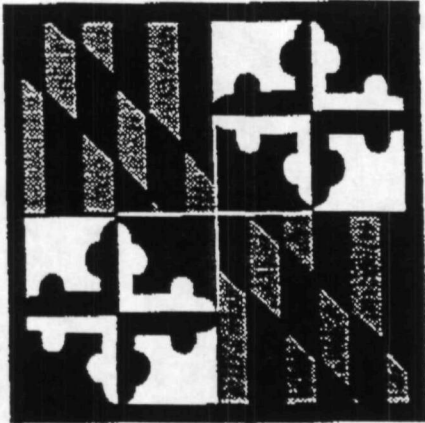


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The Economic and Fiscal Impacts of the Proposed Essex International Speedway in Maryland



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The Economic and Fiscal Impact of the Proposed Essex International Speedway in Maryland

This study estimates the economic and fiscal impacts associated with the annual operations of a proposed speedway in Baltimore County, Maryland. The proposed international speedway as analyzed will include a business complex, driving schools, a motorsports club, a motorsports café, facility leases, and the promotion of thirty motorsports events per year.

Ten of the annual motorsports events will feature national touring series, such as NASCAR's Busch Grand Nationals and Pickups, IRL Indycars, and AMA Motorcycles. The other twenty events will be conducted under a NASCAR sanction, as Winston Racing Series events, and will feature four different divisions, with Late Model Stocks serving as the top division.

The prime season for Essex International Speedway will span a 32 week period, beginning in mid March and extending through mid November. In addition to the motorsports events, the Speedway plans to host various weekly events, over 100 days of mid-week testing and practice sessions, 12 major weekend leases, and 32 driving school sessions for defensive driving, high performance driving, racing, and advanced racing.

This study uses estimated fan attendance at various racing and non-racing events along with the projections for the Speedway's annual operating expenditures to estimate the economic and fiscal impacts of such a facility on the state economy. The direct, indirect and induced impacts from the resultant increased economic activities will create new jobs, payrolls, and tax revenues for Maryland economy.

This economic impact study was conducted at the request of the Task Force on NASCAR Motor Sports, which was created by HJR 11 which was passed by the 1996 Maryland General Assembly and signed by Governor Glendening. The Governor formally appointed Task Force members on July 22, 1996. A roster of Task Force members is included within this report.

The Task Force met a total of three times: August 5, 1996, September 16, 1996 and October 28, 1996. The Task Force was divided into subcommittees one of which determined the physical composition of the hypothetical NASCAR facility (meeting date: September 12, 1996), and the other having the task to evaluate the economic impact of

the operations of that facility (meeting date: October 11, 1996). The Task Force agreed to use the proposed NASCAR facility and the business plan related to that facility as developed by the Middle River Racing Associates, Inc. (MRRA). The Task Force determined that only those activities specifically having to do with motorsports racing would be included. No secondary activities such as other entertainment projects would be included.

The economic and fiscal impacts in this report relate to the annual operations of the Speedway and all associated off-site fan spending. We do not at this time consider the positive effects from the construction phase on the economy. It should be noted, however, that MRRA projects the total cost of Phase I of this project to cost between \$80 and \$100M. Phase I of the project does include:

- 60 ft. wide track configured to produce the most competitive track
- Skyboxes
- Lighting for day and night use
- VIP seats to accommodate 5,000
- Speedway lounge
- 500-site RV resort
- 6-Floor Office building
- Gift Shop
- Garage Area for cars to race in price for trial runs, etc.

The economic impact estimates are based on an up-to-date, detailed input-output model for the state of Maryland. The annual attendance and detailed operating expenditures data are derived from a comprehensive business plan developed by the MRRA, as well as data collected the Goodyear Tire and Rubber Company.

The fiscal impact represents annual state retail sales tax and personal income tax receipts from the expenditures generated at all levels -- direct and secondary -- by the events held at the proposed Speedway. The fiscal impact also includes county receipts from personal income surtax, hotel occupancy tax, and admission taxes. We do not include estimates of business taxes, because these economic transactions occur across a great number of industries. Business tax liabilities vary significantly among industries and among firms within an industry. While we can use some weighted average personal income tax liabilities among households, we cannot use some "average" effective business

tax rates for business enterprises. We also do not estimate the tax impact from motor fuel, or gasoline consumption.

State retail sales tax receipts include tax revenues from direct expenditures generated by the events held at the Speedway. These expenditures include monies spent on lodging, food and beverages, transportation, and all other event-related expenses by fans, racing crew, and officials. In addition, state retail sales tax receipts comprise tax revenues generated by the employees of the Speedway, and the employees of all other supporting businesses spending their disposable incomes on taxable purchases in Maryland. The admissions and hotel occupancy tax receipts are based on the local rates of 10 percent and 8 percent as levied by the Baltimore County respectively.

