



THE MINNESOTA GOLF ECONOMY 2006



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for





MINNESOTA
SECTION



The Minnesota Golf Economy 2006

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I. STUDY OVERVIEW

With over 10,000 lakes and 500 golf courses, tourism and recreation thrive in Minnesota. Golf is a key driver of Minnesota's tourism and recreation industries, but the breadth of economic activity generated by the game of golf makes it a critical industry sector in its own right. Golf brings visitors to the state, drives new construction and residential development, generates retail sales, and creates demand for a myriad of goods and services. In 2006, the size of Minnesota's direct golf economy was approximately \$1.2 billion. When the total economic impact of these golf-related activities is considered, Minnesota's golf industry generated approximately \$2.4 billion of direct, indirect and induced economic output, \$776.7 million of wage income and 34,653 jobs in 2006.

Minnesota's highly diversified economy includes a range of manufacturing industries (processed food; computers and electronics; machinery; etc.) and service industries (health; management; professional, technical and scientific; etc.) The golf industry (\$1.2 billion) is on par with several other important industries: surgical and medical instruments (\$1.1 billion), printed circuit assembly (\$1.3 billion) and accounting, tax and payroll services (\$1.4 billion).¹

While many state-level, economic studies surrounding the game of golf have been conducted across the country over the last several years, no comprehensive, standardized framework has been employed in these studies. This has made it difficult to monitor a state's industry growth over time, and to make state-to-state or regional comparisons. SRI International and Golf 20/20 are currently working with key golf stakeholders in several states, including Minnesota, to bring consistency to the industry measurement and reporting process. This report describes and analyzes Minnesota's golf industry including the revenues and economic impact generated by the industry and will assist Minnesota's industry stakeholders² in raising awareness of the impact of golf to state and local policymakers.

There are many potential uses for such an analysis:

- Defining the range of core and enabled industries associated with the game of golf;
- Clearly articulating, for policymakers, the employment and revenue-generating contributions of the golf industry to the state economy; and
- Building credibility and recognition of the golf industry as a significant business sector and a driver of economic activity in the state.

¹ U.S. Census Bureau. 2002 Economic Census. SRI used the GDP implicit price deflator to inflate 2002 industry revenue data to 2006 dollars.

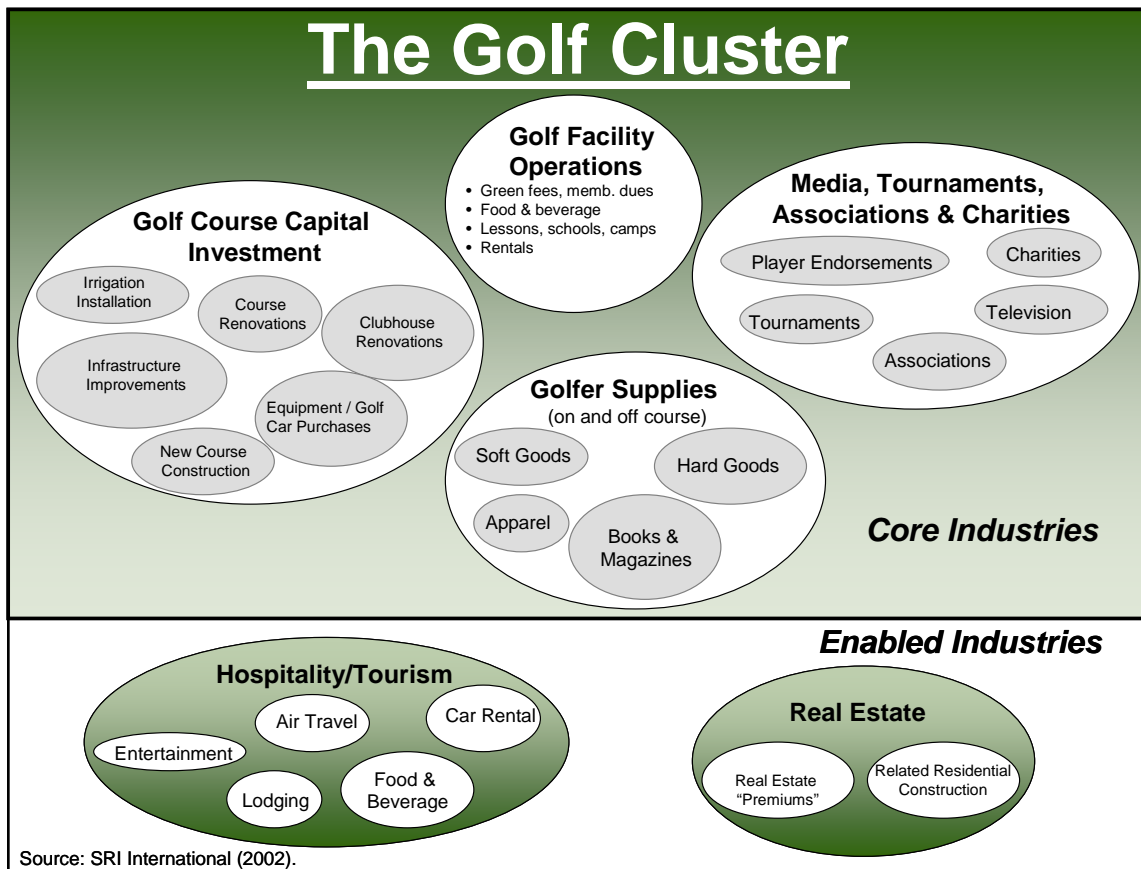
² Key industry stakeholders comprising the Minnesota Golf Task Force include representatives from the Minnesota Golf Association (MGA), the Minnesota Golf Course Superintendents Association of America (MGCSA), the Minnesota Section of the Professional Golfers' Association of America (MNPGA), the Midwest Golf Course Owners Association of America (MWGCOA), the Midwest Public Golf Managers Association (MPGMA) and the Upper Midwest Chapter of the Club Managers Association of America (CMAA-UM).

II. ANALYTICAL FRAMEWORK

Current economic studies of the golf industry in different states emphasize different factors and outcomes. For example, one may focus largely on the turf industry, while another might examine the impact of sports and recreation-related tourism more broadly. Ideally, one would want to include all the key activities and industries that are enabled by and benefit from the game of golf. To meet this goal, SRI has developed a standardized, economic impact framework that can be employed to measure a comprehensive set of golf-driven industry components. This state-level framework draws on the conceptual model of the golf economy developed in SRI's 2000 national-level *The Golf Economy Report* and our 2005 state-level *The Virginia Golf Economy Report*.

A. Golf Industry Cluster Definition

To arrive at economic impact, one must first estimate the size of the golf economy in the state. This entails mapping out where the golf industry begins and ends, and then estimating the size of each of these industry segments. We divide the golf industry cluster into two main categories: (1) core industries and (2) enabled industries (see figure). The golf industry cluster begins with the golf facilities themselves and with those other core industries that produce goods and services used to operate facilities and to play the game: golf equipment and golf apparel manufacturers, golf course architects, turf maintenance equipment and service providers, and club management services. The game of golf further enables a number of other industries, such as golf-related tourism and real estate development.



