



THE ECONOMIC & FISCAL IMPACTS OF THE 2016 STATE FAIR OF TEXAS

**ECONOMICS RESEARCH GROUP
UNIVERSITY OF NORTH TEXAS**

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EXECUTIVE SUMMARY

The State Fair of Texas is one of the longest running state fairs in the nation running since the inception of the Texas State Fair & Dallas Exposition in 1886.¹ Each year, millions of attendees come from inside the state, the country, and all over the world to see Big Tex, eat a Fletcher's corny dog, or ride the Texas Star. These visitors in turn spend millions of dollars, not only at the Fair, but at hotels and restaurants off the fairgrounds. Moreover, concessionaires and exhibitors come from all over the state and country to sell their wares to the general public during the Fair. Those same concessionaires and exhibitors also spend money off the fairgrounds and contribute to the total economic impact the Fair offers.

The Dallas-Fort Worth Metroplex enjoys the economic benefit that comes along with the Fair every September and October for 24 days. The Fair operates on a large budget injecting money into the local economy and employing approximately 1,700 employees for the 24 days². Additionally, concessionaires and exhibitors employ an estimated 4,000 more people to bring the approximate total people employed during the Fair close to 6,000. The entertainment and services the Fair spends each year provide a unique State Fair experience, as well as retain visitors year after year. The State Fair of Texas is an amenity filled with history and culture unlike any other fair or exposition in the United States.

This study separates the economic impacts into two categories, core impacts and secondary impacts. Core economic impact arise from the State Fair of Texas operation spending and visitor spending. The operation spending includes items such as payroll, capital improvements, maintenance, and supplies. The source data for operations spending are the audited financial statements of the State Fair of Texas. Therefore, a detailed analysis of the impact is possible with a high degree of reliability. Visitor spending is found using visitor ticket sales. State Fair of Texas had over 2.4 million visitors in 2016. The Fair provided the zip codes of a sample of more than 500,000 visitors which allowed us to pinpoint visitor origination points and provide a reliable

¹ Wiley, Nancy. *The Great State Fair of Texas: An Illustrated History*. Dallas, TX: Taylor Pub., 2012. Print

² State Fair of Texas: Employee Data

estimate of the percentage of out of area visitors. The visiting employees working for vendors of the Fair was included in this section for convenience.

Secondary impacts arise as a result of vendor activity as well as activities such as the Red River Showdown and State Fair Classic football games. The economic impact of these items are more difficult to estimate with a high degree of certainty. To account for this variability, in several cases this study offers a range of impacts (high, middle, low). In some cases the economic impact estimates were provided by another agency. For example, the economic impacts for Red River Showdown and the State Fair Classic were provided by the Dallas Sports Commission. Finally, to address aspects of the Fair's economic influence that are not easy to quantify, research team members conducted a series of interviews with local political and economic development officials. The results of the interviews are included in the final section of this report.

SELECTED HIGHLIGHTS

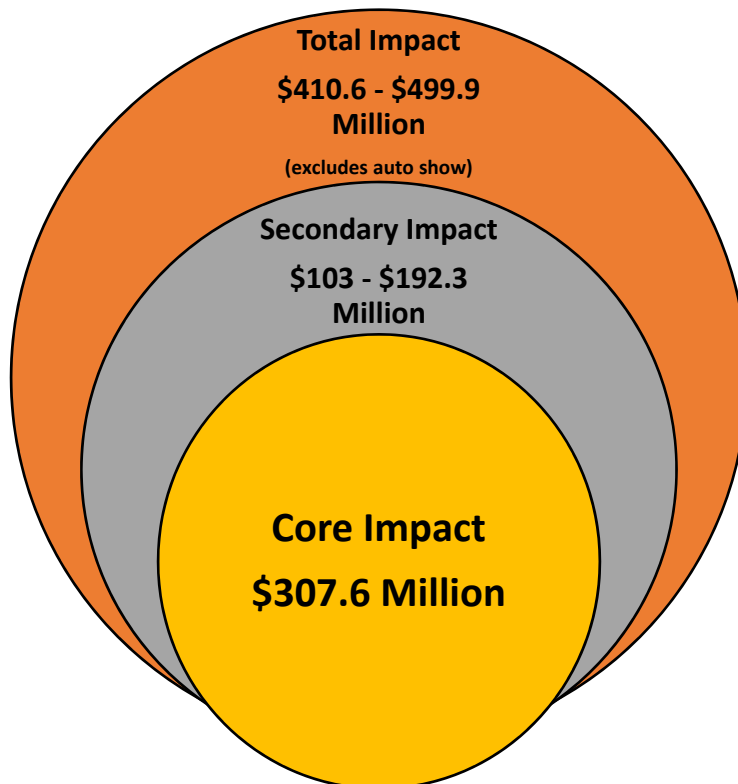
Core Activity

- Total annual economic impact of State Fair Operating operations, visitor spending, and exhibitor/concessionaire employee spending totals over \$300 million for 2016.
- An annual economic impact of over \$146 million caused by State Fair operations.
- State Fair operations generated over 500 full time equivalent jobs (2080 hours annually) with over \$44 million in wages.
- Total recorded attendance of over 2.4 million, with coupon sales for rides, food & drink of over \$56 million in 2016.
- Estimated 22.8% of Fairgoers are from outside the 13 county DFW area, spending an estimated \$59 million outside the park in the DFW area.
- Visitor spending created more than \$150 million in annual economic impact.
- 1,500 full time equivalent jobs created by visitor spending totaling \$53 million in wages.

