Expositions Commission

Senate Finance and Financial Institutions Committee

Jason Phillips, Budget Analyst
Legislative Service Commission

May 11, 2007

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for the

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TABLE OF CONTENTS

OVERVIEW **1**

Highlights of the Current Biennium 1
Executive Recommendations for FYs 2008-2009 2
Summary of FYs 2008 – 2009 Budget Issues 2
Payroll and Utility Costs 2
Increased Competition 3
Revenue Estimates 3
Staffing Levels 3

ANALYSIS OF EXECUTIVE PROPOSAL **5**

State Fair Facilities **5**

State Fair Management 5
Nonfair Events 6

REQUESTS NOT FUNDED **7**

ATTACHMENTS

Catalog of Budget Line Items
LSC Budget Spreadsheet By Line Item: Executive to House Passed
Comparison Document: Permanent and Temporary Law

May 11, 2007

Expositions Commission

- Ohio State Fair Attendance in 2006 of 814,152 was up slightly (1.5%) from 2005 Fair attendance of 802,074
- Executive recommendation of $14,688,652 for FY 2008 and $14,563,315 in FY 2009

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 oversees operations of the Ohio Expositions Center, a 360-acre facility located in Columbus and employs approximately 70 permanent staff.

Highlights of the Current Biennium

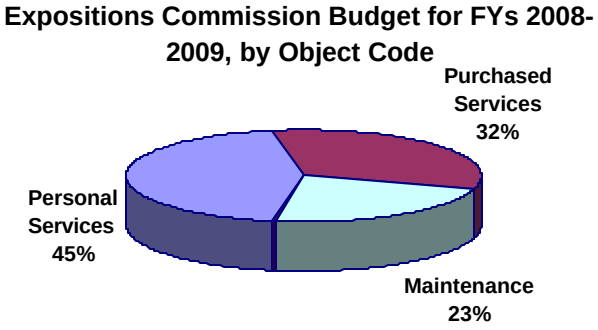
The goals of the Commission have been to boost marketing and follow through on a long-term master plan for capital improvements at the fairgrounds. The image of the Ohio Expo Center has been enhanced through greater customer service by the Center's rental office, brochures and videos promoting the Expo Center on a national scale, and advertising in national publications. The Expo Center's long-term lease with Columbus Crew Stadium LLC continues to attract new events, which has increased parking revenue. In addition to greater outreach efforts and events, the Commission continues to follow its master plan for enhancing and improving grounds and facilities. The first phase in the Center's improvement and modernization was completed in 2002 with the completion of the new gate on 11th Avenue. Phase II of the facilities improvement plan, which focuses on improving the 17th Avenue entrance to the Center is ongoing. Electrical upgrades are taking place in which overhead wires are being buried. In addition, the Commission is making a concerted effort to improve handicapped accessibility.

Am. Sub. H.B. 699 of the 126th General Assembly, the most recent capital appropriations act, appropriated $14 million for a new multi-purpose building. The Commission is in the process of getting preliminary designs for a replacement to either the Sheep Exhibits Building or the Swine Exhibits Building and meeting with many of the Commission's major event holders and livestock groups to gather information to aid in the final decision on which building to replace. Both existing buildings are in poor condition and in need of major renovations and repairs. The Commission's hope is that construction on the new building will begin after the 2007 Quarter Horse Congress in October, with completion before the 2008 Ohio State Fair in August.

Attendance for the 2006 Ohio State Fair was 814,152, which is approximately 1.5% higher than 2005 fair attendance figures of 802,074. In 2004, the Commission reduced the length of the State Fair from 17 to 12 days. The 2004 Ohio State Fair was well attended (850,218) given the smaller State Fair length and provided an internal surplus of approximately $800,000 that has been used to absorb increased workers' compensation premiums, utility costs and lower revenue from the 2005 and 2006 fairs, which were affected by mediocre attendance.

