

Economic Impacts of 2008 Republican National Convention (December 2007)

Like many conventions and events, the 2008 Republican national convention will attract thousands of visitors to the Minneapolis-St. Paul metropolitan area. Expenditures by these visitors and by convention planners benefit regional and state businesses.

The Minnesota Department of Employment and Economic Development analyzed the economic impact of this spending and found that the event is estimated to generate

- \$148 million in new spending,
- 2,800 jobs and \$100 million in wages, and
- \$162 million in gross state product gains to the state.

This analysis relied on a variety of sources including convention planning officials, local hospitality industry experts and many analyses done on previous political conventions held in other cities.

Data Sources

We used two areas of convention spending: visitor spending and convention-related expenditures. Visitor spending includes expenditures by 4,600 delegates and alternates; 15,000 media members; and 15,000 other visitors including friends and family members of individuals attending the convention. About 4,000 advance media and convention teams will arrive one week early to prepare for the convention and thousands of event planners will be visiting the area in 2007 and 2008 to plan for events linked to the convention.

Convention-related spending includes host committee spending and federal grants for convention arrangements and security.

The visitors, media and delegates are expected to spend an average of six days in the area and spend an average of \$1,600 during their stay. Each member of the advance party is estimated to spend \$2,000 during their one-week stay and collectively event planners are expected to spend a minimum of 5,000 days and nights in the area spending \$283 per day/night. Expenditures will vary by visitor but are expected to total \$64.6 million.

These guest spending levels are consistent with previous studies (e.g., *Economic and Fiscal Impact of the 2004 Democratic National Convention in Boston*) and current statistics provided by Destination Marketing Association International and used by Meet Minneapolis™, Official Convention + Visitors Association.

Like the visitor spending, the non-visitor convention-related expenditures include only those dollars that would not be spent in the state if not for the convention. This analysis focuses on the \$83.8 convention-related expenditures funded by non-Minnesota sources:

- \$30 million of the \$57 million in host committee spending;
- \$16.3 million federal grant for RNC convention operations; and
- \$37.5 million (midpoint of a \$25 - \$50 million range) grant for security.

The overall estimated spending level of \$148.4 million a (\$64.6 million in visitor spending and \$83.8 in non-visitor spending) is similar to the estimated inflation-adjusted spending at the Democratic national conventions in Chicago (1996 - \$161 million) and Boston (2004 - \$141 million).

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Table 1. Estimates of Guest and Convention-Related Spending

	<u>Number</u>	<u>Estimated Spending</u>	<u>Duration Of Stay</u>	<u>Total Spending</u> (millions)
<i>Guests</i>				
Families, Friends & Visitors	15,000	\$1,698	6 days	\$25.5
Media	15,000	\$1,523	6 days	\$22.8
Delegates and Alternates	4,600	\$1,523	6 days	\$7.0
Advance Media and Convention Teams	4,000	\$1,981	1 week	\$7.9
<u>Site Visits and Event Planning¹</u>	<u>5,000</u>	<u>\$283</u>	<u>1 day</u>	<u>\$1.4</u>
<i>Total</i>				\$64.6
<i>Other "Non-Guest" Spending</i>				
Host Committee ²				\$30.0
RNC Committee on Arrangements				\$16.3
<u>Security³</u>				<u>\$37.5</u>
<i>Total</i>				\$83.8
<i>Total Direct Spending Impacts</i>				\$148.4
¹ 5,000 "night-stays" by visitors to prepare and plan for convention.				
² \$30 million of the \$57 million raised is expected to be sourced from out-of-state.				
³ \$37.5 million is the midpoint of the \$25 - \$50 million range for the security grant.				

Direct Spending by Industry Sector
Using the IMPLAN economic model and the Boston impact study, we assigned the guest and host committee spending

to industry sectors. Tables 2 and 3 display the distribution of the \$148.4 million in spending by industry.

