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### How to Stop Sports Stadium Madness: Is Fan Ownership the Answer?

By Joseph L. Bast\*

Unearned rent is widespread in the American economy today. It is created whenever private individuals use force or fraud to restrict competition. This often involves using government to erect barriers to entry into professions or businesses, a practice economists call “rent-seeking.”<sup>1</sup> The solution is to remove the privileges that enable individuals and corporations to generate and keep unearned rent.

Professional sports are rife with rent-seeking. Billions of dollars of rent are generated and kept by team owners and professional athletes every year, a practice that generates enormous deadweight losses to society. The solution is to remove the privilege – in this case, public subsidies used to build or renovate the stadiums and arenas used by professional sports teams – by expanding popular ownership of sports franchises.

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This essay shows how changing the ownership of sports franchises may be the best way to end the practice of taxpayers subsidizing sports stadiums. The Green Bay Packers illustrate one way to do this, offering a model for other communities to follow.

I know something about this topic because starting in 1990, I edited or wrote several policy studies for The Heartland Institute on sports stadium finances, culminating with a report titled

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<sup>1</sup> Charles K. Rowley, ed., *The Rent Seeking Society: The Collected Works of Gordon Tullock*, Vol. 5 (Indianapolis, IN: Liberty Fund Inc., 2005).

“Sports Stadium Madness: How it Started, How to Stop It,” in 1998.<sup>2</sup> During those years, and for a few years afterwards, I traveled to more than a dozen cities debating the issue with advocates of sports stadium subsidies.

I also know something about the ideas of Henry George, a political economist best known today for his support of land-value taxation as a substitute for taxes on income or sales.<sup>3</sup> In 2006, I worked with Fred Foldvary, an economist and noted Georgist, on a policy study titled “The Ultimate Tax Reform: Public Revenue from Land Rent.”<sup>4</sup>

At the time I wrote those studies, I didn’t realize the two topics were inter-related. George’s insights into rent-seeking illuminate the reasons we subsidize professional sports and also point the way toward ending those subsidies.

## Subsidy Madness

Subsidies to professional sports franchises total approximately \$1 billion a year directly and much more indirectly.

Subsidies to professional sports franchises total approximately \$1 billion a year directly and much more indirectly. The construction of stadiums and arenas for professional sports franchises is a big business in the U.S. According to a 2008 report by Dennis Coates for the American Enterprise Institute, since

1990, Major League Baseball (with 30 teams) had opened 19 new stadiums; at the time, three more were under construction.<sup>5</sup> The National Football League (32 teams) had opened 17 new stadiums, done major renovations to four others, had three under construction, and four more at various stages of planning and negotiations. The National Basketball Association (30 teams) had opened more than two-thirds of its 30 arenas since 1990, and at least three NBA franchises were actively seeking new arenas.

That’s 67 new or renovated facilities in 17 years. The subsidy per facility ranged from \$249 million to \$280 million. Do the math and this comes to about \$1 billion a year.

These subsidies ...

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<sup>2</sup> Joseph L. Bast, “Sports Stadium Madness: Why It Started \* How To Stop It,” *Heartland Policy Study* No. 85, The Heartland Institute, February 23, 1998, <http://heartland.org/policy-documents/no-85-sports-stadium-madness>.

<sup>3</sup> Henry George, *Progress and Poverty: An Inquiry into the Cause of Industrial Depressions and of Increase of Want with Increase of Wealth: The Remedy* (self-published, 1879).

<sup>4</sup> Fred Foldvary, “The Ultimate Tax Reform: Public Revenue from Land Rent,” *CSI Policy Study*, Civil Society Institute, January 2006, <http://heartland.org/policy-documents/ultimate-tax-reform-public-revenue-land-rent-full-text-pdf>.

<sup>5</sup> Dennis Coates, “A Closer Look at Stadium Subsidies,” *The American*, American Enterprise Institute, April 29, 2008, <http://www.american.com/archive/2008/april-04-08/a-closer-look-at-stadium-subsidies>.

