

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.)

BILL: SB 1294

SPONSOR: Senator Diaz Balart and Senator Jones

SUBJECT: Motorsports Entertainment Complex

DATE: April 10, 2000 REVISED: 4/13/00 _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Keating</u>	<u>Wood</u>	<u>FR</u>	<u>Fav/2 amendments</u>
2.	_____	_____	<u>CM</u>	_____
3.	_____	_____	<u>CA</u>	_____
4.	_____	_____	_____	_____
5.	_____	_____	_____	_____

I. Summary:

Senate Bill 1294 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 bill. Thirty days after OTTED notifies the Department of Revenue of the applicant certification, \$166,667 shall be distributed monthly for up to 360 months to the applicant (\$2 million over 30 years for a total of \$60 million).

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, 7 scheduled days of motorsports events each calendar year, and four motorsports events each calendar year. Additionally, the complex must have paid admissions of more than 200,000, serve food, engage in tourism, and have a permanent exhibition of motorsports history, events or vehicles.

Each year OTTED must recertify that the complex generates \$2 million of sales tax revenue annually. Failure to do so results in the reduction of revenues distributed until the complex generates \$2 million or more in sales tax revenues for a 12 month period.

A certified applicant may use funds for paying for construction, reconstruction, expansion, renovation of the complex and related transportation or infrastructure improvements and for paying for debt service reserve funds 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 the community. The Department of Revenue may audit to verify that the distributions have been expended pursuant to the section.

This bill substantially amends, creates, or repeals the following sections of the Florida Statutes: 212.20 and 288.1170.

II. Present Situation:

Chapter 88-226, L.O.F., established a funding mechanism for state support of the construction of professional sports facilities within Florida. Under this act, the Department of Commerce was assigned the duties of screening applicants, developing rules for processing applications, and presenting the applications to the Legislature. The Department of Commerce was dissolved in 1996, by ch. 96-320, L.O.F.

This original chapter law was amended by the Legislature in 1989, 1991, 1994, 1996, and 1997. The current law, s. 288.1162, F.S., requires the Governor's Office of Tourism, Trade, and Economic Development (OTTED) to carry out the applicant screening duties and certify the eligibility of the applicant's professional sports franchise under the category of either "new," "retained," or "new spring training," and caps the number of franchise facilities eligible for certification 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. To date, no local government or organization has applied for certification to receive funds as a "new spring training franchise facility."

In 1993, the Legislature authorized the same type of funding mechanism for the Professional Golf Hall of Fame and, in 1996, for the International Game Fish Association (IGFA) fishing museum, Hall of Fame, historical display, and educational exhibit facility. Applicants seeking designation as either of these facilities are also to be certified by the Department of Commerce. Chapter 96-320, L.O.F., or ss. 288.1168 and 288.1169, F.S., stipulate that OTTED will assume the former duties of the Department of Commerce related to the annual tourism advertising agreements required of the sponsoring organizations of these facilities in order for funding of the facility to continue.

Criteria are set forth in ch. 288, F.S., for certification of "new," "retained," or "new spring training" facilities. Criteria generally include such things as relationship with and support of a local unit of government, projections for paid attendance, an independent analysis demonstrating that the amount of revenues projected to be generated will exceed any money received from the state, an agreement to provide a specified amount annually for promotion and advertising, 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. Under s. 288.1162, F.S., there is a prohibition for an applicant previously certified under any provisions of the section, and receiving funding, from being eligible for an additional certification. Sections 288.1168 and 288.1169, F.S., contain requirements for recertification by OTTED every 10 years as well as mechanisms for imposing monetary sanctions for failure to meet all certification requirements. The Department of Revenue (DOR) is authorized to audit to verify that the distributions under the various sections have been expended as required by the individual 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. There are no procedures for decertification.

Section 212.20, F.S., authorizes \$166,667 of general sales tax revenues to be distributed monthly (for up to 300 months) to a certified professional golf hall of fame. This same section authorizes \$83,333 of general sales tax revenues to be distributed monthly to the certified International

Game Fish Association World Center facility for up to 180 months. The monthly distribution for each applicant that has been certified as a “facility for a new professional sports franchise” or a “facility for a retained professional sports franchise” pursuant to s. 288.1162, F.S., is \$166,667, while \$41,667 is distributed monthly to each applicant that has been certified as a “new spring training franchise facility.” Distributions continue for 30 years to these facilities.

