

# BACK IN THE GAME: THE IMPACT OF SPORTS IN A POST COVID-19 WORLD

# The Landscape



## The New York Times

### *Despite Virus Spike, N.B.A. Is 'Very Comfortable' With Florida Plan*

"We can't sit on the sidelines indefinitely," Commissioner Adam Silver said on Friday, as the number of coronavirus cases in Florida continued to quickly rise.

### *Baseball's New Rules: No Spitting, No Arguing, and Lots of Testing*

M.L.B. has a new 113-page manual with protocols to keep players and staff members from getting infected by the virus during its upcoming, shortened season.

### *N.F.L. Trims Early Preseason Game and Prepares for Training Camps*

Team owners canceled the annual Hall of Fame Game, but held firm on opening training camps in July and the regular season in September.

# The Landscape



## THE WALL STREET JOURNAL.

LIFE & ARTS | SPORTS

### The Virus Is Still Winning. Sports May Have to Wait.

The surge of coronavirus cases in key states, and a flood of positive tests for athletes returning to work, could spoil plans for a sports restart.

By [Ben Cohen](#), [Joshua Robinson](#) and [Laine Higgins](#)

June 21, 2020 10:00 am ET



# The Landscape



COLLEGE FOOTBALL

## Realigning America: A Radical Reimagining of the NCAA Landscape

As COVID-19 threatens the college football season, what if we blew up the system entirely? Welcome to the Forde Bowl Subdivision.

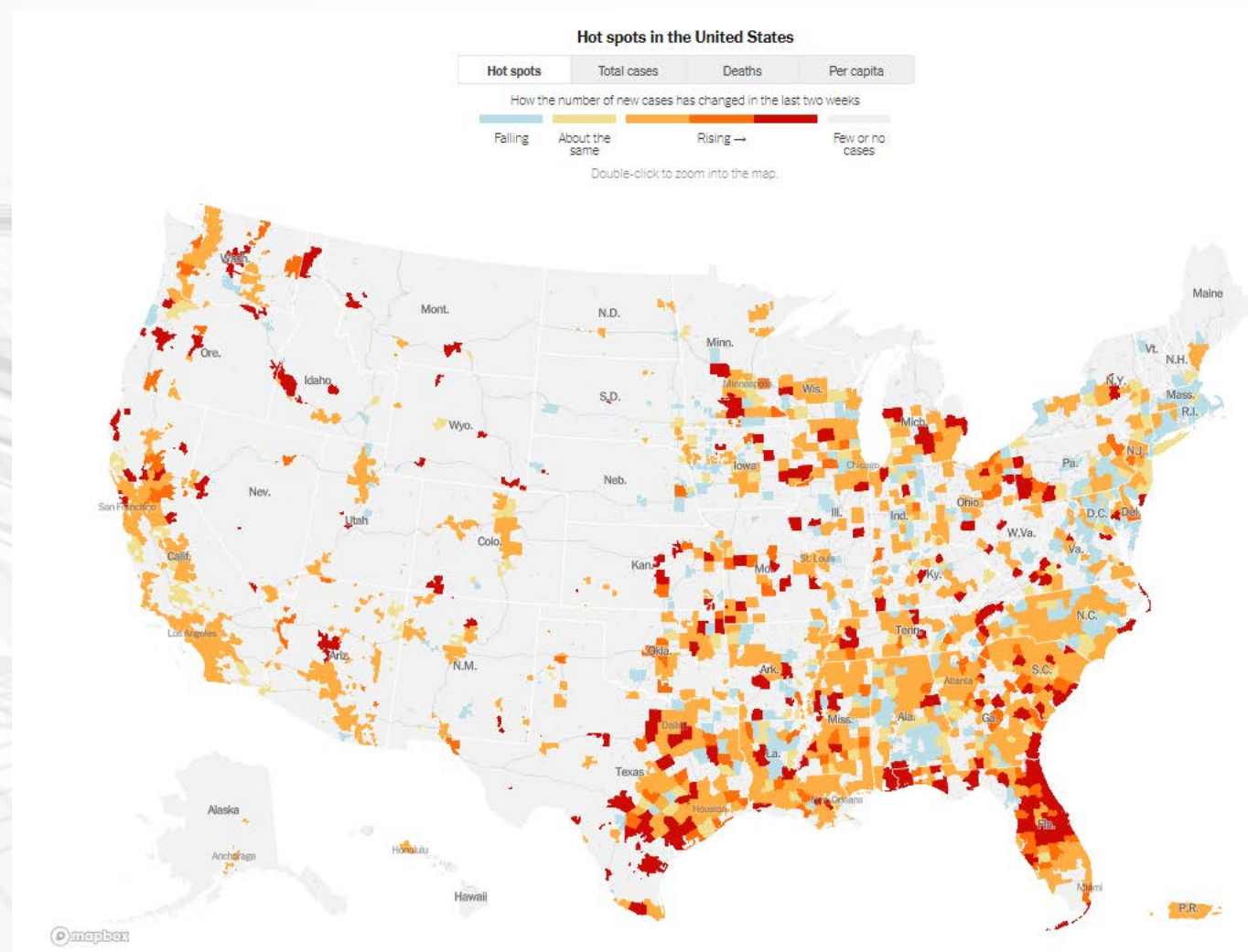
BY PAT FORDE

DAILY COVER

what does **REMI** say? <sup>sm</sup>



# Rising COVID Cases



what does **REMI** say? <sup>sm</sup>

# Athletics Impact Analysis with REMI

- REMI has been used to evaluate the impact of athletics in:
  - ▣ Boston Red Sox and Fenway Park
  - ▣ Clemson University
  - ▣ Minnesota Vikings
  - ▣ Kansas City Chiefs and Kansas City Royals
  - ▣ St. Louis Cardinals Ballpark
  - ▣ MLS Stadiums
  - ▣ NASCAR Raceways

# Local and Regional Focus



- “Wrigleyville, baseball’s biggest party, is frozen and bracing for a long rebuild” –*The Athletic*, April 15
  - ▣ “Wiping out the entire 2020 baseball season won’t just impact the billionaire owners and the millionaire athletes. It’s not only about escapism for isolated fans during a national emergency. The Lakeview East Chamber of Commerce, which represents Wrigleyville and Boystown, counts 1,100 businesses in its district, with roughly 27 percent classified as bars or restaurants.”
- Tuscaloosa Mayor Walt Maddox has sounded the alarm over “dire economic consequences” if college football is either not played or played with in-person attendance restrictions this coming season.
  - ▣ “*It would be economically catastrophic for Tuscaloosa if there is no football season. Even a mitigated football season with restricted attendance and number of ball games would have dire economic consequences,*” he advised.



