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Paying for the Saints
January 2005
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BGR
The Bureau of Governmental Research is a private, nonprofit, independent research organization dedicated to informed public policy making and the effective use of public resources for the improvement of government in the New Orleans metropolitan area.

The report is available on BGR’s website, www.bgr.org.

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Executive Summary

The New Orleans Saints and the State of Louisiana are in the midst of negotiations that will determine whether the Saints remain in New Orleans. The scenario placed on the table by the Saints involves renovation of the Superdome and continued inducement payments in an indeterminate amount. The Governor has issued a separate proposal that calls for a Superdome renovation, partially funded by the Saints, and scaled-back inducement payments.

Sports subsidies present communities with difficult political and financial decisions. Analysis is often complicated by inadequate financial information and the strong emotions that swirl around the subject. In this report, BGR seeks to provide policymakers and the public with background information relevant to current negotiations with the Saints. Specifically, BGR does the following:

- It places the current debate over Superdome renovations and other subsidies for the Saints in the national context.
- It describes the public’s current financial commitments for sports and the cost of proposed stadium and team subsidies for the Saints.
- It provides information to help the public understand economic impact studies of professional sports teams.
- It reviews the most recent economic impact studies of the Saints and the Superdome.
- It examines the State’s and local governments’ relative shares of the fiscal costs and benefits of the Saints.

In addition, BGR identifies a number of issues that should be addressed before any deal is finalized.

Saints' Subsidies in the National Context

Local and state governments trying to attract or retain teams run straight into the economic realities of the National Football League. First and foremost, the supply of teams is less than demand, creating intense competition for franchises. Communities that do not respond to requests for subsidies run the risk of losing their teams. Secondly, local revenues generated by teams at their respective stadiums have become critical to paying high-priced athletes and enhancing team revenues.

A number of factors place New Orleans at a disadvantage relative to other NFL cities in producing local revenues. The New Orleans area has a relatively small population, low household income, and few large businesses compared to other NFL cities. In addition, the Superdome lacks the modern seating, advertising, and other amenities found in many other NFL stadiums.

Other communities have spent heavily to overhaul their stadiums or build new ones to increase the revenue potential of their teams. The Saints, however, enjoy an unusually rich deal, even by NFL standards. The team is one of only eight NFL teams that play in a stadium built exclusively with public funds. (The Saints invested $10 million in luxury suites in the 1990s.) It is one of only two teams that enjoy substantial revenue guarantees.

Public Expenditures for Sports in New Orleans

The Superdome renovation would add to the extensive local investment in professional sports. So far, the public has invested, or committed to invest, a total of $1.4 billion in professional sports facilities and teams. Public expenditures and commitments for the construction, operation, and past renovations of the Superdome total approximately $869 million. In addition, the public has provided, or com-
mitted to provide, $224 million for the Saints. (The above numbers are in constant 2004 dollars.)

**Reasons for Investing in Sports**

If the cost of sports investment is substantial, why do communities do it? They point to a variety of benefits. Some, such as civic pride or a city's "major league" image, are intangibles that cannot be measured. National television broadcasts market the city to potential tourists and investors in other cities. Proponents of subsidies claim that teams are important economic development engines for a community.

The economic development argument has sparked significant debate nationwide. Projections made in studies commissioned by teams and governments typically point to large impact numbers; one recent review of teams and stadiums found projections ranging from $71 million to $319 million a year. Some academics, on the other hand, maintain that the local economic impact of sports teams and facilities is statistically insignificant.

Local impact studies of sports teams and facilities show substantial numbers. A study by Dr. Timothy Ryan found that in 2002 the Saints had an economic impact of $402 million and a fiscal impact of $25.8 million for state and local governments. A study of the Superdome prepared by the former MetroVision Economic Development Partnership found an average annual economic impact of $677 million from 1994 to 2000 and an average fiscal impact of $42.5 million.

While carefully prepared economic impact studies provide decision makers with useful information, it is important to understand their import and limitations. Many factors can significantly impact the accuracy of projections. These include the quality of the underlying data, the assumptions used, the choice of geographic area, and proper identification of new dollars and leakages.

With the help of consultants, BGR reviewed the local studies. The review was limited to matters that appeared on the face of the reports and did not include an examination or evaluation of the underlying data or assumptions. BGR found that, although both studies made adjustments to include only new dollars, the Saints study did not adjust for immediate leakages related to higher-than-average tax and savings rates associated with higher incomes. As a result, the total economic impact of the Saints — and the related fiscal, earnings, and employment impacts — appear to be overstated.

**Other Evaluations**

Quantifying the economic and fiscal impacts of a project is only one step in considering a project. To determine whether the investment is likely to produce the desired return, fiscal impacts should be compared to the public’s investment. The return should then be considered against the projected return from other potential investments. In addition, as BGR recommended in its recent report on economic development in New

---

### Estimated Tax Revenues, by Jurisdiction ($ millions)

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<th>2002</th>
<th>2003</th>
<th>2004</th>
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### Estimated Costs of Saints’ Subsidies, by Jurisdiction ($ millions)

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</tr>
<tr>
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<td>$18.0</td>
<td>$21.5</td>
<td>$11.0</td>
</tr>
</tbody>
</table>


BGR calculations. Estimated tax revenues for the 2002 season are taken from Dr. Timothy Ryan’s economic impact study for the Saints. BGR adjusted the estimates by crediting hotel occupancy tax revenue to the metro area, instead of the State. It made the changes because those revenues are committed to local uses. BGR increased the 2002 projections by 3% per year for the 2003 and 2004 seasons, and reduced them by 3% for the 2001 season. Costs include taxes used to fund the team’s annual inducement payments and other team subsidies in those years.
Orleans, any investment should be considered in the larger context of the community’s needs and priorities.

Analyzing opportunity costs and needs are beyond the scope of this study. They are, however, matters that should be carefully considered by elected officials before they commit to additional sports subsidies.

**Costs and Benefits: A Disconnect**

Governor Blanco has indicated that the funds required to retain the Saints should come from the New Orleans area, rather than the state at large. This is a premise that bears reexamination, given that the State receives the largest share of the tax revenue generated by the Saints.

Although the State is obligated to pay, or to have the Louisiana Stadium and Exposition District (LSED) pay, the annual inducement payments to the team, the funds used to make the payments have come primarily from local sources. The table at the left presents a breakdown of public tax revenues and funding sources (other than the LSED’s self-generated revenues) for the Saints from the 2001 to 2004 seasons. The 2004 figures do not include the $7 million to $7.5 million unfunded gap in the Saints’ inducement payment coming due in July 2005 for that season. If local tax sources are used to cover this shortfall, the local burden would rise significantly. Similarly, the local share of the burden for the 2003 season will increase significantly, and the State’s portion decrease, if the borrowing for that inducement payment is repaid from local revenues.

Any plan to provide additional funding for inducement payments or to renovate the Superdome to increase the Saints’ revenue potential should take the State’s tax revenues into account.
Introduction
When people think of New Orleans, the city’s distinctive architectural, culinary, and musical heritage readily come to mind. While these are common cultural associations, the City also has a long-standing love affair with professional sports.

Over the years, the City has played host to a number of teams. Currently, New Orleans is home to two major league teams. The Saints, an NFL team, have played in New Orleans since the team was created in 1967. The New Orleans Hornets, a National Basketball Association (NBA) team, relocated to New Orleans from Charlotte in 2002. Two other professional teams play in the local area: the New Orleans VooDoo, an Arena Football League team, and the New Orleans Zephyrs, a minor league baseball team.

The public has invested heavily to support sports teams. In 1975, the LSED used public funds to build the Superdome. In 1997, it completed Zephyr Field for the Zephyrs, and in 1999 it built the New Orleans Arena in the hope of attracting an NBA team. In addition, the State and local tax recipient bodies have provided various other subsidies, in the form of cash, tax abatements, and guarantees, to retain the Saints and induce the Hornets to relocate here.

The cost of supporting the teams and facilities is high, with increasing pressure on the public to commit even more resources to professional sports. Currently, all eyes are focused on the Saints and what it will take to keep them in New Orleans.

New Orleans is not alone in feeling pressure, but it suffers from demographic weaknesses that make it more difficult to support major league teams at the revenue levels they seek. The subsidy requests are greater, and the community’s negotiating posture weaker, than for many other professional football communities. Ironically, some of the demographic weaknesses that the Saints cite to support subsidy requests also create competing pressures on public funds.

The Saints: Current Situation

In 2001, the Saints filed an arbitration demand against the State, claiming that the State had failed to maintain the Superdome to NFL standards. In the negotiations that followed, the team asserted that the Superdome lacked the amenities that would allow it to generate more revenue and keep the Saints financially competitive with other NFL teams, many of which play in markets bigger and wealthier than New Orleans. The team demanded a new stadium, arguing that this would allow the Saints to generate more stadium revenues.1

The State refused to fund a new stadium, but agreed to provide the team with inducement payments totaling $180.5 million over a 10-year period. The inducements were designed to put the Saints in the “middle of the pack” in terms of league revenues. Both the team and the State considered this an interim measure until the two sides could agree to a long-term stadium solution.2

In 2004, Governor Blanco directed the LSED and the Ernest N. Morial New Orleans Exhibition Hall Authority (the Exhibition Hall Authority) to study the possibility of combining a new stadium with the Phase IV expansion of the Ernest N. Morial New Orleans Convention Center. In addition, Governor Blanco asked the LSED to study three other options: building a new stadium at the current site of the Iberville public housing development, renovating the Superdome, or extending the current inducement package with no renovations or new construction.

