

STORAGE NAME: h1909s2.ft

DATE: April 28, 2000

**HOUSE OF REPRESENTATIVES
AS REVISED BY THE COMMITTEE ON
FINANCE & TAXATION
ANALYSIS**

BILL #: CS/CS/HB 1909

RELATING TO: Olympic Games

SPONSOR(S): Committees on Finance & Taxation, Business Development & International Trade,
and Representatives Johnson, Murman, Bradley & others

TIED BILL(S):

ORIGINATING COMMITTEE(S)/COMMITTEE(S) OF REFERENCE:

- (1) BUSINESS DEVELOPMENT & INTERNATIONAL TRADE YEAS 8 NAYS 0
 - (2) FINANCE & TAXATION YEAS 12 NAYS 1
 - (3) GENERAL APPROPRIATIONS
 - (4)
 - (5)
-

I. SUMMARY:

CS/HB 1909 establishes legislative findings regarding the benefits that would accrue to the state and its residents should a Florida city be designated as the host city for the XXXth Olympic Games and outlines procedures for the state's financial participation in the bid effort undertaken by Florida 2012.

To demonstrate its commitment to hosting the games and to assure the United States Olympic Committee and the International Olympic Committee of its financial support, the state is instructed to obtain security instruments to indemnify and insure an amount of any net financial losses resulting from the games. The local organizing committee, Florida 2012, is required to demonstrate its ability to indemnify a portion of the total potential liability.

The bill does not contain any direct appropriation or transfer of funds at this time. It takes effect upon becoming a law.

II. SUBSTANTIVE ANALYSIS:

A. DOES THE BILL SUPPORT THE FOLLOWING PRINCIPLES:

- | | | | |
|-----------------------------------|------------------------------|-----------------------------|---|
| 1. <u>Less Government</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 2. <u>Lower Taxes</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 3. <u>Individual Freedom</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 4. <u>Personal Responsibility</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 5. <u>Family Empowerment</u> | 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. PRESENT SITUATION:

A not-for-profit corporation, Florida 2012, has been established to assist Tampa in its efforts to secure Candidate City designation by the United States Olympic Committee (USOC) and, ultimately, host city designation by the International Olympic Committee (IOC) for the XXXth Olympic Games. Florida 2012 is competing with eight cities for Candidate City designation. The local organizing committees representing these cities must submit bid documents by December 15, 2000, to the USOC.

To date, Florida 2012 has raised \$6.2 million in cash and \$2.4 million in in-kind contributions from the public/private community. In addition, Florida 2012 has secured some funding from the direct-support organization authorized under s. 288.1229, F.S., the Florida Sports Foundation. The foundation entered into an agreement in July, 1999, with Florida 2012, and committed to awarding the organizing committee \$500,000 in grant money over a three-year period to assist the committee in its host city bid and in its efforts to host or support a number of sporting events in the interim. Florida Sports Foundation grants are funded by revenues derived from the sale of Florida Professional Sports Team license plates as authorized in s. 320.08056, F.S.

By formalizing the state's financial commitment to Tampa's bid for host city designation and by providing several means by which the state can obtain the necessary security instruments, the bill effectively places the state of Florida among serious bidders for the XXXth Olympic Games. In support of its cities' efforts to host the games, Texas has committed to a potential liability of \$100 million, which will be guaranteed by the sequestration of municipal and state sales tax revenues.

C. EFFECT OF PROPOSED CHANGES:

The bill formalizes the state's financial participation in Tampa's bid for host city designation for the XXXth Olympics, thereby placing Florida in a competitive position with other potential venues for the 2012 games.

See Section-By-Section Analysis for detail.

D. SECTION-BY-SECTION ANALYSIS:

Section 1 States the purpose of the act, which is to provide assurances and commitments required by the USOC and the IOC relating to the selection of a host city.

Section 2 Provides legislative findings regarding the benefits conferred on the state and host communities should a Florida city be chosen as a candidate city for the 2012 Olympic Games.

