

Ohio Expositions Commission

Senate Finance and Financial Institutions Committee

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Legislative Service Commission*

May 8, 2003

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LSC Redbook
for the
Ohio Expositions Commission
Senate Finance and Financial Institutions Committee

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May 8, 2003

Note: The estimated General Revenue Fund (GRF) spending for FY 2003 used in this LSC Redbook reflects the 2.5% reduction made as a result of the Governor's January 22, 2003 budget cut order. The executive reduction was applied across-the-board to FY 2003 GRF appropriations, subject to certain exceptions. Subsequent to such reductions (and not reflected in the Redbook), state agencies were permitted to reallocate the amount that each of their GRF appropriation line items was reduced, while still absorbing the 2.5% budget cut within the total amount of their GRF appropriations.

Ohio Expositions Commission

- GRF is flat funded for the biennium
- An appropriation of \$125,000 is provided as a contingency against a large loss of revenue due to inclement weather or other extraordinary circumstances during the Ohio State Fair

OVERVIEW

The Ohio Expositions Commission was created and is governed by Revised Code Chapter 991. It is comprised of a 13-member commission specifically charged with the responsibility of conducting at least one fair annually and maintaining and managing property held by the state for the purpose of conducting fairs, expositions, and exhibits. The commission currently oversees operations of the Ohio Expositions Center, a 360-acre facility located in Columbus, and employs approximately 82 permanent staff.

For the FY 2004-2005 biennium, the Commission plans to continue its ongoing efforts to promote efficient management, increase return business, and increase customer satisfaction with the physical facilities. The aim is to increase the number of participants and the guests that come to the Ohio Expositions Center, whether for the state fair or for non-fair events. Success in improved management, well maintained facilities and increased attendance would provide greater revenues to support operations on a daily basis.

One of EXPO's goals has been to attain self-sufficiency for the Ohio State Fair. The public wants the Ohio State Fair to fulfill many social expectations, while maintaining an affordable pricing system. Therein lies a problem as the EXPO budget presentation states:

The primary fiscal and programmatic challenge of the Ohio State Fair lies in achieving public expectations, such as providing a great deal of support to the Jr. Fair, while not negatively impacting the annual operating budget of the Ohio Expositions Commission. Many fair visitors believe those prices for entry, admission and midway rides should be nominal. While this is not consistent with the Commission's, the Governor's, and the General Assembly's fiscal goals, a concerted attempt is made to keep Fair prices affordable. In fact, the Fair is currently not designed to break even in and of itself. Fair revenue is dependent upon paid attendance, which is related to admission and midway prices, and fair revenue is also dependent upon the weather. The Ohio Expositions Commission relies on a strong non-fair operation to financially buffer these fair revenue factors and support the total annual operation of the Ohio Expo Center.

The increasing labor costs due to the increase in the minimum wage, along with general inflation, will cause some challenges to the Commission's budget. Managing payroll expenses will be a major difficulty for FYs 2004 and 2005. Event competition from new and modern regional attractions, such as Polaris, the Columbus Zoo, Cooper Stadium, Ohio State's Schottenstein Center, Easton Town Center, and the Nationwide Arena, will make it increasingly difficult to find entertainment for the 17-day fair, as well as for non-fair events.

While facing these operational challenges, the Commission has successfully attained a number of agency goals. Benchmarks of progress for the FY 2002-2003 biennium include implementing a Facility Improvement and Modernization Plan that has identified and prioritized areas needing improvement and modernization in order to enhance the Commission's public image. The first step in this plan was completed in 2002 with the construction of the new gate on 11th Avenue. Also, the Commission has developed brochures, videos, and CDs aimed at promoting the Expo Center on a national scale. Moreover, the Commission is making continued improvements to handicapped accessibility.

Executive recommended funding for FY 2004 totals \$14,321,893 (including \$125,000 for the State Fair Reserve account). This is a 3.4% increase over estimated FY 2003 levels. Recommended funding for FY 2005 is \$14,628,727, or a 2.1% increase from recommended FY 2004 appropriations.