# Sports. Industrial. Complex.



- **\$71 billion** in annual revenue
- **3 million** jobs dependent on sports
- PwC predicted in 2019 that sports was ‘recession-proof,’ with robust growth through at least 2023



# Sports. Industrial. Complex.



- PwC predicted in 2019 that sports was ‘recession-proof,’ with robust growth through at least 2023
- “Sudden vanishing of sports due to coronavirus will cost at least **\$12 billion**, analysis says” –*ESPN*, May 1
  - ▣ “Hundreds of thousands of jobs erased, an economic catastrophe than will more than double if the college football and NFL schedules are wiped out this fall.”
- Erase almost **\$371 million** in wages for arena employees
- Up to **\$2.4 billion** lost in tourism related to youth sports

# The Show Must Go On: Bubble Cities

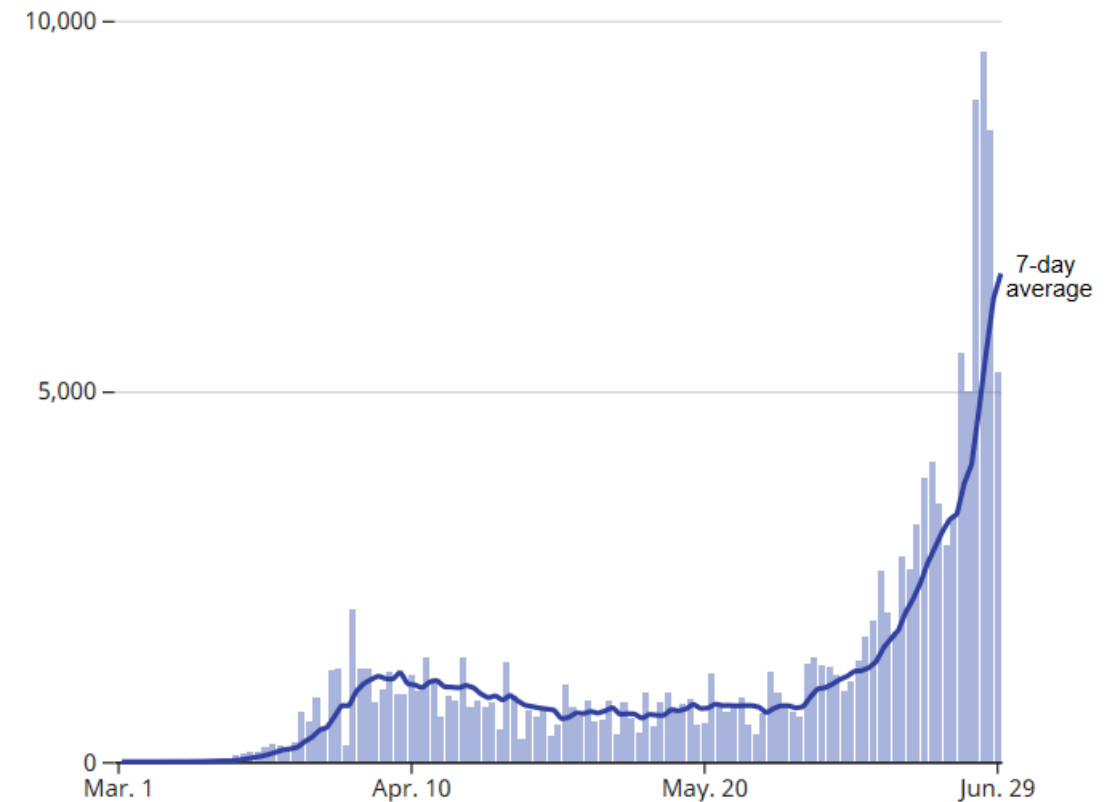
Completing the Season: NBA, MLS, and NHL

# Virus-Proof Bubble



- ❑ NBA plans to enter the Orlando Bubble on July 7
- ❑ MLS begin to enter the Disney Bubble today, July 1
- ❑ This morning, news broke that the NHL and their player's union seems to have settled on two Canadian hubs: Toronto and Edmonton

New known cases by day



Source: Johns Hopkins University CSSE | Updates daily



# The 60 Game Sprint: Baseball is Back

After protracted negotiations, the players union and owners will play ball in 2020.

**DISCLAIMER:** Model results are for demonstration only. They do not represent a full economic analysis of relevant endogenous and exogenous factors.

# MLB Season Shift



- Before the recent explosion in coronavirus cases, the MLB had anticipated playing in at least partially full stadium.
  - ▣ Decision was to be made by local and state authorities, usually the Governor
  - ▣ Above all other professional sports, stadium seating makes up a larger proportion of revenue in Baseball
- Now, there is a stringent, 113-page rule book, detailing how baseball can return and prevent the spread of COVID amongst players

# MLB 60 Game Schedule Impact: Florida



- Isolated impact of Tampa Bay Rays and Miami Marlins abbreviated seasons
- Overall state-level employment falls 0.02%; 0.35% for entertainment industry specifically
- Lost revenue from 51 cancelled home games
  - Miami Marlins:
    - \$29,116,683 in ticket revenue
    - \$2,554,095 in food purchases
  - Tampa Bay Rays:
    - \$41,561,296 in ticket revenue

