

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

Introduction

Due to the devastation caused by Hurricane Katrina in New Orleans in September 2005, the City of Oklahoma City (City) was approached by the New Orleans Hornets (Hornets) and the National Basketball Association (NBA) to play their 2005-06 and 2006-07 seasons at the Ford Center in Oklahoma City. Such a relocation definitely 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.

During the inaugural season (2005-06) the New Orleans/Oklahoma City Hornets played home games at the Ford Center with an average attendance of 16,863 per game. The following season, there were 37 home games played with an average attendance of 13,213, down by approximately 21.6% from the previous season. The differences between the 2005-06 and 2006-07 seasons are summarized in the table on the following page.

I. Game Impact

Direct Spending

Based on actual 'turnstile' attendance, the Hornets averaged 13,213 per game attendance, playing a total of 37 home games at the Ford Center during the 2006-07 season. That level of attendance generated an estimated \$33,243,908 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 \$35 per event. Non-resident attendees would account for \$528,520 per game and resident attendees would account for \$369,964 per game for a total of \$898,484 in direct spending for each game. For the 37 game season, direct spending is estimated to be \$33,243,908 with \$19,555,240 coming from non-residents and \$13,688,668 from residents.

Sales Tax Estimates

Also, of the \$33,243,908 in direct spending, an estimated 75% (or \$24,932,931) would be subject to state & local sales taxes. Based on that, the City could anticipate an additional \$966,151 (based on a tax rate of 3.875%) in new sales taxes annually while the State would have an additional \$1,121,982 (based on a tax rate of 4.5%) in sales tax revenue.

II. Payroll Impact

The estimated player payroll for the Hornets is approximately \$55,610,345 annually with additional \$3,000,000 in front office payroll, bringing the total annual payroll for the Hornets to \$58,610,345. Based on a State income tax rate of 6.0%, this level of payroll could potentially yield \$3,516,621 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 189 support jobs in the local economy for a total of 289 direct and induced employment.

Payroll Impact

Based on the assumption that only \$8,791,552 (approximately 15%) of the projected teams payroll of \$58,610,345 will be spent in Oklahoma (since most of the players reside in other states), the direct & induced payroll impact would be approximately \$13,690,561 annually. That would generate an estimated \$325,825 in local tax revenues and \$2,181,480 in state tax revenues.

Total Economic Impact

Based on the direct game spending impact of \$33,243,908 and the economic impact of \$37,280,691, the total economic impact of the Hornets relocation to the City would be approximately \$70,524,599. That level of spending and payroll would likely generate \$1,573,601 in local tax revenues and \$1,854,094 in state tax revenues for the 2006-07 season.

Summary

Based on the above analysis, the economic impact of the Hornets relocation during the 2006-07 season to the City and State was approximately \$70,524,599 and likely generated \$4,191,497 in state and local tax revenues.

New Orleans/Oklahoma City Hornets Economic Impact Summary

Game Impact	2006-07 Season	2005-06 Season	Difference
Number of Games	37	38	-1
Per Game Attendance	13,213	16,863	-3,650
Total Season Attendance	488,881	712,006	-223,125
Direct Spending	\$33,243,908	\$41,010,816	-\$7,766,908
Local Tax Revenue	\$966,151	\$1,384,115	-\$417,964
State Tax Revenue	\$1,121,982	\$1,537,933	-\$415,951
Total Tax Revenues	\$2,088,133	\$2,575,992	-\$487,859
Economic Impact			
Direct & Induced Employment	289	229	+60
Direct & Induced Payroll	\$13,690,561	\$9,343,443	+\$4,347,118
Economic Impact (Output)	\$37,280,691	\$25,443,078	+\$11,837,613
Local Tax Revenue	\$325,825	\$249,270	+\$76,555
State Tax Revenue	\$2,181,480	\$1,854,094	+\$327,386
Total Tax Revenues	\$2,507,305	\$2,103,364	+\$403,941
Total Economic Impact			
Game Impact	\$33,243,908	\$41,010,816	-\$7,766,908
Economic Impact (Payroll)	\$37,280,691	\$25,443,078	+\$11,837,613
TOTAL	\$70,524,599	\$66,453,894	+\$4,070,705

SOURCE: City of Oklahoma City