ANALYSIS OF EXECUTIVE PROPOSAL

Ohio Expositions Commission

Purpose: The Ohio Expositions Commission is responsible for 1) producing the annual Ohio State Fair, and 2) professionally managing and maintaining the Ohio Expositions Center—a 360-acre facility located in Columbus—for year-round events.

The following table shows the line items that are used to fund this agency, as well as the Governor's recommended funding levels.

Fund	ALI	Title	FY 2004	FY 2005
GRF	723-403	Junior Fair Subsidy	\$465,412	\$465,412
4N2	723-602	Ohio State Fair Harness Racing	\$520,000	\$520,000
506	723-601	Operating Expenses	\$13,211,481	\$13,643,315
640	723-603	State Fair Reserve	\$125,000	\$0
Total funding: Ohio Expositions Commission			\$14,321,893	\$14,628,727

Specific activities within the Ohio Expositions Commission that this analysis will focus on include:

■ OHIO STATE FAIR

■ NON-FAIR ACTIVITIES

The Ohio State Fair

Program Description: The Ohio State Fair, authorized by R.C. Chapter 991., is a 17-day event that emphasizes youth education, and the promotion of Ohio's agricultural industry, Ohio products, Ohio tourism, and cultural activities.

Funding Source: GRF, and SSR derived from fees charged for facility rental, exhibit entries, parking, admissions, etc.

Line Items: 723-403, Junior Fair Subsidy; 723-602, Ohio State Fair Harness Racing; 723-601, Operating Expenses; and 723-603, State Fair Reserve

Implication of the Executive Recommendation: For the Junior Fair Subsidy, executive recommended GRF appropriations of \$465,412 in FY 2004 and FY 2005 reflect a continuation of FY 2003 estimated funding levels. This amount would cover approximately 62% of the \$750,000 annual cost of Junior Fair operations. The Commission also requested a supplement for the Junior Fair (see Requests Not Funded).

A SSR appropriation of \$125,000 in line item 723-603, State Fair Reserve, would serve as a financial cushion for State Fair operations in the event of a significant decrease in attendance due to inclement weather or extraordinary circumstances during the Ohio State Fair. The use of this appropriation requires the Director of the Office of Budget and Management's (OBM's) approval. This money originated from a \$700,000 GRF appropriation in H.B. 283, the budget bill of the 123rd General Assembly, and \$700,000 was transferred in FY 2000. The Commission used some of this money in the current biennium. Approximately \$450,000 was used in

FY 2002 due to inclement weather that had an adverse effect on fair attendance and, hence, revenues. Approximately \$125,000 was used in FY 2003.

The Commission is proposing to increase some promotional ticket prices for the 2003 State Fair. Advanced ticket prices would increase from \$5 to \$6 (see Additional Facts and Figures). A six-day Admission Pass would increase from \$24 to \$27. Advanced wristband tickets would increase from \$12 to \$14. Lastly, daily camping prices would increase from \$20 to \$22. All other prices remain stable. Estimated total revenues for the Ohio State Fair are expected to realize modest increases. The estimated total revenues are \$7,734,200 for FY 2004 and \$7,984,876 for FY 2005. Total Fair Revenue was \$7,340,000 in FY 2003 and \$7,010,854 for FY 2002.

Non-Fair Activities

Program Description: Authorized by Chapter 991 of the Revised Code, the Ohio Expositions Commission manages and operates the Ohio Exposition Center for year-round events.

Funding Source: SSR consisting of fees for fair and non-fair events

Line Item: 723-601, Operating Expenses

Implication of the Executive Recommendation: The Commission's successful non-fair operations have been profitable and have historically supplemented operating losses in other areas of the budget. For a list of EXPO's Top Ten Events of 2002, see Additional Facts and Figures.

