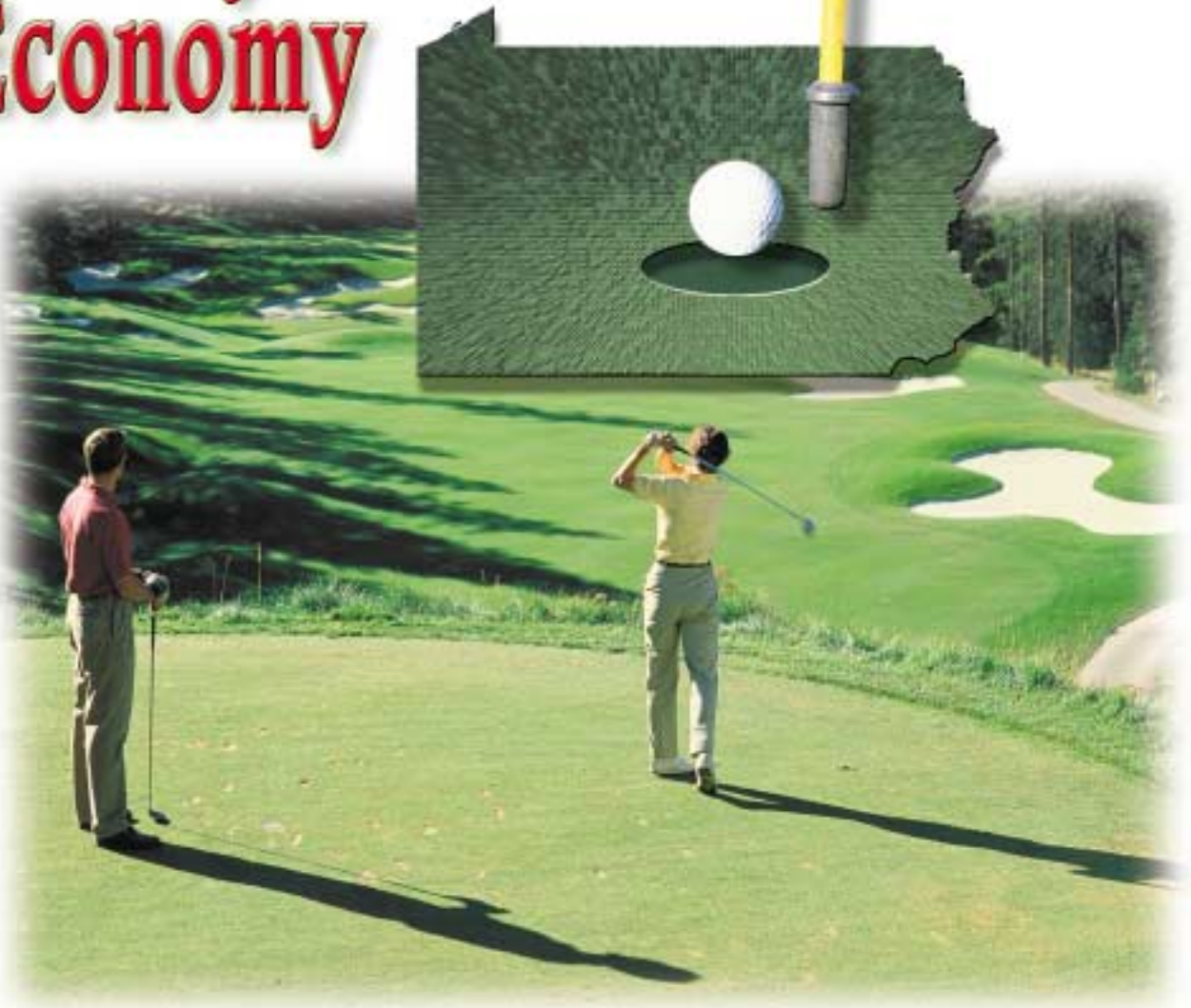


The Contribution of the Golf Industry to the Pennsylvania Economy



AUGUST 2002

The Economic Contribution Of the Golf Industry To the Pennsylvania Economy

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This study was made possible through the efforts of Play and Stay in PA, the Pennsylvania Golf Course Owner's Association and The Alliance of Pennsylvania Golf Organizations. The data, analyses and conclusions are those of the National Golf Foundation and FXM Associates.

ABSTRACT

The National Golf Foundation has been retained by Play and Stay in PA, the Pennsylvania Golf Course Owner's Association and the Alliance of Pennsylvania Golf Organizations to determine the economic contribution of the Pennsylvania golf industry to the economy of the state. The Alliance of Pennsylvania Golf Organizations includes all of the major associations and organizations involved in golf in Pennsylvania.

Findings

- PA's golf industry generates \$1.1 billion in direct economic benefit and \$2.3 billion in direct and indirect benefits, making it one of the larger industries in the commonwealth.
- The golf industry is responsible for nearly 50,000 jobs (including tourism-related employment) and a payroll approaching \$1 billion.
- Tax revenues to Federal, state and local governments related to the PA golf industry are close to \$500 million annually.
- Visitors account for an estimated \$153 million in on-course and off-course golf-related sales principally green fees and merchandise. Applying golf visitors numbers to state-wide tourism figures, golf-related tourism may have contributed additionally as much as \$94.4 million in transportation, \$58.0 million in lodging and \$90.9 million in food and beverage spending.
- There is opportunity to grow the golf industry's contribution to the state by a) expanding golf tourism marketing programs and b) increasing the number of Pennsylvanians who play golf.
- By and large, there is an ample to excess supply of golf courses in the state and the challenge is to more fully utilize existing capacity rather than increase capacity.
- PA's efforts to market golf, both within the state and to contiguous states, must be intensified, given the economic importance of the industry and the significant opportunity that is present; however, time is of the essence as other golf destinations are also becoming more aggressive and the competition for players is intensifying.
- PA must also intensify its player development efforts (PA ranks below every other northeastern and Midwest state in golf participation as a percent of total population) in order for course owners and operators to generate a revenue stream sufficient to meet operating expenses and continue to provide the economic contributions that are present today.
- Golf is a critical ingredient in economic development as it is seen as an important amenity in attracting and retaining business.
- Golf is also a significant contributor to real estate values when housing developments are completed in proximity to golf courses.

The golf market, like so many others, is not static – it is a dynamic environment that constantly presents challenges and opportunities. The content and timing of this study are intended to help Pennsylvania to overcome the challenges and exploit opportunities.

EXECUTIVE SUMMARY

This study examines the Pennsylvania golf market and provides estimates of employment, wages, non-labor expenditures, and gross revenues from golf courses/ranges, golf-related businesses and service companies, and off-course golf retailers.

This study is intended to help both the private and public sectors to better understand the golf market in Pennsylvania and the contribution of the golf industry to the economy of the state.

