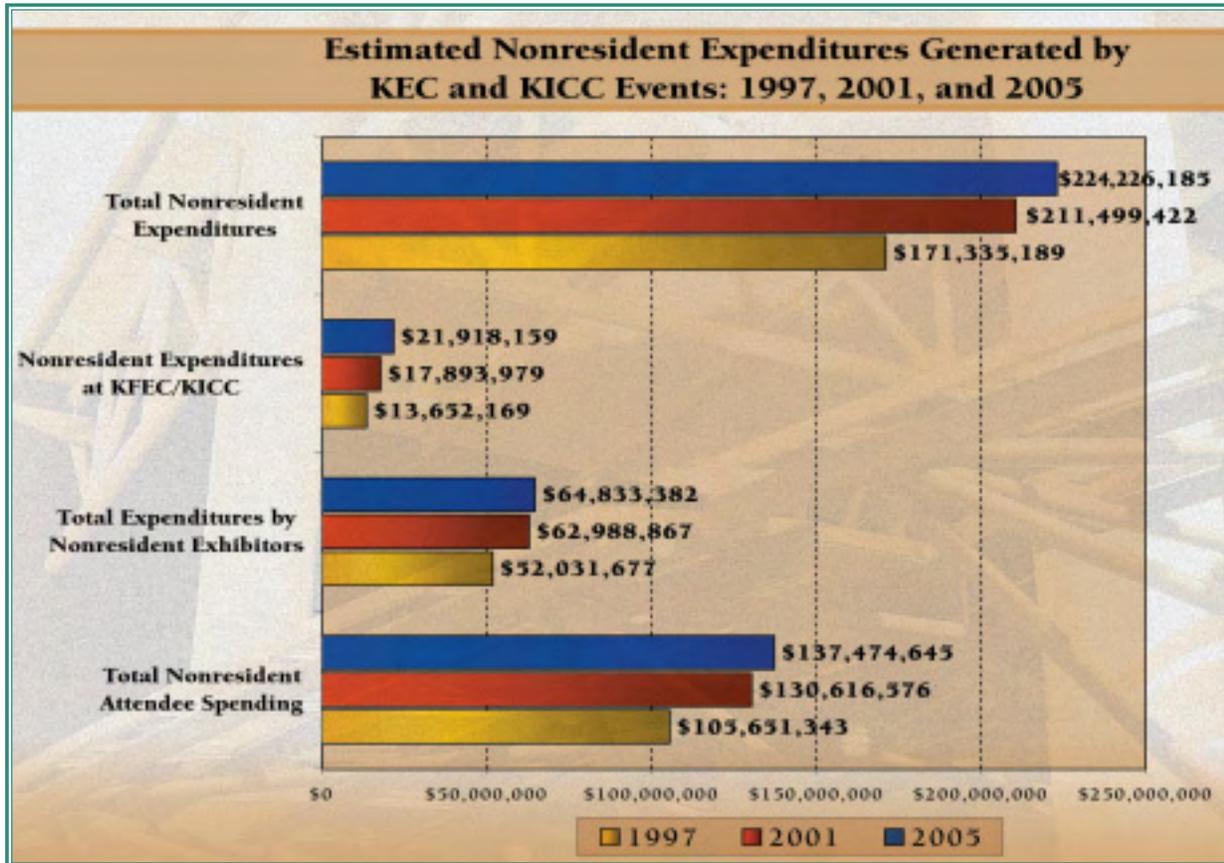
The Kentucky State Fair Board provided accounting information by event on receipts for tickets, admission, parking, fees, concessions, novelties, space rental, and other goods and services.



which was 33%. We use that figure to blow up Kentucky State Fair Board concessions receipts to a gross sales value.

These data provide solid estimates of the volume of on-site economic activity for each event. Total receipts collected by the Kentucky State Fair Board amounted to \$40.3 million in 2005, up 17.6 percent from 2001. 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 54 percent of the receipts of the Kentucky State Fair Board in 2005. This is the highest ratio of the six studies and reflects the decreased importance of sporting events to the Kentucky State Fair Board facilities. These receipts generated a total of \$43.5 million in net new sales in the Louisville metro area, an increase of 12.7 percent after adjusting for inflation. This sales impact supported almost 600 jobs with a payroll of nearly \$15 million.

