

The Politics of Subsidizing Sports: Legislative Voting for Three Minnesota Sports Venues

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Abstract

Since 1998 the State of Minnesota has funded the building of the Xcel Energy Center, Target Field, and TCF Bank Stadium. The focus of this research is to locate voting trends within the Minnesota House of Representatives towards these venues. I recorded the votes of each member on the legislation approving these venues from the Minnesota Journal of the House and then constructed data sets for all three buildings. From this data, trends emerge potentially linking the voting tendencies of members based on party, gender, and geographical location of their district. Initial analysis supports a fairly strong relationship between district location and member voting.

Introduction

Having grown up in a state fortunate enough to have a professional team in each of the four major sports (football, hockey, baseball, and basketball) has led to a great interest in sports. Due to the need of these franchises to stay profitable, three new state of the art venues have been built within the past ten years and a fourth is currently being sought; Target Field for Twins baseball, the Xcel Energy Center for Wild hockey, and the third is TCF Bank Stadium for the University of Minnesota football program have all been partially state funded and the fourth stadium for the Vikings football franchise is currently being negotiated. With three venues totaling more than \$900 million being built in such a short time, I began to wonder how each franchise was able to secure large funding subsidies from the state.

Politicians are continually building their credentials for election time. One of most effective ways to do this is by having visual representation of your accomplishments, such as

parks, schools, and sporting venues. Sporting venues come at a very high risk as their enormous cost usually requires some type of tax increase to pay for them and for citizens who do not support a particular franchise, having your taxes raised to pay for their new venue will probably ruin your day. At the other end of the spectrum, a politician appears to push legislation through so a franchise one supports is able to avoid relocation can earn that politician praise forever. This paradox is the reality of subsidizing sporting venues.

Literature Review

There is a theory that teams in an area that are in competition with other sports leagues need to be able to be “dominant” to some degree as the elasticity of public interest often hinges upon the success of that team (Brinkman, 2006). This is in reference to the need to attract fans to become profitable and as more sports franchises populate a particular area, those fans have multiple options for attending sporting events. This would hold especially true in Minnesota as there are four relatively successful franchises in hockey, football, baseball, and basketball. In addition to this theory one can go further and ask how these franchises, which are private businesses, have created a norm in which the state is expected to contribute significant funding for the building of these sporting venues since sports franchises are a form of entertainment and they create revenue by attracting paying customers. The common answer from a franchise to this inquiry would be that the benefit a large state of the art venue will bring to the surrounding area. The franchise can argue that a new venue will create jobs for tax payers, increase property values in the area, and generate sales tax revenue from team sales. Other benefits include the revitalization or development of a particular part of a city, boosting local sales of restaurants and

other commodities in the area, and creating an attraction which will generate heavy human traffic (Rappaport, 2001).

The Xcel Energy Center

The Xcel Energy Center was the first arena to open for Minnesota sports in 2000 and it was built for the Minnesota Wild hockey team. This particular arena is of great interest to me not only as a hockey fan, but also the politics involved with the process which brought the sport back to the “State of Hockey.” Minnesota had already had a professional hockey team known as the North Stars that departed for Dallas before the 1993 season began. Just seven short years after their departure and just five years after the destruction of the North Stars home, the Met Center; the state completed a \$130 million publicly funded arena and the Wild competed in its first season (Munsey, 2010). The construction of the Xcel Energy Center may be the most interesting of the three venues built in the last decade, as the state agreed to fund construction for the new arena before even seeing the new franchises projected revenue (which is used to determine if they are capable of paying back the state). In addition to securing the funding, the Wild also negotiated one of the most favorable lease agreements in the history of professional sports; Minnesota Sports and Entertainment (MSE), which is the parent company of the Wild, is allowed full control of the Arena, Roy Wilkins Auditorium, the River Centre Convention area, and the Kellogg parking ramp for only \$7 million a year. This lease allows MSE to keep 100% of the revenue generated by all of these facilities which include large conventions, concerts, and sporting events. The high quality facility has allowed the Wild to flourish where the North Stars did not; ticket sales. The Wild have sold out ever exhibition, regular season, and playoff game in their ten year history. (Ruesse, 2009)