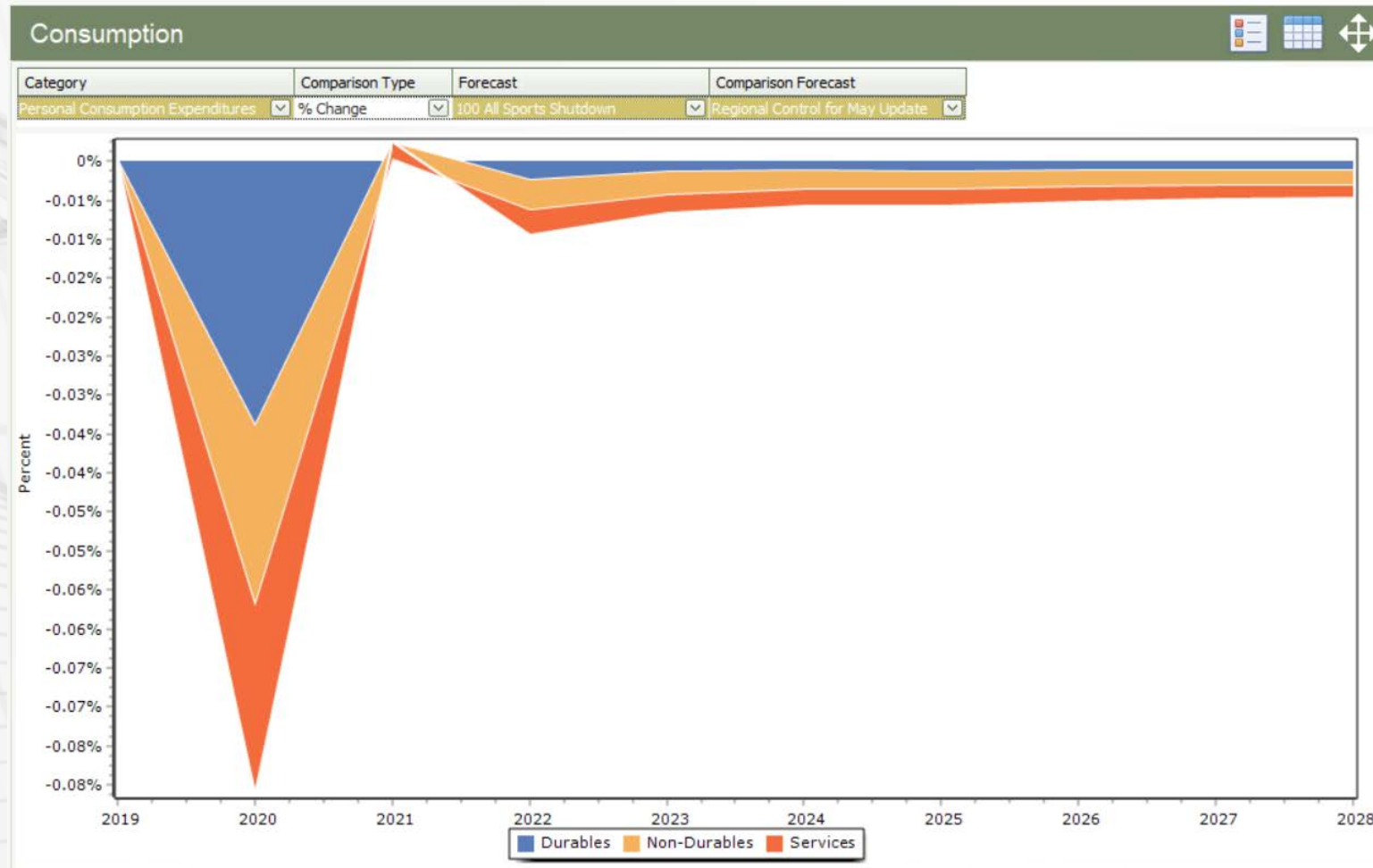


# The Cost of Pro-Sports Cancellations

- Florida as a case study
- Assumes:
  - ▣ Cancelled or no-fan attendance for NFL games
  - ▣ 60 game MLB season
  - ▣ Cancelled end of 2019-2020 season NHL and NBA games
- Decrease in consumer demand only considers event-level effects
  - ▣ No ticket spending
  - ▣ No spending on food/refreshments

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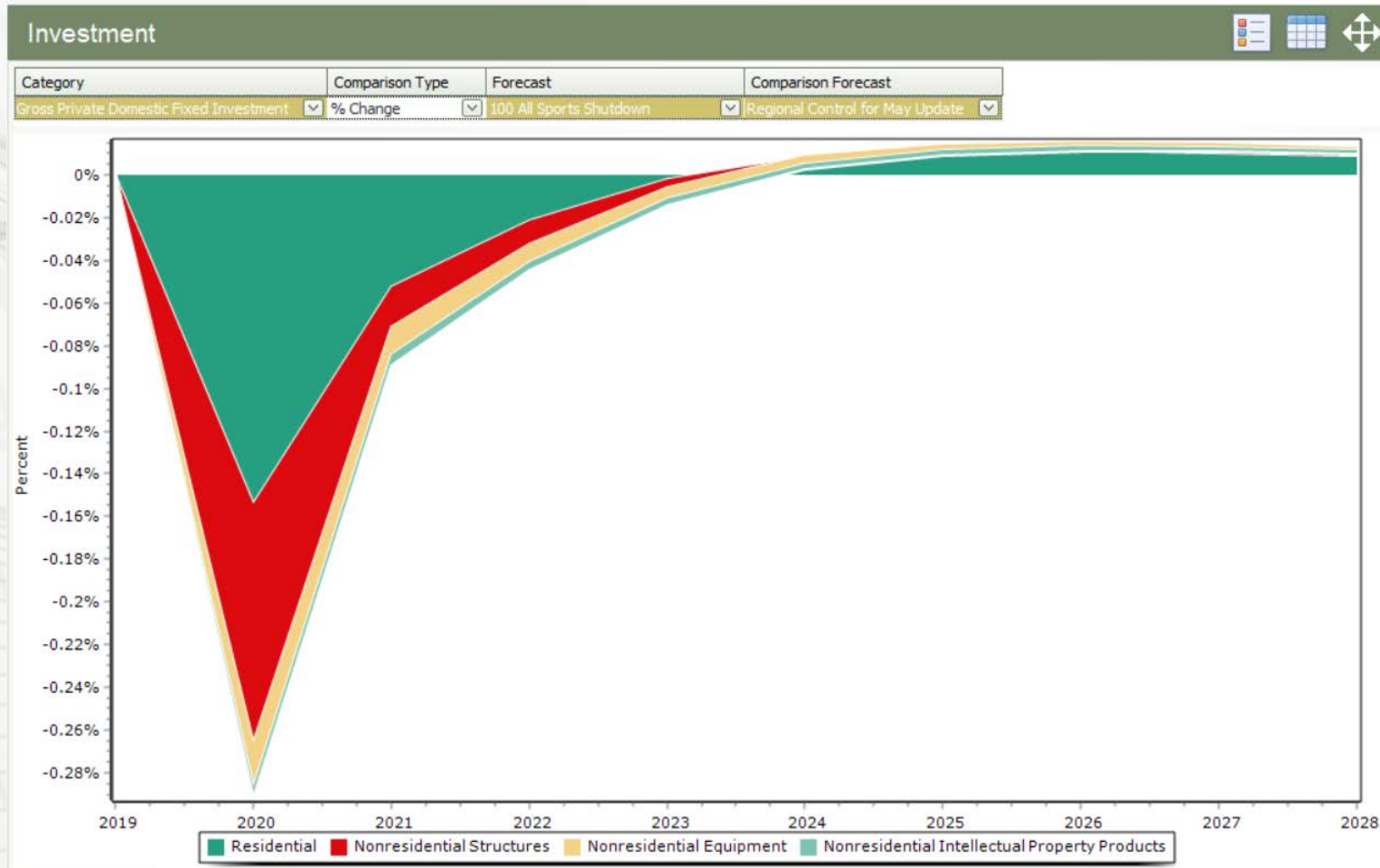
# The Cost of Pro-Sports Cancellations



- Consumption shock lasts only a year
- Consumers shift their consumption elsewhere

what does **REMI** say? *sm*

# The Cost of Pro-Sports Cancellations



- Longer term recovery for investment in Florida

what does REMI say? <sup>sm</sup>



# The Ultimate Local Impact: College Sports

An uncertain fall and the formidable impact of football on local economies

*what does **REMI** say? <sup>sm</sup>*

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# Case Study: Mississippi



- *For the flag's critics, the threats that the N.C.A.A. and the SEC would withhold hosting privileges for lucrative national and conference tournaments became tangible examples of the economic perils of preserving the flag. And in a state that cherishes college baseball and football, the warnings may have eased the way for other influential institutions to condemn the flag with less isolation and, perhaps, fewer repercussions.*

what does **REMI** say? <sup>sm</sup>

The New York Times

## *How College Sports Spurred Mississippi to Seriously Reconsider Its Flag*

Time and again, debate over the state's flag and its Confederate battle imagery faded away. Then college sports leaders threatened to take away some of the biggest games.



