

W. Frank Barton School of Business

# Center for Economic Development and Business Research

## Economic Impact of the NCAA Tournament on the Wichita MSA

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## Summary

The Center for Economic Development and Business Research (CEDBR), part of the W. Frank Barton School of Business, at Wichita State University conducted this study on behalf of Visit Wichita, the Wichita Convention and Visitors Bureau, to evaluate the economic impact of the NCAA tournament on the Wichita metropolitan area.

The out of town visitors brought in by the tournament generated an estimated \$5.5 million in new economic activity in the area over the four-day tournament. Local tournament attendees showed their support for the event by spending an additional \$3.5 million, which resulted in an estimated \$6.2 million in economic activity that was retained in the area as a result of the tournament. The fiscal impact of the visitors to the area for the tournament was approximately \$495,000.

## Introduction

The Center for Economic Development and Business Research (CEDBR), part of the W. Frank Barton School of Business, at Wichita State University conducted this study on behalf of Visit Wichita, the Wichita Convention and Visitors Bureau. This report estimates the economic impact of the 2018 National Collegiate Athletic Association (NCAA) men's basketball tournament first and second round games, at Intrust Bank Arena, on the Wichita metropolitan area.

The tournament began in Wichita with open practices for all eight teams on Wednesday, March 14<sup>th</sup>. The two sessions of first-round games were played on Thursday, March 15<sup>th</sup>. The session one games were played by the University of Kansas, University of Pennsylvania, North Carolina State University, and Seton Hall University. The session two games were played by San Diego State University, University of Houston, University of Michigan, and the University of Montana. The second round games were played on Saturday, March 17<sup>th</sup>. The session three games were played by University of Kansas, Seton Hall University, University of Houston, and the University of Michigan.

On each day of the tournament, there was increased activity in the Wichita area. In addition to practices and games, there were fan events throughout the area, these included beer gardens, food trucks, live music and DJs, tailgate and block parties, pop-up bars, carnival games, slam dunk contests, and St. Patrick's Day festivities.

The increased activity created a number of benefits to the community. Some of these benefits are qualitative. The value of the positive impression Wichita made on a national stage and the good opinion of the guests in the area is unmeasurable. However, there are quantifiable benefits of the NCAA tournament for which we can develop reasonable measurements. The contribution of the tournament to the level of economic activity in the area can be estimated.

## Economic Contribution

The tournament events were enjoyed by both visitors and local residents. Although both likely enjoyed the events equally, each group of attendees does not impact the economy in the same way. Visitors bring dollars into the area which would not circulate within the Wichita economy if not for the NCAA tournament. Dollars spent by local residents at the tournament events represent the value of the tournament to residents, but do not increase the circulation of dollars in the economy. Each measurement of the benefits of the tournament shows a different and unique perspective on the value of the event.

## Net Economic Impact

There were 42,651 tickets sold for the three sessions. Of these tickets, 31 percent were sold to zip codes outside of a 50-mile radius of Wichita.<sup>1</sup> In addition to the tournament attendees, there were officials, media, teams, and support staff in the area.<sup>2</sup>

The net effect of the NCAA tournament on the local economy can be estimated from the new dollars brought into the area for the event by out of town guests. The out of town visitors<sup>3</sup> for the tournament brought in an estimated \$3.3 million to local hotels, restaurants, shops, and Intrust Bank Arena<sup>4</sup> over the four days of the tournament. The result of this spending, including indirect and induced effects, generated approximately \$5.5 million in new economic activity in the Wichita area.

### Net Increase in Economic Activity from the NCAA Tournament

Intrust Bank Arena, March 14-17, 2018

Visitors'	Direct	Total
Retail Spending	\$950,490	\$1,558,328
Hotel Spending	\$878,480	\$1,373,679
Event Revenues	\$1,469,527	\$2,598,271
<b>Visitors Impact</b>	<b>\$3,298,497</b>	<b>\$5,530,279</b>

The increased sales to out of town visitors generated increased retail sales and guest tax revenues to the city of Wichita, Sedgwick County, and the state of Kansas. It is estimated that the city of Wichita received an additional \$103,000 in tax revenue. Sedgwick County received approximately \$32,000 and the state of Kansas received approximately \$360,000 in additional tax revenue.