How did the Wild manage to secure this? I believe one needs to take a look at the political situation in Minnesota at the time to find the answer. When the National Hockey League was speaking of expanding and Minnesota was mentioned as a possible location, then St. Paul mayor Norm Coleman developed a campaign strategy to bolster his recognition for a gubernatorial election. He determined that if he could be known as the man who championed the return of hockey to the “State of Hockey” it would considerably boost his statewide recognition. He succeeded in this by using his position as Mayor of St. Paul to secure financing for the building of a new arena. He allowed for St. Paul to be burdened with roughly one third (\$35m out of \$95m) of the public backing for the arena. In his push for the arena, Coleman turned to the claim that it would bring “increased economic activity to downtown St. Paul” and “The issue is not the hockey team,” in an attempt to separate the arena funding debate from the “furor over professional sports.” (Weiner, 1998. pg. 01. A)

In the end, the city of St. Paul ended up shouldering \$65million of the debt, but they require the Wild to repay \$48 million of the interest free \$65million loan by 2020. There were a few more stipulations as the Wild can receive \$17million in loan forgiveness for allowing the arena to be open to the public for certain events (such as the Minnesota State High school tournaments). According to Roger Moe the key to reaching a deal was the Wild’s willingness to pay back a large sum of the loan, “They’ll pay it back; that’s the key, the team repaying the state wasn’t in play before, so Minnesota taxpayers are now at least held harmless” (Brown, 1998. Pg. 10 C). In today’s world where facilities often exceed projected costs, J.G. Long conducted a study which theorized that the majority of sports facilities constructed had their actual cost of the facility underreported by a large sum. He sites that the NHL underreports by about \$46 million per facility and that arenas that are publicly financed could be at risk because the public share of

the cost could exceed the total cost of the facility. He concluded that the Xcel Energy Center had a relatively modest 62% public share of cost and this was a relatively healthy relationship between the taxpayers and the franchise (Long, 2005)

Target Field

Another facility, Target Field was completed just as the New Year for 2010 came around. This came at a staggering \$544.4 million with \$392 coming from public financing. In contrast with the expedited process for coming to funding terms for the Wild, the passage of this legislation took nearly a decade. Up until the completion of Target Field, the Twins had been sharing the Hubert H. Humphrey Metrodome with the Vikings football franchise. I suspect there were many reasons why it was such a long process negotiating financial commitments from the state- the primary reason being the stability of the franchise. After a few years of failed attempts to draft an acceptable bill, Twins owner Carl Pohlad used the most dreaded threat an owner can get its way; relocation. Pohlad was attempting to sell the Twins to a Carolina businessman who would have moved the team to Charlotte. According to Charles Euchner, this is the most effective strategy used by franchises in an effort to strong-arm local politicians into committing to public financing (Euchner, 1993). This strategy has been used multiple times in the history of professional sports and has proven to be moderately effective. Raymond Keating also notes that because sports franchises are private businesses that need to turn a profit, they are always on the lookout for the best possible deal for themselves (Keating, 1995). Just a few years later in 2002, the entire existence of the Twins was in jeopardy as Major League Baseball had plans to contract two teams, one of which was the Twins. After surviving those two ordeals the state approved a \$330 million publicly financed stadium that the franchise turned down.

In 2006 funding was established for the building of a \$522 million stadium with \$392 being publicly financed. There were two key components which made this bill acceptable; the first being a 0.15% sales tax in Hennepin County which will be the primary revenue generator used to pay back the state bond, the second being the stipulation that if the Twins ever move the state gains control of the franchise's logo, colors, records, and trophies. The major obstacle impeding this process was a 1997 state law that stated anytime a county wanted to raise its sales tax; it would need to be put to referendum. However, due to the time sensitive nature of the bill (Twins game dates needed to be applied for the in the Metrodome for the 2007 season by July 1, and a referendum could not take place until the general election in November) the Minnesota House passed a bill that allowed for the County to circumvent this law (Minnesota Legislative Reference Library Guide, 2009).