Secondary Activity

- Including secondary activity, the total impact of the State Fair is between \$410 - \$499.9 million (not including any impact from the Auto Show, see p. 21).
- While no data was available to estimate the economic impact of the State Fair's auto show, the significance of auto shows should not be dismissed. Auto shows in Pittsburgh and Los Angeles generate \$5 million and \$119 million respectively (Hull 2016).
- The Dallas Sports Commission estimates the economic impact of the Red River Showdown at \$36 million and the State Fair Classic at \$7.5 million.
- Vendor sales during the fair are estimated to range from \$48.9 - \$148.9 million depending on the assumed sq. ft. value of the retail space.
- Local economic development agencies use images of the Fair in their attraction strategies
- Economic development officials say Fair activities increase business downtown.

ECONOMIC IMPACTS



INTRODUCTION

The State Fair of Texas traces its origins to The Dallas State Fair & Exposition, which was established by a group of Dallas businessmen in 1886. The fair was created to celebrate all things Texan and has continued to offer entertainment on an annual basis since that time (except for a few years during World War 2). As one of the longest fairs in the country, it is open for 24 consecutive days in late September and October, offering entertainment for anyone who would like to experience what it entails to be a Texan all in one place. There are animal and livestock shows, art exhibits, nighttime shows, a new-car auto show, and tons of fried food! The distinguished mascot of the state fair is amply named Big Tex. As a larger than life cowboy standing over 55-ft. tall, Big Tex personifies Texas pride towards its agricultural history³.

The fair brings in a large number of attendees each year, with over 2.4 million attending in 2016, many of which are visitors from outside the Dallas – Ft. Worth (DFW) area. Visitors come from states as far away as Alaska, Hawaii, and Maine, and also internationally from countries such as Spain, Great Britain, and Canada. The State Fair of Texas is one of the largest in the country, attracting a multitude of visitors. The fair also brings in many vendors from outside the DFW area to sell their goods in the heavily trafficked area. A large amount of money changes hands in the few weeks the fair is open. This leads to a large amount of economic activity conducted that otherwise wouldn't take place. The fair operations, money spent in DFW by visitors from outside the area, and money spent by vendors inside of DFW area can all be calculated and estimated to give a clearer picture on what economic benefit the State Fair of Texas provides the DFW area.

To find the total economic impact of the State Fair of Texas in the DFW area all of the spending that otherwise would not take place must be calculated. **The total impact will be made using totals spent by the organization to run and operate the fair along with total spending by visiting fairgoers and by vendors from outside the DFW area.** The total amount spent to operate and run the Fair was calculated using audited financial statements provided by the State Fair of Texas. Estimations for visitor spending were made using data derived from a sample of fair attendees and past studies. The State Fair of Texas provided the sample of attendees. From the

³ Wiley, Nancy. *The Great State Fair of Texas: An Illustrated History*. Dallas, TX: Taylor Pub., 2012. Print

sample, a percentage of people who came to the fair from outside the DFW area was calculated using zip code information.

As part of the secondary impact, “commercial exhibitor sales revenue” (Vendor) is much more difficult to calculate because of insufficient data available. Three estimates will be made on the average sales per square foot ratio. A high, medium, and low estimate will comprise a range of possible vendor revenue. These values will not be included in the total core economic impact because of the lower confidence level placed on their estimates due to insufficient data.

METHODOLOGY & DATA

The economic and fiscal impacts of the State Fair of Texas include annual spending by the Fair on such items as operations, exhibits, and salaries and wages paid to employees; annual spending by the patrons who visit the Fair each fall; and expenses by vendors who sell their wares to guests of the Fair. To understand how money being spent on such expenses ripples through the regional economy, the region in question must first be defined. This study uses the U.S. Office of Management and Budget’s (OMB) definition of the Dallas-Fort Worth-Arlington Metropolitan Statistical Area. The counties that define this area are Collin, Dallas, Denton, Ellis, Hood, Hunt, Johnson, Kaufman, Parker, Rockwall Somervell, Tarrant, and Wise.

The underlying data used for the calculation of the impacts were derived from a variety of sources. The State Fair of Texas (hereafter the Fair), the nonprofit organization responsible for the preparation and presentation of the yearly fair, provided audited financial statements offering insight on annual expenses related to the operations of the Fair for the fiscal year 2016. Visitor spending is derived from attendance figures and patron origin location provided by the Fair, and spending estimates and patterns developed through methodologically similar studies. Additionally, the Fair also provided vendor expenses.

In order to understand how the effects of spending related to the Fair and its visitors’ flows throughout the DFW economy, IMPLAN was used to create economic models based on the spending data provided. IMPLAN is an industry standard tool used to calculate the direct, indirect, and induced impacts of spending and employment. To better understand this process, a brief look

at how impacts are calculated for the operations of a State Fair is helpful. “Direct” effects are the result of the money initially spent by the Fair. This includes money spent to pay employee salaries, purchase supplies, and other operating expenses. “Indirect” effects are the result of business-to-business transactions. When suppliers to a state fair (e.g. an insurance company) purchase services or supplies, they create the indirect effect. When the employees of the Fair and the supporting industries both spend their income, this causes the “induced” effect. When added together, the sum of all the activity from direct, indirect, and induced impacts is greater than the combined spending of the Fair – known as the “multiplier effect.”

CORE IMPACTS

OPERATIONS SPENDING

Every year the State Fair of Texas organization spends tens of millions of dollars to plan, organize, and run the Fair. To celebrate all things Texan, the fair is comprised of an auto show, carnival rides and games, livestock shows and competitions, agriculture events, and much more. The event is located at Fair Park, close to downtown Dallas. It has been held at this location since 1886. The fair runs for 24 consecutive days, making it the longest-running fair in the nation.

