

STORAGE NAME: s1806z.bdt
DATE: June 6, 2000

****AS PASSED BY THE LEGISLATURE****
CHAPTER #: 2000-148, Laws of Florida

**HOUSE OF REPRESENTATIVES
COMMITTEE ON
BUSINESS DEVELOPMENT & INTERNATIONAL TRADE
FINAL ANALYSIS**

BILL #: CS/CS/SB 1806, 1st ENG

RELATING TO: Olympic Games

SPONSOR(S): Committee on Commerce and Economic Opportunities, Committee on Fiscal Resource and Senator McKay

TIED BILL(S):

ORIGINATING COMMITTEE(S)/COMMITTEE(S) OF REFERENCE:

- (1) BUSINESS DEVELOPMENT & INTERNATIONAL TRADE
 - (2)
 - (3)
 - (4)
 - (5)
-

I. SUMMARY:

This bill provides the necessary assurances and commitments required by the United States Olympic Committee and the International Olympic Committee in selecting a host city for the XXXth Olympic Games in 2012, and it includes legislative findings regarding the benefits of Florida hosting the games.

To demonstrate its commitment to hosting the games and to assure the United States Olympic Committee and the International Olympic Committee of its financial support, the state is instructed to obtain security instruments to indemnify and insure up to \$175 million of any net financial losses resulting from the games. The local organizing committee, Florida 2012, is required to demonstrate its ability to indemnify the first \$25 million of any losses.

An Olympic Games Guaranty Account is created within the Economic Development Trust Fund to serve as a repository for any moneys or security instruments designated for meeting the state's financial commitment under any agreements entered into with the United States Olympic Committee or the International Olympic Committee. The bill also establishes conditions under which the guaranty account would be terminated and any funds returned to their original source for further appropriation and use.

The bill does not contain any direct appropriation or transfer of funds at this time. It would take effect upon becoming a law.

II. SUBSTANTIVE ANALYSIS:

A. DOES THE BILL SUPPORT THE FOLLOWING PRINCIPLES:

- | | | | |
|-----------------------------------|------------------------------|-----------------------------|-----------------------------------------|
| 1. <u>Less Government</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 2. <u>Lower Taxes</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 3. <u>Individual Freedom</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 4. <u>Personal Responsibility</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 5. <u>Family Empowerment</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |

For any principle that received a "no" above, please explain:

B. PRESENT SITUATION:

A not-for-profit corporation, Florida 2012, has been established to assist Tampa in its efforts to secure candidate city designation by the United States Olympic Committee (USOC) and, ultimately, host city designation by the International Olympic Committee (IOC) for the XXXth Olympic Games. Florida 2012 is competing with eight cities for Candidate City designation. The local organizing committees representing these cities must submit bid documents by December 15, 2000, to the USOC.

The USOC requires that the host city arrange to indemnify the USOC and the IOC against any possible net financial losses incurred from the conduct of the games. According to the bid committee, it is unlikely this would occur given the experience of recent Olympic Games. A loss guarantee is required, however, and \$100 million is the minimum amount required to make Florida's bid competitive with other cities' bids. There is no requirement that the guarantee take a particular form, however, and the bid committee has represented that a commitment from the state to fund the guarantee from some source would be sufficient.

The process of selecting a city to host the Olympics is lengthy. Cities are preparing their bid proposals for 2012 now. In October 2002, the candidate city will be selected; the choice of the actual site will be announced by the IOC in the summer of 2005. If Tampa were eliminated from consideration at some point, the state's obligation to provide a loss guarantee would disappear.

To date, Florida 2012 has raised \$6.2 million in cash and \$2.4 million in in-kind contributions from the public/private community. In addition, Florida 2012 has secured some funding from the Florida Sports Foundation, the direct-support organization authorized under s. 288.1229, Florida Statutes. The foundation entered into an agreement in July 1999, with Florida 2012, committing to awarding the local organizing committee \$500,000 in grant money over a three-year period to assist it in its bid for host city designation and in its efforts to host or support a number of sporting events in the interim. Florida Sports Foundation grants are funded by revenues derived from the sale of Florida Professional Sports Team license plates authorized in s. 320.08058 (9), Florida Statutes.