TCF Bank Stadium

In the fall of 2000, a push for a new University of Minnesota Gopher football stadium began. The main reasons cited for this were poor revenue and a lack of a college football atmosphere due to Gopher football using the off-campus Metrodome as its home. After several failed attempts, the University offered state legislators a proposal in 2005. This plan called for 40% of the stadium to be state funded while the rest would fall on the university through various means such as tuition increases (\$50/student), private donations, naming rights fees, and parking revenue (UM news, 2005). Despite support for the proposal, the 2005 legislative session ended before the bill could be heard.

On May 19th, 2006 Governor Tim Pawlenty signed the TCF Bank Stadium Bill. The details included funding for a \$288.5 million stadium. \$35 million come from the TCF naming

rights, \$111 from the University, \$86 million from private donations, and the remainder being placed with the state. The state committed an extra 8% of total construction cost in an agreement with the University to only charge a \$25 student fee, down from \$50 (Kazuba, 2006).

In conclusion, the State of Minnesota has invested nearly half a billion dollars towards the construction of sporting venues. The reasons for these have varied from; a politician looking to boost his recognition by bringing a popular sport back, a team threatening to leave due to subpar facilities, and a college team citing poor revenue and a lack of atmosphere. All of the negotiated deals included some form of tax except one; the Xcel Energy Center bill. I suspect the reason for this lies with it being by far the cheapest of the three venues I examined, and the wide popularity of hockey carried a bill through in order to have hockey return to Minnesota. Through these various methods, multiple sports franchises have managed to secure public funding.

Methods and Analysis

To discover how legislation made its way through the House of Representatives to fund the building of these venues I had to construct my own data set. This was accomplished by using the *Minnesota Journal of the House* and recording each member's vote. I then recorded each member's gender, party, and district. I broke the districts into two categories of metro and outstate. Those being classified as metro are the districts that fell within the boundaries of these seven counties; Anoka, Hennepin, Dakota, Carver, Scott, Washington, and Ramsey. Gender, party, and district were chosen to try to determine any potential voting patterns that these

variables may show. All of my analyses were completed using member votes as the dependent variable.

Xcel Energy Center

(Table 1.1 about here)

Figure 1 illustrates the relationship between member parties and their vote on the Xcel Energy Center. Conventional thinking would lead one to believe that members would vote along party lines. Cramer's V points to a strong relationship with a value of 0.736. This means is that there is a significant relationship between House member party affiliations and how they voted, particularly the overwhelming Democratic support for this bill. It can be seen that 98.6% of House Democrats votes yes while only 28.1% of Republicans approved. Despite assuming that members would vote along party lines, these results come as a bit of a surprise. Norm Coleman was a Republican Mayor of St. Paul when the push for this venue began which would lead one to believe that Republicans, not Democrats would have been in support of this bill.

(Table 1.2 about here)

Figure 1.2 describes voting between member gender and the Xcel Energy Center. Due perceptions about men and their general support for sports, it became a natural variable for analysis. However, 70.7% of females were in support of this bill while only 62% of men voted yes. A Cramer's V value of 0.085 indicates no relationship between gender and voting on this legislation. Again these results were surprising to do the unexpectedly high percentage of women who were in support.

(Table 1.3 about here)

Figure 1.3 shows the voting trends on the Xcel Energy Center broken down by House member's geographical location. By breaking down member region I hope to determine if those who are supposed to benefit from a venue in their community are the legislators who are carrying these bills through the House. A crosstabs analysis shows that 65.4% of metro and 64.2% of outstate members were in support of this bill. A Cramer's V value of 0.012 indicates no relationship between member region and voting for this bill.