Using the 2016 audited financial statements, the total expenses spent to run and operate the fair minus depreciation gives the total operating expenses the organization paid in 2016. This number will be used as a net economic impact for the DFW area. These expenses would not have been spent if the fair was not conducted, so they are a net economic benefit. Using the financial statements provided, Table 1 shows the economic impact from operations and capital expenses was calculated.

Table 1: Operations/Capital Expenses Economic Impact

| <i>Impact Type</i> | <i>Direct</i> | <i>Indirect</i> | <i>Induced</i> | <i>Total</i> |
|-----------------------------------|-----------------|-----------------|-----------------|-------------------------|
| Output | \$63,585,905.40 | \$53,343,165.26 | \$29,773,608.06 | \$146,702,678.71 |
| Value added | \$20,496,461.47 | \$31,379,975.96 | \$17,675,890.75 | \$69,552,328.18 |
| Employment | 543.13 | 433.74 | 186.76 | 1,163.63 |
| Labor Income | \$13,485,475.82 | \$20,435,978.93 | \$10,134,951.32 | \$44,056,406.08 |
| Employee Compensation | \$8,303,146.16 | \$15,359,547.31 | \$8,394,814.78 | \$32,057,508.25 |
| Proprietors Income | \$5,182,329.66 | \$5,076,431.62 | \$1,740,136.54 | \$11,998,897.82 |
| Other Property Type Income | \$5,345,617.40 | \$9,133,060.02 | \$5,758,600.58 | \$20,237,278.00 |
| Indirect Business Taxes | \$1,665,368.24 | \$1,810,937.00 | \$1,782,338.86 | \$5,258,644.10 |

A brief definition will be given for each impact type in the left most column. The output row represents in the first column the total dollar amount expended from the State Fair of Texas for 2016. The next two columns are the effects of that initial spending in the economy. Finally reaching the total economic impact of \$146.7 million that was generated in the DFW economy because of the direct spending by the fair. The numbers in the value added row represent the addition to the state GDP caused by direct spending by the fair. The total value added because of direct spending by the fair was over \$69.5 million.

The employment row represents the number of annual full time equivalent jobs (2080 working hours annually) available because of fair direct spending. 1163 full time equivalent jobs (2,080 hours) were created because of fair operation spending. The labor income row represents the total amount of employment income generated by fair spending. Labor income is the sum of employee compensation of over \$32 million and proprietor income of almost \$12 million which made the total employment income over \$44 million in 2016. Other Property Type Income includes vendor profits, interest income, and rental payments which totaled over \$20.2 million. The indirect business taxes represent the taxes collected by businesses on behalf of the government. This totaled over \$5.2 million for 2016.

FISCAL IMPACT:

One important benefit of economic activity is additional local, state, and federal tax revenues generated. Going back to each step in the economic impact process, tax revenues for state, local, and federal can be calculated. Table 2 shows the additional taxes generated because of operations and capital expense spending by the fair.

Table 2: Operations/Capital Expenses Fiscal Impacts

| <i>Description</i> | <i>Total State And Local Tax</i> | <i>Total Federal Tax</i> |
|--------------------------------------|----------------------------------|--------------------------|
| Employee Compensation | \$41,716 | \$3,486,760 |
| Proprietor Income | N/A | \$530,628 |
| Tax On Production And Imports | \$4,461,627 | \$797,017 |
| Households | \$318,788 | \$3,695,181 |
| Corporations | \$14,113 | \$1,513,710 |
| Total | \$4,836,244 | \$10,023,296 |

State and Local taxes increased by over \$4.8 million, mostly from the tax on production and imports category. This category includes sales and excise taxes, property taxes, and motor vehicle licenses. Federal taxes also increased by over \$10 million over a wide range of tax avenues. The two highest categories are employee compensation and households paying \$3.4 and \$3.7 million respectively. These categories include all payroll taxes (employee compensation) and personal income taxes (households).

VISITOR SPENDING

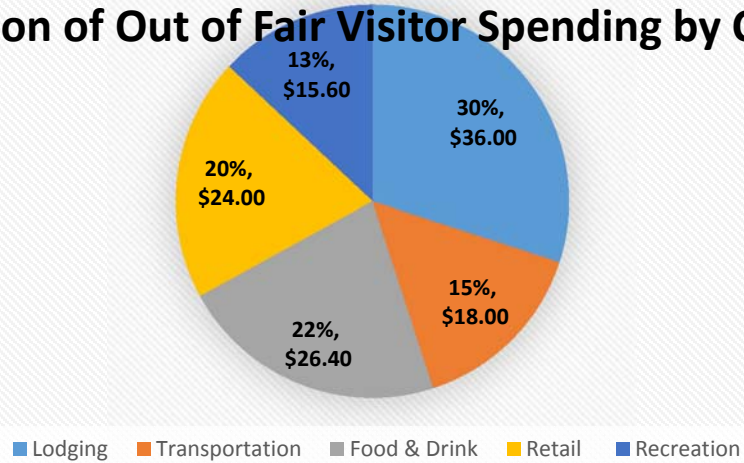
The State Fair of Texas has a rich and enduring history, with the organization producing the fair today tracing its roots back to 1886. In this long history people have come from all over the United States and the world to experience what the State Fair has to offer, even US presidents

