



Economic Impact Analysis of Salina Municipal Airport and Salina Airport Industrial Center

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Introduction

The Center for Economic Development and Business Research was asked to conduct an economic and fiscal impact study of the Salina Municipal Airport and Salina Airport Industrial Center, including the businesses operating at the Airport and Industrial Center complex. The Salina Airport Authority (SAA) provided the Center with survey data on businesses, employees, payroll and taxes paid by the businesses as a basis for the analysis. Survey data for more than 80 of the approximately 87 businesses located at the Airport and Industrial Center were included in this report.

Methodology

The Center used the appropriate components of its Fiscal Impact Model, with certain adaptations. In particular, the Salina Airport Authority provided total property tax paid as opposed to property values, as well as reported total retail tax amounts¹.

Each business was assigned an appropriate NAICS (North American Industrial Classification System) code in order to determine the correct multipliers to apply to its employment and payroll. Multipliers represent the spending and respending of employees and companies as a result of the jobs and company activities. For example, employees will spend money on homes, goods and services in the local economy. Likewise, companies will purchase goods and services, such as office supplies, automobiles, cleaning services and so on from local suppliers. This spending in turn results in additional jobs and payroll in the community.

The U.S. Bureau of Economic Analysis produces RIMS II (Regional Input-Output Multiplier System) multipliers for each industry and for many industry subsectors, and for the U.S., states, metropolitan statistical areas, and counties. For this analysis, the Center used the Saline County 20073 annual data, which includes 60 multipliers based on individual or groups of NAICS codes, for both the number of jobs and the payroll.

¹ Reported sales taxes appeared to be sales taxes collected by the businesses and submitted to the Kansas Department of Revenue, and reflect the total of both state and local tax rates.

Each business or group of businesses was analyzed based on the appropriate RIMS II multipliers for jobs and payroll, then were allocated according to the information provided to the Center by the Salina Airport Authority among the following four major and six minor industry groups:

- Business/industry
 - Aviation/aerospace
 - Commercial, non-aviation/aerospace
 - Construction
 - Freight/trucking
 - Other (not-for-profit social services)
- Education
- Federal, state and local government
- Military

Both direct and total payroll for a 1- year period were calculated. The results reflect direct jobs and payroll, which is based on the actual information provided by SAA, and the total jobs and payroll which are the result of multiplying the jobs and payroll by their respective multipliers.

The Center's Fiscal Impact model incorporates community revenue and budget data as well as specific tax rates for the city, county, school district and state. The revenue data is divided into sales tax, guest tax, property tax, income tax and other benefits in the model. The "other" revenue as well as the costs (budget) amounts are allocated among individuals and businesses on a per person or per worker basis.

Sales tax, guest tax, property tax and income tax benefits to the taxing entity (city, county, school district and state) are calculated based on employee earnings, spending patterns, family size, visitor spending patterns and the appropriate tax rates. Other tax revenue benefits and costs are based on number of residents and number of workers. For this analysis, all but approximately two dozen workers with annual pay lower than \$10,000 (presumably part-time workers) were assumed to have a household size of 2.5 people, with .5 children in school. Lower paid, part-time workers were assumed to have a household size of 1 person with no children in school.

Benefits, costs and net benefits (benefits minus costs) are calculated based on the total employment and payroll figures (direct employment and payroll plus indirect employment and payroll, based on the multipliers for each industry sector, to arrive at total employment and payroll) as well as to the visitorship.

Assumptions

Visitor Spending

In calculating visitor spending, most business visitors were assumed to stay 1 day and 1 night. Half of all visitors were assumed to be traveling on business while half were assumed to be leisure visitors. Visitors to social services agencies from outside of Salina were assumed not to spend significantly for hospitality and other retail spending. Similarly, visitors to military entities were not counted in regard to visitor spending, based on the assumption that their meals and overnight accommodations were with the host facility (while this may not be the case for all overnight stays, the proportion of military visitors staying in local hotels was not known at the time of this analysis. It is expected that this data may be available for future analyses).

