

A Projection of the Economic and Fiscal Impacts of the San Antonio Tricentennial



Study Conducted By:

Steven R. Nivin, Ph.D.

I. Executive Summary

In 2018, San Antonio celebrates its 300-year birthday. A year-long series of events is being planned to commemorate the occasion. The celebration will be focused around four key initiatives

1. **Arts and Culture** will include events such as a kick-off New Year's Eve Celebration, public art exhibitions and unveilings around the city, and cultural festivals that will bring the city together throughout the year.
2. **History and Education** will feature exhibitions, a commemorative book, the development and distribution of school resource material, educational symposiums, historic walking and cycle tours, and exciting re-enactments of historic events.
3. **Community Service** initiative will provide opportunities for volunteers and service engagement within our neighborhoods to make our community even better.¹
4. **Commemorative Week (May 1-6, 2018)** will include citywide activities such as interfaith services, education and history programs, arts and cultural activities, a Founders Ball, World Heritage celebrations, a fireworks display, and a celebration of our military community.

In typical San Antonio style, the celebration of our city's 300th birthday will be a grand one.

¹ The San Antonio Tricentennial Commission, "San Antonio 300: We Invite You to be a Part of History in the Making."

Besides providing great outlets for the residents of San Antonio and other communities in the area to celebrate the birthday of this great city, the numerous events may also attract a large number of visitors who wish to be a part of the celebrations. The focus of this study is to provide a projection of the potential economic impacts of the tricentennial events. Most of the impacts will be derived from the spending by these visitors. Many of the festivals and other events that have provided great entertainment for the locals for many years will also be a part of the tricentennial celebration, but their overall economic impacts are not included in this analysis because they would have existed regardless of the tricentennial celebration. They are still an important part of all of the celebration activities and are certainly valued treasures within the community, but only the additional economic activity created due to the tricentennial celebrations beyond what these events would have otherwise contributed to the local economy within their typical formats are counted in the economic impacts of the tricentennial.

The focus of this study is only on the economic impacts as they occur at the time of the events. From the spending by new visitors to the area; local, regional, and national media coverage; experiential educational opportunities; service opportunities; new public art installations; and various other opportunities for community engagement, enhancement, and celebration throughout this year, the impacts of the tricentennial are projected to be quite substantial. Some of these impacts will include:

- A projected increase in visitors to the San Antonio area of about 263,000.
- Spending by these visitors and to host the events is projected to have the following impacts:

- Support 1,295 jobs in a variety of industries, including hotels, restaurants, retail stores, various entertainment venues, and numerous other industries that are positively impacted by the multiplier effects derived from the direct spending.
 - Generate wages and benefits of \$45.1 million
 - Have an overall economic impact on output in the local economy of \$119.4 million
 - Generate revenues of \$1.4 million to Bexar County and \$2.6 million to the City of San Antonio
- KSAT12 and Univision, the media sponsors for the tricentennial, will be providing \$8 million in in-kind media coverage of the tricentennial events. Through their various television, radio, and digital outlets, these media partners will expose San Antonio to millions of people. For example, Univision's local television stations have 873,000 monthly viewers, their radio stations have 1,419,000 weekly listeners, their website receives 5.9 million average monthly page views across 319,000 average monthly unique visitors, and their social media outlets have 570,239 likes and followers.² KSAT reaches 907,320 television households in its viewing market. KSAT will also incur the cost of developing the SA 300 app and manage its distribution, and they will also engage in activities that will drive traffic to the KSAT SA 300 website, Facebook page, and other media outlets. They will also provide national exposure by feeding content to shows like "Good Morning America", "Live with Michael and Kelly",

² Univision, "San Antonio Hispanic Market."

“Jimmy Kimmel Live”, and “Inside Edition”, as well as news outlets including ABC News, CNN, and the Associated Press.³

- Some of these visitors may decide they want to return in the future to visit San Antonio or maybe even move to the area after having such a great experience during the tricentennial. The Millennial generation is known to be highly mobile in their willingness to relocate to new communities they like, and amongst all overnight leisure visitors to San Antonio, 32% are Millennials.⁴ “San Antonio visitors report an experience that places the city among the most desirable quadrant of High Satisfaction and High Value, and visitors are likelier to return, likelier to spend more, and likelier to recommend San Antonio as a destination.”⁵

The economic impact concepts and methodologies used in this analysis are documented in the following section. The detailed results are provided in the third section following by a conclusion

II. Economic and Fiscal Impact Concepts and Methodologies

II.1. Economic Impact Concepts

Economic impact is based on the concept that a new dollar flowing into the area causes an expansion of the economy. The economic activity of many businesses

³ KSAT SA 300 Media Agreement and KSAT Demographics.

⁴ D.K. Shifflet & Associates Ltd. “2013-2014 San Antonio Overnight Leisure Visitor Profile,” p. 8.

