

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 1705 Motorsports Entertainment Complex
SPONSOR(S): Zapata
TIED BILLS: None **IDEN./SIM. BILLS:** SB 1850

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) <u>Tourism (Sub)</u>	<u>5 Y, 0 N</u>	<u>McDonald</u>	<u>Whitfield</u>
2) <u>Commerce</u>	<u>16 Y, 0 N w/CS</u>	<u>McDonald</u>	<u>Whitfield</u>
3) <u>Finance & Tax</u>	_____	_____	_____
4) <u>Transportation & Econ. Dev. Apps. (Sub)</u>	_____	_____	_____
5) <u>Appropriations</u>	_____	_____	_____

SUMMARY ANALYSIS

This bill provides for the distribution of a portion of revenues from the tax on sales, use, and other transactions to a motorsports entertainment complex that the Office of Tourism, Trade, and Economic Development (OTTED) has certified as meeting requirements created by the bill. Thirty days after OTTED notifies the Department of Revenue (DOR) of the applicant certification, an amount not to exceed \$166,667 shall be distributed monthly to the applicant for 30 years (maximum of \$2 million annually over 30 years, or \$60 million). The bill establishes a baseline for determining the amount of distribution that the motorsports entertainment complex is eligible to receive from the Department of Revenue each year that would be prorated on a monthly basis. Distribution in a year is based upon the difference of sales taxes collected and remitted for the previous calendar year and that collected and remitted for calendar year 2000 which is the base year. If sales tax remitted is less than the baseline year, no money will be received. If it is more than received in the baseline year, whatever the difference is up to a maximum of \$2 million can be received by the facility.

The bill delineates requirements for certification of an applicant as a motorsports entertainment complex (complex), which is defined as a closed-course racing facility with ancillary grounds and facilities. In order to be certified, not only is OTTED required to determine that the complex meets the definition but it also must determine that the complex meets additional criteria specified in the bill. OTTED must recertify annually that the complex generates sufficient sales tax revenues as required by the bill.

A certified applicant may use funds to pay for construction, reconstruction, expansion, or renovation of the complex and related transportation or other infrastructure improvements that are related to, necessary for, or appurtenant to the complex; for debt service reserve funds, arbitrage rebate obligations, or other amounts relating to bonds with respect to the aforementioned; and for advertising and promotion of the complex or the community. The Department of Revenue may audit to verify that the distributions have been expended pursuant to s. 288.1170, F.S., created by the bill, and if determined not to have been expended pursuant to that section, may pursue recovery of funds.

This document does not reflect the intent or official position of the bill sponsor or House of Representatives.

STORAGE NAME: h1705b.com.doc
DATE: April 7, 2003

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. DOES THE BILL:

- | | | | |
|--------------------------------------|------------------------------|-----------------------------|---|
| 1. Reduce government? | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 2. Lower taxes? | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 3. Expand individual freedom? | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 4. Increase personal responsibility? | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 5. Empower families? | 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. EFFECT OF PROPOSED CHANGES:

Sales Tax Distribution to Professional Sports Facilities

Section 212.20, F.S., governs the distribution by the Department of Revenue of tax revenues collected under the provisions of Chapter 212, F.S.

Pursuant to s. 212.20(6)(e)7., F.S., the Department of Revenue (DOR) distributes tax revenues to professional sports franchise facilities that are certified by the Office of Tourism, Trade, and Economic Development (OTTED) as meeting requirements set forth in s. 288.1162, F.S., to the Professional Golf Hall of Fame facility as certified pursuant to s. 288.1168, F.S., and to the International Game Fish Association World Center facility as certified pursuant to s. 288.1169, F.S. Each recipient receives a fixed monthly distribution that is set by statute. No other sports-related businesses or facilities are entitled to distributions from DOR of tax revenues collected pursuant to Chapter 212, F.S.

The amounts listed below are the monthly payments currently authorized by law:

\$166,667.....	New professional sports franchise facility*
\$166,667.....	Retained professional sports franchise facility*
\$ 41,667(up to).....	Retained spring training franchise facility*
\$166,667.....	Professional Golf Hall of Fame facility**
\$ 83,333.....	International Game Fish Association World Center facility***

* Monthly payment is for not more than 30 years.

** Monthly payment is for up to 25 years.

*** Monthly payment is for up to 14 years; however, a lump sum payment of \$999,996 was made after certification and before July 1, 2000 (equating the payments to 15 years).

The law caps the number of new and retained professional sports franchise facilities eligible for funding at eight. Currently, there are six new professional sports franchise facilities and one retained professional sports franchise facility that have been certified and are receiving money. The remaining certification can only be for one specific facility. Section 288.1162, F.S., requires that at least five facilities for retained spring training franchises be certified by OTTED. OTTED cannot certify funding for less than the requested amount to any applicant certified as a facility for a retained spring training franchise. Both ss. 212.20(6)(e), and 288.1162, F.S., however, cap the total monthly distribution in the aggregate to all facilities for a retained spring training franchise at \$208,335.

