



ECONOMIC IMPACT OF THE ERNEST N. MORIAL CONVENTION CENTER

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EXECUTIVE SUMMARY

- The Ernest N. Morial Convention Center is one of the greatest economic assets of the City of New Orleans and the State of Louisiana. The opening of the Convention Center put New Orleans, for the first time, in the major league of convention cities in the United States.
- In 2007, there were 101 major conventions and trade shows held at the Convention Center, up 135% from 2006. Those events attracted a total of 330,255 delegates, guests, exhibitors, and officials, up 82% from 2006.
- The total economic impact of the Convention Center in 2007 was **\$1,257.49 million or \$1.26 billion, up 73% from 2006**. This is made up of direct spending of \$667.41 million and secondary spending of \$590.08 million.
- The direct and secondary spending that is attributable to the Convention Center produced \$103.47 million in tax revenue for the State of Louisiana and for local government bodies in New Orleans -- \$60.01 million of this revenue was collected by the State of Louisiana and \$43.46 million was collected by local government bodies, specifically the City of New Orleans, the Orleans Parish School Board and the Regional Transit Authority.
- In addition, 17,897 jobs in the local economy are supported by the activities of the Ernest N. Morial Convention Center, creating \$374.39 million in income for local area residents.
- The 2007 results for the Ernest N. Morial Convention Center show that the City and the convention industry are making a huge rebound from Hurricane Katrina. Attendance and direct spending in the New Orleans area economy due to conventions and trade shows at the Ernest N. Morial Convention center are up a whopping 88% and 75% respectively. This is surely one of the bright signs for the entire New Orleans economy in the continuing struggle to fully recover from the devastation of Hurricane Katrina.
- Adding the figures for the economic impact of the Convention Center for 2007 to the comparable figures for 1985 through 2006 gives us the total impact that the Convention Center has generated for the New Orleans area since it opened its doors in 1985. Over the 23-year period, there have been a total of 1,789 major conventions and trade shows in the Convention Center. These conventions have attracted 11,260,165 attendees to the New Orleans area.

- These delegates, their guests, and the associations and groups connected to the conventions have spent \$15.26 billion in direct spending in the local economy. Part of the \$15.26 billion in spending ends up as earnings for local residents – over the 23-year history of the facility, the operations of the Ernest N. Morial Convention Center created \$7.94 billion in earnings or income for residents of the New Orleans area.
- The direct spending has generated \$23.86 billion in secondary spending. **Thus, over the 23-year period, the Ernest N. Morial Convention Center has created new spending of \$39.12 billion in the New Orleans area economy.** The direct and secondary spending has created \$1.25 billion in new State tax revenue and \$0.94 billion in new local tax revenue, for a total of \$2.19 billion in new tax revenue for State and local governments in Louisiana over the 23-year history of the Convention Center. The state has invested considerably in the construction and operations of the Ernest N. Morial Convention Center but has been rewarded substantially for that investment – to the tune of \$1.25 billion in tax revenue for the state of Louisiana.

TABLE S1**Economic Impact of the Ernest N. Morial Convention Center, 2007**
(Dollar Figures In Millions)

| <u>Category</u> | <u>Total</u> |
|------------------------------|--------------|
| Direct Spending | \$667.41 |
| Secondary Spending | \$590.08 |
| Total Economic Impact | \$1,257.49 |
| State Tax Revenues | \$60.01 |
| Local Tax Revenues | \$43.46 |
| Total Tax Revenue | \$103.47 |
| Employment | 17,897 |
| Total Registered Delegates | 182,195 |
| Total Spouses and Guests | 46,460 |
| Total Exhibitors & Officials | 148,060 |
| Total Attendees | 376,715 |

INTRODUCTION

When the Ernest N. Morial Convention Center opened in January of 1985, it was estimated that 232,000 people would attend conventions in the Convention Center during 1985. In fact, the Convention Center hosted 28 major conventions/trade shows and 292,700 people attended conventions in 1985. These conventioners brought their wives and children and spent millions of dollars on hotels, restaurants, retail stores, and the like in the New Orleans area.

