

# FAIRS



## *Exploring a California Gold Mine*

Governor Gray Davis, State of California  
California Department of Food and Agriculture  
Division of Fairs and Expositions

2003

# Foreword

On behalf of our state’s fair industry, I am pleased to issue this report about the economic and social benefits of California’s fairs. This multifaceted industry contributes \$2.5 billion in economic impact to the Golden State, and it creates nearly 28,000 jobs and generates \$136 million in state and local tax revenues.

In addition to these economic benefits, fairs offer communities a place to gather, celebrate their heritage and reward one another for their accomplishments through competition and public recognition. Fairs also provide community groups with fundraising opportunities. Band uniforms, soccer fields, school booster clubs, senior meal programs and a variety of other community services have been provided by funds raised on fairgrounds. Tangible social benefits such as these are presented in various case studies featured within this report.

My family and I have been involved in our hometown fair for many decades. Growing up in

California’s Central Valley, I participated in the junior livestock programs throughout my youth. Over the years, our family has actively supported community groups that raise funds at the fairgrounds, and we’ve enjoyed hours of entertainment and educational exhibits,

displays and shows. Families just like ours enthusiastically come to fairs because they offer an occasion to celebrate our agrarian traditions and showcase our values — values like family, hard work and innovation.

The California Department of Food and Agriculture is proud that our 78 fairs offer

California’s citizens an opportunity to learn about agriculture and its importance in our daily lives. California is the richest agricultural state in the world, and our fairs provide a vital link in sharing this message.

Join us as we explore the economic gold mine of California’s fairs.



**William (Bill) J. Lyons Jr.**  
**Secretary**



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Sixty-nine percent of fairgoers felt that they knew more about agriculture after going to a fair.

# Executive Summary

The network of California fairs is an economic, social and cultural bonanza that enriches the lives of Californians from every background and walk of life. California's fair network dates back to before the Civil War as a way to advance public knowledge of agriculture and provide a community gathering place. That tradition continues to this day, but with modern innovations that bring home the importance and reality of agriculture to an urban population that may have little contact with farms, ranches and agribusinesses.

The fair experience is a memorable one. Families mark their calendars and clear their schedules for fairtime. Whether they simply attend to enjoy the exhibits, food and entertainment, or participate in competitions, fair memories last a lifetime. Young people, especially, cherish the fun of the carnival, the awe and curiosity inspired by exhibits, and the pride of competing in junior livestock events.

Fairs are for everyone, but fairs and children are a magical mix.

Fairs also bring out the best qualities in people. Fairs provide individuals with opportunities to volunteer their services. From serving sodas at a charitable group's booth to acting as a docent for an agricultural exhibit, fairs

allow people to give a little in order to receive the bigger reward of a healthier and more vibrant community. At the Orange County Fair, for example, 65 volunteers provide more than 4,000 hours per year to staff the popular Centennial Farm exhibit.

The annual fair is just one of many year-round activities for fair organizations. They must facilitate use of the fairgrounds for interim events sponsored by community groups and private entities as well as manage ongoing maintenance and capital improvement projects. As a result, the fair network creates the opportunity for small- to medium-sized businesses and nonprofit community groups to make money from these year-round activities. These interim events further boost jobs, incomes and tax revenues in every county throughout the state.

While the California fair network makes it possible for this economic activity to occur, it must be emphasized that fair organizations are public, not-for-profit entities that exist to promote industries of the state and provide a community gathering place. They do not receive state general fund monies in support of these efforts, but receive their state funding through a special account.



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In 2002, almost 33 million attendees visited California's fairgrounds. This is roughly the same as California's population of nearly 35 million.





In 1933, the California Horse Racing Act legalized pari-mutuel betting and established a special account for continuous state funding of fairs from a portion of the receipts.

Today, the fair network receives approximately \$30 million annually from this special fund. These monies are spread among the fair network to help offset operating costs and infrastructure needs. The amount each fair receives is based on their annual operating budget. Small fair organizations receive a greater percentage of their budget in state support than do larger fairs. This staggered funding takes into account the fair organization's ability to generate enough revenue to be self-sustaining. Regardless of size, all fair organizations augment their operating budgets with revenues received through their year-round events and activities.

***What is California's return on investment for the \$30 million that the fair network receives from the state special fund?*** The economic and job impact of the fairs is huge. Further, cultural aspects of the fair add an intangible human element to the impressive statistics. This report discusses these various impacts and concludes that for its modest investment, the return for Californians is substantial.

The California Department of Food and Agriculture's Division of Fairs and Expositions

engaged the international public accounting firm of KPMG LLP to measure the economic and social impacts of this annual activity and produce a report detailing their findings.<sup>1,2</sup> As you read through this report, you will discover how California's 78 fair organizations produce clear economic and social benefits that touch the lives of countless Californians.

### **Economic Impact: At the Assayer's Office**

Fairs have a significant impact on California's economy. Further, fairs contribute far more to the economy and local communities than they receive in public funding.

- ▶ The overall impact of spending by all participants at fairtime and interim events resulted in a total economic impact on California of \$2.55 billion in 2002.
- ▶ Attendee spending is the primary driver of economic impacts associated with the fair industry. Attendee direct spending at fairtime and interim events totaled about \$963 million in 2002.
- ▶ Annual income impact from attendee, fair organization and fair-related business spending exceeds \$791 million.

*Traditional Ikebana floral arranging is one of the many ways that fairs showcase cultural heritage.*



- ▶ Jobs created by fairs through direct employment and multiplier impacts reached nearly 28,000 in 2002.
- ▶ State and local governments collected an estimated \$136 million in tax revenues from fair-related activities.
- ▶ For each worker the fair organization and related business employs, an estimated 2.62 total jobs are created. Each dollar that economic participants pay their employees, an estimated \$2.10 in total income is produced.
- ▶ Each dollar spent by fairs and interim event participants generates an estimated 39 cents of additional spending in the state, for a total impact of \$1.39 per dollar spent.

### Agriculture: The Gold Nugget

A central feature of fairs is to educate the public about the importance of agriculture in California. They are succeeding at this goal.

- ▶ Sixty-nine percent of fairgoers felt that they knew more about agriculture after going to a fair.
- ▶ Fairs are a critical part of the junior livestock program, which educates young people about the breeding, raising and grooming of farm animals. Junior livestock auctions at fairs grossed more than \$21 million, with more than 42,000 animals purchased by nearly 19,000 buyers in 2002. Students receive 95 percent of auction proceeds.

- ▶ During 2002, fairs paid a total of \$4.2 million in premiums to exhibitors. Fairs judged more than 613,000 exhibits, a major portion of which were agricultural in nature.

### Fair-Related Businesses: Services to a Golden Industry

Fair-related businesses provide many goods and services that are essential to the fair experience.

- ▶ Carnival companies contract to provide rides, games and other entertainment at fairs. Including total economic impact, in 2002 these companies generated \$41 million in total spending, \$18 million in personal income and \$2 million in state and local taxes.
- ▶ In 2002, fairtime and master concessionaires created \$131 million in total spending, \$66 million in personal income and \$10 million in state and local taxes. Attendee direct spending on food and beverages totaled \$120 million, which generated more than \$5 million in state and local taxes.
- ▶ In 2002, commercial exhibitors generated \$491 million in total spending, \$219 million in personal income and nearly \$17 million in state and local taxes. Attendee spending on commercial exhibitor merchandise totaled \$406 million, which generated \$32 million in state and local taxes.



*Community stages provide local groups with the opportunity to "strut their stuff."*

- ▶ In 2002, entertainers at fairs created \$28 million in total spending, generated \$17 million in personal income and generated \$1.6 million in state and local taxes.

### Community Groups: Mining for Gold

California's fairs are major venues for community groups and nonprofit organizations to raise awareness of their programs and services. Fairs and interim events also give these groups the ability to raise substantial portions of their annual budgets.

- ▶ In 2002, 730 nonprofit groups raised \$8 million at California fairs for their community programs. Add in the \$21 million raised at junior livestock auctions, and a total of \$29 million was raised for community benefits.
- ▶ One nonprofit organization, the Turlock Lions Club, raises approximately 85 percent of its annual budget from fundraising events held at the Stanislaus County fairgrounds. Proceeds from these events go to fund scholarships for local high school students, eye exams and glasses for needy children, youth sport teams, youth attendance at camps for the hearing impaired, and school playground equipment.

### Attendees: A Golden Treasure

Californians love their fairs and fairground events.

- ▶ Fairtime attendance exceeded 11.1 million in 2002, and interim events attracted another 21.6 million people. Total annual attendance on fairgrounds is almost 33 million people — roughly the same as California's population of nearly 35 million.<sup>3</sup>
- ▶ Paso Robles — with a population of 25,200 — hosts the California Mid-State Fair that draws more than 475,000 attendees throughout the year to the fair and interim events. Ventura — with a population of 110,000 — hosts the Ventura County Fair that draws more than 721,000 attendees.<sup>4</sup>
- ▶ The average visitor attends the fair 2.1 times per year and lives within 100 miles.



*Fairs and children  
are a magical mix.*



## Social and Cultural Impacts: Giving Back

While the economic impact of fairs is noteworthy, it is the social and cultural impact of fairs that may leave the most lasting impression on Californians. Fairs entertain, but they also educate people about each other and the contributions that all segments of our society make to the Golden State.

- Fairs provide a focal point for community members to celebrate their heritage, compete in a variety of events, hold family reunions, display and view artwork, learn about other cultures, premier new inventions, and showcase the best of California.
- Ninety-five percent of attendees agreed that the fair they attended provided worthwhile community benefits.
- More than 1.2 million people, 11 percent of total fair attendance, participated in fair events and organized activities — such as shows, exhibit programs, stage performances and contests.
- The Alameda County fairground hosts a variety of community and cultural events, including Afghan New Year’s celebrations, church services, Scottish Highland Games, high school graduation ceremonies, and events to help families of law enforcement officers killed in the line of duty.



- Many fairs offer free tours to schools, free youth admission on certain days, and valuable educational experiences throughout the year. The San Joaquin County Fair provides learning resources to schools that cover biology, hydroponics, farm irrigation, worm composting and water cycles.
- California’s fairs are addressing the needs of California’s diverse population. The San Diego County Fair has developed a five-year plan to attract local Hispanic guests and Mexican tourists to the fairgrounds. The fair has declared all Sundays as Dias de Las Familias, and a Plaza de Mexico area was established to educate other guests about Hispanic culture.

## Conclusion: A Golden Legacy

California’s fairs have immense economic, educational, social and cultural impacts. Fairs truly embody the innovative drive and community spirit that is the Golden State.



*Future Farmers of America, 4-H and Grange focus on teaching young people how to raise and exhibit livestock.*

# California's Fairs: Striking Gold

Early in California's history, fairs were loosely organized community gatherings. However, as California has matured, so have the state's fairs. Today, California's fair industry has grown to include 52 District Agricultural Associations, 23 county fairs, two citrus fruit fairs, and the California Exposition and State Fair (Cal Expo). These 78 entities are collectively known as the network of California fairs, and they are a gold mine for the Golden State.

## Network of California Fairs

California's fairs are a diverse group that reflect their local communities and strive to serve local needs. As a result, there are four legally distinct types of fair organization:

- ◆ **District Agricultural Associations** – State entities formed by the petition of 50 or more residents of a county.
- ◆ **County Fairs** – Operated by county governments or county-sponsored nonprofit organizations.
- ◆ **Citrus Fruit Fairs** – Produced by nonprofit organizations established to promote and encourage the citrus fruit industry.
- ◆ **Cal Expo** – A state agency.

Regardless of type, each fair organization is managed by a board of directors operating under a state mandated program.

Common purpose among California's network of fairs is to exhibit all of the state's industries and products in an effort to support them. Just as in the state's early days, the central theme of each fair remains an agricultural exposition that communicates the issues surrounding the production and marketing of food, fiber and plant materials. How this theme is communicated to the public is up to the creativity and ingenuity of fair organizers.

Fairs are a continuous part of California's wide-ranging calendar of events. A fair was in progress somewhere in California during every month of 2002 except January and December. The schedule began on February 15 with the Cloverdale and Indio Fairs and ended with the close of the Grand National Rodeo in Daly City on November 3.

The people of California love their fairs and fairground events. Total fair attendance in 2002 exceeded 11.1 million, but this figure is only the start. Fair organizations sponsor a variety of events outside of fairtime and make their fairgrounds and facilities available to community groups and private entities throughout the year. Such interim events attracted another 21.6 million people. This equates to nearly 33 million visits to California's fairgrounds.

*Learning by doing: Fairs offer young people the chance to see and touch farm animals.*



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## Economic Impacts

Considering revenues alone, the network of California fairs is a \$1 billion dollar industry. This ranks fairs ahead of the California video-tape rental industry (\$916.7 million in revenues) and just behind California motion picture theaters (\$1.3 billion).<sup>5</sup> Overall impact on the state — including ripple effects caused by sales and spending of all participants at fairtime and interim events — resulted in \$2.5 billion in economic activity.<sup>6</sup>

Fair organizational impacts are summarized in Table 1, which includes ripple effects but excludes direct spending by attendees. Direct attendee spending is excluded so that economic impacts produced solely by fair organizations can be examined.

TABLE 1

Total Economic Impacts – Fair Organizations	
Spending by Fair Organizations	\$507,259,339
Personal Income Generated	\$267,624,483
State and Local Taxes Generated	\$41,529,510
Employment (FTE Jobs) Created	6,748

## Interim Events

The annual fair is only part of the industry’s success. Interim events span a range of activities, making it clear that there is something for everyone at California’s fairgrounds. Such events include:

- ▶ Motorized racing
- ▶ Horse racing
- ▶ Craft fairs
- ▶ Harvest festivals
- ▶ Farmers’ markets
- ▶ Home and garden shows
- ▶ Animal shows
- ▶ Private parties, dinners and weddings
- ▶ RV parking and camping
- ▶ Cultural festivals and concerts
- ▶ Automobile, motor home, RV and boat shows

The economic and social impacts of these interim events greatly increase the value of California’s fair network. Availability of the fairgrounds for other events is an important benefit to the local community. Many of California’s fairs are situated in rural areas that have limited facilities for social and cultural gatherings; fair facilities often fill this need. Community groups also use these facilities for much of their annual fundraising activities. Fairgrounds are not simply sites for the local fair; they are often the focal point of community life.

# C A S E S T U D Y

## Los Angeles County Fair

The Los Angeles County Fair (Fairplex) in Pomona is both the largest fair in California and a leader in continual use of the fairgrounds. Fairplex includes several year-round facilities, such as a Sheraton Hotel, KOA campground, recreational vehicle (RV) park, childhood development center, Millard Sheets Gallery, Dr. Bob’s Ice Cream, and the National Hot Rod Association Museum. Clearly, fairgrounds today fulfill a variety of community needs, in addition to being the home of stables and exhibit halls.

