

Fiscal Estimate - 2015 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 15-2678/1	Introduction Number AB-0279
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Description
 Constructing a sports and entertainment arena and related facilities and making appropriations

Fiscal Effect

State:

<input type="checkbox"/> No State Fiscal Effect	<input checked="" type="checkbox"/> Increase Existing Revenues	<input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget
<input type="checkbox"/> Indeterminate	<input checked="" type="checkbox"/> Decrease Existing Revenues	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<input type="checkbox"/> Increase Existing Appropriations		<input type="checkbox"/> Decrease Costs
<input type="checkbox"/> Decrease Existing Appropriations		
<input checked="" type="checkbox"/> Create New Appropriations		

Local:

<input type="checkbox"/> No Local Government Costs	5. Types of Local Government Units Affected	
<input type="checkbox"/> Indeterminate	<input type="checkbox"/> Towns <input type="checkbox"/> Village <input checked="" type="checkbox"/> Cities <input checked="" type="checkbox"/> Counties <input checked="" type="checkbox"/> Others <u>Stadium Districts</u>	
1. <input type="checkbox"/> Increase Costs	3. <input type="checkbox"/> Increase Revenue	<input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	
2. <input type="checkbox"/> Decrease Costs	4. <input checked="" type="checkbox"/> Decrease Revenue	
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Permissive <input checked="" type="checkbox"/> Mandatory	

Fund Sources Affected	Affected Ch. 20 Appropriations
<input checked="" type="checkbox"/> GPR <input type="checkbox"/> FED <input checked="" type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS	20.855(4)(cr), 20.855(4)(cy), 20.855(4)(dr), 20.835(6)

Agency/Prepared By DOR/ Bradley Caruth (608) 261-8984	Authorized Signature Michael Wagner (608) 266-6785	Date 7/15/2015
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Fiscal Estimate Narratives

DOR 7/15/2015

LRB Number	15-2678/1	Introduction Number	AB-0279	Estimate Type	Original
Description Constructing a sports and entertainment arena and related facilities and making appropriations					

Assumptions Used in Arriving at Fiscal Estimate

This bill provides for the financing of a sports and entertainment arena in the city of Milwaukee. To that effect, the bill creates two \$4 million dollar annual sum certain appropriations from GPR for the twenty year period from fiscal year 2017 to fiscal year 2036. The appropriations are designated to make payments to a local exposition district to assist in the development and construction of sports and entertainment arena facilities. The bill also creates a one-time appropriation of \$10 million from GPR in fiscal year 2016 for payment to the Bradley Center Sports and Entertainment Corporation for the purpose of assisting the corporation in retiring its obligations and any contractual liabilities.

In addition to the above appropriations, the bill requires Milwaukee County's participation in the DOR statewide debt collection program, creates tax exemptions, and makes changes to tax increment financing (TIF).

STATEWIDE DEBT COLLECTION

The bill requires DOR to enter into an agreement with Milwaukee County to collect certified debt under the statewide debt collection program. Of the amounts collected each year, \$4 million is transferred to the general fund and DOR retains the debt collection fees. DOR and the county may designate revenues to a reserve for future transfers to the general fund. Milwaukee County receives all other revenues.

DOR estimates that it will require 13.0 FTE PR positions to provide primary delinquent debt collection for Milwaukee County, which will enable the department to collect \$4.0 million annually for Milwaukee County's related arena contribution. DOR expects to incur costs of \$821,000 in fiscal year 2016 and \$969,000 annually beginning in fiscal year 2017 related to personnel, supplies, and services. Fees associated with \$4 million of collections would provide approximately \$600,000 of program revenue. DOR will also collect fee revenue on all collections for Milwaukee County beyond the \$4.0 million for the arena. The additional fee revenue is anticipated to fully cover the cost of the 13.0 FTE PR positions.

SALES AND USE TAX EXEMPTION

The bill provides a sales and use tax exemption for the sale of and the storage, use, or other consumption of tangible personal property and taxable services used to develop and construct sports and entertainment arena facilities, contingent on the sports and entertainment arena construction occurring. If the arena facilities are not constructed, the exemption and one-time fiscal effect will not apply. Assuming \$500 million in construction costs, the exemption would result in a one-time state sales/use tax reduction of \$6.75 million. Local sales tax revenues would decrease one-time by \$810,000. These numbers represent the total revenue loss for the project. The sales/use tax exemption will no longer be in effect after the Secretary of Administration certifies the sports and entertainment facilities are completed.

