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Study Shows Broncos' Mile High Stadium Cost Federal Taxpayers $54 Million.

Sports Authority Field at Mile High, the home of the Super Bowl 50 champions, has shortchanged federal tax collectors by $54 million, a Brookings Institution analysis says.

In the first-of-its-kind study, Brookings looked at 36 professional football, baseball, basketball and hockey stadiums built or renovated since 2000 using $13 billion in tax-exempt municipal bonds and concluded the work resulted in a $3.2 billion federal subsidy, and $3.7 billion loss in federal tax revenue.

It's one thing when local taxpayers pay for stadiums in their hometowns. Front Range residents in 2002 assumed about $300 million of the $400 million cost to build the Broncos' new stadium in the parking lot of the old Mile High Stadium. The tax-free municipal bonds that funded the new stadium were paid off in 2012.

If those bonds had not been not tax-exempt, the federal government would have collected $49 million in taxes. Then taxpayers who held those bonds got a federal income tax break that saved them estimated $5 million, adding up to a $54 million total loss to the federal taxpayers since 2002, according to the Brookings study.

"I love sports. If I want to pay for sports in my town, I have a weak-but-plausible argument that my local community should subsidize a stadium," said Brookings senior fellow Ted Gayer, who co-wrote the study. "But the weakest and most implausible argument is that someone in Montana should be subsidizing whether or not a football team relocates from St. Louis to Los Angeles. A federal subsidy should have federal benefits. There is no benefit to me whether the Broncos play in Denver or Austin."

The Broncos are hardly the largest beneficiaries of tax-exempt municipal bonds. That crown belongs to the New York Yankees, which spent $2.5 billion on Yankee Stadium in 2009, $1.7 billion of which was financed by tax-exempt municipal bonds issued by New York City. The interest earned on those bonds is tax-exempt, resulting in a federal subsidy of $431 million. Bondholders who used the bonds to lower their tax liability received $61 million in tax breaks, creating a total revenue loss of $492 million.

The researchers at Brookings concluded that beyond some hard-to-measure local benefits, federal taxpayers saw no economic benefit for their tax dollars spent on stadiums in Indianapolis, Chicago, Cincinnati, Houston, Miami, Milwaukee, Washington, D.C. and Seattle.

It didn't used to be that way. Stadiums once were private affairs. But in 1953, the era of public financing for stadiums began when Milwaukee lured the Boston Braves with a new stadium built with tax dollars. In the mid-1980s, Congress passed the Tax Reform Act, which meant to curtail federal subsidies by tying them to municipal financing deals.

That legislation required that municipalities finance a large chunk of the stadium and said

governments can’t pay for that financing with taxes harvested from the stadium. Instead, cities typically rely on taxes on hotels, rental cars and “tourist taxes” to support new stadiums and still qualify for federal subsidies in the form of tax-free bonds. Taxing visitors is a good way to convince local taxpayers they won’t be alone in shouldering the burden of paying off the new stadium.

“That doesn’t make sense,” Gayer said. “If you want to collect revenue, you should collect from the people who are gaining the most from the new stadium: the people who are actually using the stadium, not my aunt across town who doesn’t care about football.”

Gayer and his fellow researchers conclude that Congress should end tax-exempt financing for private businesses like professional sports stadiums. Or, at least, the researchers said, limit tax subsidies by offering “qualified private activity bonds” that are subject to statewide caps. A state cap would mean that New York would not get $860 million federal subsidies for homes for its Yankees, Mets, Nets and Islanders and Texas could not get $446 million in federal subsidies for its Astros, Texans, Cowboys, Rockets, Spurs and Stars.

The researchers say the evidence of economic benefits of new stadiums spilling into local communities is “weak.”

“Academic studies consistently find no discernible positive relationship between sports facility construction and local economic development, income growth or job creation,” reads the study.

Jon Caldara, the Independence Institute chief who has long railed against stadium financing schemes he calls “corporate welfare,” said booing a new stadium in Bronco Country does not bolster his popularity. But he does it anyway.

“As much as sports fans might be grateful, I don’t think they realize they are on the hook for other people’s entertainment. Even if everything the economic development guys say is true — that for every dollar spent it spurs $20 or something in spending in the community, which, by that logic, we should be building five stadiums — it’s still wrong because you have the government picking winners and losers,” Caldara said. “The money they are playing with is our money, and they are taking chances with our money. We need to recognize we are subsidizing private-sector entertainment.

“At what point do the teams belong to the city?” Caldara asked. “If we are going into debt, and our kids are taking on all this long-term risk, at what point does the mayor get to choose the starting lineup?”

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