Visitor spending amounts were based on the CEDBR Fiscal Impact Model values, which were derived from the CEDBR's 2003 Economic Impact of Tourism Report and are shown in the following table:

Table 1. Visitor Expenditures

<i>Visitor Expenditures</i>	
\$130.00	Average daily spending for business visitors per person (including lodging expenses)
\$82.00	Average daily spending for leisure visitors per person (including lodging expenses)

Employee Residence

The proportion of employees residing in the city of Salina and in the Salina School District (USD 305) was assumed to be 75 percent, with 90 percent of employees assumed to be living in the county. One in 20 employees was expected to prompt or require construction of new residential housing units, thereby increasing the property tax base and generating property taxes.

Substitution Effect

The substitution effect describes consumer and business use of other choices within an economic system. For example, in a community with a number of grocery stores, a new grocery store is not likely to bring new dollars to the community, but simply to draw dollars and jobs from existing grocery stores. For purposes of this study, the substitution effect is assumed to be zero for all organizations.

Retail Spending

The model basis for calculating retail sales taxes was employee earnings with and the assumption that half of total payroll is spent on taxable retail purchases. In this analysis, sales taxes reported by airport businesses² are reflected as a separate amount.

² Reported sales taxes appeared to be sales taxes collected by the businesses and submitted to the Kansas Department of Revenue, and reflect the total of both state and local tax rates.

Property Taxes

Property taxes were calculated based on employee housing. The model assumes that one out of five new employees will require the construction of residential housing during the first five years. Actual property taxes reported by airport businesses are reflected as a separate amount.

Results

Economic Impacts

The Salina Municipal Airport and Salina Airport Industrial Center host nearly 90 business operations in both the private and public sectors. These businesses directly employ 4,221 workers and account for a total of 8,900 total jobs in Saline County based on RIMS II multipliers (see Methodology section for complete explanation). Direct one-year payroll earnings amount to more than \$150 million and total payroll earnings for a one-year period amount to more than \$281 million.

Table 2. Direct and total employment and payroll (1 year)

	Jobs	Payroll
Direct	4,221	\$ 153,834,960
Total	8,900	\$ 281,232,589

Table 3. Direct and total employment by major group (1 year)

	Direct Employment	Total Employment
Business and Industry	3,738	8,067
Education	218	311
Local, State and National Government (non-military)	82	158
Military	183	364
TOTAL	4,221	8,900

Table 4. Direct and total employment for Business and Industry subgroups (1 year)

Business and Industry Subgroup	Direct Employment	Total Employment
Aviation/Aerospace	545	1,627
Commercial	298	551
Construction	121	231
Manufacturing	2,397	5,108
Freight Trucking	102	211
Other Business (not-profit)	275	339
TOTAL	3,738	8,067

Table 5. Direct and total payroll by major group (1 year)

	Direct Payroll	Total Payroll
Business and Industry	\$136,912,810	\$252,997,420
Education	8,622,558	12,903,658
Local, State and National Government (non-military)	3,101,360	5,377,417
Military	5,198,232	9,954,094
TOTAL	\$153,834,960	\$281,232,589

Table 6. Direct and total payroll by Business and Industry subgroup (1 year)

Business and Industry Subgroup	Direct Payroll	Total Payroll
Aviation/Aerospace	\$24,298,464	\$51,311,606
Commercial	8,278,122	14,124,446
Construction	4,205,000	7,216,621
Manufacturing	87,712,424	161,297,398
Freight Trucking	3,467,000	6,662,534
Other Business	8,951,800	12,384,815
TOTAL	\$136,912,810	\$252,997,420

Fiscal Impacts

Total benefits and net benefits accrue to each taxing entity and are reflected in the following table. These results reflect the impacts of total employment and payroll (direct plus the multiplier effects). Benefits include sales tax revenues, income tax revenues, property tax revenues, and other revenues to the taxing entity. Costs reflect the costs of providing services to the public such as police, highways, education, libraries and so on.