- divert money from schools, police, and recreational facilities, and from the pockets of individual taxpayers who probably had better ideas on how to use it;
- are profoundly unfair, since they amount to taxing families that may never attend a single sports game to subsidize the construction of luxury skyboxes and the salaries of millionaire athletes and multi-millionaire team owners;
- are unfair to other businesses such as restaurants, movie theaters, and bowling allies that compete for people's entertainment budget and for labor and capital; and
- impose a deadweight loss on society by distorting investors' decisions and causing massive amounts of waste and fraud.

Every day, somewhere in the country the owners of a professional sports franchise are trying to extort more money from taxpayers. For example, voters in Long Island, New York in August 2011 rejected a proposal to issue \$400 million in bonds for a new arena for the Islanders, an ice hockey franchise.<sup>6</sup> A news release from "Vision Long Island" contains all the arguments that are typically used by advocates of stadium subsidies:

Every day, somewhere in the country the owners of a professional sports franchise are trying to extort more money from taxpayers.

A yes vote will allow us to build a sports-entertainment destination center that includes a new Nassau Veteran's Memorial Coliseum, minor league ball park and multi-purpose facility that hosts conventions and track & field events.

Revitalizing the Nassau Coliseum will not only create a regional high-quality entertainment hub that caters to a wide demographic range from the very young to seniors, it will also create expanded employment opportunities for residents of the densely populated area surrounding coliseum, for college students, and for other Long Islanders in need of full-time and part-time employment. The county estimates 4,500 full and part time jobs to be yielded from this proposal.

According to the county's Economic Impact Statement, the project would provide a positive cash flow of \$2.2 million annually in excess of the debt service of \$26 million. The new coliseum would attract approximately 1.37 million visitors each year versus the no-build alternative 100,500 visitors or far less if the Islanders ultimately move.<sup>7</sup>

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<sup>6</sup> Steve Stanek, "Long Island-Area Voters Trounce Stadium Subsidy Proposal," *Budget & Tax News*, August 8, 2011  
<http://news.heartland.org/newspaper-article/long-island-area-voters-trounce-stadium-subsidy-proposal>.

<sup>7</sup> "Nassau Residents: Vote Yes on the Nassau Coliseum Bond Referendum TODAY!" Vision Long Island, August 1, 2011.

The news release from “Vision Long Island” ends with a list of 28 supporters of the subsidy. It includes law firms, building contractors, architecture and engineering firms, bond companies, and trade unions ... but no fans and no taxpayer groups. An economist couldn’t come up with a better list of rent-seekers than the one that appears on this news release.

## Trivial Economic Benefits

The economic benefits to a community – as opposed to the players and franchise owners – of a sports stadium or arena are trivial. Consider this: Chicago, with five professional sports franchises, receives less than 1/10th of 1 percent of its personal income from professional sports. Not a single county in the U.S. receives more than ½ of 1 percent of personal income from sports.<sup>8</sup>

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According to a report from the Brookings Institution, “A new sports facility has an extremely small (perhaps even negative) effect on overall economic activity and employment. No recent facility appears to have earned anything approaching a reasonable return on investment. No recent

facility has been self-financing in terms of its impact on tax revenues. ... The economic benefits of sports facilities are *de minimus*.”<sup>9</sup>

Economist Robert Baade studied 48 cities and their surrounding metropolitan statistical areas (MSAs) over a 30 year period and drew the following conclusions:

Of the 32 MSAs where there was a change in the number of sports teams, 30 MSAs showed no significant relationship between the presence of the teams and real, trend-adjusted, per-capita personal income growth. In the remaining two cases, the presence of sports teams was significantly positive once (in Indianapolis) and significantly negative once (in Baltimore).

Of the 30 MSAs where there was a change in the number of stadiums or arenas ten years old or less, 27 MSAs showed no significant relationship between the presence of a stadium and real, trend-adjusted, per-capita personal income growth. In all three of the remaining cases (St. Louis, San Francisco/Oakland, and Washington, D.C.) the presence

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<sup>8</sup> Robert Baade, “Should Congress Stop the Bidding War for Sports Franchises?” Testimony before the Subcommittee on Antitrust, Business Rights, and Competition of the Senate Committee on the Judiciary, November 29, 1995, *Heartland Policy Study #77*, The Heartland Institute, August 1, 1996, page 29, [http://heartland.org/sites/all/modules/custom/heartland\\_migration/files/pdfs/9507.pdf](http://heartland.org/sites/all/modules/custom/heartland_migration/files/pdfs/9507.pdf).

