

Estimating the Impact of the San Diego Chargers to the Local Economy
A Presentation to the San Diego Citizens' Task Force 9 January 2003
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Executive Summary

Two methodologies have been used to estimate the economic contributions of a professional sports team

- Projection Method
 - Uses estimates of spending, then applies a multiplier.
 - Tends to be speculative.
 - Not sure if one is getting all of the spending, or is over estimating the spending.
 - Value of the multiplier is subjective.
- Retrospective technique
 - Uses historical data and statistical techniques to relate economic activity to the presence of a professional sports franchise.
 - Looks at actual relationship

Examples

Rosentraub and Nunn—Texas suburbs

Economic impact was too large for a suburb to contain it all.

Baade and others

Four studies

All have shown little or no evidence that professional sports teams have added to the economic activity.

Argued that professional sports teams redirect employment and income to service sectors and away from other sectors.

Baim

1994 NFL and MLB teams may demonstrate economic impact in small and mid-size cities, but does not have as large an impact on larger cities.

1999 Estimated the economic impact from NFL and MLB on cities of different populations

- a. Service industry, economic impact of NFL franchises peaks in mid-sized cities, and becomes negative in the largest cities.
- b. Non-agricultural employment, the pattern is repeated, but the negative impact is not statistically significant.
- c. There is evidence that when employment grows, there is more than a redirection of employment.

2003 Estimating the impact on the Orange County economy by the Rams in specific industries.

The aggregate and industry level data were studied for employment and payroll

- a. Employment
 - i. Only six industries had positive relationships, none statistically significant.
 - ii. Fourteen industries had negative relationships, three were significant to at least the 10% level.

- iii. Overall employment was negatively related to the Rams, although it was not statistically significant.
- b. Payroll
 - i. Only three industries had a positive relationship between payroll and the Rams, none were significant.
 - ii. Of the seventeen negative relationships, one was statistically significant
 - iii. Overall payroll was negatively related to the Rams, at a higher level of significance than employment.

There are great similarities in the population size, proximity, and demographic make-up of Orange County and San Diego County.

CONCLUSION: THERE IS NO EVIDENCE THAT THE CHARGERS PROVIDE AN ECONOMIC STIMULUS TO THE COMMUNITY.

Guidelines in providing incentives to the Chargers

Since no economic justification can be made for a Charger incentive, one must look at civic pride and other intangibles.

Avoid general taxes

- Will tax those who do not receive a benefit
- Will be regressive

Avoid tourist taxes

- Can hurt tourism
- Hurt those who work in the tourism business

Avoid “burying” any stadium proposal in an omnibus referendum