Section 3 Provides definitions:

“Candidate City” means a Florida municipality that has qualified for consideration by the United States Olympic Committee as the United States candidate city to host the XXXth Olympic Games in 2012.

“Games” means the 2012 Olympic Games, the corresponding Paralympic Games, and related Olympic competitions and events preceding the actual Olympic Games.

“Games support contract” means a joinder undertaking, a joinder agreement, or similar contract executed by the state in connection with the selection of the candidate city to host the games.

“International Olympic Committee” means the international governing body responsible for organizing and conducting the Olympic Games.

“Joinder agreement” means an agreement entered into by the state and the USOC or the IOC setting out representations and assurances by the state in connection with the selection of the candidate city to host the games.

“Joinder undertaking” means an agreement between the state and the USOC or the IOC, stating that Florida will execute a joinder agreement if the candidate city is selected to host the games, or an agreement between a candidate city and the committees.

“Local organizing committee” means a nonprofit corporation or its successor in interest that has been authorized by the candidate city to pursue an application to the USOC to bid on the city’s behalf to host the games, and that has executed an agreement with the USOC regarding the candidate city’s bid to host the games.

“Net fiscal deficit” means those potential losses resulting from the conduct of the games that the state is obligated to indemnify and insure against pursuant to a games support contract. Any state liability for Acts of God that might cause a cancellation of all or part of the Games is also specifically excluded.

“United State Olympic Committee” means the official national Olympic Committee of the United States of America, which has been authorized by law to govern all matters related to national participation in the Olympic Games.

Section 4 Creates the Olympic Games Guaranty Account within the Economic Development Trust Fund established pursuant to s. 288.095. Specifies that the account is to be used for the sole purpose of fulfilling the state’s obligations under a games support contract to indemnify and insure against any net financial deficit resulting from the conduct of the games. Makes the direct-support organization authorized under s. 288.1229 responsible for administration of the account.

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Directs the direct-support organization to use funds from the Olympic Games Guaranty Account to obtain adequate security, acceptable to the USOC and the IOC, to demonstrate the state's ability to fulfill its obligations under the games support contract to indemnify and insure up to \$175 million of any net financial deficit resulting from the conduct of the games. Specifies that the security may be provided by state funds committed to the Olympic Games Guaranty Account, or by insurance coverage, letters of credit, or other acceptable security instruments, or any combination of the options.

Limits the state's liability under all games support contracts entered into pursuant to the bill to \$175 million in the aggregate.

Directs the local organizing committee to, no later than July 1, 2001, provide adequate security, which is acceptable to the direct-support organization and which demonstrates its ability to indemnify and insure the first \$25 million of any net financial deficit resulting from the conduct of the games. Specifies the form the security instrument should take including an internal guaranty fund, insurance coverage, letters of credit, other acceptable security instruments, or any combination thereof. Directs the local organizing committee to show the state as an additional insured on security instruments. Stipulates that the Olympic Games Guaranty Account will be terminated if adequate proof is not provided as part of the bid and maintained throughout the course of the games.

Stipulates that the direct-support-organization cannot access the security provided by the state to cover any net financial deficit indemnified by the state under the games support contract until the local organizing committee has fully expended its share of the indemnity.

Permits the Olympic Games Guaranty Account to be funded in any manner the State of Florida sees fit.

Prohibits the deposit of additional state funds in the Olympic Games Guaranty Account when the direct-support organization determines that the account has achieved, or is reasonably expected to accrue, a sufficient balance that provides adequate security to the USOC and the IOC that the state can meet its obligation to indemnify and insure up to \$175 million of losses resulting from the games.

Assigns any funds maintained in the Olympic Games Guaranty Account to the State Board of Administration for investment and exempts the funds from s. 216.301(a), F.S.

Provides for the termination of the Olympic Games Guaranty Account if:

The direct-support organization determines that the state's obligations under the games support contracts relating to the indemnification of any losses resulting from the games are concluded; or

The USOC does not select the candidate city to host the games; or

The IOC does not select the candidate city to host the games.

