

# Economic Impact of the 2015 Special Olympics World Summer Games On Los Angeles County

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By Roy Weinstein and Kristina Stanford

Micronomics  
A SourceHOV Company

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## Executive Summary

Micronomics was asked to ascertain the economic impact of the 2015 Special Olympics World Summer Games (“Games”) on Los Angeles County. Based on our analysis, we have concluded that this event will produce at least \$415 million in identifiable benefits to Los Angeles County, including \$128 million generated from visiting attendees, \$23 million associated with athlete and delegate accommodations, \$34 million from the hiring of staff, \$28 million associated with the production of the Games, and \$202 million in multiplier effects, including \$15.1 million in state tax revenue, \$5.2 million in Transient Occupancy Tax (“TOT”) revenue, \$559 thousand in Tourism Market District (“TMD”) tax revenue, and \$6.6 million in other local tax revenue.

In light of high Los Angeles hotel occupancy rates in July (the month the event will take place), we conducted a second analysis that takes into account the possibility that some visitors to Los Angeles County during the Games who otherwise would have stayed at local hotels will have to make alternative plans due to the absence of available hotel rooms once local hotels hit maximum capacity. These visitors will be forced to stay with family or acquaintances in Los Angeles County or at hotels in neighboring counties. Based on this approach, we concluded that direct spending in Los Angeles County by visiting attendees would be \$113 million (rather than \$128 million) and the Games would produce an economic benefit of at least \$387 million, including approximately \$14 million in state tax revenue, \$2.8 million in local TOT revenue, \$295 thousand in local TMD tax revenue, and \$8.3 million in additional local tax revenue.

Both estimates are conservative because we did not account for local broadcast spending by national networks, the value to the local community of corporate sponsorships, or the possibility of inflation between now and 2015, the effect of which would cause the revenue impacts to increase.

## Background

In the early 1960s, Eunice Kennedy Shriver began hosting a summer camp for the intellectually disabled.<sup>1</sup> Her goal was to create a space for these children to grow and excel through sports. This dream mobilized into Special Olympics, a global collaboration of over 4 million athletes and participants.<sup>2</sup>

Special Olympics is currently the world’s largest year-round sport program and public health organization for people with intellectual disabilities.<sup>3</sup> The program develops not only the

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<sup>1</sup> “History of Special Olympics,” Special Olympics website (<http://www.specialolympics.org/history.aspx>).

<sup>2</sup> 2011 Special Olympics Reach Report, p. 3.

<sup>3</sup> 2011 Special Olympics Annual Report, p. 26.

Eunice Kennedy Shriver and Special Olympics, *Mobilizing the Human Spirit*, p. 12.

participant's sports skills, but also significantly improves their self-esteem and self confidence.<sup>4</sup> Special Olympics provides the athletes with an extensive social network and continuous support.

The values embodied by Special Olympics are universal and relatable to all.<sup>5</sup> In addition to uniting the athletes themselves, Special Olympics brings together sports federations, local municipalities, universities, and countless other entities.<sup>6</sup> Supporters of Special Olympics extend beyond the family and friends of the athletes to politicians, business leaders, professional athletes, and celebrities. The diverse community surrounding Special Olympics constantly strives for change, integration, and advancement for the program's participants. The Special Olympics World Games provide an international stage for this pursuit.

Special Olympics has established a growing global presence. There are over 53,000 competitions every year and athletes can participate as early as age two with the majority of athletes ranging from ages eight to twenty-one.<sup>7</sup> In 2011, participation in the Special Olympics grew at an annual rate of 6.9 percent.<sup>8</sup> Participant growth is especially notable in China as the number of participants jumped from 50,000 in 2000 to over 800,000 today.<sup>9</sup>

Special Olympics currently operates 225 National/State Programs in 170 countries.<sup>10</sup> Each region has a Special Olympics Games Organizing Committee ("GOC") that manages competitions. A GOC also oversees every Special Olympics World Games. In 2011, cash and in-kind revenue associated with the GOC increased by 96 percent from the amount reported in 2010.<sup>11</sup> This growth exemplifies the program's continued success in increasing awareness for athletes with intellectual disabilities worldwide.

The Special Olympics World Games is the flagship event of the Special Olympics movement and the second-largest sports event, after the Olympic Games.<sup>12</sup> The biennial event alternates between winter and summer sporting events.<sup>13</sup> The Special Olympics World Games were first held in 1968 at Soldier Field in Chicago, Illinois and featured 1,000 athletes from the United States and Canada.<sup>14</sup> The Special Olympics World Games have grown into an international event, currently featuring approximately 7,000 athletes from more than 170 countries. The graphs below provide a detailed look into the program's attendance growth since inception.