<sup>9</sup> Roger G. Noll and Andrew Zimbalist, “Sports, Jobs, and Taxes,” *The Brookings Review*, Summer 1997, page 36.

of a sports stadium was significantly *negative* [emphasis in original].<sup>10</sup>

Some people say a positive community economic benefit can be achieved if amateur sports are included with professional sports. Indianapolis has done more than any other city in the U.S. to test this theory. The definitive study of sports' contribution to the Indianapolis economy was written by Mark Rosentraub, associate dean of the School of Public and Environmental Affairs at Indiana University in Indianapolis. Rosentraub found "no significant or substantial shifts in economic development. Simply put, the sports strategy did not achieve its objectives."<sup>11</sup>

## Nine Reasons Why

Why don't sports stadiums and arenas, which can now cost as much as \$1 billion to build, generate more positive economic benefits for their host communities? There are nine reasons.

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*First, cost overruns.* Stadiums and arenas invariably end up costing more, sometimes hundreds of millions of dollars more, than their promoters originally predict. The cost over-runs reduce funds available to pay off bonds or loans provided by taxpayers or are subtracted from whatever revenue the community was promised.

*Second, revenue short-falls.* Stadium promoters invariably exaggerate how many people will attend games, how much they will spend in the facility or at surrounding businesses, and how many non-sports events will take place at the facilities. There are only so many concerts, tractor pulls, and Promise Keepers conventions taking place, and a new facility has to woo them away from existing venues. They often fail to do so, or do so only by cutting prices to below cost.

*Third, opportunity cost.* In order for a stadium to generate a positive economic benefit for its host community, it must generate more economic activity than the alternative use of the subsidy money. If spending the same amount on police would reduce losses due to crime and make the community more attractive to businesses or tourists, then the net impact of the stadium subsidy could be negative. This is an important point: It's the *net* impact or benefit that matters, not the gross impact. The lost opportunities are invisible – they are benefits that would have occurred if a different choice had been made. Therefore, they are easy to overlook.

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<sup>10</sup> Robert A. Baade, "Stadiums, Professional Sports, and Economic Development: Assessing the Reality," *Heartland Policy Study* #62, The Heartland Institute, April 4, 1994, [http://heartland.org/sites/all/modules/custom/heartland\\_migration/files/pdfs/3075.pdf](http://heartland.org/sites/all/modules/custom/heartland_migration/files/pdfs/3075.pdf).

<sup>11</sup> Mark S. Rosentraub, *Major League Losers: The Real Cost of Sports and Who's Paying For It* (New York, NY: Harper Collins Publishers, Inc., 1997). The quote is from a summary of the book written by Rosentraub titled "Indianapolis: A Major League Loser?" *Indiana Policy Review*, Winter 1998.

*Fourth, stadiums often don't attract new money from outside the community.* Instead, they just redistribute money in local people's recreation budgets, taking it from existing businesses such as restaurants, bars, and theaters, and giving it to professional athletes and franchise owners. Baseball franchises attract too few fans from outside the community because games take place during the week, when most people have to work. Out-of-towners don't have time to travel to the city to watch a game. Football franchises usually play on weekends, but there are too few games – only eight per regular season – to generate much tourism.

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*Fifth, stadiums don't promote nearby development.* A typical football stadium is surrounded by parking lots and located next to a major freeway; these are not location amenities that invite restaurants or bars to locate nearby. Moreover, many modern stadiums have restaurants, bars, and even museums and play areas for kids located

inside the facilities' walls. Congestion on nearby roads before and after games and events make the area unattractive to other businesses. And if you think business CEOs decide where to relocate to or where to put their next plant based on what cities they see on television ... well, that might explain why you are not a CEO.

