



Stop the Conference

The Economic and Fiscal Consequences of Conference Cancellations Due to Arizona's S.B. 1070

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Research and economic analysis conducted by Elliott D. Pollack & Company

Executive summary

Arizona's enactment of harsh, anti-immigrant legislation—S.B. 1070—sparked an incendiary national debate over the role of states in making and enforcing immigration policy.¹ Some states and localities rushed to copy Arizona's draconian approach; others adopted resolutions condemning Arizona's intolerance. But all states would be wise to consider the practical implications of their decisions before following Arizona any further down the proverbial garden path.

Passage of the Arizona legislation triggered a fierce, national public-opinion backlash against the state and led many national organizations and opinion leaders to call for economic boycotts.² Arizona's business community, especially those in the tourism industry, anticipated and feared this type of response to S.B. 1070.³ And the convention industry felt the effects of this backlash immediately when major groups and associations started canceling events and conventions in the state. Arizona's Hotel and Lodging Association publicly reported a combined loss of \$15 million in lodging revenue due to meeting cancellations just four months after the bill's passage.⁴

Our extensive research estimates that the actual lost lodging revenue from these cancellations is at least three times that amount: \$45 million. That estimate provides a basis for calculating other losses in visitor spending. Analyzing average food and beverage, entertainment, in-town transportation, and retail sales brings the combined loss of estimated conference attendee spending up to a startling \$141 million.

The economic and fiscal consequences of conference cancellations

Total losses from cancellations and booking declines

- \$217 million in lost direct spending by convention attendees
- 4,236 lost jobs
- \$133 million in lost earnings
- \$388 million in lost economic output
- \$14.4 million in lost tax revenue

Losses from conventions already cancelled

- \$141 million in lost direct spending by convention attendees
- 2,761 lost jobs
- \$86.5 million in lost earnings
- \$253 million in lost economic output
- \$9.4 million in lost tax revenues

Potential losses from future convention booking declines

- \$76 million in lost direct spending by convention attendees
- 1,475 lost jobs
- \$46 million in lost earnings
- \$135 million in lost economic output
- \$5 million in lost taxes

This significant hit to direct visitor spending could not come at a worse economic time for Arizona and yet these numbers still vastly understate the overall consequences of these cancellations for the state's economy. Cancelled meetings and conferences over the next two to three years would have supported nearly 2,800 jobs. The cancellations will trigger more than a quarter billion dollars in lost economic output and more than \$86 million in lost wages.

The losses will hurt the state's businesses and workers as well as the state's budget through lost economic activity and sales and bed taxes from convention attendees. The state will also lose income taxes on now-lost salaries, and sales taxes on goods and services that would have been purchased with those earnings. The ripple effect of the meetings and conventions that have already been cancelled adds up to a fiscal setback of more than \$9 million in lost tax revenue over the next two to three years.

But the economic and fiscal consequences don't stop there. It is highly likely that decisions not to book conventions in Arizona will continue for some time. In fact, bookings through the Convention and Visitors' Bureau in July and August 2010 were down 35 percent from the same period in 2009 according to reviewed bookings and leads data.⁵ Large convention bookings typically occur several years in advance, and many organizations and associations will be making booking decisions over the course of the next year.

The report examines a range of possible future booking scenarios since many factors could alter trends in the bookings decline. The first, high-range scenario assumes that the decline in future bookings will continue at this rate for the next year, which would produce the greatest economic loss. A low-range scenario assumes that no further decrease in bookings will continue, which would lead to the smallest economic and fiscal losses.

A mid-range scenario that splits the difference between the high- and low-range possibilities estimates that Arizona businesses will lose \$76 million in direct revenue from decisions not to book in Arizona in the future. That loss translates into 1,475 lost jobs, \$46 million in lost wages, \$135 million in lost economic output, and \$5 million in lost tax revenues. That is *in addition to* the losses already triggered by cancelled bookings.

These convention cancellations represent only a portion of Arizona's economic losses due to this legislation. These findings do not encompass other economic

setbacks, such as leisure travel cancellations, or boycotts from other municipalities and the entertainment industry. For example, Los Angeles, Austin, and St. Paul have all approved boycotts of Arizona and dozens more have stopped just short of a boycott, condemning S.B. 1070 and urging the state to repeal the law.⁶ Mexico's Foreign Ministry warned Mexican nationals that they could be "questioned for no reason at any moment" in a travel advisory posted in April.⁷ And hundreds of artists, including Kanye West and Rage Against the Machine, have joined in a performance boycott of Arizona called The Sound Strike.⁸

This report also does not capture other types of economic consequences such as workers and families that have reportedly left the state, or disrupted productivity at businesses whose employees are targeted by the law.⁹ There are also significant budgetary concerns such as the substantial litigation costs that are already mounting for the state.¹⁰

Yet even the narrow and targeted scope of this report shows that Arizona is facing severe economic and fiscal consequences. This report provides a clear window into the potentially catastrophic impacts of pursuing harsh, state-based immigration policies and should give other state legislatures pause before pursuing such measures.

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