

Give the House (That Ruth Built) Away

Public Subsidy of Professional Sports in New York

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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

Costs and Subsidies

- Stadium costs rising 50 – 100% faster than inflation

Stadium/Team	Cost (\$millions)	Year Opened
Skydome Toronto Blue Jays	\$600	1989
Coors Field Colorado Rockies	\$215	1995
Camden Yards Baltimore Orioles	\$210	1992
Ballpark at Arlington Texas Rangers	\$191	1994
Jacobs Field Cleveland Indians	\$168	1994
Comiskey Park Chicago White Sox	\$150	1991

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

1996 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 a city with “first 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

FIGURE 4.
Economic Impact of Baseball in NYC
(Dollars in Millions)

	Yankees	Mets	Total
Team revenues	\$133	\$68	\$202
Team and player spending impact	28	23	51
Complementary spending impact	29	19	48
Total city output impact	190	110	300
Total city employment impact	1,020	660	1,680

Source: Independent Budget Office.
Note: Figures are for the 1996 regular season.

- 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 costs

FIGURE 6.
Fiscal Benefit from a Season of Baseball
(Dollars in Millions)

	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	2.3	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: light service costs	(1.2)	—	(1.2)
Total city fiscal impact	7.7	6.0	13.6

Source: Independent Budget Office.
Note: Stadium rents and maintenance costs for the Mets are for the 1995 season. All other figures are for 1996.

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

FIGURE 6.
New Stadium Impacts in New York City
(Dollars in Millions)

	Yankees	Mets	Total
Current output	\$490	\$110	\$320
New stadium output	257	153	411
Net new output	68	43	111
Current employment	1,030	660	1,690
New stadium employment	1,380	890	2,290
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

Source: Independent Budget Office.
Note: Fiscal impacts do not include stadium rents, maintenance costs, or financing costs. Current impacts are for the 1996 season. The new stadium impacts are for annual operations only; one-time construction impacts are excluded.

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.