The LSED’s and Exhibition Hall Authority’s consultants released their respective findings in December 2004. The Exhibition Hall Authority’s consultant recommended continuing with the Phase IV expansion at the size planned four years ago.3 The LSED’s consultants recommended renovating the Superdome.4 They cited a number of problems with constructing a new stadium, including political opposition, a price tag that could exceed $600 million, and the inability of the local market to support both a
new stadium and the Superdome. They thought that the remaining option — paying financial inducements in lieu of renovating the Superdome — would hamper the Superdome’s ability to attract and retain major events and hurt the facility’s long-term usefulness. The consultants estimated that an additional 10 years of inducement payments would cost between $263 million and $328 million.

The consultants noted that the Superdome, built nearly 30 years ago, is approximately the same size as modern-day NFL stadiums. However, it lacks the revenue-generating amenities and seating arrangements of these stadiums. To correct the stadium’s deficiencies, the consultants proposed a $168.6 million renovation.

While the studies were underway, the Saints floated their own proposal. The team indicated a willingness to play in either a renovated Superdome, provided they continued to receive annual inducements, or a new stadium. They offered to credit incremental revenue gains from the renovated Superdome against the State’s annual payments. Although the Saints did not specify the form or the amount of the inducements, they expressed a desire to remain “in the middle of the pack” in terms of revenues vis-à-vis other teams. They also indicated that they were willing to work with developers on several ancillary projects, including a tailgate park and a sports-themed entertainment complex adjacent to the Superdome, and to make an investment in youth sports. Under the renovation scenario, the Saints would extend their lease until 2020.

In January 2005, the Governor proposed a Superdome renovation based on the LSED’s consultants’ plans, an undetermined reduction in the amount of inducement payments, and renegotiation and extension of the lease to 2025. The Governor asked the Saints to fund at least $40 million of the renovation costs and to apply new revenues generated by the renovations against future inducement payments. The balance of the funds would come from refinancing LSED debt and issuing additional debt supported by new revenue sources in the range of $10 million and $12 million a year. In addition to funding debt service on the renovations and future inducement payments, the new revenue sources would cover repayment of $7.5 million borrowed by the LSED from the State to make the inducement payment for the 2003 season, unfunded maintenance work for the Superdome and Arena, and certain other LSED obligations.

The Governor has indicated that the funding should come from the New Orleans area, but she has not proposed specific new revenue sources. Rather, she has identified a variety of options, such as increases in hotel occupancy and car rental taxes and a new ticket and concessions tax.

The Saints have asked the State to negotiate a long-term solution prior to the 2005 legislative session, which begins April 25. This is not the only date that is creating pressure on negotiations. In May 2005, the NFL will decide the finalists for the 2010 Super Bowl. The Saints say that for New Orleans to be eligible the team must have a long-term stadium agreement. At the end of the 2005 football season, the Saints may opt out of the current lease agreement and pay a penalty of $81 million. The NFL’s interest in landing a team in Los Angeles has fueled speculation about a potential Saints’ relocation there. In 2007, the State may elect not to pay the final three years of inducement payments. If the State does so, the Saints would have the right to terminate the lease without penalty.

How NFL Teams Make Money

Understanding the Saints’ demands requires a familiarity with the revenue sources for NFL teams. Basically, teams receive shared and non-shared revenues.

NFL teams receive equal shares of four league-wide revenue streams: the sale of national television broadcasting rights, 34% of ticket receipts from all games, NFL merchandise licensing revenue, and a portion of premium seat rental revenue. It is estimated that each team received approximately $100 million of shared revenues for the 2003 season, mostly from television contract revenues.
NFL teams also receive revenues they do not share with other teams. These locally generated revenues generally include the remaining portions of ticket receipts and premium seat rentals, concessions and parking revenues, revenues from stadium advertising and sponsorships (including the sale of stadium naming rights), and revenues from merchandise sales.

Under the Saints' Superdome lease, locally generated revenues include the portions of ticket receipts and club or other premium seat rental revenues that are not shared on a league-wide basis, as well as all local broadcasting rights fees during preseason games. The lease also entitles the team to receive, among other revenues, 42% of gross revenues from concession and merchandise sales; all gross receipts from game-day parking; reimbursement of certain marketing expenditures to market the Superdome; and rental revenue from certain Superdome box suites. The LSED remits these revenues to the Saints. From the 1994 to 2003 seasons, lease revenues received by the Saints totaled $65.7 million.

A team's success in generating non-shared revenues depends on the wealth of its local market, the amenities of its stadium, its marketing skill, and its performance on the field. The Saints argue that the economic constraints of the New Orleans market and the limited revenue potential of the Superdome, both discussed in greater detail later in this report, have hampered the team's ability to raise non-shared revenue. The team's six losing seasons in the past 10 years have not made its job easier.

**National Trends**

**Sophisticated Stadiums**

The Saints' quest for a new or renovated stadium fits into the national pattern. Sixteen of the 32 teams in the NFL play in stadiums that have been built since 1990. Another five teams play in stadiums that have been substantially renovated since 1990. Two other teams, the Arizona Cardinals and the Dallas Cowboys, have received approvals for public financing of new stadiums.

New stadiums are designed to maximize the potential for greater locally generated revenues. They offer amenities for the club seats and luxury suites that are unavailable in older stadiums, attract higher prices for naming rights, and, where demand exists, allow teams to charge higher ticket prices.

The financial rewards for a team from a new stadium can be significant. Based on NFL team financial data made public in a 2001 lawsuit, five teams that opened new stadiums during the period from 1995 to 1999 saw immediate gains in local revenues ranging from 64% to 139%, or increases of $20 million to $35 million. In 1999, all five teams were in the top 10 in the NFL in local revenues. The teams increased expenditures on player compensation by 9% to 50% in the first year of new stadium operations. Operating profits for four of the five teams increased by 84% to 197%. The other team, the Carolina Panthers, turned a $13.6 million operating loss into a $15.4 million operating profit.

By contrast, the Saints' local revenue rose only 19% over the period, and its relative ranking for local revenue fell from 11th to 25th in the NFL. In 1999, the team's local revenue was nearly $10 million below the league average of $45.3 million. The Saints' operating profit fell from 7th to 31st in the NFL. Of the other NFL teams ranking lowest in operating profits in 1999, two now play in new stadiums, one plays in a substantially renovated stadium, and another will begin play in a new stadium in 2006.

The revenue-generating amenities of new NFL stadiums have driven up construction costs. In the late 1960s and early 1970s, football stadiums cost between $92 million and $134 million in 2004 dollars. Stadiums built within the past two years have ranged between $315 million and $510 million. New stadiums planned for the Cowboys, Colts, Giants, and Jets will cost well in excess of $600 million. The Superdome was an anomaly in 1975 with a cost of $163 million. This would equate to $566 million in 2004 dollars.
The total price tag for NFL stadiums built since 1990 is nearly $5.2 billion; major stadium renovations total another $1.3 billion. On a per-seat basis, these costs average $4,700 and $4,000, respectively.

**Public Subsidies for Stadiums**

Only a handful of the new stadiums have been built without some form of public assistance. Even in cases where the public did not contribute to the cost of stadium construction, it invested heavily in supporting infrastructure.

Still, it is rare that new stadiums or major renovations are completely funded by the public. Since 1990, the public paid the full costs of only two NFL stadiums and one major NFL stadium renovation. For new facilities built since 1990, the public invested an average of $200 million per stadium.

A number of factors have contributed to substantial public investment in professional sports. First and foremost, major sports leagues operate as monopolies, with the league controlling the number of teams and their locations. The NFL has kept the supply of teams lower than the demand. This has intensified the competition among cities and inflated the subsidies that they are willing to provide.

Cities, for their part, often view professional sports teams as a source of civic pride and an image enhancer that gives the city big-league status. In addition, they think that major league sports contribute positively to the quality of life, making an area more appealing to businesses and people. The teams are viewed, rightly or wrongly, as economic engines.

Cities that do not respond to requests for subsidies run the risk of losing their teams to others willing to provide new publicly financed facilities and other subsidies. For example, Los Angeles lost both of its NFL teams to smaller cities that offered new or renovated stadiums. Interestingly, the NFL is now increasing the pressure on other communities by seeking to move an existing team to Los Angeles.

New York City, San Francisco, Minneapolis, San Diego, and Indianapolis (discussed below) are among the NFL cities considering new stadiums for their teams. Voters in Missouri and Kansas recently defeated a bi-state tax proposal that would have generated funds to build a new stadium for the Kansas City Chiefs. However, Kansas City voters, hoping to attract an NBA or National Hockey League team, did approve financing in August 2004 for an arena.

**Small Market Blues**

While public subsidies for stadium construction or renovation are common, guaranteed revenues are far more unusual. Currently, only two NFL teams, the Indianapolis Colts and the Saints, enjoy substantial revenue guarantees. The Colts and the City of Indianapolis recently reached an agreement to build a new stadium. The agreement, which is subject to state approval, would eliminate the team’s revenue guarantee. Two other cities, San Diego and Cincinnati, provided ticket revenue guarantees in the past. Neither guarantee remains in effect.

State-of-the-art stadiums are supposed to provide a team with the facility it needs to generate increased revenues. The Saints, when seeking inducement payments in 2002, argued that inducements were necessary because the inadequacies of the Superdome limited the team’s revenue potential. Ultimately, the State provided the inducement package in lieu of the revenue-enhancing amenities that a new stadium would provide.

Given their genesis and rationale, one might expect the Saints’ inducement payments to disappear if the Superdome were renovated to provide many of the revenue-enhancing amenities found at newer stadiums. This is not what the Saints propose, however. The Saints want some form of inducements to continue even if the public invests in a major stadium renovation.

It is difficult to justify revenue guarantees on top of the public’s substantial stadium investment. The Saints attempt to do so by pointing to market demographics. They claim that market limitations will impede the Saints’ revenue potential vis-à-vis other teams, even with a new or reno-
vated stadium. In other words, no matter what stadium investment the public makes, it won't be enough to produce the revenues the Saints want.

They have a point. New Orleans' demographics are not favorable.