In 2007, Hurricane Katrina continues to affect the operations of the City of New Orleans and the Ernest N. Morial Convention Center. The overall tourism industry in New Orleans continues to operate under the cloud of Katrina. After the disruption and uncertainty caused by the storm, many groups and visitors have still not returned New Orleans to their schedules. This has impacted the Ernest N. Morial Convention Center in a significant way. In spite of that, it appears that the Center has begun to turn the tide in a big way. Although not back to pre-Katrina levels, 2007 convention attendance was up 82% compared to 2006 levels.

This report will document the total economic impact of this convention spending on the local economy and the state and local tax revenues that result from this spending. It should be emphasized that this report deals only with the Convention Center and its economic impact. This report estimates only the economic impact of the Ernest N. Morial Convention Center on the local economy. This is an important part of the New Orleans tourist industry, but is only a part of that very large and important industry.

Data for the number of conventions and the number of attendees were obtained from the Ernest N. Morial Convention Center records. Data on the spending of the attendees was obtained from the University of New Orleans Visitor Profile. The University of New Orleans College of Business Administration and the New Orleans Metropolitan Convention and Visitors Bureau (NOMCVB) have a Joint Tourism Research Unit. The purpose of this unit is to conduct research on all relevant areas of the New Orleans area tourism industry. One product of the Joint Tourism Research Unit is a convention spending survey – the New Orleans Convention Industry Survey. In this survey, convention attendees, exhibitors, and associations were surveyed. The survey is based on a large sample of visitors to New Orleans. Interviews are conducted of a list of attendees and exhibitors from 15 conventions held in New Orleans in 2001.

As part of the ongoing effort to improve the quality of the research embodied in this report, we have done additional surveying of associations and the attendees at their conventions and trade shows. In past versions of this report, we have listed all attendees as “delegates.” With the new information, we are able to divide the attendees or total delegates into three component groups:

(1) registered delegates; (2) spouses and other guests of the registered delegates; and (3) exhibitors and “other” attendees (the other category consists of association staff for the most part). This is not a change from past years but a further refinement that allows us to better measure the impact of the Ernest N. Morial Convention Center on the New Orleans economy.

THE ECONOMIC IMPACT

The UNO Convention Industry Survey surveyed registered delegates in the New Orleans area in 2001 and determined spending in various categories. Based on the UNO survey, 55.17% of the attendees were registered delegates. Thus, in 2007, 330,255 registered delegates attended conventions and trade shows in the Ernest N. Morial Convention Center. The spending of these registered delegates is presented in Table 1. Note that the figures presented in Table 1 are for the average delegate in an average meeting or show. In fact, the actual range of the delegates spending was much greater. Some meetings have very elaborate exhibitors and high-income delegates. The exhibitors and delegates spend more than the average and “low-end” groups. In 2007, of the 330,255 attendees at meetings and tradeshow at the Ernest N. Morial Convention Center, 39,630 (or 12%) attended “low-end” meetings or show, 148,615 (or 45%) attended mid-range meetings, and 142,010 (or 43%) attended “high-end” shows. The spending numbers in Table 4 are a weighted average of the three groups and reflect this breakdown. The data in Table 1 has been adjusted in two ways from the original 2001 UNO Convention Industry Survey. First, the spending has been adjusted to reflect changes in the overall level of prices. This adjustment was made by using the Consumer Price Index. The second adjustment to the 2001 data incorporates the fact that the average convention in the Ernest N. Morial Convention Center tends to be a larger and higher-end group as compared to the average convention in the New Orleans area. Those groups that use the Convention Center tend to be much more elaborate and have more exhibitors than the typical group.

TABLE 1

Per Person Delegate Spending by Categories, 2007

| Category | Low-End Spending | Mid-Range Spending | High-End Spending |
|----------------------|---------------------|-----------------------|----------------------|
| Hotel Rooms | \$426.79 | \$569.05 | \$739.76 |
| Restaurants & Bars | \$265.82 | \$354.43 | \$460.75 |
| Entertainment | \$73.70 | \$98.26 | \$127.74 |
| Retail Stores | \$94.90 | \$126.53 | \$164.49 |
| Local Transportation | \$58.37 | \$77.83 | \$101.18 |
| Gasoline | \$7.51 | \$10.01 | \$13.01 |
| Other | \$9.51 | \$12.68 | \$16.48 |
| Total | \$936.58 | \$1,248.78 | \$1,623.41 |

Note: Totals may not add due to rounding

Source: UNO Convention Industry Survey

This Table indicates the spending of registered delegates only. To these totals we must add the spending of spouses and other guests that accompany the delegates. Table 2 presents spouse and other guest spending based on the UNO Survey.

