



Pennsylvania should not fund USGA tournaments

Background

On August 11 it was reported that the United States Golf Association (USGA) was designating the Oakmont Country Club as its second anchor course for the U.S. Open. In 2020, the USGA named Pinehurst Resort and Country Club in North Carolina as its first anchor course.

In the announcement, the USGA indicated it would be holding nine major tournaments in Pennsylvania over the next 30 years, including five at Oakmont (beyond the 2025 men's open already scheduled). There will be three men's tournaments in 2034, 2042 and 2049 and two women's opens in 2028 and 2038. Oakmont will also host the men's amateur championship in 2033.

Four championships are scheduled for the Merion Country Club in Philadelphia, two men's to be held in 2030 and 2050 and two women's to be held in 2034 and 2046. The men's amateur tournament is slated for 2046.

On Aug. 18, WHYY Radio reported there was a handshake agreement with the USGA and state-elected officials indicating that the state might provide financial assistance to the USGA and/or the clubs that has yet to be negotiated or approved by the Legislature. A USGA representative indicated they would be interested in having a new bridge across the Pennsylvania Turnpike that connects to several holes on the other side of the road from Oakmont's clubhouse. There was also a mention of creating permanent foundations for temporary viewing stands to be installed during major championship events.

The North Carolina precedent

The position and attitude of the USGA of suggesting they would like public financial help no doubt stems from their success in getting North Carolina and Moore County to provide financial assistance in the USGA projects at Pinehurst. While the Allegheny Institute has a long, firmly held, position against corporate welfare of any type, it is nonetheless important to point out the differences with what is expected in Pennsylvania.

In the N.C. financial aid agreement, the USGA is committing to: (1) building office facilities and moving significant numbers of jobs from New Jersey and creating additional new ones (for a total of 50), (2) building a research and testing facility for golf equipment, (3) moving the agronomy and turf grass research function and, (4) relocating the USGA Foundation and constructing a golf

museum and visitor center in Pinehurst. The USGA has committed \$5 million to start two new buildings by 2023.

The total projected cost of the facilities is placed at [\\$25 million](#) (note that prevailing wages for construction labor will not be required).

For its part, the USGA also announced it will hold five men's open championships at Pinehurst in the next 20 years (2024, 2029, 2035, 2041, and 2047). Pinehurst will also host numerous other USGA tournaments over the next 20 years including the U.S. Amateur, U.S. Senior Open and the USGA women's championship.

Moore County, home of Pinehurst, will provide an incentive grant wherein the USGA will only pay 10 percent of the property tax on the increased value of taxable real estate following development and building. North Carolina is providing performance-based incentives of \$17.9 million to be paid in five installments.

The USGA forecasts the projects and additional championships will generate \$800 million in local and regional economic benefits over the next 10 years (*MooreBusiness.org* --09/09/2020). Obviously, forecasts of economic benefits are just that and the Allegheny Institute is always skeptical about the propensity of private entities seeking government assistance to be very optimistic about the economic impact of projects.

Moreover, the forgoing discussion of the Pinehurst-USGA arrangement notwithstanding, it remains the firm opinion of the Allegheny Institute that using public funds to support corporate investment is not an appropriate use of tax dollars. It fosters competition among states and communities to offer taxpayer funds to private companies. Creating a favorable tax and regulatory environment is the proper and best way to attract investments.

The Pennsylvania difference from the Pinehurst deal

So, what does all this say about the USGA's possibly asking for, or getting money from, Pennsylvania taxpayers? First, the USGA is not offering to move any headquarters jobs or any of its research and testing facilities to Pennsylvania. Nor is it planning to build a museum and visitor center in the state. The average time from 2021 for the three additional men's opens is 21 years, with the first 13 years from now and two of them 20 or more years away. And the men's tournaments are the big fan draws.

For Merion there are two men's opens, in 2030 and 2050. Which means the second tournament is 29 years away. Taken together, three of the five added men's open tournaments in Pennsylvania average 26 years in the future. The other two average 11 years into the future. For the three furthest out, the present value of any earnings from those championships is greatly diminished. And that assumes golf remains as popular as it is now. That's a big assumption.

And the fundamental questions remain as they did with taxpayer funding of stadiums. Exclusive golf clubs are just that, exclusive. As of 2019, joining fees at Oakmont were \$75,000 with very [high dues](#).

The [Merion Club](#) initiation fee as of 2020 was \$70,000 with a \$6,000 annual membership fee.

While these are far from the most expensive country clubs in the nation, they are quite expensive and not easy to join.

Bear in mind in Pennsylvania, all the benefits from the USGA agreement will redound to the two clubs and the tourism and visitor spending associated with five major men's tournament events over the next 30 years with an average wait time from 2021 for the tournaments of 20 years.

The question is straightforward: What hotel chain or local hotel owner will build rooms to house a substantial influx of visitors to the Pittsburgh area on five occasions over the next 30 years or in Philadelphia to house a major influx of visitors four times over 30 years? Even assuming an influx of visitors for the few major tournaments that are very widely separated in time, past events demonstrate current local capacity can accommodate them by using special dedicated parking lots and shuttle buses.

In short, why should Pennsylvania even consider funding a new bridge across the Turnpike for Oakmont for the very rare USGA events? The true beneficiaries will be the members and guests of the club. There is no need to use public funds to subsidize those members and guests who can easily afford to budget an updating of the bridge.

As for building permanent stand foundations to be used every five years or so at most for USGA events, any agreement regarding who will bear the cost should be worked out between the clubs and the USGA. And taking into account cosmetic or possible future renovation or repurposing plans for the sites, is it even advisable to undertake such construction? Certainly, even if there are plans, there is no justification for tax dollars to be used. Public safety, traffic control and policing during the events not covered by private security will likely be needed. That should be the extent of taxpayer involvement.

Hundreds of millions of dollars were spent on new sports venues in Pittsburgh based on the argument they would spur job growth in the city and county. Based on the population losses in the city and the very small gains in employment in the city and region over the last 20 years, the claims of a major economic payoff from the taxpayer dollars used ring very hollow.

In sum, as far as using Pennsylvania taxpayer funds to assist the USGA, there is no reasonable case to be made. The "handshake" agreement should never actually lead to state funds being allocated to support the USGA. It has made Oakmont the second anchor open course. That was entirely justified based on the international reputation of the course and its long and storied history of hosting major golf tournaments. However, since benefits of any construction at the clubs would accrue primarily to the host club and the USGA and are thus private, the associated costs of holding future USGA championships at Pennsylvania courses should also be borne privately.

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