Provides for the reversion of funds when the Olympic Games Guaranty Account is terminated: Funds transferred from the Working Capital Fund would revert to the fund and would be available for other uses, funds appropriated from General Revenue would return to GR and would be available for other uses, and any investment earnings retained in the guaranty account would revert to GR and would be available for appropriation.

Requires the local organizing committee to provide documentation to the Revenue Estimating Conference. The documentation shall include annual financial statements, documentation required by the USOC or the IOC, and data relating to attendance at the games and to the economic impact of the games. Requires the local organizing committee to provide the documentation within 120 days after the period covered by the financial statements and records ends.

Section 5 Requires the direct-support organization to review an application submitted by the local organizing committee requesting the direct-support organization to enter into a games support contract with the USOC or the IOC. The local organizing committee is required to submit the following documentation within 60 days of submitting its application:

- a description and summary of the games for which the host designation city is sought,
- a description of the proposal the local organizing committee intends to submit to the USOC and the IOC, including a description of the proposed venues,
- projections of the paid attendance, the projected economic impact of the games on the state and the candidate city, and the methodology for the projections,
- the anticipated total cost of presenting the games and the committee's plan for financing this cost,
- the resources committed to the conduct of the games by the candidate city and other participating municipalities or government entities,
- any other information reasonably requested by the direct-support organization.

Requires the direct-support organization to approve or deny the local organizing committee's application within 30 days of receipt of the information. In making its determination, the direct-support organization is required to make findings regarding:

- the reasonableness and reliability of the local organizing committee's revenue and expenditure projections,
- the reasonableness and reliability of the committee's economic impact projections,
- the extent to which the candidate city and other participating jurisdictions have committed sufficient resources to the conduct of the games,
- the extent to which the local organizing committee has sought to maximize existing venues throughout the state,
- the extent to which the local organizing committee has demonstrated its capability to fund anticipated costs relating to the presentation of the games,
- the extent to which the state's risks are reasonable in light of the anticipated benefits to the state and its citizens.

Authorizes the direct-support organization to agree in a joinder undertaking with the USOC or the IOC that it will execute a joinder agreement if the USOC selects the candidate city to host the games and will refrain from any action after the execution of the joinder

undertaking that will impair the direct-support organization's ability to execute the joinder agreement.

Authorizes the direct-support organization to agree in a joinder agreement with the USOC or the IOC that the state will fulfill its obligations under a games support contract to indemnify the USOC or the IOC against ant net financial losses.

Authorizes the direct-support organization to execute a games support contract only if: the candidate city has executed a contract with the USOC that contains substantially similar terms, the state's risks would be reasonable in light of the anticipated benefits to the state and its citizens, and any state financial commitment would be satisfied exclusively through the Olympic Games Guaranty Account.

Authorizes the Florida Department of Transportation, the Florida Department of Law Enforcement, the Florida Department of Community Affairs, Enterprise Florida, Inc., the Office of Tourism, Trade and Economic Development, the Florida Tourism Commission, the direct support organization, and the Florida Tourism Industry Marketing Corporation to assist the local organizing committee and to enter into contracts and assurances related to the presentation of the games.

Prohibits the direct-support organization from obligating the state to fund the costs of construction or purchase of a building or other facility by a city.

Section 6 Outlines the responsibilities of the local organizing committee, which include:

Not engaging in conduct which reflects unfavorably upon the State of Florida, the candidate city, or the Olympic Movement,

Certifying to the direct support organization by April 15 of each year that it is a non-profit corporation organized to pursue the candidate city's bid to host the games, that it is a qualified 501(c)(3) corporation, and that 20% of its board of directors are athletes

Maintaining complete and accurate books and records in accordance with general accepted accounting principles,

Providing the direct support organization with the same annual audited financial statements that are provided to the USOC.

