

## ***Economic Impact Analysis of Teams***

**Objectives.** To assess the validity of an existing study which a major NFL team commissioned. The study in question estimated the impact the team brought to its locale via its team operations and its existing stadium, as well as the potential impacts from building a new facility. The team was utilizing the study results to negotiate with the city for public funding.

The city felt that the initial study results, conducted by a competing firm, were possibly inflated and commissioned a study from SportsEconomics to determine 1) the true economic and fiscal impacts of the NFL team and its current stadium, 2) the one-time impacts from construction of a hypothetical new NFL stadium, and the annual impacts of the NFL team and other events in a new stadium.

**Challenges & Methodologies.** To determine the accuracy of the impact study in question, we first had to determine the extent to which the study followed generally accepted assumptions and conventions of the discipline. To accomplish this, our study used meta-analysis to determine the causes of the variation between the results we calculated and that found in the study. The major differences in the study results were due to faulty assumptions and methodological missteps, and therefore the study results were questionable.

The first distinction between the impacts involves the definition of capture rates and substitution effects. The incorrect determination of the initial area of impact and the use of larger multipliers led to spurious inferences about the income generating effects. For instance, the initial area of impact should only include net visitor spending apart from local and other spending that would have otherwise occurred. By including locals, casuals, and time-switchers, the study grossly inflated economic impact. Moreover, the study also included in-stadium revenues (e.g., tickets, parking and at-event food & retail), which should be excluded from economic impact (but included in fiscal impact) since these monies do not flow into the marketplace. However, it should include facility and franchise spending in the local region.

Additionally, the construction and facility impacts were overstated due to the fact the city (or other public funding agency) could not claim the full amount of economic benefit given it would only be partially funding the project. Therefore, our construction impact was found to be 40% less than the report in question.

**Outcomes.** The study findings were presented to the city to determine the true benefit it would receive from publicly funding the stadium and enticing the team to stay. Over the life of the new stadium, our study determined an estimate of \$9 billion less in city total output, 50,000 fewer jobs in city and county employment, and \$50 million less in city fiscal impact. As a result of our findings, the city decided to not fund the stadium, despite pressure from the team. The economic effects of the decision received wide press coverage.