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Most fans are aware of multi-million dollar contracts for professional athletes, but many remain unaware of the billions of tax dollars funding the stadiums in which theses athletes play. In this article, Jacob Bundrick, policy analyst with the Arkansas Center for Research in Economics (ACRE) at the University of Central Arkansas, discusses how using public money to finance professional sports venues in an effort to attract and retain sports franchises does not lead to economic growth.

Viewpoint: Professional Sports Stadiums: Economic Boon or Boondoggle?

By Jacob Bundrick

Sundays in the fall mean football fans across the country rush into NFL stadiums to watch their favorite teams play. Others watch from home or at bars with friends and family. Fans are well aware of the multi-million dollar contracts of the players on the field, but few know that billions of tax dollars are spent building and renovating the stadiums that house those players. According to a 2015 report from the Taxpayers Protection Alliance, nearly $7 billion worth of taxpayer money was funneled to 29 of the 31 NFL stadiums between 1995 and 2015 (Sun Life Stadium in Miami and MetLife Stadium in East Rutherford, New Jersey are the exceptions).

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Recently, the Nevada Legislature approved $750 million in public money to build a 65,000 seat stadium in Las Vegas in hopes of luring the Raiders organization away from Oakland. Legislators anticipate funding the $750 million subsidy with a 0.88 percent increase in Las Vegas area hotel taxes. Raiders owner Mark Davis said that the stadium in Las Vegas will be a ''proud new home for the Raider Nation,'' but Davis and Las Vegas still need approval from three-fourths of NFL team owners before the move can be made.

Why would Nevada legislators be willing to spend $750 million of public money to build a stadium for a team that currently resides in Oakland?

The answer is that proponents believe luring sports franchises with publicly funded stadiums not only generates civic pride, but also creates a multiplier effect that leads to more job creation, higher incomes, and an overall increase in economic activity. For example, Nevada Assemblyman James Ohrenschall (D) said he supports funding the Las Vegas stadium with public money because of the ''economic shot in the arm this project could provide.'' Likewise, Nevada State Senator Aaron Ford (D) said he supports using tax dollars to build the football stadium because he ''couldn't leave [the] cham-

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ber and look a laborer in the eye and say I had a chance to give you a job and I voted no.''

Public Subsidies for Sports Don't Lead to Economic Growth

However, real world evidence, published in peer-reviewed academic journals, shows that using public money to finance professional sports venues in an effort to attract and retain sports franchises does not lead to economic growth. For example, a 2007 study in the Journal of Sports Economics found that professional baseball, football, basketball, and hockey franchises ''have an adverse impact on local per capita income for U.S. markets in both the short and long run.'' Research in the Journal of Urban Affairs found that ''the levels of employment in the construction industry were neither higher nor lower during the construction'' of the Kiel Center and the Trans World Dome in St. Louis. Similarly, a separate study published in the Journal of Urban Affairs concluded that ''in the U.S., the number of sports teams in a city has no statistical relationship to changes in employment.'' In other words, subsidizing professional sports venues does not lead to more jobs or higher incomes.

One reason that subsidizing sports franchises has little to no economic benefit is that sports teams largely serve as substitutes for other entertainment options. Households have a limited budget for entertainment and must choose where and how they spend their entertainment money. If a family spends its money going to a sporting event, there is less money for that same family to go bowling or to the movie theater. In the case of Las Vegas, consumers may choose to spend their entertainment money going to a football game in the new stadium rather than going to a show or gambling at a casino. Adding a new entertainment option, such as a sports team, in a city does not increase entertainment spending but merely shifts it from one form of entertainment to another.

Spending on sporting events also acts as a substitute to spending in other areas of the economy. A study published in Regional Science and Urban Economics found that ''direct spending on sports does not lead to additional earnings in other sectors of the economy like restaurants, bars and hotels.'' This is in part because food vendors, bars, and souvenir shops within stadiums are in direct competition with restaurants, bars, department stores, and other retail outlets outside of the stadium. More money spent within the stadium means less money spent outside of the stadium.