We detail these industry segments and estimate their size in the following section. Having defined the core and enabled golf industries, it is possible to estimate the size of each industry segment and to total them for an overall estimate of the size of the golf economy. Multipliers can then be applied to calculate the ripple effects of these economic activities in terms of: (1) impact on total state economic output and (2) impact on total state employment. However, this process is complicated by the fact that, while most of these industries produce golf-related goods and services, the firms themselves may not limit their activities exclusively to the golf industry. For example, Nike produces golf shoes, but also running, tennis, basketball, and other shoes. Therefore, in general, our approach is to include only those firms and sales that are directly attributable to the game of golf. In so doing, we use a number of different estimation techniques to ensure that our final estimates are reasonable and robust.

Moreover, additional data challenges and location factors make estimation more difficult at the state level than the national level. For example, many of the major golf equipment manufacturers have production facilities in just a few states. Similarly, several of the major golf association headquarters are located in Florida. The presence of such firms, associations, or a number of well-known courses will change the size of golf's economic impact in the state considerably. Therefore, one should consider the size of the golf economy and the game's economic impact in the state in relation to the size of the overall economy and other major industries in that state.

B. Data Sources

SRI developed its framework for measuring state golf economies based on a broad set of existing sources and data. Although there have been several state-level impact studies conducted in the past, by numerous golf constituencies, few have used a similar methodology, resulting in very different estimates depending on the golf economy elements included. A great deal of data is collected on the golf economy by many organizations on a regular basis. For example, government agencies, national golf associations, and national associations in the enabled industries collect data on different industry elements periodically—annually, every few years, or every five years. In addition, these data are based on a relatively consistent set of inputs by large numbers of constituents. Therefore, the principal challenges involve acquiring the data, inflating or deflating the estimates for the proper target year, and then combining them to represent the entire golf economy in the target year. The core and enabled industry indicators and data sources we have identified are presented below.

| State Golf Economy Indicators and Data Sources | | |
|--|---|--|
| Indicator | Primary source | Cross-validation source |
| Golf Facility Operations | | |
| # of golf course facilities by type | 2006 PGA Facility Database (2005 data) | 2002 Economic Census; state task force; 2006 NGF Facility Database |
| Avg. revenues by type of facility | 2006 PGA Facility Operations Survey (2005 data) | 2002 Economic Census; National Golf Foundation; state task force |
| # of rounds by facility type | 2006 PGA Compensation Survey (2005 data) | National Golf Foundation |
| Avg. revenues by round type | 2006 PGA Compensation Survey (2005 data) | National Golf Foundation; state task force |

State Golf Economy Indicators and Data Sources

| Indicator | Primary source | Cross-validation source |
|---|--|---|
| Golf Course Capital Investments | | |
| Avg. capital investment by type of facility | GCSAA 2005 and 2007 Compensation Survey | National Golf Foundation; State task force |
| Number of golf courses under construction in current year | National Golf Foundation (2005 data) | NGF Construction database; state task force |
| Avg. cost of construction per new course | Golf Course Builders Association of America | State task force; interviews with golf course builders in state |
| Golfer Supplies | | |
| Golf-related manufacturing exports | Company annual reports; SEC filings; interviews | Company interviews; state task force |
| Golf equipment | National Sporting Goods Association (2006 data) | 2006 PGA Compensation Survey (2005 data); 2006 PGA Facility Operations Survey (2005 data) |
| Golf apparel | National Sporting Goods Association (2006 data) | 2006 PGA Compensation Survey (2005 data, gross sales by facility type); 2006 PGA Facility Operations Survey (2005 data) |
| Golf media | Magazine Publishers of America for golf magazine sales; <i>Bowker Annual of Library and Book Trade Information</i> (2006 data) | Amazon and Barnes & Noble for top golf book sales |
| Major Tournaments | | |
| # of major tournaments held in state | State task force | Major golf associations |
| Visitor attendance at tournaments, tournament revenues | Major golf associations | State task force or state associations |
| Associations & Charities | | |
| # of major state-level golf associations | State counterparts of national golf associations | State task force |
| Annual revenues/budgets | State golf associations | State task force |
| # of employees | State golf associations | State task force |
| Revenues raised through golf-related charities | Sampling of golf professionals to identify # of tournaments and average amount raised | National Golf Foundation |
| Real Estate | | |
| # of residential golf courses under construction | National Golf Foundation; real estate/development agencies | Interviews with state level golf course architects and real estate developers |
| # of lots per course | Interviews with golf course architects and real estate developers | Golf Course Builders Association of America, National Golf Course Owners Association, National Association of Home Builders |
| Avg. construction costs per home and real estate premium | Interviews with golf course architects and real estate developers | Golf Course Builders Association of America, National Golf Course Owners, National Association of Home Builders |
| Hospitality/Tourism | | |
| # of golf travelers or # of golf-related trips to the state | Travel Industry Association (TIA) of America | State department of tourism/recent surveys/studies |
| Avg. spending per traveler or per trip | Travel Industry Association (TIA) of America | State department of tourism/recent surveys/studies; National Golf Foundation |

III. THE SIZE OF MINNESOTA'S GOLF ECONOMY

SRI estimates the total size of Minnesota's golf economy in 2006 was approximately \$1.2 billion. This estimate is comprised of \$671.0 million in core industries and an additional \$537.5 million in enabled industries, as illustrated in the table below. (Note that column may not sum due to rounding of individual industry estimates.)

| Size of Minnesota's Golf Economy in 2006 by Segment (\$ million) | |
|--|------------------|
| Core Industries | |
| Golf Facility Operations | \$534.6 |
| Golf Course Construction and Capital Investment | \$43.5 |
| Golfer Supplies (retail margin and manufacturing exports) | \$83.3 |
| Major Golf Tournaments and Associations | \$9.6 |
| Total Core Industries | \$671.0 |
| Enabled Industries | |
| Real Estate | \$177.0 |
| Hospitality/Tourism | \$360.5 |
| Total Enabled Industries | \$537.5 |
| TOTAL GOLF ECONOMY | \$1,208.5 |

A. Core Industries

Golf Facility Operations

At the center of any golf economy lies the golf facilities—the largest component in terms of revenues. The revenue that flows through a golf facility comes primarily from greens fees, membership fees, golf cart rentals, and associated spending on food and beverages. This revenue, in turn, supports a host of supply sectors including golf equipment manufacturers, food and beverage providers, and turfgrass equipment and maintenance service providers. Minnesota's 508 golf courses, 11 stand-alone ranges, and 29 miniature golf facilities generated \$534.6 million of revenues in 2006.

| Minnesota Golf Facility Revenues in 2006 (\$ millions) | |
|--|----------------|
| Golf Facilities | \$527.0 |
| Practice Ranges & Alternative Facilities | \$7.6 |
| TOTAL¹ | \$534.6 |

Note: ¹ Golf facility revenues exclude on-course merchandise sales, which are included in the Golfer Supplies industry segment.

