

**100 YEARS OF THE KANSAS STATE FAIR
NEVER GETS OLD**

March 7, 2013

To: Representative Steve Brunk and members of the
Joint Committee on State Building Construction

From: Denny Stoecklein
General Manager
Kansas State Fair

Good afternoon, Mr. Chairman, and members of the Committee. Thank you for the opportunity to visit today regarding the Kansas State Fairgrounds.

Through Fiscal Year 2012, the Agency's focus has been its \$400,000 per year commitment from its Fee Fund to assist with the repayment of the bonds issued for the Master Plan. With the Agency's commitment fulfilled, future payments for debt service are the responsibility of the State General Fund. During the years the Agency was completing this commitment, planned capital improvement expenditures were limited and focused on small projects and preventative maintenance items.

From a capital improvement standpoint, an item that continues to be of great concern to the Agency is the revenue transfer to the State Fair Capital Improvements Fund by the State.

The State Fair Capital Improvements and Maintenance Fund was authorized by K.S.A. 2-223 in 1988. On June 30, 1989, and each succeeding June 30, the Fair is to contribute at least five (5) percent from its qualified receipts to maintain and generate further balances in the Fund. On July 1, 1989, and each succeeding July 1, the State of Kansas will transfer an amount equal to that contributed by the Fair, but not to exceed \$300,000 in any one annual, single fiscal year.

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With no planned transfer in FY 2014, this will be the seventh year (FY 2002, 2004, 2005, 2010, 2011, 2012, 2014) the State has failed to fully fund its statutorily-obligated match, totaling \$1,633,793.

In addition, the Governor's budget for FY 2015 does not include any funding for the State Fair Capital Improvements Fund. Should this remain the case, the State's obligation is projected to grow to \$1,883,793. See attached handout.

We have requested a FY 2014 enhancement in the amount of \$1,383,793 for the State's lack of contributions in FY 2002, FY 2004, FY 2005, FY 2010, FY 2011, and FY 2012 (a contribution of \$159,207 was made by the State in FY 2012; the agency contribution was \$350,000).

Thus far during the 2013 Legislative session, the Senate Budget Subcommittee has concurred with the Governor's recommendations. The House Budget Subcommittee and the House Appropriations Committee have reinstated the State's expected \$250,000 transfer for FY 2014 with consideration of FY 2015 to occur next year.

Obviously, the continuation of this match is very important. With the State's contribution in FY 2013 we were able to make the much-needed replacement of the Eisenhower Building roof. There is additional work that needs to be done. Failure by the State to catch-up and meet its matching obligation will impact the Agency's ability to maintain and continue to upgrade the facilities. The Fairgrounds is a 280 acres campus with over 70 buildings we must maintain.

Some on-going expenses we experience through the SFCIF include our annual contract fees for electrical and plumbing contractors; these total approximately \$60,000 - \$70,000 per year.

Some examples of additional projects that will require attention:

- Roof projects
 - Pride of Kansas Building - \$216,000
 - Expo Center - \$331,500
- Asphalt repairs - the campus of the Fairgrounds has a significant number of asphalt roadways and parking areas. Historically the Fair would spend \$15,000 - \$20,000/year on repairs to these areas. These repairs have not happened regularly in recent years.
- Expo Center restrooms - upgrading the restrooms in our Expo Center facility (primarily used for equine events) is a priority. Upgrades would include renovation of the existing restrooms/showers and the likely addition of more fixtures to better accommodate the facility's users. In addition to its extensive use during the Fair, the Expo Center, in FY 2012, hosted 42 events over 133 event days. Due to this use and to maintain our ability to continue to recruit recurring and new events, it's important we provide a high quality facility.

One project that is scheduled to begin following the 2013 State Fair is the construction of a State Fair Museum in the location west of the Domestic Arts Building where the white house current is located. The Kansas Fairgrounds Foundation has been raising funds for the past several years.

Fair Board member and Chairman of the Board's Building Committee Brad Rayl has joined me today to update you further on this project.