One of EXPO's biggest challenges for the FY 2004-2005 biennium will be to remain competitive in the event facility business. In the past seven years, the Columbus area has seen the construction of a modern convention center, a 20,000-seat amphitheater, and two ultra-modern arenas. Non-fair events are an important part of EXPO's budget. As such, the EXPO must address its image in order to remain competitive. The EXPO Center has a Facility Modernization and Improvement Plan that was completed in 2000. This plan helps to identify areas needing improvement and modernization. The first step of the plan called for the modernization of the gate and access structures. The gate on 11th Avenue was completed in 2002. The agreement with the Columbus Crew Stadium Corporation is continuing to meet the EXPO's expectations as it continues to attract new events.

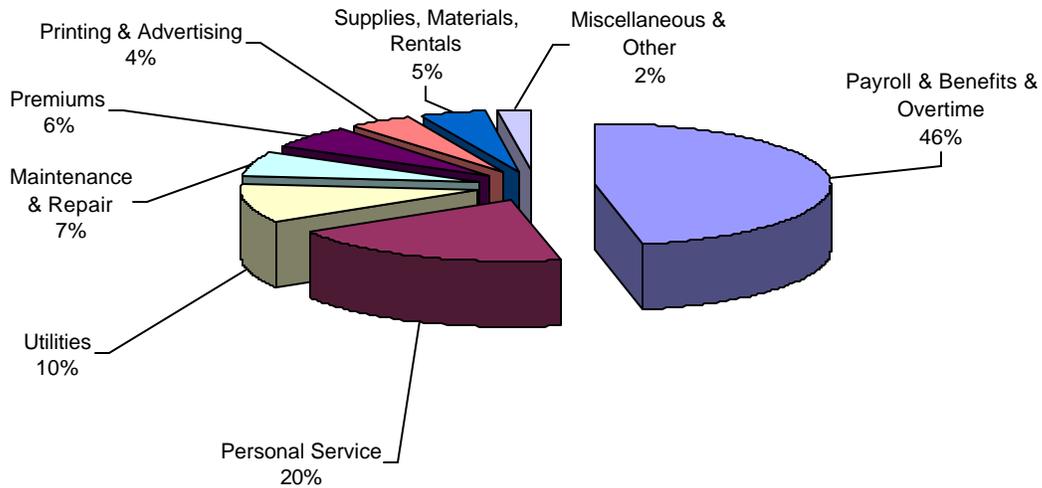
The FY 2004-2005 executive budget request includes continuation funding for EXPO's non-fair activities. The non-fair revenues are also expected to realize modest increases. The estimated non-fair total revenues are \$5,532,150 for FY 2004 and \$5,709,450 for FY 2005. Total non-fair revenue for FY 2002 was \$5,118,295 and \$5,325,000 for FY 2003.