This is a sizeable industry, but even more significant when compared to other popular revenue-generating sports. For example, Minnesota's golf facilities generated higher revenues than all other spectator sports in the state including hockey, football, basketball and baseball. These other sports generated revenues of \$421.6 million in 2002, or \$469.6 million in 2006 inflation-adjusted dollars.³

³ U.S. Census Bureau (2005). *Minnesota: 2002, 2002 Economic Census, Arts, Entertainment & Recreation Geographic Series*, July 2005.

Golf Course Capital Investments

Golf facilities generate economic impacts beyond operational revenues through investments to upgrade and maintain facilities and infrastructure, and through the construction, expansion and renovation of courses. These investments create employment in the construction and maintenance industries and often involve the purchase of significant amounts of equipment and supplies from companies within the state. SRI's estimate of Minnesota's golf course capital investment is divided into two segments: (1) capital investment at existing facilities and (2) new course construction. Together, Minnesota's golf establishments made \$43.5 million worth of capital investments in 2006: \$31.1 million of investments at existing facilities and \$12.4 million for the construction of new courses.

| Minnesota Golf Course Construction and Capital Investment in 2006 (\$ millions) | |
|--|---------------|
| Golf Course Capital Investment ¹ | \$31.1 |
| New Course Construction | \$12.4 |
| TOTAL | \$43.5 |

Note: 1 Only the New Course Construction category is included in the economic impact analysis, because it represents new economic output or activity. Golf course capital investment is typically financed through golf facility revenues, so including both Golf Course Capital Investment and Golf Facility Operations in economic impact analysis would result in double-counting.

Golfer Supplies

In 2006, Minnesota golfers spent significant sums on items such as golf balls, golf clubs, golf apparel, golf instructional books and DVDs. The economic value that accrues to a state comes from both the production of these goods, as well as retail sales of such items. Minnesota is home to a number of companies that manufacture turf maintenance and irrigation equipment, golf course amenities and other golf-related products—Toro, Miltona, Par Aide Products, etc. The value of these products that are sold in Minnesota is already captured in the retail portion of the Golfer Supplies segment. However, the proportion of production that is being shipped to other states and countries is not. Therefore, we include these companies' value-added exports in our analysis, here. In 2006, Minnesota manufacturers' value-added exports of golf-related products were approximately \$35.8 million. In addition, while Minnesota is not a major manufacturer of golf equipment (clubs, bags, shoes, balls, etc.), apparel or media (books, magazines, videos/DVDs), on-course and off-course sales of these items are sizeable. The margin that Minnesota retailers and golf facilities made on the sale of golfer supplies totaled \$47.5 million in 2006.

| Minnesota Manufacturers' Value-Added Exports of Golf-Related Products in 2006 (\$ millions) | |
|--|---------------|
| TOTAL | \$35.8 |

| Minnesota Retailers' Net Revenues on Consumer Purchases of Golfer Supplies in 2006 (\$ millions) | |
|---|---------------|
| Golf Equipment (retail margin) | \$40.0 |
| Golf Apparel (retail margin) | \$7.1 |
| Golf Media (retail margin) | \$0.3 |
| TOTAL | \$47.5 |

Note: This includes on-course and off-course purchases of golf equipment, apparel and media. Column does not sum due to rounding of individual estimates.

State Golf Associations, Tournaments and Charities

Associations

Numerous associations represent the game of golf in Minnesota. In addition to the Minnesota Golf Association, there are several state chapters of national golf organizations such as the Minnesota Section of the PGA of America, the Minnesota Golf Course Superintendents Association, the Midwest Golf Course Owners Association and the Upper Midwest chapter of the Club Managers Association of America. Public golf facilities are also represented by the Midwest Public Golf Managers Association.

Major Tournaments

Over the years, Minnesota has shown enthusiastic community support for hosting major golf championships. It is the only state to have hosted all 13 USGA championships in addition to the Curtis Cup, the Walker Cup and State Team events, and has hosted several PGA and LPGA championships as well. The 2008 U.S. Women's Open Championship will be held at Interlachen Country Club in Edina, followed by the 2009 PGA Championship at Hazeltine National Golf Club in Chaska. In 2006, Minnesota was host to two professional golf tournaments. The Showdown at Somerby is an annual Nationwide Tour event held at Somerby Golf Club in Byron, followed later in the season by the 3M Championship at the Tournament Players Club (TPC) of the Twin Cities. These two tournaments generated approximately \$5.5 million in 2006, excluding the tournament purse and costs for TV broadcasting.

| Minnesota's Major Golf Tournaments & State Golf Association Revenues in 2006 (\$ millions) | |
|---|--------------|
| Major tournaments | \$5.5 |
| Associations | \$4.1 |
| TOTAL | \$9.6 |

Charities

Minnesota's golf industry makes substantial contributions to a variety of charities. In addition to monies raised at local golf club events, golf serves as a vehicle for a variety of celebrity-sponsored charitable events. The annual Tapemark Charity Pro-Am and the Matt Blair Classic both benefit local organizations supporting children and adults with developmental and learning disabilities. The Randy Shaver Celebrity Golf Classic has raised more than \$3.5 million since 1995 in support of local cancer research, prevention and treatment programs. Similarly, the annual Champions Tour and Nationwide tournaments that are played in Minnesota also raise

significant funds for local charities. Golf course owners, operators and golf professionals are happy to serve as access points for annual fundraising by local service organizations. Overall, SRI estimates that the amount of charitable giving attributed to the game of golf in Minnesota to be \$52.4 million in 2006.

| Charitable Giving by Minnesota Golf Industry in 2006 (\$ millions) | |
|---|---------------|
| TOTAL | \$52.4 |

B. Enabled Industries

Real Estate

Real estate developers use amenities to attract new home buyers, and golf is a key amenity in both rural and urban areas of the state. A number of new golf communities were under construction in 2006 offering a mix of single family homes, town homes and condominiums. New residential developments are under construction at established courses as well as newer courses (e.g., The Jewel in Lake City, Riverwood National in Otsego, and Somerby in Byron). This new golf-related real estate construction generated \$105.6 million in 2006. Furthermore, in 2006 there were approximately 85 golf communities in Minnesota, and we estimate the “golf” premium associated with the sale of real estate in these developments to be \$71.4 million. The premium is the additional amount a buyer is willing to pay for a home or property located on a golf course or within a golf community.

| Minnesota’s Golf Real Estate Revenues in 2006 (\$ millions) | |
|--|----------------|
| Golf-Related Residential Construction | \$105.6 |
| Realized Golf Premium | \$71.4 |
| TOTAL | \$177.0 |

Note: The sale of existing homes is considered a transfer of assets rather than new economic output, so the golf premium that is realized in the sale of an existing home is not included in the economic impact analysis.

