

To: Members of the Stadium Committee

January 12, 2004

**From: Dr. Kenneth Zapp
Metropolitan State University**

Re: Stadium Financing

I appreciate the opportunity to address you on this important issue. My work in this field includes presentations to legislative committees and public hearings and nine articles in our major newspapers.

First, I begin with guidelines:

- 1. Even though three teams want new stadiums, setting priorities is important. The Twins clearly have the most urgent need. The Vikings are tied to the Metrodome until 2011 and the Gophers can play at the dome as long as the roof doesn't collapse.**
- 2. If you agree that the Twins are a valuable resource for our state, I propose that the community first purchase the team before we discuss a new baseball stadium. The team would cost only about a third of a new stadium. Senator Anderson and Rep. Kahn have bills in the legislature which would facilitate this process.**
- 3. All academic studies report that stadiums only move spending from one venue to another. They do not create economic benefits which justify public subsidies other than infrastructure development.**
- 4. Therefore, a stadium should be funded by those who benefit from its existence. This is good economics and politics.**

Next the context:

Late last month the St. Louis Cardinals announced they are building a privately funded stadium. Public funds will support only infrastructure work. The stadium will be funded primarily by seat license fees, naming rights, cable television revenue, and concession profits. Minnesota should follow this sage approach.

Who should pay for the stadium:

- 1. Team owners realize 25 – 50% increase in franchise value with a new stadium. If the team keeps naming rights and concession fees, this dramatically increases the amount the team should pay. This money must be paid up-front to reduce the amount of the loans necessary to build a stadium.**
- 2. Fans benefit from the stadium. They should pay seat license fees and ticket taxes. Economic studies have shown that fans report a consumer surplus (they get more than they receive) from the prices they currently pay for the right to see games in person. Additional fees may be collected from taxes on all MLB accessories.**
- 3. Players benefit from having a new stadium. They will be able to extract higher salaries. Tax revenue from higher salaries (not from the salaries they currently earn) can be used to fund the stadium.**
- 4. Media companies and their customers also benefit from having the Twins here. The State should apply a tax on all media users of stadium events (if the stadium is publicly owned). This tax should be largely paid by radio and cable viewers. When the Twins created their own cable service they made this process easier. Viewers who subscribe to this service would pay their share of the new stadium. No more free rides for the media corporations!**
- 5. Finally, Minnesota corporations all benefit from having the Twins here and the state mentioned in the media. A minimal increase in the corporate income tax (maybe 0.2%) could help fund the debt service for the stadium. This would not hurt firms without income and impose a negligible increase for the more profitable firms who benefit from Minnesota in the media.**

St. Louis proved that user fees can fund a modern stadium. We can do the same. Any tax which falls on people who do not use the stadium cannot be justified.

In the final analysis, the issue is one of power. Will owners and players have the public subsidize them? Will others who benefit from the stadium succeed in having citizens who receive no benefits from the team pay for the stadium?