



Michigan Association of Fairs & Exhibitions

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March 15, 2011

**To:
Members of the Senate Appropriations Committee on Agriculture & Rural Development**

Good morning and Thank you for allowing me this opportunity to address the Committee.

My name is EJ Brown, Executive Director of the Michigan Association of Fairs and Exhibitions.

The Michigan Association of Fairs & Exhibitions (M.A.F.E.) is the statewide association that was organized in 1885 and represents our 86 local & county fairs. This includes the 14 fairs in 2010 that will have harness racing. There were 25 harness racing fairs in 2008 and 43 in 1988.

In addition our Associate members (approximately 241) consist of all the carnival ride companies that are licensed to operate in Michigan, along with food concessionaires, midway games, acts, attractions & grandstand entertainers, rodeos, demolition derbies, livestock groups, ribbons, trophies, special event insurance companies, and many other groups that help make the Fair industry in Michigan such a family entertainment event.

Our county fairs & fairground facilities in Michigan and the M.A.F.E. promote:

1. Youth development
2. Help educate the public of the importance of agriculture to the economy of Michigan
3. Help promote agriculture and the development of agriculture
4. Contribute to tourism and especially ag-tourism throughout the state (fairs are the original ag-tourism concept)
5. Economic impact of fairground facilities in our communities for not only the Fair but being available to host so many other activities at the fairgrounds

- Attendance for 2009 was 4,742,820
- Volunteers donated over 532,253 hours
- Over 79,500 exhibitors
- Youth exhibitors for 2009 was 47,376
- Open class participants were 31,782
- Livestock sales amounted to \$12,213,865.00.

Most of which is used by our youth to advance their education in agriculture.

Convention dates: January 12-14, 2012 – 127TH Annual Convention
at the Amway Grand Plaza Hotel & DeVos Place, Grand Rapids MI.

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Fair people are unique. For the most part they are volunteers. While a few are able to afford full time managers, most are staffed by unpaid volunteers. Fair people love what they do – putting on the fair.

Whereas reference is often made to “county” fairs there is no reason to believe that county lines have a profound influence or restriction on the appeal, attendance or participation in fair activities.

Only a very few local fairs receive any money from their local county or municipalities. Just because they have the word of whatever county in their name, doesn't mean they receive monetary support from their county or municipality. Our fairs are mostly independent agricultural societies formed under Act 80 guidelines and 7 fairs are organized under Act 11. These guidelines are referenced in the Horse Racing Law of 1995.

Local & county fairs are the original Ag-tourism concept. In 2011 we will be celebrating 200 years of the American Fair in the United States. The Michigan Association of Fairs & Exhibitions this past January 2011 celebrated our 126th Annual Convention in Grand Rapids. The Hillsdale County Fair has a mural painted on a wall in their Woman's Congress Building depicting a locomotive pulling into the railroad station in 1851 that brought over 30,000 visitors by rail that year to visit the Hillsdale County Fair; a long tradition of folks wanting to understand the importance of agriculture and where their food products came from even in those days.

Premiums

The elimination of premium dollars received from the State of Michigan on a matching basis of approximately **35% funded by the fairs and 65% by the State**; has added additional challenges for our member fairs to find money for exhibitor funding. The State of Michigan's portion had been \$1,614,000.00 for the last several years. This money goes 100% back to the exhibitors and none is used for the operation of the Fair or administration fees. A lot of our youth use their premium money to help offset the cost of their projects and to fund their education.

Being an exhibitor teaches them responsibility to care for and complete a project. These projects keep them busy after school and during summer so that there is little idle time. Exhibiting at the Fair gives them the opportunity to meet and make friends with other exhibitors in the county. These projects all have an educational component to them to qualify for premiums paid at the fair.

Michigan Department of Agriculture, Fairs & Racing Division, looked at the financial statements returned at the end of the 2007 season and determined that 46% of the fairs lost money that year. That can be for a number of reasons, weather is always a factor, but even with State funding then Fairs were struggling to make ends meet.

Building & Track Improvements

Local fairs have already lost the **Building & Track Improvements** funding. This funding had been at \$963,200.00 but was eliminated in the 2007-2008 budget. All fairs had participated in the building and track improvement appropriation and fairs matched these funds on a dollar for dollar basis. The maximum state contribution was set at \$15,000.00; however, the appropriation had been inadequate in past years and was unable to reach the maximum because all fairs participated in the program. Therefore the allotment is prorated and the maximum to each fair had averaged about \$13,500.00 - \$14,400.00 for the past several years.

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This appropriation was especially important to small fairs because the money was used to rent equipment such as tents for livestock, communications equipment, display equipment, portable toilets, portable bleachers, etc. These items were temporary costs incurred for the week of the Fair and usually not needed the remaining 51 weeks along with maintenance and insurance cost if they were permanent structures. The fairs themselves actually spent approximately \$4,479,778.19 in Fiscal year 2005 and \$4,542,642.13 in 2006 for the items that qualify for these matching funds. In addition our 25 local fairs that offered harness racing spent an additional \$62,863.94 in 2005 and \$67,397.12 in 2006 for racetrack maintenance and repairs.