Hospitality/Tourism

Across the country, golf has enjoyed increasing popularity, whether it is the primary motivation for a trip or is connected to other recreational time spent with friends and family, or business colleagues. In Minnesota, golf is actively promoted as an important tourism segment. The state’s “Explore Minnesota” website features golf as a primary tourist attraction and links to a user-friendly golf website (<http://golf.exploreminnesota.com>). The content for the site was developed through a public-private partnership of key golf tourism stakeholders.⁴ In 2006, SRI estimates golf-related tourism spending in Minnesota was \$360.5 million. This is based on: (1) an estimated 1,025,000 golf person trips taken annually in the state by Minnesota residents and non residents and (2) an average of \$352 of golf tourism spending per person per trip.

⁴ The Explore Minnesota Golf Alliance’s (EMGA) primary objective is to market the state of Minnesota as a golf destination. EMGA membership includes daily fee golf facilities and golf resorts, local convention bureaus, the Explore Minnesota Tourism office, and the Minnesota Golf Association.

| Minnesota's Golf-Related Travel Expenditures in 2006 | |
|---|------------------------|
| # Golf person trips | 1,025,000 |
| Average travel \$ per person per trip | \$351.70 |
| Total (2006\$ millions) | \$360.5 million |





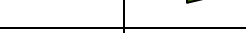

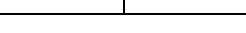
Note: This figure assumes a similar level of golf-related travelers in 2006 as in 2005.

IV. GOLF'S ECONOMIC IMPACT IN MINNESOTA

Golf's impact on the Minnesota economy includes both the direct effects of economic activity in the core and enabled golf industries, as well as the indirect and induced (or multiplier) effects on the overall economy. In economics, the idea of the multiplier is that changes in the level of economic activity in one industry impacts other industries throughout the economy. For example, a fraction of each additional dollar spent at a golf course is, in turn, spent by the golf course to purchase goods and services for golf course operation—these are indirect effects. In addition, golf course employees then spend a fraction of their incomes on personal goods and services, and this requires companies in a myriad of other industries to hire employees and increase output to meet this demand—these are induced effects. Therefore, golf's total (direct plus multiplier) economic impact includes both the employment and wage income of those employed in golf-related industries, as well as the employment and wages generated in other sectors of the economy through subsequent purchases of goods and services by golf industry employees.

In 2006, the Minnesota golf economy generated:

- An additional \$1.3 billion in indirect and induced economic impacts for the State of Minnesota for a total impact of \$2.4 billion;
- A total impact of 34,653 jobs; and
- Total earnings of \$776.7 million.

| Multiplier Impacts on State Economy | | | | | | |
|-------------------------------------|------------------|---|---------|------------------------------|----------------------------|-----------------------------------|
| Industry | Direct | Indirect | Induced | TOTAL OUTPUT (\$ million) | TOTAL JOBS (\$ million) | TOTAL WAGE INCOME (\$ million) |
| Golf Facility Operations | \$534.6 |  | | \$1,129.9 | 18,013 | \$373.4 |
| Golf Course Construction | \$12.4 |  | | \$29.4 | 244 | \$9.3 |
| Golfer Supplies | \$83.3 |  | | \$171.4 | 1,511 | \$44.8 |
| Tournaments & Associations | \$9.6 |  | | \$23.0 | 280 | \$8.3 |
| Real Estate Construction | \$105.6 |  | | \$250.6 | 2,081 | \$78.9 |
| Hospitality/Tourism | \$360.5 |  | | \$822.3 | 12,524 | \$262.0 |
| TOTAL | \$1,106.0 |  | | \$2,426.7 | 34,653 | \$776.7 |

V. DETAILED METHODOLOGY & DATA SOURCES

A key challenge in this study was to identify reliable state-level data sources and to develop methodologies for measuring the size of industry components for which cross-state estimates do not exist in straightforward metrics, e.g., golf real estate and off-course purchases of golf apparel and equipment. This section describes each of the core and enabled industries included in the golf economy and SRI's approach to measuring each of these segments.

A. Golf Facility Operations

For this industry segment, we analyzed the number of golf facilities and average facility revenue data to derive a total facility operations estimate. Revenues for this segment include: annual membership fees, greens fees, range fees and cart rental fees; purchases of golf apparel and equipment in pro shops; golf lessons; tournament entry fees; consumption of food and beverages; etc.

Number of golf course facilities. Many golf organizations track the number of golf facilities in a state: the National Golf Foundation (NGF), the PGA of America, and state/regional golf associations, among others. The U.S. Census Bureau also surveys golf course facilities as business establishments in its Economic Census every five years. However, these organizations' calculations of the total numbers of golf courses in each state, by type of facility, are not always consistent with each other due to: (1) absence of data for courses which are not members (e.g., PGA tracks those courses with a PGA member) or for particular subsets of courses (e.g., municipal facilities and golf resorts are not tracked by the Census), (2) annual facility or course closures and openings, and (3) inconsistency in the classification of courses, especially resorts.

In some surveys, golf facilities are allowed to self-classify themselves. In others, the surveying organization classifies the facility based on specific criteria. This can mean the difference between a small number of resorts (e.g., a figure that includes five-star accommodation located on or adjacent to an 18-hole course) or a much larger number of resorts (e.g., three-star hotel accommodation located near a daily fee golf course). Similarly, a resort with two 18-hole golf courses could be counted as two golf facilities or as one depending on the reporting organization. Fortunately, the variances caused by these data collection issues are very small, and thus do not materially impact the overall analysis. The table below presents slightly differing estimates for the number of golf course facilities in Minnesota in 2006 or the latest available year.

| Estimates of Minnesota Golf Facilities from Various Sources, 2002-2006 | | | | | |
|--|--|---|---|---|--|
| | 2002 Census (# of facilities minus resorts & municipal) ¹ | 2005 PGA (# of facilities) ² | 2006 MN Golf Association (# of facilities) | 2006 NGF (# of facilities) ³ | 2006 NGF (# of 18-hole equivalent courses) ³ |
| PRIVATE | 373 | 82 | 55 | 53 | 52.5 |
| PUBLIC | | 313 | 434 | 408 | 336.5 |
| Daily fee/ semi-private | | 227 | 351 | | |
| Municipal | (PGA: 86) | 86 | 81 | | |
| Military | | | 2 | | |
| University | | | | | |
| RESORT | (PGA: 30) | 30 | 19 | 25 | 28.5 |
| TOTAL | (489 w/PGA) | 425 | 508 | 486 | 417.5 |

Sources: ¹ U.S. Census Bureau, *2002 Economic Census*.

² Professional Golfers' Association of America (2006). *Facility Database*.

³ NGF (2007). Total Facility Supply Tables 5-8, *Golf Facilities in the U.S., 2007 edition*, pp.6-8.