Mississippi lawmakers would not be seriously considering changing their state flag were it not for a swift push from the college sports world. Rogelio V. Solis/Associated Press



# Case Study: Mississippi



- *Ole Miss Football*
  - ▣ *Oxford, MS*
  - ▣ **\$124 million**
- *Mississippi State Football*
  - ▣ *Starkville, MS*
  - ▣ **\$101 million**

Tuesday, Gov. Tate Reeves  
signed bill into law

what does **REMI** say? <sup>sm</sup>



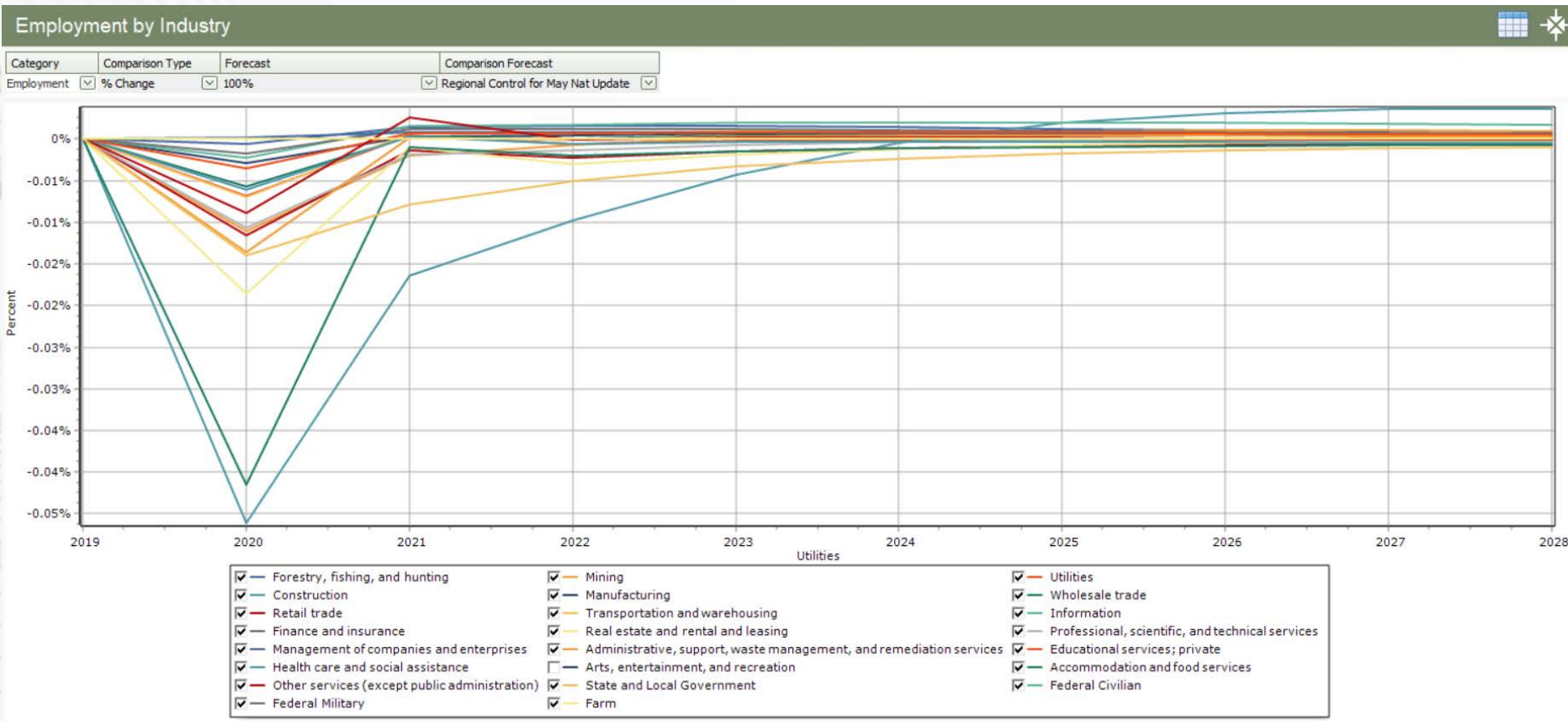
Lane Kiffin, Mike Leach join group from Ole Miss, Mississippi State to lobby for change to state flag

Lane Kiffin, Mike Leach join group from Ole Miss, Mississippi State to lobby for change to state flag. play. SEC commissioner takes a stand on ...





# Model Output: Mississippi



- Employment in the Arts/Entertainment sector falls by ~ 6%
- Graph shows residual employment effects are less pronounced
- State-level output falls by 0.02%
- ~0.1% increase in overall, state-level unemployment

what does **REMI** say? <sup>sm</sup>

# Other Considerations



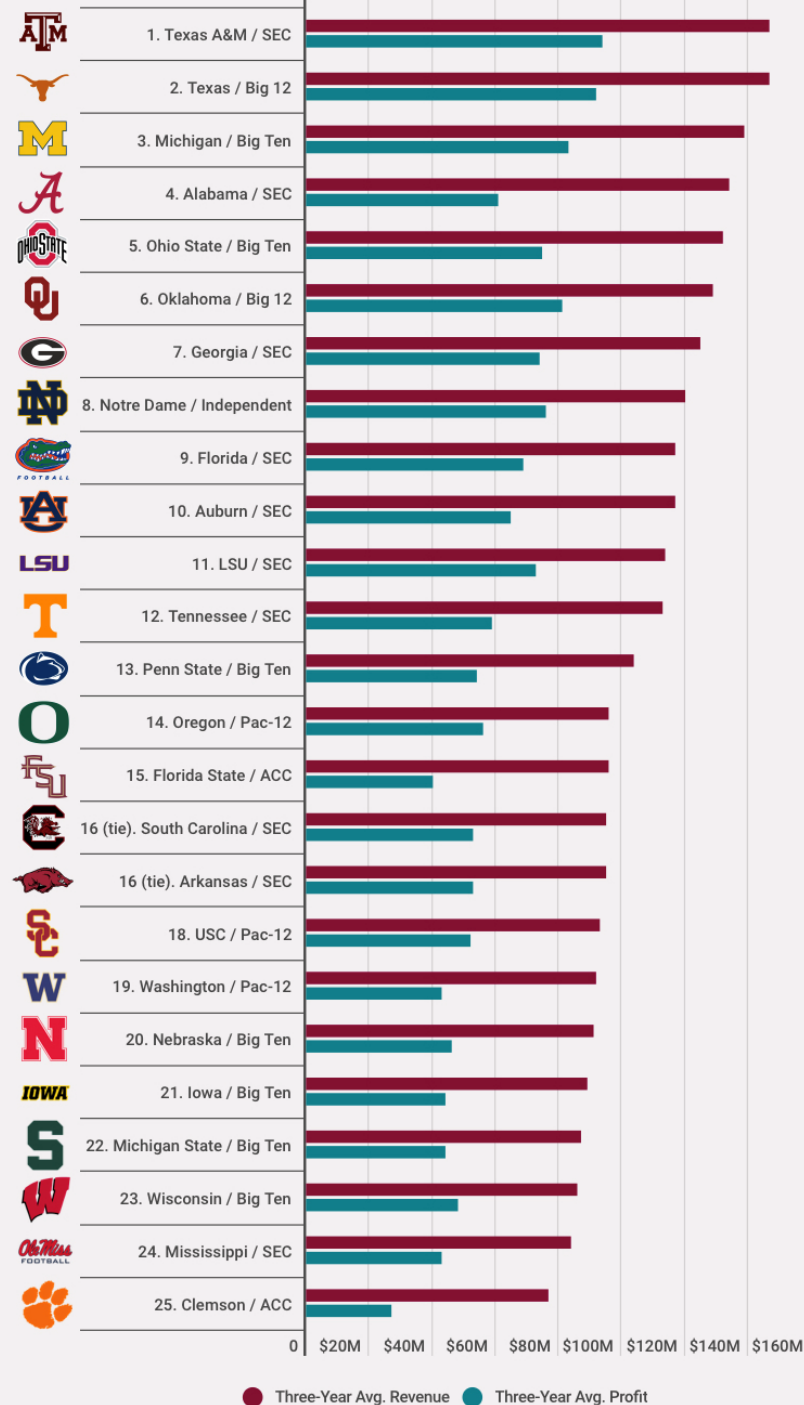
- Understatements
  - ▣ Does not account for transportation, housing, parking costs
- Analyzed at the state-level
  - ▣ Economic impacts are hyper-localized
- Fiscal Impact
- COVID Impact
  - ▣ Require broader analysis of state and national level economies

