Argument against publicly funding sports facilities

ASSIGN BUSTER

Recently it was announced that the city of Minneapolis agreed to a deal with the Minnesota Vikings, a franchise in the National Football League, to help fund the construction of a new stadium for the team to play in. While this will be deemed as great news by local fans of the team, I believe that using public tax revenues to fund the construction of this new stadium is a misuse of public funds and a poor demonstration of governmental policy.

Research has shown that the use of public funds to finance new sporting facilities does not generate any revenue for the city appropriating the money and that the opportunity cost of not spending that money on other public programs or buildings can be detrimental to the financial stability of the communities and cities involved. (Lazere, pg. 1) This research is also supported by esteemed civic finance scholar Robert Baade, who recently stated, “ Findings indicate that public funding of sports, including funding of stadiums and sports arenas, is not a sound civic investment.

Stadium subsidies and other sports subsidies benefit not the community as a whole, but rather team owners and professional athletes. ” Due to the overwhelming wealth of evidence that shows the negative effects of public funding for sports facilities, I have developed a plan to force professional sports outlets to raise money through privatized funds so that money otherwise being pumped into building new sports facilities can instead be spent on projects that will provide a greater economic boost to the local economy and support more efficient governmental policy.

As the main controller of the city budget, I hope you will support my conclusion on this topic and give your fiscal support by withdrawing your monetary contribution to the building of the new football stadium and funding other public projects. The Problem One of the fastest growing industries in the United States is the sports business, as the Hambrecht and Co. Sports Finance Group found that profits from the industry have risen almost 40% in the past 20 years to about $22. 4 billion in 2011.

To accommodate this rapidly increasing public interest, owners of these sports franchises have demanded that newer and modernized stadiums be built that can seat more fans, include more venues and vendors to boost profits, and maintain public interest. Part of their demands have been to receive public funding from the cities and states their teams play in, arguing that having their teams play in the local area will generate revenues for other local businesses and provide jobs for local citizens in the facilities where games take place.

And by threatening to move their franchises to cities willing to provide more funding, owners are able to use the fear of public backlash from relocation to strong-arm their team’s host cities and states into providing financial aid for the construction of new stadiums. (Owen, Polley) As a result, these stadiums have largely been built on the back of public financing through subsidies and tax dollars. However, the measureable benefits of having a professional sports team in a local city or community do not justify the vast amount of governmental financial aid required to construct a stadium.

Professional sports franchises should be forced to use privatized funds to renovate or build stadiums so that public funds and tax revenues can be allocated to areas of more pressing need. While owners have argued for decades that new stadiums provide an economic boost to the cities and nearby retail stores and restaurants that host these facilities, there is actually little data to support this claim.

For example, according to research done by Dr. Wilhelm in a recent study, 27 of the 30 cities that have supported the building of a new stadium or arena through tax dollars in the last 20 years reported no increase in the per capita income growth of its residents, while 3 areas reported a negative change. This is in large part due to the fact that none of the 25 stadiums built between 1978 and 1992 generated a net increase in tax revenue for the host city (Wilhelm, 1). Even the citizens of the hosting communities struggle to find ways to measurably benefit from having professional sports teams in the local area.

According to Ed Lazere of the DC Fiscal Policy Institute, this is largely due to the fact that most jobs created by the construction of a new stadium are seasonal positions with low pay and limited benefits, such as concession stand or usher positions. These positions aren’t even guaranteed to go to local residents, as research shows roughly 1/3 of those seasonal positions are filled by residents of the city the professional sports team is located in, while the remaining jobs are distributed to labor unions that find employees outside the local area.

In fact, the vast majority of the revenue generated from professional sporting venues never gets re-invested into the local economy. Player salaries and owner profits make up a large percent of where the team’s revenue is distributed and neither group tends to spend these profits locally.

A study lead by Stephen Fuller of the University of Virginia found that less than 20% of the earnings of players and owners are spent in the local area the team operates in (Fuller, pg 6).

Therefore, little evidence is seen that cities and communities hosting professional sporting venues is financially beneficial for anyone involved except for the professional team using the venue. Also, any economic boost provided by the new stadiums is negated if the opportunity cost of distributing that public tax money elsewhere in the form of funding other public programs or reducing tax levels is greater than the return on the investment in the new stadium.