Criteria are set forth in Chapter 288, F.S., for certification for each of the above listed types of facilities. Criteria for all includes such things as relationship with and support of a local unit of government, projections for paid attendance, and demonstration of being able to provide or having financial or other commitments to provide more than one-half of the costs incurred or related to the improvement and development of the facility. As a condition of certification for all, but the retained spring training franchise facility, there must be an independent analysis demonstrating that the amount of revenues projected to be generated by the respective facilities will exceed any money received from the state. Only the Professional Golf Hall of Fame facility and the International Game Fish Association World facility have certification requirements for dedication of specific funding amounts for promotion of the facility and promotion of Florida tourism.

For facilities for professional, retained professional and retained spring training franchises, s. 288.1662, F.S., prohibits an applicant previously certified under any provisions of the section and receiving funding from being eligible for an additional certification. There are no requirements for review and recertification by OTTED or requirements for reduction in funding or decertification by OTTED if not meeting initial certification requirements. Sections 288.1168 and 288.1169, F.S., relating to the Professional Golf Hall of Fame facility and the International Game Fish Association World facility, contain requirements for recertification by OTTED every 10 years as well as mechanisms for imposing monetary sanctions for failure to meet all certification requirements or abatement of funding until certification requirements are met.

For all certified by OTTED, DOR is required to audit to verify that the distributions under the various governing sections have been expended as required by those sections; however, only s. 288.1162, F.S., states that DOR may pursue recovery of funds if they have been determined to have been expended outside the requirements of the law.

Sections 288.1162, 288.1168, and 288.1169, F.S., require OTTED to serve as the state agency for screening applicants for state funding pursuant to s. 212.20, F.S., and for certifying applicant facilities for funding. Section 288.1229, F.S., authorizes the creation of a direct-support organization to assist OTTED in two primary areas, one of which is in the promotion and development of the sports industry and related industries for the purpose of improving the economic presence of these industries in Florida. As part of this assistance, OTTED uses the direct support organization, the Florida Sports Foundation, to carry out the applicant screening duties required under ss. 288.1162, 288.1168, and 288.1169, F.S. The Florida Sports Foundation submits the applications to OTTED, which certifies the eligibility of the applicants under the law.

Motorsports Entertainment Complexes - Background

Currently, there are no general sales tax revenue distributions permitted for motorsports entertainment complexes. There are, however, two motorsports entertainment complexes in the state: Daytona International Speedway (Volusia County) and the Homestead-Miami Speedway (Miami-Dade County). The Daytona International Speedway facility and property is owned by Volusia County with a small portion owned by the Volusia Racing Recreational District, a special district. The Homestead-Miami Speedway facility and property is owned by the City of Homestead. In both areas, the facilities are leased from the governmental entity to International Speedway Corporation (ISC) that operates the speedways.

The Daytona International Speedway was constructed in 1959 and is located on 480 acres. The facility has current seating of 165,059 and a 2.5-mile track with 31 degree banked turns. Events held at the Daytona International Speedway include NASCAR Winston Cup Series, Busch Series, Craftsman Truck Series, Grand American Road Racing Series, and American Motorcycle Association Series.

The Homestead-Miami Speedway was constructed in 1995 and is located on 434 acres. The facility has current seating of 72,000 and a 1.5-mile tract with 6 degree banked turns. Events held at the

Homestead-Miami Speedway include NASCAR Winston Cup Series, Busch Series, Craftsman Truck Series, Grand American Road Racing Series, and Championship Auto Racing Team Series.

Impact of HB 1705 on Motorsports Entertainment Complexes

HB 1705 amends s. 212.20(6)(e), F.S., to provide for the distribution of a portion of revenues from the tax on sales, use, and other transactions to a motorsports entertainment complex that has been certified by the Office of Tourism, Trade, and Economic Development (OTTED) as meeting requirements specified in s. 288.1170, F.S., created by this bill. Thirty days after OTTED notifies the Department of Revenue of the applicant's certification, an amount not to exceed \$166,667 shall be distributed monthly for up to 30 years to the applicant (maximum of \$2 million over 30 years for a total of \$60 million). The bill establishes a baseline for determining the amount of distribution that the motorsports entertainment complex is eligible to receive from the Department of Revenue each year that would be prorated on a monthly basis. Distribution in a year is based upon the difference of sales taxes collected and remitted for the previous calendar year and that collected and remitted for calendar year 2000 which is the base year. If sales tax remitted is less than the baseline year, no money will be received. If it is more than received in the baseline year, whatever the difference is up to a maximum of \$2 million can be received by the facility.