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<sup>4</sup> "Serving Athletes, Families and the Community," Special Olympics, p. 2.

<sup>5</sup> 2011 Special Olympics Annual Report, p. 39.

<sup>6</sup> 2011 Special Olympics Annual Report, p. 37.

<sup>7</sup> 2011 Special Olympics Reach Report, p. 3.

<sup>8</sup> 2011 Special Olympics Reach Report, p. 3.

<sup>9</sup> Eunice Kennedy Shriver and Special Olympics, *Mobilizing the Human Spirit*, p. 13.

<sup>10</sup> 2011 Special Olympics Reach Report, p. 5.

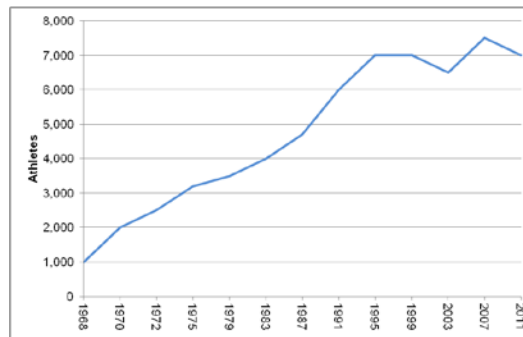
<sup>11</sup> 2011 Special Olympics Reach Report, p. 28.

<sup>12</sup> "World Games History," Los Angeles 2015 Special Olympics website (<http://www.la2015.org/article/world-games-history>).

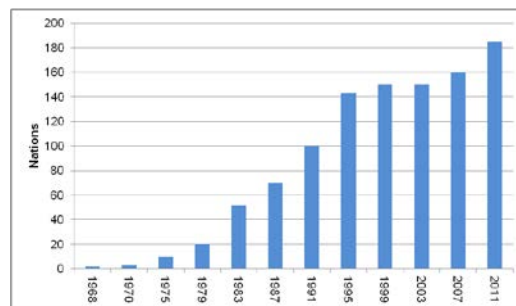
<sup>13</sup> Special Olympics World Summer Games, Los Angeles 2015, Business Plan, pp. 17-18.

<sup>14</sup> Special Olympics World Summer Games, Los Angeles 2015, Business Plan, p. 7.

**Graph 1: Athlete Attendance for Special Olympics World Summer Games, 1968 – 2011<sup>15</sup>**



**Graph 2: Number of Nations in Attendance for Special Olympics World Summer Games, 1968 – 2011<sup>16</sup>**



In September 2011, Los Angeles received the bid to host the 2015 Special Olympics World Summer Games.<sup>17</sup> This will be the second time Los Angeles hosts the prestigious event. The

<sup>15</sup> “History of Special Olympics,” Special Olympics website (<http://www.specialolympics.org/history.aspx>).  
 “Special Olympics World Games History,” Special Olympics Media website ([http://media.specialolympics.org/soi/files/resources/World\\_Games/2013-World-Winter-Games/Docs\\_PressReleaseFactSheet/SOWorldGamesHistory\\_UpdatedMarch2012.pdf](http://media.specialolympics.org/soi/files/resources/World_Games/2013-World-Winter-Games/Docs_PressReleaseFactSheet/SOWorldGamesHistory_UpdatedMarch2012.pdf)).  
 “World Games Storywall,” Eunice Kennedy Shriver website (<http://www.eunicekennedyshriver.org/storywall/gallery/18#3>).  
 “World Games,” Eunice Kennedy Shriver website (<http://www.eunicekennedyshriver.org/articles/article/64>).  
 “Rewarding the Special Olympians 15,000 Medals Won at 95 World Games,” Washington Post, July 9, 1995.  
<sup>16</sup> “History of Special Olympics,” Special Olympics website (<http://www.specialolympics.org/history.aspx>).  
 “Special Olympics World Games History,” Special Olympics Media website ([http://media.specialolympics.org/soi/files/resources/World\\_Games/2013-World-Winter-Games/Docs\\_PressReleaseFactSheet/SOWorldGamesHistory\\_UpdatedMarch2012.pdf](http://media.specialolympics.org/soi/files/resources/World_Games/2013-World-Winter-Games/Docs_PressReleaseFactSheet/SOWorldGamesHistory_UpdatedMarch2012.pdf)).  
 “World Games Storywall,” Eunice Kennedy Shriver website (<http://www.eunicekennedyshriver.org/storywall/gallery/18#3>).  
 “World Games,” Eunice Kennedy Shriver website (<http://www.eunicekennedyshriver.org/articles/article/64>).  
 “Yesteryears,” The Modesto Bee, July 22, 2008.  
 “Host Town Program,” World Summer Games Shanghai website (<http://2007specialolympics.com/webenglish/NonSportingEvents/HostTownProgram.aspx>).  
 “Sports Offered,” Special Olympics World Summer Games Athens website (<http://www.athens2011.org/en/sports.asp>).