Kansas State Fair

- Fee Fund agency of the State
- Approximately \$5 million annual operating budget; no State General Fund dollars are a part of this budget
- Primary sources of revenue:
 - Commercial exhibits/concessions
 - Outside gate admissions
 - Grandstand admissions
 - Carnival ride agreement
 - Corporate sponsorship
 - Non-fair rental of facilities
- State Fair annually attracts 340,000 – 350,000 people from all 105 Kansas counties and several states
- In 2012, the Fair's Kansas' Largest Classroom field trip program attracted 5,319 students from 25 counties and 47 school districts
- In 2012, the Fair's Marching Band program attracted 101 bands with 5,428 students
- In addition to the Fair's fee-funded operating budget, K.S.A. 2-223 established the State Fair Capital Improvements and Maintenance Fund was in 1988.
 - On June 30, 1989, and each succeeding June 30, the Fair is to contribute at least five (5) percent from its qualified receipts to maintain and generate further balances in the Fund. On July 1, 1989, and each succeeding July 1, the State of Kansas will transfer an amount equal to that contributed by the Fair, but not to exceed \$300,000 in any one annual, single fiscal year.
 - The State is currently \$1,383,793 behind in its obligation to match funds contributed from the State Fair Fee Fund.
 - Should the State not make its match in FY 2014, this obligation would grow to \$1,633,793.
- When one looks at the sales tax generated, it can be argued the State Fair "makes money" for the State:
 - The Fair pays sales tax on the gate and grandstand tickets sold. For the 2012 Fair, this would be approximately \$131,773.
 - North American Midway Entertainment pays sales tax on its ticket sales; in 2012, this would be approximately \$76,888.
 - Based on sales reported to the Fair, food and beverage vendors would have paid approximately \$182,162 in state sales tax in 2012.
 - This is over \$390,000 in state sales tax generated just from these sources.
 - The actual sales tax generated for the State would be significantly higher when one factors in the sales of the hundreds of vendors selling other products such as hot tubs, jewelry, etc., as well as related businesses such as lodging, restaurants, etc.



**State Fair Capital Improvement Fund
Matching History**

The State Fair Capital Improvements and Maintenance Fund was authorized by K.S.A. 2-223 in 1988.

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Fiscal Year	State Fair Contribution	State Contribution	Amount State Yet to Match
1989	\$87,551	N/A	
1990	Exempt	\$87,551	
1991	\$149,779	Exempt	
1992	\$107,927	\$149,779	
1993	\$117,016	\$107,927	
1994	\$145,657	\$117,016	
1995	\$153,164	\$145,657	
1996	\$196,882	\$153,164	
1997	\$113,168	\$196,882	
1998	\$260,000	\$113,168	
1999	\$300,000	\$260,000	
2000	\$300,000	\$300,000	
2001	\$300,000	\$300,000	
2002	\$158,000	No match made	\$300,000
2003	\$243,000	\$294,000 (\$158,000 to match; additional for storm damage repair)	\$300,000
2004	\$300,000	No match made	\$543,000
2005	\$200,000	No match made	\$843,000
2006	\$25,000	\$200,000	\$843,000
2007	\$300,000	\$25,000	\$843,000
2008	\$300,000	\$300,000	\$843,000
2009	\$200,000	\$300,000	\$843,000
2010	\$300,000	No match made	\$1,043,000
2011	\$300,000 budgeted by KSF; \$50,000 added from Fee Fund by the Division of the Budget	No match made	\$1,343,000
2012	\$300,000 budgeted by KSF; \$50,000 added from Fee Fund by the Division of the Budget	\$159,207	\$1,483,793
2013	\$250,000 budgeted by KSF	\$400,000	\$1,383,793
2014	\$250,000 budgeted by KSF	\$250,000 – not in Division of the Budget or Governor’s recs	\$1,633,793
2015		\$250,000 – not in Governor’s recs	\$1,883,793