# The 80,000 Foot View



- College football is only profitable at very few schools
  - ▣ Ergo, due to COVID, some schools, such as Morehouse College and the California Collegiate Athletics Association, have already cancelled their fall athletics season
- However, where it is profitable, football oftentimes provides critical revenue and help fund other programs such as scholarships
- From the Power Five Conference schools alone, ESPN estimates that said universities would lose **\$4.1 billion**

what does **REMI** say? <sup>sm</sup>





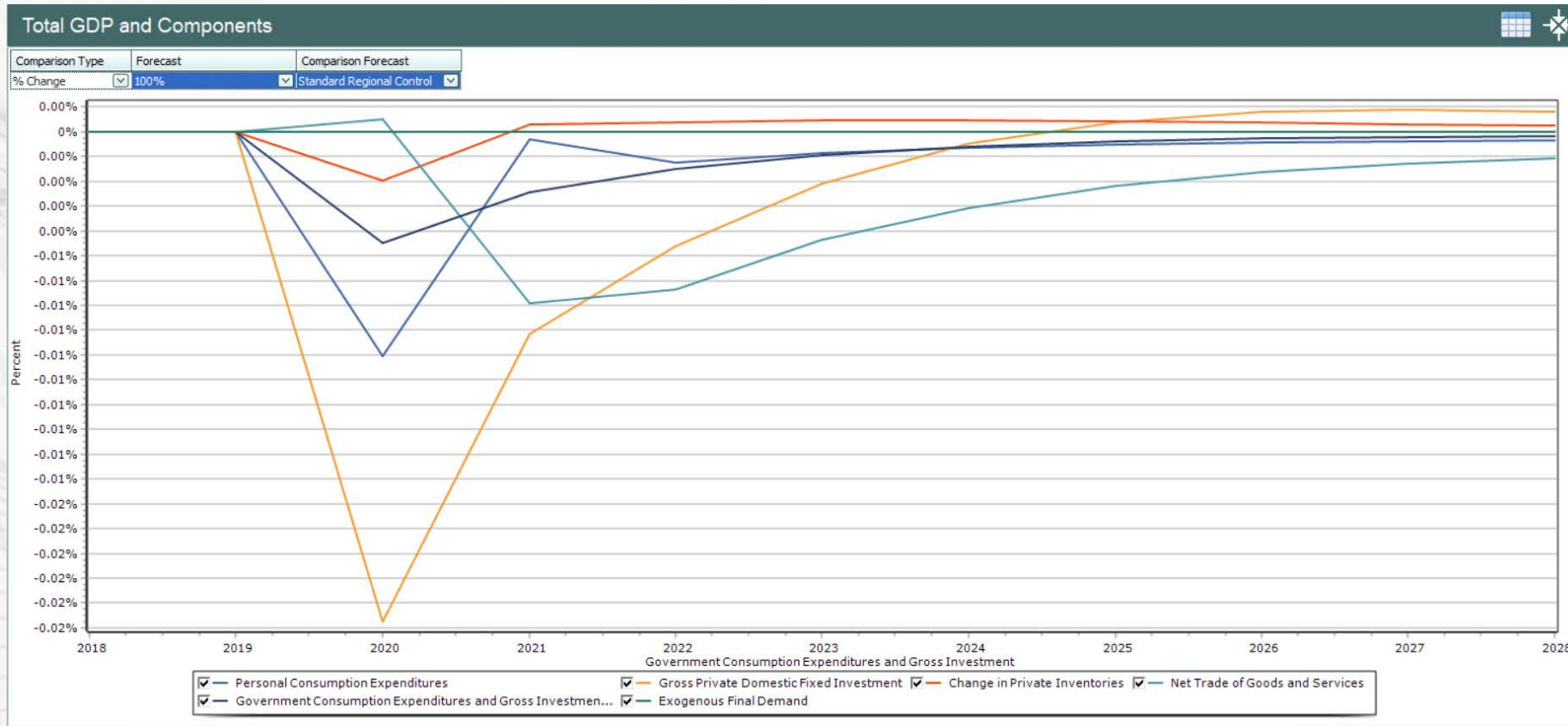
# Case Study: Alabama



- University of Alabama
  - ▣ **\$173.3 million in 2019**
- Auburn University
  - ▣ **~ \$170 million**
- One state economist estimated the impact could be as high as **\$500 million** annually



# Alabama GDP Impacts



- Employment in the Arts/Entertainment sector falls by ~2%
- Negligible residual employment effects
- State-level output falls by 0.01%
- Consumption is hit the hardest and takes the longest to recover

