Submitted to
Assembly Committee on Taxation
June 3, 2011

Submitted by Victor Joecks
Communications Director, Nevada Policy Research Institute
vj@npri.org, (702) 222-0642

Additional research on government-funded stadiums

1. Brad Humphreys, assistant professor of economics at the University of Maryland, Baltimore County. He also wrote, *The Stadium Gambit and Local Economic Development*, which debunked many of the common myths about the economic impact of new sports stadia.

> On average, professional sports reduces inflation-adjusted income per person by a small but statistically significant amount, roughly $40 per person per year. That figure is for every person in the metropolitan area, not just people who attended games. So professional sports do not form the basis of a viable local economic development program. ("The Growth Effects of Professional Sports Franchises, Stadia, and Arenas," Journal of Policy Analysis and Management, Vol. 14, No. 4 (Fall 1999), pp. 601-624)
>
> Using professional sports strikes and lockouts as a natural experiment, there is no evidence that local economies suffered as a result of these events, further questioning professional sports as an engine of economic development. ("The Economic Consequences of Professional Sports Lockouts and Strikes," Southern Economic Journal, Vol. 67, No. 3 (January 2001), pp. 737-747)
>
> In a recent working paper, we find that, based on disaggregated data, although workers in a narrowly defined sector (Amusements and Recreation - SIC 79 - the Standard Industrial Classification System sector that contains professional sports teams and stadium operations) earn more, and employment is higher in this sector, earnings and employment are lower in other related sectors like services and retail. This is consistent with the idea the spending on professional sports is not new spending; it's just a reallocation of local spending on other entertainment like going to a movie or out to dinner.
>
> http://www.baseballprospectus.com/article.php?articleid=975

2. Rick Eckstein, professor of sociology at Villanova University and co-author of "Public Dollars, Private Stadiums: The Battle over Building Sports Stadiums."

> If you build it, they will come. This is usually the mantra of those in favor of publicly financed sports stadiums, including the current proposal for a new soccer stadium in Chester. In this case *they* are visitors whose spending would turn devastated cities and neighborhoods into exciting destination points. Local schools, merchants, and residents all would benefit as municipal coffers swelled.

There's only one problem with this scenario. It's not true. Never has been. *They* do come, but cities are not saved. Over the past two decades, academic research has generated literally hundreds of articles and books empirically challenging the alleged economic wonders of new stadiums, even when they're part of larger development schemes. I have been studying and writing about publicly financed stadiums for more than 10 years and cannot name a single stadium project that has delivered on its original grandiose economic promises, although they do bring benefits to team owners, sports leagues and sometimes players.

http://articles.philly.com/2008-01-30/news/24988841_1_stadium-academic-research-projects

3. Tim Keown, ESPN writer.

I can't imagine a tougher sell in a community right now than a sports palace. The most recent numbers indicate New York taxpayers will end up being charged between $550 and $850 million for the new Yankee Stadium. A report issued by New York assemblyman Richard Brodsky contends the city of New York toyed with the assessed value of the stadium to provide the Yankees with further tax breaks. The Yankees, as a thank-you, have raised ticket prices significantly for next season.

In Washington, D.C., the taxpayers have to pick up more than $1 million in security costs for the stadium. Wouldn't it be great to own a business where you didn't have to pay for the building or the security to police that building?

In Indianapolis, construction of Lucas Oil Stadium, new home of the Colts, went far beyond its original estimates, forcing the city to funnel more tax dollars toward the project. And then, after completion, it was revealed that it will cost the city $20 million a year — twice the original estimate — just to operate the damned thing. The Colts have been good, we'll grant you that, but are they worth a $700 million stadium and $20 million a year for roughly 10 annual dates?

