

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

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

Date: March 13, 1998 Revised: 03/18/98 \_\_\_\_\_

Subject: Professional Sports

	<u>Analyst</u>	<u>Staff Director</u>	<u>Reference</u>	<u>Action</u>
1.	<u>Givens</u>	<u>Austin</u>	<u>CM</u>	<u>Fav/2 amendments</u>
2.	<u>_____</u>	<u>_____</u>	<u>CA</u>	<u>_____</u>
3.	<u>_____</u>	<u>_____</u>	<u>WM</u>	<u>_____</u>
4.	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>
5.	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>

I. Summary:

This bill provides for the distribution of sales tax revenues to applicants that are certified as facilities for retained spring training franchises as defined in the bill. The bill also provides criteria for the Office of Tourism, Trade, and Economic Development (OTTED) to use in making the certification and increases the limit on the number of facilities that may be certified as a facility for a new professional sports franchise, a facility for a retained professional sports franchise or a retained spring training franchise facility from eight to ten. In addition, the bill requires applicants for new certification to create and maintain fields for amateur sports activities.

This bill amends sections 212.20 and 288.1162 of the Florida Statutes.

II. Present Situation:

Concluding that the location of professional sports teams in the state produces economic development benefits for Floridians, the Legislature in 1988 created a funding program to provide state support for construction of certain sports facilities. Under the program, as amended in subsequent sessions, a "facility for a new professional sports franchise" may be eligible to receive annual distributions from the state of \$2 million for 30 years. (ss. 212.20(6)(f) and 288.1162, F.S.)

The statute authorizes OTTED to certify an applicant as a facility for a new professional sports franchise or a retained professional sports franchise upon determining all of following elements:

- A "unit of local government," as defined by statute, is responsible for the construction, management, or operation of the facility, or that a unit of local government holds title to the property on which the facility is located;

- The applicant has a verified copy of a signed agreement with a new professional sports franchise for use of the facility for at least 10 years, or in the case of a retained professional sports franchise, an agreement for use of the facility for at least 20 years;
- The governing authority of the applicable sports league has authorized the location of the professional sports franchise in Florida after April 1, 1987, or in the case of a retained professional sports franchise, verified evidence that it has had a league authorized location on or before December 31, 1976;
- The applicant has verifiable projections that the new or retained professional sports franchise will attract a paid attendance of more than 300,000 annually;
- The applicant has an independent analysis that use and operation of the professional sports franchise facility will result in sales and use tax revenues of at least \$2 million annually;
- The municipality where the facility is located, or the county if the facility is in an unincorporated area, has certified by resolution that the application serves a public purpose; and
- The applicant demonstrates that it can provide more than one-half of the costs incurred or related to the improvement and development of the facility (s. 288.1162 (4), F.S.).

In 1995, a provision was added to s. 288.1162, F.S., specifying that an applicant which had been previously certified under the program and had received funds by virtue of that certification was not eligible for additional certification. At that time, Pro Player Stadium (formerly Joe Robbie Stadium) was certified and received funds in connection with the Florida Marlins baseball franchise. Therefore, the effect of the provision was to prevent Pro Player Stadium from receiving additional certification on behalf of the Miami Dolphins football franchise. In order for the Dolphins to have been a basis for certification under the new provision, the team would have had to move to a facility that had not received funds under the program.

The funding program is available in connection with new or retained professional sports franchises in the following leagues only: the National League or the American League of Major League Baseball, the National Basketball Association, the National Football League, or the National Hockey League. A “new professional sports franchise” is defined under the statute as “a professional sports franchise that is not based in this state prior to April 1, 1987.” A “retained professional sports franchise” is defined under the statute as “a professional sports franchise that has had a league authorized in Florida on or before December 31, 1976, and has continuously remained at that location and has never been located at a facility that has been previously certified under any provisions of s. 288.1162, F.S.

Once certified as a facility for a new or retained professional sports franchise, an applicant may receive distributions from the Department of Revenue of \$166,667 per month (\$2 million per

year) for 30 years (s. 212.20(6)(f), F.S.). The distributions are made from revenues generated by the sales and use taxes under part I of ch. 212, F.S., relating to taxes on sales or use of tangible personal property, admissions, rentals, and services. The funds may be used for the construction, reconstruction, or renovation of a facility or in connection with debt service on bonds issued for such activities. In no case may an applicant receive more in state distributions than was actually expended on authorized activities. Under the program, OTTED may also similarly certify an applicant as a “new spring training franchise facility,” in which case the applicant is eligible to receive distributions of \$41,667 per month for 30 years. (See ss. 212.20(6) and 288.1162(5), F.S.)

A maximum of eight facilities may be certified under the program as facilities for a new professional sports franchise or as facilities for a new spring training franchise. To date, the following applicants have been certified as facilities for a new professional sports franchise:

- \* Pro Player Stadium (Florida Marlins baseball); \$60 million; certified;
- \* City of Jacksonville /Gator Bowl (Jacksonville Jaguars football); \$60 million; certified;
- \* Tampa Sports Authority/City of Tampa (Tampa Lightning hockey); \$60 million; certified;
- \* City of St. Petersburg (Tampa Bay Devil Rays baseball); \$60 million; certified;
- \* Broward County (Florida Panthers hockey); \$60 million; certified;
- \* Basketball Limited Properties (Miami Heat basketball); \$60 million; certified.

No applications have been submitted for certification as a new spring training franchise facility. The following facility has been certified for a retained professional sports franchise facility.

- \* Hillsborough County (Tampa Bay Buccaneers football); \$60 million; certified.