Executive Recommendations for FYs 2008-2009

The executive recommends funding of $14,688,652 in FY 2008, which is 0.9% higher than FY 2007 appropriations of $14,563,315. The executive recommends $14,563,315 in FY 2009. The increase in FY 2008 is attributable to the Governor recommending $125,337 be appropriated from the State Fair Reserve Fund in the event of poor weather or extraordinary circumstances that result in a loss of revenue for the State Fair. Without this appropriation, the executive recommendation for FY 2008 and FY 2009 would flat fund the Commission at its FY 2007 appropriation. The Commission is 97% funded through its rotary funds in the State Special Revenue Fund group. The balance of the Commission's budget is funded by the GRF to fund expenses associated with hosting Junior Fair participants. The pie chart below shows that the majority of the Commission's funds are used for personnel costs and purchased services.



Summary of FYs 2008 – 2009 Budget Issues

The Commission's goal is to become a self-sufficient agency. In order to do this, the Commission believes it must continue to make long-term improvements to the annual Ohio State Fair and provide an accommodating facility that will attract new nonfair events. The Commission is hopeful that these efforts will increase both participants and guests at the Fair and the nonfair events, resulting in greater revenues to fully support its operations.

The primary fiscal and programmatic challenge of the Ohio State Fair lies in achieving public expectation, such as providing support to the Junior Fair, while not negatively impacting the annual operating budget of the Commission. Many fair visitors believe that prices for entry, admission, and Midway rides should be nominal, so a concerted attempt is made to keep Fair prices affordable. However, the Fair is currently not designed to break even in and of itself. Fair revenue depends upon paid attendance, which is related to admission and midway prices, and also the weather. Therefore, the Ohio Expositions Commission relies on a strong nonfair operation to financially buffer these Fair revenue factors and support the total annual operations of the Ohio Expo Center.

Payroll and Utility Costs

Another factor impacting the Commission's budget is the increasing cost to support payroll. While Commission management has reduced payroll costs as a whole by not filling vacated positions, the Commission's workers' compensation premiums increased by $120,000 annually beginning in CY 2005 through a premium cap being removed. The Commission has been able to absorb the premium increase by drawing down an internal operating surplus resulting from the 2004 Ohio State Fair, which had extraordinarily good weather and high revenue. The amendment to Ohio's Constitution increasing the minimum wage will increase fair payroll by approximately $75,000. Additionally, the 3.5% mandated

pay increases occurring at the beginning of FY 2008 and FY 2009 will be absorbed through nominal price increases for all-day ride wristbands, nonfair rental space, parking and concert tickets. The continued increase in utility costs is also a concern.

Increased Competition

The Commission also faces challenges from increased competition among the many entertainment venues in Columbus. For instance, the Commission cites venues such as the Columbus Zoo, Schottenstein Center and Nationwide Arena as hindering the ability of the Commission to fill the Celeste Center for featured entertainment for the 12-day State Fair. Management is currently looking into several different scenarios of presenting featured entertainment in order to maximize entertainment while maintaining fiscal responsibility. There is increased local competition for nonfair events as well. These are an important source of revenue to the Commission through rental fees for the facility and through parking fees. In order to remain competitive for such events, the Commission has worked to address the Expo Center's image through the phased implementation of the Facility Improvement and Modernization Plan mentioned previously.

For the FY 2008-2009 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 nonfair events. Success in improved management, well maintained facilities and increased attendance would provide greater revenues to support operations on a daily basis.

Revenue Estimates

Expositions Commission revenue comes from two general sources – State Fair revenues and nonfair event revenues. The Commission estimates overall annual revenue growth of 2.5% to 5.0%. Fair revenues are expected to increase 2.5% to 5.0% while nonfair event revenue is expected to increase between 2 and 4%. However, it is important to note that State Fair revenue is dependent on the weather. Poor weather can result in poor State Fair attendance, in turn producing a significant decrease in revenues from that event. However, the reduction in the length of the Fair from 17 days to 12 days beginning in FY 2005 demonstrated that the fair could make approximately the same revenue in the shorter time period if the weather is accommodating. Commission plans continue to include an increased number of events taking place at the Expo Center, which is estimated to increase rental revenue in the upcoming biennium.