ADDITIONAL FACTS AND FIGURES

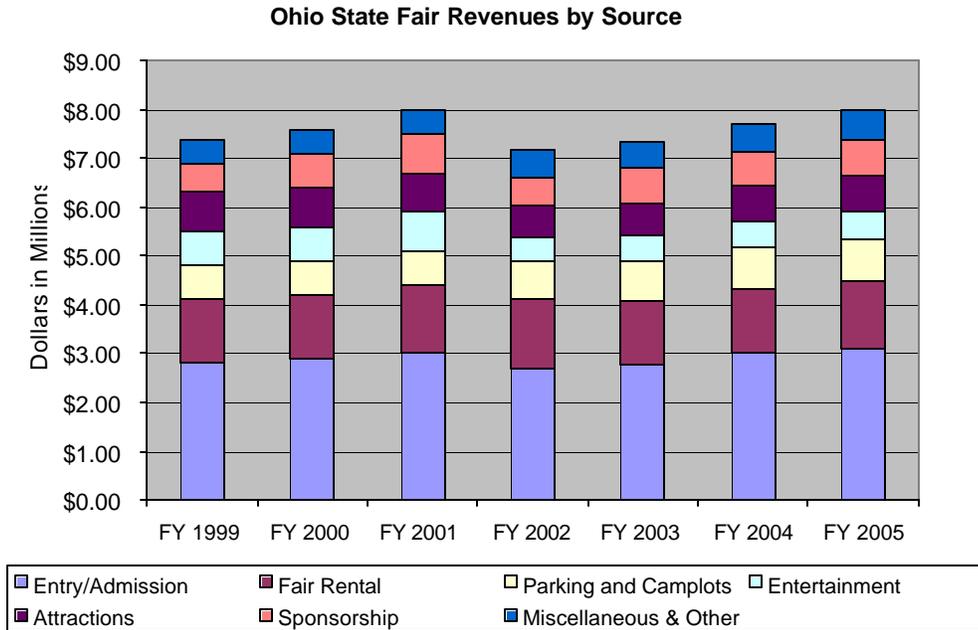
Ohio Expositions Commission Staffing Levels						
Division	2000	2001	2002	2003	<i>Estimated</i>	
					2004	2005
Permanent Staff						
General Manager's Office	3	3	3	3	3	3
Entertainment	1	1	1	1	1	1
Finance	7	7	7	7	6	6
Livestock	2	2	2	2	2	2
Maintenance	60	58	60	60	57.5	58
Marketing	4	5	6	6	5	5
Personnel	2	2	2	2	2	2
Rental Department	5	5	4	4	3	3
Special Events	2	2	2	2	2.5	2.5
Total-Permanent Staff	86	85	87	87	82	82.5
Ohio State Fair Temporary seasonal workers						
General Manager's Office	27	27	27	27	25	25
Entertainment	84	90	100	100	100	100
Finance	465	465	460	460	420	420
Livestock	92	100	110	110	100	100
Maintenance	266	275	300	300	310	310
Marketing	5	6	6	6	12	12
Personnel	22	20	20	20	15	15
Rental Department	29	29	29	29	20	20
Special Events	104	105	110	110	110	110
Total-Ohio State Fair	1094	1117	1162	1162	1112	1112

Expenditures by Function: The chart below provides an overview of expenditures for FY 2002. Fiscal Year 2002 was chosen because the expenditures are actual, not estimated. Personal services include contracted services and entertainment.

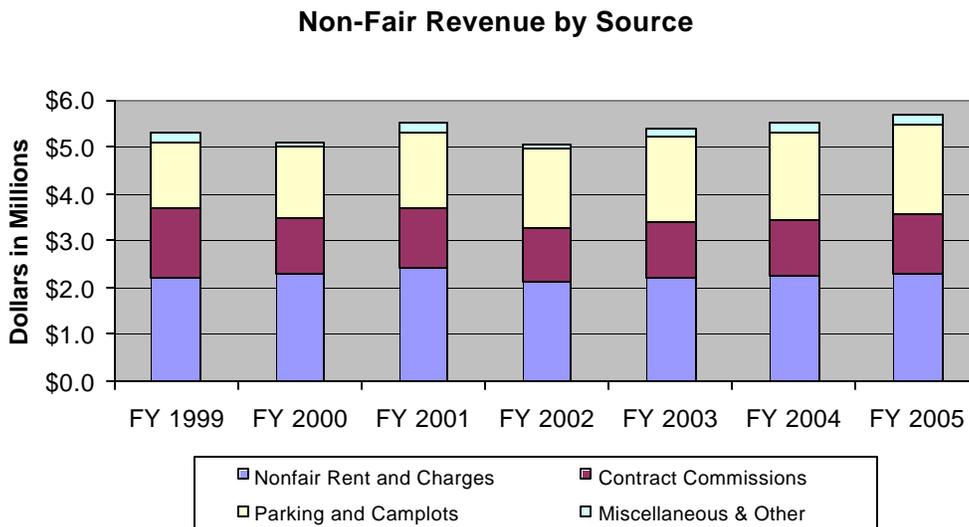
Expositions Commission Actual FY 2002 Expenditures



Expo Income by Source of Revenue — The Ohio State Fair: The table below summarizes seven main categories of EXPO income from FYs 1999 to 2005. Revenues for FYs 2003 to 2005 are estimated.