TABLE 2**Per Person Guest Spending by Categories, 2007**

| <u>Category</u> | <u>Low-End Spending</u> | <u>Mid-Range Spending</u> | <u>High-End Spending</u> |
|----------------------|-----------------------------|-------------------------------|------------------------------|
| Hotel Rooms | \$- | \$- | \$- |
| Restaurants & Bars | \$81.01 | \$108.02 | \$140.42 |
| Entertainment | \$22.46 | \$29.95 | \$38.93 |
| Retail Stores | \$28.92 | \$38.56 | \$50.13 |
| Local Transportation | \$17.79 | \$23.72 | \$30.84 |
| Gasoline | \$2.29 | \$3.05 | \$3.96 |
| Other | \$2.90 | \$3.86 | \$5.02 |
| Total | \$155.37 | \$207.16 | \$269.31 |

Note: Totals may not add due to rounding

Source: UNO Convention Industry Survey

Based on the UNO Convention Industry Survey, the number of spouses or guests who came to New Orleans with a registered delegate was 25.50%. Thus, in 2007, 46,460 guests came to New Orleans with delegates of conventions held at the Ernest N. Morial Convention Center.

In addition to the spouses and guests, hundreds of thousands of exhibitors came to New Orleans to exhibit their companies' products at the Ernest N. Morial Convention Center. Based on the UNO Survey, 44.83% of the attendees were exhibitors, staff, and other personnel. There were 148,060 exhibitors and other attendees in 2007. The spending of these groups is presented in Table 3.

TABLE 3**Per Person Exhibitor and Convention Official Spending by Categories, 2007**

| <u>Category</u> | <u>Low-End Spending</u> | <u>Mid-Range Spending</u> | <u>High-End Spending</u> |
|----------------------|-----------------------------|-------------------------------|------------------------------|
| Hotel Rooms | \$426.79 | \$569.05 | \$739.76 |
| Restaurants & Bars | \$265.82 | \$354.43 | \$460.75 |
| Entertainment | \$51.11 | \$68.15 | \$88.60 |
| Retail Stores | \$65.82 | \$87.75 | \$114.08 |
| Local Transportation | \$40.49 | \$53.98 | \$70.17 |
| Gasoline | \$5.21 | \$6.94 | \$9.02 |
| Other | \$6.59 | \$8.79 | \$11.43 |
| Total | \$861.82 | \$1,149.09 | \$1,493.82 |

Note: Totals may not add due to rounding

Source: UNO Convention Industry Survey

The per-person spending figures in Tables 1 – 3 are multiplied times the number of visitors in each category to estimate the total, personal direct spending attributable to the visitors brought into the City by the Ernest N. Morial Convention Center. Table 4 presents the total local direct spending by the individuals attracted to the City by the events held at the Ernest N. Morial Convention Center.

TABLE 4

Total Personal Direct Spending In New Orleans, 2007 (Direct Spending in Millions)

| Category | Number Of Visitors | Average Per Person Spending | Total Direct Spending (Millions of \$s) |
|---------------------|-----------------------|-----------------------------------|---|
| Delegates: | | | |
| Low Delegates | 21,863 | \$937 | \$20.48 |
| Medium Delegates | 81,988 | \$1,249 | \$102.38 |
| High Delegates | 78,344 | \$1,623 | \$127.18 |
| Total Delegates | 182,195 | NA | \$250.05 |
| Spouses and Guests: | | | |
| Low Guests | 5,575 | \$155 | \$0.87 |
| Medium Guests | 20,907 | \$207 | \$4.33 |
| High Guests | 19,978 | \$269 | \$5.38 |
| Total Guests | 46,460 | NA | \$10.58 |
| Exhibitors: | | | |
| Low Guests | 17,767 | \$862 | \$15.31 |
| Medium Guests | 66,627 | \$1,149 | \$76.56 |
| High Guests | 63,666 | \$1,494 | \$95.11 |
| Total Exhibitors | 148,060 | NA | \$186.98 |
| Grand Total | 376,715 | NA | \$447.60 |

