ECONOMIC DEVELOPMENT

It's all in the presentation

Did the park & recreation agency lose $9,375 or gain $525,000?

by

John L. Crompton and Seong-Seop Kim

When the parks and recreation department reported the economic consequences of hosting a national softball championship tournament, it reported a loss of $9,375. When the convention and visitor bureau reported the consequences of hosting the same event, it reported a gain to the community of $525,000. Which agency was viewed more positively by elected officials? This article describes how this situation came about, and suggests what park and recreation departments should do to rectify it.

By using economic impact data such as these, many convention and visitor bureaus have persuaded elected officials and decision makers that they are central to the communities’ economic health. In contrast, park and recreation agencies generally have not been successful in creating a similar central position in decisionmakers’ minds regarding the economic contribution of their services. Hence, in a climate of fiscal conservatism, park and recreation agencies are perceived to be “black hats” whose services result in net economic losses to the community, while convention and visitor bureaus have established themselves as “white hats” because they bring new money into the community. These perspectives are fallacious. One way to correct them is for park and recreation agencies to undertake economic impact studies. In the first part of this paper, the rationale for such studies is explained. The latter part of the paper summarizes the results of a typical study and suggests how they should be presented.

The rationale for economic impact studies

Figure 1 shows a simplified model of a tourism system. The model indicates that tourists from a given population use some mode of transportation to travel to attractions, which are supported by various kinds of services. The attractions and support services provide information about their offerings to target groups whom they have identified as potential tourists.

The tourism system is activated by attractions. Only in rare cases do people leave their home milieu and travel some dis...
The desire to go to a destination on a pleasure trip is stimulated by its attractions. The types of attractions likely to simulate pleasure travel are shown in Table 2. Almost all of these attractions are developed, and in a majority of cases operated, by the public sector or by nonprofit organizations. If you list the attractions in your community that draw people from out-of-town, a large proportion of them are likely to be the responsibility of park and recreation agencies. This leads to the conclusion that in most communities pleasure travel is a public-sector-driven business and park and recreation agencies are central to that business. This is the antithesis of what most elected officials and citizens in your community believe. They are under the misapprehension that tourism is primarily a function of private sector efforts.

Tourism agencies, which in most communities take the form of convention and visitor bureaus, undertake studies of tourists’ economic impact to demonstrate their contribution to a community’s economic development. In the past, most park and recreation agencies have failed to do this. They have presented only a financial balance sheet rather than an economic balance sheet. The differences in these two approaches explain the differences between the two numbers that headline this article, and why legislators and the general public are under the misapprehension that park and recreation agencies lose money while tourism agencies make money.

Figure 2 illustrates the conceptual reasoning for developing economic balance sheets to accompany financial information. It shows that residents of a community pay taxes to their city council. The city council uses a proportion of these funds to subsidize production of an event, program, or development of a facility. The facility or event attracts out-of-town visitors, who spend money in the local community both inside and outside the facility they visit. This “new money” from outside the community creates

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**Table 1**

Economic impact expressed in terms of sales, personal income and full-time equivalent jobs

<table>
<thead>
<tr>
<th>Items</th>
<th>Total expenditures</th>
<th>Sales multipliers</th>
<th>Sales economic impact</th>
<th>Personal income multiplier</th>
<th>Personal income</th>
<th>Full-time equivalent jobs created</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food &amp; beverages</td>
<td>$62,275</td>
<td>1.91</td>
<td>$110,213</td>
<td>0.65</td>
<td>$40,335</td>
<td>3.3</td>
</tr>
<tr>
<td>Night clubs, lounges &amp; bars</td>
<td>$21,222</td>
<td>2.12</td>
<td>$45,109</td>
<td>0.59</td>
<td>$12,610</td>
<td>1.5</td>
</tr>
<tr>
<td>Retail shopping</td>
<td>$24,190</td>
<td>2.15</td>
<td>$51,923</td>
<td>0.69</td>
<td>$16,587</td>
<td>1.7</td>
</tr>
<tr>
<td>Lodging expenses</td>
<td>$95,543</td>
<td>1.78</td>
<td>$160,805</td>
<td>0.7</td>
<td>$65,480</td>
<td>4.4</td>
</tr>
<tr>
<td>Private auto expenses</td>
<td>$29,193</td>
<td>1.5</td>
<td>$43,842</td>
<td>0.27</td>
<td>$7,844</td>
<td>0.5</td>
</tr>
<tr>
<td>Rental car</td>
<td>$45,025</td>
<td>1.67</td>
<td>$75,200</td>
<td>0.27</td>
<td>$12,057</td>
<td>0.7</td>
</tr>
<tr>
<td>Other expenditures</td>
<td>$7,552</td>
<td>2.07</td>
<td>$15,625</td>
<td>0.5</td>
<td>$3,794</td>
<td>0.4</td>
</tr>
<tr>
<td>City entry fees</td>
<td>$4,625</td>
<td>1.71</td>
<td>$7,924</td>
<td>1.22</td>
<td>$5,642</td>
<td>0.2</td>
</tr>
<tr>
<td>Totals</td>
<td>$287,425</td>
<td>$524,645</td>
<td>$164,352</td>
<td>12.8</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Figure 1**