The bill creates s. 288.1170, F.S., to delineate requirements for certification of an applicant as a motorsports entertainment complex which is defined as a closed-course racing facility with ancillary grounds and facilities. By definition, the motorsports entertainment complex must have at least 70,000 seats and 7 scheduled days of motorsports events each calendar year. Additionally, the complex must have paid admissions of more than 200,000, serve food during sanctioned motorsports events, and engage in tourism. In order to be certified, not only is OTTED required to determine that the complex meets the definition but it also must determine the following: a unit of local government holds title to the land or title to the complex; seven scheduled days of motorsports events were held at the complex in the most recently completed calendar year or seven scheduled days of motorsports events are scheduled in the calendar year after submission of the application; the applicant has completed an independent analysis that demonstrates that the project will attract, or in the most recently completed calendar year has attracted, paid attendance of more than 200,000 annually and demonstrates that the amount of revenues generated by taxes is consistent with the provisions of the act; 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; and, the complex is located in a county defined in s. 125.011(1), F.S. No complex certified under this section is eligible for any additional certification or funding under the section.

Each year OTTED must recertify that the complex generates sufficient sales tax revenues annually as consistent with the act.

A certified applicant may use funds to pay for construction, reconstruction, expansion, or renovation of the complex and related transportation or other infrastructure improvements and for paying for debt service reserve funds, arbitrage rebate obligations, or other amounts relating to bonds with respect to the aforementioned. Funds may also be used for paying for advertising and promotion of the complex or of the community. The Department of Revenue may audit to verify that the distributions have been expended pursuant to the section.

C. SECTION DIRECTORY:

Section 1. Amends s. 212.20(6)(e)7., F.S., provides for distribution of proceeds to a certified motorsports entertainment complex.

Section 2. Creates s. 288.1170, F.S., relating to motorsports entertainment complexes, providing definitions; certification criteria for, and duties of, the motorsports entertainment complex; as well as responsibilities of OTTED and DOR.

Section 3. Provides an effective date of July 1, 2003.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:	<u>2003-04</u>	<u>2004-05</u>
	(\$2 million)	(\$2 million)

This is the maximum amount. The distribution states that it cannot exceed \$166,667 per month which would equal \$2 million per year as a maximum.

2. Expenditures:	<u>2003-04</u>	<u>2004-05</u>
	-0-	-0-

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:	<u>2003-04</u>	<u>2004-05</u>
	\$2 million	\$2 million

Comment: Local governments that are the owners of the complex or the land would be assisted by up to a maximum of \$2 million per year that could be bonded to assist in construction, reconstruction, renovation and other transportation and infrastructure needs related to the complex.

2. Expenditures:	<u>2003-04</u>	<u>2004-05</u>
	-0-	-0-

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

As Florida's motorsports entertainment industry continues to develop and improve, there may be a positive economic impact on private businesses due to multiplier effects.

D. FISCAL COMMENTS:

The estimated fiscal impact on General Revenue is up to a maximum of (\$2 m) in FY 2003-04 and up to a maximum of (\$2 m) in FY 2004-05. The bill establishes a baseline for determining the amount of distribution that the motorsports entertainment complex is eligible to receive from the Department of Revenue each year that would be prorated on a monthly basis. Distribution in a year is based upon the difference of sales taxes collected and remitted for the previous calendar year and that collected and remitted for calendar year 2000 which is the base year. If sales tax remitted is less than the baseline year, no money will be received. If it is more than received in the baseline year, whatever the difference is up to a maximum of \$2 million can be received by the facility.

The bill may generate additional sales tax revenues due to commercial development and capital improvements.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

The legislation does not require expenditure of funds by local governments, does not reduce the authority to raise revenue, nor reduce the percentage of state tax shared with local governments.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

Section 2 of the bill provides authority for OTTED and the Department of Revenue to adopt rules to implement their specific powers or duties described.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/COMMITTEE SUBSTITUTE CHANGES

On March 31, 2003, the Subcommittee on Tourism approved an amendment to HB 1705 which was then adopted and recommended to the Committee on Commerce. The amendment establishes a baseline for determining the amount of distribution that the motorsports entertainment complex is eligible to receive from the Department of Revenue. Distribution in a year is based upon the difference of sales taxes collected and remitted for the previous calendar year and that collected and remitted for calendar year 2000 which is the base year. If sales tax remitted is less than the baseline year, no money will be received. If it is more than received in the baseline year, whatever the difference is up to a maximum of \$2 million can be received by the facility.

On April 7, 2003, the Committee on Commerce adopted the amendment recommended by the subcommittee and reported the bill favorably with a committee substitute.