what does **REMI** say? <sup>sm</sup>



# Case Study: Michigan

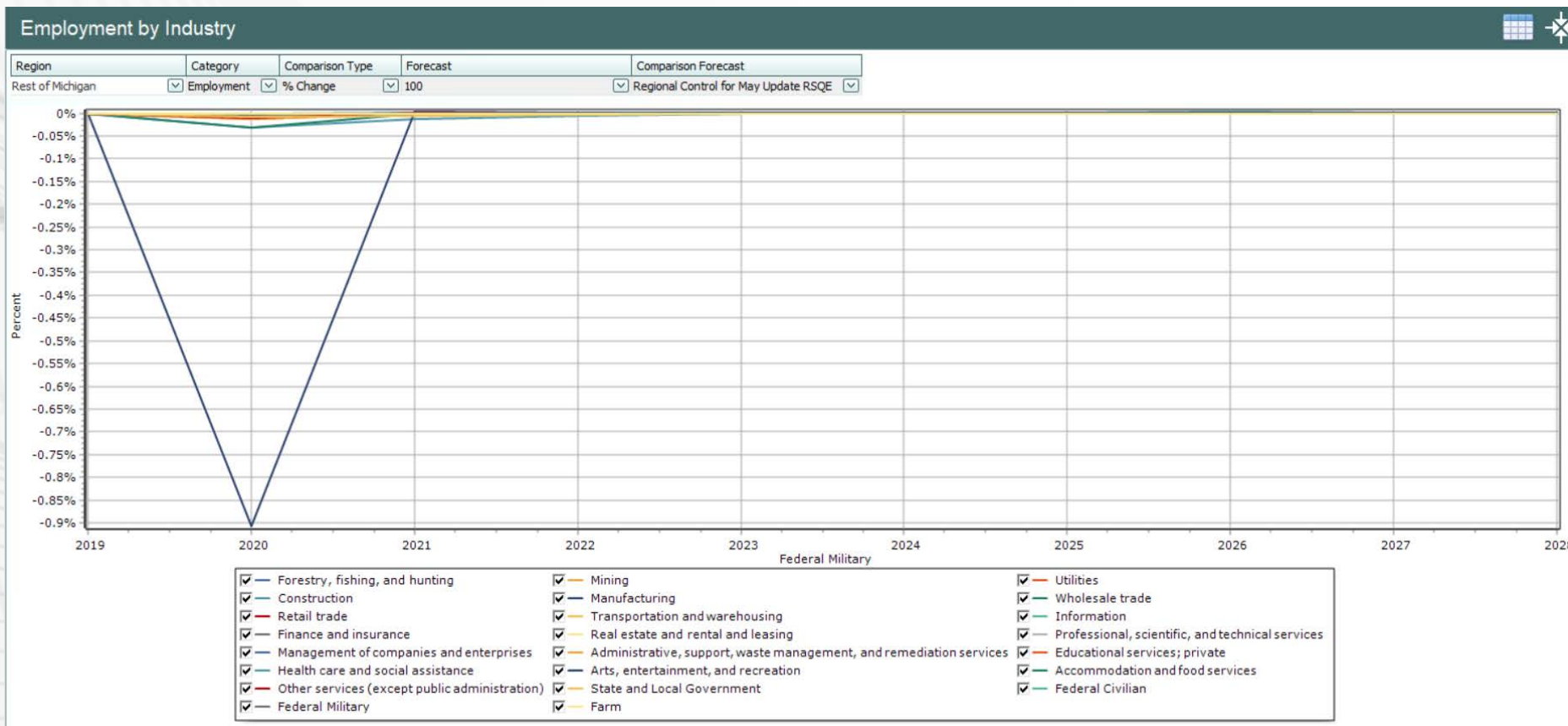


- Third highest revenue for college football in all of NCAA
- Stadium has the third largest stadium capacity in the world at **107,601 seats**
- Michigan and Michigan State (Big Ten) combined have an estimated **\$177 million** annual impact