Section 7 Provides the act will take effect upon becoming a law.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

The impact on the state's revenues is indeterminate at this time. However, Florida 2012 states that the Atlanta 1996 Olympics brought the state of Georgia over \$175 million in incremental sales tax revenues.

2. Expenditures:

The bill requires the state to demonstrate its ability to indemnify and insure up to \$175 million of net financial losses resulting from the conduct of the XXXth Olympic Games. The amount the state must spend to obtain this indemnity is indeterminate at this time.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

Indeterminate at this time.

2. Expenditures:

N/A

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

If chosen as the site for the XXXth Olympic Games, the private sector would likely benefit from the creation of new jobs, an increase in local tax revenues, the construction of sporting venues, and the addition of infrastructure.

D. FISCAL COMMENTS:

The bill does not require the Legislature to appropriate any moneys at this time for the establishment of the financial guaranty mechanism.

IV. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

A. APPLICABILITY OF THE MANDATES PROVISION:

This bill does not require counties or municipalities to spend funds or to take action requiring the expenditure of funds.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

This bill does not reduce the authority that municipalities or counties have to raise revenues in the aggregate.

C. REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:

This bill does not reduce the percentage of a state tax shared with counties or municipalities.

V. COMMENTS:

A. CONSTITUTIONAL ISSUES:

None.

B. RULE-MAKING AUTHORITY:

None.

C. OTHER COMMENTS:

None.

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

On April 26, 2000, the Committee on Finance and Taxation adopted eleven amendments to the bill which were then incorporated into the Committee Substitute for the Committee Substitute. The ten amendments are described below:

Amendment One: Changes the definition of the word “games” to include not only the Olympic Games, but the corresponding Paralympic Games and related Olympic competitions and events preceding the actual Olympic Games.

Amendment Two: Changes the definition of “games support contract” to mean only the state’s agreements with the USOC/IOC, rather than including possible agreements between the USOC/IOC and other government entities of the local organizing committee.

Amendment Three: Changes the definition of “joinder undertaking” and “joinder agreement” to mean the undertaking and agreement to which the state is a party, rather than referring to what may be a separate undertaking and agreement with the candidate city itself.

Amendment Four: This amendment defines “net fiscal deficit” and ties it to the terms of the state’s games support contracts with the USOC/IOC. Any state liability for Acts of God that might cause a cancellation of all or part of the Games is also specifically excluded.

Amendment Five: Clarifies that the State is a payor of last resort for any net financial deficit, and that all sources of security, insurance, and contribution must be exhausted before the State’s guaranty fund may be tapped.

Amendment Six: Eliminates any suggestion of specific funding sources for the state’s guarantee account, leaving this choice entirely up to the state.

Amendment Seven: Conforming Amendment to Amendment Six. In eliminating any reference to specific funding sources, Amendment Six deletes the concept of using as a funding source the incremental sales tax increase associated with the games, as determined by the Revenue Estimating conference. This amendment deletes language elsewhere in the bill detailing the documentation to be provided to the Revenue Estimating Conference for this purpose.

Amendments Eight and Nine: These amendments broaden the criteria considered by the state in determining whether to enter into a games support contract. The state would

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examine all of the resources that other government entities have committed to the conduct of the games, regardless of whether they specifically relate to a games support contract. This amendment follows the new definition of "games support contract" as created by Amendment Two.

Amendment Ten: Conforming Amendment to Amendment Two. Removes the term "games support contract" from a location where it would no longer apply.

Amendment Eleven: This amendment outlines the responsibilities of the local organizing committee in detail.

VII. SIGNATURES:

COMMITTEE ON BUSINESS DEVELOPMENT & INTERNATIONAL TRADE:

Prepared by:

Staff Director:

Lisa Munroe

J. Paul Whitfield, Jr.

AS REVISED BY THE COMMITTEE ON FINANCE & TAXATION:

Prepared by:

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Kama D.S. Monroe

Alan Johansen