Target Field

(Table 2.1 about here)

Figure 2.1 describes the relationship between Target Field and member gender. These results were more in line with expectations than the Xcel analysis as men supported this bill slightly more than women with 62.1% for men compared to 47.2% for women. A Cramer's V value of 0.135 indicates a weak relationship.

(Table 2.2 about here)

Figure 2.2 illustrates member region and voting support for Target Field. 70.4% of outstate members voted yes while only 38% of metro members voted the same. A Cramer's V value of 0.319 indicates a moderate relationship between these two variables. These results point to outstate members being more in favor of building Target Field than metro legislators. These findings are expected as no legislator wants to be known for supporting higher taxes within their district despite the supposed benefits that a venue of this magnitude would bring.

(Table 2.3 about here)

Figure 2.3 describes the pattern between member party and voting on Target Field. This bill appeared to be bipartisan as 58.7% of Democrats and 57.4% of Republicans were in support. A Cramer's V value of 0.014 indicates no relationship and supports the crosstabs conclusion that there is no significant voting bias for the party variable.

TCF Bank Stadium

(Table 3.1 about here)

Figure 3.1 is a crosstabs of votes based on gender for TCF Bank Stadium. Once again gender played no role in determining who voted for this bill as 74.3% of females and 78.7% of males were in support. A value of 0.047 for Cramer's V indicates no relationship between member gender and voting for TCF Bank Stadium.

(Table 3.2 about here)

Figure 3.2 represents regional voting for TCF Bank Stadium. Cramer's V points to a weak relationship with a value of 0.157. Outstate voters supported funding for TCF Bank Stadium with 82.7% voting yes. Metro support was not lacking either as 69.2% of voters were in support. These findings are the most relevant for TCF Bank Stadium.

(Table 3.3 about here)

Figure 3.3 illustrates voting and member party. This bill appears to have been favorable among both Democrat with 75.4% and Republicans 79.4%. The value of Cramer's V is 0.048 which indicates no relationship.

Conclusion

To gain a clear understanding of who was voting for stadium legislation, I felt it necessary to include findings for each variable. In my findings there were no continuing trends from one venue to another and the reasons for this can probably be summed up as- the three venues were built for three franchises with three different needs.

Target Field was constructed after more than a decade of franchise instability which ranged from contraction to relocation. I suspect that instability prolonged the process and after finding significant results based on regional voting, one can conclude that outstate legislators essentially “ganged up” on metro politicians and forced a 0.15% sales tax increase on Hennepin County to fund the stadium. This amendment basically made it very easy for legislators not affected by that tax to vote yes for the stadium. I was a bit surprised that this legislation appeared to turn into a metro against outstate ordeal rather than Democrat against Republican.

The Xcel Energy Center was the quickest legislation to pass through the House although it is also the most confusing. One would think that with Republican Norm Coleman leading the charge to bring hockey back to Minnesota, it would have been his party that was in majority for support. However, it was the Democrats who overwhelmingly voted yes on this bill. When digging deeper I discovered that funding for the Xcel Energy Center was attached to the 1998 Omnibus Bonding Bill which was proposed by Henry Kalis and Jerry Dempsey, one a Democrat and the other a Republican looking further still into this issue it can be seen that the Democrats had control of the House at this time and it would therefore be their bill. My best guess to describe the lopsided voting would be that on the Omnibus Bonding Bill there were several issues that would have either been unpopular for Democrats to vote no for or issues that would have been unpopular for Republicans to support, chief among these issues were probably earmarks (funding

funneled to a certain members district in order to increase a potentially weak candidates popularity). A logical guess would be that a bill of this size included several earmarks for Democratic legislators who were up for election in the near future, thus making it easy to get widespread Democratic support. I was shocked to see that regional voting did not follow the same trends as Target Field due to the city of St. Paul being burdened with a large chunk of funding thus making it easy for legislators not in that area to vote yes.

