

The Economic Impact of the Baseball Strike



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INTRODUCTION

The 1994 Baseball Strike is having a severe economic impact on cities which host a Major League franchise. Cities are losing an average of \$1.16 million per home game and 1,250 full- and part-time jobs. These unforeseen revenue losses are already having a significant effect on the local economies of these cities. The goal of this survey is to compile data from the Major League Baseball cities and quantify the total losses incurred by the city due to the strike.

BACKGROUND & METHODOLOGY

Mayors from twenty-four U.S. cities representing twenty-six Major League Baseball teams were provided a questionnaire that sought the following information: (1) the amount of money municipalities will lose in stadium revenues; (2) the number of publicly owned stadiums, privately owned stadiums, and commission-owned stadiums; (3) the loss in local taxes; (4) the loss of local business revenues; (5) the number of part-time and full-time jobs that will be lost.

Much like a landlord-tenant relationship, teams playing in publicly owned ballparks must negotiate a lease agreement with the owner of the stadium. Public stadiums are usually owned by a city, county, state, sports commission or sports authority. According to the lease agreement, these public entities receive a portion of stadium-generated revenues. These revenues come from a variety of sources including: gate receipts, parking, concessions, merchandising, club seats, sky boxes, advertising, and television revenues. In a privately built stadium, these revenues are retained by the owner.

Local tax revenues vary by city, county, and state. Some cities impose a city wage tax while other cities rely on portions of state sales taxes. Cities with new stadiums have offered a ticket tax, "sin" tax or "bed" tax to help pay for the stadium costs. Losses in tax revenues depend on local and state tax laws.

The survey also asked for an estimate of local business revenues that would be lost during the strike, due to the absence of fans traveling into the city to spend their money in local businesses such as hotels, bars and restaurants, private parking garages, and vendors, among others.

Twenty cities responded to the survey. The respondents came from a host of sources including: mayors' offices, stadium commissions, city finance departments, convention and tourism bureaus, city revenue departments, city economic development offices, and stadium officials, among others.

Responses from individual cities varied widely due to differences in game attendance, size of media market, stadium lease agreements and the method used to calculate lost local business revenue. It should be noted that although Seattle completed the survey, the King Dome was shut down for the remainder of the season due to an unsafe roof. The Mariners have been playing their games at opponents' stadiums.

SURVEY FINDINGS

- Major League cities expect to lose an average of \$1.16 million for each home game that is canceled as a result of the strike. This includes revenues not received from the stadium, local taxes, and local businesses.
- An average of 1,249 part-time and full-time jobs will be lost at each city's ballpark. This includes concessionaires, ticket-takers, parking attendants, maintenance and security workers, among others.
- Teams with high attendance records generally reported the highest local business revenue losses and the highest total losses (see Appendix I). Atlanta had the highest total losses at \$3 million; Denver reported losses of \$2.04 million. San Diego, at \$203,000, and Seattle, at \$204,745, reported the lowest total losses.
- Among large media market teams such as Chicago, Philadelphia, and San Francisco, average total loss per game is \$1,267,369 (see Appendix II).
- Among smaller media markets, such as San Diego, Pittsburgh, Kansas City, and Cincinnati, the average loss per game is \$633,580.
- Cities with new stadiums or expansion teams (Baltimore, Chicago, Arlington, Cleveland, Colorado and Florida), consistently reported high losses. An average of \$1,618,407 per game will be lost in these cities.

A sampling of teams with high win/loss ratios produced high revenue losses: New York - \$2 million, Baltimore - \$1.2 million, Atlanta- \$3 million, Cincinnati - \$700,000.

An average of \$91,278 will be lost to each city in local and state taxes per game

Local businesses are losing an average of \$640,736 in revenue per game.