The economic impact of the Speedway is divided into two parts: 1) the impact related to the proposed facility's annual operating expenditures, and 2) the impact related to the off-site expenditures of the fans, drivers and crew, and officiating teams. The annual operating expenditures of the Speedway is largely financed by the on-site fan spending. As a result, inclusion of fan expenditures at the Speedway would result in the double counting of the economic impact. The economic and fiscal impact of the proposed Speedway are summarized below. It should be noted that certain members of the Task Force are of the opinion that certain assumptions made by the Office of Business and Economic Research of the Maryland Department of Business and Economic Development in analyzing the economic impact of this facility, are too conservative. First, the study was based on the assumption that 30% of all racing fans attending this facility would be utilizing overnight accommodations as opposed to being "daytrippers." This assumption is, however, consistent with an earlier motorsports study conducted by the Office of Business and Economic Research. Secondly, the report assumes a per day expenditure by race fans of \$80.00. This, too, is believed to be, by some task force members, too conservative a figure.

- The annual operations of the Speedway is projected to generate directly \$48.6 million in sales, \$12 million in employee income, and about 536 full-time equivalent jobs. These impacts do not include economic benefits resulting from off-site fan spending on lodging, food, transportation, and other travel-related incidentals. The total economic impact (sum of direct and all secondary economic benefits) from the operations of the Speedway amounts to an estimated \$122 million in sales, \$29.4 million in employee income and about 1,083 full-time equivalent jobs (Table 1).
- The spectator paid attendance at a race or an event is defined as "fan-days". Motorsports events include races on each of two or more days. The same person paying to attend both Saturday and Sunday is counted as two "fan-days". This study assumes that racing fans will spend about 600,000 days viewing major races from either the grandstand or the infield at the Speedway. In addition, about 73,440 fans are assumed to view the races from the club houses. We assumed that 30 percent of the general admissions fans to be overnighters and 70 percent to be daytrippers. In addition, we assumed that 10 percent of the overnighters will provide their own

shelter, while the remaining 90 percent stay at local hotels/motels within a reasonable distance. Finally, we assumed that 30 percent of the club house fans will overnight at local commercial accommodations (Table 2).

- We assumed that, on average, overnight fans spend about \$80 per day on transportation, lodging, food, etc. Fans who overnight at non-commercial accommodations (recreational vehicles, friends or relatives, etc.) are projected to spend \$43 a day. Finally, daytrip fans are assumed to spend about \$9 a day on off-site travel-related incidentals (Table 3). All fan expenditures inside the proposed Speedway is excluded from our analysis.
- The direct economic impact associated with off-site expenditures by fans, drivers and crew, and officials are estimated to be \$29 million in gross sales, \$13 million in employee income and about 602 full-time equivalent jobs. The total economic impact of these off-site expenditures will amount to a projected \$67 million of sales, \$27 million of employee income and about 1,134 full-time equivalent jobs (Table 4).
- The direct economic impact from annual operations and all off-site expenditures are estimated to be \$77 million in gross sales, \$25 million in employee income and about 1,138 full-time equivalent jobs. The total economic impact of the Speedway will amount to a projected \$189 million of sales, \$56 million of employee income and about 2,216 full-time equivalent jobs (Table 5).
- Overall, the proposed Essex International Speedway is projected to generate annually \$2.6 million in retail sales tax, \$2.2 million in state personal income tax, \$1.1 million in local personal income surtax, about \$1.7 million in admissions tax, and \$884,000 in hotel occupancy tax receipts. Therefore, the Speedway is projected to generate an estimated \$8.5 million in additional state and local tax revenues per year in 1996 dollars (Table 6).

Finally, Task Force member, Dr. Brian Parker, had serious concerns relative to the environmental impact of a NASCAR facility. Dr. Parker's written comments are included within this report as an addendum. In that the Task Force was not given the charge of assessing anything other than potential economic impact of this proposed facility, no action on Dr. Parker's comments were taken. These comments should be regarded as strictly those of Dr. Parker and not necessarily of any other member of the Task Force.

Table 1
Proposed Essex International Speedway
Economic Impact from Annual Operations in Maryland
(Millions of 1996 Dollars)

Expenditure Category	Direct Impact			Total Impact		
	Gross Sales	Employee Income	Employment	Gross Sales	Employee Income	Employment
Administrative Expenses	\$4.8	\$3.8	81	\$11.5	\$9.8	175
Skyboxes	3.0	0.0	0	7.7	0.0	0
Speedway Club	1.6	0.7	43	3.9	1.5	88
Motor Sports Café	3.2	1.3	86	7.9	2.9	177
Motor Sports Club	0.6	0.0	1	1.5	0.0	1
Speedway Express School	1.7	0.6	22	4.3	1.4	46
AMA Dirt Bike Oval	1.5	0.3	17	3.7	0.8	33
AMA National Motorcycle	1.4	0.3	16	3.5	0.7	32
ARCA & NASCAR Busch Grand	2.6	0.4	22	6.7	1.0	44
Formula USA	1.1	0.3	14	2.7	0.7	28
IRL Indycars & ASA Late Model Stock Cars	6.2	0.8	39	15.5	1.9	77
NASCAR Busch Grand National	5.0	0.7	34	12.5	1.6	67
NASCAR Truck & All-Pro Stocks	4.0	0.6	31	10.1	1.5	61
NTPA Monster Truck & Tractor Pull	1.1	0.3	14	2.7	0.6	27
SCCA Trans Am & ASA Late Model Stocks	2.7	0.4	22	6.9	1.0	44
USAC Midgets, Champ Cars & Super Modifiers	2.2	0.4	20	5.7	0.9	39
Regular Weekly Events	1.9	0.4	21	4.7	1.1	43
Special Weekly Events	2.6	0.5	26	6.5	1.2	51
Weekend Leases	0.9	0.2	18	2.6	0.5	33
Mid-Week Leases	0.5	0.1	10	1.4	0.3	18
Total	\$48.6	\$12.0	536	\$122.0	\$29.4	1,083