Staffing Levels

The Expositions Commission employees 68 full-time employees. Pursuant to collective bargaining contracts, nonexempt state employees will receive 3.5% raises on July 1st of 2007 and 2008. In addition, the Commission will hire over 900 temporary-seasonal employees to work during the Ohio State Fair and during nonfair events. Temporary-seasonal employees are paid for the hours they work, but may not work more than 14 weeks per year. These employees do not accrue vacation or sick time, but do earn Public Employees Retirement System contributions. According to the Commission, many temporary-seasonal employees return to work the State Fair each year. These employees perform such duties as ticket sales and parking. Nonfair events, however, are generally staffed using a contracted temporary agency, which provides the Commission with temporary employees for a few days at a time.

The following table shows the staffing levels for permanent and temporary-seasonal employees from FYs 2004 to 2007 and estimates for the FY 2008-2009 biennium.

Ohio Expositions Commission Staffing Levels, by Fiscal Year						
					Estimated	
Division	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**
Permanent Staff						
General Manager's Office	3	3	3	3	3	3
Entertainment	1	1	1	1	1	1
Finance	6	6	6	6	6	6
Livestock	1	1	1	1	1	1
Maintenance	60	60	60	60	46	46
Marketing	5	5	5	5	4	4
Personnel	2	2	2	2	2	2
Rental Department	3	3	3	3	3	3
Special Events	1	1	1	1	2	2
Total-Permanent Staff	**82**	**82**	**82**	**82**	**68**	**68**
Ohio State Fair Temporary seasonal workers						
General Manager's Office	27	27	27	27	23	23
Entertainment	100	100	100	100	75	75
Finance	450	440	440	440	325	325
Livestock	110	110	110	110	100	100
Maintenance	300	300	300	300	265	265
Marketing	6	7	7	7	7	7
Personnel	20	20	20	20	20	20
Rental Department	29	29	29	29	25	25
Special Events	110	110	110	110	75	75
Total-Ohio State Fair	**1152**	**1143**	**1143**	**1143**	**915**	**915**

ANALYSIS OF EXECUTIVE PROPOSAL

Single Program Series **State Fair Facilities**

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 the Ohio Expositions Commission, as well as the Governor's recommended funding levels.

Fund	ALI	Title	FY 2008	FY 2009
General Revenue Fund				
GRF	723-403	Junior Fair Subsidy	$400,000	$400,000
		General Revenue Fund Subtotal	**$400,000**	**$400,000**
State Special Revenue Fund Group				
4N2	723-602	Ohio State Fair Harness Racing	$520,000	$520,000
506	723-601	Operating Expenses	$13,643,315	$13,643,315
640	723-603	State Fair Reserve	$125,337	$0
		State Special Revenue Fund Group Subtotal	**$14,288,652**	**$14,163,315**
Total Funding: Expositions Commission			**$14,688,652**	**$14,563,315**

The Expositions Commission is responsible for the following two programs:

- ***State Fair Management***
- ***Nonfair Events***

State Fair Management

Program Description: The Ohio State Fair, authorized by R.C. Chapter 991., is an annual event that emphasizes youth education, and the promotion of Ohio's agricultural industry, Ohio products, Ohio tourism, and cultural activities. The Junior Fair, a part of the Ohio State Fair, allows over 10,000 youth from across the state who participate in FFA or 4H to show their livestock. In addition, youth bands and choirs are invited to perform at the Fair. The commission provides lodging and food for these youth while they are participating in the Fair. These youth programs are supported through the GRF and general operating revenues. The Commission also conducts harness racing during the Fair. Participants in the harness races pay an entry fee, which goes to pay for the use of the Scioto Downs Race Track located in Central Ohio. State Fair attendance was 802,074 in CY 2005 and 814,152 in CY 2006.

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 Executive Recommendation: The executive recommends $7,500,693 in FY 2008 and $7,368,991 in FY 2009 for the State Fair Management program, versus the requested amounts of $7,387,356 in FY 2008 and $7,380,991 in FY 2009. The increase in FY 2008 is attributable to the

Governor recommending $125,337 out of the State Fair Reserve Fund (Fund 640) in the case of low State Fair revenues resulting from inclement weather or extraordinary circumstances. The executive recommends the full amount requested for the Commission's two rotary accounts, which are used to support the Ohio State Fair Harness Racing and the operating expenses for the State Fair. However, the executive recommends $12,000 less in each fiscal year for the GRF funded line item. See the "Request Not Funded" section for more details. Overall, the Commission reports that the Governor's recommendations would allow it to maintain current service levels if expenses remain at current levels and there is not a poor weather fair.