III. Effect of Proposed Changes:

Senate Bill 1294 amends s. 212.20(6)(f), 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 certification, \$166,667 shall be distributed monthly for up to 360 months to the applicant (\$2 million over 30 years for a total of \$60 million).

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, 7 scheduled days of motorsports events each calendar year, and four motorsports events each calendar year. Additionally, the complex must have paid admissions of more than 200,000, serve food, engage in tourism, and have a permanent exhibition of motorsports history, events or vehicles. 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 or is responsible for its construction, management and operation; the applicant has completed an independent analysis that demonstrates that the project will attract paid attendance of more than 200,000 annually and demonstrates that the amount of revenues generated by taxes imposed will meet or exceed \$2 million; 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 applicant can provide more than one-half of the costs related to the facility. 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 \$2 million of sales tax revenue annually. Failure to do so results in the reduction of revenues distributed until the complex generates \$2 million or more in sales tax revenues for a 12 month period.

A certified applicant may use funds for paying for construction, reconstruction, expansion, renovation of the complex and related transportation or infrastructure improvements and for paying for debt service reserve funds 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 the community. The Department of Revenue may audit to verify that the distributions have been expended pursuant to the section.

The bill takes effect July 1, 2000.

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:

The Revenue Estimating Conference estimates the fiscal impact of this bill to be a recurring loss to the General Revenue Fund of \$4 million, based on the fact that there are only two motor sport facilities in the state.

Issue/Fund	General Revenue		Trust		Local		Total	
	1st Year \$	Recurring \$	1st Year \$	Recurring \$	1st Year \$	Recurring \$	1st Year \$	Recurring \$
Sales Tax Distribution: Motor Sports Facility	(0.7)	(4.0)	(*)	(*)	(*)	(*)	(0.7)	(4.0)

* Insignificant
 ** Indeterminate

B. Private Sector Impact:

As the motor sports entertainment industry continues to develop and improve in Florida, there may be a positive economic impact on private businesses near a facility.

C. Government Sector Impact:

Local government that are the owners of a qualified motor sport complex or the land it is located upon, 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.

VI. Technical Deficiencies:

There are two scrivener’s errors in Section 2 of the bill. The first is the incorrect numbering of subsections (3) through (9) which should be numbered (4) through (8). The second error pertains to cross references in the current subsections (5) and (6) which would need to be changed when the subsections are correctly numbered.

VII. Related Issues:

None.

VIII. Amendments:

#1 by Fiscal Resource:

The amendment addresses some substantive and technical concerns as well as administrative concerns of the Department of Revenue. Specifically, the amendment does the following:

- Changed the definition of “owner” to be a unit of local government that owns the land on which the complex is located or owns the complex. Changed the definition of “applicant” to correspond to the definition of “owner”. Added a definition for “operator”. Changed the definition of “motorsports entertainment complex” by referring to the number of ‘fixed’ versus ‘permanent’ seats and removing reference to annual number of paid attendance.
- Added a requirement stating that a motorsports entertainment complex must be located in a county defined in s. 125.011(1), F.S. Removed requirement for annual number of paid attendance.
- Clarified allowable uses to include transportation and parking necessary for and directly benefiting the motorsports complex and to include other infrastructures appurtenant to and directly benefiting the complex. Removed promotional advertising as an eligible use of funds.
- Adds Automobile Racing Club of America (ARCA) as an additional sanctioning body. Corrects scrivener’s errors noted in “Comments” Section.
- Adds language clarifying that the distribution of funds is subject to reduction pursuant to s. 288.1170, F.S. (The newly created section governing the motorsports entertainment complex.)
- Adds language requiring OTTED to notify the department of results of annual recertification.
- Clarifies that if distributions are reduced, such reduction shall be recalculated annually until an annual recertification verifies that the revenues generated by the motorsports entertainment complex equal or exceed \$2 million annually.
- Changes the effective date from July 1, 2000 to October 1, 2000 to provide adequate lead time for implementation of the bill.

Fiscal impact: Reduces the recurring fiscal impact from \$ 4 million to \$ 2 million.

#2 by Fiscal Resource:

(WITH TITLE AMENDMENT)

Amends s. 550.09515(2)(a)2., F.S., eliminating the double taxation provisions that apply if thoroughbred horse racing performances are conducted during more than one period at any facility.

The amendment also forgives any tax liability that accrued under s. 550.09515(2)(a)2., F.S., between January 1, 2000, and May 22, 2000.

Fiscal impact: Recurring loss to the General Revenue Fund of \$1.3 million; recurring loss to the Parimutuel Wagering Trust Fund of \$1.3 million.