DISCUSSION

From August to October -- the height of the pennant race -- teams which are in contention for post-season play tend to draw a great number of fans to the ballpark. Further, the four cities which have built new stadiums for their teams are competing for a playoff spot. This means greater potential revenues to municipalities in taxes and in stadium-generated revenues. These cities are hurt most by the strike -- both by the tangibles, such as the creation of jobs and the expansion of revenues, and by the intangibles, such as fan loss.

Stadium losses vary depending on the lease agreement between the city and the team. Cities that have old ballparks do not have to service the debt that the cities with new stadiums are faced with. Most cities reported losses in the hundreds of thousands of dollars per game. Obviously, cities with privately-owned stadiums report the least amount of revenue loss as most of it would be incurred by the owners.

Given the variety of sources and the methodology involved in this survey, the actual figures reported for local business revenue loss per game must be taken as estimates rather than precise calculations. The interest that each game sparks, which translates into revenue, would most certainly extend beyond the surrounding regions of a city, and sometimes past a state border. This ripple effect of lost revenue makes our local business revenue figures conservative which, in turn, underestimates the total losses for each city.

The variance in local business revenue losses is also due to the location of the stadium. Cities which constructed their baseball stadium as part of a downtown development plan, such as Jacobs Field in Cleveland or Camden Yards in Baltimore, tend to revitalize a neighborhood and stimulate local business. Conversely, stadiums such as Candlestick Park in San Francisco or Jack Murphy Stadium in San Diego are isolated from downtown or neighborhood businesses and tend not to stimulate local business and the surrounding areas so much.

In conclusion, the baseball strike has already cost its host cities millions of dollars. With each day that passes, revenue losses to local governments grow. Cities which own stadiums and rely on the revenue stream that comes from each home game to help pay for the stadium are hurt most by the strike. In light of these findings, mayors from major league cities are urging all parties involved in this strike to move quickly to resolution. The mayors stand ready to assist the players' association and the owners in bringing baseball back to America's cities.

Breakdown of Economic Impact by Major League City

City, State	Team Name	Total Loss Per Game	Stadium Revenues	Local Taxes	Local Business Revenues	Jobs Lost	Stadium Ownership
Anaheim, CA	Angels	\$1.9 million	\$61,000	\$441,000	\$1.417 million	600	city
Arlington, TX	Rangers	2 million	private	incl. in total	incl. in total	2,500	private
Atlanta, GA	Braves	3 million	2 million	incl. w/stad	1 million	6,350	county
Baltimore, MD	Orioles	\$1.2 million	\$100,000	incl. in total	\$1.1 million	2,000	commission
Boston, MA	Red Sox	\$50,000	private	\$10,000	\$40,000	400	private
Chicago, IL	Cubs	\$736,181	\$636,000	\$30,000	\$70,000	1,000	commission
Chicago, IL	White Sox	\$852,038	\$780,000	\$39,000	\$33,157	1,000	commission
Cincinnati, OH	Reds	\$700,000	\$76,416	\$10,138	\$640,700	600	city
Cleveland, OH	Indians	\$2.04 million	\$1.2 million	\$600,000	\$240,000	2,000	commission
Cleveland, OH	Rockies	\$2.04 million	\$43,000	\$39,600	\$1.96 million	1,944	city
Denver, CO	Astros	\$1.04 million	\$400,000	\$40,000	\$600,000	1,000	county
Houston, TX	Royals	\$540,740	\$265,000	\$23,456	\$250,000	350	commission
Kansas City, MO	Twins	\$922,600	\$282,600	\$36,000	\$640,000	900	commission
Minneapolis, MN	Mets	\$2.06 million	\$2 million	\$62,500	incl. in total	850	city
New York, NY	Yankees	\$2.06 million	\$2 million	\$62,500	incl. in total	850	city
New York, NY	Athletics	\$986,197	\$32,395	\$9,358	\$944,444	438	county
Oakland, CA	Phillies	\$250,000	\$125,000	\$42,000	\$83,000	500	state
Philadelphia, PA	Pirates	\$460,000	\$20,000	\$20,000	\$400,000	350	city
Pittsburgh, PA	Cardinals	\$432,480	private	\$30,320	\$402,160	1,180	private
St. Louis, MO	Marlins	\$204,745	\$101,245	\$23,500	\$80,000	327	county
Seattle, WA	Padres	\$203,000	\$18,000	\$5,000	\$180,000	825	city
San Diego, CA	Giants	\$1,766,000	\$535,000	\$136,000	\$1,095,000	800	city
San Francisco, CA							