A variety of interesting and attractive events translates into popular interest and lucrative support. Annual interim attendance at Fairplex

is around two million visitors, which is approximately 50 percent greater than attendance at the Los Angeles County Fair. Interim events generate roughly \$9.6 million in rent, while interim event attendees spend nearly \$7.5 million on food, merchandise and services.

Visitors come to Fairplex to see a dizzying array of competitions, commercial displays, and attractions ranging from swap meets to motorized racing to fireworks shows. Table 2 highlights how well-planned and creative interim events can generate community involvement and local revenues.

**T A B L E 2**

Interim Events at Fairplex		
Event Category	Estimated Attendance	Total Attendee Spending <sup>1</sup>
Consumer/Craft Shows	761,459	2,321,572
Automotive Events	519,809	2,903,899
Live Horse Racing	280,647	1,289,419
Satellite Wagering	208,179	317,844
Research and Testing	73,514	180,500
Camping/RV Groups	58,070	213,937
Trade Shows	52,021	213,295
Equine Shows and Events	32,500	20,586
Parties/Dinners/Weddings	2,725	4,360
<b>Totals</b>	<b>1,988,924</b>	<b>7,465,412</b>

<sup>1</sup> Interim events generate rental revenue for Fairplex, but not all events produce attendee spending. Private usage of the fairgrounds may represent a rental of the facility only.

# Agriculture: The Gold Nugget of Every Fair

When most people think of California, they usually think of large industrialized cities, television and films, or technology and the dot.com industry. What they don't generally know is that agriculture is one of the state's major commercial sectors. The economic reality is that the feed lot is as important as the movie lot, and the Central Valley is as vital as Silicon Valley.

California is home to the largest food and agricultural economy in the nation. In 2001, California's gross cash income from farming was nearly \$30 billion and generated more than \$100 billion in related economic activity. California's agricultural abundance includes 350 crops and commodities.

California agriculture is also the nation's leader in the global marketplace, with annual agricultural exports in excess of \$6.5 billion. California truly helps feed the nation and the world.

Despite the continued central role of agriculture in the state's economy, many urban and suburban Californians have little contact with the industry except through their local supermarkets. California's fairs originated as agricultural festivals and have a continuing mission to promote awareness of agriculture.

The California Department of Food and Agriculture, through its Division of Fairs and Expositions, has a legislative mandate to support and enhance this mission. Whereas grocery stores supply the public with agricultural products, fairs teach the public about agriculture.

To assess how well fairs achieve this task, fairgoers were asked in a survey whether or not attending the fair increased their understanding of California agriculture. Sixty-nine percent of fairgoers felt that they knew more about agriculture after coming to the fair.

A traditional approach to educating the fair-going public about agriculture are the livestock and other agricultural competitions, exhibitions and auctions. This section investigates two of the important agricultural events that support this mission: the junior livestock program and judged exhibits.

## Junior Livestock Program

High-quality education for California's young people is a top state priority. A classroom, however, is not the only place where children learn. Raising animals, for instance, is a time-honored way to learn by doing. The junior livestock program offers this opportunity.



*Baby animal nurseries educate and entertain, giving fairgoers the rare opportunity to witness the miracle of birth.*



The junior livestock program is a showcase event at many fairs. The program presents a unique chance for school-age youth (ages 9–19), primarily members of 4-H, Future Farmers of America (FFA) and Grange, to competitively exhibit and auction their prize livestock on the open market.

The livestock auction provides financial recognition to agricultural youth through an educational program, teaching life skills and sportsmanlike competition. As a learning and business venture, the young men and women care for a steer, lamb, hog, chicken, rabbit, goat, or turkey. For these young participants, the junior livestock exhibition and auction is the culmination of considerable time and effort spent in breeding, raising, grooming and preparing their animals.

Junior exhibitors must own their livestock a minimum of 120 days for beef; 60 days for sheep, goats and swine; and 30 days for poultry and rabbits. Only those animals identified by the judges as top-quality and market-ready are sold at auction.

Young auction participants get both a business education and financial rewards. They learn to provide quality meat products for human consumption and how to be in business for themselves. They learn basic economic concepts such as cost of inputs and profitability. Junior livestock auctions grossed more than \$21 million, with more than 42,000 animals purchased by nearly 19,000 buyers in 2002.

Approximately 95 percent of auction proceeds go directly to the students. They typically save this money for college, or reinvest in agriculture by purchasing additional animals. Thus, the junior livestock program provides young community members with a valuable business lesson and funding for future goals.

### Judged Exhibits

Fairs not only offer young people the chance to be part of agriculture and the competitive exhibits program, they offer this opportunity to people of all ages. Fairs have numerous agricultural and artistically related competitions that are open to the general public. These exhibit programs focus on rewarding excellence. Encouraged by ribbons and prize money (premiums) offered by the fairs, entrants make significant efforts to showcase California agriculture and artistic excellence through various exhibit categories. Millions of fairgoers are entertained and educated in the process.

During the 2002 season, California’s fairs judged more than 613,000 exhibits, resulting in a total of \$4.2 million paid in fair premiums.<sup>7</sup> This total included nearly 102,000 FFA and 4-H exhibits, more than 21,000 horticultural exhibits, and more than 79,000 floricultural exhibits. Along with the junior livestock program, this variety of exhibits demonstrates the success of fairs in agricultural education.



*High-quality education for California's young people is a top state priority. Fairs are learning laboratories that make agricultural education come to life.*

# CASE STUDY

## Orange County Fair

One of the preeminent agricultural attractions in the network of California fairs is Centennial Farm at the Orange County Fair in Costa Mesa. This fully functional 3.5-acre farm is open to the public year-round.

The farm features the Millennium Barn, field crops, livestock and farm animals, a milking parlor, and an agricultural resource center filled with educational curriculum. Its mission is to preserve Orange County's agricultural roots and inspire children to pursue agricultural careers.

The Orange County Fair operates the farm, along with 65 dedicated community volunteers who donate approximately 4,000 hours annually. The farm was founded in 1989, and the Centennial Farm Foundation was organized in 1991 to raise

money for educational programs. Thus far, the foundation has raised nearly \$925,000 for educational purposes, including grants for schools that cannot afford transportation to the farm.

One of the farm's more unique programs is Agademics. This educational curriculum is aimed at helping young people understand and appreciate the important role that agriculture plays in their everyday lives. The program teaches about the origins of food and importance of safeguarding agricultural land. Main topics covered in Agademics are plant and animal science, gardening and nutrition, sources of fiber, and dairy products.



*Nearly 70,000 visitors per year explore the Centennial Farm.*

# Providing Services to a Golden Industry

All great recipes for success require quality ingredients. Fair-related businesses provide many goods and services that are the key ingredients to a successful fair. Fair organizations and their suppliers work together as strategic business partners to achieve common goals. Neither could operate effectively without the other, and when one prospers so does the other. For example, the carnival attracts visitors who pay admissions and buy food and souvenirs, and other fair attractions draw people who go to the carnival.

Each type of fair-related business plays a key role in creating the total fair experience. These businesses include carnival companies, food and beverage concessionaries, commercial exhibitors, entertainers and service providers. This section will examine each of these strategic business partners.

## Carnivals

For young and old alike, the fun of amusement rides and winning a stuffed animal at a carnival game are some of the fondest memories of the fair. The carnival is at the heart of this fair experience.

Given its vital role, carnival marketing strategies are of great importance. For instance, carnivals can stimulate attendance on slow

days by offering ride promotions, such as pay-one-price gate or wristbands allowing unlimited rides. Pre-sale of carnival ride tickets can also provide advance revenue to the fair while increasing local interest in the upcoming event.

Carnival companies are responsible for designing the layout of the carnival area, transporting and setting-up rides, hiring and training staff, and ensuring that guests receive a safe ride experience. They must comply with a wide range of regulatory entities, such as the California Occupational Safety and Health Act, Department of Health Services, and local law enforcement. They abide by all of these governing bodies while moving their entire businesses up and down the length of the state. Since there are 78 fairs conducted annually at 75 different locations, carnival companies must effectively plan their routes to guarantee quality service.

All carnival contracts are formally bid, whether for the annual fair or a secondary event. The ten carnival companies typically on the state's pre-qualified bidder's list are American Traveling Shows; B&B Amusements, Inc.; Butler Amusements, Inc.; Carnival of Fun, Inc.; Davis Enterprises, Inc.; Helm and Sons, Inc.; Midway of Fun, Inc.; North American Amusements, Inc.; Paul Maurer Shows; and Ray Cammack Shows, Inc.



*The carnival is at the heart of the fair experience.*



A carnival contract is normally for a period of three to five years. This contract is not all about fun and games, since it often entails investing in capital improvements to the fairgrounds. A capital improvement is purchasing or constructing something for the facility that enhances or safeguards the carnival operator and benefits the fairground. It is an improvement that will last for many years and usually represents a significant expenditure.

Examples of fairground capital improvements by carnival companies include:

- ▶ **Butler Amusements** – Spent \$50,000 on asphalt at the Big Fresno Fair, \$10,000 on asphalt improvements at Riverside County Fair and National Date Festival, and \$7,500 on asphalt at the Solano County Fair.
- ▶ **Helm and Sons** – Invested \$15,000 in capital projects at the Sonoma County Fair and invests \$15,000 each year in capital projects at the San Bernardino County Fair.
- ▶ **Ray Cammack Shows** – Spent \$292,500 on capital improvements at the California Exposition and State Fair and invests \$200,000 each year at the Orange County Fair and \$50,000 at the Los Angeles County Fair.

### **Carnival Economic Impacts**

Carnivals resemble moving cities, with substantial state and local economic benefits when they come to town. They employ local residents, purchase supplies from local businesses, stay in hotels, eat in restaurants and repair vehicles. A large carnival on the road transports approximately 400 permanent employees, 100 trucks loaded with equipment, 40 bunkhouses, 12 traveling offices, and 80 motor homes.

Carnivals invest a great deal into their rolling stock. An average carnival ride costs between \$200,000 and \$500,000, while *Le Grande Wheel* (a Ferris wheel ride) cost \$4 million and requires 17 trucks to transport. A small carnival may have 20 to 25 rides, while a large carnival can have as many as 50 to 60. This means that a small carnival has approximately \$5 million to \$7 million invested in its rides, and a large carnival has about \$14 million to \$20 million invested.

Total economic impacts associated with carnivals are summarized in Table 3. Impacts in this table include the ripple effects of spending by carnival companies.<sup>8</sup> In addition to spending by carnival companies of more than \$41 million, attendees at California’s fairs spent \$53.5 million on carnival rides and games. Employment data in the table refers to full-time equivalent jobs; however, in counting part-time jobs, carnivals further employ approximately 1,620 people hired locally.

**TABLE 3**

<b>Total Economic Impacts – Carnival Companies</b>	
Spending by Carnival Companies	\$41,149,116
Personal Income Generated	\$18,399,350
State and Local Taxes Generated	\$1,992,486
Employment (FTE Jobs) Created	697

### Carnival Social Impacts

Just as communities support carnival companies through patronage and spending, so carnival companies reciprocate with outreach to the community. Carnival companies make significant contributions in a community through hiring of local residents, donations to local charitable organizations and support

of education through programs such as read-to-ride, stuffed animal giveaways at local hospitals, rides for youth with special needs, and other promotional pass giveaways. Table 4 contains examples of selected charitable carnival programs during 2002.

TABLE 4

Selected Charitable Programs by Carnival Companies			
Charitable Program	Butler Amusements	Helm and Sons	Ray Cammack Shows
Read-to-Ride	\$14,400	\$4,200	\$240,000
Special Needs Ride Days	\$26,000	\$24,000	\$150,000
Charitable Donations/Promotional Passes	\$101,500	—	\$75,000
Stuffed Animal Giveaway	\$5,500	\$500	\$13,500
Total Value	\$147,400	\$28,700	\$478,500
Number of Fairs Involved	23	3	3

For young and old alike, the fun of amusement rides and winning a stuffed animal at a carnival game are some of the fondest memories of the fair.





## CASE STUDY

# Ray Cammack Shows

Carnivals may be a business, but they are a business with a heart. Ray Cammack Shows (RCS) is one of the largest carnival operators serving California’s fairs. They are also an industry leader in socially beneficial programs.

When RCS travels, added to the nearly 100 trucks carting rides and related equipment, they also move trailers that provide better living conditions for their employees. In addition to bunkhouses, other extras that travel with this company are a daycare center, hair salon, and an employee commissary. Employees are further encouraged to save a portion of their wages through participation in a company savings plan.

RCS strives to develop a social network for its employees by providing a safe, progressive working environment that promotes personal development, goal setting and self-motivation.

Employees can work their way up through consistent job performance and participation in the many training programs given by the company. Employees must complete required courses to operate specific rides, but optional classes are available for team and self-esteem building as well as customer service techniques.

For many employees, this social network is their first opportunity to experience a structured lifestyle. This on-the-job experience teaches them as much about how to live in society as it teaches them how to operate a complicated carnival ride.



© Ed Shields

Ray Cammack Shows' Le Grande Wheel is taller than the Statue of Liberty.

## Concessionaires

Concessionaires provide food, beverage and other services to fairgoers and interim event attendees. There are two types of concessionaires: Fairtime concessionaires travel from fair-to-fair with mobile food trailers, and master concessionaires are generally affiliated with large fairs, providing food and beverage services year-round.

### Fairtime Concessionaires

Fairtime concessionaires are among the most visible of the fair-related businesses. They provide the unique food experience that has long been a draw to fairgoers. Fairtime concessionaires operate bright and often flamboyant food trailers that are set up and taken down for each fair.

There is something on the fair menu for every taste. Typical fair food includes corn dogs; cotton candy; cinnamon rolls; onion rings; funnel cakes; BBQ'd, roasted or fried meats, vegetables and seafood; and deep-fried Snickers bars and Twinkies.

Eating fair food may be fun, but feeding the fair-going public is no easy task. Fairtime concessionaires face many financial and logistical challenges in conducting their businesses. The concessionaires are often owner-operated, and they work long hours before, during and after the fair. They must

set up and take down their trailers, procure food items, cook the food, serve the customers, and maintain food safety standards.

These concessionaires typically spend an average of \$175,000 to \$200,000 for a new food trailer and require a number of trucks to move their trailers and associated equipment. Concessionaires hire local temporary employees at each fair as well as house and transport their permanent staff.

Fairtime concessionaires make significant expenditures in local communities. Because of the difficulty and expense of transporting frozen or heavy food items, these concessionaires purchase the bulk of their food from local wholesalers and retailers. They also spend on hotels, restaurants, cooking fuel, and repair and maintenance of their fleets.

### Master Concessionaires

Master concessionaires are major participants in the fair industry, holding long-term contracts and serving multiple fairgrounds. This usually involves handling a host of events and thousands of patrons who pass through the gates each year. While all fairgrounds have concessionaires, carnivals and commercial vendor companies, only larger fairgrounds generate enough activity to support a master concessionaire.