*Sixth, leakage of revenue.* Money spent on a stadium and *in* the stadium during games is not spent locally, but instead is captured by the team owners and players. Owners invest their share in national or international financial institutions that are as likely to finance jobs in China as in the U.S., much less choose to invest in the host city. Players have short careers and rarely stay in the cities where they played after retiring, and most don't even make those cities their residences during the few seasons they are players.

*Seventh, most of the jobs that are created are few and low-paying.* Pay attention to who you see working in the stadium at the next game you attend. Parking lot attendants, high school and college kids selling refreshments, bathroom attendants, people mowing grass and sweeping floors. This is not biotech or computer chip manufacturing. Claiming that these minimum-wage and entry-level jobs produce big "multiplier effects" is just junk economics.

*Eighth, crony capitalism and fraud.* Economist Allen Sanderson spoke at a Heartland Institute event on July 29, 2011. In an email to me following our conversation at that event, he wrote:

At the moment, I don't think there is a single convention center in this country that's covering its operating costs, including, of course, our local albatross. These types of facilities are overbuilt, potential renters or tenants are not in as much supply as one might think, and the waste, nesting of feathers, and outright corruption are rampant.

*Ninth and finally, the value of the subsidy is capitalized in the value of the team.* What financial data we have, which is slim because team owners work hard to conceal the economics of their investments, reveal that a team's value increases almost immediately following approval of a public subsidy to its home stadium or arena, and often by an amount close to the amount of the

subsidy. In other words, the rent is captured by the team, not the community. The team can move, but the facility cannot. If the team moves, the facility often becomes a white elephant and financial drain on the community.

## Why Do We Subsidize Stadiums?

So why do we subsidize stadiums? It isn't because they are popular with voters – surveys nearly always show a majority of the public opposes subsidies, and most referenda are defeated. There are three reasons for subsidies:

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*First*, cities offer stadium subsidies to bid against one another for franchises because the leagues make sure there is always at least one major market without one. James Quirk and Rodney Fort, in their 1992 book titled *Pay Dirt: The Business of Professional Team Sports*, hit the nail on the head when they wrote:

The ability of teams to extract large subsidies from local governments stems entirely from the monopoly power wielded by sports leagues. If there were several competing leagues in a sport, simple profit incentives would lead toward expansion of leagues into any city that could profitably support a team, and blackmailing threats would be a thing of the past. There would be no incentives, since as those that exist at present, to leave a few potentially profitable locations without teams, as threats to local government.<sup>12</sup>

In other words, it's a contrived scarcity caused by the absence of competing leagues. Why aren't there competing leagues? We'll get to that in a few minutes. But first, the second reason we subsidize sports:

*Second*, league revenue-sharing rules fuel an "arms race" between teams for stadiums that can generate the maximum amount of revenue. While most leagues require most revenue sources be shared with other franchises, every league allows its teams to keep all of the non-ticket revenue generated by their stadiums or arenas. Noll and Zimbalist list "luxury suites, club boxes, elaborate concessions, catering, signage, advertising, theme activities, and even bars, restaurants and apartments with a view of the field" as among the latest profit-maximizing strategies.<sup>13</sup> The luxury suits and other enhancements typically found in a new stadium in 1997 enabled a team to increase its annual revenue by \$30 million or more, at least for a few years after the stadium opens.

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<sup>12</sup> James Quirk and Rodney D. Fort, *Pay Dirt: The Business of Professional Sports* (Princeton, NJ: Princeton University Press, 1992, 1997 edition), page xxiv.

<sup>13</sup> Roger G. Noll and Andrew Zimbalist, *supra* note 8, page 39.

*Third* and finally, concentrated benefits and distributed costs. We subsidize professional sports franchises by helping to pay for their stadiums and arenas because the advocates of the subsidies – unions, team owners, developers, and bond dealers – stand to make millions of dollars if they

It hardly pays for us to follow the debate, much less contribute toward ads, pay for lobbyists, or show up at rallies. This is common to all rent-seeking phenomena, and the reason why we have more government than any one of us wants.

succeed, whereas opponents and the folks who will have to pay the subsidies – fans, taxpayers, all of us – will have to pay only \$10 or \$20 a year more in taxes ... maybe more, maybe less. It hardly pays for us to follow the debate, much less contribute toward ads, pay for lobbyists, or show up at rallies. This is common to all rent-seeking phenomena, and the reason why we have more government than any one of us wants.