New Orleans ranks near the bottom of NFL cities in several key categories:

- **Population.** At 1.3 million, the population of the New Orleans area is the fourth smallest among NFL markets. In terms of population per major league franchise, the New Orleans area's 650,000 people per franchise also ranks near the bottom.

- **Television Market.** Although not directly related to the Saints' ability to generate local revenues, the size of the local television market is important to the NFL in its quest to grow national television contract revenue. The New Orleans area has the third fewest television households among NFL markets.

- **Household Income.** The effective buying income per household, which reflects metropolitan area average income adjusted for local cost of living factors, is $42,500 in the New Orleans area, one of the lowest in the NFL. Local population and income affect both ticket prices and the purchase of club seats.

- **Corporate Inventory.** Because teams rely on other businesses to purchase luxury boxes and premium seating, a strong business presence is critical. In terms of corporate headquarters with at least 25 employees and $5 million in annual sales and corporate branches with at least 25 employees, the New Orleans area's inventory of 2,280 such companies is among the smallest in both leagues. The area's ratio of approximately 11.5 companies per luxury suite is one of the lowest among major league markets. The ratio is based on the number of suites in both the Superdome and the Arena.

The limitations in the New Orleans area market have placed the Saints below league averages in revenue potential. The small number of large businesses in New Orleans has made it more difficult to sell naming rights to the Superdome. As shown in the chart at the left, average ticket prices for Saints games remained below the league average from 1995 to 2004, limiting the team's potential for increasing its ticket revenues.

The team is also limited in revenues from premium seating. As the table entitled “Premium Seating” on page 9 indicates, prices charged by the Saints for premium seating in 2001 were far below the league average and below the average for eight other small market teams.

Interestingly, the small market has not adversely affected the Saints’ attendance to the degree that one might expect. Although the Saints experienced declines in average per-game attendance in the late 1990s, attendance has rebounded since 2000. The Saints' average attendance in the 2003 season (68,000 fans) exceeded the average for all NFL games (67,000 fans).

### Wealthy Teams, Wealthy Players

The increase in public subsidies has paralleled a dramatic increase in the revenues and values of teams and players' compensation. In 2003, NFL teams averaged $167 million in revenues, more than double the $70 million average per team estimated in 1995. Forbes Magazine estimated that the Saints took in $157 million of revenues in 2003.

Increases in team revenues have been fueled in part by significant increases in revenues from the sale of broadcast rights. Networks paid the
NFL approximately $2.2 billion in the 2003 season, roughly double the amount from 10 years ago. This equates to nearly $70 million per team. Indications are that the networks’ payments will rise again. The NFL recently renewed three of its four network contracts for $2.035 billion.

The surge in revenues has led to a corresponding increase in the value of NFL teams. According to Forbes, the average value of an NFL team in 2003 was $733 million. Forbes valued the Saints at $627 million. The current owner paid $70 million ($147 million in 2004 dollars) for the team in 1985.

As owners have grown richer, so have players. Players’ rights to sell their services to the highest bidder expanded significantly in the 1980s and 1990s. Today, all major league sports permit a form of free agency, a player’s right to sign a contract with a new team after a certain period of time has passed. As free agency rights have broadened, player salaries have increased substantially. The average NFL player salary rose from $363,000 in 1990 to $1.1 million in 2001. (NFL salaries do not include benefits or other compensation, particularly signing bonuses.)

Although the NFL has imposed caps on total player salaries per team, the cap has not curtailed the rise in player compensation. This is because teams can pay substantial signing bonuses and pro-rate them against the salary cap over the life of a player’s contract. Since the NFL instituted its salary cap, signing bonuses have grown significantly in number and size. Through the 1992 season, teams paid 4,032 bonuses totaling $742 million. Between 1993 and 2001, they paid 7,537 bonuses totaling $8.5 billion.

In 2003, the Saints paid $53.6 million in signing bonuses, making its player payroll of $95.1 million the highest in the NFL that year. It should be noted that total payroll varies from year to year; for example, in the 2002 season, the Saints’ total player payroll of $54.2 million was the sixth lowest in the NFL. The five highest-paid Saints players in 2003 are listed in the following table.

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<th>Player</th>
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<th>Signing Bonus</th>
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</table>

Source: USA Today, Salaries Database.

The surge in revenues has led to a corresponding increase in the value of NFL teams. According to Forbes, the average value of an NFL team in 2003 was $733 million. Forbes valued the Saints at $627 million. The current owner paid $70 million ($147 million in 2004 dollars) for the team in 1985.
The significant compensation commanded by talented athletes has contributed to the pressure to increase local stadium revenue. This revenue, which is not shared with other NFL teams, offers a competitive advantage in attracting players.

Public Investment in Local Sports Teams and Stadiums

Discussions of public subsidies for the Saints tend to focus on the inducement payments. While those payments are considerable, they are only a part of the total public contribution to sports teams. In this section, BGR describes the public’s existing commitments to the Saints and its investment in the Superdome. It also provides an estimate of the public’s total investment in professional sports teams and the facilities in which they play.

BGR provides the public’s contribution in nominal amounts in the text and constant 2004 dollars in the accompanying tables. Constant 2004 dollars are calculated by increasing prior year amounts to reflect the historical impact of inflation and decreasing future amounts to adjust for future inflation. BGR used a discount rate of 3%. BGR did not include as subsidies locally generated revenues to which the Saints are entitled under their lease.

Saints’ Team Subsidies

The Saints’ team subsidies include cash payments, tax relief, operating cost subsidies, and capital investment in training facilities. BGR calculated these subsidies, other than investment in training facilities, over the current lease term, which runs from July 2002 to July 2011. BGR calculated the public’s capital investment in training facilities over the term of the related debt.

Cash Payments. The Saints’ lease provides for $180.5 million of inducement payments, payable over 10 years. The payments started at $12.5 million for the 2001 football season and gradually rise to $23.5 million per year.

The payments are partially satisfied by returning the Saints’ lease payments (capped at $800,000 a year) to the team. The balance can be funded by creating new revenue streams at the Superdome, such as revenue from the sale of naming rights. Unfortunately, the creation of new revenue streams has been limited, forcing the LSED to rely heavily on hotel occupancy taxes to meet its obligations. Even that revenue source was insufficient to meet the $15 million payment due for the 2003 season. The LSED covered a $7.5 million shortfall by borrowing funds from the Louisiana Economic Development Corporation. The LSED anticipates that hotel occupancy tax revenues will be insufficient to cover $7 million to $7.5 million of the $15 million inducement payment due for the 2004 season.

Operating Cost Subsidies. SMG, the private manager of the Superdome, pays most game-day operating costs for the Saints. To the extent that such costs exceed the Saints’ lease payments, BGR has included them as subsidies. According to SMG, from the 2001 to 2003 seasons, game-day costs exceeded lease payments by a total $1.6 million. BGR estimates that game-day operating costs will exceed lease payments by $4.8 million from the 2004 season through the end of the current lease term. This assumes an annual cost increase of 3%.

### New Orleans Saints’ Team Subsidies
(All figures adjusted to 2004 dollars)

<table>
<thead>
<tr>
<th>Description</th>
<th>$ millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quantified Grants and Foregone Taxes</td>
<td>$187.4</td>
</tr>
<tr>
<td>Cash Payments, 2001 to 2010 seasons</td>
<td>$164.5</td>
</tr>
<tr>
<td>Game-day Operating Costs, 2001 to 2010 seasons</td>
<td>5.9</td>
</tr>
<tr>
<td>State Grant for Indoor Practice Facility, 2002</td>
<td>6.8</td>
</tr>
<tr>
<td>LSED Debt Service for Training Facility,</td>
<td></td>
</tr>
<tr>
<td>LSED fiscal years 1995 to 2027 (1994 to 2026 seasons)</td>
<td>10.2</td>
</tr>
<tr>
<td>Total Grants</td>
<td>$187.4</td>
</tr>
<tr>
<td>Foregone Sales Taxes, 2001 to 2010 seasons</td>
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</tr>
<tr>
<td>Foregone Parking Taxes, 2001 to 2010 seasons</td>
<td>0.2</td>
</tr>
<tr>
<td>Total Foregone Taxes</td>
<td>$36.9</td>
</tr>
<tr>
<td>Total Team Subsidies</td>
<td>$224.3</td>
</tr>
</tbody>
</table>

BGR calculations. Totals may not add due to rounding. Team subsidies, other than LSED debt service, reflect only the current lease term, the 2001 to 2010 football seasons (LSED fiscal years ending June 30, 2002 to 2011); LSED debt service on the training facility covers LSED fiscal years ending June 30, 1995 to 2027.
Tax Relief. The Saints are exempt from state and local sales, use, and other taxes on tickets, concessions, merchandise, and parking revenues at the Superdome. Although the State Legislature granted the exemption in 1985 to assist the Saints, it is not team-specific; it applies to all events at the Superdome. The team is not exempt from personal property taxes and income taxes. BGR estimated foregone sales taxes at $39.8 million and foregone parking taxes at $234,000 for the 2001 to 2010 seasons.

Capital Investment in Training Facilities. In 1995, the LSED issued $6 million of bonds to build the Saints a training facility and offices on LSED land in Metairie. The bonds are payable from hotel occupancy tax revenue. Through June 30, 2004, debt service for the training facility totaled $3.4 million. Future debt service will total $9.1 million. The LSED owns the facility and leases it to the Saints. The Saints pay the operating costs of the facility.

The State gave the Saints $6.75 million for an indoor practice facility on LSED land adjacent to the team's Metairie training facility. The facility, which cost approximately $18 million, was completed before the 2003 season. The Saints paid the remainder of the construction costs.

The table at the bottom of page 10 outlines the public's current commitments to the Saints, adjusted to constant 2004 dollars.

The Superdome

In 1966, immediately after the NFL awarded New Orleans an expansion franchise, voters approved a constitutional amendment creating the LSED in Orleans and Jefferson Parishes, and authorizing it to levy a hotel occupancy tax in both parishes. The LSED was given broad discretion to build sports facilities, related facilities, and other structures on property it owns.