C. EFFECT OF PROPOSED CHANGES:

This bill provides the necessary assurances and commitments required by the USOC and the IOC in selecting a host city for the XXXth Olympic Games in 2012. It includes legislative findings regarding the benefits that hosting the games would bring to the state and its residents. It creates the Olympic Games Guaranty Account within the Economic Development Trust Fund for the purpose of fulfilling the state's obligations under a games-support contract to indemnify and insure up to \$175 million against any net financial deficit resulting from the conduct of the games. The Florida Sports Foundation would be responsible for administering the account. Florida 2012 must demonstrate its ability to indemnify and insure the first \$25 million of any net financial deficit, and the state's guarantee cannot be accessed until the local security is fully spent.

Although several funding options for the Olympic Games Guaranty Account are outlined in the bill, the overriding provision allows the state to fund the account in any manner it deems appropriate.

The Florida Sports Foundation must review an application from Florida 2012 to enter into a games-support contract. If the application and accompanying information are approved by the foundation, it is authorized to enter into a joinder undertaking or joinder agreement with the USOC or the IOC. The joinder agreement will specify that the state will fulfill its obligations under a games-support contract to indemnify and insure the USOC and the IOC against any net financial deficit resulting from the conduct of the games.

The bill also authorizes state agencies and organizations to assist Florida 2012 by making services available to the group and by allowing access to properties owned or controlled by the agencies. Finally, the foundation cannot obligate the state to pay for the construction or purchase of a building or facility by a city.

D. SECTION-BY-SECTION ANALYSIS:

SECTION 1 -- states the purpose of the bill which is to provide the necessary assurances and commitments required by the United States Olympic Committee(USOC) and the International Olympic Committee (IOC) in selecting a host city for the XXXth Olympic Games in 2012.

SECTION 2 -- presents legislative findings regarding the benefits that would inure to the state as a whole and to the venue communities should a Florida city be selected as a candidate city for the 2012 Olympic Games. Those benefits include:

- invaluable public visibility throughout the world
- increased tourism and economic growth
- significant job creation
- development of state of the art sports facilities and venues
- enhanced opportunities for Florida athletes to train and compete in amateur athletics at the international level
- an enduring legacy of good will throughout the world
- the opportunity to secure federal infrastructure funding

SECTION 3 -- provides definitions:

“Candidate City” -- means a Florida municipality which has qualified for consideration by the United States Olympic Committee as the United States candidate city to host the XXXth Olympic Games in 2012.

“Games” -- means the XXXth Olympic Games to be held in 2012, the corresponding Paralympic Games, and all related pre-Olympic competitions and events.

“Games-support contract” -- means the joinder undertaking, joinder agreement, and similar contracts executed by the state and the United States Olympic Committee or the International Olympic Committee in connection with the selection of the candidate city to host the games.

“International Olympic Committee” -- means the international governing body responsible for organizing and conducting the Olympic Games.

“Joinder agreement” -- means an agreement entered into by the state and the United States Olympic Committee or the International Olympic Committee, setting out representations and assurances by the state in connection with the selection of the candidate city to host the games.

“Joinder undertaking” -- means an agreement entered into by the state and the United States Olympic Committee or the International Olympic Committee that the state will execute a joinder agreement if the candidate city is selected to host the games.

“Local organizing committee” -- means a nonprofit corporation or its successor in interest which has been authorized by the candidate city to pursue an application to the United States Olympic Committee and bid on the city’s behalf to host the games, and which has executed an agreement with the United States Olympic Committee regarding the candidate city’s bid to host the games.

“Net financial deficit” -- means the potential losses resulting from the conduct of the games which the state is obligated to indemnify and insure against under a games-support contract. The term does not include any expenses or liabilities arising from the cancellation of the games due to any causes beyond the local organizing committee’s reasonable control.

“United States Olympic Committee” -- means the official national Olympic Committee of the United States which has been authorized by law to govern all matters relating to national participation in the Olympic Games.

SECTION 4 -- creates the Olympic Games Guaranty Account within the Economic Development Trust Fund found in section 288.095, Florida Statutes. The sole purpose of the account is to fulfill the state’s obligations under a games-support agreement with either the United States Olympic Committee or the International Olympic Committee. Insuring and indemnifying against any net financial deficit resulting from the games comprises the state’s obligations as set forth in this section. The direct-support organization established by section 288.1229, Florida Statutes (currently the Florida Sports Foundation), will be responsible for administering the Olympic Games Guaranty Account.

With funds from the guaranty account, the direct-support organization is required to obtain adequate security, acceptable to the USOC and the IOC, to demonstrate the state's ability to fulfill its obligations under the games-support contracts. This obligation entails indemnifying and insuring up to \$175 million of any net financial deficit resulting from the conduct of the games. The state's financial liability is capped at \$175 million. Several funding mechanisms for obtaining the requisite security are specified in this section.

