The Economic Impact of a Minor League Baseball Team in Florence, Kentucky

Prepared for the
City of Florence

Prepared by the
Center for Economic Education
University of Cincinnati

May, 2001

Economic Impact of a Minor League Baseball Team in Florence, Kentucky

Economics Research Group – Center for Economic Education – University of Cincinnati

Introduction

The City of Florence, Kentucky is considering an opportunity to invest in a baseball stadium that will be home to a team in the Frontier League, an independent minor league with teams throughout the Mid-west. The purpose of this study is to estimate the potential impact of a minor league baseball team on the economy of Florence, Kentucky. Economic impacts result from new money spent in Florence by the baseball team and by visiting teams and fans. Impacts also result from money spent by local fans that spend their money in Florence rather than elsewhere in the region. Money spent in Florence affects total business output and employment in the city and surrounding area.

Methodology

The impact of a baseball stadium on the local economy depends on the amount of "new money" that it brings into the region. That is, it depends on the amount of spending in the region that would not have occurred if not for the stadium. In this case, money brought into the region includes that spent locally by the minor league team in its day-to-day operation, including salaries of personnel. This spending represents an increase in the demand for the goods and services that local businesses provide. It is considered new money because it is assumed that this spending would not occur locally in any other form if the team did not exist in Florence.

New money is also injected into the local economy by baseball fans that come from outside of Florence in order to see games. In this case, visiting fans include local team fans that do not live in Florence and visiting team fans that travel to Florence to watch their teams play. These visitors spend money at hotels, restaurants, clubs, retail stores, and other businesses. Money spent by Florence residents is not included because it is assumed that this money would have been spent elsewhere in Florence on some alternate activity if the baseball team did not exist. The economic impact estimation does not count the money that baseball fans spend on tickets for games. It is assumed that this revenue pays for team operations and has therefore been counted already in the impact estimation.

Total spending on team operations plus money spent by visitors to the city represents the direct economic impact of the baseball team on the local economy – it is spending that can be directly attributed to hosting minor league baseball games. Local businesses that have received this new money will re-spend some of these receipts locally in order to meet expenses and pay employees. Thus, there are successive rounds of re-spending in the region by those businesses that have supplied goods and services to the team and fans. These successive rounds of re-spending are called the indirect impact. Only money that is spent within the local area is included in the indirect impact. Money received by businesses outside the area is not considered in this part of the analysis.

Money earned by employees of those businesses generating output in both the direct and indirect phases of the impact is also counted because much of this income is spent locally. Purchases by households that have experienced increased earnings due to the injection of new money into the region are known as induced impacts. In the context of the economic impact estimation methodology, direct, indirect and induced impacts are combined into a single figure representing the total multiplier effects of business-to-business and household-to-business spending within the local area.

This economic impact estimation uses the RIMS II[1] system developed by the U.S. Department of Commerce Bureau of Economic Analysis (BEA). The BEA has estimated a set of multipliers based on purchaser-supplier (or input-output) relationships among businesses of different industry classes within Boone County. These multipliers are used to estimate the total economic impact of a change in local spending associated with a given business. They are also used to estimate the number of new jobs that are created when business sales increase. This employment impact is stated in full-time job year equivalents.

New workers must be paid wages, or existing workers must be paid higher wages in order to produce the increased output. The impact on household earnings represents the change in the amount of wages and salaries that must be paid to workers in the area in order to generate the additional output.

For additional information contact the Economics Center for Education & Research, email Econeduc@uc.edu.
Please reference report: 2001-Ei-1004 Florence

[1] RIMS is an acronym for Regional Input-output Modeling System.