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**BUREAU OF
GOVERNMENTAL
RESEARCH**

225 Baronne St., Suite 610
New Orleans, LA 70112
Phone 504-525-4152
Fax 504-525-4153
www.bgr.org

BGR MEDIA RELEASE

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Contact: Janet R. Howard, *President & CEO*
(504) 525-4152, ext. 12

BGR Releases Report on Public Funding for Saints

The Bureau of Governmental Research released today *Funds and Games: Paying for the Saints*. The report provides background information relevant to the State's current negotiations with the Saints. Specifically, the report does the following:

- It places the current debate over Superdome renovations and other subsidies for the Saints in the national context.
- It describes the public's current financial commitments for sports and the cost of proposed stadium and team subsidies for the Saints.
- It provides information to help the public understand economic impact statements on professional sports teams.
- It reviews the most recent economic impact studies on the Saints and the Superdome.
- It examines the State's and local governments' relative shares of the fiscal costs and benefits related to the Saints.

In addition, the report identifies a number of issues that should be addressed before any deal is finalized.

While the Saints' quest for a new or renovated stadium fits into a national pattern, the Saints enjoy an unusually rich deal, even by the NFL's standards. The team is one of only eight NFL teams that play in a stadium built exclusively with public funds. It is one of only two teams that enjoy substantial revenue guarantees. Public expenditures and commitments for the construction, operation, and past renovations of the Superdome total approximately \$869 million. In addition, the public has provided, or committed to provide, \$224 million for the Saints.

Communities nationwide have justified massive public support for sports teams with the understanding that they serve as economic engines. Yet there is substantial debate on this point. Many commissioned studies have produced large impact numbers that seem to far outweigh the requested subsidy. Some academic researchers, on the other hand, have found that few sports teams or stadiums generate statistically significant increases in local income, job creation or economic vitality.

Local studies give strong numbers for the Saints and Superdome. A study of the Saints found that in 2002 the team had an economic impact of \$402 million and a fiscal impact of \$25.8 million for state and local governments. A study of the Superdome found an average annual economic impact of \$677 million from 1994 to 2000 and an average fiscal impact of \$42.5 million.

With the help of outside consultants, BGR reviewed the local studies. The review was limited to matters that appeared on the face of the reports and did not include an examination or evaluation of the underlying data or assumptions. BGR found that, although both studies made adjustments to include only new dollars, the Saints study did not adjust for immediate leakages related to higher-than-average tax and savings rates associated with higher incomes. As a result, the total economic impact of the Saints -- and the related fiscal, earnings, and employment impacts -- appear to be overstated.

Quantifying the economic and fiscal impacts is only one step in considering a project. There are other questions that should be answered by the State before it commits hundreds of millions of dollars to the Saints. As BGR indicated in its recent report on economic development in New Orleans, any investment should be considered in the larger context of the community's needs and priorities. In addition, before committing resources, policymakers should examine the opportunity cost of the investment and its impact on the community's revenue-generating capacity.

Finally, one of the major premises of the current negotiations -- that the funds required to retain the Saints should come from the New Orleans area, rather than the State at large -- bears reexamination. The State receives the largest share of the tax revenues generated by the Saints, estimated by BGR at 63% in each of the first four years of the Saints current lease. Although the State is obligated to pay, or have the Louisiana Stadium and Exposition District pay, the annual inducement payments to the team, the funds used to make the payments have come primarily from local sources. Any plan to provide additional funding for inducement payments or to renovate the Superdome should take the State's tax revenues into account.

David Guidry, BGR's Chairman, stated: "BGR's study is designed to provide a comprehensive overview of the many issues that sports subsidies pose for policy makers and the public. We sincerely hope that the extensive background information will help to inform the debate on an emotionally charged topic."

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BGR is a private, nonprofit, independent research organization. Since its founding in 1932, it has been dedicated to informed public policy-making and the effective use of public resources in the Greater New Orleans area. For more information call 525-4152 or visit BGR's website, www.bgr.org.