Golf is Big Business in Pennsylvania

Golf courses and golf-related businesses directly account for an estimated \$1.1 billion in business sales within the Pennsylvania economy, 33,300 full and part-time jobs, and nearly \$400 million in yearly wages. The golf industry gross output of \$1.1 billion is comparable to other significant Pennsylvania industries, namely: **coal mining** (\$1.1 billion), **oil and gas** (\$1.1 billion), **apparel & textiles** (\$1.1 billion), and **transportation services** (0.9 billion).¹

Compared to other states that the NGF has recently studied, Pennsylvania's golf economy is **less diversified**. Pennsylvania receives a higher proportion of direct economic contribution from golf facilities and less direct economic contribution from other golf-related businesses such as golf products manufacturing, golf-related professional companies, service companies and retailing.

Percent of Gross Output / Sales from:		
	Golf Courses and Ranges	Comments
Pennsylvania	87 Percent	No golf products manufacturing to speak of
Minnesota	73 percent	Strong turf products industry
Arizona	59 percent	Strong manufacturing and professional service companies
Massachusetts	29 percent	Strong golf products manufacturing (Titleist, Spalding, etc.)

Source: National Golf Foundation

This may indicate an opportunity for the State of Pennsylvania to broaden its golf economy by attracting more golf product manufacturers and golf-related professional firms, service firms and wholesale / retail to the state.

The total effect of the golf industry on the economy of the state includes the expenditures for goods and services made by golf-related companies from other in-state businesses (direct and indirect effects), as well the expenditures of employees of these

¹ The Bureau of Economic Analysis (BEA), Gross State Product by Industry, 2000.

industries within Pennsylvania (induced effects). These total direct, indirect and induced effects within the economy of Pennsylvania are estimated as follows²:

- *Output*.....\$2.3 billion in gross sales to Pennsylvania businesses
- *Employment*48,900 full and part-time jobs in Pennsylvania
- *Wages*\$700 million to residents of Pennsylvania
- *Local Taxes*.....\$41 million to Pennsylvania municipalities
- *State Taxes*\$85 million to the state of Pennsylvania
- *Federal Taxes*.....\$285 million paid by Pennsylvania residents

The total economic effects figures for Pennsylvania compare favorably with a much more diversified golf economy in Massachusetts (\$2.5 billion in output).

Resident Golf Participation Highlights

Golf participation rates (percent of population over 5 years of age that play golf) among residents of Pennsylvania are below the national average. The opportunity in Pennsylvania is to motivate existing golfers to play more and to develop a new generation of golfers. Even though participation rates lag the national averages, Pennsylvania is one of the leading states in the U.S. in terms of total number of golf participants.

State Comparisons - Golf Participation					
	Golf Participation Rate	Golf Participants (000s)¹	State Rank		
			Golfers	Population	
California	10.3%	3,220	1	1	
New York	10.6%	1,880	2	3	
Texas	8.5%	1,630	3	2	
Illinois	13.6%	1,570	4	5	
Ohio	14.6%	1,550	5	7	
Florida	10.3%	1,540	6	4	
Michigan	16.5%	1,530	7	8	
Pennsylvania	9.3%	1,080	8	6	
Georgia	10.9%	830	9	10	
New Jersey	9.3%	740	10	9	
U.S.	11.7 %	26,500			

¹ Age 5 years and above
Source: National Golf Foundation

² Source: PCIO regional input-output model developed by the Regional Science Research Institute, and applied throughout the U.S. over the past thirty years; it has been specifically calibrated for the State of Pennsylvania for this golf industry application

Imagine the economic opportunity if Pennsylvania's golf participation rates looked more like neighboring Ohio? The Pennsylvania golf industry is encouraged to focus efforts on player development.

Visitor and Tourism Highlights

Travel and tourism is a huge industry in Pennsylvania. In the June 2002 report, *Economic Impact of Travel in Pennsylvania*³, D.K. Shifflet & Associates Ltd. estimated that for the year 2000, the Travel Industry generated \$21.4 billion in direct sales and an additional \$14.7 billion in indirect and induced sales within Pennsylvania. Furthermore, in the year 2000, Pennsylvania realized approximately 117 million person trips, over half of those being non-residents.

Golf has the potential to enhance a visitor's experience, length of stay and spending. National studies conducted by the NGF have shown that golf travelers have higher incomes than non-golfing travelers⁴. This is supported by detailed empirical studies in Arizona that have shown that overnight golfing visitors spend 1.46 times as much as non-golfing visitors⁵.

Based on surveys of golf facilities in Pennsylvania, the NGF estimates that approximately 1.3 million visitors played golf in Pennsylvania in 2001 and accounted for approximately 2.2 million rounds played (or person trips).

Based on discussions with golf facility owners/operators, the NGF estimates that visitor's account for about 12 percent of all golf rounds played in the state but 15 percent of spending.

The NGF estimates that visitors account for \$153 million in on-course and off-course golf-related sales principally green fees and merchandise. Applying golf's share of total person trips (2.2 million divided by 117 million) for the State of Pennsylvania (by D. K. Shifflet & Associates) to total travel spending, golfers may have contributed as much as \$94.4 million in transportation, \$58.0 million in lodging and \$90.9 million in food and beverage spending. If the Arizona example is true for Pennsylvania, these figures could be as much as 1.5 times larger.

Golf Facilities and Real Estate Highlights

Golf courses drive the economic output of the Pennsylvania golf economy, accounting for about 87 percent of the industry's gross sales / output.

Pennsylvania's nearly 800 golf course facilities (including stand-alone ranges) place it among the top seven states in the U.S. in terms of number of golf course facilities.

Pennsylvania has 699 golf course facilities and 97 commercial practice facilities (driving ranges). Nearly 70 percent of Pennsylvania's golf courses are open to the public.

³ Economic Impact of Travel in Pennsylvania 1999-2000; D. K. Shifflet & Associates Ltd.; June 2002

⁴ The National Golf Foundation. *Golf Travel in the U.S.* Jupiter: The National Golf Foundation, [1998].

⁵ Charney, Alberta; and Leones, Julie. *Tourism in the Tucson Metropolitan Area: Characteristics and Impacts of Overnight Visitors, 1995-1996.* Tucson: The University of Arizona, [1997].

Over the past three years, Pennsylvania has averaged 9 new openings and 7 expansions / additions to existing golf course supply each year. Despite a slowing of the national and regional economy, there are many more golf projects in the construction and in-planning pipeline, with 13 new projects in some phase of construction and 17 new courses in some stage of planning. Only the year 2001 followed national trends, with only four new golf courses opening and two courses expanding from 9 to 18 holes in Pennsylvania.

The NGF estimates that golf course construction has averaged an estimated \$56 million in direct investment annually over the past three years. The year 2001 was the low water mark, with an estimated \$22 million invested in golf facilities. Again, all indications are that golf course construction investment will return to high levels for the next several years.

Based on discussions with developers and real estate professionals and experience at golf real estate developments in Pennsylvania, the NGF believes that golf course frontage generally increases the values of multi and single family housing from 15 to 30 percent. Properties with extraordinary views as well as golf frontage can experience significantly higher premiums, anywhere from 50 to 200 percent. Buyers often cite golf courses as a primary reason for locating within a community.

