

PROFESSIONAL SPORTS FRANCHISES

Public Teams, Private Businesses

Christopher Columbus would have made an appropriate club owner. He didn't know where he was going. He didn't know where he was when he got there. He treated people like slaves. And he did it with other people's money.

—Woodrow Paige, *Denver Post* sportswriter

The players change teams, the teams move from city to city. The only thing that stays the same is the uniforms. We're literally rooting for laundry.

—Jerry Seinfeld, comedian

We may love baseball. We may love football. We may bleed our team's colors on game day. But that doesn't mean we should have to pay a billionaire millions of dollars for the privilege to watch.

—Dave Zirin, sports columnist

Sports stadiums typically aren't a good tool for economic development. Take whatever number the sports promoter says, take it and move the decimal one place to the left. Divide it by ten, and that's a pretty good estimate of the actual economic impact.

—Victor Mathson, economics professor

[In subsidizing sports stadiums] the public sector is underwriting most of the risk, while most of the benefits that accrue, accrue to the teams.

—Robert Baade, economist

Most public address announcers at professional sports events, when introducing the teams, refer to the home team as “your” team, as in “your” Denver Broncos, your New York Yankees, or your Atlanta Hawks.¹ The home fans do identify, often passionately, with the home team, the team representing their city or region. The team is their team in this respect. The fans also have a financial stake in these teams by purchasing the high-priced tickets and, subsidizing the stadiums and arenas in which the professional teams play.

But the professional team to which they give their allegiance is not really theirs. With the exception of only one major league franchise in the four major sports—the Green Bay Packers—every professional team is owned by an individual, a family, a small group of business partners, or a corporation. The owner can sell and trade players, including players who are true heroes to the fans. The owner determines the ticket prices. The owner can move the team to another city. Examining professional sport as a monopoly, ownership for profit, and public subsidies to professional team franchises raises a question: who profits and who loses in the way professional sport is organized?

PROFESSIONAL SPORT AS A MONOPOLY

Each major professional league is an unregulated monopoly.² Each league regulates itself, unfettered by government oversight and government rules against monopolies that apply to other industries. Each league operates as a cartel—as competitors joined together for mutual benefit. This means that the teams making up each league make agreements on matters of mutual interest such as rules, schedules, promotions, expansion, and media contracts. In professional sport, cartels exist to restrict competition for athletes, to limit franchises, and to divide markets among the league’s teams.³ Such arrangements are illegal in

most other restraint of

Being a limits comp for players

A cartel ke ing the nur owner of th team locati with two r before base tions (Chic and the N Dodg

), competition continue to competitor:

The leag the case of was about teams were than double added, for lion. Using is capable baseball pla mid-2015 p league team account for ball until 1; which mean hypothetica

Sport so of major lea not want to new franch

*underwriting
accrue to the*

le, economist

rts events, when
“your” team, as
or your Atlanta
z, with the home
eam is their team
i these teams by
ae stadiums and

allegiance is not
league franchise
very professional
oup of business
y players, includ-
c determines the
city. Examining
and public sub-
who profits and

monopoly.² Each
rsight and gov-
industries. Each
ther for mutual
gue make agree-
edules, promo-
ort, cartels exist
s, and to divide
ts are illegal in

most other businesses because they lead to collusion, price fixing, and restraint of trade.

Being a cartel gives each league enormous advantages. The cartel limits competition in several ways. Competitive bidding among teams for players is controlled through player drafts, contracts, and trades. A cartel keeps competition among the teams at a minimum by restricting the number of teams in the league and where they can locate. The owner of the Kansas City Royals, for instance, is protected from a rival team locating in his or her territory. There are some metropolitan areas with two major league baseball teams, but these exceptions occurred before baseball agreed to territorial exclusivity. Even for the few exceptions (Chicago White Sox and Chicago Cubs; the New York Yankees and the New York Mets; and Los Angeles Angels and Los Angeles Dodgers), the teams are in different leagues. This protection from competition eliminates price wars. The owners of a franchise can continue to charge the maximum without any fear of price cutting by competitors.

The league cartel also controls the number of franchises allowed. Take the case of baseball. In 1901, when the population of the United States was about 76 million, there were sixteen major league teams. No new teams were added between 1901 and 1961, yet the population more than doubled to 179 million. From 1961 to 2002, twelve teams were added, for a total of thirty teams in a nation of approximately 282 million. Using 1901 as a standard, and assuming that the United States is capable of developing the same proportion of major league-caliber baseball players today as was the case at the turn of the century, then the mid-2015 population of 321.1 million should have at least sixty-seven league teams rather than the current thirty. This calculation does not account for the exclusion of African Americans from major league baseball until 1947 and the influx of Latinos in the last couple of decades, which means that the number of teams should be even more than the hypothetical sixty-seven.

Sport sociologist George Sage asserts that this is clearly the result of major league baseball's reluctance to expand because the owners do not want to “diminish their political and economic power by adding new franchises. It seems obvious that expansion has little to do with

the availability of capable baseball players.”⁴ When it does expand, it does so to benefit the league. The last four additions reveal why. In 1993, the Florida Marlins and the Colorado Rockies were admitted because neither Florida nor the Rocky Mountain time zone had a major league team. These additions tapped new populations and media markets, which would benefit the other league members. So, too, did the \$95 million that each team paid to join. Neither team was allowed a share in television revenues for two seasons, which had the effect, when the initiation fee was added, of totaling to \$106 million. In 1998, the Arizona Diamondbacks and the Tampa Bay Devil Rays played their first seasons, each having paid \$125 million to become members of the cartel. Both of these teams were added for reasons similar to the ones dictating the addition of the Marlins and Rockies—the Southwest: Arizona/Utah/New Mexico/Nevada had no major league team and Tampa Bay was located in a large, heretofore untapped market that did not infringe on Miami, 275 miles away.