⁵ D.K. Shifflet & Associates Ltd. “2013-2014 San Antonio Overnight Leisure Visitor Profile,” p. 15.

generates exports outside of the region⁶, which brings this money flowing back into the local economy. These businesses use this revenue to pay their workers' salaries and benefits, purchase inputs from local suppliers, and pay government taxes and fees. The direct economic impact is derived from the production activity of the businesses and the salaries and benefits they are then able to pay their workers. As already alluded to, this also generates additional economic activity often times referred to as the multiplier effects.

The multiplier effects can be separated into two components: the indirect effect and the induced effect. The indirect effect results from the company purchasing inputs (physical goods or services) from its local suppliers. Of course, this then sets off additional spending by the supplier in its purchases of inputs and payment of salaries and benefits to its employees. The induced effect is derived from the spending of the employees of the company resulting from the incomes they receive. This is where the economic impact really begins to spread throughout the economy as workers spend their incomes to buy the various goods and services that they need and desire.

All of this economic activity also benefits the government at various levels as the spending by businesses, their employees, and others generates tax revenues and fees. For instance, these activities will generate excise, income, and property tax revenues, social security contributions, and various license fees.

Of course, not all of this economic activity is captured within the local economy. There are leakages as businesses and individual consumers purchase goods and services outside of the local economy causing some money to leak or flow out of the local

⁶ These exports include retail and hotel spending, for example, by visitors from outside the city. In this manner, many services are also exported.

economy. This is also the case as federal and state taxes and fees are paid resulting from these activities. These leakages are accounted for in the model and are not counted as part of the economic impact. In fact, they reduce the impact of these activities.

II.2. The Model

In order to estimate these impacts, the IMPLAN input-output model for Bexar County was used. This model is based off data specific to the region, much of it provided by federal government data collection agencies.⁷ The IMPLAN model measures the interactions across 536 industries.

Input-output analysis was introduced by Wassily Leontief for which he later received the Nobel Prize in economics in 1973.⁸ An input-output model describes the economic interactions or trade flows among businesses, households, and governments and shows how changes in one area of the economy impact other areas. The multipliers that result from these models are the expressions of these interactions.

There are generally three basic multipliers used to measure the overall impacts. The output multiplier measures the direct, indirect, and induced changes in output across the economy resulting from a change in economic activity within the local economy. The employment multiplier measures the direct, indirect, and induced changes in full-time equivalent employment across the economy resulting from this change in economic activity. Finally, the earnings multiplier measures the direct, indirect, and induced

⁷ Source: http://implan.com/index.php?option=com_content&view=article&id=238

⁸ For an example of his seminal work, see: Leontief, Wassily et al., *Studies in the Structure of the American Economy: Theoretical and Empirical Explorations in Input-Output Analysis*, New York: Oxford University Press, 1953.

changes in earnings (including benefits) across the economy resulting from the change in economic activity. Like the proverbial ripples resulting from a rock being thrown in a pond, the multiplier effects will register successive rounds of impacts until eventually the leakage from each round halts the process.

II.3. Data and Methodology

Since the economic impacts are mainly derived from spending by tourists, it is necessary to develop an estimate of the number of visitors who will come to San Antonio for either a day trip or as an overnight visitor. In order to develop this projection, studies of similar events held in other cities and countries were reviewed to get a sense of the potential increase in the number of visitors to these areas due to their anniversary celebration event. The estimated or projected economic impacts from these events are shown in Table 1. It is important to note that the economic impacts of these events are derived from the spending of the additional tourists who have come to the area specifically for the anniversary celebration events and spending by the community to host the event and construct the necessary infrastructure. Events that have been held in the community previous to the anniversary celebration but are considered as part of the celebrations during the anniversary year are not going to count toward the economic impact unless they attract additional visitors due solely to the fact that they are part of the anniversary celebration.

Table 1. Economic Impacts of Anniversary Celebrations in Other Communities

| <i>Location</i> | <i>Type of Event</i> | <i>Year</i> | <i># Visitors</i> | <i>Jobs</i> | <i>Economic Impact</i> |
|---------------------------|------------------------------|-------------|-------------------------------|-------------------------|----------------------------------|
| Quebec City ⁹ | 400th Anniversary | 2008 | 1,278,000 | 8,742 | \$438 million |
| Jamestown ¹⁰ | 400th Anniversary | 2007 | 3,261,857 | 20,621 | \$1.2 billion |
| San Antonio ¹¹ | Stock Show & Rodeo | 2015 | N/A | N/A | \$252.8 million |
| San Antonio ¹² | Fiesta | 2007 | N/A | N/A | \$284 million |
| San Antonio | Missions World Heritage Site | 2025 | 143,165-409,196 ¹³ | 465-1,098 ¹⁴ | \$44-\$105 million ¹⁵ |
| Los Angeles ¹⁶ | Art in L.A. Exhibitions | 2012 | 742,500 | 2,490 | \$280.5 million |