After analysis of different golf facility numbers in collaboration with the Minnesota Golf Association (MGA), SRI used the MGA's facility numbers as the basis for our assessment. The MGA's total facility number (508) aligns closely with the NGF total facility numbers (486) and breakdown by category.

Average revenues per facility. The SRI team collected average revenue data from a variety of sources. Here again, the data challenge was that average facility revenues will vary significantly depending on: (1) the number of holes (e.g., a 9-hole course versus a 18-hole course) and (2) the type of facility—whether a golf course facility is private, daily fee, resort, municipal, etc.

The U.S. Census Bureau collects revenue data for golf course facilities as part of its Economic Census of all U.S. establishments every five years. Whereas facility surveys conducted by private sector organizations are often based on low response rates (less than 30 percent), all establishments are required by law to respond to the Census Bureau survey. However, the Census Bureau data has several limitations. Many types of facilities are not included in the survey: (1) resort facilities, (2) municipal and military facilities, (3) driving ranges and (4) golf course facilities without payroll. In addition, in 2002 the national economy was just emerging from an economic recession which is likely to have negatively impacted the golf industry. Still, the latest 2002 Economic Census contains revenue, payroll, and employment data on 12,261 golf facilities broken down by state. This provides a robust estimate with which to compare other available golf facility revenue data.

The PGA recently began collecting revenue data for all 50 states on an annual basis through its Annual Operations Survey. The latest available data are from 2005. In addition, PGA revenue data are broken down by type of facility for categories for which Census data are not available—resorts, municipal courses, and military courses.

As an additional validity check, we also examined NGF revenue data. However, it is important to note that NGF does not provide state-level facility data. It presents average revenue data for: (1)

public (daily fee) facilities for two regions (Sunbelt and Frostbelt) by fee level (mid-range and premium) and (2) private facilities—a national average—by fee level (mid-range and premium). For the table, below, SRI calculated a single NGF national average revenue figure for each category by using the sample size and mean.

| Estimates of Minnesota Average Revenue per Facility Data From Different Sources, 2002-2005 | | | |
|---|------------------------------------|-------------------------------|---------------------------------|
| | Census (2002\$)¹ | PGA (2005)² | NGF (2005)^{3,4} |
| Private facility | \$1,522,325 | \$1,750,000 | \$3,564,339 |
| Daily fee facility | \$648,754 | \$1,031,283 | \$1,291,582 |
| Resort facility | X | \$2,671,664 | X |
| Municipal/military/university facility | X | \$1,135,800 | X |
| Driving range | X | X | \$251,638 |
| Miniature golf | \$140,000 | X | X |

Sources: ¹ U.S. Census Bureau, *2002 Economic Census*.

² Professional Golfers' Association of America (2006). *Operations Survey*.

³ NGF (2006). *Operating & Financial Performance Profiles of 18-hole Golf Facilities in the U.S., 2007 edition*.

⁴ Golf Range Association of America and NGF (2003). *Profile of Golf Practice Facility Operations 2003*.

Average revenue data from the Census (2002), PGA (2005) and NGF (2005) are presented above. The NGF average revenue data are significantly higher, since the private facility number is a national average rather than a Minnesota average and the public facility number is a regional average (NGF breaks public courses into Frostbelt and Sunbelt by fee level) rather than a Minnesota average. The PGA data are significantly higher than the Census data in the daily fee facility category, and slightly higher in the private facility category.

In consultation with the Minnesota golf task force, SRI calculated total traditional facility revenues using PGA average revenue data. Resort facilities were calculated using the PGA's average revenue figure for private facilities (\$1,750,000) as this figure was believed to be more representative of actual average resort revenues. Driving range revenues were calculated using Golf Range Association of America (2003) data, and miniature golf facilities were calculated using Census (2002) data. We adjusted for inflation over the 2002-2006 period using the GDP deflator.

| 2006 Golf Facility Operations Revenues | | |
|---|------------------------------|----------------------|
| Facility type | Calculation | Estimate |
| Private facilities | Average revenue ¹ | \$1,393,151 |
| | Number of facilities | 55 |
| | Total revenue [1] | \$76,623,296 |
| Daily fee facilities | Average revenue ¹ | \$916,214 |
| | Number of facilities | 351 |
| | Total revenue [2] | \$321,591,258 |
| Municipal/military/university facilities | Average revenue ¹ | \$1,031,136 |
| | Number of facilities | 83 |
| | Total revenue [4] | \$85,584,316 |
| Resort facilities | Average revenue ¹ | \$1,484,631 |
| | Number of facilities | 19 |
| | Total revenue [3] | \$28,207,986 |
| Driving ranges | Average revenue | \$251,638 |
| | Number of facilities | 11 |
| | Total revenue [5] | \$2,768,018 |

| 2006 Golf Facility Operations Revenues | | |
|--|-------------------------------|----------------------|
| Facility type | Calculation | Estimate |
| Miniature golf facilities | Average revenue | \$140,000 |
| | Number of facilities | 29 |
| | Total revenue [6] | \$4,060,000 |
| TOTAL | Sum [1] to [6] | \$518,834,874 |
| TOTAL (2006\$)² | Adjusted for inflation | \$534,562,178 |

Note: ¹ In this table, on-course merchandise sales have been subtracted from average facility revenue, because on-course merchandise sales are included in the Golfer Supplies industry segment. ² Total revenues have been adjusted for inflation into 2006 dollars using the appropriate GDP deflator.

Sources: Golf facilities average revenue data are from the PGA of America (2006), *Operations Survey 2006*. Driving range average revenue data from the Golf Range Association of America (GRAA) & NGF (2003), *Profile of Golf Practice Facility Operations*. Miniature golf facilities average revenue data are from the *2002 Economic Census*.

B. Golf Course Capital Investment

To calculate golf course capital investments, SRI collected data on two major types of investment:

(1) capital investment at existing facilities and (2) new course construction.

| Minnesota Golf Course Construction and Capital Investment in 2006 (\$ millions) | |
|---|---------------|
| Golf Course Capital Investment ¹ | \$31.1 |
| New Course Construction | \$12.4 |
| TOTAL | \$43.5 |

Note: ¹ Only the New Course Construction category is included in the economic impact analysis, because it represents new economic output or activity. Golf course capital investment is typically financed through golf facility revenues, so including both Golf Course Capital Investment and Golf Facility Operations in economic impact analysis would result in double-counting.

Investment at existing courses. Golf course capital investment includes improvements to greens and tees, repaving of cart paths, purchases of new turf maintenance equipment and irrigations systems, and renovations of the clubhouse, proshop and maintenance buildings. Maintenance expenses are not included. SRI examined golf course capital investment from two sources: NGF and the GCSAA. The GCSAA data comes from golf course capital budget questions included in its 2005 and 2007 Compensation Surveys. The 2007 data is broken down by: (1) type of facility, (2) number of holes at the facility and (3) agronomic region. The NGF's *2006 Operating and Financial Performance Profile* presents estimates of capital expenditures at: (1) public facilities by fee level (mid-range and premium) and divided into two regions (Sunbelt and Frostbelt); and (2) private facilities by size (those with revenues of less than \$3 million and those with revenues above \$3 million).