Because of increases in supply and an overall golf demand market that is flat and is projected to remain relatively flat, there is a very real danger of overbuilding the golf market in Pennsylvania. In some sub-markets of Pennsylvania, overbuilding has already occurred. Both the public and private sectors must be very careful when considering adding supply to markets within the state of Pennsylvania.

Golf facilities contribute to the health and economic well-being of an area in a number of ways ⁶:

- Are an amenity that many businesses consider when choosing a relocation site
- Attract vacation and business travelers and induce them to stay longer and spend more
- Help hotels and resorts and other tourism businesses to successfully compete for bookings
- Increase land values and property sales

⁶ The National Golf Foundation. *American's Attitudes' Toward Golf*. Jupiter, FL [1995]

THE PENNSYLVANIA GOLF MARKET

The game of golf has the distinction of being the oldest organized sport in the world. In the United States, golf has become an enjoyable activity for more than 26 million individuals. Golf in Pennsylvania:

- traces its golf roots back to late 19th century; seventeen Pennsylvania golf clubs opened before 1900!
- is played by an estimated one million Pennsylvania residents of all demographic segments.
- employs more than 33,000 full-time and part-time employees.
- generates an estimated 2.2 million visitor rounds played (person trips) per year.
- includes nearly 800 golf facilities and ranges.
- includes an additional 314 companies and organizations involved in the business of golf.

The objective of this section is to overview the Pennsylvania golf market including: golf facilities, golf participation among residents and visitors, golf facilities, and golf-related companies.

Resident and Visitor Markets

The golf market as it relates to resident and visitor golf participation trends is reviewed in the following paragraphs.

Resident Market

The Pennsylvania resident market population has exhibited very slow growth rates over the last 10 years. Growth rates are expected to remain low for the foreseeable future. The lack of growth in the resident market is of concern when considering additional facilities.

The golf market benefits from favorable resident age demographics and household income levels.

Population Growth

General population trends demonstrate slow growth over the next five years.

General Population Trends for Pennsylvania				
	<u>Census 2000</u>	<u>Census Estimates 2001</u>	<u>2006 Forecast</u>	<u>Compound Annual Growth Rate 2000 – 2006</u>
Pennsylvania	12,281,054	12,287,150	12,317,943	0.05 %
United States	281,421,906	284,796,887	297,318,102	0.92 %

Source: The U.S. Bureau of the Census and NGF Consulting

Resident Market Participation in Golf

Golf participation rates among residents of Pennsylvania are below the national average. The opportunity in Pennsylvania is to motivate existing golfers to play more and to develop a new generation of golfers. Even though participation rates lag the national averages, Pennsylvania is one of the leading states in the U.S. in terms of total number of golf participants.

	<u>Golf Participation Rate</u>	<u>Golf Participants (000s)¹</u>	<u>State Rank</u>	
			<u>Golfers</u>	<u>Population</u>
California	10.3%	3,220	1	1
New York	10.6%	1,880	2	3
Texas	8.5%	1,630	3	2
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Georgia	10.9%	830	9	10
New Jersey	9.3%	740	10	9
U.S.	11.7 %	26,500		

¹ Age 5 years and above
Source: National Golf Foundation

Imagine the economic opportunity if Pennsylvania's golf participation rates looked more like neighboring Ohio? The Pennsylvania golf industry is encouraged to focus efforts on player development.

Age Demographics

In the text table below, the NGF has compared the distribution of the golfing population and the Pennsylvania resident population for selected age categories. Although the age distribution of golfers is more heavily weighted to adults than is the general population distribution, all age groups enjoy golf. As compared to other individual sports, golf has the great advantage of being able to be enjoyed by multiple generations on an equal basis. It is not uncommon to see grandparents playing and enjoying golf with their grandchildren.

Comparisons of Population Distribution by Age				
Ages	Pennsylvania Golfer Population		<i>Pennsylvania Resident Population</i>	
	2000 Population (000s)	Percent of Population	2000 Population (000s)	Percent of Population
5-14 Years	87.5	8.3%	1,691.8	15.3%
15- 19 Years	75.7	7.2%	851.0	7.7%
20-24 Years	64.0	6.1%	746.1	6.8%
25-34 Years	210.4	20.1%	1,560.5	14.1%
35-44 Years	255.4	24.4%	1,948.1	17.6%
45-64 Years	214.8	20.5%	2,325.0	21.1%
65 and Over	139.7	13.3%	1,919.2	17.4%
Total	1,047.5	100.0%	11,041.7	100.0%

Source: National Golf Foundation. Golfer population estimates for Pennsylvania based on NGF's golf participation survey data; 2000 estimates. For more information please refer to *Golf Participation in the U.S.*; Jupiter, Florida: National Golf Foundation. [2001].

Rounds played increase with age. As individuals reach the empty nest, pre-retirement, and retirement stages of life their golf activity levels increase proportionately.

Rounds Played By Age Category for Pennsylvania Golfers		
Age	Average Number of Rounds Played Per Year	Percent of Total Rounds Played
5 - 14	11.1	4.5%
15 - 19	10.2	3.6%
20 - 24	13.3	4.0%
25 - 34	11.6	11.2%
35 - 44	25.7	16.1%
45 - 64	33.9	33.3%
65+	42.7	27.3%

Source: National Golf Foundation

The popularity of golf with adults, especially pre-retirees and retirees, makes golf an important attribute in attracting new residents to Pennsylvania.

Income Demographics

The household incomes of Pennsylvania's golfers are higher than for the overall resident households. However, golf is not solely a game for the affluent. Golf also appeals to lower income households and households on a fixed income. Lower income households (less than \$25,000) account for 17.8 percent of all golfing households in Pennsylvania.

Household Income Distributions Compared		
Household Income	Percent of Golfer Households	Percent of Pennsylvania Households
Less than \$15,000	5.4 %	16.0 %
\$15,000-\$24,999	12.4 %	13.6 %
\$25,000-\$34,999	14.2 %	13.0 %
\$35,000-\$49,999	22.2 %	16.8 %
\$50,000-\$74,999	27.8 %	20.2 %
\$75,000-\$99,999	11.9 %	9.7 %
\$100,000 and Over	6.1 %	10.7 %
Total	100.0 %	100.0 %

Source: National Golf Foundation and the Claritas, Inc – 2000 estimates.

Public versus Private Golfers

Approximately 80 percent of all golfers in Pennsylvania played at least one-half of their rounds on a public golf course. In the United States, since 1986, the percentage of public golfers has increased gradually each year. This phenomenon is explained in part by societal and tax law changes that have impacted the private club market and the increased viability of publicly accessible golf as an alternative to private membership golf.

Visitor Market

Golf and travel are big business. Based on an NGF 1999 nationally projectable sample⁷ of golfing households, the NGF concludes that of the 24.1 million golfers in the United States over the age 18:

- forty-nine percent or 11.8 million, play golf while on vacation and
- nearly 12 percent or 2.8 million, play golf while on business travel.