Given the limited availability of data on the impacts of similar events and the wide range of the magnitude of the impacts in the different areas in which studies were done, it is difficult to derive a specific percentage increase in tourist activity. While the tricentennial celebration in San Antonio will be a year-long series of events, it is probably likely to have an impact similar to other large festivals held in San Antonio like the Stock Show and Rodeo and Fiesta. Since the tricentennial is a direct celebration of the city's long heritage, it has elements similar to the World Heritage Site designation for the San Antonio missions and its potential attraction to visitors. After considering several different potential increases in tourist activity due to the tricentennial celebrations, assuming a one percent increase in visitors to attend the tricentennial festivities places the

⁹ "Lessons from Canada's Centennial and Other Celebrations for Planning for Toronto's Participation in Canada 150," August 2014, p. 3.

¹⁰ Chmura Economics & Analytics, "Economic Impact Analysis of the America's 400th Anniversary: Jamestown 2007 Commemoration on the Commonwealth of Virginia," June 2008, pp. 6-8.

¹¹ Winters, Diana, "New Study: Rodeo Earns SA More Than \$250 Million Annually, Study Says," KSAT 12, February 11, 2016. <http://www.ksat.com/entertainment/rodeo/new-study-rodeo-earns-sa-more-than-250-million-annually-study-says>.

¹² <http://www.fiesta-sa.org/p/About/192>

¹³ The Harbinger Consulting Group, "Potential Economic Impact of World Heritage Site Designation for the San Antonio Missions: Technical Report," February 2013, pp. 36-37. The range of impacts reflect the potential effects on the local economy based on how much the sites are promoted.

¹⁴ Bexar County, "Building on a Strong Foundation: Potential Economic Impacts of World Heritage Site Designation for the San Antonio Missions," p. 1.

¹⁵ Ibid.

¹⁶ Economic & Policy Analysis Group, Los Angeles Economic Development Corporation, "Pacific Standard Time: Art in L.A. 1945-1980," September 2012, p. I & 4.

impacts about in line with Fiesta, the San Antonio Stock Show and Rodeo, and the World Heritage Site designation.

In order to project the amount of spending the visitors would engage in while in the area, data from the report “2013-2014 San Antonio Overnight Leisure Visitor Profile” by D.K. Shifflet & Associates Ltd. was used. It was assumed that the overnight leisure visitor who will be coming to San Antonio for the tricentennial events will follow similar length of stay and spending patterns as those overnight leisure visitors covered in this report for 2013-2014. More specifically, it was assumed that they will stay on average 2.67 nights¹⁷ and spend \$122 daily per person.¹⁸ The breakdown of this spending will also follow a similar pattern and is shown in Table 2. There were 16.31 million overnight leisure person-stays in San Antonio in 2014.¹⁹ The projected growth in visitors due to the tricentennial celebrations was calculated from this base.

Table 2. Spending by Overnight Visitors²⁰

| <i>Type of Spending</i> | <i>Percentage of Total Spending</i> | <i>Daily Amount Spent Per Person</i> |
|-------------------------|-------------------------------------|--------------------------------------|
| Transportation | 28% | \$34.16 |
| Food | 24% | \$29.28 |
| Room | 16% | \$19.52 |
| Shopping | 18% | \$21.96 |
| Entertainment | 12% | \$14.64 |
| Miscellaneous | 2% | \$2.44 |
| Total | 100% | \$122.00 |

¹⁷ D.K. Shifflet & Associates Ltd. “2013-2014 San Antonio Overnight Leisure Visitor Profile,” p. 58.

¹⁸ D.K. Shifflet & Associates Ltd. “2013-2014 San Antonio Overnight Leisure Visitor Profile,” p. 61.

¹⁹ D.K. Shifflet & Associates Ltd. “2013-2014 San Antonio Overnight Leisure Visitor Profile,” p. 6.

²⁰ D.K. Shifflet & Associates Ltd. “2013-2014 San Antonio Overnight Leisure Visitor Profile,” p. 61.

Similar data and methodology were used to calculate the economic impacts of those visitors who only come for a day and do not stay overnight. In 2014, there were 9.98 million day leisure person-stays in San Antonio, and these visitors spent a total of \$958 million.²¹ Using these numbers, it was assumed that the day visitors will spend \$95.99 (\$958 million/9.98 million visitors) per person per day. Since there are no data on the spending habits of day visitors in San Antonio, it was assumed that they would only be spending their money on food, shopping, and entertainment. The distribution of this spending was based on the proportionate allocations of the overnight visitors, but the distribution was adjusted so these three categories of spending would amount to 100% of their spending. The assumed spending habits of the day visitors are provided in Table 3.