what does **REMI** say? <sup>sm</sup>

# Michigan Employment Impacts

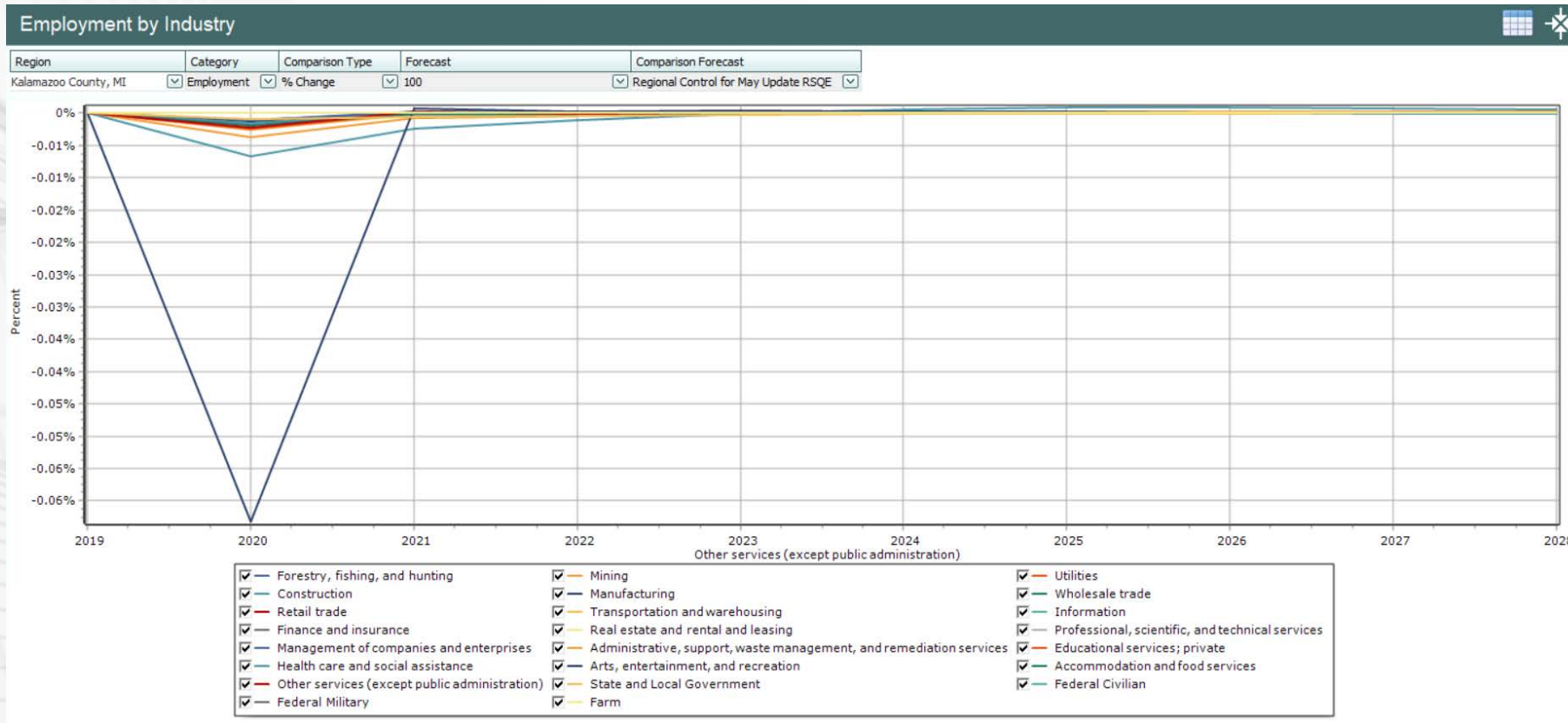


- Brunt of employment, output, and demand effects are borne by localities

what does REMI say? <sup>sm</sup>



# Michigan Model Output



- Other counties are insulated from collegiate sports shutdowns

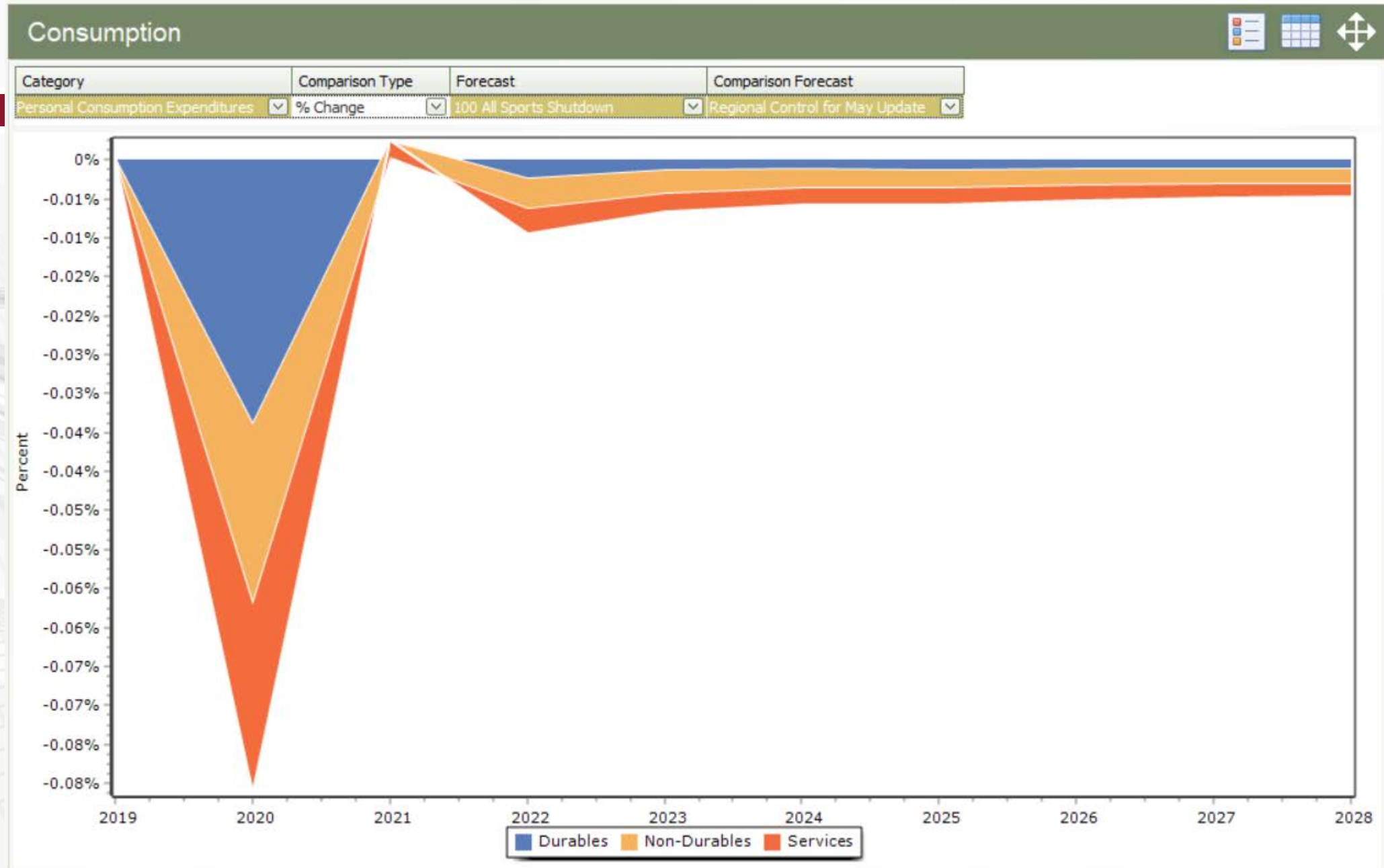
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# Conclusion



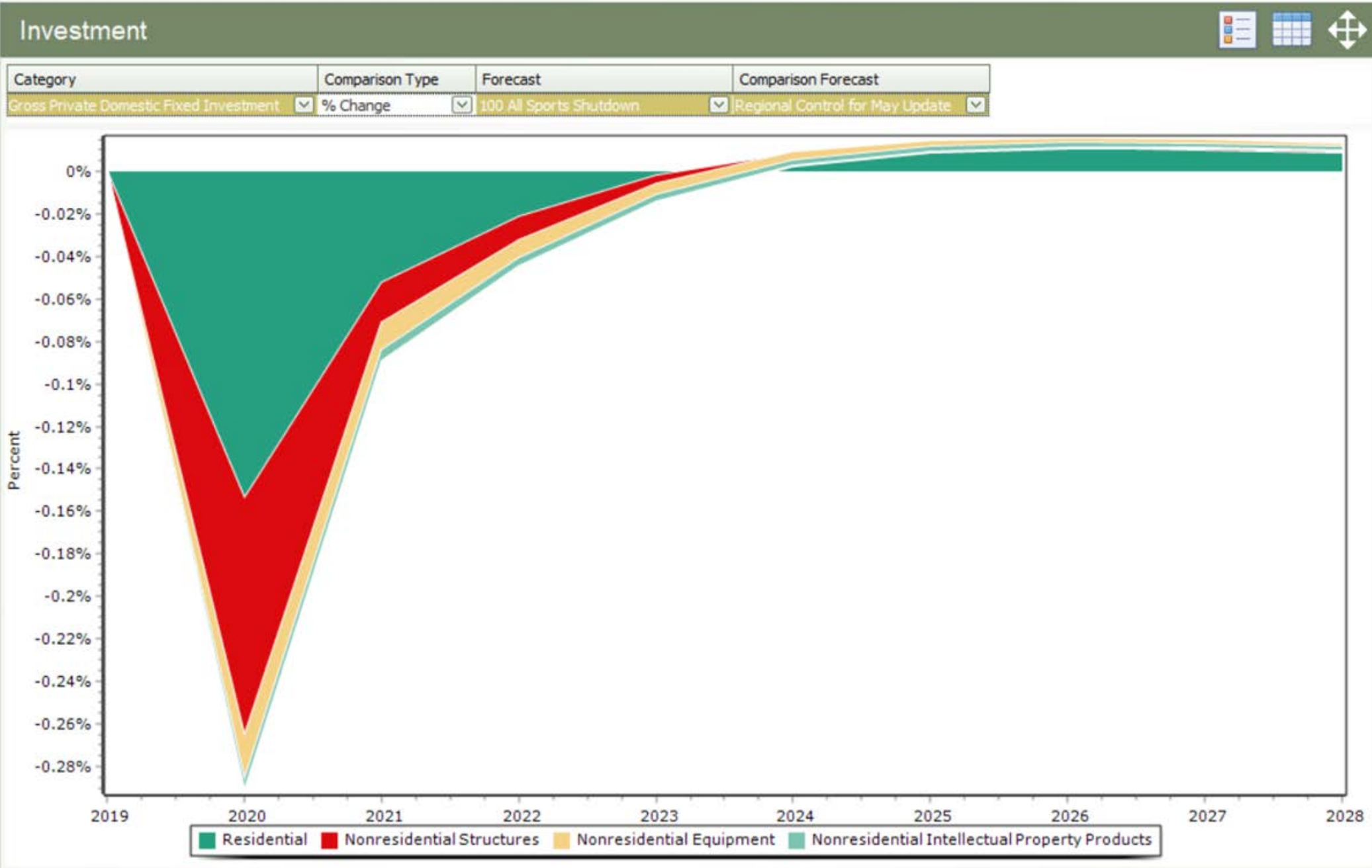
- Professional and collegiate sports have a pronounced effect on their local economies
  - ▣ Employment in the Entertainment sector relies heavily on sporting events
- Regions, as a whole, are insulated from these effects
- Models do not account for all relevant factors
  - ▣ COVID has a larger impact on national and regional economies
  - ▣ Only considers stadium-level losses