## How Can We Stop?

So how can we stop sports stadium madness? There are four non-solutions, one partial solution, and one real solution. The non-solutions are:

*First*, use antitrust law to break up the leagues and allow new leagues to emerge. The Sports Broadcasting Act grants an exemption from antitrust litigation to professional sports leagues, so they can negotiate as a unit for broadcast contracts with television and radio companies. Major League Baseball's exemption precedes the Sports Broadcasting Act thanks to a 1922 court decision that ruled that baseball, being the national pastime, is not "commerce."

Congress could repeal the exemption, but this won't end subsidies for a number of reason. There is no magic number of franchises that each league "ought" to allow, so it's difficult (or should be difficult) to imagine a judge substituting his judgment for that of league managers. The leagues can point to no market barriers to new leagues being created and competing with them, which would be true. (Probably the biggest barrier is sports stadium subsidies, which give the existing leagues a billion-dollar-a-year edge over competitors.) And finally, antitrust laws have a history of misuse that suggests they don't lead to more competition or consumer benefits. More often they are just used by losers in the marketplace to handicap the winners.

A *second* non-solution is simply to ban subsidies. Well, we can't really do that. The subsidies can take many different forms – loans, tax abatement, free infrastructure, bonds, revenue-sharing, as well as outright subsidies – and trying to ban one form will just result in other forms being used more. States and cities would rightly protest any federal ban on subsidies as an infringement on federalism, their right to decide the details of their taxing and spending decisions. It isn't clear that a court would rule the federal government has the power to do this. And if it is up to states to ban subsidies, then we are asking the first states to do so to "unilaterally disarm" themselves in the arms race for teams. Their refusal to do so is the reason we are in the mess we are in.

A *third* non-solution is to start a new league ... or actually, new *leagues* for baseball, football,



basketball, hockey, and so on. This is always possible, and at any given time there are a few efforts underway to launch new leagues. But it is hugely expensive to create two dozen new teams and to sign contracts for places for them to play. Past efforts repeatedly have failed. Ultimately this may be the solution, and if stadium subsidies ended *as the result of some other strategy*, new leagues almost certainly would emerge to make the solution permanent. But today, this remains a non-solution.

The *fourth* non-solution is municipal ownership of teams. Liberals and Georgists might be drawn to this as a solution, since if the city owns the team it surely cannot leave, and all the rent would be captured and kept in the community (or at least the community's government). But it is difficult to imagine a majority of a city's citizens believing a professional football or baseball team is an

With municipal ownership of teams, the injustice of the current system – of middle- and lower-income families being taxed to pay the multi-million dollar salaries of professional athletes – would be compounded.

essential service that their government ought to spend hundreds of millions of dollars to buy. The injustice of the current system – of middle- and lower-income families being taxed to pay the multi-million-dollar salaries of professional athletes – would be compounded. And big-city mayors are unlikely to be good at managing professional sports teams. Picture your city's mayor as the general manager of your favorite football team. See what I mean?

There is a *partial solution* everyone should support: Ban the use of tax-exempt bonds to finance sports stadiums and arenas. Such bonds allow private developers to borrow at subsidized rates. Their use is supposed to be restricted to projects that are genuinely in the "public interest."

The late Patrick Moynihan led an effort to ban the use of tax-exempt bonds for sports ... and he met fierce opposition from mayors and governors, once again on federalist grounds. But I think the courts would rule that limiting a federal tax subsidy would be within the power of Congress. Unfortunately, this reduces public subsidies only by about \$100 million to \$200 million a year, leaving 90 percent or 80 percent of the problem unsolved.