After review of both data sets, SRI applied the GCSAA data to our Minnesota capital investment calculations. We estimated average facility investments in Minnesota using the known distribution and type characteristics of facilities in the state. (See preceding section on number of facilities for sources.) These imply that each of Minnesota's 508 golf courses invested an average of approximately \$61,260 in 2006, for a total capital investment of \$31.1 million.

New course construction. The NGF's *Golf Facilities in the U.S.* series is the only national source for estimates of the number of new golf courses under construction in each state. In 2006,

NGF estimated that three new 18-hole equivalent golf courses opened in Minnesota and that 4.5 were under construction.

An estimate for the average investment for each new golf course in Minnesota is derived from the Golf Course Builders Association of America's *2006 Guide to Estimating Cost for Golf Course Construction*. This database of golf course construction costs is based on a survey of golf course builders around the country and is divided into four construction regions. Using the values provided for region three (Central Plains) and the average ("normal") costs for each of the various construction categories (see box below), we estimate the average investment required to build a new golf course in Minnesota is \$5.0 million.

| To Build a Golf Course: Required Investments | |
|--|-------------------------|
| Mobilization | Greens Construction |
| Layout and Staking | Tees |
| Erosion Control | Bunkers |
| Clearing | Bridges |
| Selective Clearing | Bulkheading |
| Topsoil | Cart Paths |
| Excavation | Fine Grading |
| Rough Shaping | Seeding and/or Grassing |
| Drainage | |
| Irrigation | |

This investment, however, is not entirely expended over one year but is rather disbursed over several years. Assuming the average course takes approximately three years to complete, we estimate the 4.5 courses under construction in 2006 and the three new openings invest an average of \$1.7 million each, for a total of \$12.4 million.

C. Golfer Supplies

This section explains our methodology for calculating Minnesota manufacturers' exports of golf club components, golf swing trainers, golf umbrellas and other golf accessories used by golfers. We also detail our methodology for calculating the retail margin for on-course and off-course purchases of golf equipment, golf apparel, and golf media.

Manufacturing Exports. The economic value created by golfer supplies consists of two components: (1) value-added production and (2) the retail sales margin. On the manufacturing, or production side, we are concerned with the value-added production of golf turf maintenance equipment, golf accessories, golf equipment, and golf apparel. This is the value of the company's wholesale revenues minus the cost of production inputs, and this value-added production is attributable to the state in which the golf club or golf ball washer is manufactured.

It should be noted that the value-added production of companies whose products are sold exclusively to golf courses is already accounted for in the Golf Facility Operations segment. For example, if Par Aide manufactures bunker rakes in Minnesota, its Minnesota sales are already accounted for in the economic impact multiplier applied to the Golf Facility Operations segment.

However, if Par Aide exports its bunker rakes to other states and countries, such value-added production would be captured in our analysis here.

We began by working with the Minnesota golf task force to identify major manufacturers of golf-related products in the state. We identified a number of companies manufacturing turf maintenance and irrigation equipment, golf course amenities and other golf-related products—Toro, Miltona, Par Aide Products, among others. We then contacted these companies to ascertain: (1) if they had production facilities in Minnesota (if not, they were not included), (2) the total value of their golf-related sales, and (3) the percentage of these sales that were out-of-state. Finally, we extrapolated value-added output from each company’s revenues using value-added data from the Census’s *Survey of Manufacturers*.

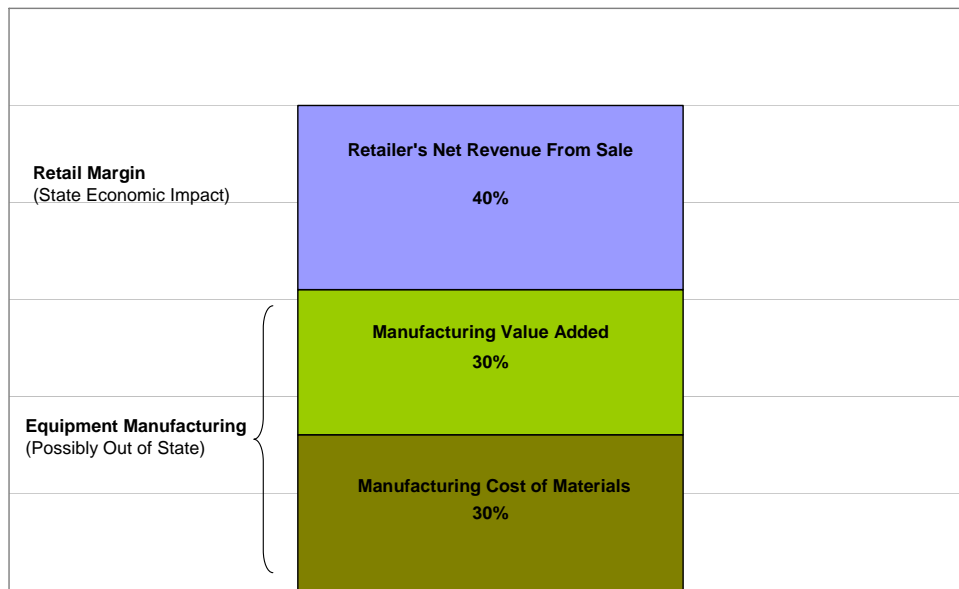
| Minnesota Manufacturers’ Value-Added Exports of Golf-Related Products in 2006 (\$ millions) | |
|---|---------------|
| TOTAL | \$35.8 |

Retail Margin. On the retail side, the economic value is derived from the margin the retailer makes from the sale of the golf club, i.e., the net revenues accruing to retailers after covering the cost of purchasing the golf equipment or apparel from the wholesaler/producer.

To calculate this margin, we first estimate total sales of golf apparel and equipment at the state level and then apply the requisite retail margin percentage for economic impact analysis. In our national level study for GOLF 20/20, SRI was able to collect national sales data from a number of sources: (1) the NGF, (2) the National Sporting Goods Association (NSGA), (3) Golf Datatech, and (4) the Census Bureau. Unfortunately, the relatively small sample size for the majority of these surveys do not allow for publication of reliable state-level estimates by these organizations. However, each year the NSGA conducts a 100,000-household consumer panel survey for its annual *The Sporting Goods Market* publication. SRI uses these data in conjunction with the PGA’s golf facilities data for each state to derive state-level estimates of golf equipment and apparel sales.