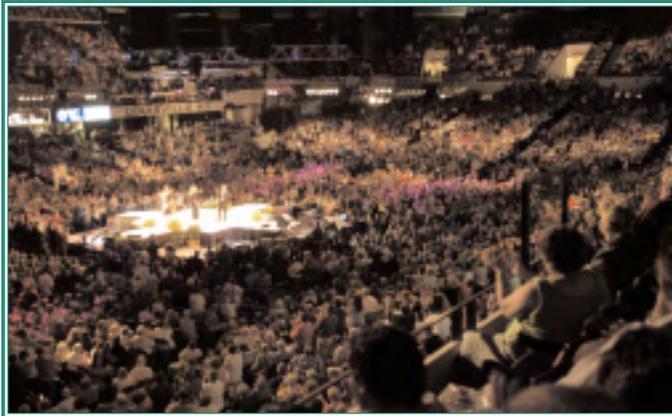




Total Spending by Nonresidents

We estimate that total direct spending by nonresident attendees and exhibitors at Kentucky State Fair Board events was over \$224 million in 2005, \$211 million in 2001, and \$171 million in 1997. These estimates are simply the sum of estimates for lodging, meals, shopping, entertainment, business, livestock, on-site Kentucky State Fair Board, and other expenditures. See the Summary table for details.

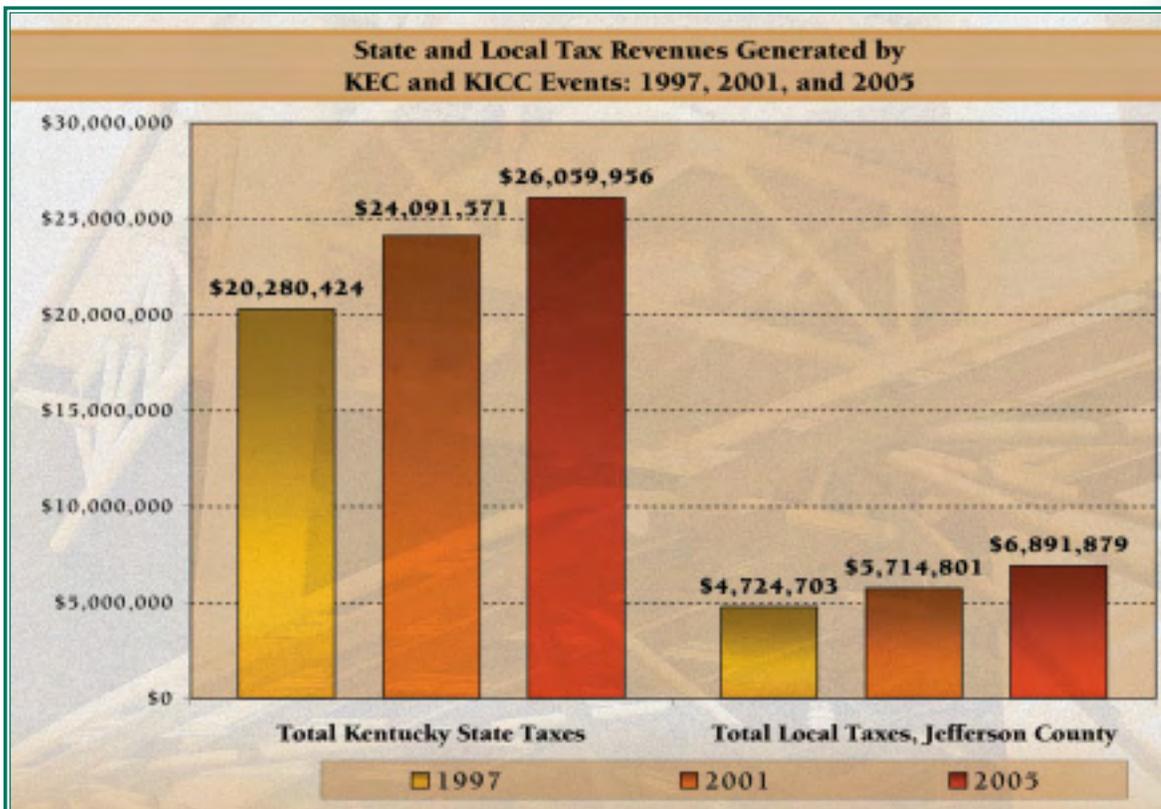
Our prior multiplier analyses indicate that the total “new” sales dollars generated, both directly and indirectly through the multiplier effect, by all this spending associated with 2005 events is over \$453 million. This is \$26 million more than our estimate for 2001. After adjusting for inflation, the sales impact appears to have decreased by about 2.4 percent over the past four years. Similarly, we estimate that the Kentucky State Fair Board events generate sales which support nearly 7,150 jobs and roughly \$146 million in payroll for Louisville area residents. Both of these figures are about 2 percent lower than our estimates for 2001 (with payroll adjusted for inflation).