Construction and Renovation Investment. The LSED acquired the land for and built the Superdome. The estimated cost at the time of voter approval was $39 million. This estimate was less than a quarter of the $163 million ultimately spent to construct the stadium. To pay for most of the Superdome, the LSED issued $134 million of bonds.

In 1969, the LSED leased the facility to the State. The State agreed to make "rental" payments in amounts needed to pay principal and interest on Superdome bonds, less LSED hotel occupancy tax collections and stadium revenue used for debt service. The State paid a total of $33.2 million in rental payments, with approximately $25.4 million used for debt service and the remainder held in reserve. The State's obligation terminated in 1994.

In 1994, the LSED refinanced the remaining $54 million of Superdome construction bonds with bonds payable solely from hotel occupancy taxes. BGR estimates total debt service on Superdome-related construction debt, from LSED fiscal year 1977 through the maturity of the LSED's debt in fiscal year 2027, at approximately $294 million.
The LSED incurred additional debt for Superdome renovations. In 1990, it borrowed money from the Superdome concessionaire to improve the concession areas. The loan was repaid in 1999. It issued bonds in 1995 to fund new artificial turf, enhanced seating, food courts, and other improvements. The bonds mature in LSED fiscal year 2027. BGR estimates debt service for the renovations at $3.9 million and $42.1 million, respectively.

In addition, the State gave the LSED approximately $21.9 million in grants for Superdome capital projects prior to 1994. The Saints invested approximately $10 million in the construction of new suites at the Superdome in the 1990s.

All of the LSED’s Superdome bonds have qualified for the federal tax exemption on bondholders’ interest earnings. However, BGR was unable to quantify the interest savings resulting from the exemption.

Operating Cost Subsidy. LSED operating revenues at the Superdome do not cover the facility’s operating costs. Prior to 1994, the State paid $131.9 million to cover the operating deficit. BGR estimated that the LSED used $97.4 million of hotel occupancy tax revenue to subsidize Superdome operating costs from fiscal years 1995 to 2004. Assuming the subsidy continues through the Saints’ current lease term and grows at an annual rate of 3%, the subsidy will cost an additional $77 million.

The subsidies and infrastructure investments, adjusted to constant 2004 dollars, are summarized in the tables at the left.

Additional information on the public’s investment in the Hornets and Arena can be found in Appendix A. Additional information on Zephyr Field can be found in Appendix B.

Future Costs Depend on Negotiations

With a new stadium for the Saints a remote possibility, two potential outcomes of the State’s impending negotiations with the team have generated the most discussion:

The public renovates the Superdome and provides continued inducements. The Governor’s Office estimated a Superdome renovation cost of $168.6 million. The revenue estimates contemplate the Saints paying at least $40 million of the cost. If the Saints provide $40 million, the public would shoulder the remaining $128.6 million. The Governor’s Office estimates that LSED debt refinancing proceeds would cover part of this cost, but the amount has not been disclosed. The balance would come from new debt financed from additional revenue sources. The Governor has not proposed specific new revenue sources.
Rather, she has identified a variety of options, such as increases in hotel occupancy and car rental taxes and a new ticket and concessions tax.

Besides covering debt service, the new revenue sources must also fund future inducement payments, a portion of the existing inducement payments, and certain other LSED obligations. The Governor’s Office estimates that $10 million to $12 million will be needed each year. The figures assume that the Saints would continue to receive inducement payments as scheduled under their current lease until the Superdome renovation is completed. Lower inducements thereafter would create a savings for the public over its current commitments in the 2008 to 2010 seasons. (The current lease ends after the 2010 season.) However, the public’s costs would increase over the long term.

According to the LSED, some increase would be needed in any case for capital upgrades at the Superdome. At one point, the LSED estimated this work at $40 million.

The LSED anticipates that the proposed renovation would provide between $2 million and $2.5 million in increased annual revenue from other Superdome events.

The Saints leave New Orleans. If the team terminates its Superdome lease by the end of the 2005 season, it would have to pay an $81 million penalty to the State. The State’s liability for future inducements would end, saving $110.5 million due in the final five payments. The team’s departure would also save approximately $3.5 million in future game-day operating cost subsidies. The savings and penalties would be offset, however, by the loss of future state and local tax revenues attributable to the Saints, estimated by Dr. Ryan at $25.8 million for 2002. According to SMG, the Superdome could be financially healthy without the Saints; however, it would need some amount of capital upgrades.

To give readers a sense of the cost of current and potential commitments for the Saints and Superdome, BGR has prepared the following table to compare the public costs of the current commitments to those under the renovation-plus-inducement scenario. The table sets forth the annual costs under the scenarios from the start of the current Saints’ lease through a possible 10-year extension, the period from the 2001 to 2020 seasons. Commitments under the current lease are calculated on the basis set forth on pages 10-11. All figures have been adjusted to constant 2004 dollars.

### Current and Potential Commitments to Saints and Superdome, through 2020 season

(All figures in $ millions of 2004 dollars)

<table>
<thead>
<tr>
<th>Saints Season</th>
<th>Current Commitments to Saints &amp; Superdome</th>
<th>Projected Commitments to Saints &amp; Superdome with Renovation</th>
<th>Increase (Decrease) of Annual Commitments</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>$34.3</td>
<td>$34.3</td>
<td>$-</td>
</tr>
<tr>
<td>2002</td>
<td>36.4</td>
<td>36.4</td>
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<tr>
<td>2003</td>
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<td>37.3</td>
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<tr>
<td>2004</td>
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<td>-</td>
</tr>
<tr>
<td>2005</td>
<td>33.3</td>
<td>44.6</td>
<td>11.3</td>
</tr>
<tr>
<td>2006</td>
<td>37.3</td>
<td>37.3</td>
<td>-</td>
</tr>
<tr>
<td>2007</td>
<td>36.7</td>
<td>36.7</td>
<td>-</td>
</tr>
<tr>
<td>2008</td>
<td>39.0</td>
<td>27.9</td>
<td>(11.1)</td>
</tr>
<tr>
<td>2009</td>
<td>38.3</td>
<td>27.8</td>
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<td>37.6</td>
<td>27.6</td>
<td>(10.0)</td>
</tr>
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<td>2011</td>
<td>14.0</td>
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</tr>
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<td>2012</td>
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<td>2017</td>
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</tr>
<tr>
<td>2020</td>
<td>13.0</td>
<td>26.6</td>
<td>13.6</td>
</tr>
</tbody>
</table>

BGR calculations. Totals may not add due to rounding. Current commitments for the Saints include the existing Saints’ inducements, game-day costs, foregone taxes, other operating subsidies, and debt service on the Saints’ training facility. Current commitments for the Superdome include BGR’s estimates of (i) LSED debt service for the Superdome construction and renovation bonds and (ii) the amount of LSED hotel tax needed to cover Superdome operating deficits. (The LSED debt currently extends through 2027.) Projected commitments for the Saints assume the payment of existing inducements for the 2004-2007 seasons, and (ii) the amount of LSED hotel tax needed to cover Superdome operating deficits. (The LSED debt currently extends through 2027.) Projected commitments for the Saints assume the payment of existing inducements for the 2004-2007 seasons, and (ii) the amount of LSED hotel tax needed to cover Superdome operating deficits. (The LSED debt currently extends through 2027.) Projected commitments for the Superdome assume the continuation of existing Superdome construction and renovation debt service, new Superdome renovation debt service, and the continued Superdome operating cost subsidy, less new annual revenue from non-Saints events. BGR assumed that the collection of revenue from new sources would commence in the 2005 season, but that revenues from the new sources would not be used to meet Saints’ inducements until the payment for the 2006 season.
What Does the Public Get in Return?

Despite the significant costs of stadiums, many communities have decided to invest in them. They do so for a number of reasons. Many people view professional sports teams as amenities that enhance the quality of life, making an area more appealing for residents and businesses. They consider teams to be a source of civic pride and important image enhancers that give a city "major league" status. In addition, national television broadcasts of games market the city to potential tourists and investors in other cities.

Teams are also generally viewed as economic engines. Whether this is indeed the case is the subject of some debate. Many commissioned studies have produced large impact numbers that seem to far outweigh the requested subsidy. One recent review of teams and stadiums found economic impact projections ranging from $71 million to $319 million a year. Some academic researchers, on the other hand, have found that few sports teams or stadiums generate statistically significant increases in local income, job creation, or regional economic vitality. In a few cases, they have found the effect on the local economy to be negative.

To help the public understand the implications and limitations of economic impact studies and the ongoing debate, BGR describes in broad terms how economists estimate economic and fiscal returns. It then reviews the Saints and Superdome studies in light of certain general principles.

Understanding Economic Impact Studies

Choosing the Approach

A critical issue in preparing impact statements is the choice of methodology. One is based on statistical analysis of historic economic trends, the other on projections. The former approach, used by some academic researchers, begins with statistical data for the subject economy as a whole and uses regression analysis to measure changes attributable to the arrival of a sports team or stadium. The model shows whether the team or stadium has a statistically significant economic impact, i.e., a measurable change that is not the result of random chance. To project the impact of a team or stadium on a city without one, some academic economists analyze actual impacts in comparable cities and adjust the results to reflect the economic characteristics of the subject area.

The projection approach begins with the subject team or stadium, rather than the economy as a whole. Using team/stadium expenditure and employment data, assumptions, and a model that facilitates the estimation of economic impact, the economist estimates the net impacts of the project on the local economy and government revenues. There are several models available. The most widely used are the U.S. Bureau of Economic Analysis (BEA) RIMS II multiplier system, the Implan model, and the Regional Economic Models Inc. model. The Saints and the Superdome studies used the RIMS II multiplier system, which is summarized in the following discussion.

