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Misplaced Priorities: Additional Subsidies Not Necessary for Professional Sports Teams

A plan calling for Missouri to provide tax credits for Kansas City's professional sports teams should not be approved by the Missouri Development Finance Board, according to The Missouri Budget Project, a statewide fiscal analysis organization.

“There is no need to provide the Kansas City Royals or Chiefs with \$50 million in state tax credits,” said Tom Kruckemeyer, chief economist for The Missouri Budget Project. “We cannot justify this loss of revenue when elementary, secondary and higher education are significantly under-funded and 240,000 low-income Missourians have been cut from Medicaid health insurance in the last several years.”

Kruckemeyer said that the Chiefs and Royals already receive \$3 million annually from the state, play in first-rate facilities and receive strong fan support. “There is a high probability that both the Chiefs and the Royals will stay in Kansas City regardless of whether they receive the proposed \$50 million in state tax credits.” Kruckemeyer said.

“We recognize that Kansas City’s professional teams are tremendous economic and cultural assets. However, these teams are able to maintain and improve their stadiums without additional state funds.”

A plan announced December 23 calls for \$575 million to be spent renovating the Truman Sports complex (Arrowhead and Kauffman Stadiums). The proposal is backed by officials from the Kansas City Chiefs and Royals, Jackson County and the state of Missouri.

The financing would include: a 3/8 cent Jackson County sales tax (subject to voter approval in April); \$75 million from the Chiefs; \$25 million from the Royals; and \$50 million in state tax credits (subject to approval by the Missouri Development Finance Board).

The Chiefs have achieved strong financial results and community support. “The team had an average annual profit of \$26.3 million for the past seven seasons (1998-2004), according to estimates by Forbes magazine. For the 2005 season, the Chiefs ranked third of 32 NFL teams in home game attendance and beginning in the 2006 season will gain about \$42 million more per year in revenue from the new national television contracts,” Kruckemeyer said. “They would be hard-pressed to find a more attractive situation in another city.”

The Royals play in 33-year-old Kauffman stadium which is a “first-rate” facility, according to Kruckemeyer. “The Royals suffer from Major League Baseball’s inadequate revenue-sharing system which makes it difficult for small-market teams to be competitive. For the 2005 season, the Royals’ player payroll was about \$37 million, approximately half of the average Major League Baseball team player payroll of \$73 million.

A positive factor is the Royals’ strong fan support, despite the team’s lack of much on-field success since 1985; average attendance was about 20,500 per home game for the last 16 seasons. “It would be difficult for the Royals to find a more attractive location than Kansas City,” Kruckemeyer said.

The Missouri Budget Project analysis, “Misplaced Priorities: Additional Subsidies Not Necessary for Professional Sports Teams,” is available at www.mobudget.org.

The Missouri Budget Project is the only statewide, nonprofit, nonpartisan organization that informs the public about Missouri’s budget and tax policy options and their impact on low and middle income citizens.