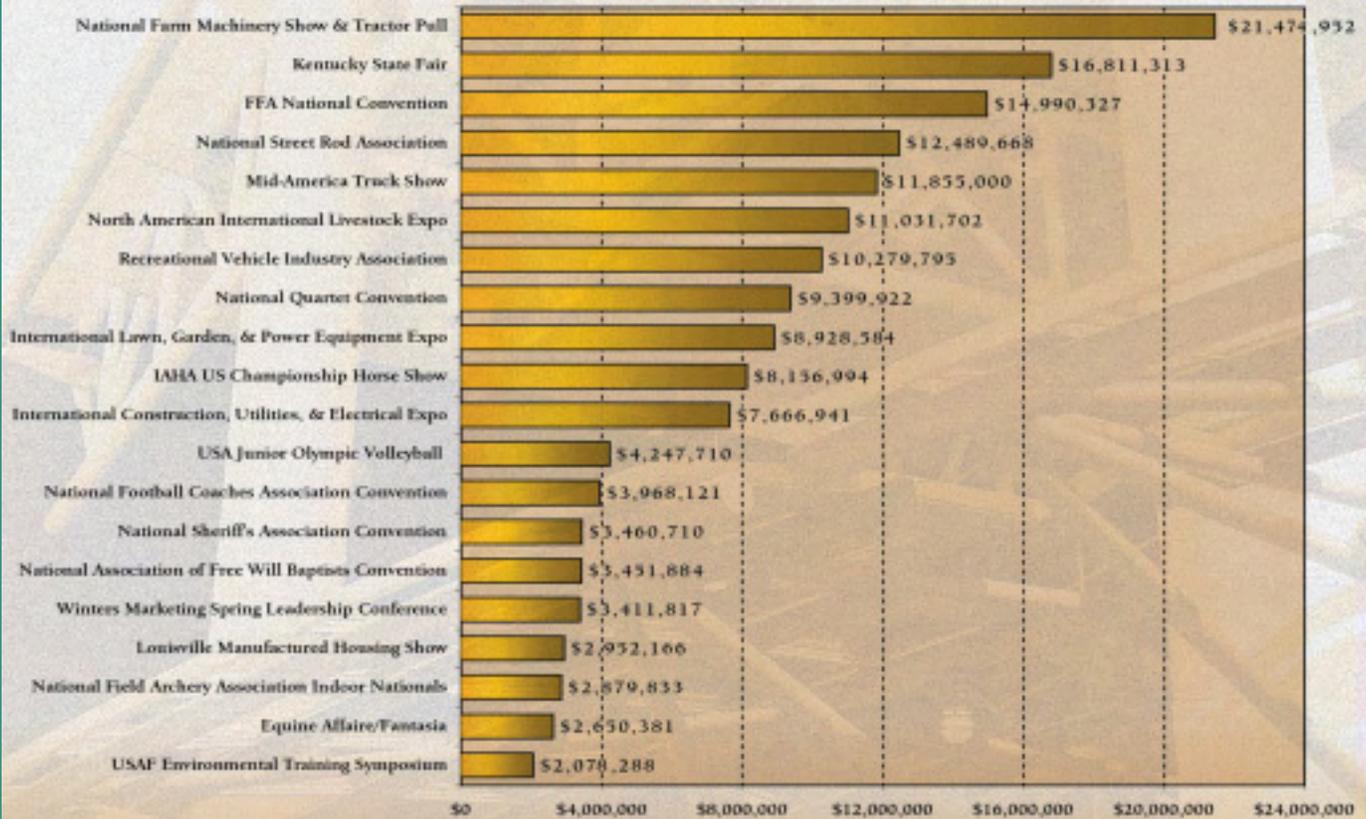
Tax Revenues Generated by Nonresidents and Residents

Our research suggests that the Kentucky State Fair Board events are a major source of “new” tax dollars for state and local government. We estimate that \$24.6 million in state tax revenues were generated from the spending by nonresident attendees and exhibitors in 2005, up by about \$2 million from our estimate for 2001. In addition, we estimate that Kentucky State Fair Board events generated about \$6.8 million in local tax revenue for Jefferson County in 2005. This is an increase of \$1.2 million from 2001. 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 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 \$1.5 million is estimated to have been collected from local residents by the state and local governments. This is about the same as in 2001. This is surely a conservative



Top Twenty Events of 2005 Based on Total Nonresident Expenditures



Note: The World's Championship Horse Show is responsible for \$6.1 million of the \$16.8 million in nonresident expenditures attributed to the Kentucky State Fair.

estimate. We were not able to ascertain sales tax collections at flea markets and other retail sales events.

The fiscal impact of Kentucky State Fair Board events in 2005 on state government is about \$26 million, an increase of 8.1 percent over our estimate for 2001. The fiscal impact of 2005 Kentucky State Fair Board events on local government is about \$6.9 million, up 20.6 percent from our estimate for 2001. Both of these increases are largely due to higher transient room taxes. The overall fiscal impact is up 10.6 percent from 2001.

Most Economically Important 2005 Events

We have calculated the total nonresident expenditures in the Louisville MSA for each event held at the KEC or KICC during 2005. 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 events of 2005 ranked according to their total nonresident expenditures. The World's Championship Horse Show is responsible for \$6.1 million of the \$16.8 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 primary 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.





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