To some extent, the difference in the methodology accounts for the difference of opinion between the academic studies and the commissioned studies referred to above. The academic findings deal primarily with statistical significance. Therefore, it is possible that a team or stadium may have a positive impact, but not cause a statistically significant change in the overall economy. The RIMS II and other widely used impact models generally do not compare their quantified impacts to the overall economy. BGR found that the two approaches generally point to a similar, over-arching conclusion: sports projects are small parts of local economies. Some academic research reviewed by BGR found that sports teams and facilities constitute less than 1% of a local economy. If the results of commissioned studies were compared to the size of their respective economies, their hundreds of millions of dollars of economic impact would probably yield a similarly low percentage.

For example, the $162 million earnings impact of the Saints, discussed below, is small in comparison to the rest of the New Orleans economy.
equates to less than 1% of the total personal income in the New Orleans area economy in 2003. The projected $275 million earnings impact of the Superdome constitutes a slightly larger percentage of the economy.

**What Do Economic Impact Studies Measure?**

Economic impact studies based on the projection method measure a project’s net impact on the expansion or contraction of the economy. The studies may show the net impact in terms of changes in local output (spending impact), personal income (earnings impact), jobs (employment impact), or other indicators.

Economic impacts may lead to, but are not the same as, fiscal impacts: changes in a government’s revenues and expenditures. Economic impacts also differ from intangible benefits, such as "quality of life" improvements.

**Determining Economic Impact**

Total economic impact includes both direct and indirect impacts. Direct impacts are the initial changes in local business activity occurring as a direct consequence of a business decision (e.g., having a professional sports team). To arrive at direct impacts, the economist generally must determine the new dollars generated by the change in business activity. Indirect impacts are the additional sales, jobs, or other changes in local business activity generated by the direct impacts. For example, if a sports team purchases goods from a supplier in the local area, there is a direct impact on the local economy. If that supplier then spends its new revenue on other local goods and services, there is an indirect impact.

In broad outline, the total economic impact from a project is calculated by applying multipliers to the direct impact from a project. Multipliers are numerical factors used to determine the subsequent economic effects of initial changes in business activity.

While the process sounds simple, calculating economic impact is not a cut-and-dry process. The accuracy of the projections ultimately depends on the quality of the underlying data, the assumptions used, the adjustments made to accommodate anomalies, and correct identification of the relevant geographic area.

BGR’s research indicates that economists generally agree on certain basics:

- **Choosing the appropriate geographic area is critical.** Selecting the appropriate geographic area is an important preliminary step. Using too large a geographic area may overstate the benefits and distort comparisons against costs, since dollars leak from smaller areas at faster rates.

Where the goal is to determine the return to the investing public, the geographic area should generally correspond to the region funding a project. There are, however, cases where it makes sense to use a different area. For example, where the goal of a project is to assist a specific neighborhood, impact can be measured in that neighborhood, regardless of whether the funding comes from a larger area.

- **Only new dollars should be included in direct spending.** In calculating direct spending impacts, such as a team’s payroll and other expenditures, economists should count only purchases made using dollars that are new to the economy. Such dollars include the team’s shared revenues, such as national television contract revenues, the portion of in-stadium revenues generated by visiting fans, and a small portion of in-stadium spending by local fans. Calculations of out-of-stadium direct spending should include only dollars spent by visitors who come to town primarily to attend a game or other stadium event.

- **Local Fan Spending.** Most game-day spending by local fans, both inside and outside the stadium, does not introduce new dollars to the economy. Because sporting events are part of a larger entertainment marketplace, a "substitution effect" occurs. The local fans’ spending on the games largely displaces dollars that they would otherwise have spent on other local entertainment, such as movies and restaurants. BGR found estimates of the substitution effect ranging from two-thirds to more than 80% of local spending.
Day Trippers and Overnight Travelers. In calculating out-of-stadium spending, it is important to distinguish between day trippers and overnight travelers. Day trippers drive into town for the game and leave the same day. Generally, their out-of-stadium spending is relatively low; estimates in some studies have ranged from $10 to $30 a day. Most of their spending occurs inside the stadium.

Overnight travelers spend considerably more than day trippers, perhaps $200 or more per day on lodging, restaurants, and other expenses. However, their out-of-stadium spending should be included only if the traveler came to town primarily to attend the game. Where game attendance is incidental to the purpose of their trip, including non-stadium spending would result in an overstatement of impact. Visitor spending may also be overstated if the visitor would have spent the money he used for the game on another form of entertainment in the city.

Direct spending should be reduced to account for leakages. Certain dollars spent by teams immediately leave the local economy. For example, a significant portion of the new dollars supporting the compensation paid to players never makes it to the local economy because some players reside out of town during the off season. According to BEA, this portion is not available for re-spending and should not be included in calculations of indirect impact.

High-income individuals generally have above-average savings and investment rates. The BEA recommends reducing direct spending to take this into account. The recommended adjustment compensates for the fact that the BEA multiplier for household spending assumes only a national personal savings rate, which currently is slightly more than 2% of personal income. One study estimated the savings rate for high-income players at 25%.

Professional athletes pay above-average income taxes. Although the BEA multiplier takes average household income taxes into consideration, BEA staff recommends an additional adjustment in direct spending to reflect the fact that a significantly higher portion of player compensation leaves the local economy in the form of income taxes. The BEA multipliers incorporate a tax rate of approximately 11%; the upper tax rate is 35%.

In addition, before applying the relevant multipliers to other purchases of goods and services, the economist must adjust the direct spending to include only local goods and services. These are the full costs of the goods manufactured and services provided locally, and the local wholesale and transportation costs of goods manufactured outside the area.

Careful calculation of direct impact is crucial. Errors made in calculating direct impacts are compounded through the application of the multiplier. Errors in the calculation of direct impacts also distort fiscal impacts.

Multipliers must be appropriate and carefully used. The size of the multiplier depends on the geographic area for the study. If the geographic area is a city, a low multiplier should be used because the dollars leak out quickly in the form of purchases made in surrounding jurisdictions. If the geographic area is a metro area, a higher multiplier can be used because the area retains the new direct spending for longer periods.

Some academics argue that the peculiar nature of the sports industry separates it from other amusement and recreation businesses. They maintain that sports industry multipliers should be lower to account for the wide variation in household earnings among employees and the seasonal nature of the industry.

Determining Fiscal Impacts

Once the economic impact is calculated, the economist calculates new government revenues, such as increased sales, hotel occupancy, and income taxes. In studies reviewed by BGR, the fiscal revenue impacts of sports teams and stadiums on the local geographic area were generally below $2 million per year. The fiscal impacts may be greater in cities with higher tax burdens. For example, New York City, which has a city income tax as well as sales and hotel taxes, expects new tax revenues of $9.2 million a year from the operation of the proposed New York...
Jets stadium. The figure is for the stadium only and does not include revenue generated by the related convention center.

**Comparing the Fiscal Impacts to Public Costs**

Determining economic and fiscal impacts is only a first step in analyzing public investment. The fiscal revenue impact of a project should be compared against increased costs to the public to determine the annual return on investment. The largest cost of a stadium is generally debt service. Costs also include increased public services provided on game-day, such as police and traffic control, and any other public subsidies.

Net fiscal impacts can be negative. The Citizens’ Task Force on Chargers Issues concluded that San Diego’s arrangement with the San Diego Chargers caused a slight net loss to the public in fiscal 2002, when the team’s ticket guarantee was in effect. According to the New York City Independent Budget Office, if the proposed Jets stadium/convention center facility were operated only as a football stadium, the tax revenues generated for New York City would not cover its annual debt service costs for the project.

**Local Impact Studies**

The most recent economic impact studies of the Saints and the Superdome show substantial numbers. A study of the Saints prepared for the State by Dr. Timothy Ryan of the University of New Orleans concluded that in 2002 the Saints generated $181 million in direct spending and had a total spending impact on the New Orleans area of $402 million. The study estimated that the team generated $17.7 million in new revenues for the State and $8.1 million in new revenues for local governments.

Using the 2002 estimates as a baseline, the study projected total spending impacts of $3.6 billion and $26 billion over the ensuing 7-year and 25-year periods, respectively. The corresponding state fiscal impacts were $172 million and $1.2 billion. The projections included impacts from future Super Bowls.

The study estimated that the Saints employ 480 full-time and part-time workers and support a total of 4,686 full-time and part-time jobs in the economy. The jobs were estimated to generate $162 million in earnings impact.

The research department of the former MetroVision Economic Development Partnership, now Greater New Orleans, Inc., reviewed the economic impact of the Superdome from fiscal years 1994 to 2000. The study, which focused only on visitor spending, estimated average annual direct spending of $310.8 million during the period, and a total annual impact of $677 million. The study found an average of $42.5 million a year in new state and local taxes. It included in its estimates the impact of the 1997 Super Bowl.

The study also found that the Superdome was responsible for supporting an average 10,800 full-time and part-time jobs per year. The jobs were estimated to generate an average of $275 million in earnings impact.

BGR asked Dr. Robert Baade, chairman of the Department of Economics and Business at Lake Forest College specializing in the economics of professional sports, and Economic Development Research Group, a Boston consulting group that performs economic impact analysis, to help it review the local impact studies. The review was limited to matters that appear on the face of the reports. It did not include an examination or evaluation of the underlying data or assumptions. The following observations are based on that review.

