



A Call to Action:

Expanding the Economic Impact of the Sports Industry in Arizona

Prepared For:



ARIZONA CHAMBER
FOUNDATION

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Introduction - Sports Activities in Arizona

The Arizona Chamber Foundation (Chamber Foundation) partnered with Rounds Consulting Group, Inc. (RCG) to review and analyze existing reports, articles, and other publicly available data regarding the economic impact of the sports industry in Arizona.

The purpose of gathering this research is to help further the discussion related to the importance of the sports industry in the state and how it significantly contributes to the local economic base.

The primary conclusions derived from this cursory but policy-focused effort is that: 1) the sports industry plays a significant role in the state's economy, and 2) the economic benefits can be expanded with the efficient funding of select programs and enhanced statewide with further coordination between the various sports-related entities.

Current Sports Activity in the State

Home to numerous franchises, Arizona enjoys the entertainment and economic contributions of a well-established and mature local sports industry. Professional sports teams that call Arizona home include the Phoenix Suns (NBA), Phoenix Mercury (WNBA), Arizona Diamondbacks (MLB), Arizona Coyotes (NHL), and Arizona Cardinals (NFL).

In addition to the higher profile professional teams in the state, there are four universities in Arizona that have NCAA Division I men's and women's sports programs. These include Arizona State University, Grand Canyon University, Northern Arizona University, and the University of Arizona. Other leagues that have a presence in the state include the United Soccer League (USL) through the Phoenix Rising FC and the Indoor Football League (IFL) through the Arizona Rattlers.

The professional, amateur, and collegiate teams provide benefits that extend beyond their respective gamedays. The arenas that host these teams are also used for other types of larger scale events such as concerts, festivals, conventions, and trade shows.

The presence of these arenas makes these other events possible and gives the community and the economy an additional boost beyond enabling Arizona to reap the benefits of hosting major- and mega-events.

In addition to "mainstream" sports, the state also benefits from other types of competition such as the Arabian Horse Show held annually in Scottsdale where people from around the globe travel to attend and spend money on other local accommodations, food, entertainment, and amenities. The equestrian facility is also used for one of the country's largest car auction event, the Barrett-Jackson Car Auction.



Again, this economic brief acts as a preliminary overview and is not intended to be a complete analysis of the investment or economic impact of the full sports industry in Arizona. However, it is recommended that industry leaders and organizations begin the discussion with the items noted in this policy brief with a goal of expanding the industry and coordination efforts as well as regularly contributing to the research that is needed to formulate new public policy.



Initial Questions and Concepts for Discussion

The review presents information for mega-events, mid- to large-scale events, as well as smaller scale events that produce significant economic impacts when aggregated. ***Select economic impact questions to be contemplated and discussed include:***

- How important are “mega-events” to the state’s economy such as the Super Bowl, spring training baseball, PGA events, and national collegiate championships, among others?
- Is economic data readily available for the most recent mega-events (and some history) to assist with public policy decisions including event investment?
- To what extent do smaller yet still large “major-events” such as regional NCAA basketball tournament play and annual NASCAR races impact the economy?
- Do minor and mid-level events, such as multi-state high school sports tournaments, sport-specific amateur tournaments including youth soccer, etc. also produce a significant impact on the economy?



- The economic impact numbers are large, but often unrelatable to the average person. Are there other ways to communicate the importance of these events?



Additional concepts related to event scale and type should also be included in the discussion. For example:

- Many of the notable sports activities relate to spectators spending money in the local economy. However, participation in sports also produces large-scale economic benefits. These activities include the economic impact of golf in Arizona as well as many other recreation activities that strengthen the state's tourism industry.
- A notable exclusion from most discussions about sports activities in the state is the omission of the key driver for why the events occur locally: having a strong host presence. The state would not secure a Super Bowl without having a National Football League (NFL) presence, nor would the region be awarded all-star games without the presence of other professional teams.
- There needs to be more discussion around the connections with the broader tourism industry and the extent the industry's organizations and leadership are supported.
- A centralized list which identifies those entities that are responsible for select sports-industry activities, what they specialize in, and how to contact the right people when needed should be considered.
- Sports events present the opportunity to showcase Arizona and the many benefits of doing business and living in the state, including a regulatory and business friendly environment, low



taxes, growing workforce, and relatively low cost of land, among others. This needs to be utilized more and support for these efforts should continue.