The bill, as written, may allow a contractor to purchase equipment without tax so long as the equipment is used, in part, in the development and construction of the arena. Contractors may also be able to claim sales/use tax refunds for equipment purchased during the past 4 years that is subsequently used during the arena project. The exemption for such equipment, as written, could reduce sales and use tax collections by an additional \$15 million. The sales/use tax exemption would reduce state sales tax collections by \$21.75 million (\$15 million + \$6.75 million). Local sales tax collections would decrease by \$2.6 million.

PROPERTY TAX EXEMPTION

The bill expands the current property tax exemption to include sports and entertainment arena facilities,

except that any portion of the facilities that is used, leased, or subleased for use as a restaurant or for any use requiring a license for the retail sale of alcoholic beverages and is regularly open to the general public at times when the sports and entertainment arena is closed to the public would not be exempt.

The existing facility, which was created through a charitable contribution, has been exempt from the general property tax. The new facility subject to this bill will be property tax-exempt under the proposal. DOR does not have relevant information regarding the new facility's estimated property value. If the total development cost (\$500 million) is assumed to be a reasonable proxy to the actual property value once the facility is constructed, the gross and effective property tax based on the 2014 tax rate (3.06 percent [gross]; 2.87 percent [net]) would be approximately \$15.3 million and \$14.4 million, respectively.

TAX INCREMENT FINANCE (TIF)

Under the bill, costs incurred by a first class city for developing parking facilities ancillary to, and within one mile from, public entertainment facilities, can be included as project costs for any TIF district located in whole, or in part, within a one-mile radius of such parking facilities. The bill also allows the project costs to include a grant, loan, or appropriation of funds to support a local exposition district in the development of sports and entertainment facilities, provided that the city and the local exposition district enter into a development agreement. The 12 percent limit, which refers to the total amount of a municipality's equalized value located in its TIF districts, does not apply to a municipality creating such TIF districts under the proposal.

If a first class city creates a new TIF district for the proposed development project, the project costs of the TIF may include costs of developing a tax-exempt parking facility, as the proposal also specifies that sports and entertainment facilities, which include parking structures, be exempt from general property tax. It may take the district longer to pay off debt due to the project costs related to the tax-exempt property, depending on the amount of the additional project costs. Since the TIF district could capture value increments only from taxable properties, the value increments from the taxable properties need to generate sufficient tax increments to cover the entire project costs. However, DOR does not possess relevant information, such as the base value of the TIF district and the project costs, to estimate the fiscal impact of the proposal.

As of the end of 2014, the total equalized value of TIF value increments in the city of Milwaukee accounts for 4.23 percent (\$1.105 billion) of the city's total equalized value (\$26.14 billion). Since the percentage is less than five percent and the property tax base in the city of Milwaukee is significant, the proposed exemption from the 12 percent limit is expected to have no fiscal impact.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2015 Session

Detailed Estimate of Annual Fiscal Effect

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Description Constructing a sports and entertainment arena and related facilities and making appropriations		
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect): One time revenue loss of \$21.75 million related to the sales and use tax exemption for the sale of and the storage, use, or other consumption of tangible personal property and taxable services used to develop and construct sports and entertainment arena facilities. One time appropriation of \$10 million from GPR in fiscal year 2017 for payment to the Bradley Center Sports and Entertainment Corporation for the purpose of assisting the corporation in retiring its obligations and any contractual liabilities.		
II. Annualized Costs:	Annualized Fiscal Impact on funds from:	
	Increased Costs Decreased Costs	
A. State Costs by Category		
State Operations - Salaries and Fringes	\$814,000	\$
(FTE Position Changes)	(13.0 FTE)	
State Operations - Other Costs	155,000	
Local Assistance		
Aids to Individuals or Organizations	8,000,000	
TOTAL State Costs by Category	\$8,969,000	\$
B. State Costs by Source of Funds		
GPR	8,969,000	
FED		
PRO/PRS		
SEG/SEG-S		
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, ets.)		
	Increased Rev	Decreased Rev
GPR Taxes	\$	\$
GPR Earned		
FED		
PRO/PRS	4,600,000	
SEG/SEG-S		
TOTAL State Revenues	\$4,600,000	\$
NET ANNUALIZED FISCAL IMPACT		
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$8,969,000	\$
NET CHANGE IN REVENUE	\$4,600,000	\$
Agency/Prepared By	Authorized Signature	Date
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