Each league is generally reluctant to add new teams because scarcity permits higher ticket prices, more beneficial media arrangements, and continued territorial purity. In short, the value of each franchise increases by the restriction on the number of teams. This monopolistic situation enables a league to negotiate television contracts for the benefit of all members of the cartel. The 1961 Sports Broadcast Act allowed sports leagues to sell their television rights as a group without being subject to antitrust laws. As a result, the national networks and cable systems may bid for the right to televise the games for a particular league. For example, Fox, TBS, and ESPN have to pay \$12.4 billion to major league baseball through 2021. The NFL receives \$6 billion a year from five broadcast partners. The NBA will receive \$24 billion over nine years (\$2.7 annually). The leagues also negotiate advertising and other ancillary sources of revenue to be shared among league members, such as being the “official” beer sponsor of the league or the “official” cola for the Super Bowl (Pepsi pays the league \$100 million a year for that designation; Hyundai pays \$50 million annual to be the official car of the NFL) and the sale of merchandise and licensing, which raises about \$1 billion a year. Another advantage of the monopoly enjoyed by the professional leagues is that the players are drastically limited in their choices and bargaining power. The sports cartel holds down wages

s expand, it
real why. In
re admitted
zone had a
s and media
So, too, did
was allowed
d the effect,
on. In 1998,
played their
mbers of the
r to the ones
uthwest: Ari-
1 and Tampa
that did not

because the athletes have few options besides playing in the league. In football, players are drafted out of college. If they want to play in the NFL, they must negotiate with the team that drafted them. Their other choices are to play in the Arena League or to play in Canada. These other options offer much less pay, and the Canadian teams limit the number of Americans allowed per team. A final advantage of the cartel's controlling of the number and location of franchises is that the owners prosper. Since the owners rarely add teams to the cartel, the teams are scarce commodities, which means that their worth appreciates much faster than other investments. So, in sum, owning a professional team is, except in rare instances, a very profitable endeavor because of the advantages of belonging to a cartel, the sale of media rights, and, as we will see, the public's subsidization of arenas. Consider these examples of the growth curve in professional team franchise value:⁵

- The Dallas Cowboys was purchased in 1960 for \$600,000; in 1984, the franchise was sold for \$60 million and in 1989 for \$150 million. In 2015, its value was estimated at \$4.0 billion.⁶
- The Washington Redskins was purchased in 1999 for \$750 million. The value for the franchise rose to \$2.85 billion in 2015.
- The Denver Broncos was purchased in 1981 for \$30 million and sold three years later for \$72 million. The 2015 value of the Broncos was estimated at \$1.94 billion.
- The Tampa Bay Buccaneers was bought for \$16 million in 1976, sold for \$192 million in 1995, and valued at \$1.51 billion in 2015.
- The Miami Heat was purchased for \$33 million in 1988, and was valued at \$425 million in 2011 and \$1.175 billion in 2015.
- The New York Yankees, purchased in 1973 by George Steinbrenner for \$10 million, was worth \$1.7 billion in 2011, and \$3.2 billion in 2015.
- In 1977, the Boston Red Sox was worth \$18.7 million. In 2002, the franchise was sold for \$655 million. The value in 2015 was \$2.1 billion.
- The New York Rangers of the NHL was purchased in 1997 for \$217 million. In 2015, the team was valued at \$1.1 billion.
- Mark Cuban purchased the Dallas Mavericks of the NBA for \$285 million in 2000. In 2015, it was valued at \$1.15 billion.

because scar-
rangements,
ach franchise
s monopolis-
tracts for the
roadcast Act
roup without
networks and
or a particular
12.4 billion to
billion a year
4 billion over
vertising and
gue members,
the "official"
ion a year for
he official car
, which raises
opoly enjoyed
ally limited in
ls down wages

To summarize, professional sports leagues are monopolies, and therein lies the problem. Two economists, James Quirk and Rodney Fort, argue that many problems of the professional team sports business arise from the monopoly power of professional leagues. Eliminate the monopoly power of leagues and you eliminate the blackmailing of cities to subsidize teams. Eliminate the monopoly power of leagues and you eliminate the problem of lack of competitive balance in a league due to the disparity in drawing potential among league teams. Eliminate the monopoly power of leagues and you transfer power from the insiders—owners and players alike—to the outsiders—fans and taxpayers.⁷

PUBLIC SUBSIDIES TO PROFESSIONAL TEAM FRANCHISES

The scarcity of professional teams (the consequence of league monopoly) and the tremendous fan interest in having a major sports franchise in their city lead to large public subsidies for the relatively few teams. The subsidies to franchise owners take two forms—tax breaks and the availability of arenas at very low cost.

The tax code benefits team owners in two ways. First, the typically enormous profits from the sale of a team are counted as capital gains for team owners (as with the sale of other American businesses) and thus are taxed at a lower rate than other sources of income such as salaries and wages. A second tax benefit is indirect but bountiful nonetheless. This financial advantage accrues to team owners as businesses purchase tickets, food, and skyboxes. The businesses are permitted to write off 50 percent of these costs as business expenses. This tax subsidy to businesses and corporations makes the high cost of attending sports events more palatable to them, which helps to keep the price of tickets and skyboxes inflated and profits steady. All other taxpayers, however, are left holding the bag.

Despite these advantages, team owners today paint a bleak picture of team finances. They do this to get the fans on their side in salary disputes with players, to keep the players' salary demands as low as possible, and to secure support for further subsidies in renovating

existing
ture pai
to accou
losses.

Cons
Sheehar
franchis
legal rig
cartel, a
has rule
the fran
occurs b
with age
deprecia
tax purp
Thus, ad
has \$5 n
\$40 mill
20 perc
cost. In
\$3 millie

This
owner is
does no
allowed
the \$5 n
since no
human l
logic, bu
whose s
owners
of us.