**Geographic Area.** Both the Saints and the Superdome studies measure total impact on the New Orleans metropolitan area. The area is larger than the one that bears the burden for paying team subsidies and the construction and operating costs of sports facilities. As discussed later, Orleans Parish funding sources pay for most of the Saints’ subsidies and the Superdome capital and operating costs. Dr. Ryan told BGR that he chose the New Orleans metro area because this is where the spending impacts occurred. As noted above, the economic impact of an investment increases with the size of the subject area.
New Dollars. The studies made adjustments to include only new dollars to the economy. The Saints study included only shared revenues from the NFL and visitor spending. To calculate visitor spending, the Saints and Superdome studies estimated spending by day trippers and overnight visitors on food, lodging, and other purchases unrelated to the game. The Saints study did not attempt to isolate the visitors who came to town for the primary purpose of attending the game; the Superdome study made assumptions on the point. Both Dr. Ryan and Greater New Orleans, Inc. indicated that any potential overstatement from that factor would be minimal. Both studies conservatively excluded local spending, assuming it substitutes for other entertainment spending. The Saints study reduced the team payroll portion of direct spending by 28% to account for the portion of the year when nonresident players live out of town.

Leakages. The Saints study did not reduce player payroll to reflect that high-income individuals pay taxes at a rate higher than the one reflected in RIMS II multipliers. Nor did it make any adjustment for higher-than-average savings rates associated with higher incomes. As a result, total spending impacts appear to be overstated.

Backing out estimated savings and taxes from the calculations of direct impacts would result in lower total spending, earnings, and employment impacts. However, BGR does not have the information needed to calculate the appropriate reduction. In particular, it lacks the information needed to determine the portion of the payroll to which adjustments related to high compensation would apply.

Multipliers. The Saints study uses the "bill of goods" approach, breaking down direct team spending of new dollars into categories of purchases, including labor, as recommended by the BEA. Different multipliers are applied to the individual industries affected by a project’s spending. The study states that it applied the multipliers to the relevant industry categories; the multipliers were not disclosed in the study.

The ratio of total spending impacts to direct spending illustrates the combined effect of the various multipliers used in a study. BGR reviewed a number of studies, finding ratios that ranged from 1.2 for the City of Arlington, Texas, to 2.3 for the State of Maryland. The ratios are presented in the following table. In general, the ratios increase as the geographic area expands, e.g., from cities to counties to multi-county areas to states.

<table>
<thead>
<tr>
<th>Jurisdiction, Project, Year</th>
<th>Ratio of Total Spending Impact to Direct Spending</th>
</tr>
</thead>
<tbody>
<tr>
<td>State of Maryland, Baltimore Ravens Football Team, 1999</td>
<td>2.25</td>
</tr>
<tr>
<td>New Orleans Region, Saints, 2003</td>
<td>2.22</td>
</tr>
<tr>
<td>New Orleans Region, Hornets, 2002</td>
<td>2.22</td>
</tr>
<tr>
<td>New Orleans Region, Superdome, 1994-2000 average</td>
<td>2.18</td>
</tr>
<tr>
<td>Proposed Cowboys Stadium, 2004: Tarrant County, Texas</td>
<td>1.95</td>
</tr>
<tr>
<td>City of Arlington, Texas</td>
<td>1.22</td>
</tr>
<tr>
<td>Shelby County, Tenn., New Arena, 2001</td>
<td>1.94</td>
</tr>
<tr>
<td>City of Sacramento, Calif., Proposed Arena, 2002</td>
<td>1.76</td>
</tr>
<tr>
<td>New York City, Proposed New York Jets Stadium, 2004</td>
<td>1.69</td>
</tr>
<tr>
<td>City of San Diego, San Diego Chargers Football Team, 2003</td>
<td>1.66</td>
</tr>
</tbody>
</table>

BGR research and calculations.

Job Numbers. To calculate employment impact, the Saints and Superdome studies used BEA employment multipliers, which do not distinguish between full-time and part-time jobs. This makes it difficult to gauge the employment impact of the team.

Considering Other Benefits

One ancillary benefit of an NFL franchise is the chance to host the league’s annual championship game, the Super Bowl. New Orleans has hosted nine Super Bowls, six of which have been played in the Superdome. Since many attendees are out-of-town visitors, the game pumps substantial new dollars into the economy. Estimates of its impact vary, however. In his 2003 study of the Saints, Dr. Ryan estimated that the 2002 Super Bowl had a total economic impact of $374 million. Another study in Miami estimated nearly $400 million. Some research has found much lower economic impacts from Super Bowls. A study of Super Bowls from 1970 to 2001, by Drs.
Robert Baade and Victor Matheson, found an average local income gain of $92 million in 2000 dollars.\textsuperscript{88}

Another significant benefit of stadium development may be the revitalization of a blighted urban area. The Superdome has been cited as a catalyst for revitalizing a run-down area. Other cities, such as Denver, have combined stadiums with broader revitalization efforts and enjoyed similar results.\textsuperscript{89}

### Other Considerations

An economic impact should be only the beginning point in the analysis of a significant public investment. As BGR indicated in its November 2004 report on economic development in New Orleans, any investment should be considered in light of the community’s needs and priorities. Decision makers should also consider the opportunity cost of the investment — the relative value of feasible alternative investments.\textsuperscript{90} These may range from investments in community needs, such as school renovations and street repairs, to economic development investments in other private businesses. The impacts of these investments should be calculated separately and compared against the proposed sports investment.\textsuperscript{91}

Also, local and state governments face severe limitations on their capacity to raise taxes for community investment. While the market might bear an initial increase in a tax, the increase expends a portion of this capacity. Therefore, careful consideration of community priorities for future investment is critical.

Conducting an opportunity cost analysis is beyond the scope of this study. It is intriguing, however, to consider possible alternatives. For example, does an investment that provides a small number of people with mega-salaries benefit the community as much as an investment in training or attracting the work force needed to fill the 18,844 vacant, quality jobs identified by Greater New Orleans, Inc.?\textsuperscript{92} This and other questions should be answered by the State before it commits hundreds of millions of dollars to the Saints.

### Costs and Benefits: A Disconnect

The Governor has indicated that the funds required to retain the Saints should come from the New Orleans area, rather than the state at large. This is a premise that bears reexamination, given that the State receives the largest share of the tax revenue generated by the Saints. Any plan to provide additional funding for inducement payments or Superdome renovations to enhance the Saints’ profitability should take this into account.

Tax revenues generated directly and indirectly by the Saints include income, hotel occupancy, sales, excise, and business taxes. BGR estimates that in each of the first four years of the Saints’ current lease (2001 to 2004 football seasons), the State received 63% of the total tax revenues generated by the Saints. Local governments in the New Orleans area, primarily Orleans and Jefferson Parishes, received the remainder of the tax revenues.\textsuperscript{93}

Although the State is obligated to pay, or to have the LSED pay, the annual inducement payments to the team,\textsuperscript{94} the funds used to make the payments have come primarily from local sources. The relative contributions of the State and the local area to team subsidies varied in the 2001 to 2004 football seasons, with the State’s contributions ranging from 9% for the 2001 season to 56% for the 2003 season. The respective state and local contributions for the recently completed 2004 season will depend on the amount of the anticipated shortfall in hotel occupancy tax revenues and the sources tapped to cover it. Orleans Parish generates almost all the hotel occupancy taxes paid to the LSED and foregoes local sales taxes and parking taxes at the Superdome. The State’s current burden for the team subsidies includes foregone sales taxes on the Saints’ sales at the Superdome. In the past three years, it has also made capital contributions for Saints’ facilities and loaned the LSED money to cover the shortfall in the inducement payment for the 2003 season.
On a regional basis, Orleans Parish is generating 97% of the tax revenues for the Saints’ team subsidies. Jefferson Parish is generating 3% through its share of the hotel occupancy tax. Other parishes contribute nothing. Yet the economic and fiscal benefits are distributed, albeit to different degrees, throughout the metropolitan area. The same is true for the psychic benefits, such as civic pride, major-league image, and the entertainment enjoyed by many from their identification with a local team.

In the following table, BGR presents a breakdown of public tax revenues and funding sources (other than the LSED’s self-generated revenues) for the Saints from the 2001 to 2004 seasons. The 2004 figures do not include the $7 million to $7.5 million unfunded gap in the inducement payment coming due in July 2005 for the 2004 season. If local tax sources are used to cover this shortfall, the local burden would rise significantly. Similarly, the local share of the burden for the 2003 season will increase significantly, and the State’s portion decrease, if the borrowing is repaid from local revenues.

### Estimated Tax Revenues by Jurisdiction ($ millions)

<table>
<thead>
<tr>
<th>Saints’ Season</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>State</td>
<td>$15.8</td>
<td>$16.3</td>
<td>$16.8</td>
<td>$17.3</td>
</tr>
<tr>
<td>Metro Area</td>
<td>9.2</td>
<td>9.5</td>
<td>9.8</td>
<td>10.1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$25.0</strong></td>
<td><strong>$25.8</strong></td>
<td><strong>$26.6</strong></td>
<td><strong>$27.4</strong></td>
</tr>
</tbody>
</table>

### Estimated Costs of Saints’ Subsidies by Jurisdiction ($ millions)

<table>
<thead>
<tr>
<th>Saints’ Season</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>State</td>
<td>$1.4</td>
<td>$5.6</td>
<td>$12.0</td>
<td>$1.6</td>
</tr>
<tr>
<td>Orleans</td>
<td>12.5</td>
<td>11.9</td>
<td>9.2</td>
<td>9.1</td>
</tr>
<tr>
<td>Jefferson</td>
<td>1.1</td>
<td>0.5</td>
<td>0.3</td>
<td>0.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$15.0</strong></td>
<td><strong>$18.0</strong></td>
<td><strong>$21.5</strong></td>
<td><strong>$11.0</strong></td>
</tr>
</tbody>
</table>

| Plus: Unfunded gap in Saints’ payment due for 2004 season | $7-7.5 |

BGR calculations. Estimated tax revenues for the 2002 season are taken from Dr. Timothy Ryan’s economic impact study for the Saints. BGR adjusted the estimates by crediting hotel occupancy tax revenue to the metro area, instead of the State. It made the changes because those revenues are committed to local uses. BGR increased the 2002 projections by 3% per year for the 2003 and 2004 seasons, and reduced them by 3% for the 2001 season. Costs include taxes used to fund the team’s annual inducement payments and other team subsidies in those years.

