

Phoenix International Raceway Inc. Economic Impact Analysis

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**Prepared for
Phoenix International Raceway Inc.
455 North 3rd Street
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**ECONOMIC IMPACT ANALYSIS:
PHOENIX INTERNATIONAL RACEWAY INC.**

EXECUTIVE SUMMARY

Phoenix International Raceway Inc. (PIR) annually contributes \$272 million in incremental demand for goods and services to the Arizona economy, \$92 million in earnings to Arizona households and \$21 million in incremental state and local tax revenues. These contributions are expected to continue to grow in future years, providing increasing economic benefits to the state.

CALENDAR YEAR 1999 OPERATIONS

During 1999, the operations of Phoenix International Raceway Inc. (six racing events and additional non-race activities) contributed the following economic benefits to the Arizona economy:

Overall Economic Impact: **\$272 Million**

- **Visitor Expenditures:** Phoenix International Raceway Inc. attracted 150,000 out-of-state visitors who spent \$124 million during their stays in Arizona. **\$124 Million**

- **Organizational Expenditures:** Phoenix International Raceway Inc. and businesses directly associated with activities at PIR contributed an additional \$8 million in direct expenditures. **\$8 Million**

- **Induced Expenditures:** \$140 million in economic activity was induced by visitor and organizational expenditures. **\$140 Million**

Other Impacts:

Employment Effects (full-time equivalent jobs): **5,050**

(At peak periods the actual number of jobs was much larger than this full-time equivalent number.)

- **Direct Employment** - 41 full-time PIR employees and large numbers of temporary employees hired for each racing event (equivalent to approximately 40 additional full-time jobs). **80**

- **Induced Employment** - Demand for labor equivalent to 4,970 jobs due to the induced effects of PIR operations and visitor spending **4,970**

Income Effects: Earnings flowing to Arizona households. **\$92 Million**

• **Direct Earnings** – PIR employees received \$2 million in wages and salaries **\$2 Million**

• **Induced Earnings** – Income earned by Arizona households as a result of visitor spending, PIR operations and spending by PIR employees **\$90 Million**

State and Local Tax Revenues: **\$21 Million**

• **State and Local Sales Tax Payments** – Revenues resulting directly from tax payments by PIR and visitors **\$10 Million**

• **Induced State and Local Tax Revenues** - Personal tax revenues of \$7 million and business taxes of \$4 million resulting from the incremental economic activity **\$11 Million**

ECONOMIC IMPACT ANALYSIS: PHOENIX INTERNATIONAL RACEWAY INC.

INTRODUCTION

This report provides a summary of an economic impact analysis of Phoenix International Raceway Inc. conducted by the Arizona State University's Center for Business Research at the request of Phoenix International Raceway Inc.

Phoenix International Raceway Inc. (hereafter referred to as PIR) provides a major continuing contribution to the economies of the Greater Phoenix area and of the state of Arizona. The expenditures by Phoenix International Raceway Inc. and other organizations associated with racing events and other activities at the track generate demand for millions of dollars of goods and services supplied by local businesses. The out-of-town fans who come to watch racing events at PIR also spend millions of dollars every year for lodging, food, entertainment, and many other goods and services during their stays in Arizona. This analysis estimates the magnitude of these direct expenditures and of the income, jobs, and tax revenues generated by these annual spending injections into the Arizona economy for the 1999 calendar year.

DIRECT IMPACTS

Visitor Expenditures

Based upon reported attendance figures and survey information from the Behavior Research Center, an estimated 150,000 out-of-state visitors traveled to the Phoenix area for the six racing events and other activities at PIR. During their stays in the Phoenix area, these visitors spent an estimated \$112 million. Many of the fans also had overnight stays in other areas of the state in association with their trips. During these stays, these visitors spent an estimated \$12 million in other Arizona communities.

TABLE 1
VISITOR EXPENDITURES

Category	Total Expenditures
Lodging.....	\$25,500,000
Meals and beverages	28,600,000
Groceries	3,500,000
Entertainment/recreation	21,800,000
Travel	23,600,000
Shopping	16,800,000
Other	3,900,000
 Total	 \$123,700,000

Source: Center for Business Research, L. William Seidman Research Institute, College of Business, Arizona State University, 2001.

Organizational Expenditures

Direct expenditures by Phoenix International Raceway Inc. and local spending by other organizations associated with activities at PIR totaled \$8 million.

Phoenix International Raceway Inc. employs a full-time staff of 41, and large numbers of temporary workers are employed by Phoenix International Raceway Inc. and its major vendors — in total providing the equivalent of approximately 80 full-time jobs and \$2 million in payrolls.