- Public policy efforts need to be better coordinated. At the present time, efforts are underway related to:
 - *Expanding the funding for the Arizona Office of Tourism (AOT) with special study into mega-events funding.*
 - *The extent to which AOT funding solutions may solidify partnering with leaders in the private sector of the tourism industry.*
 - *Research into the extent that additional support is needed to promote the mid- and lower-scale events across the state.*
 - *Local area economic development planning with select emphasis on horse racing and rodeo related activities, among others.*

Creating Jobs and Generating Tax Revenue

Overall, sports events and related activities are an essential driver of tourism and economic activity throughout the state. With a wide range of professional sports teams and sports events spanning golf, basketball, baseball, football, and others happening in Arizona year-round, hundreds of thousands of fans across the country visit each year.

These visitors bring an influx of money from outside of the local economy. As this money is spent and re-spent throughout the state's economy, hundreds of thousands of jobs are created and millions of tax revenues are generated.





The impacts go beyond the direct industries (i.e., accommodations, restaurants and bars, transportation services, etc.) effected by the increased economic activity. The activity indirectly contributes to all sectors of the economy, boosting job, income, and economic growth.

As a top-level point, it is recommended that a central entity(ies) be responsible for collecting the economic impact information for each type of sports event, as well as participation events, in an effort to form a type of “clearing house” on all things related to sports economics in the state.

This effort would also provide a list of contacts in each area of sports promotion specialization.





Key Economic Development Observations

The following summarizes the key research findings and provides recommendations for further action. The economic impact estimates were separated into different categories. These categories are defined as: 1) mega-events, 2) major-events, and 3) smaller-scale participation events.

Mega- vs Major-Events – Definitions Matter

One complication that was discovered is that different definitions of mega-events exist. From an economic perspective, a mega-event could be defined as an activity that generates a total economic impact in excess of a particular value, likely to the scale of \$350M to \$500M. However, this definition would have excluded key events in the past.

In most reports and media references, mega-events include the Super Bowl, Cactus League baseball, and the Waste Management Phoenix Open. On occasion, a NCAA football national championship or a Final Four in NCAA basketball is included in the discussion.

In reality, there doesn't need to be a formal definition of a mega-event versus a major-event or a small-scale event unless specific promotion funds are created that require formal definitions.

The key to successfully defending sports industry proposals that may require public funding is to clearly identify the existence of a positive return on the investment (ROI) and to have supporters voice their opinion in a public setting.

In instances where public/private partnerships are favored, the same information will be demanded by any serious investor.

The concept of ROI needs to become more common in the promotion of the state and in defending the use of taxpayer dollars.

As part of a separate assignment, RCG is in the process of analyzing additional smaller-scale sporting events that, in the aggregate, substantially impact the economy. These activities include events such as high school basketball, baseball, football, and soccer tournaments. This report will become publicly available when completed.



The Value of Sports Activities in Arizona

The following bullet points summarize the key findings from the economic analysis of the Arizona sports industry:

- Mega-events, major-events, and participation events play a vital role in the growth of the Arizona economy. These events have a significant impact on the state's businesses, employment rate, economic output, and state and local tax revenues.
- For instance, mega-events and major-events such as the Super Bowl, Cactus League Spring Training, the NCAA Final Four, and the Waste Management Phoenix Open attract a large number of visitors, which in turn boosts tourism and local spending.
- The emergence of local sports venture funding signifies the high growth in the industry. With funds such as ASU's Global Sports Institute providing seed grants up to \$100,000.
- Major investment in these growth areas also presents opportunities for other related industry development such as sports medicine and health technology.
- The legalization of sports betting and gambling as of 2021 has opened the doors to new revenue streams that reverberate through the economy. With apps like FanDuel and DraftKings, fans can easily place bets on events and performances.
- This also coincides with the rising popularity of "fantasy leagues" where sports gambling is a common component. As of August 2023, Arizonans wagered over \$3.2B on sports throughout the first six months of 2023, according to the Arizona Department of Gaming.
- Smaller scale participation events, such as Athletes Unlimited and El Tour De Tucson, also contribute to the Arizona economy by promoting fitness and wellness, attracting tourism participants, and creating job opportunities and revenue for local businesses throughout the state.
- These events, when aggregated, generate the demand for tens of thousands of room-nights and hundreds of millions of dollars in visitor spending.
- Rural parts of the state host mid- to small-scale events, but compared to the size of their economies, the events have a significant local impact. Advancing these efforts should include a review of how to best support sports development in rural Arizona.
- Quality economic analysis is contingent on the availability of public data. Therefore, organizations are urged to make their economic data publicly available and accessible to a more centralized data collecting entity.