nine day event will take place between July 24 and August 2, 2015.<sup>18</sup> The iconic Los Angeles Memorial Coliseum will host the Opening Ceremony for over 50,000 attendees.<sup>19</sup> USC and UCLA are the designated Olympic Villages for the event.<sup>20</sup> Additional sporting venues include Marine Stadium in Long Beach, Griffith Park, and the Los Angeles Convention Center downtown.<sup>21</sup> The Games are comprised of 24 Olympic-style sporting events including soccer, basketball, gymnastics, and volleyball.<sup>22</sup> These events are open to the public and free of charge.<sup>23</sup>

As the entertainment and sports capital of the world, Los Angeles has the power to represent the Special Olympics in an unprecedented way. The city's diversity, landscape, and sheer size will uniquely impact the event's attendees. Furthermore, the movement's mission of fostering the acceptance and inclusion of all people will undoubtedly have a lasting impact on the global community.

### *Economic Impact of Hosting the 2015 Special Olympics World Summer Games*

Our analysis considers five components of the economic impact associated with the ability of Los Angeles to host the 2015 Special Olympics World Summer Games. The first is direct spending by visitors to Los Angeles County attracted by the Games and related events. Visitors include friends and family of the athletes, spectators, and media representatives. This direct spending includes expenditures on transportation, accommodations, food and beverage, entertainment, and shopping.

The second is spending by the GOC on athlete and delegate accommodations. This direct spending includes expenditures on rooms at the Olympic Villages, food and catering services, transportation to and from events, and entertainment.

The third is direct spending by the GOC on staff for the Games and surrounding events. This includes employment from 2012 through 2015. The majority of this component covers GOC staffing such as executives, general managers, and media and communications personnel.<sup>24</sup> Additional expenses encompass spending on volunteer training, security, and the police and fire department.<sup>25</sup>

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<sup>17</sup> "Los Angeles to Host 2015 Special Olympics World Summer Games," Los Angeles 2015 Special Olympics Press Release, September 14, 2011 (<http://www.la2015.org/article/press-release-september-14-2011>).

<sup>18</sup> "World Games Facts & Figures," Los Angeles 2015 Special Olympics website (<http://www.la2015.org/article/facts-figures>).

<sup>19</sup> "Events & Venues," Los Angeles 2015 Special Olympics website (<http://www.la2015.org/events-and-venues>).

<sup>20</sup> Special Olympics World Summer Games, Los Angeles 2015, Business Plan, p. 23.

<sup>21</sup> "Events & Venues," Los Angeles 2015 Special Olympics website (<http://www.la2015.org/events-and-venues>).

<sup>22</sup> Special Olympics World Summer Games, Los Angeles 2015, Business Plan, p. 23.

<sup>23</sup> "World Games Facts & Figures," Los Angeles 2015 Special Olympics website (<http://www.la2015.org/article/facts-figures>).

<sup>24</sup> Special Olympics World Summer Games, Los Angeles 2015, Business Plan, p. 53.

<sup>25</sup> Special Olympics World Summer Games, Los Angeles 2015, Business Plan, p. 53.

The fourth is direct spending by the GOC on the production of the Games. There are more than 15 venues for the Games.<sup>26</sup> These GOC expenditures include rental for the sport and non-sport venues, venue insurance and equipment, and expenses associated with IT, marketing, and media.

The fifth is the multiplier effect understood by economists to reflect the circulation of incremental spending within the local economy. The Games provide increased income for taxi and airport shuttle operators, restaurant and club owners, hotel employees, etc. Recipients of this income use at least a portion to make purchases that they otherwise would not have made, thereby producing another round of beneficiaries. These multiplier effects are directly attributable to the Games since they would not benefit Los Angeles County if the event was held elsewhere.

### **Methodology for Calculating Visitor Direct Spending**

We used reported attendance figures provided by the Special Olympics World Summer Games Los Angeles 2015 Business Plan (“Business Plan”) as the starting point for calculating direct spending by visitors for the Games. We then estimated the average number of visitor days spent in Los Angeles and used tourism statistics (average spending per night) compiled by the Los Angeles Tourism and Convention Board to determine the total amount of direct visitor spending associated with attending the Games.

