The House That Taxpayers Built

Amy Rose, KT Writer

Taxpayers aren’t necessarily getting what they pay for when public funds are used to build a new sports stadium in their town. According to a study published in 2008 by Kurt Rotthoff of Seton Hall University and John Jasina of Claflin University, the local economic boom promised by local politicians and team owners when the new stadium opens simply does not exist. There is also no evidence of an economic letdown when a team leaves town, either. Yet, in the NFL alone, 23 of the 32 franchise teams play in arenas that were more than 50% financed by the public, according to a 2011 report by the Marquette Law school.

The study by Rotthoff and Jasina narrowed the scope of previous studies to employment and wages at the county level. It also focused on five major industries likely to be affected by the appearance of a professional sports team: hotels and lodging, restaurants, drinking establishments, liquor stores, and retail apparel shops. Cities that either gained or lost a team in professional leagues of the MLB, NBA, NHL, or NFL between 1986 and 2005 provided economic data for the study. This contained information from 58 counties in the United States, several of which have had more than one franchise at any given time.

The study supports previous research that has held consistent over the last 15 years or more. “The economic impact just simply doesn’t exist,” says Rotthoff. The data gathered shows no difference between when the team was in town and when it wasn’t. Employment rates and salaries in these areas all remained unchanged. Rotthoff and Jasina found that while many new businesses did open near the stadiums, similar businesses closed in other sections of town to maintain the status quo. This also explains why revitalization projects associated with new stadiums appear to work. The stadium works in terms of restoration of businesses near the stadium, but businesses are lost elsewhere in the city.

The authors conclude that the results mostly reflect budget constraints of consumers. “Sports spending substitutes for other types of spending in the economy. If a family spends $400 at a sporting event, that is 400 fewer dollars spent in industries such as museums, theaters, restaurants, and performing arts. Because of this substitution, there ends up being no employment or income gains,” says Jasina.

Higher taxes imposed on local restaurants and hotels are often used to help pay for the stadium construction. According to Jasina, politicians and others argue that these hospitality taxes do not negatively affect the local economy because those taxes are being imposed on tourists. “The fact is that taxes decrease the amount of economic activity regardless of who pays the tax. Higher taxes on restaurants and hotels mean that overall spending on restaurants and hotels will decrease,” Jasina says.

The authors point out that there are other positive benefits to the host town of a professional sports franchise. There may be some impact to the housing market based on sports fans who want to live closer to the new stadium. There is also community pride.
Kinesiology Today Fall 2012 Volume 5, No. 3

Continued from page 22

Wimberley: The Fittest Little Town in Texas

per person, and that covers the cost of the room rental (at a discounted price) as well as a small stipend for the teacher, who is trained in yoga.

“We might even make a little money occasionally. A requirement of this program is there can be no negative drain on the budget,” says Flocke. “That was a condition from the city council. So the trinkets and handouts have to come out of money generated by the activities. There is some income generated from exhibitor-space rental at the health fair as well.”

Last April, the fitness council also sponsored a first annual walk for local Boy Scouts and Girl Scouts. The program is at once promoting health and building a stronger community. While the results have not been scientifically measured, the anecdotal evidence is overwhelming. “Just from talking to people, I know there are older folks who go to the classes and evening walks who say they feel better and have fewer aches and pains,” says Flocke.

There is even one older woman who comes regularly to the exercise classes with her walker.

Continued from page 6

Clark Named Dean at University of Maryland

measure our progress as you would the speed of light. Fast! Very fast!” The number of departments in the school has doubled, and several new research centers have been created, including the CDC-funded Prevention Research Center, the Herschel S. Horowitz Center for Health Literacy, and the new Maryland Center for Health Equity.

Continued from page 7

The House That Taxpayers Built

that provides a positive social impact for local residents. “It brings hope and value to a city that can rally around the home team,” says Rotthoff. Experts estimate that 10% of the value of the stadium is based on how people feel about having a team in their hometown. “However, that’s not worth as much as we are spending on these stadiums.”

Although construction has slowed during the past few years of economic downturn, both authors predict that it will be business as usual for professional teams and politicians when the economy picks up again. “There is a lot of money at stake, and the owners of sports teams will do all they can to get some of that money. Politicians, on the other hand, never shy away from an opportunity to get their names in the newspaper or on television,” says Jasina. When it comes to seekers of information about economic truths, Rotthoff says he’s more likely to be contacted by skeptical journalists debating the use of public funds for stadiums rather than local officials wanting straight answers on the issue of economic impact.

Both men insist that despite hate mail to the contrary, they are sports enthusiasts and are not trying to discourage the addition of sports teams or the building of new stadiums. “Sport economists do research because we like sports. Sports give us an opportunity to apply our economic knowledge to a topic we enjoy. Research in the area of stadiums and economic impact of stadiums simply comes from the argument proposed by stadium boosters and politicians. Sport economists are simply trying to measure the effects that stadium boosters claim exist,” Jasina says.

The research team is currently working on a new study to measure the employment and income effects of the NHL lockout. “Based on the arguments put forth by stadium boosters and politicians, we should see a large negative effect on employment and income in NHL-related industries due to an entire season being canceled,” Janisa says. The research is ongoing in this area, and they both remain committed to revealing truthful statistical data to influence the future development of the sporting world.