Table 7. Fiscal impacts (1 year)

	Benefits	Costs	Net Benefits (Benefits - Costs)	Benefit/Cost Ratio
Salina	\$4,051,087	\$1,735,248	\$2,315,839	2.33
Saline County	\$1,324,491	\$537,784	\$786,706	2.46
USD 305	\$9,820,861	\$7,547,547	\$2,273,314	1.30
State of Kansas	\$25,211,532	\$16,549,199	\$8,662,332	1.52

Numbers may not sum due to rounding differences.

Table 8. Fiscal impacts by major group (1 year)

	Salina	Saline County	USD 305	State of Kansas
Business and Industry				
<i>Benefits</i>	\$4,051,087	\$1,324,491	\$9,820,861	\$25,211,532
<i>Costs</i>	\$1,735,248	\$537,784	\$7,547,547	\$16,549,199
<i>Benefit/Cost Ratio</i>	2.33	2.46	1.30	1.52
Education				
<i>Benefits</i>	\$209,965	\$74,880	\$576,298	\$1,354,274
<i>Costs</i>	\$88,519	\$31,451	\$442,898	\$969,824
<i>Benefit/Cost Ratio</i>	2.37	2.38	1.30	1.40
Federal, State & Local Government				
<i>Benefits</i>	\$81,297	\$28,921	\$216,773	\$544,096
<i>Costs</i>	\$33,296	\$11,830	\$166,595	\$364,796
<i>Benefit/Cost Ratio</i>	2.44	2.44	1.30	1.49
Military				
<i>Benefits</i>	\$167,890	\$60,858	\$483,773	\$1,102,303
<i>Costs</i>	\$74,308	\$26,401	\$371,790	\$814,119
<i>Benefit/Cost Ratio</i>	2.26	2.31	1.30	1.35
Numbers may not sum due to rounding differences.				

Additional Impacts

The businesses operating on the airport invested almost \$23 million in capital expenditures and purchased local goods and services amounting to nearly \$101 million in 2007.

In addition to the benefits to communities reported above in 2007, the companies paid nearly \$1.7 million in sales taxes³ generated by more than \$510 million in sales to customers.

They also paid a total of more than \$730 thousand in property taxes during 2007 which benefitted the taxing entities as shown in Table 8 below.

³ Reported sales taxes appeared to be sales taxes collected by the businesses and submitted to the Kansas Department of Revenue, and reflect the total of state and local tax rates.

Table 9. Property tax allocation

	Mil Levy	Percent	Amount
State of Kansas	1.500	1.3%	\$9,377
Saline County	27.435	23.4%	\$171,505
City of Salina	23.959	20.4%	\$149,775
Salina Public Library	5.242	4.5%	\$32,769
Salina Airport Authority	2.877	2.5%	\$17,985
Central Kansas Extension Dist. #3	1.156	1.0%	\$7,227
USD #305	54.990	46.9%	\$343,760
TOTAL	117.159	100%	\$732,399

Summary

Saline County had a population of 53,597 in 2000 and was estimated by the U.S. Census Bureau to have a population of 54,583 in 2007⁴. According to the Kansas Department of Labor, the average employment in 2007 was 30,843⁵. Direct employment at the Salina Airport Industrial Center accounts for close to 14 percent of Saline County workers and total employment (reflecting the multiplier effects) accounts for almost 29 percent of Saline County workers.

The economic and fiscal impacts of the 4,221 workers, their employers and their visitors on the city, county, school district and state are enormous. The Salina Airport Industrial Center continues to be a vital part of the local and state economies.

⁴ US Census Bureau, Annual Estimates of the Population for Counties, April 1, 2000 to July 1, 2007.

⁵ Kansas Department of Labor, Labor Market Statistics, Labor Force Estimates.