We divided visitor spending into three categories: a) friends and family of athletes; b) spectators; and c) media representatives. We assumed all volunteers will be local. According to Games organizers, over ninety-nine percent of the athletes will be coming from outside the Los Angeles area. Based upon this estimate, we assumed ninety-nine percent of the 25,000 family and friends of athletes will be visiting from out of town.<sup>27</sup> We assumed that on average they would stay for one week. Using Los Angeles tourism statistics, we determined that each visiting family or friend will spend approximately \$142 per night in Los Angeles.<sup>28</sup> This includes accommodations, food, entertainment, and shopping. Accordingly, direct spending by visiting friends and family of the athletes is estimated at \$25 million (see Table 1).

The same methodology was applied to spectators and media representatives. The Business Plan estimates 475,000 spectators (in addition to the friends and family of the athletes) and 2,000 media representatives will attend the Games. According to Games organizers, fifty percent of spectators and eighty percent of media representatives will be from out of town. We assumed spectators would stay for an average of three nights and media representatives would stay for ten (arriving the day before the event). Based upon these assumptions and the daily visitor spending rate mentioned above, direct visitor spending is approximately \$101 million and \$ 2.3 million for spectators and media representatives, respectively (see Table 1).

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<sup>26</sup> “Events & Venues,” Los Angeles 2015 Special Olympics website (<http://www.la2015.org/events-and-venues>).

<sup>27</sup> Special Olympics World Summer Games, Los Angeles 2015, Business Plan, p. 23.

<sup>28</sup> “Marketing and Planning Resources for Members,” Los Angeles Tourism and Convention Board, 2011, pp. 16-17.

Altogether, direct spending by visitors attracted to Los Angeles by the Games is approximately \$128.2 million.

**Table 1: Local Spending by Special Olympics World Summer Games Attendees Visiting from Outside of Los Angeles<sup>29</sup>**

| Category                        | Attendees from<br>Outside of Local<br>Area | Average Nights<br>in Los Angeles | Spending by<br>Attendee<br>per Night | Total Spending         |
|---------------------------------|--------------------------------------------|----------------------------------|--------------------------------------|------------------------|
|                                 |                                            |                                  |                                      | (Dollars)              |
| (1)                             | (2)                                        | (3)                              | (4)                                  | (5)<br>(2) x (3) x (4) |
| 1. Friends & Family of Athletes | 24,750                                     | 7                                | \$142                                | <b>\$24,640,934</b>    |
| 2. Spectators                   | 237,500                                    | 3                                | 142                                  | <b>101,337,172</b>     |
| 3. Media Representatives        | 1,600                                      | 10                               | 142                                  | <b>2,275,642</b>       |
| <b>4. TOTAL</b>                 |                                            |                                  |                                      | <b>\$128,253,748</b>   |

Our understanding is that hotel occupancy in July 2012 was 83.9 percent in Los Angeles County.<sup>30</sup> Assuming similarly high occupancy rates during July 2015 when the Games take place, we conducted a second analysis to include only the incremental increase in lodging by Special Olympics attendees visiting from outside Los Angeles, assuming that the maximum hotel occupancy rate is 100 percent. This methodology takes into account the possibility that some visitors to Los Angeles County during the Games who otherwise would have stayed at local hotels would be forced to stay with family or acquaintances in LA County or at hotels outside of LA County.

In order to allow for this possibility, we adjusted average spending per day used in our analysis (see column 4, Table 1) to exclude lodging. We then calculated the local spending (entertainment, transportation, food, shopping, etc.) by Special Olympics visiting attendees using the same methodology as Table 1 (see Table 1A).

<sup>29</sup> Special Olympics World Summer Games, Los Angeles 2015, Business Plan, p. 23.

“Marketing and Planning Resources for Members,” Los Angeles Tourism and Convention Board, 2011, pp. 16-17. U.S. Bureau of Labor Statistics website ([www.bls.gov](http://www.bls.gov)).

<sup>30</sup> Information from the Los Angeles Tourism and Convention Board.



**Table 1A: Local Spending (Excluding Lodging) by Special Olympics World Summer Games Attendees Visiting from Outside of Los Angeles<sup>31</sup>**

| Category                        | Attendees from<br>Outside of Local<br>Area | Average Nights<br>in Los Angeles | Spending by<br>Attendee<br>per Night | Total Spending         |
|---------------------------------|--------------------------------------------|----------------------------------|--------------------------------------|------------------------|
|                                 |                                            |                                  |                                      | (Dollars)              |
| (1)                             | (2)                                        | (3)                              | (4)                                  | (5)<br>(2) x (3) x (4) |
| 1. Friends & Family of Athletes | 24,750                                     | 7                                | \$104                                | <b>\$17,987,881</b>    |
| 2. Spectators                   | 237,500                                    | 3                                | 104                                  | <b>73,976,136</b>      |
| 3. Media Representatives        | 1,600                                      | 10                               | 104                                  | <b>1,661,218</b>       |
| <b>4. TOTAL</b>                 |                                            |                                  |                                      | <b>\$93,625,236</b>    |