For example, in 2006, NSGA reported total U.S. off-course and on-course purchases of individual golf clubs to be \$592.9 million. The NSGA survey found the West North Central region accounted for 6.5% of these purchases, or \$38.5 million. Within the West North Central region, one can estimate Minnesota’s share of purchases by creating a rounds- or courses-based weight. Using either approach yields similar weights, since the number of rounds played is highly correlated with the number of 18-hole equivalent courses in a state ($r=0.93$). SRI used the number of 18-hole equivalent courses in each state, as it was easier to verify than estimated number of rounds played. Minnesota represents 28.1% of total 18-hole equivalent courses in the West North Central, so this weight was applied to the West North Central region total (\$38.5 million) to estimate \$10.8 million of individual golf club sales in the state of Minnesota in 2006. Further, retail margins on final sales suggest that 40.1%, or \$4.3 million, of total sales was retained in the Minnesota economy. (See graphic below.)

Distribution of Economic Value of \$1 of Golf Equipment Sales in State
(Preliminary)



| Minnesota's On-Course and Off-Course Golf Equipment & Apparel Purchases, 2006 | | |
|--|-----------------------------------|------------------------------|
| Category | Calculation | Estimate (\$ million) |
| Golf club sets | West North Central region's sales | \$209.2 |
| | MN's courses-based weight | 28.1% |
| | MN's share of sales [1] | \$58.7 |
| Golf apparel | West North Central region's sales | \$63.0 |
| | MN's courses-based weight | 28.1% |
| | MN's share of sales [2] | \$17.7 |
| Golf balls | West North Central region's sales | \$65.9 |
| | MN's courses-based weight | 28.1% |
| | MN's share of sales [3] | \$18.5 |
| Golf clubs | West North Central region's sales | \$38.5 |
| | MN's courses-based weight | 28.1% |
| | MN's share of sales [4] | \$10.8 |
| Golf bags | West North Central region's sales | \$36.3 |
| | MN's courses-based weight | 28.1% |
| | MN's share of sales [5] | \$10.2 |
| Golf shoes | West North Central region's sales | \$5.6 |
| | MN's courses-based weight | 28.1% |
| | MN's share of sales [6] | \$1.6 |
| TOTAL | Sum of [1] to [6] | \$117.5 |
| Retail sales margin | Multiply TOTAL by 40.1% | \$47.1 |

Source: National Sporting Goods Association (2006). *The Sporting Goods Market in 2006*, Mt. Prospect, IL: NSGA and *Sports Clothing Expenditures in 2004*, Mt. Prospect, IL: NSGA. The 2005 NSGA data have been adjusted for inflation to 2006 dollars.

Golf media. Similar to golf equipment, golf media’s economic contribution to the state economy has two components: value-added production and the retail sales margin. On the production side, the economic impact created by the publication of magazines or books is attributable to the state in which the magazine or book is published. On the retail side, the economic impact is derived from the margin the retailer makes from the sale of golf media, i.e., the net revenues accruing to retailers after covering the cost of purchasing the media from the wholesalers/producers. For golf magazines, we identified the publications with the largest circulations and the state in which they are published—no major golf magazines were published in Minnesota in 2006. Similarly, no major publishers of golf books are located in the state. However, we calculated a weight to estimate the percentage of book retailers’ sales attributable to the sale of golf books in stores. Total retail golf book sales in 2006 were estimated to be \$847,170 with a retail sales margin of \$339,715. Golf videos and DVDs are more difficult. In SRI’s previous national-level study, we were not able to identify a source with data on the annual sales of golf-specific videos/DVDs. In the case of this current state-level study, this category was also omitted due to the absence of a reliable data source.

| On-Course and Off-Course Sales of Golf Books in Minnesota, 2006 | |
|--|---------------------------|
| Category | Estimate (\$1,000) |
| Minnesota retail book sales¹ | \$181,099 |
| Golf books as % of total book sales | 0.4% |
| Total retail golf book sales | \$847 |
| Retail sales margin | \$340 |

Note: ¹ Adjusted for inflation into 2006 dollars using the appropriate GDP deflator.

Sources: Minnesota retail book sales data from the 2002 Economic Census. Golf books as a percentage of total book sales derived from the 2006 *Bowker Annual of Library & Book Trade Information* and American Booksellers Association data.

| Minnesota Retailers’ Net Revenues on Consumer Purchases of Golfer Supplies in 2006 (\$ millions) | |
|---|---------------|
| Golf Equipment (retail margin) | \$40.0 |
| Golf Apparel (retail margin) | \$7.1 |
| Golf Media (retail margin) | \$.3 |
| TOTAL | \$47.5 |

Note: This includes on-course and off-course purchases of golf equipment, apparel and media. Column does not sum due to rounding of individual industry estimates.

D. State Golf Associations, Tournaments & Charities

Associations. SRI worked with the state golf task force to collect revenue data for the largest Minnesota golf organizations: the Minnesota Golf Association, the Minnesota Section of the Professional Golfers’ Association of America, the Minnesota Golf Course Superintendents Association, the Midwest Golf Course Owners Association and the Upper Midwest Chapter of the Club Managers Association of America, among others.

Major Tournaments. In 2006, Minnesota hosted two professional golf tournaments: one Champions Tour event and one Nationwide Tour event. We subtracted the tournament purse and cost of television broadcasting from total tournament revenues to estimate the revenues that remained in the state.

| Minnesota's Major Golf Tournaments & State Golf Association Revenues in 2006 (\$ millions) | |
|---|--------------|
| Major tournaments | \$5.5 |
| Associations | \$4.1 |
| TOTAL | \$9.6 |

Charities. Overall, SRI estimates that the amount of charitable giving attributed to the game of golf in Minnesota to be \$52.4 million in 2006.⁵ This estimate is derived from a national study⁶ based on the number of charitable golf outings held; the discounted fees, services and staff time for these events; as well as the charitable giving associated with professional golf tournaments. Charitable giving is not included in economic impact estimation because it is a direct transfer of income. Nevertheless, it is an important contribution of the industry to the state.

| Charitable Giving by Minnesota Golf Industry in 2006 (\$ millions) | |
|---|---------------|
| TOTAL | \$52.4 |

E. Real Estate

In analyzing golf-related residential real estate, SRI collected data on two components: (1) new golf-related residential construction and (2) the "golf" premium associated with the sale of golf community homes.

| Minnesota's Golf Real Estate Revenues in 2006 (\$ millions) | |
|--|----------------|
| Golf-Related Residential Construction | \$105.6 |
| Realized Golf Premium | 71.4 |
| TOTAL | \$177.0 |

Note: The sale of existing homes is considered a transfer of assets rather than new economic output, so the golf premium that is realized in the sale of an existing home is not included in the economic impact analysis.

Golf-related residential construction. For this industry segment, SRI worked with Minnesota golf course builders and golf real estate developers to arrive at estimates of the number of courses with active real estate development, the average number of homes constructed in each new golf community, the fraction of these homes under construction in a given year, and the average construction costs per type of home (i.e., condominium, townhouse or single family home). The number of courses with active development was derived from total golf facility openings over the past five years and adjusted based on golf task force input, since not all new courses have real estate development. Construction values varied considerably depending on such factors as the location of golf communities within the state, the proportion of condominiums or townhouses versus single family homes, and overall real estate market conditions. From interviews with industry representatives, SRI estimates that, on average, approximately 400 units

⁵ SRI based its calculation on the number of rounds played in Minnesota in 2006, and adjusted the figures for inflation based on the CPI inflation rate, cross-referenced with the rate of increase in charitable giving in the United States during this period.