Cities not responding: Detroit, Los Angeles, Miami (Dade County), Milwaukee

Canadian cities not surveyed: Montreal, Toronto

APPENDIX I

Major League Attendance Summary Thru Games of 8/11/94

AMERICAN LEAGUE

Club	Home			
	Total	Average	Dates	Games
Toronto	2,907,933	49,287	59	(59)
Baltimore	2,535,359	46,951	54	(55)
Texas	2,502,538	40,364	62	(55)
Cleveland	1,996,174	39,121	51	(51)
Boston	1,775,826	29,112	61	(64)
Chicago	1,697,398	32,026	53	(53)
New York	1,675,557	29,396	57	(57)
California	1,512,622	24,010	63	(63)
Kansas City	1,400,494	24,570	57	(59)
Minnesota	1,398,565	23,704	59	(59)
Milwaukee	1,268,397	22,650	56	(56)
Oakland	1,242,692	22,191	56	(56)
Detroit	1,184,783	20,786	57	(58)
Seattle	1,103,798	25,086	44	(44)
Totals	24,201,136	30,673	789	(797)

NATIONAL LEAGUE

Club	Home			
	Total	Average	Dates	Games
Colorado	3,281,511	58,598	56	(57)
Atlanta	2,539,240	47,023	54	(55)
Philadelphia	2,290,971	39,500	58	(60)
Los Angeles	2,279,421	41,444	55	(55)
Florida	1,937,467	32,838	59	(59)
Cincinnati	1,897,681	31,628	60	(60)
St. Louis	1,866,544	34,566	54	(56)
Chicago	1,845,208	31,814	58	(59)
San Francisco	1,704,614	28,892	59	(60)
Houston	1,561,136	26,460	59	(59)
Montreal	1,276,250	24,543	52	(52)
Pittsburgh	1,222,520	20,375	60	(61)
New York	1,151,471	22,144	52	(53)
San Diego	953,857	16,734	57	(57)
Totals	25,807,891	32,545	793	(803)
Grand Totals	50,009,027	31,611	1582	

Source: Major League Baseball

APPENDIX II

Television Markets Ranked by Size

All data is from The Arbitron Company and represents the Arbitron television household and population estimates for the 1992 - 1993 season.

Rank	City	ADI TV Households	
		Households	Ratio
1.	New York City	6,760,400	7.29
2.	Los Angeles	4,962,300	5.35
3.	Chicago	3,023,600	3.26
4.	Philadelphia	2,659,700	2.87
5.	San Francisco - Oakland - San Jose	2,236,700	2.41
6.	Boston	2,121,100	2.29
7.	Washington, D.C.	1,812,500	1.95
8.	Dallas - Fort Worth	1,803,200	1.94
9.	Detroit	1,728,100	1.85
10.	Atlanta	1,483,400	1.60
Markets 1 - 10		28,591,300	30.82
Cumulative Total		28,591,300	30.82
11.	Houston	1,455,700	1.58
12.	Cleveland	1,418,100	1.50
13.	Minneapolis - St. Paul	1,400,500	1.51
14.	Seattle - Tacoma	1,300,100	1.51
15.	Miami - Ft. Lauderdale	1,301,900	1.40
16.	Tampa - St. Petersburg	1,258,500	1.36
17.	Pittsburgh	1,137,900	1.23
18.	St. Louis	1,108,300	1.19
19.	Sacramento - Stockton	1,073,700	1.16
20.	Phoenix	1,040,300	1.12
Markets 11 - 20		12,604,000	13.59
Cumulative Total		41,195,300	44.41
21.	Denver	1,031,700	1.11
22.	Baltimore	973,000	1.05
23.	Orlando - Daytona Beach - Melbourne	952,100	1.03
24.	Hartford - New Haven	928,000	1.00
25.	San Diego	909,500	.98
26.	Portland, OR	887,900	.96
27.	Indianapolis	881,200	.95
28.	Kansas City	772,700	.83
29.	Milwaukee	772,200	.83
30.	Charlotte	756,700	.82
Markets 21 - 30		8,865,000	9.56
Cumulative Total		50,060,300	53.97
31.	Cincinnati	756,400	.82
32.	Raleigh - Durham	751,100	.81
33.	Nashville	731,000	.79
34.	Columbus, OH	696,800	.75
35.	Greenville - Spartanburg - Asheville	666,400	.72