© Ed Shields

With their brightly lit food booths, fair concessionaires dish up the tastes, smells and colors of the fair experience.

The five largest master concessionaires are listed below along with the 13 fairgrounds they serve.

**C&C Concessions:**

- ▶ Los Angeles County Fair

**Five Star Catering:**

- ▶ Sonoma County Fair and Exposition

**Freestyle Food Service:**

- ▶ Alameda County Fair
- ▶ Monterey County Fair
- ▶ Solano County Fair

**Ovations/Fanfare:**

- ▶ Big Fresno Fair
- ▶ Calaveras County Fair and Jumping Frog Jubilee
- ▶ California Exposition and State Fair
- ▶ Orange County Fair
- ▶ San Joaquin County Fair
- ▶ San Mateo County Exposition and Fair
- ▶ Ventura County Fair

**Premier Food Services Management:**

- ▶ San Diego County Fair

Total master concessionaire revenue at these 13 fairgrounds was \$32.9 million in 2002. Of that figure, \$7.3 million was generated during fairtime and \$25.6 million was from interim events. These master concessionaires have about 237 full-time employees and another 2,545 part-time and temporary employees.

A master concessionaire contract ranges from three to 10 years, providing unique opportunities for investment in capital infrastructure and joint sponsorship development. Due to the contract length, a master concessionaire can have the confidence of benefiting from that investment in future years.

Recent examples of capital investments made by master concessionaires include:

- ▶ **C&C Concessions** – Invested \$5.8 million in improvements at the Los Angeles County Fair.
- ▶ **Five Star Catering** – Invested \$20,000 in warehouse improvements at the Sonoma County fairgrounds.
- ▶ **Freestyle Food Service** – Invested \$100,000 in capital improvements on various projects.
- ▶ **Ovations/Fanfare** – Invested, or is contractually obligated to invest, more than \$2 million in the fairs it serves.



*Fairs are a continuous part of California's wide-ranging calendar of events.*

## C A S E S T U D Y

# Ovations/Fanfare

Ovations/Fanfare is the master concessionaire for the California Exposition and State Fair (Cal Expo). The business relationship between these two entities has evolved to a new level as they work together year-round to develop and deliver unique programming.

As a result, the two organizations identified the need for enhanced venues to serve their guests. With the cooperation and shared vision of the Cal Expo team, Ovations/Fanfare developed the following three entertainment venues that have resulted in creative programming, increased customer satisfaction and increased revenues for both partners.

**The Carhartt Cantina** – This environment was created with the Hispanic community in mind, but the festive atmosphere appeals to all fair guests who come to enjoy the lively music and tasty food. This new cantina represents a multifaceted partnership venture. Cal Expo, Ovations/Fanfare, Budweiser and Carhartt Clothing paid for the site’s infrastructure improvements, with Budweiser and Carhartt covering about 50 percent of the total cost.

The Carhartt Cantina generated more than \$100,000 in increased gross revenues on this site in 2002. Increased enjoyment for fair guests was immeasurable.

**Sierra Nevada Blues & Brews Club** – This venue was envisioned as a family dancing area using up-tempo blues music and featuring micro brews (a high-growth product in California). Ovations/Fanfare hired two blues bands that played for three hours each day for 18 days. The team hoped that the right band would attract guests for return visits to dance and have fun.

Before the club opened, this area grossed about \$12,000 over the 18-day run of the fair. This location now grosses more than \$120,000 during the same 18 days, and it has become a popular return venue. Sierra Nevada Beer and Michelob pay a large portion of the costs and share the signage rights. Local radio stations provide sponsorships and media promotions.

**Miller Sports Bar** – This venue is based on the simple concept of allowing sports enthusiasts to enjoy watching their favorite team while their families explore the fair. Ovations/Fanfare solicited the sponsorship of Direct TV, which permits all sporting events televised throughout the country to be available in this venue, and they approached RCA as the TV sponsor.



### Concessionaire Economic Impacts

Though fairtime and master concessionaires have distinctly different business models, they are very similar from an economic impact perspective. Both depend on the public for their revenues and have similar expenditure patterns in terms of food inputs, labor and capital outlays. Table 5 presents a summary of the combined economic impacts of these two groups of concessionaires. With the exception of attendee spending, data summarized in this table includes ripple effects.

TABLE 5

Total Economic Impacts – Fairtime and Master Concessionaires	
Spending by Fairtime and Master Concessionaires	\$130,767,144
Attendee Direct Spending on Food and Beverage	\$120,191,008
Personal Income Generated	\$65,752,905
State and Local Taxes Generated by Concessionaire Spending	\$9,828,773
State and Local Taxes Generated by Attendee Spending	\$5,567,232
Employment (FTE Jobs) Created	2,070

### Concessionaire Social Impacts

Fairtime concessionaires have significant social impacts on local communities during fairtime. For example, nonprofit organizations operate as fairtime concessionaires using the earned revenues to support their various community activities. (See *Community Groups: Mining for*

*Gold at California’s Fairs* for more discussion about nonprofit fundraising at fairs.) Master concessionaires also have significant social impacts on communities through the hiring of local residents and donations to charitable organizations.

### Commercial Exhibitors

The local mall isn’t the only place where people go to shop. California’s fairgrounds are major commercial venues at which attendees purchase a myriad of goods and services. Commercial exhibitors are a primary driver of this economic activity. This group of fair-related businesses sells items ranging from 50 cent key chains to \$800,000 RVs. According to the random survey of fair attendees, more than 3 percent of fairgoers purchased a large ticket item, defined as a single article priced at more than \$100. As shown in Table 6, this spending represents a bonanza for commercial exhibitors at California’s fairs, with more than \$406 million in sales.

Purchases by fairgoers add up to huge shares of total California sales for certain industries. For example, according to a national spa company, between 25 percent and 40 percent of all spa sales are made at fairs and interim events. At a big fair, a small spa company would expect to sell 50 spas and a larger company would sell around 150. Considering that a full spa can cost \$5,000, the sales volume for spas alone at California fairs is significant.



### Commercial Exhibitor Economic Impacts

Economic impacts of commercial exhibitors are sizeable. Commercial exhibitors purchase goods for resale, exhibit materials, hire local labor, stay in hotels, and eat in restaurants. Table 6 summarizes the total economic impacts of both fairtime and interim event exhibitors. With the exception of attendee spending, data summarized in this table includes ripple effects.

TABLE 6

Total Economic Impacts – Commercial Exhibitors	
Spending by Commercial Exhibitors	\$490,694,748
Attendee Direct Spending on Commercial Merchandise	\$406,373,951
Personal Income Generated	\$219,004,215
State and Local Taxes Generated by Attendee Spending	\$31,771,405
State and Local Taxes Generated by Commercial Exhibitor Spending	\$16,620,874
Employment (FTE Jobs) Created	8,151

Combined economic impact of spending by commercial exhibitors plus attendee spending on commercial merchandise at fairs and interim events generates \$897.1 million. This is the single largest portion of economic impact among all participants in the fair industry. It represents approximately 35 percent of the total economic impact in California of \$2.5 billion.

### Entertainers

From ancient times, entertainers have been prominent features at local fairs and festivals. Today, fair entertainment falls into two basic categories: grounds acts and headline entertainers. A grounds act will frequently be a strolling performer, such as jugglers and clowns, or petting zoos, racing pigs, hypnotists, and self-promoted stage acts who perform on secondary stages.

A headline entertainer is usually represented and booked through national talent agencies and will appear on the fair’s main stage. An entertainer of this caliber can boost attendance and attract new guests. Fair organizations will pay these entertainers a fixed fee per day, per performance, or per fair.

Booking the entertainer is only the beginning of an economic ripple associated with these shows. A full-production headline act will travel with several buses, trucks full of equipment and approximately 35 support staff. Some acts bring their own stage, sound and lights. In other cases, the fair will pay a service organization to provide equipment to the entertainer’s specifications. These acts travel a circuit and are on the road for months at a time.



*From ancient times, clowns and strolling entertainers have been prominent features at local fairs and festivals.*

### Entertainer Economic Impacts

Entertainers purchase costumes and materials, sound and lighting equipment, hire local labor, stay in hotels, and eat in restaurants. Economic impacts of entertainers are summarized in Table 7.

TABLE 7

Total Economic Impacts – Entertainers	
Spending by Entertainers	\$28,463,378
Personal Income Generated	\$17,175,853
State and Local Taxes Generated	\$1,588,248
Employment (FTE Jobs) Created	424

### Service and Supply Companies

Service and supply companies meet the needs of fair organizations and other fair-related businesses. Services cover numerous activities such as security, medical services, parking, equipment and supplies, advertising and marketing, insurance, production items (i.e., stage, sound and lights), signs, decorations, tents and various consulting services. Economic impacts associated with service and supply companies are incorporated with results presented for fair organizations and fair-related businesses.

Fair-related businesses are one of the key reasons why millions of Californians continue to enjoy their fairs. The partnership between fair-related businesses and California’s network of fairs is an excellent example of how the private and public sectors can successfully come together to create a product that entertains and educates, and that people love.



# Community Groups: Mining for Gold at California's Fairs

One of the great untold stories about California's fairs is their pivotal role in assisting community groups and nonprofit organizations. California's fairs are major venues for such groups to raise awareness of their programs and services. Fairs and interim events also give these groups the ability to raise substantial portions of their annual budgets. Through this activity, nonprofit and community groups can further their missions and help improve the quality of life for local residents.

## Nonprofit Fundraising

Within the fair industry, there are three primary means of fundraising for nonprofit groups. In the first case, a nonprofit operates a food and beverage concession, or provides some other service to attendees, and net proceeds go back into their community. Labor is generally donated, further increasing net proceeds.

Nonprofits also partner with fairs by renting the facilities to conduct fundraising events, such as dinners, lectures, dances, etc. The net amount of funds raised is calculated by subtracting all costs, including rental fees, food and beverage costs, and labor costs (if any) from the gross amount of funds raised.

It is also quite common for a fair to closely align itself with a 501(C)(3) nonprofit public benefit organization whose mission is to provide funding for public education programs at fairtime, or raise funds for capital improvements at the fairgrounds. The Centennial Farm Foundation discussed earlier in the Orange County Fair case study is a good example.

Table 8 provides estimates of funds raised by numerous nonprofit groups through concessions and other services during fairtime and fair-sponsored events.

**TABLE 8**

Annual Fundraising Activities at California Fairgrounds			
Type of Activity	Number of Fairs	Number of Organizations	Net Amount Raised for Community Benefits
Nonprofit	73	730	\$8,213,800
Junior Livestock Auction	64	64	\$20,996,459
<b>Total <sup>1</sup></b>	<b>—</b>	<b>794</b>	<b>\$29,210,259</b>

<sup>1</sup> The number of fairs active with nonprofit organizations and junior livestock auctions are not additive; most fairs are active with both nonprofit organizations and junior livestock auctions.

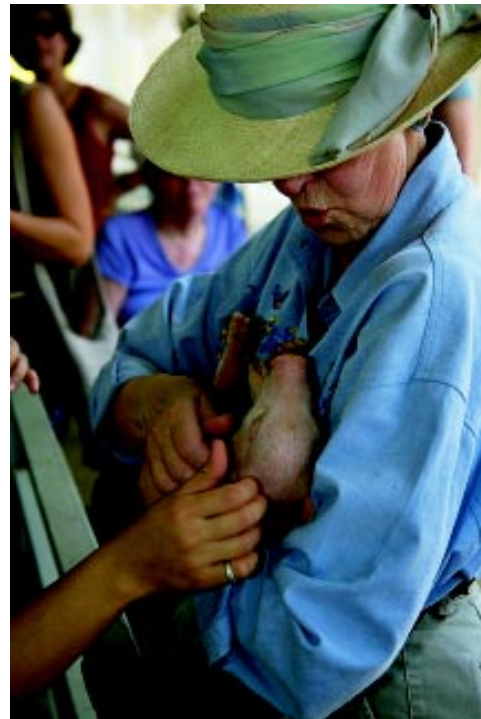


Table 8 demonstrates the extent to which fairs are involved with nonprofit organizations and junior livestock auctions. Nonprofit monies are almost entirely devoted to programs benefiting the local area. Similarly, funds raised at junior livestock auctions remain in the local community as most exhibitors live within the county.

For many local nonprofit groups, a large percentage of their annual budgets are derived from fundraising activities at fairs. Without fairs, numerous nonprofit groups could go out of existence, and communities could lose the many good works that they perform. Making it possible for these organizations to thrive is one of the important ways in which fairs improve life in our communities.



*California's fairs make it possible for nonprofit organizations to thrive. This is one of the important ways in which fairs improve life in local communities.*



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# CASE STUDY

## Stanislaus County Fair

The Turlock Lions Club raises approximately 85 percent of its annual budget from fundraising events held at the Stanislaus County fairgrounds. Proceeds from these events go to fund a variety of local programs.

For the past 29 years, the primary source of their fundraising has come from the Destruction Derby. The derby is a favorite event among fairgoers, with 2,300 reserved seats and another 1,500 general admission seats sold in 2002.

The Lions Club receives revenue from the event in four ways: (1) fees paid to the club by the fair for organizing the derby; (2) sale of advertisements published in the event program; (3) raffle receipts for a car built by club members and run in the derby; and (4) sale of pit passes. After netting out event expenses, such as prize money and trophies, the Lions Club earns about \$21,000, or 70 percent of its annual operating budget from organizing the Destruction Derby.

These funds were put to good use within the community in 2002:

- Scholarships to five local high school students, for a total of \$2,000.

- Eye exams and glasses for needy children through three local doctors.
- Little League and youth soccer team sponsorships and a trip for youth wrestling.
- Enrollment for four youth at a camp for the hearing and visually impaired at \$1,500.
- Playground equipment at two local schools for \$4,500.
- Donation of \$500 to the local chapter of the Boy Scouts of America.
- Sponsorship of the Turlock High School Sober Grad Night.
- Storage, transport service and equipment for the local hospice.
- Supplies for the Turlock Firemen’s Association children’s coloring contest.

The story of the Destruction Derby shows how a nonprofit group can bring the community together for an entertainment and sporting event that is fun for everyone, while at the same time provide many lasting benefits to local families and charitable causes.





# Attendees: A Golden Treasure for Fairs

Fair attendees are drawn from a wide spectrum of society, representing all economic, social, ethnic, cultural and age groups. This broad cross-section of society makes the fairs an important shared experience that knits together California’s diverse cultures.

California’s network of fairs — whether small and charming like the one in Ferndale or large like the one in Del Mar — draw people and communities together. Table 9 provides a comparison of selected fairs, in terms of city populations and annual fair attendance. This table demonstrates the importance of fairs within their local communities and surrounding areas.

## Attendee Demographics and Visit Characteristics

**Who goes to the fair?** Finding out the answer to that question reveals not just the make-up of current fairgoers, but also indicates future opportunities to widen the appeal of fairs.

Table 10 compares the household income of fairgoers, based on the random survey, to that of Californians as a whole.