Furthermore, the congestion caused by sporting events has an adverse economic impact. Congestion drives people who are not attending the sporting event away from the area. The money that these people would have spent at area restaurants, shops, bars, and other businesses gets redirected to less congested areas. The Los Angeles city controller found that the city of Inglewood, California, actually experienced more economic activity after the Lakers and Kings moved their franchises out of Inglewood and into Los Angeles.

'Flighty Firms': Competition Between Cities

But the lack of economic benefits is not the only problem with subsidizing sports venues. Using tax dollars to attract and retain sports franchises creates what economists call ''flighty firms''. Flighty sports organizations are willing to leave their current city (and the tax dollars injected into their stadium) when another city or state is willing to give them even more tax dollars. The willingness of politicians to use public money on sports franchises gives team owners the ultimate leverage over city and state officials. Team owners are able to put cities and states into bidding wars with each other by threatening to leave their current home if more tax dollars are not put on the table. Ultimately, this drives up the cost of sports franchises and increases the tax burden for residents who wind up sharing a city or state with a sports organization. This strategy is so widely accepted that the developers of the Madden NFL video game allow players to move their teams to new cities as a strategy to get new stadiums.

Consider the history of the Raiders. In 1982, the Raiders moved from Oakland to Los Angeles because Oakland and Alameda County officials would not meet owner Al Davis's request to fund luxury suites in the stadium two years prior. In 1995, the Raiders moved back to Oakland after local politicians granted almost $200 million in public money to renovate the Oakland Coliseum. More recently, the Raiders asked Bay Area officials to help fund a new $900 million stadium in Oakland, but Oakland Mayor Libby Schaaf (D) said that she ''will not enter into a bidding war with Nevada using public funds.'' Hence, the Raiders will jump ship to Las Vegas where Nevada officials are forcing taxpayers to subsidize the Raiders with $750 million of public money. Unfortunately for Oakland and Alameda county taxpayers, they will continue paying back roughly $95 million in public debt still owed on the 1995 renovation for a team that will no longer play football in Oakland. Whether or not the Raiders win, taxpayers lose.

When government officials spend public money on professional sports stadiums, they are not only hurting taxpayers, but they are foregoing other, potentially more productive uses of tax dollars. For example, Nevada officials decided to forgo addressing the K-12 education funding shortfall so that they could use public money to build a football stadium. If the $750 million aimed at the new Las Vegas stadium was instead used for education funding, each student enrolled in Nevada public schools would have received an additional $1,600 worth of funding.

Education funding is not the only opportunity cost of subsidizing sports stadiums. Tax dollars could be used to improve public safety or infrastructure. Or, quite simply, tax dollars could be left in taxpayer pockets so that individuals have more money to spend in the manner they see best fit. After all, no one knows how to best fulfill the personal needs of each resident more than each individual. Governments have a poor track record of planning economies, whether on a national scale such as the Soviet Union, and for specific projects such as the Oakland Coliseum mentioned above. Leaving more money in the private sector is in line with America's ideals of free enterprise, and allows individuals to make decisions about their income that they believe are best for them.

There are many proponents of using tax dollars to fund professional sports stadiums. However, claims that luring sports franchises with public money will lead to economic growth are false. In fact, there is a clear consensus throughout the economics profession

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that subsidizing sports venues provides little to no economic benefits to the local economy. In a survey of academic literature published in Econ Journal Watch, researchers concluded that ''empirical findings strongly reject sports subsidies on the grounds of a lack of economic benefits.'' Harvard economist Greg Mankiw also reports that 85 percent of economists agree that state and local subsidies to professional sports franchises should be eliminated.

Sports fans may love watching their teams play in new and improved venues, but many residents do not care for sports at all. Forcing taxpayers, fans or not, to foot the bills of sports franchises is poor public policy. Government officials around the country should follow the lead of Oakland Mayor Libby Schaaf and refrain from spending tax dollars on stadium subsidies.