# Enlarged Images



what does **REMI** say? <sup>sm</sup>

# Enlarged Images



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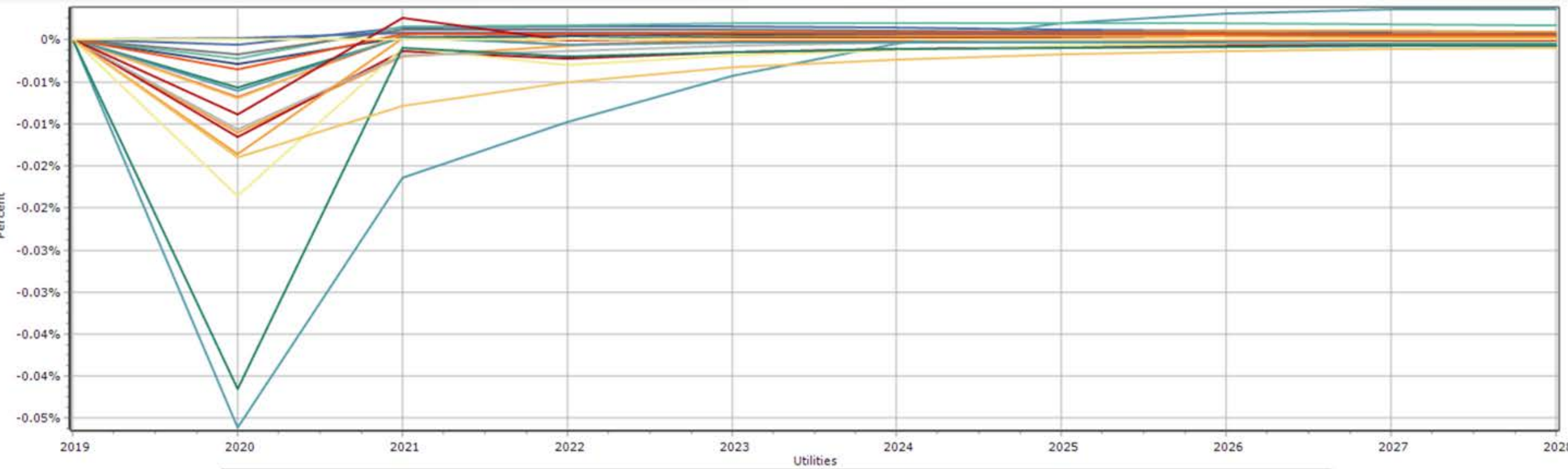


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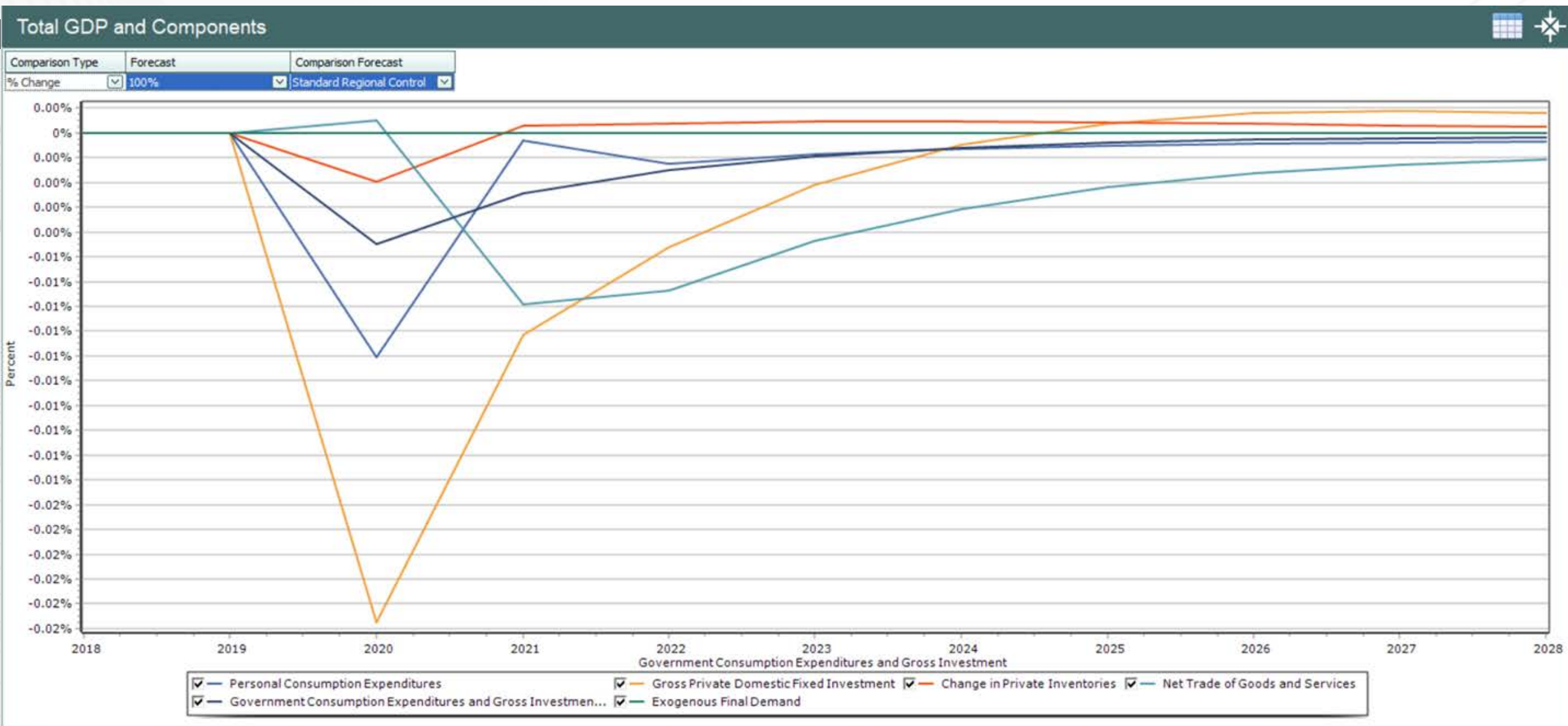
Employment by Industry

Category	Comparison Type	Forecast	Comparison Forecast
Employment	<input type="checkbox"/> % Change	<input type="checkbox"/> 100%	<input type="checkbox"/> Regional Control for May Nat Update



- |   |   |  |
|---|---|--|
| <input checked="" type="checkbox"/> Forestry, fishing, and hunting                | <input checked="" type="checkbox"/> Mining  | <input checked="" type="checkbox"/> Utilities  |
| <input checked="" type="checkbox"/> Construction                                  | <input checked="" type="checkbox"/> Manufacturing   | <input checked="" type="checkbox"/> Wholesale trade                                  |
| <input checked="" type="checkbox"/> Retail trade                                  | <input checked="" type="checkbox"/> Transportation and warehousing                                      | <input checked="" type="checkbox"/> Information                                      |
| <input checked="" type="checkbox"/> Finance and insurance                         | <input checked="" type="checkbox"/> Real estate and rental and leasing                                  | <input checked="" type="checkbox"/> Professional, scientific, and technical services |
| <input checked="" type="checkbox"/> Management of companies and enterprises       | <input checked="" type="checkbox"/> Administrative, support, waste management, and remediation services | <input checked="" type="checkbox"/> Educational services; private                    |
| <input checked="" type="checkbox"/> Health care and social assistance             | <input checked="" type="checkbox"/> Arts, entertainment, and recreation                                 | <input checked="" type="checkbox"/> Accommodation and food services                  |
| <input checked="" type="checkbox"/> Other services (except public administration) | <input checked="" type="checkbox"/> State and Local Government  | <input checked="" type="checkbox"/> Federal Civilian                                 |
| <input checked="" type="checkbox"/> Federal Military                              | <input checked="" type="checkbox"/> Farm  |  |

# Enlarged Images



# Enlarged Images



## Employment by Industry

Region	Category	Comparison Type	Forecast	Comparison Forecast
Rest of Michigan	Employment	% Change	100	Regional Control for May Update RSQE



- |   |   |  |
|---|---|--|
| <input checked="" type="checkbox"/> Forestry, fishing, and hunting                | <input checked="" type="checkbox"/> Mining  | <input checked="" type="checkbox"/> Utilities  |
| <input checked="" type="checkbox"/> Construction                                  | <input checked="" type="checkbox"/> Manufacturing   | <input checked="" type="checkbox"/> Wholesale trade                                  |
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# Enlarged Images



Employment by Industry