Fairgoers are strongly drawn from the middle class: 57 percent (or more, allowing for non-respondents) of fair attendees come from households with incomes between \$25,000 and \$75,000, while only 45 percent of all households in the state are in this income

TABLE 9

Comparison of Selected Fairs to Cities – Attendance to Population			
Fair	City	City Population <sup>1</sup>	Annual Fairground Attendance
Big Fresno Fair	Fresno	441,200	865,990
California Exposition and State Fair	Sacramento	418,700	3,462,039
California Mid-State Fair	Paso Robles	25,200	475,259
Humboldt County Fair	Ferndale	1,370	190,000
Kern County Fair	Bakersfield	254,400	939,523
Marin County Fair and Exposition	San Rafael	56,900	508,000
San Diego County Fair	Del Mar	4,460	2,646,807
Sonoma County Fair and Exposition	Santa Rosa	150,900	769,744
Tulelake-Butte Valley Fair	Tulelake	1,020	90,150
Ventura County Fair	Ventura	110,000	721,415

<sup>1</sup> California Department of Finance, Total Population of California Cities, January 1, 2001 and 2002.

**TABLE 10**

Household Income of Fair Attendees		
Household Income	Fair Attendee Percentage	California Household Percentage <sup>1</sup>
Under \$25,000	12.0%	24.6%
\$25,000 to \$50,000	28.6%	26.4%
\$50,000 to \$75,000	28.0%	18.8%
Over \$75,000	23.4%	30.2%
No Response	8.0%	—

<sup>1</sup> U.S. Census Bureau, 2001 Supplementary Survey Profile, California.

bracket. Clearly, the average fairgoer is drawn from the American middle class. These attendees are usually working families who visit their hometown fair as a way to enjoy a variety of entertainment options and spend quality time with each other.

**Why do people attend and how often do they go?** It seems that everyone has their own personal reasons for going to the fair. For many it is to be with family or reconnect with friends. Fair food and carnival rides attract other guests. According to the survey of fairgoers, approximately 21 percent attend to spend time with family, 16 percent to see exhibits, 11 percent to attend a 4-H event, 5 percent to see a concert, and 39 percent attend for other reasons (e.g., horseracing, automobile racing, fair food and shopping).

Table 11 presents additional demographic information on fair attendees. The average visitor attends the fair 2.1 times per year and lives within 100 miles.

**TABLE 11**

Attendee Survey, Visitor Characteristics	
<b>Number of Times Attended Fair</b>	
1–3 times	83.4%
More than 3 times	16.6%
Average Attendance Frequency	2.1 Visits
<b>Round Trip Mileage of Trip to Fair</b>	
Under 100 miles	88.9%
More than 100 miles	11.1%
Median mileage	51.8 Miles

California’s network of fairs operates in one of the most competitive recreational markets in the United States. With so much to do and see in the state — from its many natural wonders to amusement parks, sporting events and museums — fairs must offer a unique and

creative product to attract attendees. The fact that total annual attendance on fairgrounds is almost 33 million people, which compares with roughly the state population of 35 million, is proof that the fair industry is succeeding in meeting this challenge.



*Fairs do not receive state general fund money. A licensing fee on wagers placed at horse races provides vital supplemental funding for fairs.*

# Economic Impacts: At the Assayer's Office

In these challenging economic times, California's fairs need to demonstrate their value to state and local policymakers. ***How much do fairs help the economy? Do they create jobs? What industries and businesses benefit from fairs and interim events?***

The authors of this study undertook a lengthy investigation to find answers to these questions. The quantifiable results are presented in this section in which direct spending and employment of the various participants are examined along with estimates of their overall economic impact. These results may prove useful as a basis for planning future programming at fairs and serve as a guide to policymakers.

The bottom line, as expressed in dollars, is that the network of California fairs contributes far more to the economy and local communities than they receive in public funding. Fair organizations are significant employers of California workers. Goods and services purchased by fair-related businesses also generate jobs and income. Spending by fairgoers creates additional economic activity. Finally, economic activity related to fairs and interim events expands state and local tax bases, resulting in increased sales and income tax revenues.

## Direct Spending and Employment

KPMG engaged in an extensive data collection effort to acquire information on direct spending and employment of the various economic actors in the fair industry. Details on concepts, data sources, data limitations, and methods and assumptions appear in *Appendix B: Methodology*.

## Fair Organizations

Fair organizations pay both year-round and temporary employees, and spend on capital improvements, maintenance, exhibits, entertainers and publicity. Table 12 provides annual totals and percentages for all fair organizations by type of spending. It should be noted that spending by fair organizations is direct spending.

Permanent and temporary employee compensation amounts to 36 percent of fair organization spending. The next largest categories of fair organization spending are capital expenditures and non-labor administration at 15 percent each, followed by non-labor maintenance at 10 percent.



When pigs fly! Like so many fair exhibits, the racing pigs both educate and entertain.

**TABLE 12**

<b>Fair Organization Direct Spending (Millions)</b>		
<b>Category</b>	<b>Annual</b>	<b>Percent of Total</b>
Compensation – Permanent Employees	\$81.65	27.1%
Compensation – Temporary Employees	\$27.12	9.0%
Non-labor Administration	\$44.07	14.6%
Non-labor Maintenance	\$28.78	9.6%
Capital Expenditures	\$44.75	14.8%
Entertainers	\$10.06	3.3%
Exhibits	\$10.82	3.6%
Publicity	\$11.44	3.8%
Premiums	\$4.12	1.4%
Other	\$38.73	12.8%
<b>Total</b>	<b>\$301.55</b>	<b>100.0%</b>

Table 13 shows direct employment (headcount) of permanent and temporary workers of fair organizations on an annual basis. The striking feature of the fair organization employment profile is a heavy reliance on temporary workers. Only 8 percent of fair direct employment is comprised of permanent

employees, which makes sense given that the majority of fairs and interim events last less than two weeks. The temporary employment created by fair organizations provides an occasion for local residents to earn supplemental income.

**TABLE 13**

<b>Fair Organization Direct Employment</b>		
<b>Category</b>	<b>Number</b>	<b>Percent of Total</b>
Permanent Employees	1,431	7.8%
Temporary Employees	16,952	92.2%
<b>Total</b>	<b>18,383</b>	<b>100.0%</b>



**Attendees**

Attendee spending is the primary driver of economic impacts associated with the fair industry. In looking at overall economic impact, this report considers attendee purchases as the first round of spending. It then models those impacts associated with fair organizations and fair-related businesses that receive attendee spending as income. For example, economic impact of commercial exhibitors consists of attendee spending on commercial merchandise (income to the commercial exhibitors), spending by commercial exhibitors (income to their suppliers) and indirect and induced impacts created by that commercial exhibitor spending. The same holds true for fair organizations and other fair-related businesses.

Fair attendees pay for admissions and parking, carnival rides and games, and concessions. They

make purchases from commercial exhibitors, pay for outside meals and hotels in the local community, and also spend on exhibit preparation and costumes when participating in judged competitions and events. Table 14 provides estimates of direct attendee spending by category, distinguishing between fairtime and interim events.

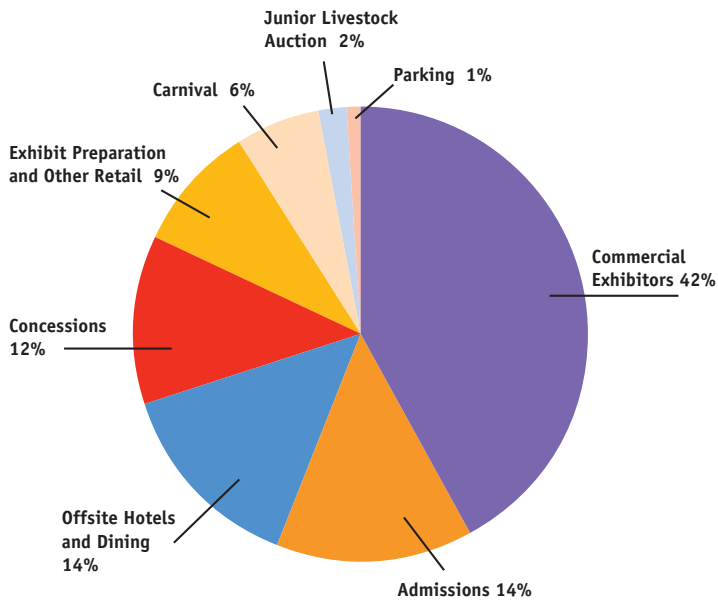
Considering the difference between fairtime and interim event spending, Table 14 reveals a number of interesting facts. First, total attendee spending is roughly 47 percent higher for interim events than at fairtime. Attendee spending on commercial exhibitors is over twice as high at interim events than at fairtime. Outside meals and hotels are roughly three times greater at interim events. Thus, interim events are a powerful economic engine harnessed by California’s fair organizations.

**TABLE 14**

<b>Attendee Direct Spending (Millions)</b>			
<b>Category</b>	<b>Fairtime</b>	<b>Interim Events</b>	<b>Total</b>
Commercial Exhibitors	\$131.08	\$275.30	\$406.37
Admissions	\$40.71	\$97.32	\$138.03
Offsite Hotel and Dining	\$30.15	\$100.70	\$130.85
Concessions	\$71.25	\$48.94	\$120.19
Exhibit Preparation and Other Retail	\$31.79	\$50.80	\$82.59
Carnival	\$53.45	—	\$53.45
Junior Livestock Auction	\$21.00	—	\$21.00
Parking	\$10.34	—	\$10.34
<b>Total</b>	<b>\$389.76</b>	<b>\$573.06</b>	<b>\$962.82</b>

The following figure shows total attendee spending (fairtime plus interim) across the various categories. More than 40 percent of attendee direct spending is on commercial exhibitors, clearly demonstrating the importance of this activity.

**FIGURE 1**



**Fair-Related Businesses**

Fair-related businesses pay employee compensation as well as employee food and lodging. They rent fair space; pay taxes; buy insurance, permits, motor fuel and a wide variety of other materials and supplies. The following tables display estimated spending by category for carnivals, concessionaires, commercial exhibitors and entertainers.

As was the case with fair organizations, employee compensation is the largest component of carnival expenditures, comprising 39 percent of total carnival direct spending. Employee expenditures are predominantly on permanent employees who travel with the carnivals. Insurance costs exceed 18 percent of carnival spending. Again, note that this table includes spending in California only and excludes the commission (or rent) paid to fair organizations. Because this report treats fair organizations and allied businesses as one industry, any commission or fee paid to fairs is excluded here to avoid double counting.

**TABLE 15**

Carnival Direct Spending (Millions)		
Category	Annual	Percent of Total
Compensation – Permanent	\$7.36	28.2%
Compensation – Temporary	\$2.81	10.7%
Insurance	\$4.75	18.2%
Misc. Materials and Supplies	\$2.95	11.3%
Motor Fuel	\$1.71	6.5%
Taxes and Fees	\$0.57	2.2%
Offsite Hotel and Dining	\$0.03	0.1%
Other	\$5.96	22.8%
<b>Total</b>	<b>\$26.14</b>	<b>100.0%</b>

**TABLE 16**

<b>Concessionaire Direct Spending (Millions)</b>				
<b>Category</b>	<b>Fairtime</b>	<b>Interim Events</b>	<b>Total</b>	<b>Percent of Total</b>
Compensation – Permanent	\$16.48	\$11.32	\$27.80	33.5%
Compensation – Temporary	\$6.97	\$4.79	\$11.76	14.2%
Cost of Goods Sold	\$17.21	\$11.82	\$29.03	35.0%
Insurance	\$1.49	\$1.02	\$2.51	3.0%
Offsite Hotel and Dining	\$1.46	\$1.00	\$2.47	3.0%
Taxes and Fees	\$1.18	\$0.81	\$1.99	2.4%
Other	\$4.86	\$2.53	\$7.39	8.9%
<b>Total</b>	<b>\$49.64</b>	<b>\$33.29</b>	<b>\$82.94</b>	<b>100.0%</b>

Concessionaire and commercial exhibitor direct spending is detailed in tables 16 and 17. Spending patterns for concessionaires and commercial exhibitors are similar in that labor costs and costs of goods sold are the largest expenditure items on a percentage basis. Other costs make up a relatively small percentage of total costs for these two groups of fair-related businesses.

The direct spending of entertainers is detailed in Table 18. Major expense categories for entertainers are labor costs, which account for 58 percent of all costs and miscellaneous materials and supplies. Examples of miscellaneous materials and supplies in this case include such items as costumes, props, public address systems and stage equipment.

**TABLE 17**

<b>Commercial Exhibitor Direct Spending (Millions)</b>				
<b>Category</b>	<b>Fairtime</b>	<b>Interim Events</b>	<b>Total</b>	<b>Percent of Total</b>
Compensation – Permanent	\$16.65	\$34.97	\$51.62	16.6%
Compensation – Temporary	\$25.85	\$54.28	\$80.13	25.8%
Cost of Goods Sold	\$28.40	\$59.65	\$88.05	28.3%
Offsite Hotel and Dining	\$9.10	\$19.11	\$28.20	9.1%
Insurance	\$1.87	\$3.93	\$5.80	1.9%
Taxes and Fees	\$1.08	\$2.27	\$3.35	1.1%
Misc. Materials and Supplies	\$0.81	\$1.69	\$2.50	0.8%
Motor Fuel	\$0.75	\$1.58	\$2.33	0.7%
Other	\$15.96	\$32.95	\$48.91	15.7%
<b>Total</b>	<b>\$100.46</b>	<b>\$210.44</b>	<b>\$310.90</b>	<b>100.0%</b>

**TABLE 18**

<b>Entertainer Direct Spending (Millions)</b>		
<b>Category</b>	<b>Annual</b>	<b>Percent of Total</b>
Compensation – Permanent	\$7.04	37.3%
Compensation – Temporary	\$4.02	21.3%
Misc. Materials and Supplies	\$4.19	22.2%
Offsite Hotel and Dining	\$0.60	3.2%
Insurance	\$0.49	2.6%
Motor Fuel	\$0.13	0.7%
Taxes and Fees	\$0.08	0.4%
Other	\$2.31	12.3%
<b>Total</b>	<b>\$18.87</b>	<b>100.0%</b>

As the tables in this section clearly demonstrate, the common thread of expenditure patterns for fair-related businesses is the high percentage of labor costs. Commercial exhibitors account for 73 percent of annual employment associated with fair-related businesses — directly creating more than 5,500 jobs — before adding indirect and induced impacts. The dominance of

commercial exhibitors is largely due to their activity at interim events. Concessionaires are the next largest employer, accounting for 18 percent, followed by carnivals at 6 percent, and entertainers at 3 percent. Permanent and temporary employee hiring by fair-related businesses is summarized in Table 19 below.