Shee
used to
is not a
or herse
that low

monopolies, and Kirk and Rodney Dean sports businesses. Eliminate the blackmailing of owners of leagues to give balance in a major league teams. Transfer power from owners—fans and

1

of league monopolies: sports franchise typically few teams. Tax breaks and the

first, the typically (capital gains for businesses) and thus (such as salaries) are profitable nonetheless. Businesses purchase property entitled to write off a tax subsidy to business sports events (price of tickets and owners, however, are

at a bleak picture their side in salary demands as low as they are in renovating

existing stadiums or building new ones. The negative financial picture painted by the owners is misleading because it refers usually to accounting losses (expenses exceeding income) that are not really losses.

Consider a hypothetical example provided by economist Richard Sheehan.⁸ Let's assume that someone purchases a major league baseball franchise for \$100 million. For that money the new owner receives the legal right to the franchise (the franchise name), to be part of the league cartel, and to hold the player contracts. The Internal Revenue Service has ruled that the owner can claim 60 percent of the purchase price for the franchise and 40 percent for the player contracts. The tax subsidy occurs because the players under contract are assumed to lose value with age; therefore, their value can be depreciated, just as a farmer depreciates a tractor or a steel company depreciates a blast furnace for tax purposes. The right to depreciate an asset lowers taxable income. Thus, after the bills are paid in this hypothetical example, the owner has \$5 million left over (profit). But since the owner can amortize that \$40 million in player contracts over five years, he or she can write off 20 percent of that \$40 million, or \$8 million each year, and call it a cost. In effect, the owner pockets the \$5 million but declares a loss of \$3 million.

This legal maneuver has the effect of informing the public that the owner is losing money when that is not the case. Moreover, the owner does not owe any taxes because of the "loss." If the owner were not allowed to depreciate the players, then he or she would owe taxes on the \$5 million. This tax subsidy for the owners is not allowed to others, since no other business in the United States depreciates the value of human beings as part of the cost of its operation. In a curious twist of logic, but revealing of the bias of capital over human rights, the players whose skills diminish with age do not receive a tax write-off; only their owners do. This tax subsidy is a gift to team owners paid for by the rest of us.

Sheehan provides another example of creative accounting that is used to misrepresent the fiscal health of professional teams, although it is not a tax subsidy to owners. In this instance, the owner pays himself or herself a significant salary, which is counted as a business expense that lowers profits. Some NFL owners have paid themselves "salaries"

as high as \$7.5 million. The bottom line, the line that the public hears, is that the team is losing money, when the owner is simply taking the profit as salary, defined as a business expense.

Another manipulation of the financial balance sheet intended to project a false financial weakness occurs when the prospective owner loans the money to the newly created team-ownership corporation for the down payment to purchase the team. This loan and the accrued interest have to be repaid from the subsequent income of the team, thus lowering, for accounting purposes, the team's stated profit. Thus the owner pockets the money, which the accounting department registers as an expense.⁹

The second type of public subsidy of professional sport is the provision of sports facilities to most franchises at very low cost. These arenas and stadiums are essential to the financial success and spectator appeal of professional sports. Team owners seek new and improved sports facilities, mostly, but not always, at taxpayer expense, and typically they get them. If not, they move. This threat to move (some would call it blackmail or a shakedown), real or implied, has resulted in a construction boom. Team owners in the NFL, MLB, NBA, and NHL have reaped about \$31 billion in taxpayer subsidies for the 121 professional sports stadiums in operation at the end of 2010 (public funding, maintenance expenses, capital improvements, municipal services, and abatement of local property taxes).¹⁰ Just considering the NFL, in the last two decades taxpayers have spent nearly \$7 billion on stadiums.¹¹ Moreover, these taxpayers lost \$4 billion in forgone federal taxes.¹² Community subsidies take several forms. Stadiums are financed by the taxpayers. So, too, are new roads and overpasses to access these stadiums. Let's examine a few examples of how team owners receive enormous benefits from local taxpayers.

Case Study: The Rockies Sweetheart Stadium Deal

Citizens of the six counties surrounding and including Denver passed a 0.1 percent sales tax proposal to fund a new stadium for the Colorado Rockies baseball team. The stadium was projected to cost \$139 million, with \$97 million to come from taxpayers and \$42 million from private sources. Eventually, as is common, the original cost estimate turned out

PROFES:

to be too l
gation ris:
The stadi
power to:
deal struc
provisions

- The
stadi
\$15
- The
five
less:
to cc
- The
park
keep
ally).
- price
- The
park
for e
- As st
fee o

As spo
seem, the
by the sta
baseball e
taxpayers
hike."¹⁴

As a p
was passe
ous camp
media. An
Rocky Mo
vote in ed

public hears, taking the

tended to give owner protection for the accrued team, thus. Thus the it registers

the provisions these arenas for appeal sports facilities they get all it black construction have reaped professional sports maintenance statement of two decades over, these by subsidies So, too, are mine a few from local

never passed the Colorado \$139 million, from private turned out

to be too low. The stadium actually cost \$180 million, the taxpayers' obligation rising to \$156 million rather than the \$97 million they voted on. The stadium district board gave its chairperson, John McHale Jr., the power to negotiate the terms of the stadium lease with the Rockies. The deal struck between these two parties included the following generous provisions:¹³

- The owners of the Rockies were given the right to name the stadium, which they sold to the Coors Brewing Company for \$15 million. The stadium is known as Coors Field.
- The team owners did not pay rent or maintenance for the first five years of operation. After that, they paid the stadium district less than 2.5 percent of the team's net profits and \$150,000 a year to cover the stadium's operating costs.
- The team owners received seat rights, luxury suites, advertising, parking, and concession rights for seventeen years at no cost. They keep 40 percent of all concession sales (at least \$10 million annually). All the revenue from sixty-four private suites (ranging in price from \$60,000 to \$90,000 annually) goes to the Rockies.
- The owners receive all revenues from non-baseball events for parking, concessions, and rent. For a sold-out rock concert, for example, the owners would receive about \$500,000.
- As stadium managers, the owners of the Rockies receive an annual fee of \$2.65 million.