Note: Totals may not add due to rounding

Source: Author's calculations

In addition to the spending of the registered delegates and their guests, a major convention or trade show also involves the spending of groups such as the organization sponsoring the meeting, the exhibiting businesses (on business and convention related expenses, not personal expenses as in Table 3) at the convention, and the Convention Center itself. The UNO Convention Industry Survey allows us to determine the total spending of the associations and the exhibitors. The associations that sponsored the conventions in 2007 spent an average of \$917,467 per convention, for total spending of \$54.88 million given the mix of low-, mid-, and upper-end groups. The exhibiting companies spent \$8,639 on average per company per show on service contractors, advertising, catering, services and the like. In 2007, there was an average of 126 exhibiting companies per convention and a total of 12,736 exhibiting companies for a total of \$120.70 million in spending by exhibiting companies. The Ernest N. Morial Convention Center spent \$33.97 million in 2007 on the following things: 1) staff salaries for permanent employees, 2) wages for temporary employees, 3) insurance, 4) professional services, 5) utilities and other expenditures in the area. In addition, there was \$10.26 million in capital spending. Thus, the total spending of all of the related organizations was equal to \$219.81 million in 2007 (see Table 5).

TABLE 5**Organization Spending, 2007**
(In millions)

| <u>Organization</u> | <u>Total Spending</u> |
|-------------------------|-----------------------|
| Sponsoring Associations | \$54.88 |
| Exhibiting Companies | \$120.70 |
| NOCC Spending | \$33.97 |
| NOCC Capital | \$10.26 |
| Total | \$219.81 |

* Totals may not add due to rounding.

Source: Author's calculations

The total direct impact of the Ernest N. Morial Convention Center is the combined spending of the attendees, the Convention Center itself, and the organizations that put on and set up the conventions. In 2007, the Ernest N. Morial Convention Center produced total **direct spending of \$667.41 million**. Table 6 breaks this total down into its component parts.

TABLE 6

Total Direct Impact of the Convention Center, 2007 (In millions)

| <u>Category</u> | <u>Spending</u> |
|-------------------------|-----------------|
| Delegates | \$250.05 |
| Spouses and Guests | \$10.58 |
| Exhibitors | \$186.98 |
| Sponsoring Associations | \$54.88 |
| Exhibiting Companies | \$120.70 |
| NOCC Spending | \$33.97 |
| NOCC Capital | \$10.26 |
| Total | \$667.41 |

Note: Totals may not add due to rounding
Source: Author's calculations

This direct spending produces additional spending in the local economy. This is called secondary spending and is an important part of the economic impact. Secondary spending is a multiple of the direct spending since it is caused by the direct spending. This multiple is called the net economic multiplier or, more simply, the multiplier. The Bureau of Economic Analysis estimates multipliers for the various industries in a publication entitled, Regional Multipliers: RIMS II, ver. 2.1, 2005. The multiplier that is used depends on the industry involved and the area that the spending occurs. The convention industry actually falls into several industries as identified in Table 1.

A note of caution needs to be introduced here concerning the comparison of prior versions of this study and the current one. In calendar 2005, the BEA came out with new multipliers for the New Orleans region. Those multipliers differ from the ones used in earlier versions of this report (prior to the 2005 report). Thus, the secondary impacts for 2007 are not comparable to the secondary impacts of most prior years. Any comparison over time can only be done by comparing direct impacts.

Applying these multipliers to the appropriate direct spending categories produces the secondary impact due to the Convention Center, \$590.08 million in 2007. Combining this with the direct spending of \$667.41 million produces **a total economic impact of \$1,257.49 million, or \$1.26 billion**. Thus, the operations of the Ernest N. Morial Convention Center added over **one and a quarter billion dollars** to the New Orleans economy in 2007. This is money that would not have come into the local economy if the Convention Center did not exist. These estimates are presented in Table 7.