By July 1, 2001, the local organizing committee, Florida 2012, is required to provide adequate security, acceptable to the direct-support organization, that it can indemnify and insure the first \$25 million of any net financial deficit resulting from the conduct of the games. Suggested means of providing the security are: an internal guaranty fund, insurance coverage, letters of credit, other acceptable security instruments, or any combination of these options. Florida 2012 is required to list the state as an additional insured on any security instrument. The Olympic Games Guaranty Account will be terminated if Florida 2012 cannot provide and maintain adequate proof of security during the bid process and during the conduct of the games.

This section also stipulates that the state will be the payor of last resort regarding any net financial deficit resulting from the conduct of the games, and further stipulates that the direct-support organization may not permit access to any state financial security to cover any net financial deficit unless all of the following conditions are met:

- the security provided by Florida 2012 is fully expended and exhausted;
- any security provided by any other person or entity is fully expended and exhausted;
- the limits of all available insurance policies have been fully expended and exhausted;
- contribution has been sought, where practical and feasible, from all persons bearing any legal responsibility for the net financial deficit.

The State of Florida is authorized to fund the Olympic Games Guaranty Account in any manner it considers appropriate.

Once the direct-support organization determines that the guaranty account has achieved, or is reasonably expected to accrue, a sufficient balance to provide adequate security to indemnify and insure up to \$175 million, deposit of state funds in the account shall cease.

Moneys in the guaranty account will not be subject to the provisions of section 216.301(1)(a), Florida Statutes, and will be assigned to the State Board of Administration for investment.

If the candidate city (Tampa) is selected to host the 2012 Olympic Games, the Olympic Games Guaranty Account will be terminated upon determination by the direct-support organization that the state's obligation has been fulfilled relating to the indemnification of any net financial deficit resulting from the conduct of the games. Conversely, if Tampa is not selected as the candidate city by the United States Olympic Committee or is not selected as the host city by the International Olympic Committee, the guaranty account will be terminated.

Upon termination of the Olympic Games Guaranty Account, moneys transferred to the account from the Working Capital Fund will revert to that fund, and all moneys appropriated to the account from General Revenue (GR) and any investment earnings will revert to GR.

SECTION 5 -- State execution of games-support contracts; support of state agencies -- Florida 2012 is required to submit an application to the direct-support organization for that entity's review, which requests the direct-support organization to enter into a games-support contract with the USOC or the IOC relating to the selection of a candidate city in Florida. The application is to be accompanied by:

- A description and summary of the games for which host city designation is sought by Florida 2012;
- A description of the proposal that Florida 2012 intends to submit to the USOC including the proposed venues;
- Projections of paid attendance and the direct and indirect economic benefits to the state and the candidate city, as well as the methodology used for the projections;
- The anticipated total cost of presenting the games and plans for financing this cost;
- Resources committed by the candidate city and participating municipalities or other governmental entities;
- Any other information reasonably requested by the direct-support organization; any additional information must be requested by the direct-support organization within 30 days of receipt of the application.

Within 60 days of receipt of the above information, the direct-support organization shall approve or deny the application. In making its decision, the direct-support organization shall consider:

- The reliability of Florida 2012's financial revenue and expenditure projections;
- The reliability of Florida 2012's projections relating to the direct and indirect economic benefits of hosting the games;
- The extent to which Tampa and other participating jurisdictions have committed sufficient resources to the conduct of the games;
- The extent to which Florida 2012 has sought to maximize the use of existing venues in Florida given the limitations imposed by the USOC;
- The extent to which Florida 2012 has provided, or is capable of providing, resources adequate to cover the costs incurred or anticipated in presenting the games;
- The extent to which the state's obligations and risks are reasonable in light of anticipated benefits to the state and its residents.

The direct-support organization may agree in a joinder undertaking with the USOC or the IOC that it will execute a joinder agreement if the USOC selects a candidate city in the state

to host the games. Additionally, the direct-support organization may agree that it will refrain from taking any action that would impair its ability to execute a joinder agreement.

In a joinder agreement the direct-support organization may agree that the state will fulfill its obligations under a games-support contract to insure the USOC or the IOC against any net financial deficit resulting from the conduct of the games.

A games-support contract may be executed by the direct-support organization only if the candidate city has executed a contract with the USOC containing substantially similar terms, and:

- Findings made by the direct-support organization regarding Florida 2012's application remain valid;
- The state's obligations and risk under the games-support contract are reasonable in light of the anticipated benefits;
- Any state financial commitments will be satisfied exclusively through the Olympic Games Guaranty Account.