While larger scale sports events like the Super Bowl provide substantial economic benefits to the state, the sum of the mid-tier and smaller annual sports events will also display very large economic impacts.

Incorporating the smaller scale events into the broader sports industry discussion will allow for integrating parts of the state outside of the metro regions and further incorporating the sports discussion into the broader tourism policy discussions.

- For additional context, consider the following economic development examples. A 100 employee, high-wage manufacturing firm that supports a total of 236 employees when adding off-site supporting jobs, generates an annual economic impact of just over \$50M.
- This means that spring training baseball in Arizona provides the economic equivalent of 14 such manufacturing businesses operating throughout the entire year, every year. The Waste Management Phoenix Open would equal 9 such businesses.
- A single Super Bowl provides an economic benefit equivalent to 26 of these example companies operating for a full year.
- In addition to providing the Arizona communities with teams to root for and sporting events to attend, the state's professional sports franchises have charitable arms that support underserved communities in a direct way and promote positive community causes.
- Examples of these arms include Cardinals Charities, Coyotes Care, Suns Charities, the D-backs Foundation, and the Phoenix Raceway 50/50.

The following tables provide a simple summary of select sports events addressed in this brief review. The impact numbers that are displayed are very large, and many more sports related activities occur in the state every year.



Table 1: EXAMPLES - The Impacts from Larger Scale (“Mega”) Sports Events		
Event	Frequency	Economic Impact
Super Bowl XXX	1996	\$305.8 Million
Super Bowl XLII	2008	\$500.6 Million
Super Bowl XLIX	2015	\$719.4 Million
Super Bowl LVII	2023	\$1.3 Billion
Cactus League	2011(Annual)	\$360.0 Million
Cactus League	2012(Annual)	\$422.0 Million
Cactus League	2015(Annual)	\$544.3 Million
Cactus League	2018 (Annual)	\$644.2 Million
Cactus League	2020 (Annual)	\$363.6 Million
Cactus League	2023 (Annual)	\$710.2 Million
Waste Management Phoenix Open	2008 (Annual)	\$180.0 Million
Waste Management Phoenix Open	2012 (Annual)	\$222.0 Million
Waste Management Phoenix Open	2016 (Annual)	\$227.0 Million
Waste Management Phoenix Open	2017 (Annual)	\$389.0 Million
Waste Management Phoenix Open	2022 (Annual)	\$453.7 Million
Total Mega-Events Total	1996 - 2023	\$6.9 Billion

Source: Arizona State University W.P. Carey School of Business; Arizona Commerce Authority; AZ Big Media KTAR News, Waste Management
 Note: Based on publicly available data, reports, articles, and other documents.

Table 2: EXAMPLES - Impacts of Medium Scale (“Major”) Sports Events		
Event	Frequency	Economic Impact
Fiesta Bowl Events (includes Guaranteed Rate Bowl)	(2008 – 2021)	\$2.9 Billion
NCAA Basketball Championship	2017	\$324.5 Million
MLB All-Star Game	2011	\$67 Million
Major Events Total	2008 - 2021	\$3.3 Billion

Source: Arizona State University W.P. Carey School of Business; Arizona Chamber Foundation
 Note: Based on publicly available data, reports, articles, and other documents.

Table 3: EXAMPLES - Impacts of Arizona Sports Teams (2014 – 2023)		
Team	Total Revenues	Total Operating Income
Arizona Cardinals	\$3.6 Billion	\$657.2 Million
Arizona Diamondbacks	\$2.2 Billion	\$156.4 Million
Phoenix Suns	\$2.1 Billion	\$305.3 Million
Arizona Coyotes	\$857 Million	(\$106.3 Million)
Arizona Teams Total	\$8.7 Billion	\$1.0 Billion

Source: Forbes



A final question...

How do we make the numbers even bigger?



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