Taxpayer-funded sports palaces have never made sense. If you can't make money owning a team in the NFL or Major League Baseball or the NBA, with all the income tributaries, you have more problems than a new stadium can solve.

http://sports.espn.go.com/espn/page2/story?page=keown/080930

4. David Schultz is a professor at Hamline University School of Business.

Literally hundreds of other studies and books — by individuals such as long-time sports economists Arthur T. Johnson in "Minor League Baseball and Economic Development" (1995), Mark Rosentraub in "Major League Losers" (1997), Kenneth Shropshire in "The Sports Franchise Game" (1995), Roger Noll and Andrew Zimbalist in "Sports, Jobs, and Taxes" (1997), and Michael N. Danielson in "Home Team" (1997) — reach the same conclusion: Public support of professional and minor league sports is a bad investment.

> In practically none of the cities these studies examined did new sports stadiums lead to any significant new private investment or provide for any significant economic benefits to the local economy besides the jobs generated by the initial capital construction of the stadiums. More important, the new stadiums generally were not even profitable or self-financing. Nor could cities point to rising land prices or economic development in the surrounding community. Even as tourist attractions, the stadiums either simply transferred sales from somewhere else or failed to demonstrate that the local hotels were filled as a result of the sports events.
>
> Finally, in terms of the much-ballyhooed job production, outside of initial construction and the salaries for the players themselves, part-time, seasonal, and no-benefit beer and peanut sales jobs were the fare for what the billions of public dollars produced.
>
> http://www.minnpost.com/community_voices/2011/02/10/25662/dumb_and_dumber_the_folly_of_taxpayer_handouts_for_professional_sports

5. Prof. Allen Sanderson of the University of Chicago.

> The monies allocated to these sports facilities by and large come from public coffers that would otherwise have been used for education, police and fire protection, road and sewer maintenance, and other competing uses. Thus, revenues designated for construction and operations invariably come at the expense of other public projects.
>
> http://www.heartland.org/budgetandtax-news.org/article/20933

6. Robert A. Baade is an economics professor at Lake Forest College, Illinois. During 1985 and 1986 he served as chairman of the Chicago Metropolitan Planning Council's Committee to Determine Costs and Benefits of a New Sports Stadium in Chicago.

> **In seven of the nine cities analyzed, stadium renovation or construction, or a city's adoption of a professional football or baseball team, was followed by a reduction in that city's share of regional income.** ...
>
> **Stadium construction or renovation may exert a positive influence on SMSA** [Standard Metropolitan Statistical Area] **income, but the positive stadium effect is offset by the negative influence on city income induced by the presence of a professional baseball team**. As one might expect, the same pattern emerges in an analysis of the relationship between city retail sales and the stadium and professional baseball variables. ...
>
> The results of this study suggest that the economic "growth" spurred by sports franchises or stadiums is not likely to be true growth at all, but merely "realignment." Jobs are not created, but diverted from the manufacturing economy to the service economy, or from higher-skilled to lower-skilled (and lower-paid) occupations. Similarly, spending on sports activities may only divert spending from other leisure activities, and new business

start-ups in the neighborhood of a stadium may be negated by business failures in other areas of the city.

> Contrary to the claims of city officials, this study has found that sports and stadiums frequently had no significant positive impact on a city's economy and, in a regional context, may actually contribute to a reduction in a sports-minded city's share of regional income. The results presented here suggest that **it must not be assumed that subsidization of sports or stadiums by the public sector is economically sound**. It remains to be seen if the private sector by tapping into potential revenue streams (the sale or leasing of luxury stadium space or integration of the stadium into larger development schemes) can appropriate benefits sufficient to justify massive investments in teams and their facilities. [All emphasis original]
>
> http://www.heartland.org/custom/semod_policybot/pdf/17280.pdf

7. Raymond Keating, an economist, also cited above, writing for the Cato Institute.

> The economics of sports subsidies is dismal, as large taxpayer expenditures for new stadiums, ballparks, and arenas fail to generate economic growth and new jobs, despite the grand assertions by team owners and countless politicians. And while the politics of sports pork can be high profile and glitzy, it amounts to the same pathetic special interest politics we see every day in government, whereby the many are taxed for the benefit of an elite few. In this case, the few happen to be millionaire sports team owners and players.
>
> http://www.cato.org/pubs/pas/pa339.pdf