Source: National Association of Broadcasters

The Economic Impact of the Baseball Strike on Spring Training Cities



December 1994



December 14, 1994

ECONOMIC IMPACT OF BASEBALL STRIKE ON SPRING TRAINING CITIES

Mayors of cities hosting major league baseball franchises and having spring training stadiums continue to be gravely concerned about the current baseball strike and its potential to persevere into the next baseball season. For these cities, the stakes are very high: in our September survey of major league cities, estimates of per-game losses in excess of \$2 million were not uncommon.

The survey released today builds on that September effort, looking at the potential financial losses for cities if the 1995 spring training season must be cancelled. This survey obtained data from 14 spring training cities and again, many cities estimate that they would lose more than \$1 million – some much more – with each game not played. The estimates we received from the cities, while varying widely from one to another for a variety of reasons, are nonetheless consistent with other estimates we have seen: In Arizona, the Cactus League Baseball Association estimated that revenues of \$145 million were generated last year in eight spring training sites, and that with the recent addition of two teams, the annual economic impact on the State could be closer to \$300 million.

The U.S. Conference of Mayor's Baseball Task Force will continue to monitor the economic losses endured by baseball towns across the country due to the baseball strike. We will also explore ways in which we can better assist the players and owners in bringing a quick settlement to the strike. With the release of this survey we again urge the baseball owners and players to settle their dispute before additional economic damage is done in our cities.

Wilbur Smith
Mayor of Fort Myers
Chair, Committee on Arts,
Culture and Recreation
The U.S. Conference of Mayors

ECONOMIC IMPACT OF BASEBALL STRIKE ON SPRING TRAINING CITIES

In November The U.S. Conference of Mayors contacted mayors' offices and other information sources in cities hosting major league baseball spring training to obtain estimates of the revenues to be lost if the current baseball strike results in the cancellation of the 1995 spring training season.

The responses of the cities are contained in the chart which follows. The potential losses reported are for each game not played; there are about 15 games in each team's spring training schedule.

Of the 24 cities which host training for the 28 major league teams, 14 were able to provide responses to the Conference's inquiries about potential losses of (1) stadium-generated revenues; (2) local taxes; and (3) local business revenues. The chart presents these estimates and uses them to produce the "total economic impact" estimate.

As the chart shows, across the cities there is a wide range of potential revenue loss for each game not played. This is due to the differences that exist from stadium to stadium in ownership (public or private), lease agreements with teams, type of stadium financing and other factors. For example:

- o Officials in Mesa attribute their high potential losses to the fact that because the Chicago Cubs have developed such a strong following, their city has become a popular vacation destination for fans.
- o Melbourne realizes no stadium revenue; because the stadium has been given to the Florida Marlins, the team receives all revenue.
- o Tucson receives just a portion of the ticket revenues generated by the Colorado Rockies and so would anticipate relatively low stadium revenue losses.
- o Fort Lauderdale estimates that virtually no local business revenue would be at risk because the many other attractions in the area would continue to draw the usual number of tourists.

