

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

BILL: CS/SB 1850

SPONSOR: Commerce, Economic Opportunities, and Consumer Services Committee and Senator Diaz de la Portilla

SUBJECT: Motorsports Entertainment Complex

DATE: April 16, 2003 REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	Kruse	Maclure	CM	Favorable/CS
2.	_____	_____	CP	_____
3.	_____	_____	FT	_____
4.	_____	_____	ATD	_____
5.	_____	_____	AP	_____
6.	_____	_____	_____	_____

I. Summary:

This committee substitute provides 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 committee substitute. Thirty days after OTTED notifies the Department of Revenue (DOR) of an applicant’s certification, an amount not to exceed \$166,667 shall be distributed monthly to the applicant for 30 years. An additional provision limiting the amount that may be distributed by DOR to a motorsports entertainment complex states that the amount distributed may not exceed the difference between the state sales taxes collected and remitted by the facility in the previous calendar year and those collected and remitted in calendar year 2000. The committee substitute establishes requirements for certification of an applicant as a motorsports entertainment complex and requires OTTED to recertify the complex annually. DOR may audit to verify that the distributions have been expended pursuant to the committee substitute’s requirements.

This committee substitute substantially amends section 212.20, Florida Statutes, and creates section 288.1170, Florida Statutes.

II. Present Situation:

Sales Tax Distributions

Chapter 212, F.S., governs taxes on sales, use, and other transactions. Section 212.20, F.S., governs the distribution of some of those funds collected by the Department of Revenue (DOR). Several provisions within s. 212.20, F.S., provide economic assistance to certain facilities. For

example, facilities designated as new professional sports franchises or facilities for a retained professional sports franchise receive funding distributions from DOR after certification by the Office of Tourism, Trade, and Economic Development (OTTED). OTTED grants or denies certification using criteria set out in s. 288.1162, F.S. Other examples include the Professional Golf Hall of Fame facility, certified pursuant to s. 288.1168, F.S., and the International Game Fish Association World Center facility, certified pursuant to s. 288.1169, F.S. Recipients receive a fixed monthly distribution of sales tax revenues set by statute for a fixed number of years. The criteria used by OTTED for certification include items such as the relationship with and support of a unit of local government, projections for paid attendance, and demonstration of the financial capability to provide more than one-half of the costs incurred or related to the improvement or development of the facility. Other requirements generally include reviews, recertifications, sanctions, audits, and a prohibition on additional certifications for the same facility.

Sections 288.1162(8) and 288.1168(5), F.S., authorize DOR, through s. 234.34, F.S., to perform audits to verify that distributions have been expended as required by those sections. However, only s. 288.1162, F.S., states that the department may pursue recovery of funds if they have been determined to have been expended outside the requirements of the law. Section 213.34(3), F.S., also provides DOR with the authority to correct by credit or refund any overpayment of tax, penalty, or interest revealed by an audit, and DOR may make an assessment of any deficiency in tax, penalty, or interest determined to be due.

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), which operates the speedways.

The Daytona International Speedway is located on 480 acres and has current seating of approximately 168,000¹ with a 2.5-mile track and 31-degree banked turns. Events held at the Daytona International Speedway include NASCAR Winston Cup Series, Busch Series, Craftsman Truck Series, True Value IROC, and Goody's Dash Series.²

The Homestead-Miami Speedway opened in 1995 and is located on 434 acres. The facility has current seating of approximately 72,000 with a 1.5-mile tract and 6-degree banked turns. Events held at the Homestead-Miami Speedway include NASCAR Winston Cup Series, Busch Series, Craftsman Truck Series, and CART FedEx Championship Series.³

¹ Daytona International Speedway, 2003 Daytona International Speedway Fan Guide, Section 1, p. 4, *available at* <http://www.daytonaintspeedway.com/> (last visited April 11, 2003).

² *Id.* at *About Daytona*.

³ Homestead Miami Speedway, *About Homestead(& History)*, *available at* <http://www.homesteadmiamispeedway.com/> (last visited April 11, 2003).

III. Effect of Proposed Changes:

Distribution of Revenues

This committee substitute amends s. 212.20(6)(d)7., 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 committee substitute.

The committee substitute provides that beginning 30 days after notice by OTTED to the Department of Revenue (DOR) that an applicant has been certified as a motorsports entertainment complex pursuant to s. 288.1170, F.S., and is open to the public, 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 committee substitute provides an additional limitation on the amount that may be distributed by DOR to a motorsports entertainment complex by stating that each fiscal year's distribution may not exceed the difference between the state sales taxes collected and remitted in the previous calendar year by the facility and those collected and remitted in calendar year 2000.

The committee substitute creates s. 288.1170, F.S., relating to a motorsports entertainment complex. The committee substitute provides several definitions. "Applicant" means the owner of a motorsports entertainment complex. A "motorsports entertainment complex" means a closed-course racing facility, with ancillary grounds and facilities, which:

- Has not fewer than 65,000 permanent seats for race events each calendar year;
- Has not fewer than 7 scheduled days of motorsports events each calendar year;
- Has paid admissions of at least 125,000 annually;
- Serves food at the facility during sanctioned motorsports races; and
- Engages in tourism promotion.