## Best Solution

We arrive, through the process of elimination, at the best solution to sports stadium madness:

**Instead of taxing fans to subsidize the construction of new stadiums to keep teams from moving, the fans should buy the teams and keep the old stadiums.**

If the fans owned the team, it couldn't threaten to move if didn't get a new stadium or subsidies to renovate its current facility. That means the rent currently collected by the owners and players would go to the fan-owners and much (not all) of it would stay in the community and be reinvested in the facility and in public services.

Fan ownership means the team would be owned by a club instead of a profit-making company. Clubs exist because their members choose to put something other than profit-maximization at the top of their list of objectives. Most clubs are nonprofits. Federal and state law requires that nonprofit organizations identify a non-profit objective and show their resources are being used to advance that goal.<sup>14</sup>

Fan ownership isn't just an idea, it's a reality in Green Bay, Wisconsin, the long-time home of the Green Bay Packers NFL franchise.

In 1923 the Green Bay Packers NFL franchise was in bankruptcy proceedings and was bought by a private nonprofit corporation – a club – for a \$2,500 loan.

The Green Bay Packers franchise was founded in 1919. In 1921 the team joined the American Professional Football Association, which later became the National Football League. In 1923 the franchise was in bankruptcy proceedings and was bought by a private nonprofit corporation – a club – for a \$2,500 loan. In 1950, to fend off a proposal

by Earl “Curly” Lambeau to become a for-profit corporation, the board of directors sold stock at \$25 per share, raising \$118,000 and putting the team on firm financial footing. An additional 400,000 shares at \$200 each were sold in 1997–1998.

Today there are 111,507 shareholders with voting rights, the overwhelming majority of them living in Wisconsin and most living in Green Bay. Together they hold 4,748,910 shares.<sup>15</sup> No dividends are paid on the so-called “souvenir stock,” which cannot be sold or traded for more than its original price. Shareholders do not get tickets in return for being shareholders, and no shareholder can hold more than 199 shares.

Stockholders meet once a year to elect 15 members to three-year terms on a 45-person board, which in turn elects a seven-person executive committee to oversee operations of the nonprofit corporation. Only the president-CEO is paid.

In the unlikely event the team is ever sold, federal law requires that the assets be donated to another nonprofit organization. The current bylaws specify that the vast majority of the assets must be given to a local Veterans of Foreign Wars post.

Because it is owned by the fans, the team will never relocate, so it can't demand subsidies. Is the arrangement working? Oh yeah!

- The Packers are the least-subsidized pro sports team in the country. By one estimate, in 1989 the team received \$143,000 in subsidies versus an average of \$6.7 million for 21 other teams

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<sup>14</sup> The economic literature on clubs is often said to begin with James Buchanan's 1965 essay, “An Economic Theory of Clubs.” A fascinating exposition on how clubs differ from for-profit businesses and governments is Peter T. Leeson's “Governments, Clubs, and Constitutions,” available online at [www.peterleeson.com/Government\\_Clubs\\_and\\_Constitutions.pdf](http://www.peterleeson.com/Government_Clubs_and_Constitutions.pdf).

<sup>15</sup> <http://www.packers.com/fan-zone/faq.html>

that year.<sup>16</sup> In 1995, the team agreed to give the city \$500,000 in net revenue the following year.<sup>17</sup>

- The Packers are one of the most-successful franchises in NFL history. It has 13 world championships, including three Super Bowls. (The championship years, in case you are wondering, are 2010, 1996, '67, '66, '65, '62, '61, '44, '39, '36, '31, '30, and '29.)
- The fact that the Packers are unsubsidized has kept other professional sports franchises in the state from threatening to leave unless they receive subsidies, since they realize their fans could shift to the Packers, which will never leave. The Brewers are one of the least-subsidized franchises in the MLB.

What if there were just a half-dozen or dozen other fan-owned teams among the nation's 92 football, baseball, and basketball major league franchises? The Green Bay Packers example shows just one such team can dramatically reduce the pressure to give subsidies to other leagues in a state. Similarly, the presence of two or three fan-owned teams in a sport could reduce the pressure by other teams in the league for subsidies.

The presence of fan-owned teams would place pressure on leagues to change their revenue-sharing policies to allow for sharing of stadium-generated revenues, which would help end the arms race among teams for new revenue-generating features built into the latest generation of stadiums and arenas.