**Conclusion**

The public has committed hundreds of millions of dollars to support the Superdome, the Arena, and Zephyr Field. In the past few years, it has paid millions more in team subsidies for the Saints and Hornets. The bulk of these funds have come from a hotel tax paid by visitors to Orleans Parish and from state outlays. While other cities have made significant investments in their own teams and facilities, it is clear that New Orleans’ investment ranks among the largest in the country.

Local economic impact studies conclude that the community derives substantial benefits from the presence of sports teams. It would be a mistake, however, to take these projections as gospel. Academic literature and apparent overstatements in the local Saints study raise questions about the extent of the economic impact of sports teams.

As BGR stated in its November 2004 report entitled *On the Right Track? New Orleans Economic Development Investment in Perspective*, a positive economic impact is only a starting point for analyzing public investment. Fiscal impacts should be compared to the public investment to determine whether the investment is producing the desired fiscal return. That return should be considered against the projected return from other potential investments. Equally importantly, the investment should be considered in light of the community’s competing needs and priorities. These and other matters should be carefully considered before the State agrees to additional funding for sports.

Finally, any plan to provide additional funding to the Saints or the Superdome should take the State’s tax revenues into account.
APPENDIX A: Hornets and Arena

In this appendix, BGR provides the public’s contribution to the Hornets and Arena in nominal amounts in the text and constant 2004 dollars in the accompanying tables. Constant 2004 dollars are calculated by increasing prior year amounts to reflect the historical impact of inflation, and decreasing future amounts to adjust for future inflation. BGR used a discount rate of 3%.

Hornets’ Team Subsidies

Like the Saints, the Hornets and other NBA teams receive shares of certain league-wide revenues, including revenues from the sale of national television broadcasting rights and the licensing of NBA merchandise. Estimates of shared revenues per team were unavailable, but are significantly less than what NFL teams receive. The Hornets and other NBA teams retain their gate receipts and local broadcast rights fees. The Hornets’ lease to the Arena entitles the team to a host of other revenue streams generated locally by games and other Hornets events. These streams include, among others, arena advertising, net revenues from the sale of merchandise, licensing of premium seating, net parking revenues, and 40% of gross concessions revenue. Payments for parking and concessions for the 2002-03 and 2003-04 basketball seasons, remitted to the Hornets by the LSED, totaled $4.2 million. These revenues are not included as subsidies in the calculations below.

The Hornets’ team subsidies include cash payments, tax relief, operating cost subsidies, and capital investment in training facilities. BGR calculated these subsidies over the current lease term, which runs from June 2002 to July 2012.

Cash Payments. The Hornets have received three types of cash payments from the LSED or the State: (1) a one-time, $1.75 million state reimbursement of the team’s moving expenses; (2) an annual payment, which approximated $1 million for 2003, under the State’s Quality Jobs incentive program; and (3) an annual payment that in effect guarantees the Hornets certain amounts of revenue related to the sale of naming rights to the Arena. Because naming rights have not been sold, the LSED paid the maximum fees of $1.5 million and $1.575 million for the 2002-03 and 2003-04 basketball seasons.

The State also committed to reimburse the Hornets for any relocation fee imposed by the NBA, at a rate of 20% per year up to $1 million per year and $5 million aggregate. The full amount will be payable, since the NBA imposed a fee of $30 million payable over five years beginning in October 2005 (state fiscal year 2006). In addition, the State has guaranteed the Hornets minimum annual revenues from arena club seats, luxury box seats, and various advertising venues, committing to make payments of up to $2 million if revenues from these sources fall below $18 million. The State has not made any payments under this guarantee.

Operating Cost Subsidies. SMG, the private manager for the Arena, pays game-day operating costs up to a specified amount, which begins at $1.1 million and increases 4% per year. The Hornets pay expenses in excess of this ceiling.

New Orleans Hornets’ Team Subsidies

(All figures adjusted to 2004 dollars)

<table>
<thead>
<tr>
<th>Subsidies</th>
<th>$ millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grants and Foregone Taxes</td>
<td>$50.7</td>
</tr>
<tr>
<td>State Payment of Relocation Costs, 2002-03 season</td>
<td>$1.8</td>
</tr>
<tr>
<td>Game-day Operating Costs, 2002-03 to 2011-12 seasons</td>
<td>11.8</td>
</tr>
<tr>
<td>State Reimbursement of NBA Relocation Fee, 2005-06 to 2009-10 seasons</td>
<td>4.4</td>
</tr>
<tr>
<td>State Guarantee of Naming Rights Revenue, 2002-03 to 2011-12 seasons</td>
<td>16.9</td>
</tr>
<tr>
<td>Quality Jobs Payment, 2002-03 to 2011-12 seasons</td>
<td>9.0</td>
</tr>
<tr>
<td>Alario Center Renovations, 2002</td>
<td>0.1</td>
</tr>
<tr>
<td>City Commitment for Training Facility, 2002</td>
<td>6.6</td>
</tr>
<tr>
<td>Total Grants</td>
<td>$50.7</td>
</tr>
<tr>
<td>Foregone Sales Taxes, 2002-03 to 2011-12 seasons</td>
<td>29.3</td>
</tr>
<tr>
<td>Foregone Parking Taxes, 2002-03 to 2011-12 seasons</td>
<td>0.1</td>
</tr>
<tr>
<td>Total Foregone Taxes</td>
<td>$29.4</td>
</tr>
<tr>
<td>Total Grants and Foregone Taxes</td>
<td>$80.1</td>
</tr>
<tr>
<td>Other Public Investment in Team Subsidies</td>
<td></td>
</tr>
<tr>
<td>State Guarantee of Revenue</td>
<td>No Payments Yet Required</td>
</tr>
</tbody>
</table>

BGR calculations. Totals may not add due to rounding. Team subsidies reflect only the current lease term from June 2002 to July 2012. The cost of the guarantee of naming rights revenue assumes the maximum annual fees are paid over the current lease term ($18.9 million undiscounted). The Quality Jobs cost assumes the State pays $1 million a year over the current lease term ($10 million undiscounted). Game-day operating costs assume game-day costs exceed the ceiling during the current lease term ($13.2 million undiscounted).
costs exceeded the ceiling, providing total savings to the Hornets of $2.2 million. BGR assumed for its calculations that costs will continue to exceed the ceiling throughout the current lease term. The Hornets do not make a lease payment to offset the game-day costs.

Tax Relief. The Hornets are exempt from state and local sales, use, and other taxes on tickets, concessions, merchandise, and parking revenues at the Arena site. The exemption is not specific to the Hornets; it applies to all events at the Arena. The team is not exempt from personal property taxes and income taxes. BGR estimates foregone sales taxes at $32.6 million and foregone parking taxes at $166,000 during the current lease term.

Capital Investment in Training Facilities. The State paid $130,000 to renovate the Alario Center on the West Bank to provide a temporary training facility for the Hornets. In addition, the City has committed $6.5 million to build a permanent training facility. Construction has not begun.

The table on Appendix A, page 1, outlines the public's current commitments to the Hornets, with amounts adjusted to constant 2004 dollars.

The Arena

Construction and Renovation Investment. The Arena, built three years before the Hornets’ arrival, cost nearly $111 million. The only private money came in the form of a $1.1 million contribution by the New Orleans Brass, a minor league hockey team whose lease was not renewed after the Hornets became the Arena’s primary tenant. To help fund the remaining $109.8 million, the LSED issued $84 million of LSED hotel occupancy tax bonds. BGR estimates total debt service for the Arena bonds at $169.4 million.

The balance of the funding for the Arena came from interest on bond proceeds ($8 million), cash released from an LSED debt service reserve ($7.4 million), hotel occupancy taxes ($3.6 million), and a loan to the LSED from the Arena’s concessionaire ($6.8 million). The LSED had paid $4.1 million in debt service on the loan prior to refinancing the balance in 2004. Debt service for the refinanced debt is expected to cost $9.1 million over the next 10 years.

The City contributed an additional $1.6 million from a federal grant to build an access road for the Arena. In 2002, the State provided a $10 million grant to fund upgrades for the Hornets, including new box suites and expansion of the locker and weight rooms. In 2005, the State will provide an additional $5 million grant for other Arena upgrades for the Hornets, including a new scoreboard.

All of the LSED’s Arena bonds are tax exempt, allowing a lower interest rate. BGR was unable to quantify the interest savings to the LSED.

Operating Cost Subsidy. LSED operating revenues at the Arena do not cover all facility operating costs. BGR estimated the LSED has used $4.8 million in hotel occupancy taxes to cover the difference in the last two years. If the subsidy continues through the end of the Hornets’ current lease term, assuming 3% annual growth, the additional subsidy will total $22.3 million.

The table at the left lists the Arena investment.
APPENDIX B: Zephyr Field

In this appendix, BGR provides the public’s contribution to Zephyr Field in nominal amounts in the text and constant 2004 dollars in the accompanying tables. Constant 2004 dollars are calculated by increasing prior year amounts to reflect the historical impact of inflation,\textsuperscript{114} and decreasing future amounts to adjust for future inflation. BGR used a discount rate of 3%.

The LSED paid for the construction of Zephyr Field with $18.7 million from bonds issued in 1995.\textsuperscript{115} In addition, Jefferson Parish contributed $6.5 million to pay for infrastructure on the 85-acre LSED site on which Zephyr Field and a training facility for the Saints were built.\textsuperscript{116} Zephyr Field’s pro-rata share of these costs is approximately $5 million.\textsuperscript{117}

The Zephyr Field bonds are payable from the LSED’s 4% hotel occupancy tax. Through the fiscal year ended June 30, 2004, the LSED had paid debt service totaling approximately $10.4 million. BGR estimates that the LSED will pay another $30.4 million undiscounted until the bonds mature in fiscal year 2027.\textsuperscript{118}

The LSED does not operate Zephyr Field. The team operates the facility and retains all operating revenue. The team does not pay rent to the LSED, but deposits $60,000 per year into a fund for capital repairs and renovations to Zephyr Field.