Table 3. Spending by Day Visitors

| <i>Type of Spending</i> | <i>Percentage of Total Spending</i> | <i>Daily Amount Spent Per Person</i> |
|-------------------------|-------------------------------------|--------------------------------------|
| Food | 44% | \$42.66 |
| Shopping | 33% | \$32.00 |
| Entertainment | 22% | \$21.33 |
| Total | | \$95.99 |

Note: Percentages do not add to 100% due to rounding.

Additionally, there is anticipated to be \$8,932,500 in spending to prepare and host the various tricentennial events. There will also be \$9,344,000 of in-kind services provided by the City of San Antonio and Bexar County. The cash spending was run through the impact model and is included in the results shown in the following section.

²¹ Source: D.K. Shifflet & Associate Ltd.

The amount of spending will be the same regardless of the number of projected visitors, so it is the same in the tables showing the projected economic and fiscal impacts.

The fiscal impacts are estimated using the effective tax rates shown in Table 6 from the Texas Comptroller of Public Accounts. The notion of the effective tax rates mainly applies to the rate applied to mixed beverage sales. Texas levies a gross receipts tax of 6.7% and a sales tax of 8.25% is levied on mixed beverages sold. The State Comptroller allocates 10.7143% equally to the counties and cities where the mixed beverage and private club permit holders are located. This yields an effective tax rate of 11.00% to the State of Texas and 1.50% to the City of San Antonio and Bexar County.²² Table 4 shows the tax rates used. The indirect and induced spending activity was adjusted to account for the proportion of that spending subject to sales tax based on data on the gross sales and the sales subject to sales tax from the Texas Comptroller of Public Accounts.

Table 4. Effective Tax Rates

| <i>Spending Category</i> | <i>City of San Antonio</i> | <i>Bexar County</i> |
|--------------------------|----------------------------|---------------------|
| Transportation | 5.00% | 5.00% |
| Food | 1.13% | 0.00% |
| Mixed Beverage | 1.50% | 1.50% |
| Room | 9.00% | 1.75% |
| Shopping | 1.125% | 0.00% |
| Entertainment | 1.125% | 0.00% |
| Miscellaneous | 1.125% | 0.00% |

Additionally, the output from the input-output model captures the property tax revenues received for the local agencies that levy such a tax within the county. To

²² <https://mycpa.cpa.state.tx.us/allocation/MixBev.jsp>

allocate the property tax revenues to the City of San Antonio and Bexar County, the proportion of property tax levied in FY2015 in the City of San Antonio and Bexar County relative to the total tax levied across all entities was multiplied by the property tax revenues resulting from the input-output model.²³

III. Economic Impacts of the Tricentennial Celebration in San Antonio

The projected economic impacts are shown in Tables 4. Assuming a 1% increase in visitors to San Antonio due to the tricentennial celebrations, this additional economic activity is projected to support 1,295 full-time equivalent positions earning incomes of about \$45.1 million. Additional output in the economy is projected to exceed \$119.4 million.

Table 5. Tricentennial Economic Impacts (2016 \$)

| <i>Impact Type</i> | <i>Employment</i> | <i>Income</i> | <i>Output</i> |
|--------------------|-------------------|---------------|---------------|
| Direct Effect | 886 | \$26,307,101 | \$64,633,366 |
| Indirect Effect | 204 | \$9,624,783 | \$27,477,544 |
| Induced Effect | 205 | \$9,194,017 | \$27,338,524 |
| Total Effect | 1,295 | \$45,125,902 | \$119,449,433 |

The projected fiscal impacts to the City of San Antonio and Bexar County are shown in Table 7. The additional economic activity that will occur in the area because of the tricentennial festivities will generate total revenues of \$3,950,012 with \$2,586,683 flowing to the City of San Antonio and Bexar County projected to receive \$1,363,329.

²³ “Bexar Appraisal District Financial Report for the Fiscal Year Ended December 31, 2015,” pp. 54-55.

**Table 7. Revenues to City of San Antonio and Bexar County from
Tricentennial Events (2016 \$)**

| | <i>Tax Revenues</i> |
|---------------------|---------------------|
| City of San Antonio | \$2,586,683 |
| Bexar County | \$1,363,329 |
| Total | \$3,950,012 |

IV. Conclusion

As San Antonio turns 300 years old in 2018, there will be a year of festivities to celebrate the city's birthday. The numerous events and celebrations will surely attract a large number of visitors to the area. The spending by these visitors will register a sizeable economic impact in San Antonio. In addition to the impacts measured in this study, the tricentennial will provide opportunities for many residents and students to learn about the history of this great city, to engage in various service projects, and to further enjoy the wonderful culture and quality of life that San Antonio has developed and exhibited throughout its history.