Sources: Middle River Associates, Inc., and DBED, Office of Business & Economic Research.

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Table 2
Essex International Speedway
Visitation Assumptions

Total Number of Fans (General Admissions)	599,250
Daytrips (70% of total admission)	419,475
Overnights: Own Shelter (3% of total: 10% x 30%)	17,978
Overnights: Lodging (27% of total: 90% of 30%)	161,798
Total Number of Fans (Club House)	73,440
Daytrips (70% of total)	51,408
Overnights: Lodging (30% of total)	22,032
Number of Drivers & Crew Nights	113,325
Number of Officials Nights	1,011

Source: Middle River Racing Associates, Inc.

Table 3
Proposed Essex International Speedway
Off-Track Average Daily Expenditures
1996 Dollars

	<u>General Admissions</u>			<u>Club House</u>	
	<u>Overnight Lodging</u>	<u>Overnight Own Shelter</u>	<u>Daytrip</u>	<u>Overnight Lodging</u>	<u>Daytrip</u>
Transportation Services	\$4.69	\$4.69	\$4.69	\$4.69	\$4.69
Wholesale Trade	1.92	1.92	1.92	1.92	1.92
Retail Trade	6.51	6.51	1.97	6.51	1.97
Hotels & Lodging Places	37.05	0.00	0.00	37.05	0.00
Misc. Business Services	7.31	7.31	0.00	7.31	0.00
Food & Beverages	22.50	22.50	0.00	22.50	0.00
Total	\$79.98	\$47.93	\$8.58	\$79.98	\$8.58

Source: DBED, Office of Business & Economic Research.

Table 4
Proposed Essex International Speedway
Economic Impact from Off-Site Expenditures
1996 Dollars

Expenditure Category	<u>Direct Impact</u>			<u>Total Impact</u>		
	Gross Sales (\$MM)	Employee Income (\$MM)	Employment Full-Time Equiv. Jobs	Gross Sales (\$MM)	Employee Income (\$MM)	Employment Full-Time Equiv. Jobs
Fans	\$19.51	\$8.57	404	\$45.38	\$18.12	764
Drivers & Crew	9.06	4.00	196	21.29	8.52	366
Officials	0.08	0.04	2	0.19	0.08	3
Total	\$28.66	\$12.60	602	\$66.86	\$26.72	1,134

Sources: Middle River Racing Associates, Inc., and DBED, Office of Business and Economic Research.

Table 5
Proposed Essex International Speedway
Economic Impact from Annual Operations and Off-Site Expenditures
1996 Dollars

Expenditure Category	<u>Direct Impact</u>			<u>Total Impact</u>		
	Gross Sales (\$MM)	Employee Income (\$MM)	Employment Full-Time Equiv. Jobs	Gross Sales (\$MM)	Employee Income (\$MM)	Employment Full-Time Equiv. Jobs
Annual Operations	548.63	512.04	536	5121.99	529.43	1,083
Off-Site Expenditures						
Fans	19.51	8.57	404	45.38	18.12	764
Drivers & Crew	9.06	4.00	196	21.29	8.52	366
Officials	0.08	0.04	2	0.19	0.08	3
Total	577.29	524.65	1,138	5188.85	556.16	2,216

Sources: Middle River Racing Associates, Inc., and DBED, Office of Business and Economic Research.

Table 6
Proposed Essex International Speedway
Fiscal Impact from Annual Operations and Off-Site Expenditures
1996 Dollars

Category	Selected State Taxes			Selected Local Taxes			Total of Selected Taxes (\$000)	Total of Selected State & Local Taxes (\$000)
	Retail Sales (\$000)	Personal Income (\$000)	Total of Select Taxes (\$000)	Personal Income (\$000)	Admissions (\$000)	Hotel Occupancy (\$000)		
Annual Operations	\$289	\$1,230	\$1,519	\$615	\$0	\$0	\$615	\$2,134
Other Expenditures:								
Fans	1,732	667	2,399	333	1,703	545	2,581	4,980
Drivers & Crew	536	320	856	160	0	336	496	1,352
Officials	5	3	8	1	0	3	4	12
Total	\$2,562	\$2,219	\$4,781	\$1,110	\$1,703	\$884	\$3,696	\$8,478

Sources: Middle River Racing Associates, Inc., and DBED, Office of Business and Economic Research.

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