

Fiscal Estimate - 2015 Session

☒ Original
 ☐ Updated
 ☐ Corrected
 ☐ Supplemental

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|--|---|-----------------------------|
| LRB Number 15-2703/1 | Introduction Number SB-209 | |
| Description Constructing a sports and entertainment arena and related facilities and making appropriations | | |
| Fiscal Effect State: <div style="display: flex; flex-wrap: wrap;"> <div style="width: 33%;"> <input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Decrease Existing Appropriations <input checked="" type="checkbox"/> Create New Appropriations </div> <div style="width: 33%;"> <input checked="" type="checkbox"/> Increase Existing Revenues <input type="checkbox"/> Decrease Existing Revenues </div> <div style="width: 33%;"> <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <div style="display: flex; justify-content: space-around;"> <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No </div> <input type="checkbox"/> Decrease Costs </div> </div> Local: <div style="display: flex; flex-wrap: wrap;"> <div style="width: 33%;"> <input type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate <div style="display: flex;"> <div style="width: 50%;"> 1. <input checked="" type="checkbox"/> Increase Costs <input type="checkbox"/> Permissive <input checked="" type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory </div> <div style="width: 50%;"> 3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory </div> </div> </div> <div style="width: 33%;"> 5. Types of Local Government Units Affected <div style="display: flex; flex-wrap: wrap;"> <div style="width: 33%;"> <input type="checkbox"/> Towns <input checked="" type="checkbox"/> Counties <input type="checkbox"/> School Districts </div> <div style="width: 33%;"> <input type="checkbox"/> Village <input type="checkbox"/> Others <input type="checkbox"/> WTCS Districts </div> <div style="width: 33%;"> <input checked="" type="checkbox"/> Cities </div> </div> </div> </div> | | |
| <div style="display: flex; justify-content: space-between;"> <div> Fund Sources Affected <input checked="" type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS 20.855(4) </div> <div> Affected Ch. 20 Appropriations </div> </div> | | |
| Agency/Prepared By DOA/ Kris Frederick (608) 261-2292 | Authorized Signature Debra G. Miller (608) 266-5877 | Date 7/9/2015 |

Fiscal Estimate Narratives

DOA 7/9/2015

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|--|-----------|---------------------|--------|---------------|----------|
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Assumptions Used in Arriving at Fiscal Estimate

The legislation would create new appropriations and require certain expenditures by state, local and local district entities to assist in the construction of a sports and entertainment arena and sports and entertainment arena facilities in downtown Milwaukee:

Starting in 2016-17, the State of Wisconsin will fund \$160 million GPR (\$8 million annually through two separate \$4 million GPR allocations to support two separate streams of \$55 million principal and \$25 million interest) over twenty years (through 2035-36) to support Wisconsin Center District (WCD) bonding. One \$4 million annual GPR payment will be a direct allocation, while the other \$4 million annual GPR payment will be supported and offset by state Department of Revenue collections of Milwaukee County debts. Should collections fall short of \$4 million, Milwaukee County would be responsible for covering the shortfall through a reduction in the County's county/municipal aid payment. The legislation therefore requires an \$8 million GPR annual expenditure by the State of Wisconsin, \$4 million of which is supported by Milwaukee County debt collections. Over the designated twenty year period, the total fiscal impact is \$160 million GPR.

The State of Wisconsin will also commit \$10 million GPR in 2015-16 to retire obligations and any contractual liabilities.

The City of Milwaukee will finance the construction of a \$35 million parking structure and \$12 million in bonds for a tax incremental financing (TIF) district development near the facility. The legislation therefore requires a \$47 million expenditure by the City of Milwaukee.

The Wisconsin Center District (WCD) will issue approximate \$203 million (plus amounts needed for administrative expenses, reserve funds, accrued or funded interest and the cost of credit enhancements). These bonds will be funded through the extension of WCD's current food & beverage, vehicle rental and local room taxes for sponsoring municipalities (municipalities wholly or partially in Milwaukee County). Since these bonds will be financed with dedicated revenue streams and GPR contributions from the State of Wisconsin, they will not impose an additional direct fiscal impact on state or local governments.