TABLE 7

Total Impact of the Ernest N. Morial Convention Center, 2007 (In millions)

| <u>Category</u> | <u>Impact</u> |
|--------------------|-------------------|
| Direct Spending | \$667.41 |
| Secondary Spending | \$590.08 |
| Total | \$1,257.49 |

Note: Totals may not add due to rounding

Source: Author's calculations

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EMPLOYMENT AND EARNINGS DUE TO THE ACTIVITIES OF THE ERNEST N. MORIAL CONVENTION CENTER

The spending of the Ernest N. Morial Convention Center and of the delegates and associations that put on conventions in the facility create employment in the New Orleans area. That employment is of several types. First, there are the employees of the Ernest N. Morial Convention Center itself. Second, there is the employment that is created by delegate and association spending in the local area.

In 2007, the Ernest N. Morial Convention Center employed 252 people on a permanent, full-time basis and 11 people on a part-time basis (part-time employees are counted on a full time equivalent basis) for a total of 263 full-time equivalents prior to the storm.

The spending of the delegates and associations also generates employment in the local area. Hotels, restaurants, retail shops, transportation firms and the like must hire more people to handle the business that is generated by the delegate spending in the local area. The spending of delegates, spouses, and associations can be grouped into several categories: hotels, eating and drinking places, retail establishments and construction. The BEA also estimates employment multipliers for the various industries (Regional Multipliers: RIMS II, ver. 2.1, 2005).

The employment multipliers capture both the primary and secondary employment effect of the increased spending. In other words, when a convention delegate spends money in a hotel or restaurant, that spending supports the employment of waiters and busboys at the restaurant. Subsequently, those waiters and busboys spend the income derived from the convention delegates on groceries, for instance. The spending at the grocery store supports the employment of checkers and bag boys at the grocery. This process continues. Based on these multipliers, the spending of delegates, spouses, and associations help support 17,311 jobs in the local economy. **The total employment supported by the Ernest N. Morial Convention Center and the people and businesses it attracts to the city is 17,897 – the direct employment of 263 plus the supported employment of 17,634.** It must be pointed out that these jobs are not all in the hotel industry and other direct industries -- many are in other areas of the economy and of the metro area.

The jobs created and supported by the economic activities related to the Ernest N. Morial Convention Center create income for area residents. Based on the BEA earnings multipliers in the specific industries, the activities of the Convention Center created **a total of \$374.39 million in earnings in 2007 in the New Orleans area.**

TAX REVENUE GENERATED BY THE OPERATIONS OF THE CONVENTION CENTER

When money is spent in any local economy, some of that spending produces tax revenues to State and local governments in the area. This is especially true in the New Orleans area because of the heavy reliance on the retail sales tax. At the State level, convention delegates and the organizations supporting the conventions pay hotel-motel taxes and sales taxes as part of their spending in New Orleans and the rest of the State. In addition, the secondary spending produces State income tax revenue, sales tax revenue, and excise tax revenue. The direct spending of conventioners and organizations produces local sales tax revenue and hotel-motel tax revenue. The secondary spending produces local sales tax revenue. In 2007, the activities of the Convention Center produced \$59.57 million in State tax revenue and \$42.20 million in local tax revenue, for a total of \$101.77 million. This is revenue that will be produced every year into the future and will grow as the Ernest N. Morial Convention Center expands and grows. The remainder of this section explains these figures.

State Tax Collections

In the New Orleans area, there is a tax on the sale of hotel and motel rooms of 13%. The State of Louisiana collects 9% and the City of New Orleans collects the remaining 4%. Of the State tax collections, 4% is dedicated to the Superdome, 3% is dedicated to the Ernest N. Morial Convention Center, and 2% goes into the State general fund.

According to the UNO study, delegates, exhibitors and other attendees spent \$206.54 million in taxable spending on hotel rooms, creating \$18.59 million State collected tax revenue on hotel rooms. The breakdown of this revenue is contained in Table 8.