TCF Bank Stadium had no clear trends as to how legislation was passed. To discover the reason for the successful passage of this bill I instead chose to focus on the actual funding breakdown of the bill. Out of the \$288.5 million in funding, \$111 came from the University and \$86 million came from private donations such as alumni. Despite the University of Minnesota being a state agency, it required minimal tax increases as the \$111 million would come out of the Universities budget rather than from new taxes. I suspect that since the majority of funding was going to come from outside the state, and since legislators are always in search of accomplishments they can point out to voters, this also became an easy bill to support.

For a franchise such as the Vikings seeking funding for a new stadium my research reveals no continuous trends that would point to success. I do however think that the negotiation process used to secure funding for Target Field could become the norm. This would be forcing a tax on the area that is supposed to benefit from the building of the new venue and then having legislators not affected by the tax simply gang up and outvote those affected legislators into accepting the tax.

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Appendix

Table 1.1 Xcel Energy Center Party Voting

Vote * Party Crosstabulation

		Party		Total
		Democrat	Republican	
Vote	no	1 1.4%	46 71.9%	47 35.3%
	yes	68 98.6%	18 28.1%	86 64.7%
Total		69 100.0%	64 100.0%	133 100.0%

Cramer's V= .736

Table 1.2 Xcel Energy Center Gender Voting

Vote * Gender Crosstabulation

		Gender		Total
		female	male	
Vote	no	12 29.3%	35 38.0%	47 35.3%
	yes	29 70.7%	57 62.0%	86 64.7%
Total		41 100.0%	92 100.0%	133 100.0%

Cramer's V= .085

Table 1.3 Xcel Energy Center Region Voting**Vote * Outstate Crosstabulation**

		Outstate		
		metro	outstate	Total
Vote	no	18 34.6%	29 35.8%	47 35.3%
	yes	34 65.4%	52 64.2%	86 64.7%
Total		52 100.0%	81 100.0%	133 100.0%

Cramer's V= .012

Table 2.1 Target Field Gender Voting**Vote * Gender Crosstabulation**

		Gender		
		Female	Male	Total
Vote	no	19 52.8%	36 37.9%	55 42.0%
	yes	17 47.2%	59 62.1%	76 58.0%
Total		36 100.0%	95 100.0%	131 100.0%

Cramer's V=.135

Table 2.2 Target Field Region Voting**Vote * Outstate Crosstabulation**

Vote		metro	outstate	Total
no		31	24	55
		62.0%	29.6%	42.0%
yes		19	57	76
		38.0%	70.4%	58.0%
Total		50	81	131
		100.0%	100.0%	100.0%

Cramer's V= .319

Table 2.3 Target Field Party Voting**Vote * Party Crosstabulation**

Vote		Party		Total
		Democrat	Republican	
no		26	29	55
		41.3%	42.6%	42.0%
yes		37	39	76
		58.7%	57.4%	58.0%
Total		63	68	131
		100.0%	100.0%	100.0%

Cramer's V= .014

Table 3.1 TCF Bank Stadium Gender Voting**Vote * Gender Crosstabulation**

		Gender		
		Female	Male	Total
Vote	no	9	20	29
		25.7%	21.3%	22.5%
	yes	26	74	100
		74.3%	78.7%	77.5%
Total		35	94	129
		100.0%	100.0%	100.0%

Cramer's V=.047

Table 3.2 TCF Bank Stadium Region Voting**Vote * Outstate Crosstabulation**

		Outstate		
		metro	outstate	Total
Vote	no	16	14	30
		30.8%	17.3%	22.6%
	yes	36	67	103
		69.2%	82.7%	77.4%
Total		52	81	133
		100.0%	100.0%	100.0%

Cramer's V =.157

Table 3.3 TCF Bank Stadium Party Voting**Vote * Party Crosstabulation**

		Party		
Vote		Democrat	Republican	Total
	no	16 24.6%	14 20.6%	30 22.6%
	yes	49 75.4%	54 79.4%	103 77.4%
	Total	65 100.0%	68 100.0%	133 100.0%

Cramer's V= .048