## Local Value

Of the 42,651 tickets sold for the tournament, 69 percent were sold to zip codes within 50 miles of Wichita. Sales to zip codes within the City of Wichita accounted for 55 percent of ticket sales. This support of the tournament by local attendees does not increase the size of the local economy, because

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<sup>1</sup> Ticket sales provided by Intrust Bank Arena and NCAA.

<sup>2</sup> Estimated number of hotel rooms by athletes, staff, cheer, band, officials, and media provided by Wichita State University Athletics the tournament host team.

<sup>3</sup> As estimated by ticket sales to zip codes beyond 50 miles of Wichita plus officials, media, teams, and support staff.

<sup>4</sup> Ticket sales, merchandise, and concessions

those dollars were already circulating within the area. However, these residents could have chosen to spend their entertainment dollars outside the area and did not in favor of attending the tournament.

The value of the NCAA tournament to local residents can be estimated from the number of tickets sold to zip codes within 50 miles of Wichita. The NCAA tournament retained \$3.5 million in retail spending, which resulted in an estimated \$6.2 million in economic activity, including indirect and induced effects, that was maintained in the area as a result of the tournament.

### Local Spending at the NCAA Tournament

Intrust Bank Arena, March 14-17, 2018

Local Residents	Direct	Total
Retail Spending	\$867,359	\$1,422,035
Event Revenues	\$2,682,002	\$4,742,047
<b>Local Impact</b>	<b>\$3,549,361</b>	<b>\$6,164,082</b>

### Methodology

The economic contribution was estimated using the CEDBR Fiscal Benefit-Cost Model. The model was developed by CEDBR in 2005 for local officials and economic development professionals for use in assessing the costs and benefits of economic development activities. The fiscal model contains city, county, school district and state budget data. These data include tax rates and demographic and economic characteristics. The model is unique because it can be tailored to each community under analysis. The model takes into account industry substitution and multipliers.

Substitution occurs when spending on a given event merely displace spending that would have occurred at a competing local venue. Without a change in income, local consumers have a fixed amount of disposable earnings. They will choose to spend those earnings where they find the most value, substituting between different entertainment options. The spending of these dollars locally does not increase the level of economic activity, the increase at one venue is offset by decreases at other locations within the community.

Final-demand RIMS II multipliers from the Bureau of Economic Analysis, aggregated for the 10-county Wichita area, were used to calculate total economic impacts. Final-demand multipliers are ratios of a total change in economic activity to a dollar change in final demand. The notion of a multiplier effect arises due to the interrelatedness of local industries. For example, if the demand in an industry increases, this will lead to an increase in demand from industry suppliers. Therefore, payroll increases as a direct result of the expanding firm’s operations and indirectly as a result of the expanding firm’s increase in demand for locally supplied inputs. The multiplier also addresses the relationship between wages and employee demands on supporting industries, such as retail trade. There is a need for additional employees, who earn wages, as sales in the retail trade industries increase. This induced effect measures the impact of expenditures of direct and indirect employees to retail and other industries. The total effect of expansion is the sum of these direct, indirect and induced effects.

To estimate the full economic impacts of the NCAA tournament in the Wichita metropolitan area, CEDBR used data provided by Intrust Bank Arena, NCAA, Wichita State Athletics, STR, Inc., and Visit Wichita. In the development of the model and in the preparation of analysis, CEDBR assumed and continues to assume, all information and data provided was and is accurate and reliable. CEDBR does not take extraordinary steps to verify or audit such information but relies on such information and data as provided for purposes of the project.

The economic contribution of the 2018 NCAA tournament first and second round games at Intrust Bank Arena is unique. The contribution could vary greatly from tournament to tournament depending on the particular teams selected. These results do not reflect the future or past contributions of other tournaments.

CEDBR acknowledges that additional impacts occur from the NCAA tournament in Wichita. Impacts beyond the scope of this study include, but are not limited to: the value of community donations; the value of volunteer time; and community leadership.