TABLE 8

State Collected Hotel Motel Tax Revenue
Resulting from the Ernest N. Morial Convention Center, 2007
(In millions)

| Purpose | Tax Rate | Revenue |
|--------------------|-----------|----------------|
| Superdome | 4% | \$8.26 |
| Convention Center | 3% | \$6.20 |
| State General Fund | 2% | \$4.13 |
| Total | 9% | \$18.59 |

Note: Totals may not add due to rounding

Source: Author's calculations

In addition to the hotel tax, the State receives general sales tax revenues on the direct spending of delegates, spouses, and the sponsoring organizations. The breakdown of spending in the UNO study allows us to determine the total amount of spending by delegates, spouses, and supporting organizations on taxable commodities (see Table 1). The only categories identified that are not subject to the retail sales tax are hotel rooms and the portion of local transportation that is for taxicab rides, which are not taxable under the Louisiana sales tax. Applying the 4% State sales tax rate to the dollars spent on taxable items by attendees and organizations yields the sales tax revenue estimates (See Table 9).

The remainder of State taxes that is attributable to the operations of the Convention Center are taxes paid out of the income generated by the Convention Center impact -- the income that results from the spending of people who receive the direct spending of convention delegates, spouses, and supporting organizations. Out of that income, the recipient is going to pay his State income taxes; in addition, he is going to buy goods and services and pay the taxes that apply to those goods and services. The retail sales tax applies to the purchase of some of those goods and services. Some goods and services, however, are not taxable under the retail sales tax, but are taxable under various other taxes -- such as the gasoline tax, the insurance premium tax, the soft drink tax, the beer tax and the like. These are referred to as excise taxes. The assumption made in estimating revenues from all of these taxes is that the recipient of this secondary income is no

different from the average Louisiana consumer; thus, the proportion of that secondary income that is paid in these various taxes is equal to average values for the State as a whole.

State income taxes that are paid out of secondary income can be estimated by determining the proportion of income that the average person in Louisiana pays in State income taxes. According to the latest data available, the average Louisiana resident paid 2.15% of his or her income in State income taxes. Applying this rate to the Ernest N. Morial Convention Center generated earnings produces the income tax revenue estimates (See Table 9).

To estimate the amount of sales tax revenue that is attributable to the income generated by the Convention Center it is necessary to estimate the proportion of income that is spent on taxable commodities in Louisiana. The United States Department of Labor conducts a massive survey of consumer spending upon which it bases the Consumer Price Index. This survey is called the Consumer Expenditure Survey and the results of the latest Consumer Expenditure were used. That source reveals that consumers spent approximately 48.52% of their income on commodities that are taxable under the Louisiana retail sales tax. Applying this proportion to the total income and then applying the sales tax rate of 4% yields the induced sales tax revenue, which when added to the direct sales tax revenue, produces total state sales tax revenue (See Table 9).

Many goods and services are not taxable under the retail sales tax, but are taxable under special taxes, called excise taxes. We should also include these tax revenues in our estimates. The Louisiana taxes that are considered here are: the motor fuel tax, the public utilities tax (here it is assumed that the tax is passed on to consumers), the tobacco tax, the insurance premium tax, the beer and alcoholic beverage tax, the pari-mutuel tax, the soft drink tax, the special fuels tax, and vehicle licenses. Dividing the total revenue from these tax sources by the total personal income in the State yields the excise tax proportion of 1.27%. This proportion means that, on average, a Louisiana resident pays 1.27% of his or her income to the State in the form of these taxes. Multiplying this rate times the income generated by the operations of the Ernest N. Morial Convention Center produces the excise tax revenue estimates (See Table 9).

The last category is State business taxes. When individuals or groups spend money in Louisiana, that spending creates revenues for local businesses. The increase in revenues creates increases in business tax liabilities. Based on recent data, the business tax liability is equal to 0.78% of earnings created. Multiplying this rate times the income generated by the operations of the Ernest N. Morial Convention Center produces the total business tax revenue estimates. Table 9 lists the revenue raised by the various state collected taxes as a result of the activities of the Convention Center.