Expo Income by Source of Revenue — Non-Fair Events: The table below summarizes four main categories of EXPO income from FYs 1999 to 2005. Revenues for FYs 2003 to 2005 are estimated.



Selected Expo Non-Fair Events of 2002: The Commission's successful non-fair operations have been profitable and have historically supplemented operating losses in other areas of the budget. Of the many events for the year, the table below lists EXPO's top ten revenue-generating events of 2002.

EXPO's Top Ten Events of 2002		
<u>Event</u>		<u>Revenues*</u>
1. Ohio Quarter Horse Congress		\$ 1,044,822
2. Equine Affair		\$ 277,170
3. Home & Garden Show		\$ 233,979
4. Scott Antique Market (6 shows)		\$ 159,409
5. Goodguys		\$ 152,538
6. Ohio Central District Basketball Tournaments		\$ 146,751
7. Power Show Ohio		\$ 103,392
8. Ohio Beef Expo		\$ 54,355
9. Deer & Turkey Expo		\$ 69,193
10. United Ford Owners		\$ <u>35,706</u>
TOTAL		\$ 2,277,314

** Revenues include facility rent, parking, food, and miscellaneous.*

Ticket Pricing Summary for 1998 through 2003: The Expositions Commission has proposed to raise some promotional ticket prices for the Ohio State Fair for calendar year 2003. Summarized below are the ticket prices for the current calendar year and the past five years.

Ohio State Fair Ticket Pricing Summary, 1998-2003						
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Advance Youth & Sr.	\$4	\$5	\$5	\$5	\$5	\$6
Advance Adult	\$4	\$5	\$5	\$5	\$5	\$6
Youth/Sr. Gate	\$5	\$6	\$6	\$7	\$7	\$7
Adult Gate	\$6	\$7	\$7	\$8	\$8	\$8
6 Admission Pass	\$20	\$25	\$25	\$24	\$24	\$27
17 Day Pass	\$50	\$55	\$55	\$60	\$60	\$60
Wristband – Advance	\$20	\$20	\$12	\$12	\$12	\$14
Wristband – at Fair	\$13/\$15	\$15	\$15	\$17	\$17	\$17
Parking	\$4	\$4	\$4	\$5	\$5	\$5
Daily Camping	\$15	\$15	\$15	\$20	\$20	\$22
Camping – All Fair	\$300	\$300	\$300	\$350	\$350	\$350

PERMANENT AND TEMPORARY LAW

This section describes permanent and temporary law provisions contained in the executive budget that will affect the Commission's activities and spending decisions during the next biennium.

Temporary Law

State Fair Reserve

This provision allows appropriation item 723-603, State Fair Reserve, to serve as a budget reserve fund for the Ohio Expositions Commission in the event that inclement weather or extraordinary circumstances cause a decline in attendance, and thus revenues, at the Ohio State Fair. The Commission may use this if the following are met:

- Admission revenues for the 2003 Ohio State Fair are less than \$2,542,500 or admission revenues for the 2004 Ohio State Fair are less than \$2,619,000 due to inclement weather or other extraordinary circumstances. These amounts are 90% of projected admission revenues for each year;
- The Commission declares a state of fiscal exigency and requests release of funds by the Director of Budget and Management; and
- The Director of Budget and Management releases the funds. The Director may approve or disapprove the request of funds, may increase or decrease the amount, and may place such conditions as the Director considers necessary on the use of said funds. The appropriation authority may be transferred from FY 2004 to FY 2005 as needed.

Also, in the event that the Commission faces a temporary cash shortage that will preclude it from meeting current obligations, the Commission may request the Director of Budget and Management to approve use of the State Fair Reserve to meet those obligations. The request shall include a plan describing how the Commission will eliminate the cash shortage. If the Director approves the expenditures, the Commission shall reimburse Fund 640 by June 30th of that same fiscal year.

