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THE POLICY CIRCLE

GOVERNMENT, COMMUNITY, AND SPORTS TEAMS





SPORTS AND THE COMMUNITY



SINCE THE FIRST PROFESSIONAL SPORTS LEAGUE WAS FOUNDED IN 1876, PROFESSIONAL SPORTS TEAMS HAVE HAD A MAJOR IMPACT ON AMERICAN CULTURE AND SOCIETY. WHILE SPORTS PROVIDE TREMENDOUS VALUE TO COMMUNITIES ACROSS AMERICA, SPORTS TEAMS ARE ALSO VERY PROFITABLE BUSINESSES, WITH A COMPLEX TAX AND REGULATORY RELATIONSHIP WITH LOCAL GOVERNMENTS. WHAT ROLE, IF ANY, SHOULD GOVERNMENT PLAY IN SUPPORTING PROFESSIONAL AND COMMUNITY SPORTS LEAGUES?

➤ FACTS TO KNOW ◀

THE SPORTS INDUSTRY GENERATES AN ANNUAL REVENUE OF \$70 BILLION IN NORTH AMERICA, WHICH WOULD BE ONE OF THE TOP 50 COMPANIES ON THE FORTUNE 500 LIST. IN 2019, THE NFL ALONE GENERATED \$16 MILLION IN REVENUE AND THE MLB GENERATED ABOUT \$10 MILLION IN REVENUE.

SINCE THE 1990S, ECONOMIC STUDIES THAT EXAMINE THE EFFECTS OF STADIUMS HAVE OFTEN FOUND THAT THE BENEFITS GENERATED BY PROFESSIONAL SPORTS FACILITIES - JOBS, CONSUMER SPENDING, NEW DEVELOPMENTS - ARE SMALLER THAN THE COST OF THE SUBSIDIES.

SPORTS TEAMS ARE TAXABLE ENTITIES, BUT SPORT ORGANIZATIONS SUCH AS THE NHL, MLB, AND NFL HAVE LEAGUE OFFICES, WHICH HANDLE THE ADMINISTRATIVE FUNCTIONS AND QUALIFY AS TAX-EXEMPT. THE 3 LARGEST TAX-EXEMPT SPORTS LEAGUES, THE NHL, PGA, AND LPGA, HAVE A COMBINED ANNUAL REVENUE OF \$1 BILLION DOLLARS. IF THESE LEAGUES WERE NOT TAX EXEMPT, THEY WOULD PROVIDE AROUND \$100 MILLION ANNUALLY.

BEFORE THE 1950S, SPORTS STADIUMS WERE BUILT WITH MOSTLY OR ENTIRELY PRIVATE FUNDS. THE MILWAUKEE BRAVES' STADIUM, BUILT IN 1953, WAS THE FIRST STADIUM TO BE BUILT WITH PUBLIC FUNDS. TODAY, USING PUBLIC MONEY TO BUILD A NEW STADIUM IS COMMON PRACTICE. THE RAIDERS RECEIVED ALMOST \$750 MILLION IN SUBSIDIES TO MOVE FROM OAKLAND TO LAS VEGAS.

➤ GOVERNMENT SPENDING ◀



THE FEDERAL GOVERNMENT SUPPORTS INFRASTRUCTURE BY DIRECTLY SPENDING MONEY OR BY MAKING GRANTS TO STATE AND LOCAL GOVERNMENTS.

SINCE 2000, THE FEDERAL GOVERNMENT HAS SUBSIDIZED CONSTRUCTION AND RENOVATIONS FOR 35 PROFESSIONAL SPORTS STADIUMS WITH \$3.2 BILLION IN FEDERAL TAXPAYER DOLLARS.

CONGRESS ATTEMPTED TO STOP SUBSIDIES FOR SPORTS WITH THE TAX REFORM ACT OF 1986 BY REQUIRING STATE AND LOCAL GOVERNMENTS TO FINANCE AT LEAST 90% OF STADIUM COSTS IN ORDER TO GRANT TAX EXEMPTION. THE MEASURE BACKFIRED AND BECAME AN INCENTIVE FOR LOCAL GOVERNMENTS TO FINANCE THE MAJORITY OF PROJECTS.

PROPOSALS TO ELIMINATE THESE TAX EXEMPTIONS ROUTINELY POP UP IN CONGRESS, BUT EVEN WITH PUBLIC SUPPORT TO END SUBSIDIES, NO EFFORTS HAVE SUCCESSFULLY ENDED THE PRACTICE.



➤ FRAMING THE ISSUE ◀

ECONOMIC RESEARCH INTO THE EFFECTS OF TAXPAYER FUNDED SPENDING INDICATES THAT PUBLICLY FUNDED STADIUMS DO NOT PAY THEMSELVES OFF IN THE FORM OF INCREASED ECONOMIC ACTIVITY AND TAX REVENUE. BECAUSE CONSUMERS HAVE A LIMITED ENTERTAINMENT BUDGET, STADIUMS TEND TO DIVERT CONSUMER SPENDING FROM OTHER RECREATIONAL ACTIVITIES RATHER THAN INCREASING LOCAL ECONOMIC ACTIVITY.

