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ECONOMIC COMMENTARY

A monthly look at Florida's Economy

COLLEGE FOOTBALL: AN ECONOMIC DRIVER FOR FLORIDA'S LOCAL ECONOMIES



photo © Florida State University

A sure sign that Fall will be here soon is the beginning of the college football season. Again this year, many fans of Florida universities have high hopes of great seasons. Although only one Florida football team is ranked in the top 25 of the AP and the Coaches pre-season polls (the Florida State University Seminoles (FSU) are #1 in both polls) the University of Florida (UF), the University of Central Florida (UCF), and the University of Miami (UM) each received votes in both polls. In the Football Championship Subdivision (FCS, formerly known as Division I-AA) Coaches Pre-season Poll, Bethune-Cookman University, located in Daytona Beach, was ranked 23rd.

Florida taxpayers should hope for wins by all Florida schools. Winning college football teams bring more than just glory to their schools. They help increase the economic activity in their hometowns, and contribute to their school's academic and other athletic programs. The success of these teams may also increase student applications, which allows schools to have more students to choose from when selecting their incoming classes.

Visitors coming to Florida cities for home games have a substantial tourism impact, especially for smaller cities. Florida is home to seven Division I NCAA football teams, including the 2013 National Champion FSU Seminoles. Three out of these seven teams are located in cities with populations of less than 200,000 residents: Florida State University in Tallahassee; the University of Florida in Gainesville; and Florida Atlantic University in Jupiter. During college football season, these cities experience a large increase in economic activity, as fans fill up area hotels, participate in local events, purchase food and beverages, and purchase their team's merchandise.

ESTIMATED ECONOMIC ACTIVITY OF FSU HOME GAMES

TYPE OF GAME	ACTIVITY
Low-level, non-conference games	\$1.5 million
Conference Games	\$5 million
Premier Games	\$7 million
Top End Games	\$10 million

Source: Warchant.com. "BCS Title Boosts Tallahassee Businesses." May 6, 2014.

Tallahassee has taken the Seminole's National Championship win as an opportunity to promote the city's business-friendly environment to the nation through the Economic Development Council of Tallahassee/Leon County. Local apparel stores, particularly Garnet & Gold, have reported record sales thanks to the national championship, and an expected 25 to 30 percent estimated increase in sales this school year.¹ Visit Tallahassee has reported that FSU home games can bring in from \$1.5 – \$10 million to the economy, depending on the rival. This year, the Seminoles have a highly anticipated group of rivals coming to Tallahassee, including Clemson, Notre Dame, and UF, all of which should provide more economic activity to the local economy.

The academic literature shows mixed results regarding the economic impact of college football on local economies. A 2007 study analyzing college football teams in Florida found that college football had a statistically significant impact on taxable sales,² but a separate study by the same authors showed no significant impact on local employment and personal income.³ The impact of an increase in sales tax collections alone is an important benefit for the state of Florida and its cities and counties.

1. Warchant.com. "BCS Title Boosts Tallahassee Businesses." May 6 2014.

2. Baade et. al. College of the Holy Cross, Department of Economics. "Down, Set, Hike: The Economic Impact of College Football Games on Local Economies." February 2007.

3. Baade et. al. College of the Holy Cross, Department of Economics. "Big Men on Campus: Estimating the Economic Impact of College Sports on Local Economies." August 2007.

SPORTS PROGRAMS GIVE TO THEIR UNIVERSITIES

The U.S. Department of Education tracks the team revenues and team expenses, by sport, for college athletics using a survey of each university. The most recent results show that all but two Florida universities had positive returns from their NCAA Division I football teams in 2012, with the University of Florida showing the highest gains received from football (*table below*).

According to *Forbes*, only one university in the nation, Notre Dame, contributes more athletic money to academic programs than University of Florida.⁴ In 2012, the Gators football program gave \$7.2 million back to UF for academic programs, including \$1.5 million for non-athletic scholarships.

MERCHANDISE SALES

Merchandise sales help universities by supporting student scholarships and various campus and community initiatives. The Florida Gators remain the top-selling Florida university, improving to number six overall, helped substantially by an SEC-record regular basketball season where the Gators were 18-0 in conference games. Florida State University showed a substantial rise in the sales rankings, going from 21st to 8th in the country (*see table, page 3*).

4. *Forbes*. "College Football's Most Valuable Teams 2013." December 2013.

2012 FOOTBALL TEAMS' REVENUES VS. EXPENSES

UNIVERSITY	TEAM REVENUES	TEAM EXPENSES	DIFFERENCE
University of Florida	\$74,820,287	\$25,704,553	\$49,115,734
Florida State University	\$43,085,121	\$23,427,950	\$19,657,171
University of Miami	\$29,986,463	\$24,672,810	\$5,313,653
University of South Florida	\$16,295,130	\$12,027,850	\$4,267,280
Florida Atlantic University	\$7,287,694	\$6,726,618	\$561,076
Florida International University	\$8,168,228	\$8,168,228	\$0
University of Central Florida	\$14,712,259	\$15,076,308	(\$364,049)

Source: U.S. Department of Education, 2012 data (most recent available)

ALUMNI DONATIONS

A 2012 analysis published by the National Bureau of Economic Research⁵ indicates that winning rates of college football teams increases alumni donations (especially athletics-related donations), as well as student applications, which is one of the factors considered for national academic reputation rankings. Other benefits include increased in-state enrollment and higher SAT scores for incoming students.

The FSU Foundation reported \$39.1 million in gifts and pledges for FY2013-14 through March 21, 2014, compared to \$34.9 million during the same period last year. While this increase may be attributed to other factors such as academic and research excellence, it is in part likely due to the national title, as a similar situation happened in 1993 and 1999, the other two Seminole national championship years.⁶

COLLEGE FOOTBALL PLAYOFF

Long-overdue for many fans, college football enters the College Football Playoff era in 2014. Instead of a complicated computer-and-human ranking system choosing the national champion, a 13-member committee will be responsible for choosing the top four teams to compete in a single-elimination tournament that will determine the National Champion.

5. Michael L. Anderson. "The Benefits of College Athletic Success: An Application of the Propensity Score Design with Instrumental Variables." NBER Working Paper No. 18196. June 2012.

6. Warchant.com "BCS Title affects FSU University as a whole." April 16, 2014

Semi-finals will be held each year on New Year's Eve and New Year's Day, followed a championship game that will be hosted by different cities each year. The first championship game will be held on January 12, 2015 in Arlington, Texas; followed by Glendale, Arizona in 2016, and then a trip to Florida as The College Football National Championship Game will be hosted in Tampa in Raymond James Stadium in 2017.

The Dallas Fort Worth area has estimated the economic impact of their game at \$300 million. One Florida county official has estimated the economic activity to be between \$250 and \$350 million.⁷ The stadium will be expanded by approximately 6,000 seats.

CONCLUSION

College sports are an important part of the college experience for students, as well as an important social activity for Floridians, especially alumni of Florida universities. Major college sports such as football provide entertainment for fans and students; increase revenues for schools to use for other sports, academic and athletic scholarships; and increase local economic activity and related tax revenues for cities, counties, and the state of Florida.

7. Tampa Bay Times. "Tampa to host 2017 college football championship." December 16, 2013

MERCHANDISE SALES BY UNIVERSITY

UNIVERSITY	2013-14 RANK	2012-13 RANK
University of Florida	#6	#7
Florida State University	#8	#21
University of Miami	Not in top 75	#37
University of Central Florida	#57	#61
University of South Florida	#67	#63

Source: Collegiate Licensing Company, accessed August 25, 2014.

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