

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 183 CS

Motorsports Entertainment Complexes

SPONSOR(S): Allen

TIED BILLS:

IDEN./SIM. BILLS: SB 494

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) <u>Tourism Committee</u>	<u>7 Y, 0 N, w/CS</u>	<u>Langston</u>	<u>McDonald</u>
2) <u>Finance & Tax Committee</u>	<u></u>	<u></u>	<u></u>
3) <u>Fiscal Council</u>	<u></u>	<u></u>	<u></u>
4) <u>State Infrastructure Council</u>	<u></u>	<u></u>	<u></u>
5) <u></u>	<u></u>	<u></u>	<u></u>

SUMMARY ANALYSIS

This bill provides for the distribution of a portion of revenues from the tax on sales, use, and other transactions to an applicant certified as a motorsports entertainment complex by the Office of Tourism, Trade, and Economic Development (OTTED). Thirty days after OTTED notifies the Department of Revenue of the applicant certification, an amount not to exceed \$166,667 shall be distributed monthly to the applicant and continue for 30 years. The bill establishes a baseline for determining the amount of distribution that the certified applicant is eligible to receive from the Department of Revenue each year that would be prorated on a monthly basis. Distribution in a state fiscal 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 what was received in the baseline year, whatever the difference is up to a maximum of \$2 million can be received by the certified applicant.

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.

Only the Homestead-Miami Speedway could qualify under the provisions of 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.

The effective date of the bill is July 1, 2006.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. HOUSE PRINCIPLES ANALYSIS:

Provide Limited Government – The bill increases responsibilities for the Governor’s Office of Tourism, Trade & Economic Development & the Department of Revenue relating to the certification and distribution processes.

Ensure Lower Taxes – The bill requires an annual distribution from sales tax revenues of no more than \$2 million for an applicant certified as a motorsports entertainment complex. See “Fiscal Comments” for details on tax distributions.

B. EFFECT OF PROPOSED CHANGES:

Present Situation

Sales Tax Distribution to Professional Sports Facilities

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

Pursuant to s. 212.20(6)(d)7., F.S., DOR distributes tax revenues to applicants for professional sports franchise facilities and retained spring training 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 certified applicant 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 applicants certified as 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. 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)(d), 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 applicants certified as 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 Nextel Cup Series, Busch Series, Craftsman Truck Series, Crown Royal IROC, and ARCA Re/Max Series.

The Homestead-Miami Speedway was constructed in 1995 and is located on 600 acres. The facility has current seating of 65,000 and a 1.5-mile tract with 30 degree banked turns. Events held at the Homestead-Miami Speedway include NASCAR Nextel Cup Series, Busch Series, Craftsman Truck

Series, Grand American Road Racing Series, the Rolex Sports Car Series, and Championship Auto Racing Team Series.

Proposed Changes

HB 183 CS amends s. 212.20(6)(d), F.S., to provide for the distribution of a portion of revenues from the tax on sales, use, and other transactions to an applicant certified as a motorsports entertainment complex by OTTED pursuant to s. 288.1170, F.S., created by the bill. Thirty days after OTTED notifies DOR of the applicant's certification, an amount not to exceed \$166,667 shall be distributed monthly. The bill establishes a baseline for determining the amount of distribution that the applicant certified as a motorsports entertainment complex is eligible to receive from DOR each state fiscal year that would be prorated on a monthly basis. Distribution in a state fiscal 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 certified applicant.

The bill creates s. 288.1170, F.S., which provides for certification of applicants for motorsports entertainment complexes by OTTED. The section delineates 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 65,000 permanent seats and 7 scheduled days of motorsports events each calendar year. Additionally, the complex must have paid admissions of more than 125,000 annually, serve food during sanctioned motorsports events, and engage in tourism promotion.

In order for an applicant 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 125,000 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;
- the complex is located in a county defined in s. 125.011(1), F.S.

Only the Homestead-Miami Speedway could qualify under the provisions of the bill.

No complex certified under this section is eligible for any additional certification or funding under the section.

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. DOR may audit to verify that the distributions have been expended pursuant to the section and may pursue recovery of funds, if necessary.

C. SECTION DIRECTORY:

Section 1. Amends s. 212.20(6)(d), F.S., relating to the distribution of revenues from the tax on sales, use, and other transactions; providing distribution of proceeds to a certified motorsports entertainment complex.

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

Section 3. Provides an effective date of July 1, 2006.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:	<u>2006-07</u>	<u>2007-08</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. See "Fiscal Comments."

2. Expenditures:	<u>2006-07</u>	<u>2007-08</u>
	-0-	-0-

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:	<u>2006-07</u>	<u>2007-08</u>
	\$2 million	\$2 million

Comment: Local governments that are the owners of the complex or the land would be assisted by \$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>2006-07</u>	<u>2007-08</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 bill establishes a baseline for determining the amount of distribution that the certified applicant as a motorsports entertainment complex is eligible to receive from the Department of Revenue each state fiscal year that would be prorated on a monthly basis. Distribution in a state fiscal 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 bill does not require a municipality or county to expend funds or to take any action requiring the expenditure of funds. The bill does not reduce the authority that municipalities or counties have to raise revenues in the aggregate. The bill does not reduce the percentage of state tax shared with municipalities or counties.

2. Other:

None

B. RULE-MAKING AUTHORITY:

Section 2 of the bill provides authority for OTTED to adopt rules to implement specific powers and perform duties described.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/COMMITTEE SUBSTITUTE & COMBINED BILL CHANGES

On March 7, 2006, the Tourism Committee adopted five amendments and unanimously passed the bill as a committee substitute. The amendments did the following:

- Clarified that the yearly total distribution is based upon the state fiscal year and not the certified applicant's fiscal year;
- Changed the word from "facility" to "certified applicant", to correctly identify who remits information to DOR;
- Changed the word "races" to "events" to conform to definitions in the bill;
- Changed the phrase "pursuant to" to "certification under" to clarify that this section applies only to certification of distributions. Actual distributions are made pursuant to s. 212.20, F.S.; and
- Deleted the annual recertification process to be performed by OTTED.