This provision also allows up to \$125,000 in appropriation item 723-603, State Fair Reserve, to be transferred to appropriation item 723-403, Junior Fair Subsidy in fiscal year 2004.

REQUESTS NOT FUNDED

The Commission requested an additional \$116,270 in FY 2004 and \$167,465 in FY 2005 for the Junior Fair Subsidy, 723-403. This would bring the total amounts requested for the Junior Fair Subsidy to \$511,953 for FY 2004 and \$563,148 for FY 2005. These amounts were requested because they represent the 10% increase cap levels established by OBM. In their budget request, the Commission actually asked for \$750,000 for both years to cover costs of the program. The Executive recommended an additional \$69,729 in each fiscal year for the Junior Fair. As a result, the current amounts recommended by the Executive are \$465,412 for both FY 2004 and 2005.

The Commission stated that the Junior Fair would not be scaled down as a result of recommended funding levels. However, the Commission is considering imposing a Junior Fair administrative fee. For example, this fee would be approximately \$8 to register a steer for competition and \$2 for a rabbit. This would bring in about \$70,000 in revenues to help offset the costs of the program.

The Commission also requested \$250,337 in FY 2004 in the State Fair Reserve Fund. The Executive only partially funded this request with \$125,000, a difference of \$125,337.

General Revenue Fund

GRF 723-403 Junior Fair Subsidy

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
\$499,961	\$523,631	\$483,367	\$465,412	\$465,412	\$465,412
	4.7%	-7.7%	-3.7%	0.0%	0.0%

Source: GRF

Legal Basis: Section 54 of Am. Sub. H.B. 94 of the 124th G.A. (originally established in Am. Sub. H.B. 215 of the 122nd G.A.)

Purpose: Moneys are used to help support and operate the Junior Fair portion of the Ohio State Fair, which includes premium payments to participants, payments for judges, meals and lodging for the All Ohio State Fair Band and Choir, and other related costs.

GRF 723-404 State Fair Reserve

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
\$700,000	\$0	\$0	\$0	\$0	\$0
		N/A	N/A	N/A	N/A

Source: GRF

Legal Basis: Discontinued line item (originally established in Am. Sub. H.B. 283 of the 123rd G.A.)

Purpose: These one-time seed funds were transferred to line item 723-603, State Fair Reserve, by the Director of the Office of Budget and Management.

State Special Revenue Fund Group

4N2 723-602 Ohio State Fair Harness Racing

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
\$484,017	\$484,106	\$490,711	\$520,000	\$520,000	\$520,000
	0.0%	1.4%	6.0%	0.0%	0.0%

Source: SSR: Receives participant entry fees for state fair harness races

Legal Basis: Section 54 of Am. Sub. H.B. 94 of the 124th G.A. (originally established by Controlling Board on May 3, 1993)

Purpose: These funds are used to pay cash awards. Previously, these funds were processed through line item 723-601, Operating Expenses.

506 723-601 Operating Expenses

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
\$13,305,895	\$13,341,198	\$12,172,930	\$12,740,426	\$13,211,481	\$13,643,315
	0.3%	-8.8%	4.7%	3.7%	3.3%

Source: SSR: Fees charged during the annual state fair and for non-fair events (state fair income is derived from space rental, exhibit entries, admissions, parking, etc.; fees collected during events held throughout the year include charges for building rental, parking, and concession income)

Legal Basis: ORC 991.04

Purpose: All disbursements for payroll, maintenance, and equipment are made from this line item.

640 723-603 State Fair Reserve

2000	2001	2002	2003 Estimate	2004 House Passed	2005 House Passed
\$0	\$0	\$449,663	\$125,000	\$125,000	\$0
	N/A	N/A	-72.2%	0.0%	-100.0%

Source: SSR: Received a GRF appropriation transfer from line item 723-404, State Fair Reserve in FY 2000

Legal Basis: Section 54 of Am. Sub. H.B. 94 of the 124th G.A. (originally established in Am. Sub. H.B. 283 of the 123rd G.A.)

