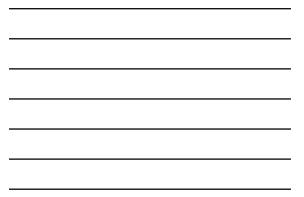


Subsidy History

- 1950s Few teams play in public stadiums
- 1970 70% of teams play in public stadiums
- 1980 84.5% in public stadiums
- 2003 Percent still rising





Size of Public Subsidy Rising

- 1971 Total annual subsidy \$23 million (\$56.8 million in 1982-84 dollars)
- 1990s Total annual subsidy \$500 million (\$346 million in 1982-84 dollars)

Sources of Subsidies

- Favorable Leases
- Direct cash payments
- Tax-exempt bonds
- Stadium Construction

Why Subsidize Professional Sports?

- No justification from cost-benefit basis
 - 14 studies find no or a negative impact on local economy
 - » Must bring new economic activity into area, not just reallocate spending
 - » "Bad" jobs

Reasons for Subsidies

- Sports important to everyday life
- Sports as an "economic engine"
- Sports teams have "upper hand" in bargaining
- Politics and elections

Sports Important to Everyday Life

Sports impart values that nothing else can

996 survey

- 91 % of people surveyed thought that sports participation helps people to get along with those from different racial or ethnic groups
- 84% thought helped in business world
- **77%** thought made better parents
- 68% thought helped people get along better with those of the opposite sex

Sports Important to Everyday Life

- Sports play a major role in media and education
- Sports provide a sense of collective identity
- Sports metaphor common in language
- Sports provide <u>a city with "first</u> tier" status

An "Economic Engine"

 Presence of professional sports team will "drive" economic development
 Increase in economic activity will allow

stadium to "pay for itself" » No empirical evidence

Upper Hand in Bargaining

- Fewer teams available than cities that want them
 - Must be willing to pay_larger premium than any other city in order to attract team

Politics and Elections

- Stadium Proponents well-organized and funded
- Politicians fear loss of votes if city or state loses team

Stadiums and NYC

- Largest city in United States
- Finance, Media,
 Publishing Capital
- Total size of city economy (in 1996): \$356 Billion



Yankees and Mets

- Both desire new stadiums
- Threats to leave city
- Claim new stadiums will help city's economic growth

Economic Impact of Teams

Yankees	Mets	Total
\$133	\$68	\$202
28	23	51
29	19	48
190	110	300
1.020	660	1,680
	\$133 28 29 190	\$133 \$68 28 23 29 19 190 110

- Teams create about \$300million in output
- Approximately 0.09% of NYC's economy

Fiscal Impact of Teams on NYC

• New York City "earns" approximately \$13.6 million dollars in revenue from teams

•Mostly from sales tax •City pays for most of maintenance and day-of-game

	Yankees	Mets	Total
City sales tax	\$3.6	\$2.1	\$5.7
City income tax (players)	0.3	0.2	0.5
Other city tax revenues	23	1.6	3.9
Subtotal: city tax revenues	6.2	3.9	10.1
Plus: stadium parking fees	2.4	2.0	4.4
Less: day-of-game costs	(1.0)	(0.7)	(1.7)
Subtotal city taxes and fees	7.6	5.3	12.8
Plus: stadium rent	5.1	3.4	8.5
Less: stadium maintenance	(3.8)	(2.7)	(6.5)
Less: debt service costs	(1.2)		(1.2)
Total city fiscal impact	7.7	6.0	13.6
Source: Independent Budget (flice		
Note: Stadium rents and m			

Impact of New Stadium(s)

• New Stadium nets city approximately:

• \$111 million in additional output

• 570 new jobs

• \$4.9 million in additional

taxes

• Most of increased output accrues to teams

	Yankees	Mets	Total
Current output	\$190	\$110	\$300
New stadium output	257	153	411
Net new output	68	43	111
Current employment	1,020	660	1,680
New stadium employment	1,360	890	2,250
Net new employment	340	230	570
Current city taxes and fees	\$7.6	\$5.3	\$12.8
New stadium taxes and fees	10.6	7.2	17.8
Net new city taxes and fees	3.0	1.9	4.9

Opportunity Costs

- Increases in output, employment, and tax revenues are not the costs to NYC if teams leave
- Must pay attention to opportunity costs
 - Investments in schools, parks, transit, hospitals, etc. instead of stadium.
 - Best to spend money on projects with highest rate of return

Conclusion(s)

 Having the Mets and the Yankees in New York City instead of in the suburbs currently adds up to \$300 million, or 0.09 percent, to the city's economic output. This added output annually generates roughly \$14 million for the city's treasury-0.04 percent of the total city budget.

Conclusion(s)

Both of New York City's MLB franchises stand to enjoy significant revenue increases if modern new stadiums are built. Two new stadiums in the city would mean an additional \$111 million in city economic output, \$76 million of which would be new revenues for the teams. City tax revenues would increase by about \$5 million annually.

Conclusion(s)

- Economic and fiscal impact to city are small, while *opportunity costs* to city are quite high
- City may benefit more by investing its money in projects with higher rates of return

Sources

Data on NYC and the findings of the IBO study come from "Double Play: The Economics and Financing of Stadiums for the Yankees and Mets," The City of New York, Independent Budget Office.