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Commentary

Title:

"It's Time to Kick Billionaires Off the Dole: Subsidizing Stadiums is Welfare for the Rich, Not Economic Development"

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Last month, two NFL teams reached deals with state and local governments to build new stadiums to host their football teams. The Buffalo Bills finalized its agreement with Erie County and New York State to collect $850 million in public funds to build a $1.54 billion stadium near its existing venue in the village of Orchard Park. The Tennessee Titans then reached a preliminary agreement with Nashville and the State of Tennessee to fund $1.26 billion of the cost of constructing a new $2.1 billion domed stadium to replace a stadium that opened just 25 years ago. Collectively, these venues will cost taxpayers more than $2 billion to cover a majority of the funds needed to construct these massive capital projects that subsidize the operations of their fabulously wealthy owners.

Why do team owners feel so comfortable demanding subsidies for their private business endeavors? It seems that professional sports teams have come to view public funds as an entitlement, and politicians have done little to discourage this expectation. Since 1970, state and local governments have contributed $35 billion (inflation adjusted) to constructing professional sports venues. Since 2010, the average stadium has received $500 million in public funds—30% higher than the previous decade—and contributions are poised to grow as venues built during the mid-1990s/early-2000s stadium construction boom are deemed "obsolete," because they lack the latest luxury amenities with revenue streams that owners covet.

When asked why taxpayers should foot the bill, stadium advocates often justify the use of taxpayer funds as a sound public investment, not a subsidy. They contend that sports events stimulate local economic activity to create jobs and increase local property values, and a state-of-the art venue promotes the area's cosmopolitan image to attract innovative companies. Though the public cost will be measured in hundreds of millions of dollars, supporters promise that the commercial and quality-of-life improvements will fill municipality coffers with sufficient tax revenue to return a bountiful surplus.

The problem with this narrative is that none of it is true: publicly-funded stadiums always cost their communities more than they return. Economic studies consistently find little to no tangible impacts of sports teams and facilities on local economies, and hundreds of millions to billions of taxpayer dollars provided far exceeds any observed economic benefits. The consistent empirical evidence explains why economists overwhelmingly agree that sports stadiums are bad public investments.

The touted economic development benefits of stadiums are nothing but a fairy tale, which buoys the wishful thinking of politicians and community leaders, who help sell the deal to the taxpayers to fund luxury suites and stadium clubs where they hobnob with local power brokers and celebrities. The team owner benefits from added revenue provided by an opulent new facility, which will ultimately deteriorate and grow stale before its useful life expires, and the cycle repeats.

Stadium boosters typically wave off the consensus research findings by pointing to unique attributes of their project, such as an ancillary development or a favorable location. "This one will be different!" they claim, often referencing privately-commissioned reports with favorable projections based on dubious methods, but the results always fall short of their promises. For example, the Atlanta Braves' Truist Park was pitched as an economic "home run" because of its associated mixed-used development that would generate increased commerce, jobs, and tax revenue; however, five years after opening, Cobb County is running an annual $15 million deficit to cover its initial $300 million public contribution.

The reality is that sports stadiums are not engines of economic development, nor should we expect them to be. Typical stadium patrons are nearby residents, whose venue-related spending siphons off business from other local restaurants, bars, movie theaters, and retail stores. Sports stadiums don’t generate much new spending; instead, they mostly transfer existing spending to a new location within the region. The chief beneficiaries of this reallocated spending are team owners, who capture revenue from hosted events, and their wealthy clientele, whose stadium extravagances are partially funded by taxpayers.

While stadiums may be glamorous public projects, there is little justification for devoting tax dollars to constructing them. It is time for policymakers to cut off the public assistance that team owners have come to expect, which perpetuates a cycle of stadium replacements that don’t make host communities any richer. The economic development promises of stadiums are a myth, and the public funding that supports their construction is nothing more than welfare for the rich.