KELLEY SCHOOL OF BUSINESS
INDIANA UNIVERSITY

Bruce Jaffee, Ph.D.
Professor of Business Economics and Public Policy
IU Kelley School of Business

The Annual Impact of the Indiana State Fairgrounds on the Indianapolis Economy

<u>Executive Summary</u>

The Indiana State Fairgrounds has been operating at its present location on East 38th Street for 120 years – since September 19, 1892. While the annual Indiana State Fair is the most recognizable event held at the Fairgrounds, this address is now home to a stream of hundreds of events each year. This continuous flow of activities has a major effect on the quality of life and economic conditions in Indianapolis. It brings business, recreational, cultural, and social events to Indianapolis that would not have occurred without the Fairgrounds. While the Fairgrounds specializes in recreation and leisure activities rather than the production of physical goods, its economic impact is no different from a manufacturing plant that produces goods locally and ships them around the nation and world. In each case, manufacturing or otherwise, the key to the magnitude of the economic impact is the fact that the local area is able to produce more output and hire more people than would normally be justified by its own local resources.

Like a manufacturing plant the Fairgrounds generates an economic impact year after year leading to the development of ancillary support services and businesses that can rely on the Fairgrounds to be a source of revenue on a regular basis. This is in contrast to one-time or sporadic events, such as the Super Bowl and the NCAA Final Four, which provide significant economic boosts to the local economy and publicity about the city without the sustainable annual impact that has been the hallmark of the Fairgrounds for over a century.

A decade ago we estimated the economic impact of the 2001 State Fair on the Indianapolis economy to be $17.4 million. In 2003 we broadened the study to include an estimate of the impact of a full year's activity at the Fairgrounds. We estimated then that the annual economic impact of the Fairgrounds in the 12 month period March 2002 through February 2003 was $104.9 million. With the passage of nearly a decade, the purpose of this study is to measure the current economic impact of the Fairgrounds, reflecting new events, competition from other facilities, and changes in long-lived events at the Fairground, such as the Home Show, ice skating and the State Fair.

We estimate that in 2011 the Fairgrounds was responsible for generating $124.0 million in new spending in the Indianapolis economy from visitors.[1] An additional $34.4 million was spent by Marion County residents at the Fairgrounds, attracted to the facilities because of the literally hundreds of events held there each year. As an organization, the Fairgrounds brings in revenue that otherwise would not have come to Indianapolis and spends a portion of this "new money" in the local economy for wages and salaries, supplies and equipment.

Continuing the manufacturing firm analogy, the annual economic impact of the Fairgrounds is roughly equivalent to a 500 – 600 person firm in Indianapolis with revenue per employee in the $300,000 per year range.

The State Fair is clearly the single most important event held at the Fairgrounds. Taking place in just 5% of the days in the year, it accounted for 21% of the total economic impact generated by events and other activities at the Fairgrounds. Yet much more than the Fair goes on at the Fairgrounds and in aggregate account for 79% of the total economic impact. The many livestock, and especially consumer, shows brought visitors to Indianapolis who spent $91.5 million. Most of that money – about 85% of it – was spent inside the Fairgrounds for food,

1 Visitors are defined to be anyone whose residence is outside of Marion County

livestock, cars and boats, other consumer goods, souvenirs, and fun they could purchase at the many booths, auctions, and exhibits that are characteristic of most public shows. But they also spent another $14 million outside the Fairgrounds, mostly on food and lodging. Other major economic impacts were associated with the State Fair ($26.2 million) and trade shows ($2.8 million). Except at the State Fair, the overwhelming majority of spending by visitors took place inside the Fairgrounds. In contrast, State Fair attendees had more balanced spending in and outside the Fairgrounds. In total, of the $124.0 million spent by visitors to the Fairgrounds in 2011, $94.8 million was spent inside the Fairgrounds and $29.3 million went to hotels, restaurants, and other businesses located outside the Fairgrounds.

In a separate study we estimated that in 2011 the Pepsi Coliseum at the Fairgrounds was critical in generating $89.3 million in spending: $73.3 million from visitors and an additional $15.9 million from Indianapolis residents. The State Fair was responsible for another $26.3 million in visitor spending. Other events at the Fairgrounds that did not rely on the Pepsi Coliseum as a central venue were associated with visitor spending totaling $24.4 million. The earlier study calculated that events at the Pepsi Coliseum alone generated $5.5 million in additional local and state taxes in 2011, primarily general sales, food and beverage, and lodging taxes. Extrapolating these findings to the Fairgrounds as a whole, leads to an estimate of approximately $8 million in incremental state and local consumer tax revenue as a result of events at the Fairgrounds in 2011.

The direct economic impact resulted from the spending of visitors to Indianapolis and the Indianapolis Fairgrounds organization. Visitors were defined to be people who lived outside of Indianapolis and who came to the city for the specific purpose of attending Fairgrounds activities in 2011. Our approach leads to a conservative measure of economic impact. We do not consider any spending by persons living in Indianapolis2 under the assumption that though these people spend money at the Fairgrounds, had they not done so they still would have spent the same amount of money in Indianapolis, undoubtedly at a different time, place and manner. To the extent that some of that money might have been spent outside of Indianapolis and the Fairgrounds redirected it to local spending, our approach is conservative and might have excluded some real economic impact. This spending by “locals” is significant, totally $34.3 million in 2011 even if we count only spending at the Fairgrounds related to events held there. The vast majority of spending by Marion County residents was on souvenirs and other products (61.7%) or food (21.1%)

We have not estimated any induced spending or multiplier impact. Generally, direct spending will generate subsequent rounds of spending. For example, hotels and restaurants will earn more income than they would have if the many Fairgrounds activities had not been held. Their suppliers and workers will have new earnings, and they, in turn, will spend some of the extra income in Indianapolis. Thus, additional hotel and restaurant revenues will lead to more sales in area grocery stores, movie theaters, and department stores. We have not attempted to estimate these latter expenditures. It would not be unrealistic for a city like Indianapolis to have an indirect impact of approximately the size of the direct one. Thus the total impact could easily be about twice the size of the direct impact of $158.4 million, plus the organizational spending.

2 This report uses “Indianapolis” and “Marion County” interchangably