



**Spotlight on Spending** July 29, 2010

## The State Un-Fair

*It's time to consider making changes to the State Fair*

### The Problem

Around this time each year, Illinois residents start making plans to attend the DuQuoin and Illinois State Fairs. But these state fairs are costing taxpayers much more than their ticket prices suggest. These two state fairs have a long record of their expenditures far outweighing their revenues. Between fiscal years 2001 and 2009, the Illinois State Fair and the DuQuoin State Fair lost a combined total of more than \$41.8 million.<sup>1</sup>

These annual losses occur even though the 1993 statute that created the State Fair Fund was meant to ensure that the Illinois State Fair broke even. According to a 1995 Illinois State Fair audit by the Illinois Auditor General:

“Beginning with the 1995 Fair, it was the intent of the legislature and Department management that the Fair become self-

sufficient. Effective July 1, 1994, all Fair related revenues were deposited in the Illinois State Fair Fund. The revenue received during the 1994 Fair was to be used to fund the expenses of the 1995 Fair. In future years, current year expenditures will be limited to revenues collected and deposited during the previous Fair.”<sup>2</sup>

Although that interpretation of the statute was widely accepted at its creation, later administrations strayed away from that meaning. Rather than receiving funding solely from the State Fair Fund, the Illinois State Fair also receives funding from the General Revenue Fund and the State Fair Promotion Fund. The DuQuoin State Fair is funded from the General Revenue Fund and the Agriculture Premium Fund. As Graphic 1 below illustrates,

**Graphic 1**  
**State Fair Revenues and Expenditures Fiscal Year 2001 to Fiscal Year 2009**

	DuQuoin State Fair			Illinois State Fair			Total Annual Loss
	Expenditures	Revenues	Annual Loss	Expenditures	Revenues	Annual Loss	
<b>FY 2001</b>	\$1,981,171	\$1,102,406	-\$878,765	\$8,450,201	\$3,546,101	-\$4,904,100	<b>-\$5,782,865</b>
<b>FY 2002</b>	\$2,118,906	\$940,831	-\$1,178,075	\$8,497,470	\$3,633,450	-\$4,864,020	<b>-\$6,042,095</b>
<b>FY 2003</b>	\$1,509,236	\$1,020,421	-\$488,815	\$7,102,159	\$3,853,851	-\$3,248,308	<b>-\$3,737,123</b>
<b>FY 2004</b>	\$2,420,425	\$1,070,698	-\$1,349,727	\$7,350,255	\$3,557,915	-\$3,792,340	<b>-\$5,142,067</b>
<b>FY 2005</b>	\$1,871,970	\$1,140,817	-\$731,153	\$7,454,718	\$4,140,914	-\$3,313,804	<b>-\$4,044,957</b>
<b>FY 2006</b>	\$2,114,048	\$1,174,154	-\$939,894	\$7,810,259	\$3,978,764	-\$3,831,495	<b>-\$4,771,389</b>
<b>FY 2007</b>	\$2,053,741	\$1,153,234	-\$900,507	\$7,368,697	\$3,933,192	-\$3,435,505	<b>-\$4,336,012</b>
<b>FY 2008</b>	\$1,883,887	\$1,060,329	-\$823,558	\$7,884,084	\$4,155,167	-\$3,728,917	<b>-\$4,552,475</b>
<b>FY 2009</b>	\$1,666,958	\$1,020,314	-\$646,644	\$7,008,029	\$4,209,311	-\$2,798,718	<b>-\$3,445,362</b>

Source: Illinois Auditor General's Biennial Audits of the Illinois State Fair and the DuQuoin State Fair

*This is part 9 of the Illinois Policy Institute's weekly Spotlight on Spending series, highlighting wasteful or inefficient programs and spending with the goal of bringing more responsible spending and accountable government to Illinois. For additional information on state spending, visit [www.IllinoisOpenGov.org](http://www.IllinoisOpenGov.org).*

both state fairs have been running significant losses year after year.

In a 2008 article in *The Pantagraph* discussing the continued losses of the state fairs, a Department of Agriculture spokesperson said, “Certainly we would like it to (pay for itself), but we don’t believe that the purpose of the fair is to make a profit.”<sup>3</sup> While turning a profit may not be the purpose of the state fairs, it is unacceptable for the state fairs to lose millions of dollars each year. Fairs should not have the luxury of spending more than they take in when the burden is on the backs of the taxpayers.

### The Solution

The Illinois Department of Agriculture should follow the intent of the 1993 statute for the Illinois State Fair to break even, and that same principle should apply to the DuQuoin State Fair as well. We applaud efforts in recent years to cut costs, but it is not enough. It should be a priority for the Department of Agriculture to spend no more on the fairs than the revenue they generate.