Table 2. Guest Spending by Major Industry Group

<u>Industry Group</u>	<u>Visitors</u> (millions)	<u>Media</u> (millions)	<u>Delegates</u> (millions)	<u>Advance Teams</u> (millions)	<u>Advance Site Visits</u> (millions)
Hotels and Motels	\$12.1	\$12.1	\$3.7	\$3.8	\$0.7
Food Services/Drinking Places	\$4.5	\$3.8	\$1.2	\$1.4	\$0.3
Retail - Manufactured Goods	\$2.9	\$2.3	\$0.7	\$0.9	\$0.2
Transportation	\$2.7	\$2.0	\$0.6	\$0.8	\$0.1
Entertainment	\$2.7	\$2.1	\$0.7	\$0.8	\$0.1
<u>Other</u>	<u>\$0.6</u>	<u>\$0.5</u>	<u>\$0.1</u>	<u>\$0.2</u>	<u>\$0.0</u>
<i>Total</i>	\$25.5	\$22.8	\$7.0	\$7.9	\$1.4

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Table 3. Non-Guest Expenditures by Major Industry

<u>Industry</u>	<u>Expenditures</u> (millions)
Local Gov't (Security)	\$37.5
Construction	\$10.8
Misc. Business Services	\$4.9
Insurance	\$4.6
Amusement	\$4.5
Retail & Eating Places	\$3.9
<u>Other</u>	<u>\$17.6</u>
<i>Total</i>	<i>\$83.8</i>

Estimating Economic Impacts

We measured the economic impact of the convention-related expenditures using a technique called multiplier analysis. Multiplier effects are a simplified and compact way of representing these economic effects in the Minnesota economy. We used the IMPLAN model to estimate the economic impacts of the \$148.4 million in spending due to the 2008 GOP Convention.

The economic impacts are classified in terms of how they are generated in the economy. The **direct** impact is directly attributable to the convention-related expenditures, thus measuring the value of production or services.

The **indirect** multiplier is based on industry-to-industry transactions only. Indirect impacts count expenditures by an industry or company for production inputs from their suppliers in the state. The **induced** multiplier includes the impacts from the spending in the local economy by employees and owners of directly and indirectly affected businesses.

The **total** impact is the sum of the direct, indirect and induced effects and measures the complete impact of an activity as it ripples throughout the local economy. Table 4 displays the outputs for gross state product, job creation, employee compensation and tax revenue.

Gross State Product

Gross state product is expected to increase by \$162.4 million, including "spin-off" effects on other industries such as indirect effects on suppliers and induced impacts from higher household incomes and re-spending. These impacts exclude the import of goods and services sold locally.

Because the stimulus comes from the spending related to the event, these impacts occur in Minnesota regardless of any business profits that are subsequently remitted later to parent companies located outside the state. However, a portion of these profits may be reinvested in these local operations in the future to ensure they that remain viable and competitive.

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Table 4. Statewide Economic Impacts

<u>Indicator</u>	<u>Impact</u>
<i>Total Gross State Product (millions)</i>	\$162.4
<i>Equivalent New Job Creation</i>	
Direct Spending	1,917
Indirect Effect	290
<u>Induced Effect</u>	<u>616</u>
Total Jobs	2,823
<i>Total Employee Compensation (millions)</i>	\$100.2
<i>Total Tax Revenue (millions)</i>	\$9.2

Job Creation and Compensation

The impacts include an equivalent of an additional 2,823 new full-time jobs working an entire year. However, because the event’s relatively short duration will limit the hiring of new employees, the demand for additional work may be filled by employees working additional hours or by employers reprioritizing work projects. Regardless whether new employees are hired, current employees work longer hours, our work projects are reprioritized, compensation (wages and benefits) due to the convention is estimated to total \$100 million.

Tax Revenue

In addition to the labor wages subject to state and local taxes, corporate profits and sales by the hospitality industry and other sectors generate additional state and local government revenues.

Overall, the analysis indicates that new tax revenue will total \$9.2 million, comprised of about \$4.4 million in personal taxes, corporate profits tax and sales taxes from guest spending, and another \$4.8 million from the host committee spending.

Limitations

Although this analysis is consistent with studies done for other national political conventions and uses a commonly-used method to measure impacts of convention and other special events, it is based on projected spending. Actual spending levels and patterns could vary from those modeled in this analysis.

Non-economic impacts (e.g., an enhanced image of the Twin Cities or increased road congestion) are not considered in this analysis. Also, travelers unable to visit Minnesota during the convention week due to the lack of hotel vacancies are assumed to travel to the state before or after the convention. In fact, conventions schedules are known far in advance which assists the planning of trips, meetings and other conventions.

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