

# PUBLIC FUNDING FOR THE CREATION OF SPORTS STADIUMS



Should public funds be used for the building of sport stadiums? Are the benefits of these stadiums worth what the local government contributes towards their creation?

by Joe Reinhardt

## Reasons Public Funding Can Be an Issue



Members of a city's political, business, and media elite can often times value a professional sports team, in terms of the clout and revenue it brings to particular businesses, more than the common citizens of a city<sup>3</sup>



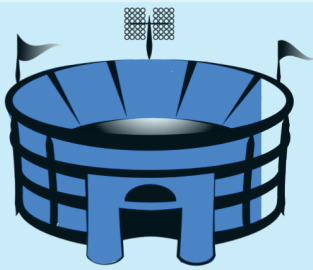
The problem is exacerbated by the threat of professional teams relocating from their host cities. This puts the city and state governments in a difficult position, as they want the team to stay. As such, they are often willing to agree to deals for new stadiums that are favorable to the sport franchise<sup>2</sup>



As stadiums started to become larger and more technologically advanced, teams began to prefer the use of public funding<sup>1</sup>



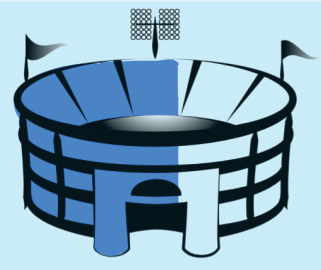
Money used to attract or keep a sports team takes away funds from other areas, such as education or infrastructure



# 95%

used public funding

For National Football League Stadiums Built Between 1997 and 2013:<sup>1</sup>



# 56%

average amount of public funding used

## Revenue Bonds

The other type of bond typically used to finance stadiums. These bonds are bonds payable from the income of the projects financed by the bond proceeds. As opposed to general obligation bonds, revenue bond holders retain no claim over the funds and property of the municipality.<sup>2</sup>

## Key Terms

### General Obligation Bonds

One of two types of bonds used to finance stadiums. These bonds are backed by the full faith and credit of the issuing entity, making them very attractive to sports teams.<sup>2</sup>

### Public Private Partnerships (PPPs)

Partnerships involving collaboration between a government agency and a private-sector company that can be used to finance, build, and operate projects, such as public transportation networks, parks, and convention centers.<sup>6</sup>

# Potential Solutions



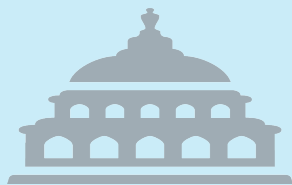
## Federally Regulate Sports Leagues

Relocation is one of the main tools sports teams use to extract favorable terms. A federal commission, which Congress has proposed in the past, to regulate sports leagues would keep local governments from falling victim to predatory deals.<sup>3</sup>



## Focus on Localized Impacts

While city-wide economic improvement is virtually non-existent, stadiums can be used to improve neighborhoods and certain areas of the city as they often bring accompanying real estate development. Well placed stadiums with favorable terms for the public can in fact have positive impacts on the community around them. PPPs can also be very effective with localized impacts<sup>7</sup>



## Reform to Tax-Exempt Bonds

Legislation can be passed which would prevent teams who broke lease agreements from receiving tax-exempt bonds in future stadium financing. This would help protect local governments and prevent teams from pitting different cities against one another.<sup>3</sup>

## Common Myths and Misconceptions

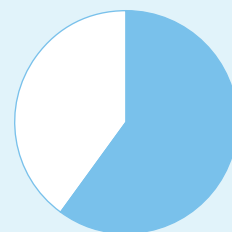
### Local Communities Benefit from Sports Stadiums

Stadium financing literature finds no evidence of net income or employment from sports facilities or professional teams. It seems what sports stadiums are most successful in convincing people to invest in their cause<sup>1</sup>

### Small Stadiums Benefit Small Communities

Smaller cities face the exact same risk in building smaller stadiums with public funding, typically for junior or minor league teams, and often have more risk involved as smaller cities have less resources available than larger cities<sup>10</sup>

In 2008,



# 60%

of Oklahoma City voters approved public funding for a prospective NBA Team, with local leaders pushing the narrative that the team would create a sense of

## civic pride<sup>7</sup>

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