Lesson 7: When Does it Make Sense to Use Public Funding for Sports Stadiums?

**Introduction:** Since 2000, 43 stadiums and arenas have been built for professional sports teams in the US. Many of these stadiums were built using both public money (money that comes from the government) and private money (money that comes from the team and its owners, sponsors, and partners).

- 14 Major League Baseball Stadiums
- 9 National Basketball Association Arenas
- 14 National Football League Stadiums
- 8 National Hockey League Arena

Stadiums and arenas comprise part of a country’s cultural and recreational infrastructure. They affect the quality of life in a town or city and many aspects of a region’s economy. They are designed to last for decades after they are constructed. As with all types of infrastructure, questions arise about how stadiums will be funded, what their true costs and benefits will be, and what upkeep and replacement plans should look like.

**Activity:** Find recently built stadiums and mark them on the map.
Group Brainstorms

**Question:** Why might people support or not support a new stadium?

Let’s start by exploring some reasons why building a stadium might be a good idea. Write down as many reasons as you can in this box (write out 6 or more answers):

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Now identify some reasons why building a stadium might be a bad idea. Write down as many reasons as you can in this box (write out 4 or more):

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STOP AND SHARE YOUR IDEAS WITH THE CLASS
Economists might think of these reasons to build or not build a stadium as the benefits and costs associated with building a stadium. As with other kinds of decisions, economists weigh costs and benefits when deciding how much of something to produce or whether to produce it at all. Let’s delve into this idea a bit more.

**What are the costs of building a stadium?**

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<th>Building Costs</th>
<th>Operational Costs</th>
<th>Upkeep Costs</th>
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STOP AND SHARE YOUR IDEAS WITH THE CLASS

**Background on Costs**

Currently, it costs hundreds of millions of dollars to build a professional sports stadium (with cheaper stadiums costing in the high $200 millions and more expensive stadiums costing over $1 billion) and tens of millions to maintain and operate a stadium each year. This brings us to the important question of who should pay for stadiums.

Here are some options:

- Owner Funded
- NFL League Funded
- Private Parties and Sponsors
- Tax Payer Funded/Government Funded
  - Income Tax
  - Property Tax
  - Special Taxes: Hotels & Rental Cars
Main Discussion Activity

Read: over the last two decades, only a handful of stadiums have been totally privately funded (i.e. funded only by owners, teams, private sponsors, etc.). Almost all stadiums have received public funds to support their construction – probably because of the many reasons you listed earlier about why want new stadiums. So we want to know: does it make sense to spend public money on stadiums? Do the benefits outweigh the costs?

Imagine that our city is considering the use of public funds for a new stadium. Each of you will be assigned a constituency to represent; you will then be asked to consider a variety of questions as you create your pro/con arguments. The strongest arguments will make good points, while anticipating and arguing against the points their opponents will make. At the end of class, we will have a town-hall meeting where constituents present their arguments; the class will then vote on the use of public funding.

YOU WILL NOW BE ASSIGNED TO YOUR CONSTITUENCY ROLE.

Constituency Roles

1. Wealthy Resident Who is a Huge Sports Fan
2. Poorer Resident Who is a Huge Sports Fan
3. Home Owner Near New Stadium Site
4. Restaurant Owner Near New Stadium Site
5. Sports Bar Owner Far from New Stadium Site
6. Public Art Museum President in Same City
7. Construction Worker
8. A City Tour Company Owner
9. Owner of Condos Near the Old Stadium
10. University President also Planning a Big Construction Project
11. Head of the Parks & Rec Department - supports fitness programs, wants to build a new park this year
12. The City’s Accountant Concerned About Taxes
Consider each of the following questions as you formulate your arguments either in favor of or in opposition to the use of public funding for a new stadium.

- Does stadium construction create jobs?
  - Does stadium operation create jobs?
  - Will those jobs raise incomes overall? Is it possible they will lower incomes?
  - Will stadium operation create jobs in other industries?

- Does stadium creation attract tourists and business?
  - What if the stadium is being built for a team that already plays in that city?

- Does it take business away from other parts of the city?
  - Why might that happen?
  - How could the city or the team respond if such a trend occurs?

- Does it increase property values?
  - Is it possible that property values would decrease?
  - What are the possible downsides to increasing property values?

- Does it generate tax revenue or other kinds of revenue for the city?
  - If it does generate tax revenue, is that revenue guaranteed?
  - What kinds of things is that tax revenue vulnerable to?

- Does it generate unexpected costs? What might some of those costs be?
  - Who will pay for any unexpected costs?
  - Who will get to keep any unexpected revenue?

- Do you think people are more willing to divert existing tax revenue to pay for stadiums or to pay increased taxes in order to provide that funding?
  - Rental car taxes and hotel taxes are often more popular taxes to raise than property or income taxes. Why do you think that is?
  - What might complicate the idea that rental car and hotel taxes don’t affect a city or county’s own residents?

- What happens if the team is bad or unpopular, so seats, concessions, parking, etc. are not sold and revenue is diminished? Who should cover those losses?

- How is funding a sports stadium different from funding a museum, park, opera house, or symphony hall? Do each of those different types of cultural infrastructure benefit a city or community equally?
  - Should the government be in the business of funding recreational opportunities for its citizens? What other recreational and/or cultural opportunities do governments often fund?

- Is it possible to quantify civic pride and the joy that comes from a sports team?

- Who are the winners and losers when a city decides to help pay for a stadium?

PRESENT ARGUMENTS AND VOTE ON THE USE OF PUBLIC FUNDS.

Follow-Up Assignment: Find an example of stadium construction in your own area or state. Was there a debate about public funding? If so, what arguments did each side make and what was the final outcome?