Next, we calculated incremental spending on lodging by out-of-town Special Olympics attendees. According to the Los Angeles Tourism and Convention Board, there will be approximately 104,003 hotel rooms in Los Angeles County in 2015.<sup>32</sup> We assumed hotel occupancy would be 100 percent during the nine-day Special Olympics event. Accordingly, we used the occupancy rate for last July (83.9 percent) and the hotel supply for Los Angeles County to calculate the number of incremental hotel rooms that would result from the Games. Using the number of event days and the average hotel rate (provided by the Los Angeles Tourism and Convention Board), we estimated the total spending on incremental hotel rooms to be approximately \$19.7 million (see Table 2).

**Table 2: Incremental Spending on Hotels by Special Olympics World Summer Games Attendees Visiting from Outside of Los Angeles<sup>33</sup>**

| Incremental<br>Hotel Rooms | Nights in Los<br>Angeles | Average<br>Hotel Rate | Total Spending         |
|----------------------------|--------------------------|-----------------------|------------------------|
|                            |                          |                       | (Dollars)              |
| (1)                        | (2)                      | (3)                   | (4)<br>(1) x (2) x (3) |
| 16,744                     | 9                        | \$131                 | <b>\$19,666,810</b>    |

Direct spending by visiting attendees of the Games is approximately \$113.3 million using this second approach. Accordingly, the total direct impact of the Special Olympics is \$198 million. This approach is conservative in that we have assumed that hotels in LA County would be operating at 100 percent occupancy and therefore would be unable to house all of the visitors during the period that the Special Olympics will take place.

<sup>31</sup> “Marketing and Planning Resources for Members,” Los Angeles Tourism and Convention Board, 2011, pp.16, 17.

<sup>32</sup> “Marketing and Planning Resources for Members,” Los Angeles Tourism and Convention Board, 2011, p. 75.

<sup>33</sup> “Marketing and Planning Resources for Members,” Los Angeles Tourism and Convention Board, 2011, pp.17, 75.

## **Direct Spending by GOC on Accommodations**

The nine day event requires extensive spending by the GOC on accommodations for the athletes, coaches, honored guests, and sports officials. This includes spending on their housing at the USC and UCLA Olympic Villages, food services and catering, ground transportation, and entertainment throughout the event. According to the Business Plan, spending on these accommodations will be approximately \$8.4 million, \$7.5 million, \$5.7 million, and \$987 thousand, respectively (see Table 3).<sup>34</sup>

Food and services spending includes meals at the Olympic Villages, lunch and snacks at the sport venues, and food services for volunteers, receptions, and the Preliminary Games.<sup>35</sup> Ground transportation spending encompasses shuttle services for both athletes and fans to and from the sports venues as well as special transportation packages for honored guests.<sup>36</sup>

Entertainment spending estimates leisure costs for athletes, delegates, and families as well as costs associated with the Special Olympics Town and Special Olympics Festival at each Olympic Village.<sup>37</sup> The Special Olympics Town is an area at the Games that provides activities such as movies, dances, and arcade games as well as an area to relax in between events. The Special Olympics Festival allows each sponsor to create an exhibit or activity that showcases their support for the athletes.<sup>38</sup> Both events honor the athletes and strive to break the barrier between the participants and the public.

Total direct spending by the GOC on accommodations is estimated at \$22.6 million.<sup>39</sup>

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<sup>34</sup> Special Olympics World Summer Games, Los Angeles 2015, Business Plan, p. 62.

<sup>35</sup> Special Olympics World Summer Games, Los Angeles 2015, Business Plan, p. 64.

<sup>36</sup> Special Olympics World Summer Games, Los Angeles 2015, Business Plan, p. 65.

<sup>37</sup> Special Olympics World Summer Games, Los Angeles 2015, Business Plan, p. 64.

<sup>38</sup> "Special Olympics Town, Athlete Entertainment & Festival," World Games Guide ([http://media.specialolympics.org/soi/files/resources/World\\_Games/World\\_Games\\_Guide/SO+Town\\_Athlete\\_Entertainment\\_FINAL.pdf](http://media.specialolympics.org/soi/files/resources/World_Games/World_Games_Guide/SO+Town_Athlete_Entertainment_FINAL.pdf)).

