



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #730

General Program Operations Reduction (State Fair Park)

[LFB 2009-11 Budget Summary: Page 587, #3]

CURRENT LAW

State Fair Park is a 200-acre property in West Allis and Milwaukee that hosts the annual Wisconsin State Fair from late July to early August. The Park is governed by the State Fair Park Board, a 13-member board consisting of gubernatorial appointees, state legislators and ex-officio members which are state agency heads. The grounds include agricultural barns and other buildings, as well as the Wisconsin Exposition Center, the Pettit National Ice Center, the Tommy G. Thompson Youth Center, the Milwaukee Mile and an RV park. In addition to the Wisconsin State Fair, the grounds annually host various activities including agricultural shows, commercial sale events and consumer product shows, NASCAR and Indy Car races, and Olympic speed skating trials.

The Park earns revenues from the various programs it hosts, the largest of which is the Wisconsin State Fair. For 2008-09, State Fair Park has expenditure authority of \$14,096,400 PR for operations; \$3,865,100 PR for debt service on Park facilities including the Milwaukee Mile grandstand and racetrack, and the Pettit Center; \$2,299,200 in GPR debt service for the Thompson Youth Center and agricultural facilities; and \$224,000 PR for other capital expenses. State Fair Park has 29.4 authorized positions and additionally will employ approximately 1,200 limited-term employees (LTEs) during the State Fair. The Park also contracts for a number of services such as State Fair parking, midway operations and admissions.

GOVERNOR

Reduce expenditure authority for general operations by \$1,097,500 PR in 2009-10 and by \$1,150,200 PR in 2010-11.

DISCUSSION POINTS

1. The reduction under the bill was included in the State Fair Park Board's request to the Governor and reflects lower anticipated expenditures due to renegotiated contracts and outsourced operations, including those relating to the dairy bakery and ticketing services on the fair midway. Total program revenue expenditure authority for operations and debt service under the bill would be \$16,901,000 in 2009-10 and \$16,973,300 in 2010-11. Approximately \$13 million annually would be for program operations, with \$3.6 million in 2009-10 and \$3.7 million in 2010-11 for debt service. State Fair Park's adjusted base expenditure authority from program revenue appropriations is \$18,243,700, of which \$14,154,600 is for operations, \$224,000 is for capital expenses and \$3,865,100 is for debt service.

2. Revenues for 2008-09 are currently estimated at \$15.7 million, which is lower than initially anticipated for this year due to approximately \$675,000 in lost revenues from a terminated license agreement for the Milwaukee Mile racetrack. This is discussed in greater detail below. Revenues for 2007-08 were \$16.2 million of which \$13.1 million was from the Wisconsin State Fair and \$3.1 million was from other events.

3. State Fair Park's program revenue budget consists of a sum-sufficient debt service appropriation and two continuing appropriations for operations and maintenance (capital expenses) of the park. Continuing appropriations allow State Fair Park to expend all the monies it receives, including amounts exceeding those in the state appropriations schedule, subject to approval by the Department of Administration (DOA). Thus, for all of State Fair Park's appropriations, amounts budgeted in the appropriations schedule represent the best estimates of actual expenditures.

4. State Fair Park had a deficit of \$7.7 million in its program revenue appropriations as of June 30, 2008. The overall deficit in these appropriations has improved from \$10.1 million at the close of 2005-06 to \$8.8 million at the close of 2006-07 and \$7.7 million at the close of 2007-08. State Fair Park officials project a year-end surplus of \$400,000 to \$500,000 for 2008-09, which, if realized, would lower the overall deficit to about \$7.2 to \$7.3 million.

5. Debt service related to the Milwaukee Mile is expected to constitute a significant part of State Fair Park's financial obligations in the 2009-11 biennium. In February, State Fair Park terminated a license agreement with promoter Milwaukee Mile Holdings, which organized and operated NASCAR, IndyCar and other racing events held at Milwaukee Mile on the eastern portion of the Park. Under the agreement, Milwaukee Mile Holdings would have paid \$1.0 million per year, except a portion would have been deferred each year until 2017. (State Fair Park would have received \$750,000 in 2008-09 under the license agreement.) State Fair Park reached a new agreement with Wisconsin Motorsports that will pay \$180,000 annually, or \$15,000 per month. Payments from Wisconsin Motorsports in the 2008-09 fiscal year will total \$75,000. The new license agreement includes provisions for profit sharing if Wisconsin Motorsports is profitable, but Park officials indicate profitability for the promoter is unlikely in the near future. In addition, total license fees are capped at \$300,000 in 2009, \$350,000 in 2010, \$400,000 in 2011 and \$450,000 in 2012. License fees from the promoter are intended to offset a portion of the annual debt service

payments of \$1.8 million for a new grandstand completed at the Milwaukee Mile in 2003.

6. State Fair Park debt obligations on the Pettit National Ice Center will be offset in 2009-11. The state sold the Pettit Center, which sits on the northwest corner of the Park, in January, 2007, for \$5.6 million to Pettit National Ice Center, Inc., a nonprofit corporation that operates the Center. The state placed the proceeds of the sale in the segregated bond security and redemption fund. The fund provided \$944,100 in 2008-09, and will provide \$868,100 in 2009-10 and \$867,900 in 2010-11 to cover State Fair Park's expected PR debt service obligations related to the Pettit Center. If the bond security and redemption fund is depleted before the bonds are retired, State Fair Park's program revenues would fund remaining debt service payments on the Pettit Center.