### Economic Impacts

As previously discussed, attendee spending on the fairgrounds becomes income to fair organizations and fair-related businesses. In looking at overall economic impact, attendee spending is considered part of the impact associated with the relevant business participant. For example, the economic impact of carnivals consists of attendee spending at the carnival (income to carnival companies), spending by carnival companies (income to their suppliers) and indirect and induced impacts created by that carnival operator’s spending.

**TABLE 19**

<b>Fair-Related Business Direct Employment</b>		
<b>Category</b>	<b>Annual (FTE Jobs)</b>	<b>Percent of Total</b>
Commercial Exhibitors	5,515	72.6%
Concessionaire	1,346	17.7%
Carnival	481	6.3%
Entertainers	258	3.4%
<b>Total</b>	<b>7,600</b>	<b>100.0%</b>

Table 20 presents the overall economic impact of spending by all participants at fairtime and interim events, which equals the total economic impact on the state of \$2.55 billion in 2002. Estimated total economic impacts from fairtime activities are \$1.26 billion and interim events are approximately the same at \$1.29 billion. The largest spending impact included in the

fairtime estimates is associated with fair organizations, totaling \$579.31 million. The next largest effect comes from commercial exhibitors with a spending impact at fairgrounds of \$289.94 million. The economic impact of commercial exhibitors at interim events is more than double this amount, at \$607.13 million.

**TABLE 20**

<b>Estimated Economic Impacts – Fairtime and Interim Spending (Millions)<sup>1</sup></b>				
<b>Category</b>	<b>Attendee Direct Spending</b>	<b>Business Direct Spending</b>	<b>Indirect and Induced Impacts<sup>2</sup></b>	<b>Total<sup>3</sup></b>
<b>Fairtime Spending</b>				
Fair Organizations	\$72.05	\$301.55	\$205.71	\$579.31
Commercial Exhibitors	\$131.08	\$100.46	\$58.40	\$289.94
Food and Beverage	\$71.25	\$49.64	\$27.87	\$148.77
Carnival	\$53.45	\$26.11	\$15.04	\$94.60
Entertainers	—	\$18.87	\$9.59	\$28.46
Nonprofit	—	\$4.21	\$4.37	\$8.58
Offsite Hotel and Dining	\$30.15	—	\$23.61	\$53.75
Offsite Retail	\$31.79	—	\$19.61	\$51.40
<b>Total Fairtime</b>	<b>\$389.76</b>	<b>\$500.84</b>	<b>\$364.20</b>	<b>\$1,254.80</b>
<b>Interim Spending</b>				
Commercial Exhibitors	\$275.30	\$210.44	\$121.40	\$607.13
Event Admissions	\$97.32	\$129.17	\$94.56	\$321.05
Food and Beverage	\$48.94	\$33.29	\$19.96	\$102.19
Offsite Hotel and Dining	\$100.71	—	\$78.46	\$179.16
Offsite Retail	\$36.41	—	\$22.46	\$58.87
Offsite Recreation	\$14.39	—	\$10.53	\$24.92
<b>Total Interim</b>	<b>\$573.06</b>	<b>\$372.90</b>	<b>\$347.37</b>	<b>\$1,293.32</b>
<b>Total Fairtime and Interim</b>	<b>\$962.82</b>	<b>\$873.74</b>	<b>\$711.57</b>	<b>\$2,548.13</b>

<sup>1</sup> This table incorporates direct expenditures as detailed in tables 12 through 19, along with estimated additional indirect and induced expenditures from the economic impact model.

<sup>2</sup> Indirect impacts are those second and later rounds of business spending that occur throughout the supply chain. Induced impacts are a result of personal consumption expenditures by employees of fair organizations and suppliers.

<sup>3</sup> Total impacts are the sum of direct, indirect and induced impacts.



Considering the sum of spending impacts from both fairtime and interim events, the largest total economic impact (including ripple effects) comes from commercial exhibitors with a total spending impact of \$897.07 million. This is followed by total spending impact of fair organizations at \$579.31 million and interim event admissions (income to event organizers) of \$321.05 million.

Total impact on the income of California residents appears in the following table.

Estimated total income generated by attendee, fair organization and fair-related business spending exceeds \$791 million, with \$377 million in direct income and another \$414 million in ripple effect. Interim events are the largest contributor of income creation, accounting for 45 percent of total income impact. Income impact of fair organizations is also sizable, accounting for 34 percent of income creation.

**TABLE 21**

Annual Estimated Income Impacts (Millions)				
Category	Direct Income	Indirect and Induced Impacts	Total	Percent of Total
Fair Organization	\$130.00	\$137.62	\$267.62	33.8%
Commercial Exhibitors <sup>1</sup>	\$42.50	\$32.10	\$74.60	9.4%
Food and Beverage <sup>1</sup>	\$23.45	\$16.06	\$39.51	5.0%
Carnival	\$10.17	\$8.23	\$18.40	2.3%
Entertainers	\$11.06	\$6.11	\$17.18	2.2%
Offsite	—	\$16.65	\$16.65	2.1%
Nonprofit	—	\$3.71	\$3.71	0.5%
Interim	\$160.14	\$193.96	\$354.10	44.7%
<b>Total</b>	<b>\$377.31</b>	<b>\$414.45</b>	<b>\$791.76</b>	<b>100.0%</b>

<sup>1</sup> Refers to fairtime income only. Interim event income is captured separately in the Interim category.

**TABLE 22**

Annual Estimated Employment Impacts (FTE jobs)				
Category	Direct Employment	Indirect and Induced Impacts	Total	Percent of Total
Fair Organization	3,044	3,704	6,748	24.3%
Commercial Exhibitors <sup>1</sup>	1,785	854	2,639	9.5%
Food and Beverage <sup>1</sup>	798	429	1,227	4.4%
Carnival	481	216	697	2.5%
Entertainers	258	166	424	1.5%
Food, Lodging, and Retail	—	425	425	1.5%
Nonprofit	—	119	119	0.4%
Interim	4,278	11,280	15,558	55.9%
<b>Total</b>	<b>10,644</b>	<b>17,193</b>	<b>27,837</b>	<b>100.0%</b>

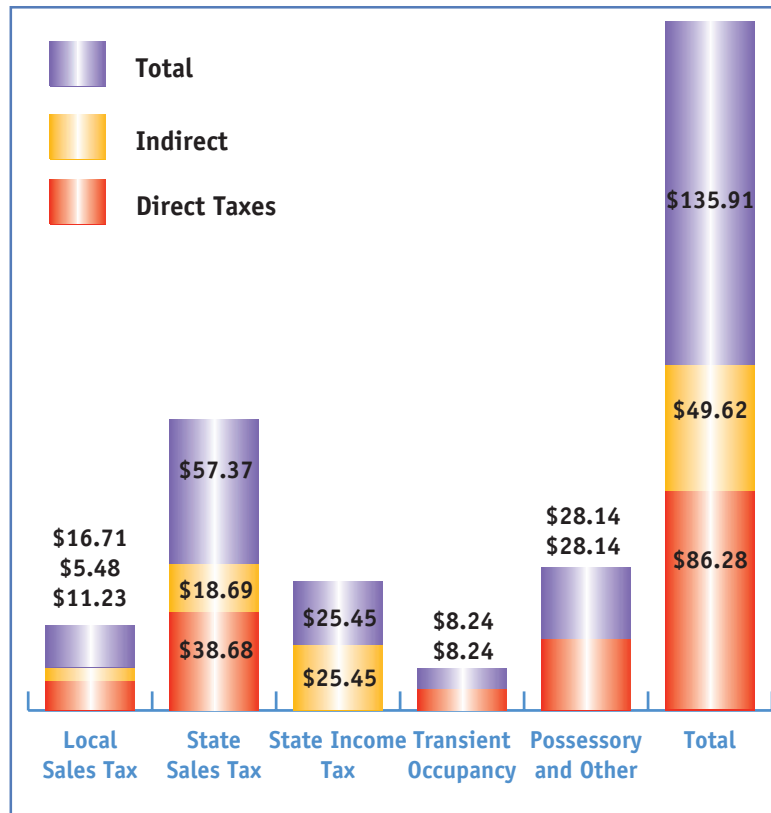
<sup>1</sup> Refers to fairtime employment only. Interim event employment is captured separately in the Interim category.

The estimated creation of jobs, including direct and ripple effects appears in Table 22. As expected based on results from the previous table, interim events account for more than half of all jobs created. Fair organizations and commercial exhibitors lead in the number of total jobs created.



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FIGURE 2



Spending, income and jobs created by the fair industry also creates tax revenues for state and local governments. Figure 2 shows total tax collections by the economic participants.

Total direct taxes collected by state and local governments from the fair industry exceed \$86 million. Ripple-effect tax impacts of an additional \$50 million raised state and local tax revenues to an estimated \$136 million in 2002.

The majority of tax collections are state sales taxes at \$57.4 million, followed by personal income taxes at \$25.5 million and local sales taxes at \$16.7 million. These tax collections demonstrate the importance of fairs and interim events as a strong and reliable tax base for state and local governments.

## Future Impacts

Impact of the network of California fairs in future years is ultimately tied to the scale of the fairs and interim events. Since the main impacts are attendee and fair organization spending, impacts for future years may be estimated from values based on these indicators. Two reliable measures are total fair attendance and total fair organization operating expenditures.

Based on this analysis, and giving these two factors equal weight, the formulas for

estimating impacts of fairs in future years are as follows:

- ▶ **Spending** – Fair plus interim attendance times \$38.89 plus total fair organization operating expenditures times \$5.05.
- ▶ **Income** – Fair plus interim attendance times \$12.08 plus total fair organization operating expenditures times \$1.57.
- ▶ **Employment** – Fair plus interim attendance (in millions) times 424.81 plus total fair organization operating expenditures (in millions) times 55.16.

TABLE 23

Impact Calculation – Illustrative Example 2002 (Millions)			
	Fair and Interim Attendance	Operating Expenditures	Total Impact Estimate
2002 Value	32.76 (A)	\$252.31 (B)	
Spending Factor	\$38.89 (C)	\$5.05 (D)	
Spending Impact	\$1,274 (AxC)	\$1,274 (BxD)	\$2,548
Income Factor	\$12.08 (E)	\$1.57 (F)	
Income Impact	\$396 (AxE)	\$396 (BxF)	\$792
Employment Factor <sup>1</sup>	424.81 (G)	55.16 (H)	
Employment Impact <sup>1</sup>	13,918 (AxG)	13,917 (BxH)	27,835

<sup>1</sup> All figures are in millions, except employment impact.

These two tables present examples for calculating future impacts. Formulas presented in this section may be used to estimate future economic impacts of the network of California fairs by substituting estimates of fair and interim attendance and fair organization operating expenditures. Note that total economic impacts presented in Table 20 are replicated by applying the formulas in Table 23.

Table 24 shows a hypothetical example if total attendance were 35 million and total operating expenditures were \$300 million.

TABLE 24

Impact Calculation – Illustrative Example, Hypothetical Future Year (Millions)			
	Fair and Interim Attendance	Operating Expenditures	Total Impact Estimate <sup>1</sup>
Future Value	35.00 (A)	\$300.00 (B)	
Spending Factor	\$38.89 (C)	\$5.05 (D)	
Spending Impact	\$1,361 (AxC)	\$1,515 (BxD)	\$2,876
Income Factor	\$12.08 (E)	\$1.57 (F)	
Income Impact	\$423 (AxE)	\$471 (BxF)	\$894
Employment Factor <sup>2</sup>	424.81 (G)	55.16 (H)	
Employment Impact <sup>2</sup>	14,868 (AxG)	16,548 (BxH)	31,416

<sup>1</sup> If impacts are estimated over a future period in which inflation has been a significant factor relative to 2002, the spending factor and income factors applied to attendance (\$38.89 and \$12.08, respectively) should be adjusted upward proportionally by the percentage increase in the consumer price index. The employment factor applied to operating expenditures (55.16) should be adjusted downward proportionally by the same percentage.

<sup>2</sup> All figures are in millions, except employment impact.

# Social and Cultural Impacts: Giving Back

While the economic impact of fairs is noteworthy, it is the social and cultural impact of fairs that may leave the most lasting impression on Californians. Today, fairs are as much about community as about farming. However one defines “community,” fairs are where Californians can go, in our ever-increasing diversity, and feel like we belong.

Fairs entertain, but they also educate people about each other and the contributions that all segments of our society make to the Golden State. Through this vital education comes the understanding, appreciation and social harmony so necessary for a healthy and productive society.

Fairs provide a focal point for community members to:

- ◆ Celebrate their heritage
- ◆ Compete in a variety of events
- ◆ Hold family reunions
- ◆ Display and view artwork
- ◆ Learn about other cultures
- ◆ Premier new inventions
- ◆ Showcase the best of California

Looking at just nonprofit fundraising activities on California’s fairgrounds, more than \$29 million is raised on an annual basis. Beyond the economic impacts, this section will discuss the social and cultural impacts of the

network of California fairs, primarily through case studies. These case studies highlight quantitative social benefits that fairs provide with funds raised for charities and nonprofit organizations. Further, the case studies illuminate close relationships that fairs have with local schools and development of cultural programs.

## Social and Cultural Exhibits

Fairgoers are greeted by a variety of attractions in addition to the carnival rides, games, commercial exhibits and food and beverage concessions. Many attractions present a wide variety of cultural and ethnic experiences.

Exhibitors and entertainers educate the public about their cause or increase cultural awareness and appreciation. Such exhibitors include cultural organizations, youth programs, law enforcement and crime prevention programs, veterans associations, local offices of education, community service and nonprofit groups, historical displays, and state and federal government displays.



*Fairs make learning fun.  
School children earn carnival  
tickets for reading books.*



In the random survey of attendees, people were asked questions relating to social and cultural benefits from attending fairs. Attendees were asked whether or not they saw worthwhile exhibits and if they attended exhibits that informed them about valuable public or community services. Notably, 95 percent of those surveyed agreed that the fair they attended did provide worthwhile community benefits. Views on the most socially and culturally valuable attractions were fairly evenly distributed across various types of exhibits, as shown in Table 25.

Attendees clearly agree that exhibit programs at California’s fairs provide important social benefits and showcase a variety of artistic, educational and cultural exhibits. A full 88 percent of fairgoers responded that they attended exhibits that provided a venue for getting together with family and friends, and 83 percent attended exhibits that displayed artwork.

## Community Involvement

Attendees were asked about their personal involvement in fairs through event participation. The number of fairgoers who actively participated in their hometown fair exceeded 1.2 million people, which is roughly 11 percent of attendees. This figure is based on total annual attendance of more than 11 million. This high participation rate in fair events and organized activities — such as shows, exhibit programs, stage performances and contests — speaks to the importance that the community places on this social outlet.

## School-to-Fair Link

Many fairs offer free tours to schools, free youth admission on certain days, and valuable educational experiences throughout the year. In addition, students enter exhibits that they create in school, giving them an opportunity to demonstrate their new knowledge. Students are rewarded for their efforts with a trip to the fair, a ribbon, praise from judges and teachers, and the appreciation of fairgoers.