Simplified model of the tourism system
income and jobs in the community for residents. This completes the cycle: community residents are responsible for creating the funds, and they receive a return on their investment in the form of new jobs and more household income.

Traditionally the cycle shown in Figure 2 has been perceived by park and recreation agencies to start and end with the city council. This results in a narrow definition of economic impact limited to a financial statement of the taxes and revenues collected by local government from the event or facility. This approach is conceptually flawed, since the money invested does not belong to the council, rather it belongs to the city's residents. While it is efficient for the residents' investments to be funneled through the council, it is the return that residents receive that is important, rather than only that proportion of the total return that filters back to the council. The purpose of economic impact studies is to measure the economic return to residents.

Economic impact of a typical softball tournament

College Station and Bryan are twin cities in Central Texas. The Park and Recreation Departments in both cities cooperated to host the Amateur Softball Association's Men's 40-Over Fastpitch National Tournament. The event was held at the Central Park Softball Complex in College Station and at the Bryan Regional Athletic Complex. The tournament attracted 37 teams, all of them from outside the College Station-Bryan area. With the exception of one team which came from Caldwell (20 miles away), all the teams stayed in College Station-Bryan for the duration of the tournament. Since it was an elimination tournament, their length of stay ranged from two nights to six nights, but two-thirds of them stayed for either three or four nights. The number of players brought by each team ranged from 10-19, with the average being 14-15. Some players brought family and friends with them, so the size of the contingent associated with each team, including

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Table 2

A taxonomy of tourist attractions

<table>
<thead>
<tr>
<th>Arts</th>
<th>Heritage Places</th>
<th>Parks</th>
<th>Recreation</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Theaters</td>
<td>Ethnic cultural places</td>
<td>National</td>
<td>Event &amp; festivals</td>
<td>College socials</td>
</tr>
<tr>
<td>Art galleries</td>
<td>Shrines, churches</td>
<td>State</td>
<td>Aquatic &amp; coastal areas</td>
<td>Professional franchises</td>
</tr>
<tr>
<td>Museums</td>
<td>Historical sites &amp; structures</td>
<td>Regional</td>
<td>Outdoor recreational activities</td>
<td>Concerts &amp; exhibitions</td>
</tr>
<tr>
<td>Performing groups</td>
<td>Educational institutions</td>
<td>Local</td>
<td>Sports (individual &amp; team)</td>
<td></td>
</tr>
<tr>
<td>Music concerts</td>
<td>Industry factory tours</td>
<td>Beaches</td>
<td>Fitness &amp; wellness centers</td>
<td></td>
</tr>
</tbody>
</table>

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The economic impact was calculated by using a four-stage process. First, a sample of respondents from 18 of the teams was asked how much they spent in the College Station-Bryan area. Their expenditures were assigned to eight categories: food and beverages, bars and nightclubs, retail shopping, lodging, private auto, rental car, entry fees to the cities and other. Stage two was to extrapolate the data collected from the samples of respondents from these 18 teams, so that it represented the expenditures of all members on their teams. Stage three was to extrapolate the expenditures of the 18 teams to the full complement of 37 teams which participated in the tournament. This showed that total expenditures in the College Station-Bryan area were $287,000 (Table 1, Column 2).