TABLE 9

State Collected Tax Revenues, 2007

(In millions)

| Tax Source | Superdome | ENMEHA | State General | Total |
|----------------|---------------|---------------|------------------|----------------|
| Hotel Tax | \$8.26 | \$6.20 | \$4.13 | \$18.59 |
| Income Taxes | NA | NA | \$8.05 | \$8.05 |
| Sales Taxes | NA | NA | \$25.70 | \$25.70 |
| Excise Taxes | NA | NA | \$4.75 | \$4.75 |
| Business Taxes | NA | NA | \$2.92 | \$2.92 |
| Total | \$8.26 | \$6.20 | \$45.56 | \$60.01 |

Note: Totals may not add due to rounding

Source: Author's calculations

LOCAL TAX REVENUE

The methodology to estimate local tax revenue is very similar to that used to estimate State-collected tax revenue. The only difference as it applies to the taxes paid on direct spending is that the tax rates are different. For the hotel-motel tax, the local tax rate is 4%, 1.5% goes to the City of New Orleans, 1.5% goes to the Orleans Parish School Board, and 1% goes to the Regional Transit Authority. The rate for the retail sales tax locally is 5%. This 5% rate is divided up as follows: the City of New Orleans receives 2.5%, the Orleans Parish School Board receives 1.5%, and the Regional Transit Authority receives 1%.

The hotel spending produces millions in revenue for local governments in New Orleans. The City of New Orleans receives part of this revenue, the Orleans Parish School Board receives part, and the RTA receives the remainder. In addition to the revenue from the 4% hotel/motel tax, there are two additional taxes on the sales of hotel rooms. They are room taxes used to finance the bonds issued for Phase II of the Convention Center and for the support of the New Orleans Tourism Marketing Committee (NOTMC). This vitally necessary organization is responsible for the marketing of the City of New Orleans as a tourist destination regionally,

nationally and internationally. The NOTMC is funded, in part, by a hotel room tax that is \$1 per occupied night for larger hotels (more than 300 rooms) and \$.50 per occupied night (\$1 per night for the Convention Center II) for smaller hotels. The assumption used in this calculation is that 70% of convention delegates stay at the larger hotels -- this is most certainly true since all of the primary convention hotels are large. Phase II of the Ernest N. Morial Convention Center is funded, in part, by a hotel room tax that is \$2 per occupied night for larger hotels (more than 1,000 rooms), \$1 per occupied night for mid-sized hotels (between 300 and 999 rooms), and \$.50 per occupied night for smaller hotels (less than 299 rooms). The assumption used in this calculation is that 60% of convention delegates stay at the larger hotels, 30% stay at mid-sized hotels, and 10% stay at small hotels. Phase II of the facility is also funded with a .5% tax on food and beverage sales in Orleans Parish. Finally, there is a .25% sales tax on food and beverage that funds Phase IV of the facility.

Local governments received sales tax revenue from the direct spending of the delegates and guests. The City of New Orleans received a portion, the Orleans Parish School Board received a part, and the Regional Transit Authority received a part.

In addition to the delegate and spouse spending, the organizations spent money that is taxable in New Orleans. Applying the 5% tax rate to this spending produces the revenue estimates. This revenue goes to the City, the School Board, and the RTA.

All of the local tax revenues from all sources are presented in Table 10.

TABLE 10**Local Sales Tax Revenue Derived from Direct Spending, 2007**

(In millions)

| <u>Government</u> | <u>Revenue from Delegate Spending</u> | <u>Revenue From Organization Spending</u> | <u>Total</u> |
|-------------------|---|---|----------------|
| City | \$6.03 | \$5.50 | \$11.52 |
| School Board | \$3.62 | \$3.30 | \$6.91 |
| RTA | \$2.41 | \$2.20 | \$4.61 |
| Total | \$12.05 | \$10.99 | \$23.04 |

Note: Totals may not add due to rounding

Source: Author's calculations

The next category of local taxes is sales taxes paid on the income generated by the spending created by the Convention Center. The methodology used to estimate these revenues is the same as that used to estimate the sales tax revenue for the State. The tax rate is 5% instead of 4%. Applying the sales tax proportion discussed above and the 5% rate to Convention Center generated income produces \$9.08 million in local sales tax revenue due to secondary income. These revenues are summarized in Table 11.