Harness Racing at County Fairs

The County Fairs is an important part of the strong tradition of horse racing in this state. County fairs provide training facilities and racing opportunities for young and inexperienced horses and drivers. Basically the fairs are the minor leagues of harness racing and provide opportunities to develop and prepare horses for pari-mutuel competition.

In many rural areas of our state the production and training of horses is a significant portion of the local economy. It provides employment for farmers, caretakers, veterinarians, farriers, etc. and year round markets for hay and grain; and horse interests pay taxes to local communities on breeding and training facilities. The horse racing industry in Michigan employs over 12,000 people.

Sales Tax Example

Please reference the Sales Tax Example attached. This is a small example of the amount of sales tax generated by your county fairs based on the total reported attendance in 2008 of a single item purchased. If each attendee purchased a \$5.00 food item at the local food concession booth at the Fair, that would generate total gross food sales of \$20,249,845.00. Sales tax from those food sales to the State of Michigan would be \$1,146,217.92. We all know most folks and families will purchase much more than \$5.00 on food at the fair.

Just think of the economic impact that 100,000 visitors have to local communities. Even our smaller attended fairs have a significant impact to their local communities. Fourteen of our fairs reported this size of attendance. Overnight facilities are filled for miles around.

If we look at the additional use of the fairgrounds and facilities during the other 51 weeks of the year outside of fair week, increases this economic impact tremendously along with having these types of facilities available for the untold use for training, livestock exhibitions, horse shows, antique shows, reunions, company picnics and rallies of all types. Most of our fairground facilities are an intricate part of county emergency planning programs. Many departments of State government also have our fairground facilities as part of their emergency planning of whatever that emergency may be.

Local businesses profit from higher fair attendance with increased revenue generated by these visitors. The gasoline bought (tax to the state on fuel), grocery stores, restaurants, motels, hardware stores, restaurants, ice purchased and so forth.

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Your local fairs are the least expensive family oriented entertainment venues in the state. Families get to spend quality time together and grow; whether they are exhibiting or just spectators. Fairs help teach responsibility and good sportsmanship to our participants, especially our youth. Studies have shown that youth who are regularly engaged in quality extra-curricular activity are less apt to have problems with the law or drug abuse, and kids of all ages build memories by attending our local fairs.

Conclusion

Youth, families, farming, education and recreation are what agricultural fairs are all about. Fair experiences are especially important among the young people who will soon be making decisions as to the use and conservation of our land and our water.

With so much volunteer and community effort the cost is a miniscule portion of our states expenditures. We will pay a much higher price if we let our agricultural fairs fall by the wayside.

Thank you for the opportunity to address the Committee and your support.

I would be glad to entertain any questions at this time.

Every Day is a Fair Day in Michigan!

EJ Brown

Executive Director

Michigan Association of Fairs & Exhibitions

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Estimated Economic Impact of Michigan Fairs

Based on 2009 Financials of Fair week

Estimated Direct Economic Impact

Net Expenditures of County and Local Fairs	\$24,893,478.95
Salaries paid to fair employees	\$3,959,308.83
Local spending by fair visitors	\$50,324,690.03
Total direct economic impact of the 86 fairs	\$79,177,477.81

Based on the analysis of direct expenditures, below is the multiplier effect:

Total direct Economic Impact	\$79,177,477.81
Value of Multiplier	1.7986
Total Economic Impact	\$142,408,611.59

Estimated total of Annual Economic Impact of Capital Expenditures

Capital Expenditures	\$1,449,843.15
Value of Multiplier	2.0654
Economic Impact	\$2,994,506.04

Machinery and Equipment Purchases	\$177,539.94
Value of Multiplier	2.0397
Economic Impact	\$362,128.22

Total Economic Impact of the 86 County and Local Fairs: \$145,765,245.85

Notes:

Expenditures are based on financial statements submitted to Michigan Department of Agriculture for fiscal year 2008; not including the two State Fairs. Expenditures incurred by fairs for grandstand concerts were not included because those dollars did not remain in the State of Michigan.

The amount used for spending on food was estimated at \$5.00 spending per person based on reported attendance. Local spending includes dollars reported by fairs for gate/parking, grandstand, camping, livestock auction, food and rides. Ride spending was based on ride percentage paid to the fairs figuring an average percentage of 20% to figure the carnival gross.

EJ Brown
Executive Director

March 20, 2010

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February 16, 2010

SALES TAX EXAMPLE

of

One Item Purchased at a Local Fair

Purchases	\$ 5.00	\$ 8.00	\$ 10.00	\$ 12.00
Attendance - 2008	4,049,969	4,049,969	4,049,969	4,049,969
Gross Sales	\$20,249,845.00	\$32,399,752.00	\$40,499,690.00	\$48,599,628.00
tax included in Gross Sales	\$1,146,217.92	\$1,833,948.19	\$2,292,435.24	\$2,750,922.29
Taxable Sales	\$19,103,627.38	\$30,565,803.81	\$38,207,254.76	\$45,848,705.71
Sales tax \$\$ VALUE!	\$1,146,217.64	\$1,833,948.23	\$2,292,435.29	\$2,750,922.34

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If each attendee purchased a \$5.00 food item at the local food concession booth at the Fair, that would generate total gross food sales of \$20,249,845.00.

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