Also, the income demographics of golfers who travel are much better than the population as a whole:

Golf and Travel – Household Income Comparisons	
Golfer Segment	Average Household Income
U.S. Population	\$54,000
All Golfers	\$63,300
Golfers Who Travel	\$67,500
Golfers Who Play Golf on Business Trips	\$79,800

Source: National Golf Foundation

Visitor and Tourism Trends to Pennsylvania

Travel and tourism is a huge industry in Pennsylvania. In the June 2002 report, *Economic Impact of Travel in Pennsylvania*⁸, D.K. Shifflet & Associates Ltd. estimated that for the year 2000, the Travel Industry generated \$21.4 billion in direct sales and an additional \$14.7 billion in indirect and induced sales within Pennsylvania. Furthermore, in the year 2000, Pennsylvania realized approximately 117 million person trips, more than half of those being non-residents.

⁷ The National Golf Foundation. *Golf Travel in the U.S.* Jupiter, Florida, [1999].

⁸ Economic Impact of Travel in Pennsylvania 1999-2000; D. K. Shifflet & Associates Ltd.; June 2002

Visitor Golfers and Rounds Played

Pennsylvania is recognized nationally as an important destination for golf-related leisure and business travel. In order to assess the impact of visitors on rounds played and spending in Pennsylvania, the NGF asked facility operators to estimate what percentage of their rounds played were by visitors⁹. Of the estimated 18.4 million rounds of golf played in Pennsylvania in 2001, the NGF estimates that visitors played twelve (12) percent or 2.2 million rounds. Applying national golfer survey information regarding the average number of golf rounds played per trip, the NGF estimates the number of visitors playing golf in Pennsylvania to be 1.3 million.¹⁰

Direct Visitor Spending on Golf

Based on the NGF’s survey of golf facility owners and operators in Pennsylvania conducted in 2001, the NGF estimates that visitors account for an estimated 15 percent of all golf-related spending at golf courses and more than likely a similar percentage of off-course golf retail. Thus, direct visitor spending on golf and golf merchandise is estimated at \$153 million dollars.

Direct Golf-Related Spending – Visitors to Pennsylvania		
	Estimated Total Spending	Visitor Share of total Spending
Golf Facilities	\$ 946.7 million	\$ 142.0 million
Off-course Golf Retail	\$73 million	\$ 11.0 million
Total	\$ 1,019.7 million	\$ 153.0 million

Source: National Golf Foundation

Other / Related Spending by Travelers Who Golf

Golf has the potential to enhance a visitor’s experience, length of stay and spending. This is supported by detailed empirical studies in Arizona that have shown that golfing visitors spend 1.46 times as much as non-golfing visitors¹¹.

As identified above, the NGF estimates that visitors account for \$153 million in on-course and off-course golf-related sales principally green fees and merchandise. Applying golf’s share of total person trips (2.2 million rounds played divided by 117 million person trips) for the State of Pennsylvania (by D. K. Shifflet & Associates) to total travel spending, golfers may have contributed as much as \$94.4 million in

⁹ National Golf Foundation. Survey of Golf Facility Owner/Operators in Pennsylvania, [2001].

¹⁰ The NGF estimate is based on applying the average number of rounds per vacation trip (1.7) for U.S. golfers to the total number of visitor rounds estimated by Pennsylvania’s golf facility owners/operators. For more information see *Golf Travel in the U.S.* 1999 edition, National Golf Foundation, Jupiter, Florida.

¹¹ Charney, Alberta; and Leones, Julie. *Tourism in the Tucson Metropolitan Area: Characteristics and Impacts of Overnight Visitors, 1995-1996*. Tucson: The University of Arizona, [1997].

transportation, \$58.0 million in lodging and \$90.9 million in food and beverage spending. If the Arizona example is true for Pennsylvania, these figures could be as much as 1.5 times larger.

Golf Facilities, Construction and Real Estate

In the following paragraphs, the NGF reviews golf facilities, construction, and real estate.

Long History with Golf

Some of the very first golf clubs in the United States were established in Pennsylvania.

- Seventeen golf clubs were formed before the turn of the 20th century.
- Foxburg Country Club located in Foxburg was founded in 1887 and is believed to be the oldest continuously operating golf course in the U.S.
- The Pittsburgh Field Club and the Forest Lake Club opened in 1890.
- Three of those 19th century courses, Foxburg Country Club, Fox Golf Course in Conneaut Lake and Schenley Park Golf Course in Pittsburgh, are open to the public.

Golf Facilities

At the beginning of 2002 there were a total of 699 golf facilities and 97 golf practice ranges in Pennsylvania.

- Seventy percent of the golf facilities are public access.
- Of the public facilities, 91 percent were daily fee and the rest municipal.

Golf Facilities Drive the Pennsylvania Golf Economy

Unlike Massachusetts, California and Illinois that have large golf products manufacturing industries, Pennsylvania does not. About 87 percent of the Pennsylvania golf economy as measured by gross sales / output is driven by golf courses that are ultimately supported by hundreds of thousands of golf customers paying one green fee at a time.

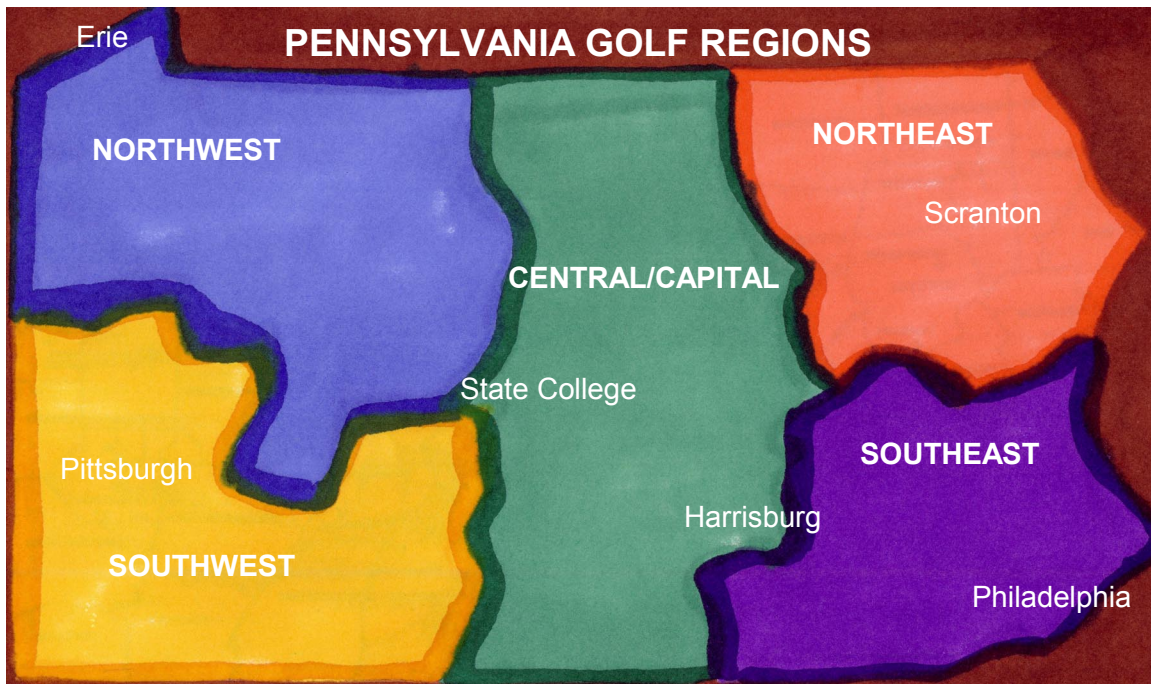
Pennsylvania is the **SEVENTH** largest golf facility economy in the U.S.!