Direct Fiscal Impacts

State of Wisconsin: \$4 million annually for 20 years (\$80 million total) in Direct State GPR Appropriation for WCD Debt;

State of Wisconsin: \$10 million in one-time GPR for Bradley Center Obligations & Liabilities;

County of Milwaukee: \$4 million annually for 20 years (\$80 million total) in Milwaukee County Debt Collections by the state Dept. of Revenue (backstopped by county/municipal aid payments) for WCD Debt to support separate State GPR appropriation;

City of Milwaukee: \$35 million in bonding for a parking structure;

City of Milwaukee: \$12 million through a TIF Allocation; and,

Wisconsin Center District: \$217.25 million in debt supported by WCD taxes.

Administrative Requirements and Associated Costs

The legislation would also impose several administrative requirements and responsibilities for the Secretary of Administration (DOA Secretary). These include:

Determining that the City of Milwaukee has provided at least \$47 million and the Wisconsin Center District (WCD) has issued debt for the development and construction of a sports and entertainment arena facility. Annually remit payments from the two separate GPR appropriations to support the development and construction of the sports and entertainment arena.

Prior to WCD signing the development agreement, certify that the professional basketball team, or its

affiliate, has agreed to fund at least \$250 million for the development and construction of the sports and entertainment arena facilities.

For any year that Milwaukee County does not certify its debts for collection to the fullest extent possible, as determined by the DOR Secretary, or DOR collects less than \$4,000,000 of the debts certified, DOA is required to reduce the County's county and municipal aid payment for that year by the amount of the County's debt that is not certified, or the amount of the shortfall.

The existing WCD Board would expire and an Interim Board would be created for the period of constructions. The Secretary of Administration would be chairperson of the Interim Board. The DOA Secretary would assume this role immediately upon expiration of the existing Board and in his or her capacity as chairperson of the board, to negotiate the development agreement, lease, and non-relocation agreement on behalf of the district and allow the Secretary to enter into any such development agreement, lease, or non-relocation agreement without the approval of the board.

The DOA Secretary would also certify when construction is complete. At that time, the membership of the Board would be modified, and the DOA Secretary could choose to appoint a designee to serve in his or her place.

This legislation also makes changes regarding the Board of Commissioner of Public Lands (BCPL). The investment requirements would be modified to use a "prudent person" investment standard, which would allow BCPL to invest in a broader range of investment types. In addition, the definition of a revenue obligation trust fund loan would be expanded to include loans made to a local exposition district for the purpose of financing the acquisition, construction and equipment costs for sports and entertainment arena facilities and that are secured by district revenues. BCPL would also be authorized to make a revenue obligation trust fund loan using moneys belonging to the trust funds to a local exposition district for these purposes.

At this time, the direct fiscal impact of these new duties and responsibilities cannot be calculated; however, it is estimated that these tasks can be accommodated with existing staff and the costs can be absorbed within DOA's and BCPL's current budgets and resources.

Long-Range Fiscal Implications

The authority for the \$10 million appropriation in section 20.855 will expire on June 30, 2017. The authority to distribute to the local exposition district (\$8 million annually in two separate GPR appropriations) will expire on June 30, 2036.

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): The State of Wisconsin will commit \$10 million GPR in 2015-16 to retire 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 | \$ | \$ |
| (FTE Position Changes) | | |
| State Operations - Other Costs | | |
| Local Assistance | | |
| Aids to Individuals or Organizations | 8,000,000 | |
| TOTAL State Costs by Category | \$8,000,000 | \$ |
| B. State Costs by Source of Funds | | |
| GPR | 8,000,000 | |
| 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, etc.) | | |
| | Increased Rev | Decreased Rev |
| GPR Taxes | \$ | \$ |
| GPR Earned | 4,000,000 | |
| FED | | |
| PRO/PRS | | |
| SEG/SEG-S | | |
| TOTAL State Revenues | \$4,000,000 | \$ |
| NET ANNUALIZED FISCAL IMPACT | | |
| | <u>State</u> | <u>Local</u> |
| NET CHANGE IN COSTS | \$8,000,000 | \$ |
| NET CHANGE IN REVENUE | \$4,000,000 | \$ |
| Agency/Prepared By DOA/ Kris Frederick (608) 261-2292 | | |
| Authorized Signature Debra G. Miller (608) 266-5877 | | Date 7/9/2015 |