

SECTION 2: ECONOMIC IMPACT ANALYSIS: HOW DOES IT RELATE TO RECREATION/TOURISM?

There exists a multitude of reasons for, and uses of, economic impact studies. Such analysis has been applied to sports franchises and facilities, tax policies, industrial subsidies, recreational and cultural events and festivals, fishing and hunting activities, and state parks, to mention a few. In general, economic impact analysis represents a method to assess the effects of and a specific economic stimulus on a given area, in the form of incremental expenditures (sales), income, employment or taxes.

Special events held at local facilities attract visitors from outside the area who spend money in the local economy (on food, lodging, souvenirs, etc.) thereby generating (directly and indirectly) increased local incomes. The increased income respent in the local area generates greater revenues for local businesses, which in turn generates additional employer and employee incomes and more respending. This process continues with ever decreasing amounts being respent in the local economy as a portion of spending "leaks out" (is respent outside the local area) in each successive round of transactions.

Summing all the spending (direct, indirect and induced) generated by visitors captures the total local economic impact. Since the succession of respending cannot be directly observed, and is therefore not known, it must be estimated using the multiplier concept. Multipliers relate changes in visitor spending in the local economy to changes in local area expenditures, incomes, employment, etc. The size of the multiplier is specific to the region under study, as it depends upon the area's size, internal economic structure and industrial and commercial linkages to the surrounding localities.

With the ability to capture the effects of a change in the demand for goods and services in a region, economic impact analysis can provide critical information on the efficacy of economic development policies. Such analysis therefore represents an important policy tool which can be used to assess the effectiveness of recreational facilities and events in increasing local economic activity.

Many community special events and facilities are subsidized in some form by the public sector. One of the rationales provided for such funding is the economic benefits such events can provide in terms of capturing visitor expenditures and increasing local incomes. Such a rationale is vogue in today's economic climate,

given the desire of many communities to diversify their economic base via increasing tourist visitations and related expenditures.

Fiscal restraint, at all levels of government, and the consequent scarcity of tax dollars for economic development, have meant increased scrutiny of public funding for special events and facilities. Such scrutinization has proliferated the use of economic impact analysis to justify public money for these activities and venues. If economic impact analysis is to play a role in guiding public policy as it relates to recreation, it is paramount that the procedures and underlying assumptions of such analysis be understood by recreation practitioners.

In a world of scarce and often diminishing fiscal resources, there is a need for recreation practitioners to be able to successfully compete for funds at all levels of government. Most individuals involved in providing recreation feel the constant pressure to justify the impact and value of recreation services relative to other segments of the town/municipal/provincial budget. One of the criteria used to evaluate the use of public funds is their “economic impact.” Consequently, there is a need for those involved in recreation to know the significance of their services in terms of these economic impacts on their community. With such information, practitioners can illustrate that recreation services have the ability to make significant economic contributions to the local economy. Knowledge of the economic impact process and the ability to conduct credible analysis, can increase the ability of recreation practitioners to successfully secure funds to meet their service demands. Use of such knowledge to demonstrate the economic benefits generated by recreation events gives practitioners another tool to educate government officials and the public at large, so that budgets more accurately reflect the importance of recreation to local communities.