According to the state, “the Illinois State Fair has been a showcase for Illinois agriculture” since 1853, and it “features livestock, educational displays, and a wide variety of family entertainment, as well as commodity, craft and talent competitions.”<sup>4</sup> Some areas of spending for the fairs include:

- Between fiscal years 2001 and 2009, the DuQuoin and Illinois State Fairs have spent almost \$14 million on prizes, awards and premiums.
- From 2003 to 2009\*, the state fairs spent more than \$850,000 on telecommunications, \$550,000 on commodities, and \$324,000 on printing costs.<sup>5</sup>

But the Department of Agriculture isn’t the only agency spending money on the Illinois State Fair. From 2001 to 2009, the Illinois Department of Commerce and Economic Opportunity also spent nearly half a million dollars on expenses for the Ethnic Village at the Illinois State Fair.<sup>6</sup>

Amidst budget crises, states such as South Dakota, Ohio, Colorado, and Kansas<sup>7</sup> have seen their state fairs get hit with budget cuts,

while Michigan<sup>8</sup> recently had to shut down its government-run state fair.

Meanwhile, Texas has shown that a privately-run state fair can operate well without any sort of government subsidy. The privately-run fair makes more than \$5 million in profits each year, according to fair officials.<sup>9</sup> Without government funding, the State Fair of Texas constantly needs to make sure they are able to make money on their own. This means phasing out unpopular rides, exhibits, and foods, and introducing attractions that respond to changing demands. Errol McKoy, fair president, has tried “to keep the product relevant by constantly changing the product...We preach innovation.”<sup>10</sup>

Texas stands in stark contrast to how Illinois has been running its state fairs, and Illinois should consider looking to Texas as a model to follow. Otherwise, it may end up having to cancel its fairs because of budgeting problems, as other states have had to do.

The Department of Agriculture should reevaluate which components of the state fairs are successful and which are losing money so they can cut the events or programs that are the biggest losers. They could consider cutting back on the scope or length of the fair or consider holding fairs every other year. By strictly limiting fair expenditures to the previous fair’s revenue, the department will encourage many innovative solutions that will allow Illinoisans to celebrate the rich agricultural history of the state—but without a hidden price tag for taxpayers.

### Why This Works

While the state fairs have a long tradition in Illinois, taxpayers cannot afford a losing venture. When the state has billions in unpaid bills to core services like hospitals, mental health facilities and veterans’ homes, events like the state fair should not be adding to the budget deficit. Instead, state fairs should budget the same way families and businesses across the state do every day—by spending no more than they bring in.

*\* Data on telecommunication, commodity, and printing costs were not readily available for fiscal years 2001 and 2002.*

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**Endnotes**

1 *Illinois Auditor General's Biennial Audits of the Illinois State Fair and the DuQuoin State Fair.*

2 Illinois. Office of the Auditor General. Department of Agriculture, State Fair, Compliance Audit and Supplementary Financial Information For The Two Years Ended September 30, 1995. Springfield: IL State of Illinois, Office of the Auditor General, 1983:- page 14.

3 Mebrotra, Kartikay. "State overspends on fairs again in 2007." *The Pantagraph* June 5, 2008, [http://www.pantagraph.com/news/article\\_5dedc42b-1419-5429-bf78-1785f8765b49.html](http://www.pantagraph.com/news/article_5dedc42b-1419-5429-bf78-1785f8765b49.html).

4 "Department of Agriculture" *Illinois State Budget Fiscal Year 2008: page 10-3.* [http://www.illinoispolicy.org/uploads/files/illinois\\_fy2007budget.pdf](http://www.illinoispolicy.org/uploads/files/illinois_fy2007budget.pdf).

5 *Illinois Auditor General's Biennial Audits of the Illinois State Fair and the DuQuoin State Fair.*

6 *Illinois Budget Books.*

7 Jeff Martin, "Budget Shortfalls No Fun for State Fairs," *USA Today*, February 9, 2009, [http://www.usatoday.com/news/nation/2009-02-09-statefairs\\_N.htm](http://www.usatoday.com/news/nation/2009-02-09-statefairs_N.htm).

8 Eric Aasen, "State Fair of Texas Thrives as Events in Other States Slide," *Dallas Morning News*, September 24, 2009, [http://www.dallasnews.com/sharedcontent/dns/news/city/dallas/stories/DN-fairmoney\\_24met.ART.State.Edition2.4bba70d.html](http://www.dallasnews.com/sharedcontent/dns/news/city/dallas/stories/DN-fairmoney_24met.ART.State.Edition2.4bba70d.html).

9 *Ibid.*

10 *Ibid.*