

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: PCS for HB 1049 Motorsports Entertainment Complexes

SPONSOR(S): Finance & Tax Subcommittee

TIED BILLS: **IDEN./SIM. BILLS:**

| REFERENCE | ACTION | ANALYST | STAFF DIRECTOR or BUDGET/POLICY CHIEF |
|---|-----------|---------|--|
| Orig. Comm.: Finance & Tax Subcommittee | 14 Y, 3 N | Pewitt | Langston |

SUMMARY ANALYSIS

The bill amends section 288.1171, F.S. to create additional requirements for certification of a motorsports entertainment complex by the Department of Economic Opportunity. Specifically, it adds the following requirements:

- The applicant must have a study projecting paid annual attendance of at least 100,000,
- The applicant must have a study projecting that at least \$2 million per year in sales tax revenue will be generated,
- The applicant must provide at least 50% of the funding for the project, and
- The cost for the project must exceed \$250 million.

Additionally, the department is authorized to certify no more than 1 applicant under these provisions. Upon certification, the bill directs the Department of Revenue to distribute \$2 million per year to the certified applicant, to be used for construction, reconstruction, expansion, or renovation of a motorsports entertainment complex, paying debt service on bonds issued for that purpose, construction, reconstruction, expansion, or renovation of transportation or other infrastructure improvements necessary for the motorsports entertainment complex, and paying for advertising of the motorsports entertainment complex or of the county or municipality where the complex is located.

It also amends section 218.64, F.S., to provide that some of the restrictions under s. 288.1171 do not apply for applicants certified to receive local funding from the half-cent sales tax.

The Revenue Estimating Conference (REC) has not adopted an estimate of the impact of this bill. Based on REC estimates of similar bills, staff estimates that the bill can be expected to have a -\$2 million annual impact on state general revenues, possibly beginning in fiscal year 2013-2014.

The bill has an effective date of July 1, 2013.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. EFFECT OF PROPOSED CHANGES:

Current situation

Professional Sports in Florida

Florida currently has 9 major professional sports teams.¹ The oldest major professional sports team in the state is the Miami Dolphins football franchise of the National Football League (NFL). The Dolphins franchise began in 1966. The newest major professional sports team in the state is the Tampa Bay Rays baseball franchise of the Major League Baseball (MLB) league. The Rays franchise began in 1998.

In addition to the nine major professional sports teams, Florida is also home to 33 Minor League franchises in various sports and three Arena Football League teams. MLB's Spring Training Grapefruit League is also based in Florida, with 15 teams claiming the state as their second home for preseason training and exhibition games.

State Incentives for Professional Sports Teams

Section 288.1162, F.S., provides the procedure by which professional sports franchises in Florida may be certified to receive state funding for the purpose of paying for the acquisition, construction, reconstruction, or renovation of a facility for a new or retained professional sports franchise. Local governments, non-profit, and for-profit entities may apply to the program.

The Department of Economic Opportunity (DEO) is responsible for screening and certifying applicants for state funding. The number of certified professional sports franchises, both new and retained, is limited to eight. Any applicant certified pursuant to this section may receive monthly payments from the state of \$166,667 for not more than 30 years, for an annual payment totaling \$2,000,004. The Department of Revenue disburses the payments, which are taken out of sales tax revenues.

Payments may only be used for the purpose of paying for the acquisition, construction, reconstruction, or renovation of the facility; reimbursing associated costs for such activities; paying or pledging payments of debt service on bonds issued for such activities; funding debt service reserve funds, arbitrage rebate obligations, or other amounts payable with respect to bonds issued for such activities; or refinancing the bonds. The state may only pursue recovery of funds if the Auditor General finds that the distributions were not expended as required by statute.

No facility may be certified more than once, and no sports franchise can be the basis for more than one certification unless the previous certification was withdrawn by the facility or invalidated by DEO before any funds were disbursed under s. 212.20(6)(d), F.S.

As of January 8, 2013, there were eight certified professional sports franchise facilities in Florida. The facilities and the payment distribution for each are listed below:

| Facility Name | Certified Entity | Franchise | First Payment | Total to Date |
|------------------|------------------|-----------------|---------------|---------------|
| Sun Life Stadium | Dolphins | Florida Marlins | 06/94 | \$39,166,745 |

¹ Department of Economic Opportunity, *Professional Sports Franchises* (January 8, 2013).