as early as 1909 have made ventures to the fair. In 2016, there were over 2.4 million people who attended the State Fair. These visitors spend money inside and outside the fair. Outside the fair, money is spent on lodging, food & drink, entertainment, travel expenses, and shopping. Inside the fair, a majority of spending occurs through the sale of coupons used to purchase food & drinks along with fair rides. To estimate the net economic impact of the State Fair on the Dallas Ft. Worth (DFW) area, all fairgoers must first be separated into two groups, residents and visitors. Residents spending money at the fair or at a local restaurant is not to be counted as a net economic benefit to DFW. This assumes that local resident would have spent their money in the area whether the fair was going on or not. Therefore, ***only spending by fairgoers from outside the DFW area will be included in the impact of visitor spending.***⁴ The State Fair had an attendance of 2,408,032 people in 2016. Using a sample from last year of over a half million tickets sold, an estimate of 22.84% of total fairgoers are from outside of DFW area. They will be referred to as visitors.

When visitors travel to the fair they may spend money in many different places. Whether it is spent at the fair, in a restaurant, or a hotel in DFW their spending must be captured in order to estimate the net economic benefit for the area. The money spent outside the fair is estimated to be \$120 per visitor. This represents the total money a visitor would spend in DFW but outside the fair. The money is divided up to account for the different items a visitor would purchase while away from home. Visitors were estimated to spend money on lodging, transportation, food & drinks, shopping, and recreational activities such as a movie, bar, or other activity while in DFW. The total spending was proportioned into these groups then entered into IMPLAN by their respective categories.

⁴ DFW counties: Collins, Dallas, Denton, Ellis, Hood, Hunt, Johnson, Kaufman, Parker, Rockwell, Somervell, Tarrant, Wise

Proportion of Out of Fair Visitor Spending by Category



In order to not overestimate spending, visitors also needed to be broken down even further into in-state and out-of-state visitors.

All out-of-state visitors are assumed to have spent the full \$120. In-state visitors are assumed to spend money the same way as out-of-state visitors except some may not stay in a hotel. Some in-state visitors may stay with family or simply drive home after the fair. To account for this, it is assumed that half of the in-state visitors not spend money on lodging. Their travel expenditures are assumed to be \$84 per person.

Proportion of Visitor Spending Without Lodging

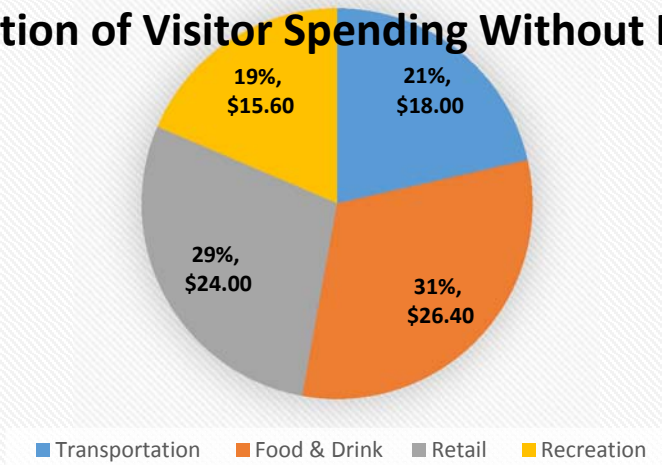


Table 3: Direct Spending by Visitor Groups
(outside the fairgrounds)

| <i>Visitor Category</i> | <i>Spending Per Visitor</i> | <i>Number of Visitors</i> | <i>Visitor Spending</i> |
|--------------------------------|-----------------------------|---------------------------|-------------------------|
| Out of State | \$ 120 | 168,562 | \$ 20,227,469 |
| Texas Visitor | \$ 120 | 190,716 | \$ 22,885,936 |
| Texas Visitor W/O Hotel | \$ 84 | 190,716 | \$ 16,020,155 |
| Totals: | | | \$ 59,133,560 |

Visitor spending inside the fair is captured in a large way by the sale of coupons at the fair. In order to purchase food & drinks or ride rides a coupon must be used. Visitors also spend money at the fair to gain admission and for parking. Applying the percentage of visitors to the total revenue gain by tickets, coupons, game cards, and parking, visitors spent just under \$17.3 million. Adding inside fair spending and outside fair spending, there is a direct visitor spending of \$76.4 million and a total economic impact of \$153.76 million shown in the table below.

Table 4: Visitor Spending Economic Impact

| <i>Impact Type</i> | <i>Direct</i> | <i>Indirect</i> | <i>Induced</i> | <i>Total</i> |
|-----------------------------------|-----------------|-----------------|-----------------|-------------------------|
| Output | \$76,433,412.07 | \$41,471,061.82 | \$35,853,486.02 | \$153,757,959.91 |
| Employment | 1,036.78 | 270.74 | 224.71 | 1,532.23 |
| Labor Income | \$26,101,723.64 | \$14,711,158.02 | \$12,202,212.55 | \$53,015,094.21 |
| Value added | \$39,888,125.70 | \$24,446,965.98 | \$21,286,048.22 | \$85,621,139.90 |
| Employee Compensation | \$22,577,143.22 | \$11,624,858.04 | \$10,105,823.42 | \$44,307,824.68 |
| Proprietors Income | \$3,524,580.43 | \$3,086,299.98 | \$2,096,389.13 | \$8,707,269.54 |
| Other Property Type Income | \$7,410,722.25 | \$8,058,680.32 | \$6,938,736.28 | \$22,408,138.84 |
| Indirect Business Taxes | \$6,375,679.80 | \$1,677,127.64 | \$2,145,099.39 | \$10,197,906.84 |

The economic impact from visitor spending was enough to create 1,532 full time equivalent jobs with a labor income of \$53 million. The income is comprised of employee compensation of

\$44.3 million and proprietor’s income of \$8.7 million. Other type of property income increased \$22.4 million and indirect business taxes also increased by almost \$10.2 million because of visitor spending.