Temporary Law Provision

State Fair Reserve (Section 289.10). A provision in the bill earmarks appropriation item 723-603, State Fair Reserve, to serve only as a budget reserve fund for the Ohio Expositions Commission in the event of a significant decline in attendance because of inclement weather or extraordinary circumstances during the Ohio State Fair resulting in a loss of revenue. The Commission may only use the State Fair Reserve Fund (Fund 640) if (1) admission revenue for the State Fair falls below 90% of projected revenue each year, (2) the Commission declares a state of fiscal exigency and requests release of the funds from the Director of Budget and Management, and (3) the Director of Budget and Management releases the funds.

The Director of Budget and Management may approve or disapprove the request for the funds, may increase or decrease the amount of the release, may place conditions on the use of the released funds, and may transfer the appropriation from FY 2008 to FY 2009 as needed. 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 the use of the State Fair Reserve Fund (Fund 640) to meet those obligations. The request must include a plan describing how the Commission will eliminate the cash shortage. If the Director of Budget and Management approves the expenditures, the Commission must reimburse the State Fair Reserve Fund by the end of that fiscal year through an intrastate transfer voucher.

Nonfair Events

Program Description: The Expositions Commission serves as the home to over 200 events on a yearly basis, including three of the top six conventions held in the City of Columbus. The Expositions Commission continues to market and enhance the image of the Ohio Expo Center and strives to increase nonfair revenue and stabilize operating expenses.

Funding Source: SSR, consisting of fees for fair and nonfair events

Line Items: 723-601, Operating Expenses

Implication of Executive Recommendation: The executive recommends $7,187,959 in FY 2008 and $7,194,324 in FY 2009 for the Nonfair Events program, which fully funds the Commission's request for the program.

Temporary and Permanent Law Provisions

None

REQUESTS NOT FUNDED

This section focuses on the Junior Fair Subsidy, the only line item that was not fully funded in the executive's recommendations.

Junior Fair Subsidy						
Fund Line Item	FY 2008 Requested	FY 2008 Recommended	Difference	FY 2009 Requested	FY 2009 Recommended	Difference
723-403	$412,000	$400,000	$12,000	$412,000	$400,000	$12,000
TOTAL	**$412,000**	**$400,000**	**$12,000**	**$412,000**	**$400,000**	**$12,000**

The Ohio Expositions Commission requested $412,000 in each year of the FYs 2008-2009 biennium in GRF to support and operate the Junior Fair portion of the Ohio State Fair. This appropriation is used to pay premium payments to participants, payments for judges, meals and lodging for the All Ohio State Fair Band and Choir, and other related costs.

However, the executive recommends $400,000 in each fiscal year, $12,000 less than requested. The Commission would have used the $12,000 in each fiscal year to supply materials to improve youth displays in the Lausche Building on the grounds of the Ohio Expo Center. The Commission plans to use a portion of the State Fair operating expenses rotary fund (Fund 506) in an effort to maintain the Junior Fair at current levels.

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General Revenue Fund

GRF 723-403 Junior Fair Subsidy

2004	2005	2006	2007 Estimate	2008 House Passed	2009 House Passed
$436,902	$432,546	$400,000	$400,000	**$400,000**	**$400,000**
	-1.0%	-7.5%	0.0%	**0.0%**	**0.0%**

Source: GRF

Legal Basis: Section 206.36 of Am. Sub. H.B. 66 of the 126th G.A. (originally established by 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.