| | | | | |
|--------------------------------|-------------------------------|----------------------|-------|--------------|
| | Stadium/South Florida Stadium | | | |
| Everbank Field | City of Jacksonville | Jacksonville Jaguars | 06/94 | \$37,333,408 |
| Tropicana Field | City of St. Petersburg | Tampa Bay Rays | 06/95 | \$35,166,737 |
| Tampa Bay Times Forum | Tampa Sports Authority | Tampa Bay Lightning | 09/95 | \$34,833,403 |
| BB&T Center | Broward County | Florida Panthers | 08/96 | \$33,000,066 |
| Raymond James Stadium | Hillsborough County | Tampa Bay Buccaneers | 01/97 | \$29,666,726 |
| American Airlines Arena | BPL, LTD | Miami Heat | 03/98 | \$29,666,726 |
| Amway Center | City of Orlando | Orlando Magic | 02/08 | \$10,000,020 |

Local Incentives for Professional Sports

Half-Cent Sales Tax Rebate

Part VI of Chapter 218, Florida Statutes, creates a revenue sharing program called the local government half-cent sales tax. Section 212.20(6)(d)2., F.S. provides that 8.814% of net state sales tax proceeds collected in each county be deposited into the Local Government Half-Cent Sales Tax Clearing Trust Fund. The funds are then distributed to the counties and municipalities based on a formula accounting for the populations of incorporated and unincorporated areas of the county.

Revenues from this program must be expended on countywide or municipality-wide programs or tax relief.² Subject to a majority vote of the county commission and a majority vote of the city commissions of municipalities making up at least 50% of the county population, up to \$2 million annually may be used to fund a certified new or retained professional sports franchise, a spring training franchise certified under 288.11621, F.S., or a motorsport entertainment complex certified under 288.1171, F.S. All restrictions and certification requirements from those sections apply to the use of half-cent sales tax revenues, except the cap of 8 certifications and the prohibition on multiple certifications for one applicant.

As of March 16, 2013, no local governments have opted to provide funding under this section.

Motorsports Entertainment Complexes

Section 288.1171, F.S., details the process to receive certification as a motorsports entertainment complex. The Department of Economic Opportunity serves as the agency to screen applicants for this certification. In order to certify an applicant, the department must determine that:

- A unit of local government owns the complex or the land on which the complex sits, and
- The municipality or county in which the complex is located has certified by resolution after a public hearing that the applicant serves a public purpose.

A motorsport entertainment complex which has previously been certified under this section may not be certified again. Any funds received as a result of this certification may be spent on:

- Construction, reconstruction, expansion, or renovation of a motorsports entertainment complex
- Paying debt service on bonds issued for that purpose
- Construction, reconstruction, expansion, or renovation of transportation or other infrastructure improvements necessary for the motorsports entertainment complex
- Paying for advertising of the motorsports entertainment complex or of the county or municipality where the complex is located

As of March 16, 2013, no complexes have been certified under this section.

² Section 218.64, F.S.

Proposed Changes

The bill amends the provisions of section 288.1171, F.S., which deals with certification as a motorsports entertainment complex. It revises the definition of "motorsports entertainment complex" to require a minimum of 50,000 fixed seats in the facility. It also adds the following requirements as part of the certification process:

- The applicant must have a study projecting paid annual attendance of at least 100,000
- The applicant must have a study projecting that at least \$2 million per year in sales tax revenue will be generated
- The applicant must provide at least 50% of the funding for the project
- The cost for the project must exceed \$250 million

The bill authorizes the Department of Economic Opportunity to certify no more than one applicant pursuant to this section. It also changes the agency with auditing authority from the Department of Revenue to the Auditor General.

Upon certification, the bill directs the Department of Revenue to distribute \$166,667 monthly (\$2 million annually) to the certified applicant for a period of 30 years. Authorized uses of revenues under the current Half-Cent Sales Tax Rebate are retained for this new distribution.

The bill also amends the provisions of section 218.64, F.S., to provide that the restrictions on the number of certified facilities and the number of times a facility may be certified do not apply to certifications for local government funding from the half-cent sales tax.

The bill has an effective date of July 1, 2013.

B. SECTION DIRECTORY:

Section 1: Amends section 212.20, F.S., to provide for a monthly distribution to applicants certified as a motorsports entertainment complex.

Section 2: Amends section 218.64, F.S., to provide that certain restrictions in section 288.1171 do not apply under this chapter.

Section 3: Amends section 288.1171, F.S., to create additional certification requirements for a motorsports entertainment complex.

Section 4: Providing an effective date.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

The Revenue Estimating Conference (REC) has not adopted an estimate of the impact of this bill. Based on REC estimates of similar bills, staff estimates that the bill can be expected to have a -\$2 million annual impact on state general revenues, possibly beginning in fiscal year 2013-2014.

2. Expenditures:

None.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

The provisions of the bill may encourage motorsports entertainment complexes to undertake a major renovation, which could have positive impacts on the construction sector. Additionally, such renovations could have a positive impact on ticket sales and other sales associated with sporting and other events.

D. FISCAL COMMENTS:

None.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

None.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/ COMMITTEE SUBSTITUTE CHANGES