Purpose: This fund will be used on a contingency basis to cover future operating losses of the Ohio State Fair.

As Introduced**As Passed by the House****Subject: State Fair Reserve****Section: 49**

Specifies that appropriation item 723-603, State Fair Reserve (Fund 640), is to serve as a budget reserve fund for the Ohio Expositions Commission in the event that inclement weather or extraordinary circumstances cause a decline in attendance, and thus revenues, at the Ohio State Fair. The Commission may use this if all of the following are met: (1) Admission revenues for the 2003 Ohio State Fair are less than \$2,542,500 or admission revenues for the 2004 Ohio State Fair are less than \$2,619,000 due to inclement weather or other extraordinary circumstances. These amounts are 90% of projected admission revenues for each year; (2) The Commission declares a state of fiscal exigency and requests release of funds by the Director of Budget and Management; and (3) The Director of Budget and Management releases the funds. The Director may approve or disapprove the request of funds, may increase or decrease the amount, and may place such conditions as the Director considers necessary on the use of said funds. The appropriation authority may be transferred from FY 2004 to FY 2005 as needed.

Also, in the event that the Commission faces a temporary cash shortage that will preclude it from meeting current obligations, the Commission may request the Director of Budget and Management to approve use of the State Fair Reserve to meet those obligations. The request shall include a plan describing how the Commission will eliminate the cash shortage. If the Director approves the expenditures, the Commission shall reimburse Fund 640 by June 30th of that same fiscal year.

Section: 49

No change.

As Introduced**As Passed by the House**

Specifies that up to \$125,000 in appropriation item 723-603, State Fair Reserve (Fund 640), is allowed to be transferred to GRF appropriation item 723-403, Junior Fair Subsidy in FY 2004.

Fiscal effect: In appropriation item 723-603, State Fair Reserve (Fund 640), \$125,000 is made available to the Commission in FY 2004 for decreased State Fair revenues due to inclement weather or other extraordinary circumstances. This appropriation can be transferred to FY 2005 if not used in FY 2004.

LSC Budget Spreadsheet by Line Item, FY 2004 - FY 2005

<i>Fund</i>	<i>ALI</i>	<i>ALI Title</i>	Estimated 2003	<i>As Introduced 2004</i>	<i>House Sub Bill 2004</i>	<i>% Change Est. 2003 to House 2004</i>	<i>As Introduced 2005</i>	<i>House Sub Bill 2005</i>	<i>% Change House 2004 to House 2005</i>
<i>EXP Expositions Commission</i>									
GRF	723-403	Junior Fair Subsidy	\$465,412	\$ 465,412	\$ 465,412	0.0%	\$ 465,412	\$ 465,412	0.0%
General Revenue Fund Total			\$ 465,412	\$ 465,412	\$ 465,412	0.0%	\$ 465,412	\$ 465,412	0.0%
4N2	723-602	Ohio State Fair Harness Racing	\$520,000	\$ 520,000	\$ 520,000	0.0%	\$ 520,000	\$ 520,000	0.0%
506	723-601	Operating Expenses	\$12,740,426	\$ 13,211,481	\$ 13,211,481	3.7%	\$ 13,643,315	\$ 13,643,315	3.3%
640	723-603	State Fair Reserve	\$125,000	\$ 125,000	\$ 125,000	0.0%	\$ 0	\$ 0	-100.0%
State Special Revenue Fund Group Total			\$ 13,385,426	\$ 13,856,481	\$ 13,856,481	3.5%	\$ 14,163,315	\$ 14,163,315	2.2%
<i>Total All Budget Fund Groups</i>			\$ 13,850,838	\$ 14,321,893	\$ 14,321,893	3.4%	\$ 14,628,727	\$ 14,628,727	2.1%