The following table outlines the public’s current commitments to Zephyr Field, with amounts adjusted to constant 2004 dollars:

<table>
<thead>
<tr>
<th>Public Expenditures for Zephyr Field</th>
<th>$ millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zephyr Field Construction and Renovation Expenditures</td>
<td>$38.8</td>
</tr>
<tr>
<td>Estimated LSED Debt Service on Zephyr Field Bonds, fiscal years 1995 to 2027</td>
<td>$33.0</td>
</tr>
<tr>
<td>Jefferson Parish Infrastructure Investment</td>
<td>5.8</td>
</tr>
<tr>
<td><strong>Total Grants</strong></td>
<td><strong>$38.8</strong></td>
</tr>
</tbody>
</table>

BGR calculations.
Endnotes


2. Ibid.


10. According to the New Orleans Saints, only a portion of total Superdome parking spots are available for game-day parking. The team receives 100% of revenue from these available spots.


12. For example, 14 NFL stadiums built or substantially renovated since 1990 have sold naming rights to companies at average annual payments of $5 million.


14. Operating profit is total revenue less operating expenses. Data was unavailable on the impact of debt service, taxes, and other non-operating expenses on the net profits of the teams.


27. Ibid., p. 51.

28. Ibid., p. 52.

29. Ibid., p. 51.

30. Ibid.


40. Memorandum of Understanding by the State and the Saints, op. cit., Exhibit A.

41. The 2001 season's payment accrued during the LSED's fiscal year ended June 30, 2002; the 2002 season's payment, during fiscal year 2003; and so on, until the 2010 season's payment, which will accrue during fiscal year 2011.

42. Based on LSED and SMG, list of New Orleans Saints lease entitlements, op. cit.

43. Second Amendment to Amended and Restated Superdome Stadium Agreement, op. cit., p. 4.

44. Through fiscal 2004, BGR based its estimates of foregone sales taxes on actual ticket sales, actual concessions and merchandise sales, and actual parking revenues. These figures were provided by SMG. BGR assumed that each revenue stream would increase 3% per year thereafter. It applied a sales tax rate of 9%, which includes state, city, Orleans Parish School Board, and Regional Transit Authority shares, and a city parking tax rate of 3%.


46. Because LSED reports only aggregate debt service expenditures, BGR calculated the annual shares of these expenditures related to individual projects based on the projects' pro-rata shares of the bond proceeds received since the 1993 authorization.

47. La. Constitution Ancillaries, Art. 14, Sec. 47(C) and (D).


50. The 1994 bonds were refinanced again in 1998 with other LSED debt.

51. Because LSED reports only aggregate debt service expenditures, BGR calculated the annual shares of these expenditures related to individual projects based on the projects' pro-rata shares of the bond proceeds received since the 1993 authorization.

52. LSED, financial statements and auditor's report for the year ended June 30, 1990, p. 29.


55. LSED financial statements and auditor's reports for the years ended June 30, 1987 to 1995.

56. The 2001 to 2020 Saints' season subsidies would accrue during LSED fiscal years ending June 30, 2002 to 2021.

57. Baade, Robert A., Los Angeles City Controller’s Report on Economic Impact: Staples Center, prepared for the Office of Controller, City of Los Angeles, July 21, 2003, p. 12. Range includes only the teams and facilities, not the sporting events, provided in the sample.


60. Telephone interview with Dean Baim, professor of economics and finance, Pepperdine University, October 25, 2004.


63. Coates, Dennis, and Brad R. Humphreys, op. cit., p. 16-17.

64. Calculation based on total per-capita income of approximately $29 billion for the New Orleans MSA in University of New Orleans, Division of Business and Economic Research, Metropolitan Report: Economic Indicators for the New Orleans Area, August 2004, p. 6.


66. Ibid., p. 4.

67. The BEA has two main types of multipliers: final-demand and direct-effect multipliers. Final-demand multipliers for spending and earnings measure the new local spending and household income, respectively, which result from a $1 initial change in direct spending. Final-demand multipliers for employment measure the new jobs created per $1 million change in direct spending. Direct-effect multipliers are applied to earnings and employment. They measure the total earnings and employment impacts based on initial changes in earnings and employment.


71. Telephone interview with BEA RIMS II staff, December 21, 2004. Calculation of 2% is based on 2001 national figures, the latest year of data incorporated into BEA multipliers.

73. Telephone interview with BEA RIMS II staff, January 14, 2005.
74. Ibid. The tax rate reflects the ratio of total personal current taxes to total personal income for Louisiana taxpayers for 2001, the latest year of data incorporated into BEA multipliers.
82. New York City Independent Budget Office, West Side Stadium: Touchdown for the City?, July 1, 2004, p. 3.
86. The other three were played in the former Tulane Stadium.
93. The Saints study estimated the State’s share of 2002 tax revenues at $17.7 million. BGR reallocated to local taxes amounts received by the State or state entities from hotel-motel taxes. It made the reallocation to reflect the fact that under state law such receipts must be expended for specified purposes in the New Orleans region.
94. Second Amendment to Amended and Restated Superdome Stadium Agreement, op. cit., pp. 1 and 3.
95. Calculations based on inflation adjustment factors in Sahr, Robert, op. cit.
96. Arena Use Agreement by and among SMG, the State of Louisiana, and Charlotte Hornets NBA Limited Partnership, May 2, 2002, p. 18. The agreement runs for 10 years, with options for two five-year renewals. If the Hornets terminate the agreement before June 30, 2017, the end of the 15th year, the team must pay the State $10 million.
97. LSED, financial statements and auditor’s report for the year ended June 30, 2004, p. 41. The 2002-03 and 2003-04 basketball seasons correspond to the LSED fiscal years ended June 30, 2003 and 2004, respectively.
98. Louisiana State Legislature, Acts 73 and 152 of 2002 1st Extraordinary Session. The LSED will reimburse the State from future surplus hotel occupancy taxes.
99. Telephone interview with John Jernigan, Restoration Tax Abatement and Quality Jobs program administrator, Louisiana Department of Economic Development, September 7, 2004. The State pays the team an amount equal to 5% of the payroll of Louisiana residents who work for the team and 5% of the income earned in Louisiana by nonresident coaches and players. The maximum payment per year allowed is $3.65 million.
100. Arena Use Agreement, op. cit., p. 27. The guarantee covers the difference between actual naming rights revenue and $2.5 million, with the guarantee capped at $1.5 million a year. The $2.5 million base amount and the cap both increase by 5% per year. In estimating the potential cost of the naming rights guarantee, BGR assumed that no naming rights will be sold during the current lease term.
104. Arena Use Agreement, pp. 16-17. Both the payment guarantee and the base revenue amounts increase at a rate of 5% per year, except in the sixth season when the annual guarantee amount jumps to $3 million.
107. Through fiscal 2004, BGR based its estimates of foregone sales taxes on estimated ticket sales, actual concessions sales, and actual parking revenues. BGR made the ticket sale estimate; SMG provided figures on concessions and parking revenues. BGR assumed that each revenue
stream would increase 3% per year thereafter. It applied a sales tax rate of 9%, which includes state, city, Orleans Parish School Board, and Regional Transit Authority shares, and a city parking tax rate of 3%.


109. New Orleans City Council Ord. No. 20,672 MCS.

110. Because LSED reports only aggregate debt service expenditures, BGR calculated the annual shares of these expenditures related to individual projects based on the projects' pro-rata shares of the bond proceeds received since the 1993 authorization.

111. Telephone interview with Doug Thornton, SMG general manager, August 2, 2004. The LSED freed the cash by replacing the reserve with a surety bond instrument.


114. Calculations based on inflation adjustment factors in Sahr, Robert, op. cit.


117. BGR calculation based on 65-acre site.

118. Because LSED reports only aggregate debt service expenditures, BGR calculated the annual shares of these expenditures related to individual projects based on the projects' pro-rata shares of the bond proceeds received since the 1993 authorization.
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Interviews

Ms. Zoe Ambargis
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Professor of Economics and Finance
Pepperdine University
Mr. Jack Capella
Executive Vice President/Chief Operating Officer
New Orleans Hornets
Mr. Arnold Fielkow
Executive Vice President/Administration
New Orleans Saints
Mr. Dennis Lauscha
Vice President and Chief Financial Officer
New Orleans Saints
Mr. Robert Folse
(formerly) Director of Research
Greater New Orleans, Inc.
Mr. John Jernigan
Restoration Tax Abatement and Quality Jobs Program Administrator
Business Incentives Division
Louisiana Department of Economic Development
Dr. Timothy P. Ryan
Chancellor
University of New Orleans
Mr. Doug Thornton
Regional General Manager
SMG

Legal Sources

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Lease Agreement, by and between the Louisiana Stadium and Exposition District and the State of Louisiana, January 1, 1969.

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Arena Use Agreement, by and among SMG, the State of Louisiana, and Charlotte Hornets NBA Limited Partnership, May 2, 2002.

Memorandum of Understanding by the State of Louisiana, the City of New Orleans, the Charlotte Hornets NBA Limited Partnership, and SMG, January 17, 2002.


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Public Facility Lease and Use Agreement, by and between the Louisiana Stadium and Exposition District and the New Orleans Zephyrs Baseball Club, LLC, October 13, 1995.

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Official Statement, $14,150,000 Louisiana Stadium and Exposition District, Hotel Occupancy Tax Bonds, Series 1995-A.

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Preliminary Official Statement, $113,000,000 State of Louisiana, Louisiana Stadium and Exposition District, Hotel Occupancy Tax and Stadium Lease-Rental Revenue Bonds, Series 2 (1971).


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*Biz New Orleans*, various articles and dates.


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