



## Florida TaxWatch ECONOMIC COMMENTARY

### College Football in the COVID-19 Era: The Economic Impact of a Restricted Season

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Every year, the arrival of cooler temperatures signals the beginning of an important season to many Floridians: college football season. Yet unlike previous years, this football season is shaping up to be unmatched in history. Stadiums that once filled with fans now lie mostly dormant as capacity limits and social distancing measures have become the norm. Masked coaches, referees, and even marching bands now offer a snapshot of what college football looks like in the COVID-19 era.

More than just reshaping the college football landscape this year, the pandemic will also leave a notable economic impact on universities and their surrounding communities. With fewer fans traveling to attend games, many areas will face steep reductions in local revenue from food, lodging, and merchandise purchases typical during an average season. For universities and local communities already struggling under the weight of the pandemic, such an economic impact will inevitably leave a lasting mark far beyond the season's end.

### ECONOMIC IMPACT TO UNIVERSITIES

Although there is debate over the importance of college football in the role of higher education, there is no denying the financial impact college football has on many universities and their respective athletic departments. According to an ESPN report, public school Power 5 athletic departments derive, on average, nearly 50 percent of their total operating revenues from football, with 14 percent coming from ticket sales. These revenues typically cover funding deficits in other low-revenue-generating sports, such as golf and swimming. And even though college athletics only comprise around eight percent of total institutional revenue at four-year public universities, many collegiate football programs support academic programs and contribute to various campus initiatives. Over the past two years, the Gator football program has returned up to \$10.7 million back to the University of Florida (UF). Similarly, at rival Florida State University (FSU), the athletic department contributed around \$11.3 million to students.

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With enhanced safety measures, reduced game attendance, and new costs due to COVID-19, team revenues will likely take a hit in the upcoming year. Assuming a conservative 25 percent reduction in team revenues from the previous 2018-2019 season, Florida's college football teams could lose up to \$70.8 million in total revenue. A decrease of 50 percent in team revenues would have far more devastating effects with revenue losses potentially amounting to \$141.5 million. For schools such as FSU, University of Miami (UM), University of South Florida (USF), and Florida Atlantic University (FAU), which reported net profits of \$0 in the 2018-2019 season, these revenue reductions could create huge budget deficits over the coming years.

## ECONOMIC IMPACT TO LOCAL ECONOMIES

### LOWER DIRECT SPENDING

Not only do college football games provide financial benefits to their universities, they also spur economic activity in the local area when small businesses cater to visitors who in turn purchase goods and services. With fewer fans traveling to attend games this season, however, direct spending will likely fall as fewer visitors eat at local restaurants, stay in hotel rooms for the weekend, or purchase team merchandise. In Tallahassee, for example, local spending received a boost during the 2018-2019 season which attracted 219,600 out-of-town visitors and contributed \$51.1 million in spending to local businesses. At Garnet and Gold, a local FSU apparel store, limits on fan attendance and tailgating has made it difficult for the company to fill stores that would typically be packed on game days in other seasons. In Gainesville, the Gator football program had a direct impact of \$71 million on direct spending during the 2018-2019 football season. At Ballyhoo Grill, a local restaurant down the road from the Swamp, the owner voiced his concern over seeing sales drop at least 50 percent compared to previous seasons. Fewer fans means college towns may miss out on tens of millions in direct spending.

### FEWER LOCAL JOBS

For businesses in each city, a loss in direct spending translates into lower revenues and potentially fewer jobs. Particularly at risk are businesses within each area's Leisure and Hospitality industry, comprised of establishments such as restaurants, bars, entertainment venues, hotels, and bed and breakfasts. Already under immense pressure from the pandemic's lingering effects, these companies face added strain from a limited football season.

According to the U.S. Bureau of Labor Statistics, tourism related employment in Florida's college towns ranges from 12,800 in areas such as Gainesville to over 187,000 in cities such as Orlando (see Table 1). For areas such as Tallahassee, the college football season's \$51 million in direct spending goes to support around 15,500 Leisure and Hospitality jobs (9.2 percent of total jobs) with average annual wages of \$17,399. Orlando has the highest tourism employment with around 187,800 employees (15.5 percent of total jobs) with wages around \$29,000.

There are inherent difficulties in estimating the potential impact to employment from an abbreviated football season. However, following significant game-altering events in the past, such as Hurricane Irma in 2017, the loss of Leisure and Hospitality jobs in college towns numbered 17,100—signifying a 2.6 percent drop over a month. As such, the table below estimates a potential impact between one and ten percent across college towns (see Table 2). Just under 26,000 total jobs would be affected if a 5 percent reduction in each town's Leisure and Hospitality industry were to occur. When taking into account the average annual wages of \$25,638, total income loss could amount to \$665.8 million under a 5 percent scenario.

## REDUCED TAX REVENUE

Finally, for many local economies, a loss in sales and a potential reduction in work force have the added effect of reducing tax revenue that would usually go to support local development projects. In a prior academic study, college football teams in Florida were found to have a statistically significant impact on taxable sales. According to the Florida Sports Foundation, collegiate athletics in Florida provide over \$141 million annually in state and local tax revenue around the state.

For many local economies, such as Orlando, Gainesville, and Tallahassee, governments levy tourist development taxes (TDT) on hotel and resort stays to fund local development projects. In Orlando, the tax goes to support tourism venues such as the Dr. Phillips Center for the Performing Arts, the Convention Center, and more. Throughout previous months, Orlando's TDT revenues have been 95 percent lower than corresponding months in 2019. In smaller cities, such as Tallahassee, there is predicted to be a \$2.09 million reduction in TDT revenue in the current fiscal year. The losses have led to subsequent cuts in a range of local projects from the VISIT Tallahassee marketing agency to the Amphitheater Concert Fund.

TABLE 1 - LEISURE AND HOSPITALITY EMPLOYMENT IN COLLEGE AREAS

AREA	AUG 2020 EMPLOYMENT	% OF TOTAL JOBS	AVG. ANNUAL WAGES
Gainesville (UF)	12,800	9.2%	\$20,399
Tallahassee (FSU)	15,500	9.0%	\$17,039
Miami (UM/FIU)	109,400	9.6%	\$33,627
Boca Raton (FAU)	64,100	11.0%	\$28,222
Orlando (UCF)	187,800	15.5%	\$29,170
Tampa (USF)	129,800	9.8%	\$25,311

Source: U.S. Bureau of Labor Statistics, Florida MSA Economies at a Glance, Retrieved from <https://www.bls.gov/regions/southeast/florida.htm#eag>

TABLE 2 - POTENTIAL JOBS IMPACTED

AREA	1% REDUCTION	5% REDUCTION	10% REDUCTION
Gainesville	128	640	1,280
Tallahassee	155	775	1,550
Miami	1,094	5,470	10,940
Boca Raton	641	3,205	6,410
Orlando	1,878	9,390	18,780
Tampa	1,298	6,490	12,980
<b>Total</b>	<b>5,194</b>	<b>25,970</b>	<b>51,940</b>

## CONCLUSION

College football teams serve as important economic drivers in their local communities. Not only do home games produce revenue for athletic departments and their universities, they also have a positive impact on the surrounding economy when visitors produce local spending, support various jobs, and generate tax revenue. Yet with the COVID-19 pandemic shaking up the season, it goes without saying that this college football season will be unlike any before it with enormous implications for teams, universities, and communities alike.

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