TABLE 25

Attendee Viewpoints Regarding Exhibits			
Attended Worthwhile Exhibits That...	Yes	No	Uncertain
Provided a venue for getting together with family and friends?	88.0%	10.2%	1.8%
Displayed artwork?	82.9%	12.3%	4.8%
Provided information about public or community services?	71.3%	21.4%	7.3%
Provided other instructional or educational value?	70.2%	22.5%	7.3%
Increased awareness of cultural activities in community?	59.2%	32.1%	8.7%
Increased awareness of charitable organizations?	54.1%	35.5%	10.4%

## CASE STUDY

# San Joaquin County Fair

School-to-fair links are well illustrated by the Agricultural Education Program of the San Joaquin County Fair in Stockton. The program begins with a planning session where teachers share ideas for improvement and curriculum. The fair then delivers books and project materials so that children can begin work. Teachers and students work on the projects during school, producing exhibits to be shown at the fair. The program culminates during fairtime when the exhibits are judged.

In 2002, the fair provided these learning modules free-of-charge to local schools:

- ▶ **Hydroponics** – Schools receive Cornell and NASA curriculum and nutrients. Students learn how to grow plants without soil and create a space technology project using recycled bottles.

- ▶ **Roots of Agriculture** – Guest speakers demonstrate how farmland is irrigated in the San Joaquin Valley.
- ▶ **Worm Composting** – Students learn how worms convert organic waste into soil nutrients in order to feed plants.
- ▶ **Bottle Biology** – Schools receive teaching materials so that students can build mini-ecosystems using plastic soda bottles. Students create a model rainforest and learn how plants and natural resources form a “web-of-life.”
- ▶ **Water Cycle** – Students learn where society gets its water and then build a rainstick.
- ▶ **Build a Farm Animal** – Schools receive teaching materials so that students can create a farm animal exhibit and demonstrate age-relevant knowledge about the animal.



Two examples of school projects exhibited at the fair.



C A S E S T U D Y

# Tulelake-Butte Valley Fair

The Tulelake-Butte Valley Fair is a regional event, with fairgoers driving as much as three hours to attend. The fair draws approximately 50,000 attendees for the five-day event, while the population of Tulelake is about 1,000. Obviously, the fair is an event that affects the entire community.

Schools in the area either shut down during the fair, or wait until after it closes to begin their school year. The reason behind this extraordinary circumstance is that many of the local youth are involved in the fair. Students may be showing their exhibits, helping to take care of the animals, or working.

The fair organization's relationship with local schools extends far beyond this student involvement. Fairground facilities are used for many school functions, and one of the buildings is currently serving as the high school cafeteria. The fairground is host to high school baseball games,

local Babe Ruth baseball games, and high school football and soccer games. The fairground also hosts the local continuation school, where technology classes are taught. This class has the fastest and most modern computer network and Internet connections available.

The Tulelake Rotary Club raises nearly all of its non-dues funds from running the junior livestock auction. The club receives 6 percent of the proceeds as a commission. The junior livestock auction raised \$129,000 from the sale of 99 animals in 2002. In addition, three animals were sold for \$8,575 to benefit the Rotary Club's Scholarship fund. The Rotary Club used the money for three scholarships of \$1,500 for local students, sent a team of three local high school students to the finals of a national academic competition, funded a dental scholarship of \$500, sent a local high school student to leadership training, and gave donations to other local charity groups.



# C A S E S T U D Y

## Alameda County Fair

California’s fairgrounds are often picturesque places. One of the more scenic fairgrounds is the Alameda County Fair in Pleasanton. The fairground is situated in a beautiful suburban setting with large fields of grass and groves of walnut trees. The Alameda County Fair racetrack is the oldest horseracing track in America and was constructed in 1858. Today, the racetrack is beautifully maintained and even has a nine-hole golf course in the infield.

Throughout the year, the fairground hosts numerous events:

- ▶ **100 Club of Alameda County** – Various events to help families of law enforcement officers killed in the line of duty.
- ▶ **Afghan New Year** – Annual event celebrating the culture and foods of Afghanistan.

- ▶ **Church Services** – Local congregations gather to enjoy picnics, BBQs and fellowship.
- ▶ **Fair Preview Party** – Benefit for the Children’s Hospital of Oakland.
- ▶ **Graduation Ceremonies** – Three local high schools hold their ceremonies on the grounds.
- ▶ **Scottish Games** – Olympic-style event is the largest gathering of Scottish people outside of Scotland, with attendees from all over the world.

Table 26 shows the nonprofit organizations and estimated funds raised on the fairgrounds in 2002. These nonprofit groups then direct this money back into the community by funding scholarships, educational programs and club activities.

**TABLE 26**

Nonprofit Fundraising at Alameda County Fairgrounds, 2002	
Nonprofit Organization	Estimated Net Funds Raised
4-H Horse Group	\$1,178
Alameda/Contra Costa Counties Cattleman’s Association	\$585
Alameda County 4-H Cake Booth	\$25,000
Alameda County Beekeepers	\$670
Alameda County Cattleman	\$245
Alameda County Farm Bureau	\$690
Back Country Horseman	\$1,863
Boy Scouts	\$1,000
Lions Club	\$50,000
Livermore/Amador Valley Garden Club	\$1,327
Livermore Valley Winegrowers	\$320
San Francisco Caledonian Club	\$150,000
Volunteer Center of Alameda County	\$50,000
<b>Total</b>	<b>\$282,878</b>

## Cultural Diversity

An understanding of California's diverse population is essential in order to understand the challenges that fair organizations face in educating, entertaining and feeding more than 11 million fairgoers annually.

California's population is less than half Caucasian at 47 percent, with a Hispanic population of 32 percent. Asian and African-American citizens make up 11 percent and 6 percent, respectively.<sup>9</sup>

The current demographic, however, is rapidly changing. Hispanic residents are the fastest growing portion of the state's population. The demographic shift is even more evident when considering young people under five years old; nearly 48 percent are of Hispanic origin while 32 percent are Caucasian.<sup>10</sup>

The challenge facing California fairs is how to serve this diverse population with programming that is authentic and culturally significant. California's fairs are constantly educating themselves on new trends and cultures in order to develop programming that meets this need.

California's fair managers have begun working with business partners from Mexico to form cross-border educational and informational exchanges. A recent partnership with Agro-Baja, an agricultural trade show and exposition in Mexicali, has resulted in an exchange of ideas and best practices. In 2002, a delegation of California fair managers attended Agro-Baja where they received information on Mexico's forest, agricultural and livestock practices. They also learned about the foods, traditions and cultures of Mexico's 31 states. The cultural insights gleaned from this visit have already proved valuable. Many of these managers have begun a process to change the way in which they present Hispanic programming at their fairs. In addition, the staff and board of directors from Agro-Baja visited California's fairs to observe ideas that they can incorporate. California's border fairs in Imperial and San Diego counties also participated in cross-promotional projects with Agro-Baja and Mexicali's fair, the Fiesta del Sol. This exchange has provided insight and improved programming for both sides of the border.



*Fairgoers are delighted by a wide variety of cultural and performing arts groups at the fair.*



# CASE STUDY

## San Diego County Fair

The San Diego County Fair is located close to the Mexican border. This proximity presents unique opportunities to offer programming that will bring guests from across the border, while also serving the local Hispanic community. Census figures indicate that at least 35 percent of San Diego’s population is Hispanic.

Fair staff developed a five-year plan to attract local Hispanic guests and Mexican tourists. The first phase was to contract with a marketing consultant who explained cultural preferences (food, music and entertainment) and demonstrated the need for bilingual signs or universal symbols. This phase also included outreach to Hispanics in the San Diego area.

The fair declared all Sundays as Dias de Las Familias and ran Spanish language ads in local

Spanish-language newspapers, radio and TV. The fair planned entertainment appealing to Hispanic tastes and started changing directional signage to symbols or to both Spanish and English.

A Plaza de Mexico area was established to educate other guests about Hispanic culture and provide a place for gathering and celebrating. This initial outreach resulted in an immediate and noticeable increase in Hispanic attendance, and the trend has continued to grow.

The San Diego County Fair is a shining example of leadership in recognizing the importance of California’s growing Hispanic population and the need for increased cultural awareness amongst all Californians.



# Conclusion: A Golden Legacy

This report has outlined the many positive impacts that fairs have on the state of California and its people. Economic impacts associated with the network of California fairs range from spending by attendees and businesses to nonprofit fundraising to job creation and to tax revenues. From people's paychecks to community services, the return on investment from fairs is widespread.

Fairs, however, are much more than dollars-and-cents institutions. Fairs offer a link between urban and rural California. They serve as tools for educating Californians about the importance of agriculture and introducing young people to the interesting aspects of life on the farm. Through many competitions at fairs, young people learn about the agricultural industry, are rewarded for their achievements, and are informed about future careers in agriculture.

Fairs reach far beyond their traditional agrarian roots and encourage industries and individuals to strive for excellence through competitions. Winning the blue ribbon at a fair competition

is great incentive to create the best products and displays possible. Further, exhibits offer opportunities to showcase and premier new inventions and innovations.

Finally, through their social and cultural impacts, fairs help bring together California's diverse communities. Fairs bring families and friends together. They bring people together from different cultural heritages to celebrate and learn from each other. They also give individuals the chance to volunteer and give back to their communities. People regularly have opportunities to be spectators or fans, but only rarely are they invited to become participants in creating a major community event.

The story of California fairs has many plot lines. However, they all come together in this simple conclusion: fairs embody the entrepreneurial excellence, innovative drive and community spirit that is the Golden State. Just as gold is minted into precious coins, so too do California's fairs help to define the character and uniqueness of their communities.



# Appendix A: Statistical Breakdown by Fair

The table below lists all 78 fairs, along with location, attendance and annual operating expenditures. Attendance figures are broken down into fair and interim events. This breakdown is not possible for operating expenditures of the fair organizations.

All fair organizations report their revenues and expenses in an annual Statement of Operations report, which combines fair and interim events. Thus, total operating expenditures reported in the table encompass both fair and interim events.

Network of California Fairs					
Fair	City	County	Fair Attendance	Interim Event Attendance	Total Operating Expenditures <sup>1</sup>
Alameda County Fair	Pleasanton	Alameda	377,791	2,068,636	\$14,935,817
Amador County Fair	Plymouth	Amador	33,055	23,695	\$677,584
Antelope Valley Fair <sup>2</sup>	Lancaster	Los Angeles	182,511	106,960	\$3,493,544
Big Fresno Fair	Fresno	Fresno	550,619	315,371	\$7,610,109
Butte County Fair	Gridley	Butte	44,586	91,569	\$563,436
Calaveras County Fair and Jumping Frog Jubilee	Angels Camp	Calaveras	38,112	58,560	\$768,963
California Exposition and State Fair	Sacramento	Sacramento	1,003,022	2,459,017	\$26,760,925
California Mid-State Fair	Paso Robles	San Luis Obispo	375,853	99,406	\$5,246,512
California Mid-Winter Fair and Fiesta	Imperial	Imperial	98,595	29,510	\$1,214,303
Chowchilla - Madera County Fair	Chowchilla	Madera	27,917	20,450	\$477,560
Cloverdale Citrus Fair	Cloverdale	Sonoma	9,198	27,900	\$328,085
Colorado River Country Fair	Blythe	Riverside	14,000	42,950	\$387,442
Colusa County Fair	Colusa	Colusa	28,170	66,419	\$636,190
Contra Costa County Fair	Antioch	Contra Costa	64,185	46,650	\$999,611
Cow Palace	Daly City	San Francisco	82,762	732,580	\$7,222,725
Del Norte County Fair	Crescent City	Del Norte	26,500	17,430	\$436,771
Desert Empire Fair	Ridgecrest	Kern	24,418	49,723	\$414,180
Dixon May Fair	Dixon	Solano	35,227	44,000	\$1,111,046
Eastern Sierra Tri-County Fair	Bishop	Inyo	32,534	101,450	\$626,802

**Network of California Fairs, continued**

Fair	City	County	Fair Attendance	Interim Event Attendance	Total Operating Expenditures <sup>1</sup>
El Dorado County Fair	Placerville	El Dorado	61,000	76,728	\$949,495
Farmers Fair and Festival	Perris	Riverside	141,162	336,620	\$3,051,650
Glenn County Fair	Orland	Glenn	34,000	71,375	\$366,812
Gold Country Fair	Auburn	Placer	50,333	284,400	\$785,843
Humboldt County Fair	Ferndale	Humboldt	70,000	120,000	\$1,107,136
Inter-Mountain Fair of Shasta County	McArthur	Shasta	33,385	5,200	\$462,172
Kern County Fair	Bakersfield	Kern	415,374	524,149	\$5,086,647
Kings County Fair	Hanford	Kings	22,577	194,850	\$628,035
Lake County Fair	Lakeport	Lake	38,529	99,267	\$611,775
Lassen County Fair	Susanville	Lassen	45,022	26,552	\$466,066
Lodi Grape Festival and Harvest Fair	Lodi	San Joaquin	90,773	173,850	\$839,064
Los Angeles County Fair	Pomona	Los Angeles	1,288,056	1,988,924	\$46,845,852
Madera District Fair	Madera	Madera	47,387	150,895	\$865,438
Marin County Fair and Exposition	San Rafael	Marin	108,000	400,000	\$1,468,344
Mariposa County Fair and Homecoming	Mariposa	Mariposa	30,000	250,908	\$567,232
Mendocino County Fair and Apple Show	Boonville	Mendocino	10,814	13,100	\$360,859
Merced County Fair	Merced	Merced	105,241	337,013	\$1,483,225
Merced County Spring Fair	Los Banos	Merced	30,587	76,400	\$774,186
Modoc – The Last Frontier Fair	Cedarville	Modoc	7,500	7,750	\$278,798
Monterey County Fair <sup>2</sup>	Monterey	Monterey	46,753	196,090	\$1,518,829
Mother Lode Fair	Sonora	Tuolumne	23,551	149,494	\$580,395
Napa County Fair <sup>2</sup>	Calistoga	Napa	31,749	59,000	\$1,319,986
Napa Town and Country Fair	Napa	Napa	59,387	87,400	\$1,157,006
National Orange Show	San Bernardino	San Bernardino	147,715	518,890	\$6,774,024
Nevada County Fair	Grass Valley	Nevada	106,000	167,000	\$1,750,393
Orange County Fair	Costa Mesa	Orange	898,197	2,794,000	\$14,560,970
Placer County Fair	Roseville	Placer	30,344	173,241	\$1,303,778
Plumas-Sierra County Fair	Quincy	Plumas	28,017	31,456	\$250,578
Redwood Acres Fair	Eureka	Humboldt	35,025	104,111	\$646,586
Redwood Empire Fair	Ukiah	Mendocino	24,992	121,641	\$728,300
Riverside County Fair and National Date Festival	Indio	Riverside	264,829	46,500	\$2,941,450
Sacramento County Fair	Sacramento	Sacramento	70,154	—	\$323,195