As sport sociologist George Sage observes, "Incredible as it may seem, the lease gave the Rockies every source of revenue generated by the stadium including concessions, parking, advertising, and non-baseball events there. The agreement sent no revenue streams back to taxpayers who were footing the construction bill through the sales tax hike."¹⁴

As a postscript, there are two items of note. First, the election was passed by a 54-percent to 46-percent majority after a vigorous campaign by local politicians, business interests, and the local media. Among the media, Denver's largest newspaper at the time, the *Rocky Mountain News*, was an unabashed cheerleader, urging a yes vote in editorials and in the slant of its coverage. Editorials referred

to opponents of the subsidy as “forces of caution and stagnation,” “skeptics,” “wearing dust-covered glasses,” “shortsighted,” and “envy-wracked.”¹⁵ After the vote, it was revealed that the *Rocky Mountain News* was involved in negotiations to become a part owner of the franchise (these negotiations were successful). A second interesting bit of information concerning this one-sided arrangement for the Rockies is that the taxpayers were represented in the negotiations, as noted earlier, by John McHale Jr. Four months after the lease was signed, McHale joined the Rockies as the team’s executive vice president for baseball operations.

Case Study: Two Stadiums, One for the Cincinnati Bengals and One for the Cincinnati Reds; a Sweetheart Deal for the Owners and a Costly Legacy for the Taxpayers

Under threat by the Cincinnati Bengals to relocate if they did not get a new stadium, Hamilton County agreed to finance the building of two stadiums: one for the Bengals and the other for the Cincinnati Reds. The county agreed to what turned out to be a “sweetheart deal” for the teams by issuing \$1 billion in bonds, to be paid off with a sales tax hike of 0.5 percent.¹⁶ The county agreed to pay for the new fields, including all cost overruns, pick up nearly all operating and capital improvement costs (about \$8 million a year), and give the teams all of the parking revenue, while the county would pay for all security costs. This one-sided arrangement soon became even more of a burden to the county.

The overarching problem was that a single county took on this economic liability rather than sharing the risk. The financing for the Denver Broncos new stadium, for example, was shared by six counties. When the Pittsburgh Steelers and the Philadelphia Eagles got new stadiums, the state of Pennsylvania was responsible for part of the financing.

The county’s financial woes began when the initial cost for the Bengals stadium of \$280 escalated to \$454 million. As the financial burden increased, sales taxes decreased with the advent of the Great Recession and heightened joblessness. The annual debt payments were steep—\$34.6 million in 2010, equal to 16.4 percent of the

county
sheriff’s
county,
poverty
So, v
As Neil
arenas
governr
This
fans are
are som

- He
- As
- Th
- sti
- Ve
- sti
- for
- Mi
- fr
- of

**Case S
Subsidi
Have L**

Own
between
cost was
at \$325
sale tax,
5 perce
paid wit
ceeds fr
doubled

stagnation," and "envy-y Mountain of the fran- esting bit of he Rockies s, as noted was signed, resident for

ngals for the

ey did not e building Cincinnati heart deal" with a sales new fields, nd capital eams all of rity costs. burden to

n this eco- e Denver ies. When stadiums, cing. st for the financial the Great payments it of the

county budget. As a result, the county had to cut funds for schools, the sheriff's department, the juvenile court, and youth programs. This is a county, by the way, where one out of seven residents lives below the poverty line.

So, while the teams prosper, the county is left "holding the bag." As Neil deMause, expert on the ills of the public financing of sports arenas puts it: "One hopes this will be a cautionary tale for other local governments negotiating leases, but it probably won't be."¹⁷

This case study is an egregious example of the price that even non-fans are required to pay for sports arenas, seemingly in perpetuity. Here are some others supplied by *The Wall Street Journal* in 2011:¹⁸

- Harris County, Texas owes \$32 million in debt on the Houston Astrodome, which opened in 1965.
- The RCA Dome in Indianapolis, which was demolished in 2008, still has about \$60 million of outstanding debt.
- Vero Beach, Florida, longtime home to Dodgers spring training, still owes \$17 million in debt, even after the team left two years ago for a better deal in Arizona.
- Madison Square Garden in New York City has been exempted from paying property taxes since 1982, costing the city hundreds of millions in lost revenue.

Case Study: Dallas Cowboys Stadium; An Ostentatious Edifice Subsidized in Part by Taxpayers Who, for the Most Part, Have Limited Access to the Excess

Owner Jerry Jones wanted a new stadium in Arlington (midway between Dallas and Fort Worth) for his Dallas Cowboys.¹⁹ In 2004, the cost was estimated at \$650 million. Arlington's contribution was capped at \$325 million, and was to come from a half-cent increase in the city's sale tax, and increases of 2 percent on the hotel occupancy tax, and 5 percent on car rentals. Jones was responsible for the rest, which was paid with commercial loans, a league loan of \$150 million, and proceeds from a ticket and parking tax. The final cost to build the stadium doubled from the original estimate to \$1.3 billion.