<sup>39</sup> Special Olympics World Summer Games, Los Angeles 2015, Business Plan, p. 62.

**Table 3: Spending by the GOC on Accommodations, Food, Transportation, and Entertainment for the Special Olympics World Summer Games<sup>40</sup>**

| Expense                           | Spending            |
|-----------------------------------|---------------------|
|                                   | (Dollars)           |
| (1)                               | (2)                 |
| 1. Athlete/Delegate Accomodations | \$8,408,000         |
| 2. Food Services & Catering       | 7,491,000           |
| 3. Ground Transportation          | 5,697,000           |
| 4. Entertainment                  | 987,000             |
| <b>5. TOTAL</b>                   | <b>\$22,583,000</b> |

### **Direct Spending by GOC on Staff**

The Special Olympics features 24 Olympic-style sporting events and numerous receptions.<sup>41</sup> In order to accommodate these events and the crowds attracted by them, the GOC will incur significant staffing costs. The staffing timeline begins in 2012 with the hiring of executives and sales and development personnel, and escalates through 2015 to include positions within volunteer services, finance, IT, media and communications, guest services, and general operations.<sup>42</sup> The GOC expects to hire 157 full-time personnel over the next three years and an additional pool of short-term staff for the ten week period before, during, and after the Games. According to the GOC’s staffing plan, direct spending on GOC personnel is approximately \$29.2 million.<sup>43</sup>

Significant volunteers and heightened security will be required for managing the events and controlling traffic. According to the Business Plan, the Special Olympics will have approximately 30,000 volunteers.<sup>44</sup> Spending on volunteers covers uniforms, background checks and training sessions.<sup>45</sup> Security includes the local police and fire department as well as additional private security. Based on these estimates, direct spending on volunteers and security will be approximately \$4.5 million (see Table 4).<sup>46</sup>

Altogether, total direct spending associated with staff for the Games is estimated at \$33.7 million.

<sup>40</sup> Special Olympics World Summer Games, Los Angeles 2015, Business Plan, p. 62.

<sup>41</sup> Special Olympics World Summer Games, Los Angeles 2015, Business Plan, p. 23.

<sup>42</sup> Special Olympics World Summer Games, Los Angeles 2015, Business Plan, p. 53.

<sup>43</sup> Special Olympics World Summer Games, Los Angeles 2015, Business Plan, p. 53.

<sup>44</sup> Special Olympics World Summer Games, Los Angeles 2015, Business Plan, p. 23.

<sup>45</sup> Special Olympics World Summer Games, Los Angeles 2015, Business Plan, p. 64.

<sup>46</sup> Special Olympics World Summer Games, Los Angeles 2015, Business Plan, pp. 53, 62.

**Table 4: Spending by the GOC on Staff for the Special Olympics World Summer Games<sup>47</sup>**

| Department                    | Spending            |
|-------------------------------|---------------------|
|                               | (Dollars)           |
| (1)                           | (2)                 |
| 1. Human Resources & Staffing | \$29,221,000        |
| 2. Volunteers                 | 2,937,000           |
| 3. Police & Fire Department   | 1,146,000           |
| 4. Security                   | 444,000             |
| <b>5. TOTAL</b>               | <b>\$33,748,000</b> |

### **Direct Spending by GOC on Production**

The sporting events for the Games will be spread out throughout Los Angeles County. Numerous venues will be rented along with the necessary equipment and staging material. In addition to the Olympic Villages, USC and UCLA will hold the aquatics, athletics, badminton, basketball, football, gymnastics, judo, power lifting, and volleyball events on their campuses.<sup>48</sup> Bocce, handball, roller skating, and table tennis will be held at the Los Angeles Convention Center in downtown Los Angeles. Other venues include LA Live, Griffith Park, Marine Stadium in Long Beach, and the Home Depot Center in Carson.<sup>49</sup> According to the GOC, spending on venue rental will be approximately \$5.3 million.<sup>50</sup>

Event attendance at the Games has grown rapidly as Special Olympics has expanded its reach both in the United States and abroad.<sup>51</sup> Significant setup will be required to support the 500,000 spectators that are expected to attend the events.<sup>52</sup> Costs associated with venue operation include insurance, parking, and signage for each venue.<sup>53</sup> IT, marketing, and media related expenses will also be included in the production spending by the GOC.<sup>54</sup> According to the Business Plan, direct spending on equipment, venue operation, and telecommunications will be approximately \$23 million.<sup>55</sup>

<sup>47</sup> Excludes General Operations Spending by GOC.

Special Olympics World Summer Games, Los Angeles 2015, Business Plan, pp. 53, 62.

