



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

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**Prepared by:
Center for Economic Development and Business
Research
W. Frank Barton School of Business
Wichita State University**

**Anne Gallagher, Senior Research Associate
Janet Harrah
Director, CEDBR
Wichita State University**

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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 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 all of the nearly 80 businesses located at the Airport and Industrial Center was 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 taxes paid by the businesses.

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 2003 annual data, which includes 60 multipliers based on individual or groups of NAICS codes, for both the number of jobs and the payroll. 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 five major industry groups:

- Business/industry
- Aviation/aerospace
- Federal, state and local government
- Military
- Non-profit/social service

Both direct and total payroll for a 10-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 the retail workers are assumed to have a household size of 2.5 people, with .5 children in school. Retail workers are 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 after the multipliers were applied to the direct employment and payroll figures) as well as to the visitorship.

Assumptions

Visitor Spending

In calculating visitor spending, most business visitors were assumed to stay 2 days and 1 night, and are all business related visitors. Exceptions are trucking and aircraft FBO visitors, who are more likely to be making a fast turn-around. Of these visitors, 10 percent are assumed to stay a full day and 5 percent are assumed to stay overnight. Visitors to social services agencies from outside of Salina were assumed not to be business travelers, and to have a 10 percent rate of day stays and a 5 percent rate of overnight stays as a basis for calculating visitor spending. Finally, visitors to military entities were not counted in regard to visitor spending and visitors to educational institutions were considered to be leisure/personal travelers for spending purposes.

Employee Residence

The proportion of employees residing in the city of Salina is assumed to be 72 percent, with a total of 85 percent living in the county. One in 20 employees is 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.

Retail Spending

The model basis for calculating retail sales taxes is employee earnings, and uses the assumption that half of total payroll is spent on taxable retail purchases. In this analysis, sales taxes reported by airport businesses¹ are reflected as a separate amount.

Property Taxes

Property taxes are 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.

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.

Results

Economic Impacts

The Salina Municipal Airport and Salina Airport Industrial Center host nearly 80 business operations in both the private and public sectors. These businesses directly employ 4,016 workers and account for a total of 7,111 total jobs based on RIMS II multipliers (see Methodology section for complete explanation). Direct ten-year payroll earnings amount to nearly \$1.4 billion and total payroll earnings for a ten-year period amount to almost \$2.1 billion.

Table 1. Direct and total employment and payroll

| | Jobs | Year 1 Payroll | 10-year Payroll |
|--------|-------------|-----------------------|------------------------|
| Direct | 4,016 | \$138,310,677 | \$1,383,106,770 |
| Total | 7,111 | \$207,606,925 | \$2,076,069,249 |

Table 2. Direct and total employment by subgroup

| | Direct Employment | Total Employment |
|-------------------------------|--------------------------|-------------------------|
| Business and Industry | 2,798 | 5,070 |
| Aviation (private and public) | 578 | 1,210 |
| Social Services / Non-Profit | 238 | 276 |
| Government, non-Aviation | 219 | 305 |
| Government, Aviation | 183 | 249 |
| TOTAL | 4,016 | 7,111 |

Table 3. Direct and total payroll by subgroup

| | Year 1 Payroll | | 10 Year Payroll | |
|-------------------------------|-----------------------|----------------------|------------------------|------------------------|
| | Direct | Total | Direct | Total |
| Business and Industry | \$91,340,931 | \$138,484,956 | \$913,409,310 | \$1,384,849,557 |
| Aviation (private and public) | \$25,751,000 | \$38,755,880 | \$257,510,000 | \$387,558,797 |
| Social Services / Non-Profit | \$6,448,986 | \$8,852,523 | \$64,489,860 | \$88,525,231 |
| Government, non-Aviation | \$8,536,847 | \$12,503,719 | \$85,368,474 | \$125,037,186 |
| Government, Aviation | \$6,232,913 | \$9,009,848 | \$62,329,126 | \$90,098,479 |
| TOTAL | \$138,310,677 | \$207,606,925 | \$1,383,106,770 | \$2,076,069,250 |

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 4. Fiscal impacts – 1-year period

| | Benefits | Costs | Net Benefits (Costs) | Benefit/Cost Ratio |
|-----------------|-----------------|--------------|-----------------------------|---------------------------|
| Salina | \$9,536,446 | \$4,108,109 | \$5,428,336 | 2.32 |
| Saline County | \$825,874 | \$453,536 | \$372,338 | 1.82 |
| USD 305 | \$15,365,584 | \$11,788,328 | \$3,577,256 | 1.30 |
| State of Kansas | \$25,952,801 | \$18,727,307 | \$7,225,494 | 1.39 |

Table 5. Fiscal impacts – 10-year period

| | Benefits | Costs | Net Benefits (Costs) | Benefit/Cost Ratio |
|-----------------|-----------------|---------------|-----------------------------|---------------------------|
| Salina | \$40,006,854 | \$17,073,571 | \$22,933,283 | 2.34 |
| Saline County | \$11,459,064 | \$6,292,849 | \$5,166,215 | 1.82 |
| USD 305 | \$109,133,779 | \$83,725,898 | \$25,407,881 | 1.30 |
| State of Kansas | \$265,269,871 | \$191,389,269 | \$73,880,602 | 1.39 |

Table 6. Fiscal impacts by subgroup – 1-year period

| | Salina | Saline County | USD 305 | State of Kansas |
|-------------------------------|---------------|----------------------|----------------|------------------------|
| Business and industry | \$4,737,173 | \$258,760 | \$1,759,004 | \$4,737,173 |
| Aviation | \$360,404 | \$53,998 | \$364,035 | \$1,613,550 |
| Social services / non-profits | \$106,451 | \$22,110 | \$149,897 | \$184,681 |
| Government - non-aviation | \$127,830 | \$20,428 | \$137,930 | \$422,224 |
| Government – aviation | \$96,479 | \$17,042 | \$1,166,389 | \$267,866 |

Additional Impacts

In addition to the benefits to communities reported above in 2006, the companies paid nearly \$1.8 million in sales taxes² generated by their sales activities to consumers. They also paid a total of nearly \$425 thousand in property taxes during 2006, which equates to almost \$200 thousand to the school district, just over \$100 thousand to the county and

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 state and local tax rates.

just over \$85 thousand to the city, with the remainder divided among the state, public library, airport authority and the extension district, as shown in Table 7.

Table 7. Property tax allocation

| | Mil Levy | Percent | Amount |
|-----------------------------------|-----------------|----------------|------------------|
| State of Kansas | 1.500 | 1.3% | \$5,394 |
| Saline County | 27.955 | 23.8% | \$100,525 |
| City of Salina | 23.789 | 20.2% | \$85,545 |
| Salina Public Library | 5.180 | 4.4% | \$18,627 |
| Salina Airport Authority | 2.877 | 2.4% | \$10,346 |
| Central Kansas Extension Dist. #3 | 1.169 | 1.0% | \$4,204 |
| USD #305 | 55.252 | 46.9% | \$198,685 |
| TOTAL | 117.722 | 100% | \$423,326 |

Finally, the businesses operating on the airport invested almost \$22 million in capital expenditures and purchased local goods and services amounting to nearly \$101 million in 2006.

Summary

The economic and fiscal impacts of the 4,016 workers, their employers and their visitors on the city, county, school district and state are enormous. The Salina Airport Industrial Center is a vital part of the local and state economies.