State Comparisons – Total Golf Facilities		
<u>State</u>	<u>Number of Facilities</u>	<u>Rank</u>
Florida	1,027	1
California	890	2
Michigan	843	3
New York	811	4
Texas	807	5
Ohio	742	6
PENNSYLVANIA	699	7
Illinois	667	8
North Carolina	548	9
Minnesota	459	10

Source: National Golf Foundation

The Regional Distribution of Golf Courses and Rounds in Pennsylvania

The 699 golf course facilities can be further subdivided into five regions within Pennsylvania. Each region ¹² may have unique social, cultural and topographical characteristics distinct from the others.



¹² The counties making up each region are formally defined in the appendix to this report.

Facility distribution, rounds played characteristics, visitor impacts and median weekend fees levels are summarized for each region below.

Regional Golf Course Facility Characteristics				
	Facilities	Rounds Played	Percent of Rounds Visitor Related	Median Weekend Fees - All Facilities
Northwest	94	2.2 million	17 %	\$27
Southwest	212	5.2 million	9 %	\$32
Central	109	3.1 million	9 %	\$36
Northeast	89	2.1 million	21 %	\$38
Southeast	195	5.7 million	8 %	\$43
Total Pennsylvania	699	18.4 million	12 %	\$35

Source: National Golf Foundation

Golf and Real Estate

In Pennsylvania, golf and real estate are often linked. Golf's importance to real estate and direct or related impacts on the economy are discussed below.

Construction Activity

Over the last three years, the following numbers of new golf facilities and expansions have occurred in Pennsylvania:

Golf Course Openings – State of Pennsylvania - 1999 to 2001				
		Public	Private	Total
1999	New Facilities	4	3	7
	Facility Expansions	6	2	8
	Total	10	5	15
2000	New Facilities	14	1	15
	Facility Expansions	10	0	10
	Total	24	1	25
2001	New Facilities	3	1	4
	Facility Expansions	2	0	2
	Total	5	1	6

Source: National Golf Foundation; For additional information please refer to *Golf Facilities in the U.S.*; Jupiter, Florida: the National Golf Foundation, [2001].

As shown in the above table, from 4 to 15 new courses and 2 to 10 expansions of existing facilities have occurred per year over the last three years. Based on NGF interviews with several of the developers that recently opened golf courses in Pennsylvania, the NGF estimates that golf course construction has averaged an estimated \$56 million per year in direct investment over the past three years (excluding land costs). However, in 2001, Pennsylvania followed national trends with only four new golf courses opening and two courses expanding from 9 to 18 holes. This resulted in an estimated golf course investment (excluding land) of \$22 million.

Golf Courses Under Construction and In-Planning

Despite a laboring regional and national economy, all indications point to a renewed surge of growth in golf facilities in Pennsylvania.

Golf Course Under Construction and In-Planning - Pennsylvania			
	<u>New Courses Under Construction</u>	<u>New Courses In-Planning</u>	<u>Total New Courses</u>
Municipal	2	3	5
Daily Fee	9	11	20
Private	2	3	5
Total	13	17	30

Source: National Golf Foundation

Of these future golf courses, roughly a third are directly related to new real estate development.

Because of increases in supply and an overall golf market that is flat and is projected to remain relatively flat, there is a very real danger of overbuilding the golf market in Pennsylvania. In some sub-markets of Pennsylvania, overbuilding has already occurred. Both the public and private sectors must be very careful when considering adding supply to markets within the state of Pennsylvania.

Golf's Impact on Real Estate Value

The NGF's many years of golf course development consulting experience in Pennsylvania supports the commonly held belief that golf courses favorably impact real estate value.

Premiums Associated with Golf Course Frontage

Preliminary findings regarding premiums associated with golf course frontage based on discussions with developers and real estate professionals:

Golf course frontage premiums for multi-family and single-family homes tend to predominantly range between 15 to 30 percent higher than for similar properties located off the golf course.

Golf course frontage lot sales showed higher premiums, predominantly in the 30 to 50 percent range. When these properties include dramatic views they could be as high as 100 to 200 percent. These lot sale parcels tended to be more exclusive and the more valuable of the developer's residential parcel inventory.

The conclusion from this is that golf courses do add significant value and property tax base to Pennsylvania's economy. The NGF recommends that further research be conducted on the economic relationship between golf and real estate. We believe the relationship to be multiple hundreds of millions of dollars.

Golf-Related Companies

In addition to golf courses, Pennsylvania is home to 314 additional companies and organizations involved in the business of golf. These companies break out into the following major types:

- *Golf-related business and services companies.* These consist of 228 entities including manufacturers, universities, associations, publishing, turf services, graphics, architect/consultants, management companies, golf services, teaching schools, and golf tournaments.
- Off-course golf retailers. These include 86 large and small off-course retailers that sell golf products at retail.

Pennsylvania's involvement in the golf industry dates back to the 19th century. Today, there are a host of institutions and organizations located in Pennsylvania that are helping to grow and manage the game. One example is Penn State University, which has one of the top (if not the top) golf management and golf turf curriculums in the U.S. The Penn State golf management program has nearly 200 students and its very prestigious turf grass program has 25 students. Along with the contributions of local state and regional golf professional organizations and associations, Penn State is developing and exporting course management expertise all over the world golf.

The Pennsylvania off-course golf retailing industry is lead by well-known regional companies (Hacker's Helper and Dick's Sporting Goods) and national companies (Golf Smith, Golf Augusta Pro Shops, Golf USA, Pro Golf Discount, and PGA Golf Shops). These major store brand names account for approximately 35 percent of all shop locations. The other 65 percent of the off-course retail shops are comprised of varying sizes of retailers targeted to local golfers.

THE DIRECT ECONOMIC CONTRIBUTIONS OF THE GOLF INDUSTRY IN PENNSYLVANIA.

The purpose of this section is to review the direct economic contributions of companies and organizations representing all facets of the golf industry in the state of Pennsylvania. These economic contributions are in the form of employment, wages, non-labor expenditures, and sales/revenues. The estimates of economic contribution that appear in this section are based on a survey of golf facilities and companies conducted by the NGF between August 2001 and January 2002.

