

UCSB Economic Forecast Project

Santa Barbara Airport

Economic Impact Study
March 2017

Executive Summary

Since 1931, the Santa Barbara Airport (SBA henceforth) has been providing transportation alternatives for residents and visitors to Santa Barbara County and surrounding areas, starting with local (in-state) flights, and expanding through the years to include flights to larger hubs in cities as far as Dallas and Denver. The goal of this project is to measure the economic impact of the SBA on the local (Santa Barbara County) community. The analysis utilizes economic modeling (IMPLAN Pro) and statistical analysis through the reliance on both publicly available data as well as accounting documents and expense data provided to the UCSB Economic Forecast Project (EFP) by the SBA and a number of the airport's tenants. In addition, a survey of passengers was conducted by UCSB's EFP, and data from non-local respondents was used to estimate expenditures in the local economy resulting from travel through the SBA.

To analyze the impact of the airport on the local community, we asked SBA and its tenants to provide data on all their fiscal year 2016 expenses, including an indication for the share of expenses made locally (e.g. purchases from vendors in Santa Barbara County).¹ In addition, a survey of passengers conducted by UCSB's EFP solicited information from visitors about their expenses on accommodations, food, transportation, and entertainment. Data from the survey, combined with passenger count data provided by the SBA was used to estimate expenditures of visitors to Santa Barbara County.

In describing the economic impact associated with the airport, we consider three separate channels: the direct impact, the indirect impact, and the induced impact; these sum to represent the total economic impact. The *direct impact* represents initial expenditures, such as a payment to a local company for raw materials. The entity receiving the payment of that initial expenditure is expected to buy some of its inputs locally. Those purchases by the impacted entity attributable to the increase in business generated by the initial expenditure are referred to as an *indirect impact*. Finally, employees of the firms that are impacted both directly and indirectly are expected to spend a large fraction of their income locally. The additional local spending by these employees generated through this mechanism is referred to as the *induced impact*. Lastly, all the expenditures (direct, indirect, and induced) also generate federal, state, and local tax payments.

¹ Not all tenants provided detailed expenses for this study. A total of 67 tenants (out of an estimated 120) provided information about their expenses. Data for other tenants are estimates based on information on total tenant expenses. Additional information on the data used for this study is reported in the Methodology section of this study.

Table 1: Direct, Indirect, and Induced Economic Impact for Santa Barbara County

Impact Type	Employment	Output
Direct Effect	1,440	\$103,754,036
Indirect Effect	217	\$30,001,941
Induced Effect	533	\$71,426,566
Total Effect	2,190	\$205,182,543

Note: Output impacts stated in 2017 dollars.

We recreate the significant findings of the report in the table above, and in the bullet points below.

- The (SBA) and its tenants spent approximately \$62 million in 2016 in operating expenses (including labor costs). Economic activity of tourists (non-resident direct spending on hotels, meals, transportation, and entertainment) arriving through the SBA is estimated to be \$41 million.²
- The total economic impact of the SBA is \$205 million. Of this total impact, \$104 million (50.6 percent of total impact) is from the direct effect and \$30 million (14.6 percent of total impact) from the indirect effect. The induced effect accounts for \$71 million (34.8 percent of total impact). The associated output multiplier is roughly 2. That is, for every dollar directly contributed by the SBA, its tenants, or the visitors brought in, another dollar would be generated by the activity of suppliers and employees directly impacted.
- The total impact of the SBA on employment is 2,190 jobs. Of this total impact, 1,440 jobs (65.7 percent of total impact) is from the direct effect and 217 jobs (9.9 percent of total impact) from the indirect effect. The induced effect accounts for 533 jobs (24.4 percent of total impact). The associated employment multiplier is roughly 1.5. That is, for every job directly supported by the SBA, its tenants, or the spending by visitors arriving through SBA, half an additional job is supported by the activity of suppliers and employees directly impacted.

² Estimated expenses associated with the economic activity of tourists may include expenses that would have otherwise been made by tourists arriving through other means had there not been the option of flying into the SBA.

- State and local taxes associated with the SBA, its tenants, and the economic activity of visitors arriving through the SBA are estimated to be \$12 million. Federal taxes are estimated at \$19 million.