TABLE 11**Local Sales Tax Revenue from Secondary Spending, 2007**
(In millions)

| <u>Government</u> | <u>Tax Revenue</u> |
|-------------------|--------------------|
| City | \$4.54 |
| School Board | \$2.72 |
| RTA | \$1.82 |
| Total | \$9.08 |

Note: Totals may not add due to rounding

Source: Author's calculations

The activities of the Ernest N. Morial Convention Center produce a total of \$43.46 million in revenue for local governments in New Orleans. These revenues go to the City of New Orleans, the Orleans Parish School Board, and the Regional Transit Authority. Table 12 presents a breakdown of this revenue.

TABLE 12

Local Tax Revenues Generated by the Convention Center, 2007

(In millions)

| <u>Tax Source</u> | <u>School Board</u> | <u>RTA</u> | <u>City</u> | <u>ENMCC & NOMC</u> | <u>Total</u> |
|-------------------|-------------------------|---------------|----------------|-----------------------------|----------------|
| Hotel Taxes | \$3.10 | \$2.07 | \$3.10 | NA | \$8.26 |
| Sales Taxes | \$9.64 | \$6.43 | \$16.06 | NA | \$32.13 |
| Occupancy Taxes | NA | NA | NA | \$3.08 | \$3.08 |
| Total | \$12.74 | \$8.49 | \$19.16 | \$3.08 | \$43.46 |

Note: Totals may not add due to rounding.

Source: Author's calculations

CONCLUSION

The Ernest N. Morial Convention Center is one of the greatest economic assets of the City of New Orleans and the State of Louisiana. The opening of the Convention Center in 1985 put New Orleans, for the first time, in the major league of convention cities in the United States. In 1996, New Orleans was ranked first by convention delegates nationally as a place to hold their conventions. The total economic impact of the Convention Center in 2007 was **\$1,257.49 million or \$1.26 billion**. This is made up of direct spending of \$667.41 million and secondary spending of \$590.08 million. This spending that is attributable to the Convention Center produced \$103.47 million in tax revenue for the State of Louisiana and for local government bodies in New Orleans -- \$60.01 million of this revenue was collected by the State of Louisiana and \$43.46 million was collected by local government bodies, specifically the City of New Orleans, the Orleans Parish School Board and the Regional Transit Authority. In addition, 17,897 jobs in the local economy are supported by the activities of the Ernest N. Morial Convention Center, creating \$374.39 million in additional income for local area residents.

The 2007 results show that the City and the convention industry are making a huge rebound from Hurricane Katrina. Attendance and direct spending in the New Orleans area economy due to conventions and trade shows at the Ernest N. Morial Convention center are up a whopping 88% and 75% respectively. This is surely one of the bright signs for the entire New Orleans economy in the continuing struggle to fully recover from the devastation of Hurricane Katrina.

Adding the figures for the economic impact of the Convention Center for 2007 to the comparable figures for 1985 through 2006 gives us the total impact that the Convention Center has generated for the New Orleans area since it opened its doors in 1985. Over the 23-year period, there have been a total of 1,789 major conventions and trade shows in the Convention Center. These conventions have attracted 11,260,165 attendees to the New Orleans area. These delegates, their guests, and the associations and groups connected to the conventions have spent \$15.26 billion in direct spending in the local economy. Part of the \$15.26 billion in spending ends up as earnings for local residents – over the 23-year history of the facility, the operations of the Ernest N. Morial Convention Center created \$7.94 billion in earnings or income for residents of the New Orleans area.

The direct spending has generated \$23.86 billion in secondary spending. **Thus, over the 23-year period, the Ernest N. Morial Convention Center has created new spending of \$39.12 billion in the New Orleans area economy.** The direct and secondary spending has created \$1.25 billion in new State tax revenue and \$0.94 billion in new local tax revenue, for a total of \$2.19 billion in new tax revenue for State and local governments in Louisiana over the 23-year history of the Convention Center. The state has invested considerably in the construction and operations of the

Ernest N. Morial Convention Center but has been rewarded substantially for that investment – to the tune of \$1.25 billion in tax revenue for the state of Louisiana.