VENDOR/CONCESSIONAIRE/NOVELTY SHOP EMPLOYEE SPENDING

Fairgoers from outside the area are not the only visitors to the fair. 252 vendors, 77 concessionaires, and 13 novelty shops came to the State Fair in 2016 and 142, 12, and 10 respectively (48%) were from outside DFW. Vendor, concessionaires, and novelty shops will be referred to as a collective group called VCN. VCN employed 2,064 people from outside the state who spent money inside of DFW for the duration of the fair. Since they are not from the area their spending will be counted as a net economic impact. To create an estimate of the total amount of VCN employee spending, first an estimate needs to be made of the average daily expenditures. An employee who is in the area for work will probably spend most of their time working and so will have less time to spend money than a visiting fairgoer. Therefore, \$80 a day was used to calculate VCN spending. The table below shows a breakdown of the spending.

Table 5: Visiting VCN Employee Spending

| <i>Spending Categories</i> | <i>Per Day</i> | <i>Per 48% of Employees</i> | <i>For 24 Days of SFT</i> |
|--------------------------------|----------------|-----------------------------|---------------------------|
| Hotel/Lodging | \$65 | \$134,160 | \$3,219,840 |
| Travel | \$15 | \$30,960 | \$743,040 |
| Total Employee spending | \$80 | \$165,120 | \$3,962,880 |

The total economic impact of the VCN employee spending is shown in table 6. VCN spending created over 55 full time equivalent jobs with a total income of almost \$2.5 million.

Table 6: Vendor/Concession/Novelty Employee Spending Economic Impact

| <i>Impact Type</i> | <i>Direct</i> | <i>Indirect</i> | <i>Induced</i> | <i>Total</i> |
|-----------------------------------|----------------|-----------------|----------------|-----------------------|
| Output | \$3,962,880.06 | \$1,592,140.11 | \$1,683,789.66 | \$7,238,809.83 |
| Employment | 35.87 | 9.47 | 10.55 | 55.90 |
| Labor Income | \$1,333,856.04 | \$582,634.43 | \$573,041.00 | \$2,489,531.46 |
| Value added | \$2,474,648.03 | \$919,133.53 | \$999,661.69 | \$4,393,443.24 |
| Employee Compensation | \$1,158,540.89 | \$477,813.86 | \$474,583.32 | \$2,110,938.06 |
| Proprietors Income | \$175,315.16 | \$104,820.57 | \$98,457.67 | \$378,593.40 |
| Other Property Type Income | \$774,169.87 | \$258,550.02 | \$325,886.58 | \$1,358,606.48 |
| Indirect Business Taxes | \$366,622.11 | \$77,949.09 | \$100,734.11 | \$545,305.30 |

The total impact from VCN spending was \$7.2 million. The total value added to the state GDP was \$4.3 million. Other property type income increases by \$1.3 million and indirect business taxes increased by over \$500,000.

FISCAL IMPACT:

The additional taxes generated because of visitor spending is shown in table 7 below. \$9.1 million was added to state and local taxes in 2016 due to visitor spending with the bulk of these taxes coming from the tax on production and imports category that was described earlier. Federal taxes increased by \$12.8 million due to visitor spending in the DFW with the bulk of that revenue coming from employee compensation and households at \$4.8 and \$4.3 million respectively.

Table 7: Visitor Spending Fiscal Impact

| <i>Description</i> | <i>Total State and Local Tax</i> | <i>Total Federal Tax</i> |
|--------------------------------------|----------------------------------|--------------------------|
| Employee Compensation | \$57,657 | \$4,819,175 |
| Proprietor Income | N/A | \$385,062 |
| Tax on Production and Imports | \$8,652,279 | \$1,545,628 |
| Households | \$378,354 | \$4,385,620 |
| Corporations | \$15,627 | \$1,676,086 |
| Total | \$9,103,917 | \$12,811,571 |

TOTAL IMPACT

The total economic impact for the State Fair of Texas is calculated by adding the impacts from operations, visitor spending, and visiting employee spending. The State Fair of Texas total economic impact on the Dallas/Ft. Worth Metro area is over \$307.6 million. The fair led to 2,751 full time equivalent jobs created with a labor income of over \$99.5 million. The results are summarized below in Table 8.

Table 8: State Fair of Texas Total Economic Impact

| | <i>Operations</i> | <i>Visitor Spending</i> | <i>Visiting Employees</i> | <i>Total</i> |
|---------------------|-------------------|-------------------------|---------------------------|-----------------------|
| Total Output | \$ 146,702,679 | \$ 153,757,960 | \$ 7,238,810 | \$ 307,699,448 |
| Employment | 1163 | 1532 | 56 | 2751 |
| Labor Income | \$ 44,056,406 | \$ 53,015,094 | \$ 2,489,531 | \$ 99,561,032 |

SECONDARY ECONOMIC IMPACTS

VENDOR SALES

The State Fair of Texas offers spaces for vendors to rent during the fair. These spaces vary in size with 10'x10' (400sqft) being the smallest size offered. An estimated 157,800 sqft⁵ is available for vendors to rent and use to sell their merchandise. With 342 vendors selling everything from small trinkets to high dollar products, the range of individual vendor revenue would be nearly impossible to compute without having detailed receipts from each one. Instead a range of estimated average sales per square foot is used. To have a range of possible revenue per square foot, three different estimates were used: \$200, \$330⁶, and \$500 per square foot. These estimates were used to create a possible range of impact from vendor sales.

