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Pittsburgh sports teams' weak economic defense

By Colin McNickle

Economic impact numbers touted by Pittsburgh's professional baseball, football and hockey franchises are highly questionable, given that complete details of the study that produced them have not been made public, says the Allegheny Institute for Public Policy.

But even if they are taken at face value, that impact pales by comparison to the city's real economic drivers, says Jake Haulk, president-emeritus and senior advisor at the Pittsburgh think tank.

And team representatives might be careful in making disparaging remarks about cities without major league sports franchises, he adds, considering those cited cities have a far more robust growth record than Pittsburgh.

"Unfortunately, the study is not convincing, nor is the teams' commentary," says the Ph.D. economist *(in Policy Brief Vol. 18, No. 42*).

The teams released a summary of the PricewaterhouseCoopers study to the Post-Gazette in advance of a final vote later this month by the Allegheny County Regional Asset District (RAD) board to augment a fund that pays for improvements at Heinz Field, PNC Park, PPG Paints Arena and the David L. Lawrence Convention Center.

A deal giving preliminary RAD board approval would add $800,000 to the fund for the 2019 budget year. But it's expected the appropriation will win continuing annual approval. The request came from the city-county Sports & Exhibition Authority, which owns the facilities on the public's behalf. Supposedly.

The sports teams, seeking to justify the expenditure of even more public dollars to benefit them, claim they are responsible for direct and indirect employment of 10,100 people annually with a five-year employee wage total of $3.2 billion.

An implied claim that the teams are major economic generators with $6 billion in direct and indirect spending over five years is unsubstantiated.

"Simply stated, whether the real number is anywhere close to $6 billion is questionable since we are not allowed to see the numbers for direct spending by the teams and, just as importantly, what is included in those figures," Haulk observes.

Not only are multiplier effects for recreation spending very low or non-existent, the economic impact numbers claimed by the teams are not impressive when set alongside the city's truly important economic drivers.

To wit, Carnegie Mellon University's 2017 financial report shows annual payroll of more than $600 million and annual expenditures in excess of $1.1 billion. "So, in five years its direct payroll would be $3.6 billion and since a great share of revenue at the university is from outside the city and region, the multiplier effects on Pittsburgh would be far greater than from sports teams' revenue that comes in large part from ticket sales and concessions," Haulk reminds.

Furthermore, the University of Pittsburgh, UPMC and Highmark all *individually* swamp the teams' combined claimed economic impact. So, too, would many local companies with hefty exports from the region.

But the teams' hubris is not limited to specious economic impact claims. One spokesperson likened cities such as Tulsa, Okla., El Paso, Texas, and Fresno, Calif., to backwaters because they lack of the cachet that major league sports teams supposedly deliver.

"I believe strongly having these three sports teams has significant economic impact that allows us to punch over our weight as a city in competition with other cities and brings intangible benefits that separate us from larger cities, similar cities in size, cities that have sports teams and, most definitely, cities that don't have sports teams," he told the Post-Gazette.

How embarrassing. Consider Tulsa, where private-sector jobs have surged 38 percent since 1990. Pittsburgh's jobs are up by less than half that at 16 percent. Then there's El Paso, where private-sector jobs are 48 percent above 1990 levels.

Tulsa and El Paso also have experienced population growth, with El Paso's population up by 22 percent since 2000. Pittsburgh? The city's population has dropped by nearly 10 percent since PNC Park and Heinz Field were built. Allegheny County has lost nearly 60,000 residents.

"Many other cities with no major sports franchises have seen substantial population gain as well," Haulk notes. He cites the experience in Austin, Texas. It was twice the size of Pittsburgh in 2000. As of 2017, it was three times Pittsburgh population size, jumping 49 percent in 17 years.

Do remember that the backwater argument was part and parcel to the failed spiel of those who backed 1997's roundly thumped Regional Renaissance Initiative (aka the "Stadiums Tax.")

"In short, comments by team spokespersons about the study are largely self-serving and overblown rhetoric and seemingly unaware of how well other cities are doing despite not having major league sports," Haulk chides.

"Clearly, there are many factors far more important for economic growth than sports. Business climate, taxes, the regulatory environment and costs and burden of government come to mind," he concluded.

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