THE CONSTRUCTION OF NEW STADIUMS DOES NOT ALWAYS LEAD TO INCREASED TAX REVENUE OR MAJOR BENEFITS FOR A CITY'S RESIDENTS. ATLANTA'S \$1.5 BILLION DOLLAR MERCEDES-BENZ STADIUM IS RIGHT NEXT TO ENGLISH AVENUE AND VINE CITY, TWO POORER NEIGHBORHOODS OF THE CITY WHERE RESIDENTS ARE CONCERNED ABOUT GENTRIFICATION.

SPORTS STADIUMS CAN ALSO BE EXAMPLES OF POSITIVE CHANGE FOR THE COMMUNITIES THEY ARE PART OF. THE GREEN SPORTS ALLIANCE IS AN INTERNATIONAL GROUP OF SPORTS TEAMS THAT PROMOTE ENVIRONMENTALLY FRIENDLY PRACTICES LIKE DONATING UNUSED FOOD TO LOCAL COMMUNITIES AND MAKING PAPER PRODUCTS OUT OF RECYCLED MATERIALS.

SOME SPORTS TEAMS GIVE BACK TO THEIR COMMUNITIES BY LEADING PHILANTHROPIC AND VOLUNTEERING EFFORTS. THE CHICAGO CUB'S COMMUNITY AFFAIRS TEAM SERVES ON THE BOARD OF SEVERAL NONPROFIT GROUPS, CHAMBERS OF COMMERCE, AND NEIGHBORHOOD ASSOCIATIONS. IN 2018, CUBS PLAYERS, COACHES, AND COMMUNITY ASSOCIATES PROVIDED AROUND 4,000 HOURS OF COMMUNITY SERVICE TO VOLUNTEER INITIATIVES.

➤ POTENTIAL SOLUTIONS ◀

GREATER TRANSPARENCY AROUND TAXPAYER FUNDING AND SUBSIDIES

RELIABLE INFORMATION ABOUT HOW TAX EXEMPTIONS AND GOVERNMENT SUBSIDIES FROM LOCAL, COUNTY, AND STATE GOVERNMENTS BENEFIT SPORTS TEAMS. MAKING THESE INFORMATION AND TALLYING UP A SINGLE "PRICETAG" FOR VARIOUS SUBSIDIES AND TAX EXEMPTIONS CAN INCREASE PUBLIC ENGAGEMENT IN THE CONVERSATION ABOUT GOVERNMENT SUPPORT FOR SPORTS AND HOW COMMUNITIES CAN BENEFIT FROM PUBLICLY FUNDED STADIUMS.

MULTI-USE FACILITIES

WHEN MASSIVE MEGA-STADIUMS ARE BUILT AROUND ONLY ONE SPORT OR TYPE OF A EVENT, THEY GO UNUSED FOR LARGE PORTIONS OF TIME AND FAIL TO PROVIDE REVENUE FOR CITIES, COUNTIES AND STATES. FINDING USE FOR FACILITIES YEAR-ROUND CAN HELP. CHICAGO'S WRIGLEY FIELD HAS GENERATED MORE THAN \$3 MILLION IN TAX REVENUE AS A VENUE FOR MUSIC CONCERTS.

COMMUNITY BENEFITS AGREEMENTS (CBA)

SOME CITIES AND STATES HAVE GAINED MORE FROM HOSTING SPORTS STADIUMS THROUGH COMMUNITY BENEFIT AGREEMENTS (CBA), WITH SMALLER-SCALE STADIUMS THAT INCLUDE OTHER SERVICES LIKE SPORTS MEDICINE CLINICS AND YEAR-ROUND FACILITIES FOR COMMUNITY SPORTS TEAMS. CBAS ALLOW STADIUMS TO PLAY A POSITIVE ROLE IN THEIR COMMUNITIES AND HELP ENSURE COMMUNITIES BENEFIT FROM NEW DEVELOPMENT. FOR EXAMPLE, NEW YORK'S KINGSBRIDGE NATIONAL ICE CENTER AGREED TO HIRE AND TRAIN LOCAL EMPLOYEES AND ALLOW COMMUNITY ACCESS TO THE ICE CENTER.

➤ WHAT YOU CAN DO ◀

MEASURE -

FIND OUT WHAT YOUR STATE AND DISTRICT ARE DOING ABOUT SPORTS TEAMS AND SUBSIDIES OR TAX CREDITS.



IDENTIFY -

WHAT STEPS HAVE YOUR STATE'S OR COMMUNITY'S ELECTED AND APPOINTED OFFICIALS TAKEN TO ENHANCE TRANSPARENCY AND ACCOUNTABILITY REGARDING ECONOMIC SUBSIDIES?



REACH OUT -

REACH OUT TO TALK TO THE PEOPLE RESPONSIBLE FOR THE INITIATIVE AND THE PROCESS. YOU HAVE THE RIGHT TO KNOW HOW DOLLARS ARE SPENT, WHAT THE MEASURES OF SUCCESS ARE, WHICH CONTRACTORS HAVE BEEN HIRED, AND HOW THE SELECTION PROCESS WORKS.

PLAN -

SET MILESTONES BASED ON YOUR STATE'S LEGISLATIVE CALENDAR OR LOCAL COMMUNITY CALENDAR.



EXECUTE -

GIVE IT YOUR BEST SHOT. CONSIDER ASKING YOUR LOCAL BUSINESS OWNERS OR YOUR LOCAL CHAMBER OF COMMERCE ABOUT ECONOMIC EFFECTS AND DEVELOPMENT DUE TO THE PRESENCE OF SPORTS TEAMS. YOU CAN FIND YOUR LOCAL ONE HERE.