**Network of California Fairs, continued**

Fair	City	County	Fair Attendance	Interim Event Attendance	Total Operating Expenditures <sup>1</sup>
Salinas Valley Fair	King City	Monterey	31,844	97,500	\$927,390
San Benito County Fair	Tres Pinos	San Benito	22,180	28,300	\$555,604
San Benito County					
Saddle Horse Show	Tres Pinos	San Benito	7,386	9,000	\$131,046
San Bernardino County Fair	Victorville	San Bernardino	137,408	260,522	\$2,314,402
San Diego County Fair	Del Mar	San Diego	1,169,386	1,477,421	\$40,552,343
San Fernando Valley Fair	Burbank	Los Angeles	22,150	—	\$278,786
San Joaquin County Fair	Stockton	San Joaquin	197,170	499,665	\$4,239,826
San Mateo County					
Exposition and Fair	San Mateo	San Mateo	142,997	363,534	\$4,338,417
Santa Barbara Fair and Exposition	Santa Barbara	Santa Barbara	26,557	131,317	\$2,399,095
Santa Clara County Fair	San Jose	Santa Clara	106,496	81,000	\$7,190,851
Santa Cruz County Fair	Watsonville	Santa Cruz	79,703	133,347	\$1,151,446
Santa Maria Fair Park	Santa Maria	Santa Barbara	115,001	88,763	\$1,632,749
School's Involvement Fair	Walnut	Los Angeles	6,000	—	\$240,698
Shasta District Fair	Anderson	Shasta	105,003	132,039	\$1,054,710
Silver Dollar Fair	Chico	Butte	65,220	140,850	\$1,156,997
Siskiyou Golden Fair	Yreka	Siskiyou	55,279	30,228	\$695,424
Solano County Fair	Vallejo	Solano	114,636	270,340	\$5,186,980
Sonoma County Fair					
and Exposition	Santa Rosa	Sonoma	330,244	439,500	\$8,019,059
Sonoma-Marin Fair	Petaluma	Sonoma	67,101	627,191	\$1,246,373
Stanislaus County Fair	Turlock	Stanislaus	226,509	173,184	\$2,699,542
Tehama District Fair	Red Bluff	Tehama	16,059	135,700	\$673,735
Trinity County Fair	Hayfork	Trinity	11,027	15,975	\$348,792
Tulare County Fair	Tulare	Tulare	73,142	143,450	\$1,882,230
Tulelake-Butte Valley Fair	Tulelake	Siskiyou	60,000	30,150	\$373,630
Ventura County Fair	Ventura	Ventura	292,394	429,021	\$5,910,949
Yolo County Fair	Woodland	Yolo	140,000	67,392	\$807,828
Yuba-Sutter Fair	Yuba City	Sutter	61,340	179,050	\$780,083
<b>Statewide Totals</b>	<b>—</b>	<b>—</b>	<b>11,127,740</b>	<b>21,973,519</b>	<b>\$271,554,109</b>

<sup>1</sup> Dollar figures are from 2001 and represent year-round operating expenditures by fair organizations.

<sup>2</sup> When 2002 attendance was not available, figures reported are from the fair's 2001 Statement of Operations.



# Appendix B: Methodology

KPMG LLP has estimated the economic impacts of the network of California fairs on the state economy through application of well-established economic principles and methods. These estimates are based on a substantial data collection process combining fair financial information along with surveys and interviews of fair participants. This section explains the concepts, data sources, data limitations, and methods and assumptions used in arriving at the economic impact estimates.

## Concepts

This report provides results for four measures of economic activity: spending, jobs, income and tax revenues. The four measures are separate indicators and should not be added together. Income, for example, is generally included in total spending as a payment of wages. These measures are outlined below.

- ▶ **Spending** represents total dollar value of sales transactions.
- ▶ **Jobs** are measured by full-time equivalent (FTE) counts. For purposes of this report, one FTE is equal to 2000 person-hours of employment for one year.

- ▶ **Income** is personal income earned by workers and includes benefits, where applicable.
- ▶ **Tax revenues** are the total dollar value of various state and local taxes resulting from economic activity generated by fair organizations.

Economic impacts begin with direct spending and hiring by participants in the fair industry. Fair organizations employ and pay wages and salaries to staff, pay suppliers and service providers, and spend on capital improvements. Attendees purchase admissions, parking, food and beverages, souvenirs, carnival rides and games, and a myriad of goods and services. Fair-related businesses have their own employees, and pay for goods for resale, permits, insurance, services, supplies and facilities. Many of these purchases have tax payments associated with them. This spending by all participants directly increases employment, income and tax revenues in California.

Economic impacts do not end with direct spending. The network of businesses from which all of these purchases are made is but the front end of a long supply chain interweaving thousands of other businesses into

the fair economy. They, in turn, pay employees and purchase materials and services from their own suppliers, who in turn make more purchases. Employees of the various businesses also generate additional impacts as they use their income for household spending, launching another chain of additional effects.

Economic impact analysis is the study and estimation of the combined effects of direct spending throughout the economy. As suggested by the discussion above, economic impact analysis separates impacts into three categories: direct, indirect and induced. These categories are defined below.

**Economic Impact Definitions**

- ▶ **Direct:** Spending of attendees, fair organizations and fair-related businesses.
- ▶ **Indirect:** Second and later rounds of business spending that occur throughout the supply chain.
- ▶ **Induced:** Personal consumption expenditures by employees of fair organizations and suppliers.
- ▶ **Total Impacts:** Sum of direct, indirect and induced impacts.

**Data Sources**

**Fair Organizations**

This analysis relied on the Statement of Operations (STOP) and proposed annual budgets submitted by fair organizations to the Division of Fairs and Expositions for purchases of capital

and non-capital goods and services, payments of wages, salaries and benefits, and number of employees hired. The STOP report and proposed budgets contain detailed data for various expenditure categories, including administration, maintenance, capital expenditures, and interim entertainment expenses.

Additional information was obtained from two management surveys. These surveys gathered data that were not available on the STOP and proposed budgets, such as actual 2002 operating results, including fairtime attendance, food and beverage gross sales, carnival ride gross sales, deviations from 2002 budgets, 2002 employee headcounts, 2002 fair contract logs, and information on attendance at interim events as well as nonprofit and charitable activities. (Survey instruments are available upon request to the Division of Fairs and Expositions.)

Businesses that operate on California’s fairgrounds (other than fair-related businesses discussed on page 55) whose operations were not denoted on STOP reports are beyond the scope of this study. The resulting economic impacts of these businesses are not quantified in this report. Examples are 501(C)(3) nonprofit organizations that are closely aligned with a fair organization and businesses that lease space on the fairground yet operate independently of the fair organization.

**Attendees**

Estimates of direct attendee spending were based on financial reports provided by the fair



organizations, a survey of fairgoers and surveys of fair managers. The analysis relied on financial reports and fair manager surveys to measure attendee spending on admissions, parking, food and beverage concessions, carnival rides and auction purchases.

The survey process was designed to produce a statistically valid sample of fairgoers, who were randomly selected as they attended and exited the fairs.<sup>10</sup> Estimates of direct spending by attendees are based on actual data collected by the fairs such as admission charges, parking, livestock auction, gross carnival rides, and food and beverage sales. For other spending items, such as purchases of souvenirs and merchandise and off-site spending on meals, lodging, and exhibit preparation, the estimates rely on the attendee survey.

### ***Fair-Related Businesses***

KPMG gathered data on direct expenditures of fair-related businesses from a detailed survey. Expenditure and employment data were collected from the three largest carnival companies, and from numerous food and beverage concessionaires, commercial exhibitors and entertainment businesses.

KPMG developed the survey instrument in consultation with members of the Western Fairs Association. The survey captured expenditure data for more than 30 detailed expenditure types. The expenditure types were those most relevant. From this data, KPMG compiled vectors that showed the ratio of spending in

each category to gross revenue. These vectors were calibrated to the total actual gross revenues for each type of business at each fair.

KPMG conducted numerous interviews with various fair-related businesses to collect data and gain an in-depth understanding of their operations. These interviews provided information used to estimate the percentages of expenditures originating in the local economies, number of local employees hired, and overall cost structures. As reported by the fairs, estimates of spending by fair-related businesses are tied to total gross sales estimates. In the case of commercial exhibitors, the estimate of total gross sales relies on attendee survey data. The detailed breakout of the type of expenditures, and whether purchases are from vendors that are in-state, out-of-state, or local, relies on results of the survey of fair-related businesses.

### **Data Limitations**

Two analytical limitations were recognized from the start. Monies raised by nonprofit organizations from activities held at the annual fair or interim events were captured for the statewide report; however, just how those nonprofit organizations spend this money was not investigated. Also noteworthy is the fact that not all monies associated with horse racing and satellite wagering were captured. Had these two special characteristics of the fair industry been within the scope of the study, the overall impact on the state would be much greater.

Authors of this report recognize that even with the conservative approach employed by this study, the audience and organizational surveys revealed a wealth of reliable data that showed the fair industry to be incredibly robust. The findings of this study clearly demonstrate that the network of California fairs is an economic asset that any state would welcome.

### **Nonprofit Fundraising**

Many nonprofit organizations raise the majority of their funds from annual activities held at fairs and interim events. These monies are spent within the local community for everything from band uniforms to wheelchairs. However, a fully quantified analysis of where they spend this money was not feasible within this report. To overcome this limitation, case studies were added so that this important aspect of community life could be illuminated to some degree. These case studies looked at three fairs: *Stanislaus County Fair*, page 27; *Tulelake-Butte Valley Fair*, page 45; and *Alameda County Fair*, page 46.

### **Horse Racing and Satellite Wagering**

For this study, only those portions of horse racing and satellite wagering revenues that could be traced through fair organizations' budgets were quantified. The portion of revenues not returned either to the state or fair organizations was beyond the scope of this study.

Economic impacts associated with horse racing are generated from a portion of horse racing revenue referred to as the takeout. The takeout is a percentage of the total amount wagered on horse racing (handle) that is not returned to winning ticket holders.<sup>12</sup> The takeout is set by law in California and is between 15.43 and 24.18 percent of the handle, depending on the type of wager and racemeet.<sup>13</sup> The takeout is comprised of license fees to the state, purses, track commissions, satellite expenses, other states' takeout and other mandated distributions. Other mandated distributions include, but are not limited to, breeders' and owners' awards and university equine research.

The portion of the takeout that goes to the state in the form of license fees is captured in the economic impact section of this report, *Economic Impacts: At the Assayer's Office*.

The portion of the takeout returned to fair organizations that appear in the STOP reports is also captured. This money creates net new economic impact through track and satellite wagering maintenance operations, hiring of labor, and food and beverage sales.

Money distributed to winning ticket holders, between 75.82 and 84.57 percent of the handle, is not captured in the impact estimates, as this is a pure transfer from one individual (wagerer) to another.

### **Methods and Assumptions**

These economic impacts are estimated by first measuring the direct spending of fair and

interim event attendees, fair organizations and fair-related businesses. Then, the ripple-effect spending of state and local suppliers is measured as the direct spending moves down the supply chain. Direct and ripple-effect spending are then combined to arrive at the total economic impact estimate. A similar approach is followed for income and employment impacts.

Beginning with data collected on direct spending of fair participants, KPMG performed an extensive economic analysis to estimate the resulting indirect and induced impacts on California’s economy. KPMG then constructed overall estimates of total economic impact as measured by spending, income, jobs and taxes. To perform this analysis, KPMG developed detailed estimates of the multipliers applicable to each category of spending. These multipliers were applied to the direct spending estimates, with adjustments for assumptions regarding leakages and substitution effects.

### **Multipliers**

In order to estimate indirect and induced impacts based on direct spending, KPMG employed the IMPLAN model, a widely used and accepted Input-Output modeling and database system. Input-Output modeling captures the complex interrelationships among industries in the economy, showing the inputs each industry requires from all other industries to produce a dollar of output. The IMPLAN model contains detailed estimates of these effects for 528

industry sectors at local geographic levels, and therefore can be used to estimate effects on businesses within California.

To perform the impact calculations, KPMG assigned the various direct expenditures — as estimated for the economic participants — to their appropriate economic sectors. KPMG subsequently used IMPLAN to calculate all indirect and induced impacts.

Fairs and fair-related businesses are unique entities. That is, fairs are not like other entertainment enterprises, and fair-related businesses are not like brick-and-mortar retail shops or restaurants. Their cost structures are entirely different. Therefore, rather than simply apply gross revenues for those businesses to an existing economic sector in the IMPLAN model, KPMG created a new industry or sector based on actual patterns of spending for fairs and related businesses.

For example, commercial exhibitors indicated on the survey that they spend significant amounts on hotels and motels as they work the fair circuit (about 4 percent of gross revenue). Rather than apply gross attendee spending on commercial exhibitors to the IMPLAN multipliers for the miscellaneous retail sector, KPMG developed a unique vector of spending by commercial exhibitors and applied each individual spending category to an appropriate IMPLAN sector.

KPMG applied the same method for participants’ purchases of goods and services, such as



business services from contractors, materials and supplies from retailers, insurance from insurance companies, telecommunications from phone service providers, inventory for resale from wholesalers, meals from restaurants, and all other categories of expenses reported by fairs and fair-related businesses.

For wages and salaries paid to employees, KPMG applied amounts to the IMPLAN household sector multipliers, which produced estimates of induced impacts from employees using their incomes for personal consumption expenditures.

In the case of fair organizations, the process was simpler because KPMG did not have to create the vectors of spending from survey data. Fairs provided data from their STOPS that showed the amounts purchased in each spending category reported.

Generally, the assignment of expenditure type to an IMPLAN sector was relatively straight forward (IMPLAN sectors are precisely defined by Standard Industry Classification codes). There were, though, some cases where KPMG had to apply its best judgment. For example, the fairs usually reported capital expenditures along with a description of the project. Likewise, for equipment purchases, the reports were often quite specific; however, sometimes the reported amounts were not accompanied by a description. In those instances, KPMG selected a general category, such as Service Industry Machinery.

This modeling effort created unique new industry sectors for fair organizations and the four different types of fair-related businesses to produce more accurate estimates of the indirect and induced effects. Using IMPLAN multipliers, the impacts were estimated for the amount of indirect and induced spending, number of jobs and personal income generated.

Indirect and induced tax impacts for sales and income taxes were estimated by KPMG based on the overall average effective tax rates for the state relative to personal income.

### *Leakages*

This report estimates economic impacts of the network of fairs on the California economy; however, ripple effects of this economic activity reach outside the state. For example, a fair attendee might pay to play a carnival game, winning a toy made in China. The attendee's purchase creates income for the California-based carnival operator and helps sustain the carnival's employment of California residents. The carnival in turn may buy prize toys from a California distributor, creating more California income and jobs. However, the distributor's purchase of toys from a manufacturer in China represents a leakage outside the state's economy.