State Special Revenue Fund Group

4N2 723-602 Ohio State Fair Harness Racing

2004	2005	2006	2007 Estimate	2008 House Passed	2009 House Passed
$459,857	$449,850	$444,170	$520,000	**$520,000**	**$520,000**
	-2.2%	-1.3%	17.1%	**0.0%**	**0.0%**

Source: SSR: Participant entry fees for state fair harness races

Legal Basis: Section 206.36 of Am. Sub. H.B. 66 of the 126th 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

2004	2005	2006	2007 Estimate	2008 House Passed	2009 House Passed
$12,181,725	$12,189,866	$12,489,450	$13,643,315	**$13,643,315**	**$13,643,315**
	0.1%	2.5%	9.2%	**0.0%**	**0.0%**

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

2004	2005	2006	2007 Estimate	2008 House Passed	2009 House Passed
$0	$0	$0	$0	**$125,337**	**$0**

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

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

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

LSC Budget Spreadsheet by Line Item, FY 2008 - FY 2009

Fund	ALI	ALI Title	Estimated 2007	As Introduced 2008	House Passed 2008	% Change Est. 2007 to House 2008	As Introduced 2009	House Passed 2009	% Change House 2008 to House 2009
EXP		**Expositions Commission**							
GRF	723-403	Junior Fair Subsidy	$400,000	$ 400,000	$ 400,000	0.0%	$ 400,000	$ 400,000	0.0%
General Revenue Fund Total			**$ 400,000**	**$ 400,000**	**$ 400,000**	**0.0%**	**$ 400,000**	**$ 400,000**	**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	$13,643,315	$ 13,643,315	$ 13,643,315	0.0%	$ 13,643,315	$ 13,643,315	0.0%
640	723-603	State Fair Reserve	$0	$ 125,337	$ 125,337	N/A	$ 0	$ 0	-100.0%
State Special Revenue Fund Group Total			**$ 14,163,315**	**$ 14,288,652**	**$ 14,288,652**	**0.9%**	**$ 14,163,315**	**$ 14,163,315**	**-0.9%**
Total All Budget Fund Groups			***$ 14,563,315***	***$ 14,688,652***	***$ 14,688,652***	***0.9%***	***$ 14,563,315***	***$ 14,563,315***	***-0.9%***

As Introduced (Executive)	As Passed by the House
1 (CD-874-EXP) Revenue from Columbus Crew Stadium	
	R.C. *991.08*
No provision.	Requires at least 35% of the revenue received by the Expositions Commission from events held at the Columbus Crew Stadium be used for the improvement and maintenance of parking facilities. **Fiscal effect: Reduces revenue available for operating expenses in the range of $46,000 annually, based on approximate current annual revenues of $131,000 from Columbus Crew Stadium lease payments and parking.**
2 (CD-561-EXP) State Fair Reserve	
Section: *289.10*	**Section: *289.10***
Specifies that SSR Fund 640 appropriation item 723-603, State Fair Reserve, is to be used as a budget reserve fund for the Ohio Expositions Commission in the event of a significant decline in attendance because of inclement weather or extraordinary circumstances during the Ohio State Fair resulting in a loss of revenue. Allows the fund to be used to pay bills resulting from the Ohio State Fair only if all of the following are met: (1) admission revenues for the 2007 Ohio State Fair are less than $2,025,000 or admission revenues for the 2008 Ohio State Fair are less than $2,065,000 because of inclement weather or extraordinary circumstances; (2) The Commission declares a state of fiscal exigency and requests release of funds from the Director of Budget and Management; and (3) the Director of Budget and Management releases the funds.	Same as the Executive.

As Introduced (Executive)	As Passed by the House
Authorizes the Director of Budget and Management to approve or disapprove the request for release of funds, increase or decrease the amount of release, and place conditions as the Director considers necessary on the use of the released funds. Allows the Director to transfer the appropriation from FY 2008 to FY 2009 as needed. Authorizes the Commission, in case of a temporary cash shortage that will preclude it from meeting current obligations, to request that the Director of Budget and Management approve the use of the State Fair Reserve Fund to meet those obligations, but requires the request to include a plan describing how the Commission will eliminate the cash shortage. Requires that the State Fair Reserve Fund be reimbursed by June 30 of the same fiscal year via ISTV for any such expenditures so approved by the Director of Budget and Management.	Same as the Executive.