INDUCED IMPACTS

The incremental demand generated by both the visitor and the organizational expenditures induced additional business activity and employment. These indirect impacts first appeared in those sectors supplying goods and services directly to PIR or to the visitors. But, over time, the process of re-spending produced additional jobs, income, and expenditures throughout the Arizona economy.

The combination of \$124 million in consumer expenditures by out-of-state visitors and \$8 million in organizational expenditures induced an additional \$140 million in

expenditures throughout Arizona, generated labor demand equivalent to 4,970 full-time jobs, and induced an estimated \$90 million in earnings paid to Arizona households.

OVERALL ECONOMIC IMPACTS

Accounting for all direct impacts plus all of the induced or multiplier effects, the combined effects of organizational expenditures and consumer expenditures by non-local visitors created \$272 million of additional economic activity, \$92 million in earnings and a total demand for labor equivalent to 5,050 full-time jobs in the Arizona economy.

Table 2

STATEWIDE ECONOMIC IMPACTS

	Expenditures	Earnings	Employment ¹
Direct Impacts			
Visitor Expenditures	\$123,700,000	-	-
Organizational Expenditures	8,400,000	\$1,900,000	80
Induced Impacts	140,300,000	90,400,000	4,970
Total Impacts	\$272,400,000	\$92,300,000	5,050

¹ Full-time equivalent jobs.

Source: Center for Business Research, L. William Seidman Research Institute, College of Business, Arizona State University, 2001.

STATE AND LOCAL REVENUES

Consumer expenditures by out-of-state visitors and organizational expenditures produced an estimated \$10 million in sales taxes for the state and for local communities in Arizona. The economic activity and income induced by the \$132 million in direct expenditures associated with PIR produced an additional \$7 million in personal taxes and \$4 million in business taxes for a total of \$21 million of state and local tax revenues for Arizona.

METHODOLOGY

Major sports events have significant short-run economic impacts upon the regional economy – primarily as a result of spending from non-local sources that creates incremental demands for goods and services provided by local firms, additional jobs for local workers, and incremental earnings to local households. The following section provides a brief overview of the types of economic measures that are included in this analysis and how they have been estimated.

Direct Expenditures

The primary source of direct expenditures associated with PIR was consumer spending by the out-of-state fans who traveled to the Greater Phoenix area to attend the events. To develop estimates of these expenditures, the ASU research team relied upon attendance information provided by Phoenix International Raceway Inc. and information relating to fan characteristics compiled by a survey conducted by the Behavior Research Center at the 1996 NASCAR Phoenix 500 event.

The number of non-local fans attending the racing events was estimated on the basis of total attendance figures provided by Phoenix International Raceway Inc. and estimates of the proportion of non-local fans compiled as part of the Behavior Research Center survey. Information compiled by this survey relating to the fans' length of stay, their spending patterns, and certain other information about their visits was then combined with estimates of the numbers of non-local fans attending each of the race events to produce the expenditure estimates.

The other major source of expenditures was spending directly by Phoenix International Raceway Inc. and by others associated with activities at PIR. Phoenix International Raceway Inc. provided information relating to these expenditures to the ASU research team.

Induced Economic Impacts

The direct expenditures by fans that attended PIR events, by Phoenix International Raceway Inc., and by other organizations induced additional business activity. These indirect or induced impacts are often referred to as “multiplier effects.”

The multiplier effects were calculated using an Arizona-specific version of the Regional Input-Output Modeling System (RIMS II) developed by the Bureau of Economic Analysis of the U. S. Department of Commerce. The RIMS II model is widely used for analysis of economic impacts of a broad variety of projects, including construction of new facilities, and the operation of an existing business or government enterprise. The RIMS II model produces estimates of the induced and total values for three economic measures: employment, earnings, and economic activity or expenditures for goods and services.

Given the short-term nature of most of the expenditures associated with the racing events at PIR, the associated employment impacts are difficult to estimate. The employment estimates provided by the RIMS II model are based upon longer-term expenditures providing demand for full-time jobs. For a short-term event, the additional induced earnings generated by the initial direct expenditures provide a better representation of the impact of on the local labor force. Those earnings represent the additional wages and other compensation earned by local workers as a result of expenditures associated with the event.

State and Local Tax Revenues

Information concerning state and local taxes paid by Phoenix International Raceway Inc. was provided directly from their records. Using the earnings and expenditure figures prepared as part of this report, estimates of the state and local tax revenues resulting from activities at PIR during 1999 have also been calculated. These estimates are based upon effective business and personal tax rates for state and local taxes in Arizona from the Utah State Tax Commission report, *Business and Household Initial State and Local Tax Burdens, FY2000*. The estimates of business taxes include corporate income taxes, property taxes, and sales and excise taxes. The estimates of personal taxes paid include Arizona personal income taxes, sales taxes, residential property taxes, and other personal taxes (fuel taxes, excise taxes, etc.)