Starting with the highest estimate of sales at \$500/sqft is shown in table 9. The total revenue made by the vendors comes to \$78.9 million; after adding the indirect and induced impacts the total impact becomes \$148.9 million. This activity is enough to create 1,381 full time jobs with an income of over \$55 million. The total value added to the state GDP was \$97.5 million. Other property type income increased by \$20.8 million and indirect business taxes increased by \$21.5 million.

Table 9: Vendor Sales Economic Impact - High \$500/sqft

| <i>Impact Type</i> | <i>Direct</i> | <i>Indirect</i> | <i>Induced</i> | <i>Total</i> |
|-----------------------------------|----------------------|------------------------|-----------------------|---------------------|
| Output | \$78,899,996 | \$32,682,785 | \$37,309,538 | \$148,892,319 |
| Employment | 969.50 | 178.70 | 233.70 | 1,381.80 |
| Labor Income | \$31,283,991 | \$11,154,528 | \$12,695,636 | \$55,134,156 |
| Value added | \$55,798,242 | \$19,611,632 | \$22,151,115 | \$97,560,989 |
| Employee Compensation | \$31,099,309 | \$9,685,865 | \$10,513,282 | \$51,298,456 |
| Proprietors Income | \$184,682 | \$1,468,663 | \$2,182,354 | \$3,835,700 |
| Other Property Type Income | \$6,370,599 | \$7,301,596 | \$7,224,356 | \$20,896,551 |
| Indirect Business Taxes | \$18,143,652 | \$1,155,508 | \$2,231,123 | \$21,530,283 |

⁵ Wiley, Nancy. *The Great State Fair of Texas: An Illustrated History*. Dallas, TX: Taylor Pub., 2012. Print

⁶ Heschmeyer, Mark. "Retail Outlook: Shopping Center Owners Brace for More Downsizing as Space Rationalization Still in Early Stages." *CoStar Group*. N.p., 4 Jan. 2017. Web. 10 May 2017. <<http://www.costar.com/News/Article/RETAIL-OUTLOOK-Shopping-Center-Owners-Brace-for-More-Downsizing-as-Space-Rationalization-Still-in-Early-Stages/187791>>.

The middle estimate used for vendor sales is \$330/sqft.⁷ This estimate lines up closer to what is expected of retail stores. The fair is a high traffic area with over 2.4 million people passing through the gates over 24 days. The results of this estimated vendor sales is shown below in table 10. The estimated vendor sales is just over \$52 million with a total economic impact of \$98.2 million. These sales create a total of 912 full time equivalent jobs that generate over \$36.3 million. The value added to the State GDP is \$64.3 million. Other property income increased by \$13.7 million and indirect business taxes increased by \$14.2 million.

Table 10: Vendor Sales Economic Impact - \$330/sqft

| <i>Impact Type</i> | <i>Direct</i> | <i>Indirect</i> | <i>Induced</i> | <i>Total</i> |
|-----------------------------------|----------------------|------------------------|-----------------------|---------------------|
| Output | \$52,073,997 | \$21,570,638 | \$24,624,295 | \$98,268,930 |
| Employment | 639.9 | 117.9 | 154.2 | 912 |
| Labor Income | \$20,647,434 | \$7,361,989 | \$8,379,120 | \$36,388,543 |
| Value added | \$36,826,839 | \$12,943,677 | \$14,619,736 | \$64,390,253 |
| Employee Compensation | \$20,525,544 | \$6,392,671 | \$6,938,766 | \$33,856,981 |
| Proprietors Income | \$121,890 | \$969,318 | \$1,440,354 | \$2,531,562 |
| Other Property Type Income | \$4,204,595 | \$4,819,053 | \$4,768,075 | \$13,791,723 |
| Indirect Business Taxes | \$11,974,810 | \$762,636 | \$1,472,541 | \$14,209,987 |

The low estimate for vendors' sales is \$200/sqft. This produces sales revenues of over \$31.5 million and a total economic impact of \$59.5 million. This activity creates 552 full time equivalent jobs with an income of \$22 million and add \$39 million to the state GDP. Other property income increases by \$8.3 million and indirect business taxes increased by \$8.6 million.

⁷ Heschmeyer, Mark. "Retail Outlook: Shopping Center Owners Brace for More Downsizing as Space Rationalization Still in Early Stages." RETAIL OUTLOOK: Shopping Center Owners Brace for More Downsizing as Space Rationalization Still in Early Stages. Costar Group, 4 Jan. 2017. Web. 27 Apr. 2017. <<http://www.costar.com/news/article/retail-outlook-shopping-center-owners-brace-for-more-downsizing-as-space-rationalization-still-in-early-stages/187791>>

Table 11: Vendor Sales Economic Impact - Low \$200/sqft

| <i>Impact Type</i> | <i>Direct</i> | <i>Indirect</i> | <i>Induced</i> | <i>Total</i> |
|-----------------------------------|---------------|-----------------|----------------|--------------|
| Output | \$31,559,998 | \$13,073,114 | \$14,923,815 | \$59,556,928 |
| Employment | 387.8 | 71.5 | 93.5 | 552.7 |
| Labor Income | \$12,513,596 | \$4,461,811 | \$5,078,255 | \$22,053,662 |
| Value added | \$22,319,297 | \$7,844,653 | \$8,860,446 | \$39,024,396 |
| Employee Compensation | \$12,439,724 | \$3,874,346 | \$4,205,313 | \$20,519,382 |
| Proprietors Income | \$73,873 | \$587,465 | \$872,942 | \$1,534,280 |
| Other Property Type Income | \$2,548,240 | \$2,920,638 | \$2,889,742 | \$8,358,620 |
| Indirect Business Taxes | \$7,257,461 | \$462,203 | \$892,449 | \$8,612,113 |

FISCAL IMPACT:

Shown below are the fiscal impacts of vendor sales on local, state, and federal taxes, using the same three possible scenarios described earlier under the vendor sales section. Table 12 shows the fiscal impact of vendor sales when using the high scenario. Vendor sales increased state and local taxes by \$18.7 million, with tax on production and imports making up most of that amount. Federal taxes increased by \$15 million due to the additional sales.