<sup>48</sup> "Events & Venues," Los Angeles 2015 Special Olympics website (<http://www.la2015.org/events-and-venues>).

<sup>49</sup> "Events & Venues," Los Angeles 2015 Special Olympics website (<http://www.la2015.org/events-and-venues>).

<sup>50</sup> Special Olympics World Summer Games, Los Angeles 2015, Business Plan, p. 62.

<sup>51</sup> "History of Special Olympics," Special Olympics website (<http://www.specialolympics.org/history.aspx>).

<sup>52</sup> Special Olympics World Summer Games, Los Angeles 2015, Business Plan, p. 23.

<sup>53</sup> Special Olympics World Summer Games, Los Angeles 2015, Business Plan, p. 65.

<sup>54</sup> Special Olympics World Summer Games, Los Angeles 2015, Business Plan, p. 65.

<sup>55</sup> Special Olympics World Summer Games, Los Angeles 2015, Business Plan, p. 62.

In total, direct spending on production for the Special Olympics is estimated at \$28.4 million (see Table 5).<sup>56</sup> These production estimates are conservative given that we do not have data on the production costs for the networks that will broadcast the events.

**Table 5: Spending by the GOC on Production of the Special Olympics World Summer Games<sup>57</sup>**

| <b>Category</b>                    | <b>Spending</b>     |
|------------------------------------|---------------------|
|                                    | <b>(Dollars)</b>    |
| <b>(1)</b>                         | <b>(2)</b>          |
| 1. Venue Rentals                   | \$5,326,000         |
| 2. Venue Operations                | 11,437,000          |
| 3. Equipment                       | 386,000             |
| 4. Equipment Rental                | 3,248,000           |
| 5. Telecommunications, Media, & IT | 7,961,000           |
| <b>6. TOTAL</b>                    | <b>\$28,358,000</b> |

Altogether, direct spending associated with the Games is approximately \$213 million (see Table 6).

**Table 6: Direct Impact of the Special Olympics World Summer Games and Related Events on Los Angeles County**

| <b>Category</b>       | <b>Amount</b>        |
|-----------------------|----------------------|
|                       | <b>(Dollars)</b>     |
| <b>(1)</b>            | <b>(2)</b>           |
| 1. Visiting Attendees | \$128,253,748        |
| 2. Accommodations     | 22,583,000           |
| 3. Staff              | 33,748,000           |
| 4. Production         | 28,358,000           |
| <b>8. TOTAL</b>       | <b>\$212,942,748</b> |

### **Multiplier Effect**

Economic multiplier models are used to estimate the additional impact from circulation of direct spending through the local economy. These models reflect the relationship between inputs and resulting economic outputs, and recognize the impact that an increase or decrease in economic activity in one sector of the economy can have on economic activity in other sectors.

The Minnesota IMPLAN Group, Inc. compiles data that provide the framework for an economic multiplier model used to measure output gains resulting from increased spending in sectors such as transportation, accommodations, food and beverage, entertainment and shopping. Based on

<sup>56</sup> Special Olympics World Summer Games, Los Angeles 2015, Business Plan, p. 62.

<sup>57</sup> Special Olympics World Summer Games, Los Angeles 2015, Business Plan, p. 62.

the estimated incremental spending noted above, total direct spending associated with the Games would result in a secondary economic impact of \$202.5 million. Included in this estimate is approximately \$27.5 million in incremental state and local tax revenue. Using information from the California State Board of Equalization, we were able to further break down the tax revenue data provided by IMPLAN.<sup>58</sup> We calculated \$15.1 million in state tax revenue, \$5.2 million in local TOT revenue, \$559 thousand in local TMD revenue, and \$6.6 million in other local tax revenue will result from the hosting of the Games in Los Angeles County. Altogether, the economic effect is estimated to be \$415 million. This economic benefit is equivalent to the creation of an additional 4,276 jobs in Los Angeles County.

**Table 7: Impact of the Special Olympics World Summer Games and Related Events on Los Angeles County<sup>59</sup>**

| <u>Category<br/>of Impact</u> | <u>Amount</u>        | <u>Employment</u> |
|-------------------------------|----------------------|-------------------|
| (1)                           | (2)<br>(Dollars)     | (3)<br>(Jobs)     |
| 1. Direct                     | \$212,942,748        | 2,866             |
| 2. Indirect                   | 79,578,430           | 544               |
| 3. Induced                    | 122,895,300          | 866               |
| <b>4. TOTAL</b>               | <b>\$415,416,478</b> | <b>4,276</b>      |

Our second approach, which takes into account the possibility of reaching maximum hotel occupancy during the Games, produces a secondary economic impact of \$189.6 million, including approximately \$14 million in state tax revenue, \$2.8 million in local TOT revenue, \$295 thousand in local TMD tax revenue, and \$8.3 million in additional local tax revenue.<sup>60</sup> Altogether, the economic impact of the Special Olympics on Los Angeles County using this second approach is approximately \$387.6 million.<sup>61</sup>

### Other Considerations

Aside from the direct economic impact, other factors will contribute to the economic consequences of hosting the 2015 Special Olympics World Summer Games. Since these benefits have not been fully quantified in this report, the true economic impact of the event on Los Angeles County has been understated.

