

# NEW ORLEANS/OKLAHOMA CITY HORNETS ECONOMIC IMPACT CITY OF OKLAHOMA CITY-REVISED ANALYSIS

## **Introduction**

Due to the devastation caused by Hurricane Katrina in September 2005, the New Orleans Hornets (Hornets) relocated temporarily to the City of Oklahoma City (City) to play their 2005-06 season at the Ford Center. This relocation brought economic benefits to both the City and the State of Oklahoma (State). The impacts of these benefits are divided into 1) game impact, 2) payroll impact, and 3) economic impact. We have attempted to summarize these impacts based on the best information available.

The original New Orleans/Oklahoma City Hornets impact analysis (done in September 2005) had assumed 41 home games with an average attendance of 12,000 per game. This revised analysis uses an estimated announced paid attendance (18,737) per SMG and an estimated 'turnstile' attendance figure (16,863). The estimated turnstile amount is based on an assumed 10% "no-show" factor. Additionally, there were 38 home games played at the Ford Center during the 2005-06 season (three less than originally estimated). The differences between the estimated and actual figures are summarized in the table on the following page.

## **I. Game Impact**

### *Direct Spending*

Based on an estimated 'turnstile' attendance, the Hornets averaged 16,863 per game, playing a total of 38 home games (36 regular season and 2 preseason) at the Ford Center during the 2005-06 season. That level of attendance generated an estimated \$41,011,546 in direct spending. The assumptions being that 20% of the attendees are from out of town and would spend \$200 while the remaining 80% of the attendees are local and would spend \$30 per event. Non-resident attendees would account for \$674,532 per game and resident attendees would account for \$404,719 per game for a total of \$1,079,251 in direct spending for each game. For the 38 game season, direct spending is estimated to be \$41,011,546 with \$25,632,216 from non-residents and \$15,379,330 from residents.

### *Sales Tax Estimates*

Also, of the \$41,011,546 in direct spending, an estimated 75% (or \$30,758,659) would be subject to state & local sales taxes. Based on that, the City could anticipate an additional \$1,191,898 (based on a tax rate of 3.875%) in new sales taxes annually while the State would have an additional \$1,384,140 (based on a tax rate of 4.5%) in sales tax revenue. The Oklahoma State Legislature exempted NBA ticket sales from sales taxes in the current session. The sales tax estimates presented herein are shown net of this exemption.

## **II. Payroll Impact**

The estimated player payroll for the Hornets is approximately \$57,000,000 annually with additional \$3,000,000 in front office payroll, bringing the total annual payroll for the

Hornets to \$60,000,000. Based on a State income tax rate of 6.0%, this level of payroll could potentially yield \$3,600,000 in projected income tax collections.

### **III. Economic Impact**

#### *Employment Impact*

Besides the direct game spending impact of the Hornets, the 100 direct jobs (players & front office) would likely generate an additional 129 support jobs in the local economy for a total of 229 direct and induced employment.

#### *Payroll Impact*

Based on the assumption that only \$6,000,000 (approximately 10%) of the projected teams payroll of \$60,000,000 will be spent in Oklahoma (since most of the players reside in other states), the direct & induced payroll impact would be approximately \$25,443,078 annually. That would generate an estimated \$249,270 in local tax revenues and \$1,854,094 in state tax revenues.

#### *Total Economic Impact*

Based on the direct game spending impact of \$41,011,546 and the payroll impact of \$25,443,078, the total economic impact of the Hornets relocation to the City would be approximately \$66,454,624. That level of spending and payroll would likely generate \$1,441,168 in local tax revenues and \$3,238,234 in state tax revenues for the 2005-06 season.

#### **Summary**

Based on the above analysis, the economic impact of the Hornets relocation during the 2005-06 season to the City and State was approximately \$66,454,624 and likely generated \$1,441,168 in local tax revenues and \$3,238,234 in state tax revenues.

**New Orleans/Oklahoma City Hornets  
2005-06 Season  
Economic Impact Summary**

<b>Game Impact</b>	<b>Actual</b>	<b>Estimated (1)</b>	<b>Difference</b>
Number of Games	38	41	-3
Per Game Attendance (2)	18,737	12,000	+6,737
Total Season Attendance	712,006	492,000	+220,006
Direct Spending	\$41,011,546	\$31,488,000	+\$9,523,546
Local Tax Revenue	\$1,191,898	\$915,129	+\$276,769
State Tax Revenue	\$1,384,140	\$1,062,720	+\$321,420
Total Tax Revenues	\$2,576,038	\$1,977,849	+\$598,189
<b>Economic Impact</b>			
Direct & Induced Employment	229	229	0
Direct & Induced Payroll	\$25,443,078	\$25,443,078	\$0
Local Tax Revenue	\$249,270	\$249,270	\$0
State Tax Revenue	\$1,854,094	\$1,854,094	\$0
Total Tax Revenues	\$2,103,364	\$2,103,364	\$0
<b>Total Economic Impact</b>			
Game Impact	\$41,011,546	\$31,488,000	+\$9,523,546
Economic Impact (Payroll)	\$25,443,078	\$25,443,078	\$0
<b>TOTAL</b>	<b>\$66,454,624</b>	<b>\$56,931,078</b>	<b>+\$9,523,546</b>

Notes: 1) As of September, 2005; 2) Source is City of Oklahoma City/SMG