The issue of financing for certain sports facilities is also addressed in the statute governing the Local Option Tourist Development Tax, s. 125.0104, F.S. Under this section, counties are authorized to levy a 1-percent or 2-percent tax on transient rentals, which is in addition to the 6 percent state tax on transient rentals. Further, a county may impose an additional 1-percent tax on such rentals in order to pay the debt service on bonds issued to finance the construction, reconstruction, or renovation of a professional sports franchise facility (s. 125.0104(3)(1), F.S.).

### **III. Effect of Proposed Changes:**

This bill amends the funding program covering certain sports facilities to include “retained spring training franchise facilities” as qualified applicants receiving distributions from the state totaling \$36,792,720 over 30 years.

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Under the provisions of this bill, a “retained spring training franchise” means a spring training franchise that located in this state in 1955, that replaced a spring training franchise that had been located continuously at the same publicly owned stadium for 33 years, and that does not play its regular major league baseball games in the same city in which it trains.

The bill provides that before an applicant is certified as a retained spring training franchise facility, OTTED must determine that:

- A unit of local government is responsible for the construction, management, or operation of the facility or holds title to the property on which the facility is located;
- The retained spring training franchise will conduct additional training activities at a different site within the county in which the facility is located;
- The applicant has projections, verified by OTTED which demonstrate that the amount of the revenues generated by the sales and use taxes with respect to the use and operation of the facility will equal or exceed \$1.2 million per year; and
- The retained spring training franchise will sign a lease agreement for no less than 15 years with the applicant at the completion of its existing short term agreement.

In addition, this bill provides that OTTED shall consider the value of the land and the existing stadium toward any required contribution by the applicant for costs incurred or related to the improvement and development of the facility.

Once certified as a facility for a retained spring training franchise, an applicant may receive distributions from the Department of Revenue of \$102,202 per month (\$1,226,424 per year) for 30 years. The distributions are made from revenues generated by the sales and use taxes under part I of ch. 212, F.S., relating to taxes on sales or use of tangible personal property, admissions, rentals, and services. The funds may be used for the construction, reconstruction, or renovation of a facility or in connection with debt service on bonds issued for such activities.

This bill also provides that OTTED may increase the limit on the number of facilities that may be certified from eight to ten and that OTTED may certify only one facility as a retained spring training franchise facility.

Further, an applicant certified after July 1, 1998, must fund the creation and maintenance of fields for amateur sports activities as recommended by the county in which the applicant’s certified facility is located. These fields shall include, but not be limited to, those used for baseball, softball, basketball, or football. These fields are to be open to the public without charge and may be publicly owned and operated.

OTTED shall, in addition to any other requirement of s. 288.1162, F.S., relating to professional sports franchises and spring training franchises, determine that an applicant has entered into a

contract with the Florida Department of Labor and Employment Security to employ WAGES participants to the maximum extent possible. The applicant must agree to employ a specified number of WAGES participants in the year that it receives a distribution from the state. The number of WAGES participants that are employed by the applicant shall be based upon the applicant's good faith efforts, workforce availability, suitable jobs, and in keeping with the facility's minimum standards of employment as provided in the contract with the Department of Labor and Employment Security. The applicant may renegotiate the contract and employ fewer WAGES participants if the applicant demonstrates that, due to the economic conditions or the nature of its business in a given year, the requirement to hire is too high. Each certified applicant shall be required to report to the Legislature by December 31 of each year on the extent to which its employees are WAGES participants.

Under the provisions of the bill, the facility which currently houses the Baltimore Orioles baseball franchise for spring training would qualify for additional distributions from the state of \$36,792,720 over 30 years

#### **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:**

This bill makes a "facility for a retained spring training franchise" eligible to apply for state distributions totaling \$36,792,720 over 30 years through the sports facility funding program under ss. 212.20 and 288.1162, F.S. The program authorizes distributions to certified facilities from the revenues generated by sales and use tax collections under part I of ch. 212, F.S. The current maximum fiscal commitment of the state authorized by the program is \$480 million over 30 years (\$60 million for each of the eight facilities). This bill would increase the number of facilities that would be eligible to receive a distribution from eight to ten. It is unclear at this time as to the amount of state distribution that will be offset by sales and use tax revenues attributable to operation of the facilities.

**B. Private Sector Impact:**

Investors in the professional sports franchise that uses a facility receiving funds for construction or renovation under this bill may benefit to the extent that a new or improved facility generates additional ticket revenues for the franchise.

To the extent that this bill contributes to the retention of a professional sports franchise in a community, individuals and firms whose business fortunes are tied to the franchise or the facility may avoid economic injury that might result from the teams departure.

**C. Government Sector Impact:**

Under the state funding program for professional sports franchise facilities, a unit of local government, as defined in s. 218.369, F.S., must be responsible for the construction, management, or operation of the facility or must hold title to the property on which the facility is located. By providing financial support toward the construction, reconstruction, or renovation of a facility, this bill benefits eligible local governments by helping to reduce their costs for improving or developing a facility.

In addition, if the existence of state funds helps induce a professional sports franchise to remain in an area, the community may benefit under this bill from the continued economic activity associated with the operation of the facility and the franchise.

**VI. Technical Deficiencies:**

None.

**VII. Related Issues:**

None.

**VIII. Amendments:**

#1 by Commerce and Economic Opportunities:

Lowers the limit on the number of facilities that may be certified as a retained spring training franchise facility from ten to nine.

#2 by Commerce and Economic Opportunities:

Strikes the language which requires an applicant certified after July 1, 1998, to fund and maintain fields for amateur sports activities as recommended by the county in which the applicant's certified facility is located. (WITH TITLE AMENDMENT)