Table 12: Vendor Sales Fiscal Impact - High \$500/sqft

| <i>Description</i> | <i>Total State and Local Tax</i> | <i>Total Federal Tax</i> |
|--------------------------------------|----------------------------------|--------------------------|
| Employee Compensation | \$66,754 | \$5,579,516 |
| Proprietor Income | N/A | \$169,626 |
| Tax on Production and Imports | \$18,267,083 | \$3,263,199 |
| Households | \$388,687 | \$4,505,401 |
| Corporations | \$14,573 | \$1,563,022 |
| Total | \$18,737,097 | \$15,080,764 |

The middle estimate used for vendor sales produced the fiscal impact displayed in table 13. Using this estimate vendor sales increased state and local taxes by \$12.4 million. Federal taxes were increased by \$9.9 million.

Table 13: Vendor Sales Fiscal Impact - \$330/sqft

| <i>Description</i> | <i>Total State and Local Tax</i> | <i>Total Federal Tax</i> |
|--------------------------------------|----------------------------------|--------------------------|
| Employee Compensation | \$44,057 | \$3,682,481 |
| Proprietor Income | N/A | \$111,953 |
| Tax on Production and Imports | \$12,056,275 | \$2,153,712 |
| Households | \$256,534 | \$2,973,564 |
| Corporations | \$9,618 | \$1,031,594 |
| Total | \$12,366,484 | \$9,953,304 |

The resulting fiscal impact using the low estimate for vendor sales is shown below in table 14. The total state and local taxes increased by almost \$7.5 million. Total federal taxes increased by \$6 million.

Table 14: Vendor Sales Fiscal Impact - Low \$200

| <i>Description</i> | <i>Total State and Local Tax</i> | <i>Total Federal Tax</i> |
|--------------------------------------|----------------------------------|--------------------------|
| Employee Compensation | \$26,701 | \$2,231,807 |
| Proprietor Income | N/A | \$67,851 |
| Tax on Production and Imports | \$7,306,834 | \$1,305,280 |
| Households | \$155,475 | \$1,802,160 |
| Corporations | \$5,829 | \$625,209 |
| Total | \$7,494,839 | \$6,032,307 |

OTHER

Red River Showdown and the State Fair Classic

The 90,000+ seat Cotton Bowl hosts the Red River Showdown during the State Fair. While it is unusual for a college game to be played at a state fair, it is even more unusual that the fair hosts a game of such magnitude. Sports Illustrated calls it a carnival on steroids. In October 2016, Sports Illustrated’s Lindsay Schnell writes: “Sports, particularly college sports, are full of bitter rivalries. But only a few have a history that spans decades, with generations of fans and families affected by

the final score. Florida-Georgia. North Carolina-Duke. Michigan-Ohio State. Army-Navy. Those are all important in the college sports landscape. But none of them is played at the Texas State Fair, which gives the Red River Shootout a little something extra—and some would argue, makes it a little better.”

The game is a significant economic engine. The Dallas Sport Commission estimates the economic benefit to be \$36 million. This is a conservative estimate given the attendance and significance of the game. The University of Texas Athletics Department shows the 2013 game to have an economic impact of \$28.7 million on the State of Texas. The UT estimate was conducted using a slightly different methodology but the reader can see the results are comparable.

The State Fair Classic is an annual college football game between the Grambling State Tigers and the Prairie View A&M University Panthers. The game is often played the weekend before the Red River Showdown. The game doesn't enjoy the same level of attention as the showdown. However, it does create a significant economic benefit. The Dallas Sports Commission estimates the impact to be \$7.5 million.

AUTO SHOW

Texas Auto Writers Association states, “The State Fair of Texas is home to the most widely attended auto show in the United States. The show runs the 24 days of the Fair – September 29 to October 22, 2017, and features 9 acres of brand new automobiles, and millions of visitors.”

It is not possible to put a precise economic value on the Fair's Auto show because the data for car sales is not available. Also, it would be difficult to predict where the sales took place as most visitors would purchase a vehicle near where they live. But, the significance of auto shows should not be dismissed. The North American International Auto Show (NAIAS) is estimated to have an economic impact of \$430 million on Detroit's economy. The scope and importance of the Detroit show far exceeds the Fair's show but the show is an economic engine. Smaller shows can still provide millions to the local economy. The 2015 Pittsburgh auto show is estimated to generate \$45 million in economic benefit and the 2009 Los Angeles estimates a \$119 million benefit from their show (Hull 2016).

The State Fair's auto show has become known for its truck displays. The Detroit Auto Bureau writes: "If we're talking about fall in Texas, the conversation is sure to center on a few things: football and trucks. It's why automakers flock to the annual Texas State Fair to unveil their latest offerings, and like the state's well-known high school football teams, the competition is fierce. The fair has become truck central and this year is no different as the usual suspects all flocked to the Lone Star State to kick up some dirt and brag about which one was best and a few used the annual event to make a couple of big announcements" (Strong 2016).