7. Park officials project revenues of \$15.1 million in 2009-10, which does not include debt service payments covered by the bond security and redemption fund. Estimated 2009-10 revenues are lower than 2008-09 due primarily to the new license agreement with Wisconsin Motorsports and due to lower anticipated revenues from the 2009 State Fair. Park officials estimate that attendance at this year's fair could decrease to approximately 775,000 due to economic conditions. This would be a decrease of 11% over last year's attendance of 872,500. (State Fair Park generally budgets for approximately 800,000 attendees.) The Park reports that revenue decreases in 2009-10 will be partially offset by a \$1 increase in admission prices for adults and youth at the 2009 State Fair. Fair officials also report that if revenues are significantly lower than anticipated, higher fees may be proposed prior to the 2010 State Fair, including higher fees for advance ticket sales. Higher advance ticket prices, which would still be discounted compared to gate admission prices, could result in increased revenue near the end of 2009-10, as they go on sale each year between April 1 and June 30. State Fair Park could also set higher gate admissions fees, higher parking fees and higher revenue-sharing rates with food and beverage vendors for the 2010 State Fair, although these measures would likely not increase revenue until fiscal year 2010-11.

8. The condition of the Park's program revenue appropriations is shown in Table 1. Revenues for 2009-10 are the amounts estimated by State Fair Park officials. Revenues for 2010-11 assume approximately a 4% increase in revenues over 2009-10. Revenues may be higher as economic conditions improve and State Fair attendance rebounds. Revenues may also increase if State Fair Park elects to set higher fees for the 2010 State Fair as discussed above. However, a significant increase in 2010-11 revenues is not certain, given current economic conditions and the recent decreasing trend of State Fair Park's annual revenues. Expenditure amounts shown in the table are those that would be authorized under the bill. Debt service totals for 2009-10 and 2010-11 are those estimated in AB 75, less amounts that will be paid by the bond security and redemption fund for debt service payments on the Pettit Center.

TABLE 1

State Fair Park Condition Statement

	2007-08 <u>(Actual)</u>	2008-09 <u>(Estimated)</u>	2009-10 <u>(Bill)</u>	2010-11 <u>(Bill)</u>
Opening Balance (July 1)	-\$8,826,400	-\$7,698,000	-\$7,246,000	-\$8,178,900
Revenue	\$16,198,800	\$15,700,000	\$15,100,000	\$15,700,000
Expenditures				
Operations	12,275,200	12,498,000	13,043,700	12,991,000
Debt Service	2,573,500	2,725,000	2,767,400	2,892,600
Capital Expenses	<u>221,700</u>	<u>25,000</u>	<u>221,800</u>	<u>221,800</u>
Total Expenditures	\$15,070,400	\$15,248,000	\$16,032,900	\$16,105,400
Annual Surplus (Deficit)	1,128,400	452,000	(932,900)	(405,400)
Closing Balance (June 30)	-\$7,698,000	-\$7,246,000	-\$8,178,900	-\$8,584,300

9. Revenues shown in the table would not be sufficient to cover expenditure authority proposed in the bill. As noted earlier, budgeted expenditure amounts do not necessarily indicate expenditures that are certain to occur. For example, actual Park operations expenditures for 2007-08 were lower than the budgeted amount of \$13,848,100, and estimated operations expenditures for 2008-09 would be lower than the budgeted amount of \$14,096,400. Park officials indicate 2009-11 expenditures would be reduced from budgeted levels as needed to remain within actual revenues.

10. However, the Committee may wish to consider lowering State Fair Park's expenditure authority from the levels proposed in the bill to reflect anticipated revenues in the 2009-11 biennium and to help ensure that State Fair Park continues lowering the program deficit. It is in the state's interest to continue decreasing the deficit, as this program revenue deficiency reduces the balance available in the state's general fund.

11. Table 2 shows revenues projected by State Fair Park officials for 2009-10. Revenues for 2010-11 reflect a 4% increase over 2009-10. Operations expenditures and debt service costs for 2009-10 reflect estimated expenditures presented to the State Fair Park Board, while operations expenditures for 2010-11 reflect a 4% increase. Debt service costs reflect estimated expenditures, not including funds that are to be provided by monies currently being held in the bond security and redemption fund related to Pettit Center debt retirement. As shown in Table 2, State Fair Park would have surpluses of approximately \$100,000 each year (Alternative 2). If actual revenues prove to be higher than currently projected in 2009-10 or 2010-11, the projected deficit could be reduced further, or the State Fair Park could seek additional expenditure authority for operations or capital expenses from DOA, as these appropriations are continuing and allow for expenditure of all monies received with the approval of DOA.

TABLE 2
Estimated State Fair Park Condition (Alternative 2)

	<u>2009-10</u>	<u>2010-11</u>
Opening Balance (July 1)	-\$7,246,000	-\$7,138,000
Revenue	\$15,100,000	\$15,700,000
Expenditures		
Operations	12,025,000	12,507,000
Debt Service	2,767,000	2,893,000
Capital Expenses	<u>200,000</u>	<u>200,000</u>
Total Expenditures	\$14,992,000	\$15,600,000
Annual Surplus	108,000	100,000
Closing Balance (June 30)	-\$7,138,000	-\$7,038,000

ALTERNATIVES

1. Adopt the Governor’s recommended expenditure reductions of \$1,097,500 in 2009-10 and \$1,150,200 in 2010-11.

2. Adopt the Governor's recommendation. In addition, delete: (a) \$1,040,500 in 2009-10 (\$1,018,700 from operations and \$21,800 from capital expenses); and (b) \$505,800 in 2010-11 (\$484,000 from operations and \$21,800 from capital expenses) to bring budgeted expenditures in line with anticipated revenues.

ALT 2	Change to Bill
	Funding
PR	- \$1,546,300

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