Methodology

To begin the process, the NGF identified 1,110 golf facilities, companies, and organizations that make up Pennsylvania's golf industry. The NGF relied on in-house databases and secondary sources of information to identify companies, contacts, addresses, and phone numbers.¹³ The following table indicates response rates to NGF's economic survey:

Golf-Related Facilities and Companies in Pennsylvania			
<u>Golf Industry Segment</u>	<u>Population</u>	<u>Responses Received</u>	<u>Response Rate</u>
Golf Facilities	699	241	34 %
Stand-Alone Golf Ranges	97	30	31 %
Golf-Related Businesses and Service Companies ¹⁴	228	69	30 %
Off-Course Golf Retailers	86	30	35 %
Totals	1,110	370	33 %

Source: National Golf Foundation

To ensure that estimated total data was as representative as possible within each segment, the NGF weighted response data to the overall population for each segment. For example, for responding golf facilities, we weighted by facility type (private, municipal, daily-fee) number of holes, and by greens fee. In this way, facility types that were under-represented in the sample were brought in line with their distribution in the state's facility population.

We employed a similar process with the other sectors. We categorized the sample response data into as many homogeneous groupings of company types and sizes as possible before estimating the total.

¹³ NGF databases used include: Golf Facilities and Ranges in the U.S.; the International Directory of Golf; Off-Course Golf Retailer Data Base.

¹⁴ Types of companies under this heading include: associations, financial / professional services, publishing, turf services, graphics, management companies, golf services, and professional tournaments.

Survey Results from Golf-Related Companies in Pennsylvania

In the following paragraphs, we profile the aggregated operating characteristics of each segment of the Pennsylvania golf industry. These operating characteristics were developed based on the NGF's survey of golf facilities and companies in Pennsylvania conducted in 2001. These results have been adjusted to reflect golf-related activity and golf expenditures made in Pennsylvania. Thus, non-golf-related activity and expenditures made outside the state have been factored out of these results. Adjustments were particularly necessary for professional and services companies wherein golf constitutes only a small part of their business.

Golf Facilities and Stand-Alone Golf Ranges

Golf facilities (golf courses and clubs) and stand-alone commercial golf ranges represent a significant component of the Pennsylvania golf industry. With a response rate of 34 percent, the NGF has estimated the total economic effects for all golf facilities and commercial ranges located in Pennsylvania. The following table displays these results:

Economic Contribution of Golf Facilities in Pennsylvania						
	<u>Full-time Employees</u>	<u>Part-time Employees</u>	<u>Total Employees</u>	<u>Total Payroll & Benefits Expenditures (000s)</u>	<u>All Other Expenditures (000s)</u>	<u>Total Sales / Revenues (000s)</u>
Golf Facilities	10,700	20,200	30,900	\$ 346,463	\$ 419,346	\$ 930,912
Golf Ranges	230	670	900	5,925	8,460	15,775
Total	10,930	20,870	31,800	\$ 352,388	\$ 427,806	\$ 946,687

Source: National Golf Foundation

As shown in the preceding table, the golf facilities and golf ranges in Pennsylvania employ more than 30,000 people, with a corresponding payroll base of \$346 million. It is also estimated that the golf facilities in Pennsylvania purchased \$419 million in goods and services within Pennsylvania and account for more than \$930 million in total sales/revenue.

Golf-Related Companies & Service Providers

This segment of the golf industry includes golf-related businesses and service companies that contribute directly to the golf industry.

The table below displays the economic characteristics of these industry segments:

Economic Contribution of Golf Product Manufacturers and Other Golf-Related Professional and Services Companies							
	<u>Full-time Employees</u>	<u>Part-time Employees</u>	<u>Total Employees</u>	<u>Total Payroll & Benefits Expenditures (000s)</u>	<u>Penn All Other Expenditures (000s)</u>	<u>Penn Total Sales / Revenues (000s)</u>	<u>Total Sales / Revenues (000s)</u>
Other Golf-Related Businesses and Service Companies	860	304	1,164	\$37,225	\$51,193	\$73,015	\$101,409

Source: National Golf Foundation

This segment of the Pennsylvania golf industry employs nearly 1,200 people in Pennsylvania with total payroll-related expenses of more than \$37 million. Purchases of goods and services within Pennsylvania are estimated at \$51 million and total golf-related revenues are estimated at approximately \$73 million in Pennsylvania and over \$101.4 million at the state and national level. The results shown in this table have been adjusted for non-golf activity.

Off-Course Golf Retailers

This segment of the golf industry includes all off-course golf retail operations in the state of Pennsylvania. The Pennsylvania off-course golf retailing industry is led by well-known regional companies (Hacker's Helper and Dick's Sporting Goods) and national companies (Golf Smith, Golf Augusta Pro Shops, Golf USA, Pro Golf Discount, and PGA Golf Shops). These major store brand names account for approximately 35 percent of all shop locations. The other 65 percent of the off-course retail shops are comprised of varying sizes of retailers targeted to local golfers. For the brand name facilities, sales floor areas range in size from 1,800 to 12,000 square feet and average approximately 5,000 square feet. The typical brand name off-course retail store employs 4 full-time and 4 part-time workers.

The following table highlights direct impacts experienced by off-course retail golf shops in Pennsylvania.

Economic Contribution of Off-Course Retailers					
<u>Full-time Employees</u>	<u>Part-time Employees</u>	<u>Total Employees</u>	Total Payroll & Benefits Expenditures <u>(000s)</u>	All Other Expenditures <u>(000s)</u>	Total Sales / Revenues <u>(000s)</u>
171	195	366	\$ 6,473	\$ 56,668 \$ 7,600 in state	\$ 73,005

Source: National Golf Foundation

As depicted in the preceding table, off-course golf retail shops account for over 350 employees throughout the state and generate roughly \$6.5 million in payroll-related expenses. Purchases of goods and services total approximately \$57 million with \$7.6 million occurring within the state, while total sales come to roughly \$73 million. The results shown in this table have been adjusted for non-golf activity.

SUMMARY OF DIRECT AND INDIRECT / INDUCED EFFECTS

The purpose of this section is to summarize direct and indirect/induced effects of the golf industry on the Pennsylvania economy.

Direct Effects

In the following paragraphs, the NGF has summarized direct employment, wages, non-labor expenditures, and gross sales/output for the Pennsylvania golf industry.¹⁵

Employment / Wages

The NGF estimates that the Pennsylvania golf industry employs over 33,000 people (full-time 12,000 and part-time 21,000). Golf courses and golf ranges account for approximately 90 percent of full-time employment and 98 percent of part-time employment.

Total payroll for the golf industry is estimated at \$396 million. Golf facilities contribute the most personal income to the economy.

Employment and Wage Contributions				
	<u>Full-time Employees</u>	<u>Part-time Employees</u>	<u>Total Employees</u>	<u>Total Payroll & Benefits Expenditures</u>
Golf Courses and Golf Ranges	10,900	20,900	31,800	\$ 352.4 million
Golf-Related Businesses and Services Companies	900	300	1,200	\$ 37.2 million
Golf Retailers	175	200	375	\$ 6.5 million
Total	11,975	21,400	33,375	\$ 396.1 million

Note: All values above have been adjusted to reflect golf-related activity within the state of Pennsylvania.