The direct-support organization may require Florida 2012 to list the state as an additional insured on any insurance policy required by the USOC or the IOC.

Notwithstanding other provisions of the bill, the direct-support organization cannot obligate the state to pay any part of the costs of acquiring any interest in real or personal property or the costs of planning, designing or constructing any improvement to real property.

SECTION 6 -- authorizes all state agencies to enter into agreements with Florida 2012 for the provision of services customarily available from the agencies and needed by Florida 2012 to host the games, as well as access to property owned or controlled by the agencies.

SECTION 7 -- prohibits Florida 2012 from engaging in any activity that reflects unfavorably upon the state, the candidate city, or the Olympic movement and prohibits Florida 2012 from engaging in any activity that is contrary to law or to the rules and regulations of the USOC and the IOC.

On an annual basis, certain documentation must be submitted by Florida 2012 to the direct-support organization. Each year Florida 2012 must establish that it:

- Is a nonprofit corporation, duly organized and existing for the purpose of pursuing a candidate city's bid to host the Olympic Games;
- Is qualified as a 501(c)(3) organization under the Internal Revenue Code; and
- Maintains a 20 percent representation of athletes on its board of directors and executive committee.

Florida 2012 is also required to maintain complete and accurate financial records that are in accordance with generally accepted accounting principles. Furthermore, Florida 2012 must provide to the direct-support organization annual audited financial statements that are certified by an independent accounting firm.

SECTION 8 -- establishes that this act shall take effect upon becoming a law.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

The impact on the state's revenues is indeterminate at this time. However, Florida 2012 advises that the Atlanta 1996 Olympics brought the state of Georgia over \$175 million in incremental sales tax revenues.

2. Expenditures:

This bill requires the state to demonstrate its ability to indemnify and insure up to \$175 million of net financial losses resulting from the conduct of the XXXth Olympic Games. The amount the state must spend to provide this financial security for the USOC and the IOC is indeterminate at this time.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

Indeterminate at this time.

2. Expenditures:

N/A

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

If chosen as the site for the XXXth Olympic Games, the private sector would likely benefit from the creation of new jobs, an increase in local tax revenues, the construction of sporting venues, and the addition of infrastructure.

D. FISCAL COMMENTS:

The bill does not require the Legislature to appropriate any moneys at this time for the establishment of the financial guaranty mechanism.

IV. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

A. APPLICABILITY OF THE MANDATES PROVISION:

This bill does not require counties or municipalities to spend funds or to take action requiring the expenditure of funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

This bill does not reduce the authority that municipalities or counties have to raise revenues in the aggregate.

C. REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:

This bill does not reduce the percentage of a state tax shared with counties or municipalities.

V. COMMENTS:

A. CONSTITUTIONAL ISSUES:

Section 19(f)(1) of Art. III of the State Constitution specifies that a trust fund may only be created in a separate bill, must be limited to that purpose only, and must pass by a three-fifths vote of the membership of each house of the Legislature. Section 215.3207, Florida Statutes, establishes criteria, based on the constitutional requirements, for the contents of a bill creating a trust fund, including that such legislation specify at least the following:

- (1) The name of the trust fund;
- (2) The agency or branch of state government responsible for administering the trust fund;
- (3) The requirements or purposes that the trust fund is established to meet; and
- (4) The sources of moneys to be credited to the trust fund or specific sources of receipts to be deposited in the trust fund.

Section 215.3207, Florida Statutes, defines a trust fund as moneys received by the state which under law or under a trust agreement are segregated for a purpose authorized by law. To the extent that this bill represents a segregation of funds in the creation of the Olympic Games Guaranty Account within the Economic Development Trust Fund, this bill may have the effect of creating a trust fund, which would necessitate separate legislation in order to comply with the constitutional requirements.

B. RULE-MAKING AUTHORITY:

N/A

C. OTHER COMMENTS:

N/A

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VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

VII. SIGNATURES:

COMMITTEE ON BUSINESS DEVELOPMENT & INTERNATIONAL TRADE:

Prepared by:

Staff Director:

Lisa Munroe

J. Paul Whitfield, Jr.

FINAL ANALYSIS PREPARED BY THE COMMITTEE ON BUSINESS DEVELOPMENT & INTERNATIONAL TRADE:

Prepared by:

Staff Director:

Lisa Munroe

J. Paul Whitfield, Jr.