



Labovitz
SCHOOL OF BUSINESS & ECONOMICS
Bureau of Business and Economic Research

Iron Range Racetrack Impact Analysis UPDATE 2004

Date:
March 2005

For

John Fedo and Associates
Minnesota MotorPlex

Scope of Work

Assumptions

As with the initial impact report from 1999, this update proposal and its attending budget assumes the following:

- the sponsor has and will provide data on expected user days and revenue generations from the operation of this facility.
- the sponsor has and will provide data on construction time lines and costs for the racetrack complex.
- the sponsor will provide necessary information concerning the region to be analyzed (e.g., Northeast Minnesota, Taconite Relief Area, Northern St. Louis County).

Economic Assessment Data and Models

As with the initial impact report from 1999, the core of the project essentially entails the updating of the development of an impact analysis for the proposed Hibbing racetrack.

As a sub-component of this analysis, economic and fiscal impact on the identified region for analysis will be assessed. Both forms of impact will utilize the IMPLAN PROFESSIONAL™ software and database for impact assessment. Impacts will be reported in the format of output, value added, employment, taxes and sales. All of these impacts will be reported as impacts from the construction and operation of this facility.

When looking at a regional impact analysis, it should include the costs to this region only. Money from the state and the alternative uses of that money do not enter into such a calculation.

UMD/BBER Deliverables

An update of the report on the results of the impact analysis will be written and delivered to the sponsors.

Time Line

The project will begin on 06/30/2004 and proceed through December 31, 2004. Any delay on the start will be reflected in an extension of time at the end. A delay in acquisition of the snowmobiling inputs is noted as resulting in the delivery date moving to April 2005.

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Methods and Assumptions

Assessment of the update for the economic impact of the Iron Range racetrack motorplex was modeled from the following: revenues associated with each of the tracks; track construction activity; and the addition of new visitor days for the region.

Input Values for the Model. Inputs to the impact model for number of projected visitors, employees and related expectations were compiled by John Fedo and Associates.

The Model and Impact Definitions. Economic impacts are made up of direct, indirect, and induced impacts. The following include suggested assumptions for accepting the impact model: Induced effects should be used with caution

- IMPLAN input-output is a production based model
- Visitor/Tourist impacts come from exports to people residing outside the region.
- Local or export based purchases that represent transfers from other potential local purchases are not counted.
- The numbers (from U.S. Department of Commerce secondary data) treat both full and part time individuals as being employed.
- Assumptions need to be made concerning the nature of the local economy before impacts can be interpreted.

- The IMPLAN model was constructed for the year 2000 (most recent SIC related IMPLAN data available). Estimates for 2004 are modeled as projections.

Measures.

- Gross Output represents the value of local production required to sustain track activities.
- Value Added is a better measure of the impacting industry’s contribution to the local community, and approximate addition to the region’s Gross Domestic Product.
- Employment is fairly self-explanatory. Part time individuals are counted as being employed. This means that the employment estimates are not in terms of full time equivalents.
- Taxes will be estimated for the combined State and Local (regional) levels. IMPLAN estimates taxes on the basis of a ratio of taxes paid to output.

Caveats:

- Induced effects should be used with caution
- IMPLAN input-output is a production based model
- Visitor/Tourist impacts come from exports to people residing outside the region.
- Local or export based purchases that represent transfers from other potential local purchases are not counted.
- The best way to trace visitor expenditures in a region is through survey, which was not done here.
- The numbers (from U.S. Department of Commerce secondary data) treat both full and part time individuals as being employed.
- Assumptions need to be made concerning the nature of the local economy before impacts can be interpreted.

Definition of Measures:

Gross Output	represents the value of local production required to sustain track activities.
Value Added	is a better measure of the impacting industry’s contribution to the local community.
Employment	is fairly self-explanatory. Remember that part time individuals are counted as being employed. This means that the employment estimates are not in terms of full time equivalents.
Taxes	will be estimated for the state and local (regional) levels. IMPLAN estimates taxes on the basis of a ratio of taxes paid to output.

Impacts included in this update:

Impact I: Construction

Table 1: Summary of Construction Impacts

Impact II: Operations

Table 2: Summary of Oval Track Annual Impacts, Less Employment – 2004 dollars

Table 3: Summary of Road Course Annual Impacts, Less Employment - 2004 dollars

Table 4: Summary of Snowmobile Racing Annual Impacts, Less Employment - 2004 dollars
dollars

Table 5: Summary of Track Total Employment from Track Operations

Table 6: Summary of Total Track Operations Annual Impacts, Less Employment- 2004 dollars

Impact III: Driver's Education and Continuing Education

Table 7: Summary of Driver's Education and Continuing Education Impacts

Impact IV: Visitors

Table 8: Summary of Visitor Annual Impacts, Less Employment - 2004 dollars

Table 9: Total Employment Annual Impacts from Visitor Expenditure

Table 10: Summary of Total Annual Impacts from Operations, Visitors, and Driver's Education,
Less Employment - 2004 dollars

Note: The source for modeling software and impact data in the following tables should be noted as: Minnesota IMPLAN Group, Inc., IMPLAN System (data and software), 1725 Tower Drive West, Suite140, Stillwater, MN 55082, www.implan.com.

Note also: Data are for year 2000. Estimates for 2004 are modeled as projections.

Impact I: Construction

Table 1: Summary of Construction Impacts 2004

Effects/Measure	Direct Effect	Indirect Effect	Induced Effect	Total Effect
Gross Output	\$10,862,998	\$2,143,210	\$2,189,366	\$15,195,574
Value Added	\$4,022,001	\$1,143,430	\$1,387,529	\$6,552,960
Employment	91	20	42	153
State and Local Taxes				\$468,036

Impact II: Operations

Table 2: Summary of Oval Track Annual Impacts, Less Employment - 2004 dollars

Effects/Measure	Direct Effect	Indirect Effect	Induced Effect	Total Effect
Gross Output	\$925,096	\$390,971	\$117,742	\$1,433,809
Value Added	\$216,745	\$164,163	\$74,580	\$455,488
State and Local Taxes				\$61,302

Table 3: Summary of Road Course Annual Impacts, Less Employment - 2004 dollars

Effects/Measure	Direct Effect	Indirect Effect	Induced Effect	Total Effect
Gross Output	\$251,098	\$106,121	\$31,959	\$389,177
Value Added	\$58,831	\$44,559	\$20,243	\$123,633
State and Local Taxes				\$16,639

Impact IV: Visitors

Table 8: Summary of Visitor Annual Impacts, Less Employment - 2004 dollars

Effects/Measure	Direct Effect	Indirect Effect	Induced Effect	Total Effect
Gross Output	\$9,223,388	\$1,552,985	\$2,081,842	\$12,858,215
Value Added	\$6,116,182	\$833,955	\$1,318,696	\$8,268,833
State and Local Taxes				\$1,099,833

Table 9: Total Employment Annual Impacts from Visitor Expenditures

Effects/Measure	Direct Effect	Indirect Effect	Induced Effect	Total Effect
Employment	239	24	30	292

Table 10: Summary of Total Annual Impacts from Operations, Visitors , and Driver's Education, Less Employment - 2004 dollars

Effects/Measure	Direct Effect	Indirect Effect	Induced Effect	Total Effect
Gross Output	\$11,527,309	\$2,405,837	\$2,478,662	\$16,411,807
Value Added	\$6,874,067	\$1,192,283	\$1,569,763	\$9,636,113
State and Local Taxes				\$1,253,907

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