The presence of fan-owned teams would place pressure on leagues to change their revenue-sharing policies to allow for sharing of stadium-generated revenues.

Pressure would grow to increase the number of teams, perhaps with fan-led nonprofit organizations bidding for new franchises with financial support from local nonprofit foundations (as the Bradley Foundation helped finance a new stadium for the Milwaukee Brewers<sup>18</sup>).

In short, the spread of fan-owned teams would break the subsidy culture that now grips all of the major sports leagues. By spreading *one team at a time*, fan ownership is far less expensive and far more likely to succeed than past efforts to start new leagues. By keeping governments out of the action, fan ownership is likely to be more popular and successful than municipalization of sports. And the Green Bay Packers show the model can actually work.

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<sup>16</sup> Dennis Zimmerman, "Tax-Exempt Bonds and the Economics of Professional Sports Stadiums," *CRS Report for Congress* (Washington, DC: Congressional Research Service, May 29, 1996), page 7.

<sup>17</sup> "New Lease," *Appleton Post-Crescent*, November 30, 1995.

<sup>18</sup> The Milwaukee Brewers attracted \$90 million in private financing for Miller Park, 32.5 percent of the \$400 million total cost. The private financing included \$20 million from the Bradley Foundation. The facility opened in 2001. <http://www.baseball-statistics.com/Ballparks/Mil/index.htm>.

## Barriers to Overcome

What needs to be done before my vision of “how to end the madness” of stadium subsidies comes true? Three things:

A campaign must be launched to persuade the leagues to repeal their current policies prohibiting nonprofit ownership of teams. The Green Bay Packers franchise was grandfathered into the NFL. A grassroots campaign by retired players and coaches, journalists, and fans could put enough pressure on a league to allow the transfer of a franchise to a nonprofit organization, or to allow fans to bid for an expansion team. Once this happens in one sport, it would spread quickly to the others.

It isn't clear the leagues are united in their opposition to letting fans compete for new or current teams: In Minnesota, the owners of the Twins had tentatively offered to give the team to a nonprofit organization in exchange for taxpayers building a new stadium, an offer that was either withdrawn or not accepted by taxpayers. See the Web site of the “New Rules Project” for a discussion of this episode, and for model legislation that would facilitate the transfer ownership of MLB franchises to fans.<sup>19</sup>

If current franchise owners realize the jig is up, that they can't get hundreds of millions of dollars in subsidies to stay put, they may decide that selling the team to fans is the best way to cash out of the game.

The high cost of a professional sports franchise ... as I understand it, they range from \$250 million to \$600 million these days ... needs to be overcome. One possible solution is if a television or cable network offered to help finance the fan buy-out in return for broadcasting rights. The extremely high bids made for broadcasting rights to games indicate the value that broadcasters

plainly realize is in team ownership. At any given time, all but one network has lost out on the bidding for broadcast rights. Investing directly in teams would be a way for losers in the bidding contest to get a piece of the action.

Third, bringing leagues to the table may require closing off the alternative: taxpayer subsidies. This means defeating proposals to subsidize teams that threaten to leave. If current franchise owners realize the jig is up, that they can't get hundreds of millions of dollars in subsidies to stay put, they may decide that selling the team to fans is the best way to cash out of the game. Without the stadium subsidies, it's possible some teams aren't money-makers, and they would be the low-hanging fruit in a campaign to spread fan ownership. (Once again, it isn't clear which teams fall into this category because team owners keep their financial documents confidential.)

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<sup>19</sup> The New Rules Project, Community-Owned Sports,  
<http://www.newrules.org/governance/rules/communityowned-sports>.

## Conclusion

Sports stadium subsidies impose a huge cost to society. Unearned rent being held onto by professional sports franchises, made possible largely by public subsidies for new sports stadiums and arenas, is a huge injustice and deadweight loss to the nation.

End the subsidies and enlarge the ownership of teams through fan ownership, and you end the injustice of more than \$1 billion a year going to a small group of team owners and professional athletes.

Now go out there and support fan ownership of professional sports teams!

# # #

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