The final stage was to estimate the impact of this new money on the local economy. This was done by using the IMPLAN input-output model for Brazos County, which calculated sales, job and personal income multipliers for each of the eight spending categories. Table 1 shows that total economic impact on sales was $525,000, the job creation impact was estimated at 12.8 jobs and economic impact on personal income was $164,000.

There is frequently confusion and misunderstanding on interpreting these multipliers and the different types of economic impact they measure. It has become commonplace for tourism agencies to report economic impact in terms of sales generated. In our view, this is of no value to elected officials or residents. It is used because it generates the highest economic impact number, but residents are not likely to have any interest in sales generated, they are likely to be primarily interested in how the tournament impacted them in terms of personal income and jobs. Similarly, the jobs' economic impact data often are also miscalculatedly interpreted. Table 1 suggests that 12.8 jobs were created as a result of the tournament. However, the jobs are "full-time equivalent," which is very different from full-time jobs, and the model assumes there is...
no spare capacity to absorb the extra services and products purchased with this inflow of new funds. In fact, the existing staff at hotels, restaurants, retail establishments, etc., are likely to have spare capacity to handle these visitors. If they do not, then it is likely that these businesses will reorganize their shift schedules, pay overtime, or hire temporary part-time labor to accommodate them. Thus, it seems improbable that any new jobs will be created from the tournament’s impact.

In our view, the most useful economic impact indicator is that which measures the contribution to the personal incomes of residents in College Station-Bryan, which amounted to $164,000. This is rarely used by tourism agencies because it is so small compared to the sales impact and to the direct expenditures amount. In this case, it is over three times smaller than the sales impact. However, it is the indicator that is likely to be most meaningful to residents.

The gross cost to the two cities of hosting the tournament, including staff man-hours, was approximately $46,000. This was offset by $5,000 contributed by ASA District 30 and the local umpires association. Of the remaining $41,000, $27,000 was invested from the hotel-motel funds of College Station ($21,000) and Bryan ($6,000). Hence, the net investment of city resources, including man-hours, was approximately $14,000. For an investment of $14,000 of their taxes, the residents of College Station-Bryan received a return of $164,000 in personal income.

Conclusion

The financial statements of the College Station and Bryan Park and Recreation Departments will show that these 37 teams generated $4,625 for the cities in entry fees (Table 1 Column 2) and that the cities spent $14,000 to host the event, so the net loss was $9,375. Meanwhile, the College Station/Bryan Convention and Visitors Bureau is likely to incorporate the sales economic impact of $525,000 in its economic balance sheet when it makes its annual report to the city council. This will reinforce the exist-
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ing perception that park and recreation departments are “black hats that cost the cities money, while the convention and visitor bureau is a “white hat” agency because its activities bring so much new money to the cities.

It is time for park and recreation agencies to reposition themselves in the minds of elected officials and change these misleading perceptions. The way to do this is for them to submit an annual economic balance sheet to the city council showing sales, personal income and job economic impact measures resulting from the use of all the agency’s facilities, services and special events during the course of a year. This can be derived by sampling at some of these offerings and extrapolating the findings to the rest of them. This is a more appropriate report than a financial balance sheet because it is the residents (not the council) who paid the capital and operating costs of the agency, and it is the residents who receive the new dollars that come into the community as a result of the agency’s offerings.

In these reports, park and recreation agencies should emphasize that personal economic impact is the most legitimate measure. This will contribute to altering the perceptions of elected officials, so agencies are recognized as net revenue generators; highlight their integrity for using the appropriate economic impact measure, instead of selecting the misleading “high number” option of sales economic impact; and cause elected officials to review the hyperbolic economic claims of convention and visitor bureaus which mischievously use the sales and job measures and claim credit for economic impacts that result primarily from the efforts of park and recreation departments.

Footnote

A copy of the report on the economic impact of the tournament—including further explanation of how to use of economic impact studies—can be obtained by contacting John Crompton at 409/845-5320.

About the authors

John L. Crompton, Ph.D., is professor of recreation, park and tourism sciences at Texas A&M University. Dr. Crompton’s primary interests in the areas of marketing and financing public leisure and tourism services. He has authored or co-authored seven books and many articles and monographs published in the recreation, tourism, sport and marketing fields.

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