For instance, according to Ed Lazere of the DC Fiscal Policy Institute, Washington D. C. ’s legislative committee passed a bill in 2003 that approved a $339 million dollar financing package to be repaid over a 30-year period that renovated one of the arenas already constructed in the city while also building a new baseball stadium for the team now known as the Washington Nationals. Anthony Williams, the mayor of Washington D. C. at the time, justified this investment by arguing the proposed financial package would be supported through taxation of other local businesses.

However, the opportunity cost of using business tax revenues to fund the stadium subsidy is great because otherwise those business tax revenues could have been spent on other public programs that would have a greater effect on the D. C. community and provide a better return on investment. (Baade, Matheson) Also, by placing a new stadium in the downtown region of Washington D. C. , the Williams administration placed a huge opportunity cost on the land the stadium will be built on because the stadium will be exempt from city property taxes until the $339 million subsidy is fully repaid.

Therefore, the D. C. district government eliminates 30 years of property tax revenues that could be generated from a private business operating on that land (Lazere). By contrast, if the stadium had instead been privately funded by the owners and the league the owners operate in, all of the property taxes created by the building of the stadium would have flowed directly into the district's public funds and could have been used to support other public services and programs.

This decision to publicly fund the stadium came at a time when Washington D. C. ranked as one of the most poverty stricken districts in the country, with major revamping needed in the educational and housing districts and one of the highest crime rates in the nation. (Dart, pg. 2) Using that $339 million for other public purposes would have been a more efficient investment and example of effective governmental policy.

The plan for resolving this situation is simple; force professional teams to privately fund the construction of new stadiums through contributions from the team's owner, revenues generated by the franchise, and contributions from companies looking for exclusive sponsorship rights and the ability to advertise in the venue. Despite repeated attempts by franchise owners to claim that privately funding a sports venue is not financially viable, those claims can be refuted by the fact that a privately funded stadium was built as recently as a decade ago.

In 1999, after 29 seasons playing in Foxboro Stadium, New England Patriots owner Robert Kraft decided that his football needed a new stadium to play in to keep up with the technological advantages and state-of-the-art equipment offered to other NFL teams playing in new stadiums. However, the city of Foxboro, Massachusetts refused to finance the stadium due to the inability of the previous stadium to help boost the local economy. (Copeland, pg.) So Robert Kraft decided to design a stadium on his own and finance it completely through private funds, most of which came from him and The Kraft Group, the business he owns that operates the franchise. He borrowed $452 million to cover the construction costs of the stadium, which totaled $325 million, and the installation of state-of-the-art equipment and concession/merchandise vendors. Although Kraft now pays over $20 million annually in debt repayment, Gillette Stadium, officially the home of the New England Patriots since 2002, generates over $40 million annually in profit from sponsorships and ticket sales.

Those figures don’t even account for the massive revenues the franchise accumulates from television and radio deals and merchandise sales. Kraft remains one of the most profitable owners in the NFL despite being the only current owner to have privately funded the stadium his franchise calls home. In fact, since moving into their new stadium the Patriots franchise has gone from being valued the 25th most valuable team at $204 million in 2002 to $1. billion in the most recent analysis conducted by Forbes magazine, now making them the 3rd most financially valuable team in the league. (Copeland) Robert Kraft’s endeavors to build a new stadium for his team provide a perfect business model for other owners to replicate if they feel their teams need new facilities. The immense popularity of professional sports in America allows teams to charge phenomenally high rates for television, radio, and sponsorship contracts. Those revenues derived from these contracts should serve as the basis for the private funding of stadiums.

In order for this plan to be effective however, there needs to be a collective effort from city and state governments to limit the amount of leverage owners have in negotiating funds for stadiums to be built. Owners gain a lot of bargaining power by threatening cities to relocate to other cities more willing to grant large amounts of public funding, but that power will disappear if city and state government collectively refuse to grant funding for stadium construction. It is an effort of this magnitude that needs to be made to ensure public funding is being distributed to the right places.

Conclusion While hosting a professional sports team does create civic pride for the residents of the city involved, there are not enough measureable and tangible benefits to justify using public funding to finance the building of new sporting venues. Unless stadiums being constructed are being financed through private funds such as Gillette Stadium in Foxboro, Massachusetts, appropriating public funds and tax dollars for the use of creating new sporting arenas is an example of mismanagement of government spending with no statistical proof of providing economic growth for local communities or cities.

Mr. Mayor, funding yet another massive stadium project that will drain your city’s finances and resources will be doing your city a great injustice. I implore you to examine the data that strongly objects to the decision your city has made and re-evaluate your decision to avoid becoming another city blackmailed into supporting a misguided attempt at enacting efficient government policy.