Source: National Golf Foundation. The estimates are based on responses from 370 golf facilities and companies to an economic contribution survey conducted by the NGF in 2001.

Non-labor Expenditures and Total Sales

Total direct sales for the golf industry are estimated at \$1.1 billion with 97 percent of that occurring within Pennsylvania. Total non-labor expenditures adjusted for out-of-state purchases and non-golf activity are estimated at \$451 million.

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Non-labor Expenditures and Total Sales			
	Adjusted Non-labor Expenditures	Total Sales	Total Sales Within Pennsylvania
Golf Courses and Golf Ranges	\$ 406.4 million	\$ 946.7 million	\$946.7 million
Golf-Related Professional and Services Companies	\$ 36.9 million	\$ 101.4 million	\$73.0 million
Golf Retailers	\$ 7.6 million	\$ 73.0 million	\$73.0 million
Total	\$ 450.9 million	\$1,121.1 million	\$1,092.7 million

Note: Non-labor expenditures have been adjusted to reflect golf-related expenditures within the state of Pennsylvania. Total sales have been adjusted to reflect golf-related sales only.
Source: National Golf Foundation. The estimates are based on responses from 370 golf facilities and companies to an economic contribution survey conducted by the NGF in 2001.

Total Direct and Indirect/Induced Effects of the Golf Industry on the Pennsylvania Economy

The NGF retained FXM Associates, a Massachusetts-based economic research consulting firm, to assess the expanded contribution of the Pennsylvania golf industry on the state economy. FXM Associates used PCIO, an internationally recognized input-output model developed by the Regional Science Research Institute. Input-output models trace the flow of transactions between businesses and consumers through all sectors of the economy.

Within Pennsylvania, the PCIO model accounts for sales between business located in state, and discounts those purchases made from out-of-state suppliers, for example; for golf balls and other products not manufactured in Pennsylvania. Similarly, the input-output model estimates the effect of golf-related wages and earnings being spent for consumer goods and services sold in state and discounts the value of these goods and services contributed by out-of-state companies and workers.

Allowing for these “leakages” to out-of-state companies, the effect of the purchases made by golf-related companies and employees within Pennsylvania is still greater than their initial value, as suppliers to the suppliers and their employees make additional purchases in Pennsylvania based on their income gained from the golf-related sales. In economics, this is the so-called the “multiplier effect,” and it is well established in the literature and in empirical results from actual transactions traced within the U.S. and state economies. In essence, the multiplier reflects the replacement of goods sold over time, as well as the legal, accounting, marketing, and other services required to support the sale of goods.

¹⁵ The estimates are based on responses from 370 golf facilities and companies representing about one-third of all golf-related businesses in Pennsylvania. To ensure that aggregated data was as representative as possible, the NGF weighted sample data to the overall population for each segment. For example, for golf facilities, the NGF weighted by facility type, size, and fee levels. In this way, facility types that were under represented in the sample were brought in line with their distribution in the state’s facility population.

In Pennsylvania, the direct sales, wages, and expenditures made by golf-related companies and their employees are calculated by the PCIO model to produce the following total direct, indirect, and induced effects on the economy of Pennsylvania:

- \$2.3 billion in net sales to Pennsylvania companies
- 48,900 full- and part-time jobs in Pennsylvania
- \$700 million in wages paid to Pennsylvania residents
- \$85 million in income, sales, and other taxes paid to the State of Pennsylvania
- \$41 million in local non-real-estate taxes paid to municipalities
- \$285 million in federal taxes paid by Pennsylvania residents

In the appendix to this report, the data tables are presented that show the employment, output, and wages that accrue to major industry sectors within the Pennsylvania economy due to the sales and expenditures made by the state's golf industry as estimated by the PCIO model.

Effects of Golf Course Construction on the State Economy

In addition to the economic effects generated by golf course operators, as well as product manufacturers, professional and service companies, and retailers, the construction of courses and ranges also stimulates the state economy. Not all effects accrue within the construction industry alone, as construction companies and their employees also purchase additional goods and services within Pennsylvania based on their income attributable to golf course construction. The following are estimated total direct, indirect, and induced effects on the state economy from the construction of new golf facilities in 2001:

- \$27 million in net sales to Pennsylvania companies
- 485 jobs within Pennsylvania
- \$13 million in wages to Pennsylvania residents
- \$1.1 million in taxes paid to the State of Pennsylvania
- \$700,000 in taxes paid to municipalities

SUPPORT MATERIALS

Bibliography

Pennsylvania Golf Regions – Counties by Region

Input / Output Model Summary Tables (Direct, Indirect and Induced Effects)

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Pennsylvania Golf Regions Counties by Regions

Northwest	Northeast	Central / Capital
Cameron	Poconos	Adams
Clarion	Bradford	Centre
Clearfield	Carbon	Cumberland
Crawford	Columbia	Dauphin
Elk	Lackawanna	Franklin
Erie	Luzerne	Fulton
Forest	Monroe	Huntingdon
Indiana	Pike	Juniata
Jefferson	Sullivan	Lebanon
Mc Kean	Susquehanna	Lycoming
Mercer	Wayne	Mifflin
Venango	Wyoming	Montour
Warren		Northumberland
		Potter
		Snyder
Southwest / Metro	Southeast / Metro	Tioga
Allegheny	Berks	Union
Armstrong	Bucks	York
Beaver	Chester	
Bedford	Delaware	
Blair	Lancaster	
Butler	Lehigh	
Cambria	Montgomery	
Clinton	Northampton	
Greene	Philadelphia	
Lawrence	Schuylkill	
Somerset		
Washington		
Westmoreland		

Input /Output Model Summary Tables

Golf Facilities

Golf Businesses and Service Companies

Off-Course Retail

Appendix Table 1 Golf Facilities

**Economic and Tax Impacts of
Pennsylvania Golf Course Operations (\$947 Million)
on the Commonwealth of Pennsylvania**

I. TOTAL EFFECTS (Direct and Indirect/Induced)*

	Economic Component			
	Output (000 \$)	Employment (jobs)	Income (000\$)	Gross State Product (000\$)
Private				
1. Agriculture	44,956.0	677	7,111.9	7,155.7
2. Agri. Serv., Forestry, & Fish	33,276.2	853	17,428.0	27,596.3
3. Mining	10,614.8	67	3,485.1	5,558.5
4. Construction	369,577.5	2,151	92,515.2	130,155.8
5. Manufacturing	293,592.0	1,430	59,595.9	96,777.6
6. Transport. & Public Utilities	135,953.2	745	34,197.3	59,584.7
7. Wholesale	78,459.1	695	31,905.6	34,858.5
8. Retail Trade	484,743.5	16,323	221,201.8	250,056.1
9. Finance, Ins., & Real Estate	208,446.2	1,970	70,180.8	154,523.3
10. Services	422,302.3	20,916	159,765.2	231,134.1
Private Subtotal	2,081,921.0	45,825	697,386.8	997,400.7
Public				
11. Government	11,947.6	89	3,626.3	5,693.2
Total Effects (Private and Public)	2,093,868.6	45,914	701,013.1	1,003,093.8