The stadium, completed in 2009, is the largest domed stadium in the world with the world's largest column-free interior in the world. There is a retractable roof. The crown jewel is the world's largest high-definition two-sided video screen, which hangs from twenty-yard line to twenty-yard line, measuring more than 11,500 square feet (160 feet wide and 72 feet high) and weighing 1.2 million pounds. This video marvel alone cost \$5 million more than the entire cost of construction for the previous arena for the Dallas Cowboys (\$35 million). There are an additional 2,900 television screens throughout the facility. The seating capacity is 80,000 but can expand to 110,000 with standing room. There are 270 suites leased for up to twenty years at annual prices of \$100,000 to \$500,000 a year. There are fifteen thousand club seats that cost \$340 a game. The average cost of a non-premium ticket is \$110.20. Season ticket holders must buy "personal seat licenses," which are multiyear commitments that cost \$2,000 to \$150,000 (this license does *not* include the ticket). The lowest priced ticket is \$29 for the "party-pass option"—standing room on platforms in the end zone. The Fan Cost Index in 2014 (tickets for a family of four, parking, drinks, and a souvenir) was \$634.80 per game (\$155.79 more than the NFL average of \$479.11).²⁰ The concessions are expensive: \$60 for a whole pizza, \$5 for bottled water, \$8.50 for a beer, \$13 for a burger, to name a few. You can also take a tour of the arena on nonevent days for \$15 (about 2,500 a day take advantage of this opportunity). Moreover, the franchise makes more than \$100 million a year from sponsors (most notably, the twenty-five-year deal for \$500 million by AT&T for naming rights. Clearly, this stadium is a financial windfall for owner Jones.

The new Cowboys Stadium represents a trend in professional sports: bigger and ever more expensive entertainment, which ultimately will be only for the wealthiest fans. Evidence of this new "gilded age" of sport is found throughout the professional leagues. The new Yankee Stadium provides a "gated community" feeling for the well-heeled folks, separating the affluent from average fans. For example, the 1,800 seats ringing the infield cost \$500 to \$2,500 per seat and provide concierge service and access to a private club, private entrance, private elevator, and private concourse.²¹ And then there are the luxury suites, which rent

adium in the world. It's largest is twenty-square feet and weighs 100 pounds. The cost of the arena is \$35 million. Throughout the world, 100,000 with twenty years are fifteen percent of a non-"personal" \$2,000 to the most priced platforms a family of five (\$155.79 are expensive beer, \$13 the arena on this opportunity a year 500 million social windfall

Case Study: The Funding of the Milwaukee Bucks Basketball Arena: The Business-Politics Nexus

In 2014, two billionaire hedge fund owners, Wesley Edens and Marc Lasry, bought the Milwaukee Bucks for \$550 million. A year later, the value was estimated at somewhere north of \$1 billion (a doubling of their investment). The new owners insisted that the team would leave Milwaukee unless the public would pay half the cost of a \$500-million arena. The resulting deal included a \$35-million parking garage paid for by the city with half the revenue going to the Bucks, along with all of the revenue from naming rights for the arena. Even more lucrative to the owners was that a development company owned by Edens and Lasry was sold 10 acres of vacant publicly owned downtown land—appraised at \$8 million—for \$1.²³

There is a political side to this shakedown story. Real estate tycoon Jon Hammes was given ownership shares in the Bucks, presumably for his political influence. He was the national finance cochair for Wisconsin governor Scott Walker's 2016 presidential campaign where he pledged to work to meet the campaign's goal of as much as \$3 billion. He was also connected to a political action committee that contributed \$150,000 to Walker. In advance of the deal being consummated, Hammes purchased an acre and a half of property around the area where the Bucks arena was to be built. All of this is a form of political money laundering—where billionaire owners take public funds for stadiums and donate their newfound wealth to the very politicians who facilitated their stadium grab.²⁴ The story ends with Governor Walker signing a bill to subsidize the arena for \$250 million. This occurred just one month after the governor and legislators cut \$250 million from the budget of the University of Wisconsin system.

ional sports: imately will ded age" of new Yankee needed folks, 1,800 seats le concierge ate elevator, s, which rent

Other Egregious Examples of Subsidies to Team Owners

In the 1990s, states and localities built six baseball parks, with team owners putting up only 6 percent of the \$1.07 billion. The public funding came from a variety of sources, for example: a 2-percent hotel room tax pays for the new park for the White Sox; the sports lottery pays for Oriole Park; a 1.9-cent tax on every twelve-ounce beer is the primary source for the Cleveland Indians field; the Texas Rangers have a stadium in Arlington, paid for through \$135 million in thirty-year bonds; and Coors Field of the Rockies is financed with a 0.1 percent sales tax in a six-county metropolitan area.

St. Louis enticed the Rams to leave Los Angeles with a package that included a new \$300-million stadium; all proceeds from concessions, parking, club seats, and luxury suites; and a \$15-million practice facility. To pay for the stadium, Missouri taxpayers pay \$24 million a year, St. Louis taxpayers pay another \$12.5 million, and visitors to the county pay a 7.25-percent room tax to raise another \$6 million. Federal taxpayers (i.e., all of us) also help out—\$2 million not received in federal taxes because of the use of tax-exempt bonds; \$2 million because businesses deduct half the cost of club seats and luxury suites; and the deductions allowed owners through the depreciation of players.

Art Modell, owner of the Cleveland Browns (which averaged seventy thousand fans per game), decided to move his team to Baltimore because he was given a \$200-million stadium with 108 luxury boxes and 7,500 club seats, \$75 million for moving expenses, \$50 million for doing the deal, and all revenues from ticket sales, concessions, parking, and stadium advertising. Finally, taxpayers will guarantee ten years of sell-out crowds for the new stadium. Moreover, when the stadium is used for other events, Modell will collect a 10-percent management fee plus half the profits. Use of the stadium is rent-free for thirty years, although Modell will pay back \$24 million in construction costs.²⁵

After a threat to move the Chicago Bears to the suburbs or to Northern Indiana, the city of Chicago agreed to finance its share of the \$632 million project to renovate Soldier Field (the Bears were to pay \$200 million) with a 2-percent city hotel tax. It is estimated that the new stadium has at least doubled the value of the Bears' franchise.²⁶

The Montreal Expos were transplanted to Washington, DC for the 2005 season. For three years they played in the old RFK stadium.