Similarly, any direct purchase by the fair or fair-related business of a good or service from a supplier located outside of California will benefit the outside economy, but not necessarily California. Therefore, direct purchases made outside the state also represent a leakage.

KPMG’s application of the IMPLAN model automatically deducts these leakages from the estimated impacts. Only the amount of direct purchases from in-state suppliers are counted toward the impacts, and leakages from indirect and induced spending further down the supply chain are accounted.<sup>14</sup> Although these are leakages, they represent benefits to other locations. Total impacts of the California fair industry on the national and global economies are larger than those reported here.

### ***Substitution Effects***

Only new expenditures create economic impact. If all fair-related expenditures by economic participants merely substitute for other spending, the net economic impacts would be minimal. If the expenditures are created by the existence of fairs, the economic impacts are much larger. The extent of substitution effects is an important issue in economic impact analysis.

Substitution is a particularly important issue for attendee spending. While economists generally agree that local attendee spending should be discounted for substitution effects, they do not agree on how much. The local nature of the spending is an important factor in this determination. A fair could cause a purchase being made within a local economy that would have been made elsewhere without the fair. In that case, the fair created a local economic impact.

For the economic impact estimates in this report, KPMG counted all attendee expenditures

in total direct impacts. However, such expenditures are omitted from estimates of indirect and induced impacts. This is appropriate because indirect effects from that spending are already captured through direct spending of the fair organizations and fair-related businesses. The exception is off-site spending by attendees. Off-site spending was applied to the corresponding IMPLAN multipliers to calculate separate indirect and induced impacts, because these were not captured elsewhere.

Off-site attendee spending includes purchases at retail establishments, hotels and motels, restaurants directly before or after the event and retail spending on costumes or exhibit preparation related to participation. It was not necessary to survey or model those off-site businesses separately, because the IMPLAN model and corresponding multipliers already modeled those businesses adequately.

KPMG’s treatment of substitution for interim events depended on the nature of the event. Events that were regional or national in scope, attracting vendors and attendees from outside the local area, were treated similarly to the fairs themselves. For those events, spending by fair organizations, attendees and fair-related businesses were treated as new spending for purposes of impact estimation, again with no separate indirect and induced impacts calculated from on-site attendee spending.

Spending at events that were local in nature — private parties, dinners, weddings and flea markets — was treated as substitution spending that would have occurred elsewhere in the area, and thus excluded from the impact results.

### ***Tax Impacts***

Economic activity — direct, indirect and induced — stimulated by the network of California fairs creates tax revenues for the state and local jurisdictions. State and local sales tax is collected on attendee purchases of concession items and other merchandise as well as purchases by fair organizations. Certain local operating expenses of fair-related businesses such as gasoline, supplies and restaurant meals are also subject to sales taxes.

California's sales tax rate is 6 percent, and governments in each county levy an additional 1.25 percent to 2.25 percent in local taxes. KPMG estimated revenues from sales taxes by applying the statutory rates, both state and local, to estimated purchases in each taxable category.

Indirect and induced impacts also generate sales tax revenue. KPMG estimated an indirect and induced component of sales tax revenue as estimated personal income impacts generated by the network of fairs times an effective sales tax rate. That effective sales tax rate is defined as total sales tax collections in the state divided by total state personal income.

The fair economy also generates transitory occupancy taxes, possessory interest taxes, and miscellaneous business license fees and permit costs. The local transitory occupancy tax (hotel/motel room tax) varies from 5 percent to 12 percent and is collected on room rentals. KPMG estimated the transitory occupancy tax revenue by applying the local statutory rate to estimated direct spending on lodging by attendees and fair-related businesses.

The possessory interest tax is effectively a property tax for the right to use or possess land without ownership. Counties may apply this tax to mobile businesses operating on rented space, although implementation varies widely. The tax is generally calculated based on rent paid to the fair less certain facilities costs. For purposes of this report, KPMG estimated possessory interest taxes based on information from the fairs and fair-related businesses. KPMG estimated other business license fees and permit costs paid to counties directly from the fair-related business survey.

Personal income created by the fair industry generates about \$25 million in California personal income tax revenues. KPMG estimated these revenues by multiplying the California average effective tax rate of 3.3 percent times total personal income generated by the network of California fairs. Because the rate is applied to indirect and induced income as well as direct income, the tax estimates include those generated from indirect and induced spending.

## End Notes

<sup>1</sup> The California Department of Food and Agriculture released a formal request for proposal (RFP) in September 2001 to perform an economic and social impact study of the network of California fairs. This contract opportunity was advertised in the California State Contracts Register. Seven bidders submitted proposals, each of which were evaluated by criteria published in the RFP. The contract was awarded to KPMG LLP in December 2001.

<sup>2</sup> This report was prepared by KPMG for the exclusive benefit of the California Department of Food and Agriculture (CDFA), Division of Fairs and Expositions (F&E) and is subject to limitations described herein. KPMG relied upon data and other information provided by F&E and other sources. This information establishes the basis for portions of this analysis; however, it has not been independently verified by KPMG. Accordingly, KPMG expresses no opinion and gives no warranty as to the accuracy of such information. This report is intended to be read in its entirety, including the associated description of the IMPLAN model and appendices.

<sup>3</sup> California Department of Finance, Demographic Research Unit.

<sup>4</sup> Ibid.

<sup>5</sup> U.S. Bureau of Census, *1997 Economic Census: Comparative Statistics for California*.

<sup>6</sup> The term “ripple effects,” as used throughout this report, refers to direct spending of fair industry participants along with estimated additional indirect and induced spending using the economic impact model. Indirect impacts are those second and later rounds of business spending that occur throughout

the supply chain. Induced impacts are a result of personal consumption expenditures by employees of fair organizations and suppliers. Total impacts are the sum of direct, indirect and induced impacts.

<sup>7</sup> Division of Fairs and Expositions, *Statement of Premiums Paid, 2001*. Sixty-seven of 78 fairs reported premiums. For fairs that did not report premiums paid in 2001, an estimate was used based on a fair of similar attendance.

<sup>8</sup> Additional details relating to total economic impacts of fair-related businesses are presented under *At the Assayer’s Office: The Economic Impacts*. Methodology behind these results is presented under *Appendix B: Methodology*.

<sup>9</sup> California Department of Finance, Demographic Research Unit.

<sup>10</sup> Ibid.

<sup>11</sup> SDV-SCC, Inc. administered the survey prepared by KPMG.

<sup>12</sup> The handle is the total amount wagered on horse racing in California.

<sup>13</sup> California Horse Racing Board, *Thirty-Second Annual Report of the California Horse Racing Board: A Summary of Fiscal Year 2001 – 2002 Racing in California*.

<sup>14</sup> The fair-related business survey asked for the in-state and local portions separately for each expenditure category.

# Map of California Fairs





**GOVERNOR**

Gray Davis

**CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE**

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 Tony Leo, Stanislaus County Fair  
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**CALIFORNIA FAIRS**

*Listed According to District Agricultural Association or County Fair:*

**Grand National Rodeo, Horse and Stock Show, 1-A DAA,**  
 Michael Wegher, CEO  
**San Joaquin County Fair, 2nd DAA,** Forrest White, CEO  
**Silver Dollar Fair, 3rd DAA,** Tom DiGrazia, CEO  
**Sonoma-Marin Fair, 4th DAA,** Tawny Tesconi, CEO  
**Monterey County Fair, 7th DAA,** Michele Wakeham, CEO  
**Redwood Acres Fair, 9th DAA,** Larry Ford, Jr., CEO  
**Siskiyou Golden Fair, 10th DAA,** Rebecca Weathers, CEO  
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**Kern County Fair, 15th DAA,** Michael Treacy, CEO  
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**Eastern Sierra Tri-County Fair, 18th DAA,** Jim Tatum, CEO  
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**Contra Costa County Fair, 23rd DAA,**  
 Christopher Baldwin, CEO  
**Tulare County Fair, 24th DAA,** Candace Patterson, CEO  
**Kings Fair, 24-A DAA,** Beverley Baker, CEO  
**Napa Town and Country Fair, 25th DAA,**  
 Joe Anderson, CEO  
**Amador County Fair, 26th DAA,** Ralph Clark, CEO  
**Shasta District Fair, 27th DAA,** Trish Sciarani, CEO  
**San Bernardino County Fair, 28th DAA,** Selma Harris, CEO  
**Mother Lode Fair, 29th DAA,** Jan Haydn-Myer, CEO  
**Tehama District Fair, 30th DAA,** Mark Eidman, CEO  
**Ventura County Fair, 31st DAA,** Ed Barlow, CEO  
**Orange County Fair, 32nd DAA,** Becky Bailey-Findley, CEO  
**San Benito County Fair, 33rd DAA,** Kelley Ferreira, CEO  
**The Last Frontier Fair, 34th DAA,** Traci Green, CEO  
**Merced County Fair, 35th DAA,** Cheryl Davidson, CEO  
**Mariposa County Fair and Homecoming, 35-A DAA,**  
 Linda Sinclair, CEO  
**Dixon May Fair, 36th DAA,** Michael Green, CEO  
**Santa Maria Fairpark, Home of the Santa Barbara County Fair, 37th DAA,** Dennis Pearson, CEO  
**Stanislaus County Fair, 38th DAA,** Anthony Leo, CEO  
**Calaveras Co. Fair and Jumping Frog Jubilee, 39th DAA,**  
 Warren King, CEO  
**Yolo County Fair, 40th DAA,** Lonny Wunder, CEO  
**Del Norte County Fair, 41st DAA,** Randy Hatfield, CEO  
**Glenn County Fair, 42nd DAA,** Lowell Walgenbach, CEO

**Colusa County Fair, 44th DAA**, Gregory Hegwer, CEO  
**California Mid-Winter Fair and Fiesta, 45th DAA**, Bill Blair, CEO  
**Farmers Fair and Festival, 46th DAA**, Lyndal Graff, CEO  
**Schools Involvement Fair, 48th DAA**, Joan Smith, CEO  
**Lake County Fair, 49th DAA**, Rich Persons, CEO  
**Antelope Valley Fair, 50th DAA**, Daniel Jacobs, CEO  
**San Fernando Valley Fair, 51st DAA**, Randy Jaqua, CEO  
**Sacramento County Fair, 52nd DAA**, Steve Weaver, CEO  
**Desert Empire Fair, 53rd DAA**, Mike Thomas, CEO  
**Colorado River Fair, 54th DAA**, Kenneth Kalian, CEO  
**Alameda County Fair**, Rick Pickering, CEO  
**Butte County Fair**, Patricia Conklin, CEO  
**California Exposition and State Fair**, Norb Bartosik, CEO  
**Chowchilla-Madera County Fair, Madera County Fair**, Jim Shasky, CEO  
**Cloverdale Citrus Fair**, Bonnie Wlodarczyk, CEO  
**El Dorado County Fair**, Jody Gray, CEO  
**Humboldt County Fair**, Stuart Titus, CEO  
**Inter-Mountain Fair of Shasta County**, Dennis Hoffman, CEO  
**Lassen County Fair**, Claud Neely, CEO  
**Lodi Grape Festival and Harvest Fair**, Mark Armstrong, CEO  
**Los Angeles County Fair**, Jim Henwood, CEO  
**Marin County Fair and Exposition**, Jim Farley, CEO  
**Mendocino County Fair and Apple Show**, David Gowan, CEO  
**Merced County Spring Fair**, Ron Brandt, CEO  
**Napa County Fair**, Mike Kenney, CEO  
**National Orange Show**, Bradley Randall, CEO  
**Placer County Fair**, Bill Dale, CEO  
**Plumas-Sierra County Fair**, David Cline, CEO  
**Riverside County Fair and National Date Festival**, Belinda Graham, CEO  
**Salinas Valley Fair**, Paul Slocum, CEO  
**San Benito Saddle Horse Show, Rodeo and Fair**, Kelley Ferreira, CEO  
**San Mateo County Exposition and Fair**, John Root, CEO  
**Santa Clara County Fair**, Arthur Troyer, CEO  
**Solano County Fair**, Kim Myrman, CEO  
**Sonoma County Fair and Exposition**, James Moore, CEO  
**Trinity County Fair**, Jerry Fulton, CEO

**About KPMG LLP**

This study was conducted by a team assembled by KPMG’s Economic Consulting Services practice. KPMG’s Economic Consulting Services helps organizations address complex problems by providing quantitative modeling and analysis solutions. Applications include market analysis, regulatory compliance and operations improvement. The staff has extensive experience in using statistical techniques, sampling, survey design, evaluation research, and business improvement analysis.

**About the Division of Fairs and Expositions**

The Division of Fairs and Expositions supports the network of California fairs by providing oversight through the application of law, development and review of policies and procedures, and sound fiscal management.

Fairs and Expositions’ oversight responsibilities include:

- ▶ Distributing state resources to local fairs for base allocations, general fair programs and funding, health and safety repairs, infrastructure improvements, training and education, and wagering facility improvements.
- ▶ Creating a framework for administration of the network of California fairs, allowing for a proper balance of local decision-making authority with state oversight.
- ▶ Supporting continuous improvement of programs to ensure that California’s fairs remain highly relevant community institutions.
- ▶ Ensuring that annual fiscal audits and biennial compliance audits are performed.

**About the Secretary’s Advisory Committee on Fairs**

The Secretary’s Advisory Committee on Fairs advises Secretary Lyons on issues related to the network of California fairs, the fair industry and related public topics. The committee serves under jurisdiction of the California Department of Food and Agriculture, members are appointed by Secretary Lyons, they meet approximately three times per year, and the committee may consist of up to 25 members.

The following non-paid members are selected to provide a cross-representation of California fairs, industry members and the public (list as of April 2003):

Norbert Bartosik, CEO, California State Fair  
 Tom DiGrazia, CEO, Silver Dollar Fair (3rd DAA)  
 Tim Fennell, CEO, San Diego County Fair (22nd DAA)  
 Tony Fiori, Service Member, Ray Cammack Shows  
 Mona Foster, Public Member  
 Jim Henwood, CEO, Los Angeles County Fair  
 Dan Jacobs, CEO, Antelope Valley Fair (50th DAA)  
 Dr. Bert Johnsen, Public Member  
 Anthony Leo, CEO, Stanislaus County Fair (38th DAA)  
 Bradley Randall, CEO, National Orange Show  
 Celeste Settrini, Public Member  
 Billie Sherwood, Board Member, Alameda County Fair  
 Ruben Smith, Board Member, Orange County Fair (32nd DAA)  
 Leonard Stefanelli, Board Member, Grand National Rodeo and Horse Show (1-A DAA)  
 Tawny Tesconi, CEO, Sonoma-Marin County Fair (4th DAA)  
 Ciro Toma, Board Member, Amador County Fair (26th DAA)  
 Lori Vartanian, Service Member, Lori’s Concessions  
 Steve Weaver, CEO, Sacramento County Fair (52nd DAA)

**California Department of Food and Agriculture**

***Division of Fairs and Expositions***

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