

The Economic Impact of Sporting Events

Millions of dollars are pumped into the local economy on a typical college football Saturday in Columbia or during special events, like the NCAA baseball tournament held at Coastal Carolina University the past two years. But when it comes to assessing the long term economic impact of these events, economists throughout the state are divided.



Dr. Tom II. Regan of the Department of Sports and Entertainment management at the University of South Carolina, who's made his reputation by studying the impact of collegiate sports for more than two decades, believes the long term impact of college football, and to a markedly lesser extent, college basketball, is huge, pervasive, and undeniable.

Regan said during an interview with the Greater Columbia Business Monthly that a conservative estimate of the total economic impact of Gamecocks home games this year would be more than \$50 million. The team's activities on the gridiron will create slightly more than 1,000 jobs in the area and \$14.3 million in employee compensation. At the same time, Regan said sales-, use-, excise- and value- added taxes collected as a result of the team's seven home games would top \$3.5 million this year.

"And what's important to remember is that this isn't just a onetime deal, a one-time infusion of money into the economy, as would be the case if a convention or something like that came to town," he said. "This is an annual, ongoing event that's become built into our economy. In that respect, it's more like St. Patrick's Day, where people can bank on a certain amount of elevated revenues and plan for expenditures for additional labor and the like."

Others, however, think that over the long term the impact of a season on the local economy is far more difficult to assess. "Most people recognize that in general, a solid, well-known athletic program generates a lot of hype and excitement, and people spend a lot of money related to it; the question is whether, at the end of the day, it is really a net contribution to the economy or simply great outlet for a fan base to get worked up and spend a lot of money," said Don Schunk, research economist at Coastal Carolina University's Center for Economic and Community Development. "And when you begin to consider whether these games really create a permanent increase in economic activity, that's where it gets even hazier."

First and Goal

Sports boosters and advocates of particular teams or specific schools often claim that their teams and events inject large sums of money into their respective communities. The economic impact methodology most often used to back up these claims is known as an ex ante analysis.

These studies estimate the number of visitors a team, specific game or championship series is expected to draw, the number of days each spectator is expected to stay in town, and the amount each is expected to spend each day. Combined, these numbers represent the direct economic impact of the subject being measured.

A multiplier is then used to create a picture of how this direct spending circulates through the local economy. This is the indirect economic impact of the team or event. The direct and indirect impact results in the total economic impact. While the media often wholeheartedly embraces this analysis because of its straightforward nature, Schunk and others contend that it isn't without its inherent problems.

For instance, Schunk said, the analysis doesn't take into account whether the money locals spent going to a game would have been spent in another part of the economy anyway. Another thing that's not captured is the economic activity that might have been displaced due to the sporting event.



The result, Schunk said is that economic impact studies tend to measure gross rather than net economic activity, and are therefore bias upward the true impact on the local economy. Raymond Sauer, professor of economics in the John E. Walker Department of Economics at Clemson University holds a similar view. Studies related to the economic impact of both collegiate and, even more often, professional sports teams are typically released shortly before the teams or their home institutions and programs seek a public subsidy for improvements to playing and training facilities and the like.

"Yes, a lot of people come to games and stay in hotels and patronize restaurants, you can see that right in front of you, and sports and public policy have been integrated for centuries, going back at least to Roman times," Sauer said. "But I think, having kept tabs on the popular press, that it and others get overly dazzled by these numbers. In the end, sports is entertainment and entertainment is at the back of the train when it comes to long-term and meaningful economic development."

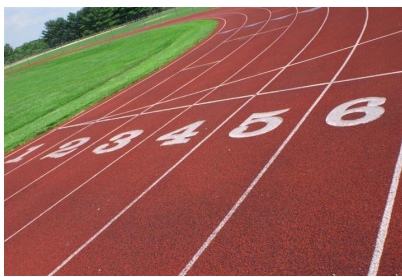
The True Believer

Don't tell that to USC's Tom Regan. "All you need to do is look at the condos and lofts that have been built in what had been the industrial side of Columbia to see sports has far more impact than any one-time event," he said. In fact, developers have built more than 400 condominiums around the Gamecock's Williams-Brice stadium in the past three years, and even USC head football coach Steve Spurrier has bought one in the Carolina Walk development.

The two other developments are the Stadium Village Lofts and the Gates. Many of the units have been valued as high as \$430,000. A big part of the marketing push is that buying one will put you just steps away from the action on the field.

"That would never, ever have occurred without the USC football program and the money it brings to the community, not to mention the intangibles — the feelings and the passion the team inspires," he said.

That passion also fuels spending in other ways. For instance, tailgating parking spaces near the stadium alone can fetch upwards of \$25,000. Regan said such examples show that not only does college athletics increase spending, but the rate of spending, game after game over a three month period far surpasses that associated with other events.



And while many of USC's fans come from the surrounding county area, Regan was quick to point out that visiting football teams bring in as many as 10,000 fans of their own to cheer them on. "That's 10,000 coming from LSU, 10,000 from Georgia, 10,000 from Tennessee, and that's all new money circulating in our economy," he said.

The other thing about the economic impact of a college athletic program: It's never going to leave, Regan said. "It's one of the things that college has over the pros," he said. "With a pro team, you always have to wonder if they're going to leave at some point. But the college game is different. The team is inextricably tied to the school. The loyalty that inspires people to come and buy merchandise and spend their money in our hotels and restaurants is inspired by more than a loyalty to a franchise; it's a lot bigger than being excited by a particular coach or a particular player."

Teams Become a Part of the Local Business Model

That's not to suggest Sauer was wrong. In fact, a recent college sporting event in Schunk's neck of the woods helped to illustrate his point. Last May, thanks to the outstanding record of its baseball team, Coastal Carolina University hosted its second consecutive NCAA Baseball Regional Championship Series.

According to the university's athletics department, a total of 964 all-session passes were sold that could be used for all six games of the tournament. In addition, 5,195 single-game tickets were also sold. Based on those numbers, Schunk estimated that visitors for the three-day event spent a total of \$2.2 million on local accommodations, restaurants, shopping and other attractions in Horry County, and that spending helped support 40 jobs and nearly \$850,000 in labor income in the county. "In other words, direct visitor spending and the associated ripple effects amounted to a total \$3.1 million economic impact," he said.

But Schunk said the infusion of money associated with the event said something very fundamental about the economic impact of college sports: New money comes and goes depending on the quality and excitement of the individual university's program. "In 2007 and 2008 we had a really good baseball team, and its success inspired the NCAA to select us as a series host, but whether we'll be as fortunate in subsequent years is entirely dependent on the nature of the team," he said.

In that sense, Schunk said, Sauer's correct in comparing the economic impact of many college athletic events to a large convention that may come to town or a major concert. "A one-time event or championship run doesn't get baked into the plans of local businesses," he said.

However, Schunk added, Regan was also correct in holding that a consistently high level of play that transpires over the course of many seasons is a different kind of animal.

"When something happens with regularity, it does begin to take on a larger role in the planning of local businesses in terms of staffing and projected revenues and the like," he said. "In that sense the real economic impact of college sports on the surrounding model extends beyond dollars and cents. Local retailers and hotels and restaurants build the program into their overall business models — business models that would have to be adjusted considerably if those programs were to suddenly not exist."

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