



June 2002

State Fair Park

State Fair Park, the State's 190-acre fairgrounds located in the cities of West Allis and Milwaukee, is the home of the annual Wisconsin State Fair; numerous other fairs, exhibits, and promotional events; the Milwaukee Mile racetrack; and the Pettit National Ice Center, a United States Olympic training facility. We have completed our first annual financial audit of State Fair Park and have issued an unqualified independent auditor's report on its financial statements for fiscal year (FY) 2000-01. We also reviewed State Fair Park's revenues and expenditures to address concerns about its financial condition.

Expenditures Have Exceeded Revenues

Although State Fair Park's total revenues increased from \$13.1 million in FY 1995-96 to \$15.9 million in FY 2000-01, total expenditures increased at a greater rate and exceeded revenues in three of the past six fiscal years. State Fair Park's revenues can fluctuate because they are affected by uncontrollable factors, such as weather. Expenditures increased largely because construction projects increased program revenue-supported debt service costs from \$1.2 million in FY 1995-96 to nearly \$2.0 million in FY 2000-01, a 72.1 percent increase.

Aging and Deteriorating Buildings Are Being Replaced

State Fair Park has undertaken an aggressive building program to renovate or replace the fairgrounds' aging and deteriorating buildings. Since FY 1995-96, it has incurred \$12.7 million in construction costs, paid with program revenue-supported bond proceeds, for projects such as refurbishing gate entrances and upgrading the recreational vehicle park. General purpose revenue (GPR) funds supported an additional \$17.1 million in construction costs for projects such as the youth dormitory, agricultural buildings, and infrastructure. Given current bonding levels, GPR will fund debt service payments of approximately \$1.0 million annually through FY 2016-17.

The Pettit National Ice Center's Financial Condition Has Affected State Fair Park

The Pettit National Ice Center was expected to provide full funding for its own operations, as well as for debt service on the state bonds that helped to finance its construction. As of June 2001, the Pettit National Ice Center owed \$371,785 to State Fair Park in delinquent rent payments. That amount increased to \$817,774 as of May 2002. Because State Fair Park must continue to make debt service payments without all offsetting rental revenue from the Pettit Center, available funding for other fairgrounds operations is reduced.

Because private contributions declined from \$1.4 million in 1997 to approximately \$530,000 in 1998, the Pettit Center reported a total net loss of \$449,737 through 2000. The Pettit Center's 2001 financial information was required to be submitted to the Department of Regulation and Licensing in February 2002 but has not been provided as of May 2002. Uncertainty regarding the Pettit Center's current financial condition makes it difficult to assess the future demands that will be placed on State Fair Park's financial resources.

Additional Construction and Organizational Changes Are Planned for the Future

Steps have been taken to help improve the financial viability of the fairgrounds. State Fair Park officials stated that, because of management actions, the fairgrounds' operating expenditures will decrease by approximately \$1.0 million between FY 2000-01 and FY 2001-02. However, State Fair Park is assuming additional debt to renovate and replace other aging facilities. For example, a new exposition center is currently being built; renovations to the Milwaukee Mile grandstand are underway; and two other projects—a new building known as the Wisconsin Heritage Hall, which will serve as a showcase for Wisconsin products, and the Agriculture Village, which will include new or remodeled livestock facilities—are being planned.

All new building projects except the Agriculture Village are expected to be self-supporting. However, debt associated with the building program may represent additional financial risk for both State Fair Park and the State. For example, construction of the exposition center is being funded with \$44.9 million in industrial revenue bonds that were issued by the City of West Allis. Department of Administration officials have stated that if the exposition center is unable to cover its debt service costs, the State may provide financial assistance although it is not legally or morally required to do so.

At the same time the State is assuming additional financial risk, efforts to privatize fairgrounds operations are increasing State Fair Park's independence. For example, State Fair Park contracts with private individuals for some services that had at one time been provided by state employees, and the new exposition center will be managed by a not-for-profit corporation created by the State Fair Park Board. A lease agreement will allow the exposition center to determine the amount of its rent payments to State Fair Park.

Some have suggested that the Legislature should grant State Fair Park additional flexibility in its operations. However, if the new facilities do not generate revenue as projected or if debt service costs cannot be supported by operations, State Fair Park's financial condition could deteriorate and additional GPR support may be requested from the State at the same time efforts are made to increase the agency's independence and distance it from state oversight. Consequently, the Legislature may wish to ensure it retains adequate oversight of the State's investment.

[full report, PDF file \(737KB\)](#)