As shown in the chart, half of the spring training cities would anticipate per-game losses of more than \$1 million. At \$3.9 million per game, Mesa easily tops the list of biggest potential losers, followed by Vero Beach at \$2 million, and Tucson at \$1.95 million.

Two additional cities, not on the chart, were able to give only stadium revenue and tax loss estimates: In St. Petersburg, the Al Lang Stadium would lose an estimated \$11,642 in stadium revenues and \$246 in local taxes generated by the St. Louis Cardinals and \$10,722 in stadium revenues and \$225 in taxes generated by the Baltimore Orioles. In Tempe, the Diablo Stadium would lose an estimated \$93,000 in stadium revenues.

Breakdown of Economic Impact by Spring Training City

City, State	Team Name	Stadium Name	Total Economic Impact	Stadium Revenues	Local Taxes	Local Business Revenues
		Compadre Stadium	\$2,666,666	\$66,666	Included in LBR	\$2,600,000
Chandler, AZ	Milwaukee Brewers	McKeelnie Field	\$149,161	\$54,161	\$5,000	\$90,000
Bradenton, FL	Pittsburgh Pirates	Dunedin Stadium	\$66,259	\$50,196	\$3,514	\$12,549
Dunedin, FL	Toronto Blue Jays	Fort Lauderdale	\$244,200	\$100,000	\$143,000	\$1,200
Fort Lauderdale, FL	New York Yankees	Palms Park Stadium	\$217,599	\$27,133	\$7,133	\$183,333
Fort Myers, FL	Boston Red Sox	Lee County Sports Complex	\$205,132	\$14,666	\$7,133	\$183,333
Fort Myers, FL	Minnesota Twins	Osceola County Stadium	\$1,007,500	\$75,000	\$7,500	\$925,000
Kissimmee, FL	Houston Astros	Carl Barger Ball Stadium	\$387,800	\$0	\$3,800	\$384,000
Melbourne, FL	Florida Marlins	HoHoKam Park	\$3,885,300	\$132,000	\$3,300	\$3,750,000
Mesa, AZ	Chicago Cubs	Peoria Sports Complex	\$175,560	\$40,260	\$5,300	\$130,000
Peoria, AZ	Seattle Mariners	Peoria Sports Complex	\$175,560	\$40,260	\$5,300	\$130,000
Peoria, AZ	San Diego Padres	Plant City Stadium	\$111,733	\$11,733	N/A	\$100,000
Plant City, FL	Cincinnati Reds	H.J. Corbett Field	\$1,949,813	\$6,563	\$5,750	\$1,937,500
Tuscon, AZ	Colorado Rockies	Holman Stadium	\$2,000,000	Private	Stadium	\$2,000,000
Vero Beach, FL	L.A. Dodgers	Municipal Stadium	\$1,115,040	\$15,040	Included in LBR	\$1,100,000
West Palm Beach, FL	Atlanta Braves	Municipal Stadium	\$1,114,900	\$14,900	Included in LBR	\$1,100,000
West Palm Beach, FL	Montreal Expos	Chain O' Lakes Park	\$1,078,333	\$125,000	\$120,000	\$833,333
Winter Haven, FL	Cleveland Indians					

Cities not reporting: Phoenix, AZ; Scottsdale, AZ; Clearwater, FL; Holmes City, FL; Lakeland, FL; Port Charlotte, FL; Fort St. Lucie, FL; Sarasota, FL.

Cities Reporting Partial Information

St. Petersburg	St. Louis Cardinals	Al Lang Stadium	\$2,000,000	\$11,642	\$246	N/A
St. Petersburg	Baltimore Orioles	Al Lang Stadium	\$1,115,040	\$10,722	\$225	N/A
Tampa, AZ	California Angels	Tampa Diablo Stadium		\$93,000	N/A	N/A