In 20
taxpe
oblig
they
conc
subsi
tween
fund:
cent.
the S
the b
clean
Th
\$1.7
It wa
\$1.8
appe
on th

THE OF P

Citize
dies to
prese
is imp
gives
above
conte
team
of the
wareh
clubs,
now s
Sec
means

owners

ks, with team
public fund-
at hotel room
tery pays for
the primary
s have a sta-
y-year bonds;
cent sales tax

package that
concessions,
practice facil-
illion a year,
to the county
ederal taxpay-
federal taxes
se businesses
ie deductions

veraged sev-
to Baltimore
ry boxes and
lion for doing
parking, and
years of sell-
dium is used
nent fee plus
ears, although

uburbs or to
s share of the
; were to pay
l that the new
ise.²⁶

ton, DC for
tFK stadium.

In 2008, they moved into a publicly financed new stadium that cost the taxpayers 97 percent of the total cost of \$674 million. The owners were obligated to pay only \$20 million of the construction costs and in return they are to receive all of the money received from tickets, parking, concessions, and naming rights.²⁷ Critic Dave Zirin points out that this subsidy occurred at the same time that the city was set to close down twenty-four public schools; the city's libraries shut down early for lack of funds; and the African American unemployment in the city was 51 percent. "It's a monument of avarice that will clear the working poor out of the Southeast corner of the city as surely as if they just dispensed with the baseball and used a bulldozer. This is sports as ethnic and economic cleansing."²⁸

The team owners of the Yankees and Mets promised to pay all \$1.7 billion in construction costs of the stadiums that opened in 2009. It was revealed later that the owners were collecting a combined \$1.8 billion in lease and tax breaks against the construction costs.²⁹ What appeared at first that the owners were generous turned out to be a hoax on the taxpayers.

THE RATIONALE FOR PUBLIC SUBSIDIZATION OF PROFESSIONAL SPORTS TEAMS

Citizens have, for the most part, been willing to underwrite these subsidies to teams for four reasons. First, conventional wisdom holds that the presence of major league sports teams enhances a city's prestige. Image is important, at least to civic boosters, and having a major league team gives the impression of being a first-class city. Civic boosters believe above all that a world-class city has world-class sports teams engaged in contests with other teams representing world-class cities. A professional team housed in a stadium downtown restores the image and prosperity of the downtown area with the gentrification of stadium environs (e.g., warehouses are converted into upscale lofts; trendy restaurants, nightclubs, and boutiques locate nearby).³⁰ Tourists and television viewers now see the city in a new, more positive light.

Second, the presence of a major league team representing a city means a lot to the sports fans in that city and nearby environs. These

fans can now identify with that team instead of watching a televised game between opponents from other places. This collective rooting for a major league team is believed to provide some social glue holding together a sprawling metropolitan area by bringing people together with a common identity. As Marilyn Geewax, a reporter for the *Atlanta Constitution*, puts it, "When I see 50,000 people in Turner Field, cheering and chopping [doing the Tomahawk chop for the Atlanta Braves, see chapter 3] together, I feel as though I live in a richer, more cohesive community. I can't name the price, but I know that feeling has value."³¹

Third, fans want to see games in person, to feel the excitement, and to see not only the heroics of the home team but also sports stars from the visiting team. Attending a major league game is a noteworthy event for many. It is also a costly event, as noted throughout this book, that makes attendance more and more an event for the affluent. Fourth, it is commonly asserted that a major league team creates substantial economic growth. This is an important issue: Does a major league sports franchise generate a significant investment return for the community? And if there are economic benefits, who benefits and who does not?

Let's consider the claim that having a major league team and building a bigger and better stadium benefit the community economically. The following eight points represent a summary of scholars' conclusions refuting the myth of professional sport as an economic force in the community.

1. Professional sports teams are relatively small firms, when compared with the corporations and universities in a locality. Urban scholar Mark Rosentraub concludes, "Sports is just too small a component of any community's economy to be the engine that propels jobs and growth."³² "Professional sports may be the 'icing on a region's or city's economic cake,' but it is not an 'engine' that drives any economy."³³
2. A common belief is that the presence of a professional sports team increases expenditures in restaurants and hotels, thereby stimulating growth and creating jobs. To a degree this is true—restaurants and hotels do locate near the stadium, revitalizing the area and

- bringi
just a
area t
other
sional
attend
the ma
3. Corpo
teams
force,
relativ
 4. Econo
refers
(recirc
propon
any to
case fo
sports
ers. Al
affluer
elsewh
tion ho
econoi
 5. When
munity
ity), bu
of eco:
activity
 6. Despit
contran
and a j
gible in
sports
catalyst
conclu
a politi
the stat

watching a televised collective rooting for a social glue holding young people together. Porter for the Atlanta Braves in Turner Field, shop for the Atlanta Braves live in a richer, more I know that feeling

feel the excitement, but also sports stars a game is a noteworthy event for the affluent league team creates the issue: Does a major investment return for its, who benefits and

league team and build community economically. 'scholars' conclusions economic force in the

all firms, when comes in a locality. Urban sports is just too small a sports may be the 'icing is not an 'engine' that

professional sports team hotels, thereby stimulating the area and

bringing jobs. But most of this activity, about 80 percent of it, is just a transfer of spending from some parts of the metropolitan area to a more focused location. There is also less spending on other forms of recreation as attention is directed at the professional team. For example, on game days there is a decline in movie attendance, skiing on the nearby ski slopes, and even shopping in the malls.