⁶ National Golf Foundation (2002). *The Charitable Impact Report*, November 2002.

per course were being developed in 2006 at a build-out rate of 6.0 percent per year. We further assumed average construction costs in the state of \$260,000 for single family homes, \$150,000 for townhouses and \$120,000 for condominiums. Multiplying the total number of each type of unit under construction times the average construction cost per unit yielded a total 2006 golf-related residential construction figure of \$105.6 million.

Realized golf premium. The “golf” premium is the extra value a home owner can expect to receive on the sale of a home located in a golf community that is above and beyond the premium associated with a home’s other features or amenities (e.g., square footage, fixtures, landscaping, etc.). Through industry interviews, SRI arrived at a conservative estimate of this premium of \$35,000 per unit. Multiplying the approximately 85 existing Minnesota golf communities by the average number of housing units per golf course, we arrive at a total of 34,000 golf community homes. In 2006, the home turnover rate (percentage of homes sold relative to the total housing stock) was 6.0 percent. Therefore, the realized golf premium was calculated by multiplying the home turnover rate by the total number of golf community homes by the average golf premium per unit. SRI estimates Minnesota’s golf real estate premium was \$71.4 million in 2006.

F. Hospitality/Tourism

Although a large and critical golf industry segment, there are no central sources of state-level golf tourism data. SRI calculates a state’s total golf tourism revenues by collecting data for two types of figures: (1) the annual number of golf-related trips and (2) average spending per trip.

Number of golf-related trips. Many states subscribe to the Travel Industry Association (TIA) of America’s TravelScope® statistics which provide annual data on the number of people traveling to or within a state and the average length of their trips. In addition, some states’ departments of tourism have sponsored golf tourism studies. In the case of Minnesota, the state commissions an annual Minnesota Traveler Profile Study.⁷ It also commissioned an economic impact study in 2006. The Minnesota Traveler Profile Study estimated a total of 41 million trips were taken in Minnesota in 2006.

Based on data from the 2006 Minnesota Traveler Profile Study, golf industry data and comparative golf tourism data across states, SRI then estimated that 2.5 percent of Minnesota’s total trips, or approximately 1,025,000 trips were golf-related. A “golf trip” is defined as a trip in which a Minnesota resident or non resident travels 50-plus miles to, through or within the state and plays golf while on this trip. This figure (1,025,000 golf trips) seems plausible given the PGA of America’s estimate of 9.4 million rounds played in Minnesota in 2005. This translates into approximately 11.0 percent of total rounds played on Minnesota courses being played by golfers from other parts of Minnesota, from out of state or from other countries.

Average spending per golf trip. SRI estimated that average spending per golf trip in Minnesota in 2006 was \$352 per person. This includes spending on accommodation, transportation, food and beverage, entertainment, gifts and so on. Greens fees and cart fees are not included as they are already captured in the Golf Facility Operations revenues. The average spending figure incorporates both overnight and day trips and is also weighted by the ratio of 9-hole courses in

⁷ Davidson Peterson Associates (2006). *The Profile of Minnesota Travelers, June 2005 – May 2006*.

Minnesota vis-à-vis the rest of the country. Average golf trip spending figures are slightly higher in Minnesota compared to other states studied by SRI.⁸ This is due to the larger distances between resort facilities and the primary population base of the Twin Cities, the location of airports and the resulting higher proportion of overnight trips (77 percent). To estimate average golf trip expenditure, we analyzed data from NGF's *The U.S. Golf Travel Market, 2003 Edition* report and the *2006 Economic Impact of Expenditures by Travelers in Minnesota* report. We adjusted average trip spending based upon relative price levels in Minnesota vis-à-vis the rest of the country. Multiplying the total number of golf trips by average spending per trip, SRI found that golf-related tourism spending in Minnesota was approximately \$360.5 million in 2006.

| Minnesota's Golf-Related Travel Expenditures in 2006 | |
|---|------------------------|
| # Golf person trips | 1,025,000 |
| Average travel \$ per person per trip | \$351.70 |
| Total (2006\$ millions) | \$360.5 million |

Note: This figure assumes a similar level of golf-related travelers in 2006 as in 2005.

G. Golf's Economic Impact

The impact of golf on a state's economy includes both the direct impact of the sector itself (its core and enabled industries), as well as the indirect and induced (or multiplier) impacts that occur as golf's direct impact creates ripple effects throughout the state economy.

Direct economic impact. The direct economic impact of golf is simply the size of the golf industry cluster within the state economy in terms of revenues. The "state golf economy" can be calculated by adding together the size of each of the core and enabled industries calculated in the sections above:















| Direct Impact of the State Golf Economy | |
|--|---|
| Core Industries | + Golf Facility Operations |
| | + Golf Course Capital Investment |
| | + Golfer Supplies |
| | + Media, Tournaments, Associations |
| Enabled Industries | + Real Estate |
| | + Hospitality/Tourism |
| = Size of State Golf Economy | |

Indirect/induced economic impact (multiplier impact). Golf course facilities and the companies that provide goods and services to the golf industry, in turn, purchase goods and services from other companies. These purchases are considered the "indirect" impacts of the golf sector. Furthermore, the employees directly employed by the golf sector will spend much of their

⁸ In 2007, SRI conducted golf economy studies of Iowa, Ohio, Michigan, Texas and Louisiana in addition to Minnesota.

incomes in the region, creating more spending and more jobs in the economy. These impacts are considered “induced” impacts. Together, the indirect and induced impacts make up the multiplier impact of the golf economy.

Multiplier values vary from region to region, based on the unique characteristics of the state’s or region’s economy. Industries with more extensive linkages to other industries within the local economy will have a greater multiplier effect on final economic activity relative to the initial, direct effect. Conversely, economies and industry sectors dependent on a large share of imported supply will have smaller multiplier effects. For this study, the RIMS II (Regional Input-Output Multipliers), calculated by the U.S. Bureau of Economic Analysis, were used to calculate the multiplier impact of Minnesota’s golf economy.

| Multiplier Impacts on State Economy | | | | |
|--|---------------|--|---|-------------------------------|
| Industry | Direct | Indirect | Induced | TOTAL (\$ million) |
| Golf Facility Operations | \$534.6 |  |  | \$1,129.9 |
| Golf Course Construction | \$12.4 |  |  | \$29.4 |
| Golfer Supplies | \$83.3 |  |  | \$171.4 |
| Tournaments & Associations | \$9.6 |  |  | \$23.0 |
| Real Estate Construction | \$105.6 |  |  | \$250.6 |
| Hospitality/Tourism | \$360.5 |  |  | \$822.3 |
| TOTAL | \$1,106.0 |  |  | \$2,426.7 |

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