



FISCAL POLICY INSTITUTE

NEWS RELEASE

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DC's Stadium Financing Proposal Would Cost the City \$900,000 for Every Job Filled by a DC Resident

Claims that a baseball stadium would bring significant economic benefits to the District are not backed up by economic research, according to a new report by the DC Fiscal Policy Institute. Instead, DCFPI finds, economic studies show that baseball stadiums do little to create jobs and that public subsidies for stadium construction do not "pay for themselves" by generating increased tax revenues.

Mayor Williams has proposed spending \$339 million to support construction of a new baseball stadium, as part of efforts to convince Major League Baseball to relocate the Montreal Expos to DC. DCFPI finds that this investment cannot be justified on the grounds that it will boost DC's economy. Among the key findings:

- The mayor's own figures show that only about one-third of jobs generated by a stadium — 380 of 1,035 — would go to DC residents. When the jobs figure is compared with the \$339 million subsidy, it means that the District would spend \$900,000 for each job filled by a DC resident. Yet many of the jobs would be part-time with low pay and limited benefits, such as jobs in concessions.
- The consensus among economists is that baseball stadiums do no boost regional employment or income. This largely reflects the fact that people who spend money to attend a baseball game typically spend less on other forms of entertainment than they would in the absence of a stadium, resulting in little or no *net* economic gain.
- A study of 25 stadiums built between 1978 and 1992 found that none of them generated a net increase in tax revenue for the host city. Even Baltimore's Camden Yards is a net loser for the state.

"District officials should not be trying to sell the stadium proposal as a big winner for the DC economy," said Ed Lazere, executive director of the DC Fiscal Policy Institute. "Study after study confirms that this investment will not pay off."

The DC Fiscal Policy Institute report also challenges the claim by Mayor Williams that the stadium financing package will not affect funding for other DC services.

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- A large share of the stadium costs would be supported by a new tax on large businesses. Business groups have expressed support for this tax, but only if no other new taxes are imposed on them. Thus, a stadium would prevent the District from raising business taxes to support other services.
- The financing plan also would devote nearly all taxes generated at the stadium for the next 30 years to paying off construction costs. This means that the stadium would produce little or no tax revenue for DC's general fund. By contrast, if a stadium were built with private funds, or if other development were allowed to occur, the stadium site would generate substantial tax revenues for the District.

DCFPI notes that DC's stadium financing proposal is not based on calculations of estimated benefits but instead results from Major League Baseball's expectation that a host city will pay for most of the costs of a state-of-the-art stadium. MLB operates as a monopoly, which allows it to restrict the number of franchises and to withhold teams from viable host cities, such as Washington. The league uses this power to negotiate favorable stadium deals with cities that are eager to host a team.

The DC Fiscal Policy Institute report concludes that a substantial public investment in stadium construction is not warranted, given the limited benefits of a baseball team. The report recommends principles that could guide an alternate financing proposal.

- A stadium should be financed primarily with private funds, with no more than a small public investment.
- Taxes generated by a stadium should be devoted to DC's general fund, rather than to paying stadium construction costs, to ensure that the District will benefit.
- Any public financing should be based on new additional taxes on activities at the stadium.

“At a time when the District is struggling to meet even basic services, its leaders should not be planning to devote hundreds of millions of dollars to a baseball stadium,” Lazere noted. “The Washington metro area is one of the wealthiest in the nation and is the largest area without a major league baseball team. The prospective team owners and the League should find a way to build a stadium with private funds.”

The DCFPI report can be found at <http://www.dcfpi.org/6-9-03tax.htm>.

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