II. DISTRIBUTION OF EFFECTS/MULTIPLIER

1. Direct Effects	943,813.2	31,800	295,924.9	429,175.4
2. Indirect and Induced Effects	1,150,055.4	14,114	405,088.2	573,918.4
3. Total Effects	2,093,868.6	45,914	701,013.1	1,003,093.8
4. Multipliers (3/1)	2.219	1.444	2.369	2.337

III. COMPOSITION OF GROSS STATE PRODUCT

1. Wages--Net of Taxes	636,426.7
2. Taxes	242,132.1
a. Local	37,484.1
b. State	77,523.6
c. Federal	127,124.4
General	70,703.5
Social Security	56,420.9
3. Profits, dividends, rents, and other	124,535.0
4. Total Gross State Product (1+2+3)	1,003,093.8

EFFECTS PER MILLION DOLLARS OF INITIAL EXPENDITURE

Employment (Jobs)	48.5
Income	740.491
State Taxes	81.889
Local Taxes	39.595
Gross State Product	1,059.583

INITIAL EXPENDITURE IN DOLLARS

946,687,000

Note: Detail may not sum to totals due to rounding.

*Terms:

Direct Effects --the proportion of direct spending on goods and services produced in the specified region.

Indirect Effects--the value of goods and services needed to support the provision of those direct economic effects.

Induced Effects--the value of goods and services needed by households that provide the direct and indirect labor.

Source: FXM Associates and PCIO

Appendix Table 2 Golf-Related Businesses and Services

**Economic and Tax Impacts of
Pennsylvania Golf-related Businesses (\$73 Million in Sales)
on the Commonwealth of Pennsylvania**

I. TOTAL EFFECTS (Direct and Indirect/Induced)*

	Economic Component			
	Output (000 \$)	Employment (jobs)	Income (000\$)	Gross State Product (000\$)
Private				
1. Agriculture	5,908.5	57	1,044.4	1,052.7
2. Agri. Serv., Forestry, & Fish	38,303.6	796	20,515.1	32,114.0
3. Mining	262.2	1	90.4	116.9
4. Construction	2,777.7	11	415.6	865.2
5. Manufacturing	17,180.5	88	3,546.9	5,755.4
6. Transport. & Public Utilities	10,268.2	64	2,829.7	4,809.2
7. Wholesale	4,440.3	39	1,805.7	1,972.8
8. Retail Trade	11,120.6	467	7,187.3	7,187.3
9. Finance, Ins., & Real Estate	20,416.9	207	7,400.4	14,850.3
10. Services	59,538.2	712	27,923.1	30,649.6
Private Subtotal	170,216.7	2,631	72,758.5	99,373.4
Public				
11. Government	973.9	7	296.1	466.9
Total Effects (Private and Public)	171,190.6	2,639	73,054.6	99,840.3

II. DISTRIBUTION OF EFFECTS/MULTIPLIER

1. Direct Effects	73,015.0	1,164	38,082.4	51,474.3
2. Indirect and Induced Effects	98,175.6	1,285	34,972.2	48,366.0
3. Total Effects	171,190.6	2,449	73,054.6	99,840.3
4. Multipliers (3/1)	2.345	2.104	1.918	1.940

III. COMPOSITION OF GROSS STATE PRODUCT

1. Wages--Net of Taxes	58,834.7
2. Taxes	23,591.2
a. Local	3,257.9
b. State	6,614.5
c. Federal	13,718.9
General	7,305.8
Social Security	6,413.1
3. Profits, proprietors' income, dividends, rents, and other	17,414.3
4. Total Gross State Product (1+2+3)	99,840.3

EFFECTS PER MILLION DOLLARS OF INITIAL EXPENDITURE

Employment (Jobs)	33.5
Income	1,000,543
State Taxes	90,591
Local Taxes	44,619
Gross State Product	1,367,394

INITIAL EXPENDITURE IN DOLLARS 73,015,000

Note: Detail may not sum to totals due to rounding.

*Terms:

Direct Effects --the proportion of direct spending on goods and services produced in the specified region.

Indirect Effects--the value of goods and services needed to support the provision of those direct economic effects.

Induced Effects--the value of goods and services needed by households that provide the direct and indirect labor.

Source: FXM Associates and PCIO

Appendix Table 3 Off-course Golf Retail

**Economic and Tax Impacts of
Pennsylvania Off-Course Golf Retail Businesses (\$73 Million in Sales)
on the Commonwealth of Pennsylvania**

I. TOTAL EFFECTS (Direct and Indirect/Induced)*

	Economic Component			
	Output (000 \$)	Employment (jobs)	Income (000\$)	Gross State Product (000\$)
Private				
1. Agriculture	148.7	3	21.7	21.8
2. Agri. Serv., Forestry, & Fish	34.1	1	16.0	26.7
3. Mining	38.0	0	14.4	16.2
4. Construction	440.8	2	66.2	137.2
5. Manufacturing	2,454.4	14	548.8	878.4
6. Transport. & Public Utilities	1,507.8	9	406.7	695.0
7. Wholesale	3,474.7	31	1,413.0	1,543.8
8. Retail Trade	8,763.2	397	7,357.4	7,357.4
9. Finance, Ins., & Real Estate	2,919.0	26	941.3	2,183.2
10. Services	2,460.5	36	1,007.8	1,274.8
Private Subtotal	22,241.2	519	11,793.3	14,134.4
Public				
11. Government	151.6	1	46.0	72.3
Total Effects (Private and Public)	22,392.8	520	11,839.3	14,206.7

II. DISTRIBUTION OF EFFECTS/MULTIPLIER

1. Direct Effects	8,077.3	366	6,781.6	6,781.6
2. Indirect and Induced Effects	14,315.5	154	5,057.8	7,425.2
3. Total Effects	22,392.8	520	11,839.3	14,206.7
4. Multipliers (3/1)	2.772	1.420	1.746	2.095

III. COMPOSITION OF GROSS STATE PRODUCT

1. Wages--Net of Taxes	7,632.1
2. Taxes	3,646.2
a. Local	599.3
b. State	1,333.8
c. Federal	1,713.1
General	986.3
Social Security	726.8
3. Profits, proprietors' income, dividends, rents, and other	2,928.4
4. Total Gross State Product (1+2+3)	14,206.7

EFFECTS PER MILLION DOLLARS OF INITIAL EXPENDITURE

Employment (Jobs)	7.1
Income	162,172
State Taxes	18,270
Local Taxes	8,209
Gross State Product	194,599

INITIAL EXPENDITURE IN DOLLARS

73,005,000

Note: Detail may not sum to totals due to rounding.

*Terms:

Direct Effects --the proportion of direct spending on goods and services produced in the specified region.

Indirect Effects--the value of goods and services needed to support the provision of those direct economic effects.

Induced Effects--the value of goods and services needed by households that provide the direct and indirect labor.

Source: FXM Associates and PCIO