<sup>58</sup> IMPLAN Economic Impact Modeling System.

“Tax Departments,” California State Board of Equalization website (<http://www.boe.ca.gov/info/taxoverview.htm>).  
 “California City and County Sales and Use Tax Rates,” California State Board of Equalization, Publication 71, January 1, 2013.

<sup>59</sup> IMPLAN Economic Impact Modeling System.

<sup>60</sup> IMPLAN Economic Impact Modeling System.

<sup>61</sup> State and local tax revenue equals \$25.5 million.

## Corporate Sponsorship

The Games generate significant support from corporate sponsors. Not only do they offer cash donations and in-kind contributions, they also provide volunteers and global awareness.<sup>62</sup> These corporations act as valuable advocates for the mission of the Special Olympics. The Games have a tiered sponsorship system based on the amount of the donation. The World Games Founding Champions typically consist of 15 to 20 individuals, foundations, or corporations that provide one million dollars over three to four years.<sup>63</sup> The World Games Official Category Sponsors are corporations that donate at least two million dollars and are the official brand for their product category throughout the Games.<sup>64</sup> These sponsors have the goodwill benefit of being associated with one of the most recognized and respected philanthropic organizations in the world.<sup>65</sup> Major corporate partnerships have included Coca-Cola, Proctor & Gamble, and Mattel, Inc.<sup>66</sup>

These marketing opportunities, though difficult to quantify, can produce significant economic benefits for the local economy.

## Conclusion

The Games will produce significant economic benefit to Los Angeles County. We have estimated an impact of at least \$415 million in identifiable benefits. This includes:

- Approximately \$128.3 million in expenditures associated with visiting attendees. Incremental expenditures on accommodations, transportation, food and beverage, entertainment and shopping are included.
- Approximately \$22.6 million spent by the GOC on athlete and delegate accommodations.
- Approximately \$33.7 million spent by the GOC on staff for the Games.
- Approximately \$28.4 million spent by the GOC on production for the Games.
- Approximately \$202.5 million from multiplier effects flowing from direct spending associated with the Games, including an additional \$15.1 million in state tax revenue, \$5.2 million in local TOT revenue, \$559 thousand in local TMD tax revenue, and \$6.6 million in other local tax revenue.

Because of multiplier effects, the economic benefit to Los Angeles County of the Special Olympics is equivalent to the creation of approximately 4,300 additional jobs.

Our second approach allowed for the possibility that hotels in LA County would be at 100 percent occupancy during the Special Olympics and therefore produced lower estimates. We calculated approximately \$113 million in direct spending by visiting Games attendees and an

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<sup>62</sup> Special Olympics Annual Report 2011, p. 40.

<sup>63</sup> Special Olympics World Summer Games, Los Angeles 2015, Business Plan, p. 57.

<sup>64</sup> Special Olympics World Summer Games, Los Angeles 2015, Business Plan, p. 57.

<sup>65</sup> Special Olympics World Summer Games, Los Angeles 2015, Business Plan, p. 57.

<sup>66</sup> 2011 Special Olympics Annual Report, pp. 40-43.

estimated economic impact of at least \$387.6 million, including approximately \$14 million in state tax revenue, \$2.8 million in local TOT revenue, \$295 thousand in local TMD tax revenue, and \$8.3 million in additional local tax revenue.

Both estimates are conservative since they do not include the local impact of broadcast spending by the national networks, the value to the local community of corporate sponsorships, or the impact of future inflation.



## Contributors

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## **Acknowledgements**

**Micronomics** is an economic research and consulting firm located in Los Angeles, California. Founded in 1988, it specializes in the collection, tabulation, and analysis of various types of economic, financial and statistical data. Areas of expertise include industrial organization, antitrust, intellectual property, the calculation of economic damages, and employment issues. Industries studied include banking and financial services, computer hardware and software, entertainment, healthcare, insurance, medical products and devices, motion pictures, oil and gas, pharmaceuticals, semiconductors, sports, supermarkets, telecommunications and tobacco. Clients include law firms, publicly and privately held businesses and government agencies.

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