UNDERSTANDING THE ECONOMIC INFLUENCE OF THE STATE FAIR

The preceding analysis has measured and documented the significant economic benefits to the Dallas area and the State of Texas from the annual State Fair of Texas held at Fair Park in the City of Dallas. But the impacts of the State Fair go beyond just spending and tax revenue generation. Indeed, the Fair helps to define both Dallas and Texas. To better understand these impacts, the UNT team interviewed a number of key informants to assess their perspectives on the "intangible" contributions of the State Fair.

Mike Rosa, Senior Vice President for Economic Development of the Dallas Regional Chamber

Mike Rosa has been leading the Chamber's economic development efforts for more than a decade and is a big fan of the State Fair. "Not only is the State Fair of Texas a tremendous asset for the City of Dallas; it also adds to the quality of life and the character of the city and the state." According to Rosa, the State Fair helps to market Dallas' central business district to out-of-town visitors while providing free publicity for the Dallas area by both the national and international media who cover the event.

Rosa also notes that the economic benefits from the Fair flow not only to the city of Dallas but to Texas as well because of purchasing by the State Fair organization and vendors from sellers across the state. The Texas-OU and Prairie View-Grambling football games not only bring large numbers of non-local visitors to Fair Park but also provide exposure to the Dallas area through television coverage of these games.

Importantly, the State Fair of Texas brings the ‘farm’ to the ‘city,’ observes Rosa. “Many visitors to the Fair have never been to a farm or ranch, so the agricultural and husbandry exhibits provide a unique experience.”

Kourtny Garrett, President and CEO; Amy Tharp, Chief Operations Officer; Dustin Bullard, Vice President for Public Space and Design. Downtown Dallas, Inc.

Downtown Dallas, Inc. is the primary entity focusing on development of Dallas’ central business district and its connectivity to other parts of the city. “Though spending in downtown Dallas by State Fair visitors is incidental to the State Fair itself, with the exception of exhibitors who typically stay in downtown hotels and eat at downtown restaurants, downtown nonetheless benefits from its exposure to the huge numbers of people attending the Fair,” notes Kourtny Garrett. In addition, observes Amy Tharp, “Because many visitors to the State Fair arrive via DART, with a transfer in downtown, they are exposed to the rapid changes occurring in Dallas’ central business district.”

According to Dustin Bullard, two Fair-related events bring significant business to downtown. “The first is the parade that inaugurates the State Fair and brings thousands of local residents to downtown, giving them a first-hand view of its changing landscape. The second is Texas-OU weekend that packs downtown hotels and keeps restaurants, bars and entertainment venues in both downtown and uptown hopping for two to three days.”

Garrett, Tharp and Bullard all agree that the State Fair of Texas is part of the “package” that helps sell the Dallas-Fort Worth area to people and businesses.

Kimberly Walton, Vice President for Communications, North Texas Commission

The North Texas Commission, a membership organization that includes both cities and private businesses in the region, has been in operation since 1971. Its primary mission is to market the North Texas area both domestically and internationally.

“DFW is the fastest-growing large metropolitan area in the nation, and the State Fair of Texas is part of the fabric of North Texas that helps market the region both nationally and internationally,” argues Kimberly Walton. “As one of the few remaining large state fairs in the U.S., the State Fair of Texas contributes substantially to our regional branding.”

The North Texas Commission includes images of Big Tex and the State Fair in its marketing materials, and the Fair was spotlighted in a recent issue of the commission’s magazine that’s circulated worldwide. Walton also notes that the State Fair has 79,000 followers on Twitter and more than a half-million “likes” on Facebook.

About the University of North Texas Economics Research Group

The University of North Texas Economics Research Group (ERG) was established in 1989 as the Center for Economic Development and Research and rebranded in 2016. The ERG conducts economic analysis, public policy research, and provides forecasting and strategic planning services to businesses, governments, and non-profit agencies. Interdisciplinary by design, the ERG draws upon a wide range of faculty and staff resources across the university as well as outside consultants when the need arises. Since its inception, the ERG has prepared more than 120 reports covering a broad range of topics including strategic economic development planning, economic impact analyses, labor market studies, land use planning, housing, demographic and economic forecasting, and economic and fiscal impact assessments. This research often supports policy analysis regarding topics such as urban redevelopment, energy, transportation, entrepreneurship, and the creative economy among many others. ERG clients have included the Texas Public Policy Foundation, the Texas Department of Transportation, Texas General Land Office, Railroad Commission of Texas, the Texas Comptroller of Public Accounts, the Texas Workforce Commission, and the Joint Economic Committee of the U.S. Congress.

Michael C. Carroll, Ph.D. is director of ERG and the university's economist, serving the university community and the community-at-large. Dr. Carroll’s business and economics career dates from 1982, including service as a professor of economics, corporate controller, operations

manager and a corporate president. His research interests focus on regional economic development strategies and social economics.

Bernard Weinstein, Ph.D. is an economist and associate director of SMU's Maguire Energy Institute. Dr. Weinstein is the author or co-author of numerous books, monographs and articles on economic development, public policy and taxation. His expertise has been used on these and energy-related issues in articles published by *The New York Times*, *The Wall Street Journal*, *The Los Angeles Times* and many regional newspapers and magazines.

Contact

University of North Texas Economics Research Group

www.economicresearch.unt.edu

economicresearch@unt.edu

940.565.4049