3. Corporations do not move to an area because of a sport team or teams but primarily because of such factors as a suitable workforce, a positive (for management) labor climate, good schools, and relatively low taxes.
4. Economists have a concept called the "multiplier effect," which refers to the money paid in profits or wages that is then spent (recirculated) in the community. The common argument by the proponents of civic growth is that the regional multiplier for any tourist industry is three. Rosentraub, however, makes the case for a multiplier effect of two when it comes to professional sports teams. Consider, for example, the money paid to the players. About half of the money earned by sports teams is paid to affluent players. At least half of this money, however, is spent elsewhere (e.g., agent fees, investments, permanent home, vacation home, purchase of luxury items not produced in the local economy).
5. When teams relocate, there is some economic gain to the community (no more than \$10 to \$15 million in new economic activity), but that gain is another community's loss, again, a transfer of economic activity rather than the creation of new economic activity.
6. Despite claims by public relations firms and civic boosters to the contrary, scholarly analyses of the economic impact of a stadium and a professional team show consistently that sport has a negligible impact on metropolitan economies. In short, "Professional sports have been oversold by professional sports boosters as a catalyst for economic development."³⁴ Economist Robert Baade concludes, "Using economics as a justification for the subsidy is a political expedient, perhaps necessity, but it is inconsonant with the statistical evidence."³⁵

7. Although sports teams may not have a tangible economic impact on a metropolitan community, they do have intangible benefits. Rosentraub says "It may be important to attract millions of visitors to a downtown if only to remind them of the vitality and creativity contained in America's cities. If sports teams and their facilities accomplish that goal and establish pride in central cities, they may well be . . . 'major league' . . . Further, if cities are to remain integral components of American life, then keeping sports in cities is important. Sport is too important a part of Western society for us to think that cities can exist without the teams and the events which define essential dimensions of our society and life."³⁶
8. Although sports are an important part of a community's quality of life, the citizens of every community have to decide whether the public subsidization of professional sports enhances the quality of life enough to warrant the investment and, more important, whether there are other areas that are better community investments. As Rosentraub wonders, "What are we to say to the residents of Cleveland, Indianapolis, and St. Louis who need better schools, health care, and neighborhoods when we refuse to raise some taxes but consent to give sports owners and athletes hundreds of millions of dollars in support?"³⁷

I want to elaborate on this last point because it presents an interesting but disturbing inconsistency—US society approves a welfare system to wealthy team owners and affluent athletes while condemning the social welfare system for the poor.³⁸

From 1935 to 1996, the United States had a minimal welfare safety net for those in need (minimal when compared to the more generous welfare states of Western Europe and Scandinavia). Beginning with the Reagan administration, this welfare program has gradually been dismantled. This dismemberment accelerated in 1996 when the federal government made welfare assistance to families temporary and withdrew \$55 billion in federal aid to the poor. At the federal and state levels, politicians from both major political parties favored doing away with welfare and substituting programs that would provide market-based solutions. The leaders of both political parties sought to reduce taxes or at least resist tax increases. This significant reduction

of welfare
American
line, one
American
behind s
children
cians, wit
experime
difficult
was ratic
was cont
self-reli

At th
of the
system
their h
econor
Hood"
and th
takes :
law al
stadiu
that t'
in los
suite:
subsi
rever
all p
V
a cl
play
low
play
ers
of :
tra
cla

conomic impact
ngible benefits.
illions of visitors
ty and creativity
d their facilities
tral cities, they
es are to remain
g sports in cities
stern society for
; and the events
nd life.”³⁶

munity’s quality of
ide whether the
nces the quality
nore important,
mmunity invest-
say to the resi-
who need better
e refuse to raise
id athletes hun-

ents an interest-
a welfare system
condemning the

al welfare safety
he more gener-
via). Beginning
n has gradually
1996 when the
ilies temporary
. At the federal
parties favored
it would provide
parties sought to
ficant reduction

of welfare for the poor occurred at a time (2005) when some 37 million Americans (12.6 percent) were living below the government’s poverty line, one out of every six American children was poor, and 45 million Americans had no health insurance. Urban schools were desperately behind suburban schools in resources, and only one-third of those children who qualified for Head Start received it. In short, the politicians, with the apparent support of the populace, embarked on a social experiment that, at least in the short run, would make life much more difficult for the economically disadvantaged. This inhumane approach was rationalized as necessary to rid the nation of a welfare system that was contrary to the American values of individualism, competition, and self-reliance.

At the same time, however, these same politicians, with the consent of the citizens (with a few exceptions), have encouraged a welfare system for team owners (wealthy individuals or corporations) and their high-paid athletes. The system of subsidies to emerge has, as economist Robert A. Baade described it, created a reverse “Robin Hood” effect—taking from the poor, the near poor, the working class, and the middle classes and giving to the rich.³⁹ This welfare to owners takes several forms, some of which I have already discussed. Federal law allows cities to issue tax-exempt bonds to finance the building of stadiums and arenas. The Congressional Research Service estimates that the cost to the federal treasury of such exemptions is \$100 million in lost tax revenue. The 50-percent deductions of the cost of luxury suites and the like for businesses amount to a 17-percent federal subsidy for wealthy people to watch games.⁴⁰ The resulting lost tax revenues to the federal treasury come from other sources, which we all pay.

When the stadiums are built and paid for by taxpayers, there is a clear transfer of wealth from the taxpayers to the owners and the players. Urban scholar Mark Rosentraub says: “Sales taxes paid by lower-income people produce excess profits that are divided between players and owners, all of whom enjoy salaries about which the taxpayers can only dream. A subsidy spread across hundreds of thousands of people amounts to a small charge each year. It is still, however, a transfer of wealth from the lower and middle classes to the upper class.”⁴¹

This transfer occurs as the new stadium increases the value of the team. When it is sold, the owner reaps greater capital gains. The transfer of wealth also occurs when luxury suites and club-level seats are built and the additional revenues generated go to the owners. So, too, with revenues from parking and concessions. Sometimes cities provide owners with moving expenses, practice facilities, office space, land, and special investment opportunities to entice them to stay or to move their team to the city.

Even though the public votes on raising taxes for a stadium, the obligation is not finite. The public sector ends up with the responsibility for any cost overruns, which are common. Most telling, stadiums are generally built with the owner investing some money but the public raising the majority of funds. The asymmetrical nature of this relationship is revealed in the division of the revenues generated from the operation of the stadium—the owner who puts up about 20 percent (on average) receives 100 percent of the proceeds! The public, which invested most of the money for construction and maintenance of the facility, receives none of the proceeds.