A "motorsports event" means a motorsports race and its ancillary activities, which have been sanctioned by a sanctioning body. "Owner" is defined as a unit of local government that owns a motorsports entertainment complex or owns the land on which the motorsports entertainment complex is located. The definition for "sanctioning body" lists various racing-affiliated organizations and includes any other nationally recognized body of motorsports that establishes an annual schedule of events, has established and administers rules and regulations governing all participants involved in such events and all persons conducting such events, and requires certain liability assurances, including insurance. A "unit of local government" is defined as described in s. 218.369, F.S.

Applicant Screening and Certification

The committee substitute requires OTTED to screen applicants for certification as a motorsports entertainment complex and to adopt rules for receiving and processing applications. Applications must be processed within 120 days of receipt. OTTED must determine that:

- A unit of local government holds title to the land on which the motorsports entertainment complex is located or holds title to the motorsports entertainment complex;
- Seven scheduled days of motorsports events were held at the complex in the most recently completed calendar year, or 7 scheduled days of motorsports events are scheduled to be held at the complex in the calendar year which begins after the submission of the application;
- The applicant has an independent analysis, verified by OTTED, which demonstrates that the project will attract paid attendance of at least 125,000 annually or has attracted this level of paid attendance during the past calendar year;
- The applicant has an independent analysis or study, verified by OTTED, which demonstrates that the amount of the revenues generated by the taxes imposed under ch. 212, F.S., with respect to the use and operation of the motorsports entertainment complex will equal or exceed \$1 million annually;
- The municipality in which the motorsports entertainment complex is located, or the county if the motorsports entertainment complex is located in an unincorporated area, has certified by resolution after a public hearing that the application serves a public purpose; and
- The motorsports entertainment complex is located in a county defined in s. 125.011(1), F.S.⁴

If an applicant meets the requirements for certification, OTTED must notify DOR in writing by means of an official letter of certification. If an applicant fails to meet the requirements for certification, OTTED shall notify the applicant not later than 10 days following the determination.

Recertification and Additional Certifications

The committee substitute states OTTED must recertify that the motorsports entertainment complex continues to generate at least \$1 million in sales tax revenues annually as reported in the independent analysis or study provided by the motorsports entertainment complex.

The committee substitute prohibits additional certifications if a motorsports entertainment complex has been previously certified under this section and has received funding under such certification.

Allowable Expenditures

The committee substitute provides that a certified applicant may use funds to pay for the following public purposes: construction, reconstruction, expansion, or renovation of the complex; debt service reserve funds, arbitrage rebate obligations, or other amounts relating to bonds with respect to the construction, reconstruction, expansion, or renovation of the complex or for the reimbursement of such costs or the refinancing of bonds issued for such purposes; related transportation or infrastructure improvements; advertising and promotion of the complex

⁴ Section 125.011(1), F.S., defines “county” to mean any county operating under a home rule charter adopted pursuant to ss. 10, 11, and 24, Art. VIII of the State Constitution of 1885, as preserved by Art. VIII, s. 6(e) of the State Constitution of 1968, which county, by resolution of its board of county commissioners, elects to exercise the powers herein conferred.

to increase paid attendance or to increase tourism in and promote economic development of the community where the motorsports entertainment complex is located.

Audits and Recovery

DOR is provided authority to verify that the distributions have been expended as required by the committee substitute’s provisions. If DOR determines that the distributions have not been expended as required, it may pursue recovery of such funds pursuant to the laws and rules governing the assessment of taxes.

Effective Date

This committee substitute shall take effect July 1, 2003.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

None.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

On March 28, 2003, the Revenue Impact Conference determined that this committee substitute would have a recurring \$2 million negative impact on state revenues. This estimate is based on the following findings or assumptions:

- There is only one qualifying motorsports facility in the state (Homestead-Miami Speedway);
- It will take approximately three months for an applicant to qualify; and
- Distributions will total \$2 million per year.

<u>Fiscal Year 2003-2004</u>								
Issue/Fund	General Revenue		Trust		Local		Total	
	1st Year	Recurring	1st Year	Recurring	1st Year	Recurring	1st Year	Recurring
SB 1850	\$ (1.3)	\$ (2.0)	(0.0)	(0.0)	\$ (0.0)	\$ (0.0)	\$ (1.3)	\$ (2.0)

B. Private Sector Impact:

As the popularity of motorsports increases, a community with a qualifying motorsports complex may benefit from the additional advertising and economic development funds that may be spent by the complex. The committee substitute will provide a qualifying motorsports entertainment complex with a fixed funding stream for at least 30 years.

C. Government Sector Impact:

In order for an applicant to be certified as a motorsports entertainment complex, the municipality or county in which the complex is located must certify by resolution after a public hearing that the application serves a public purpose.

This committee substitute also requires the Department of Revenue (DOR) to process sales tax distribution payments to certified complexes and authorizes the department to audit to verify that the distributions have been expended pursuant to law. DOR has stated that the committee substitute will have no fiscal impact on the department.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Amendments:

None.