To summarize, the professional team owner-city relationship entails several related contradictions. First, the mayors, governors, and legislators who work against welfare for the poor are more than generous with their subsidies to the rich. Second, the wealthy owners who favor private enterprise and marketplace solutions in their other business activities insist on subsidies to maintain their lucrative professional teams. Paul Allen, for example, one of the wealthiest Americans (worth some \$17 billion in 2015), insisted that he would move the Seattle Seahawks unless the residents of Seattle voted to build a stadium for his team (which they did). Third, team owners faced with what they consider inadequate subsidies will move their franchise to a locality that provides more generous subsidies. Fourth, the citizens of cities put up with this hypocrisy. In addition, the public, which underwrites the largesse to the wealthy, ends up being less likely to be able to afford to see the games in person. The cost of tickets, tending to increase anyway, escalates with a new stadium. Some stadium commissions require the purchase of a “personal seat license.” For example, the San Francisco 49ers sold out its season ticket inventory in 2015 at a cost between \$2,000 and \$80,000 each (tickets are extra). The seat license provides

PRO
the c
of th
and :
T
for s
class
aren
Burt
dolla
play
Kid
diun
of th
whe
but i
for g
T
prof
las, j
incl
room
thou
Will
“Loc
bonc
our
fully
boys
bigg
large
F
a D
own
soci:
ers,
defe
unc

the owner the right to purchase a ticket for a specified seat. As a result of these practices, the crowds in these new arenas are becoming more and more affluent.

This trend takes two other forms as well. Publicly financed arenas are for sports that appeal especially to the affluent. Sports for the working classes, such as automobile racing, usually take place in privately owned arenas. Also, publicly funded arenas are for men. In this regard, Mariah Burton Nelson asks, "Who loses when a community spends millions of dollars in tax revenue to construct a new stadium and only men get to play in it, and only men get to work there?"⁴² Sport sociologist Bruce Kidd makes the same point in his essay on the building of a domed stadium in Toronto: "It constitutes a massive subsidization and celebration of the interests of men. . . . If a city gave pride of place to a stadium where only Anglo-Saxons could play, there would be howls of protest, but in the matter of gender and sports, such favoritism is usually taken for granted."⁴³

This male favoritism in the building of stadiums is not limited to the professional level. In Allen, Texas, a relatively affluent suburb of Dallas, residents voted 63 percent in favor of a \$119-million bond, which included \$60 million to upgrade its high school football stadium, weight room, and auditorium. The newly refurbished stadium will seat eighteen thousand (there are five thousand students in the high school). Steve Williams, the district athletic director said in defense of the project: "Look, football has always been a big deal here. This is Texas. But this bond project is about much more than football. It's about our school, our community. It's about tradition."⁴⁴ To repeat the point made forcefully by Mariah Burton Nelson—this publicly funded stadium is for boys. By the way, this monument to sports for boys is not the state's biggest high school stadium—four high school stadiums in Texas are larger.

Finally, as Mark Rosentraub observes, "If It Quacks, It Is Still a Duck," meaning that no matter what the spin, the subsidies that owners receive constitute welfare.⁴⁵ Ironically, it is a reverse type of socialism that redistributes wealth upward. Yet owners, civic boosters, editorial writers, and politicians who spend much of their time defending capitalism and the free market support it unabashedly and uncritically.

AN ALTERNATIVE STRUCTURE

There is another way—a fairer way—to structure professional sport. Teams could be owned by local governments (cities, counties, or region) or by community stockholders rather than individuals, families, or corporations, as is now the case. Localities already subsidize the teams but do not own them, which allows the owner to insist on more and better subsidies with the threat of moving the team to a more lucrative situation. The Green Bay Packers football team is the only major professional team that is owned by the people. Author Jim Hightower provides a description of this unique type of team ownership.

Some 1,900 of the locals, including truckers, barkeepers, merchants, and bus drivers, own a piece of the Pack, organized back in 1923 as a community-owned, nonprofit company. The stockholders draw no profit, and the locally elected board of directors that operates the team is unpaid, but all concerned draw great pleasure from knowing that the Packers are theirs.

What a difference ownership makes. Not a dime needs to be spent to hype up fan support, since the team literally belongs to them. The town of [112,000] built Lambeau Stadium, owns it, operates it, and fills each of the 60,790 seats in it for every home game—forty straight years of sellouts, whether the team is winning or not, and the season ticket waiting list has 20,000 names on it.

Get this: No ticket costs more than \$28, no parking space is more than \$7, there is free parking within four blocks of the stadium. . . . Charities run the stadium's concessions. . . . Off-duty police provide stadium security, and are paid overtime by the team.

Green Bay fans and citizens never have to worry that some pirate of an owner is going to hijack the Pack and haul their team to Los Angeles or any other big-city market, because Green Bay is their team. It stands as a shining model of how fans in other cities could get control of their teams and stop corporate rip-offs.⁴⁶

Shifting team ownership to community ownership is relatively easy. Each locality could buy the local team at its market value, which would amount to something less than what they now pay to build the owner a new stadium. There is only one catch: the owners in each league

have pas
commun
by indivi
tains a si
really the

ional sport.
; or region)
amilies, or
e the teams
1 more and
re lucrative
ajor profes-
er provides

have passed a rule specifically banning any future team from being community owned! In other words, the teams will continue to be owned by individuals and corporations but financed by the public. This maintains a situation in which each team may claim that it is *yours*, but it is really *theirs*.

erchants,
1 1923 as
draw no
the team
g that the

be spent
em. The
, and fills
ight years
son ticket

e is more
dium. . . .
e provide

pirate of
s Angeles
. It stands
ol of their

atively easy.
which would
d the owner
each league