

FISCAL ESTIMATE FORM

1999 Session

- ORIGINAL UPDATED
 CORRECTED SUPPLEMENTAL

LRB # 99-4487/1

INTRODUCTION # SB 384

Admin. Rule #

Subject:

Creating a Local Professional Football Stadium District

Fiscal Effect

State: No State Fiscal Effect

Check columns below only if bill makes a direct appropriation or affects a sum sufficient appropriation

- Increase Existing Appropriation Increase Existing Revenues
 Decrease Existing Appropriation Decrease Existing Revenues
 Create New Appropriation

- Increase Costs - May be Possible to Absorb
 Within Agency's Budget Yes No
 Decrease Costs

Local: No Local Government Costs

1. Increase Costs
 Permissive Mandatory
 2. Decrease Costs
 Permissive Mandatory

3. Increase Revenues
 Permissive Mandatory
 4. Decrease Revenues
 Permissive Mandatory

5. Types of Local Governmental Units Affected:
 Towns Villages Cities
 Counties Others Football Stadium District
 School Districts WTCS Districts

Fund Sources Affected

- GPR FED PRO PRS SEG SEG-S

Affected Ch. 20 Appropriations

20.566 (1)(ge)

Assumptions Used in Arriving at Fiscal Estimate:

This bill creates a local professional football stadium district in Brown County and empowers the district to construct, maintain, manage and acquire a football stadium and its facilities, to issue bonds, and to impose a sales tax and a use tax to finance the stadium and facilities. The district is also given authority to enter into partnerships, joint ventures, common ownership or other arrangements. Finally, the bill provides that the income of the district would be exempt from state tax, creates an exemption from interest on bonds issued by the district and creates a state sales and use tax exemption for charges for parking at the stadium.

Sales and Use Tax Imposed by District

Under the bill, a stadium district may adopt a resolution to impose a sales tax and a use tax at a rate of no more than 0.5% on the sale or use of tangible personal property or services in the district, subject to approval in a referendum. This bill does not impose the tax, but gives the stadium district authority to impose the tax. The Department estimates that a 0.5% sales and use tax imposed in Brown County would generate approximately \$15.5 million annually.

Income Tax Exemptions for District

The exemption from income and franchise taxation of the stadium district's income would have no fiscal effect since the bill defines the district as a local government unit, whose income would be exempt under existing law.

(continued on page two)

Long-Range Fiscal Implications:

| | | |
|---|---|--------|
| Agency/Prepared by: (Name & Phone No.) | Authorized Signature/Telephone No. | Date |
| Wisconsin Department of Revenue John Stott, (608) 266-9706 Jacek J. Cianciara, (608) 266-8133 | Yeang-Eng Braun <i>Yeang-Eng Braun</i> (608) 266-2700 | 3/1/00 |

Exemption for Interest on Bonds Issued by the District

Bonds issued by the district would be exempt from Wisconsin income tax. The revenue effect would depend on the size of the bond offering, the interest rate on the bonds, the amounts of bonds held by individuals subject to Wisconsin tax and the tax rates imposed on these bond holders (rates on individuals range from 4.6% to 6.75% beginning in tax year 2001). Assuming an issue of \$160 million, an annual interest rate of 6.25% and an average marginal tax rate of 6.5%, the first year revenue loss if all bonds were issued and held by individuals subject to Wisconsin income tax would be about \$650,000 ($\$160 \text{ million} \times .0625 \times 0.065$). With an issue totaling \$160 million, a 6.25% interest rate and a 30-year repayment period, the total revenue loss over the repayment period would be about \$12.7 million, assuming that the bonds are maturing as serial bonds.

Sales and Use Tax Exemption for Stadium Parking and Rights to Purchase Tickets

This bill would create a sales and use tax exemption for parking at football stadium district parking facilities during professional football games. Currently, the football stadium parking facilities accommodate 5,525 vehicles at a cost of \$15 each during game days. Assuming an average of 11 pre-season and regular home games, the total parking revenue is an estimated \$912,000 ($5,525 \times 11 \times \15) annually. Therefore, the sales tax revenue loss would be \$45,600 annually ($\$912,000 \times .05$).

The bill would also exempt the sale, by the football stadium, of rights to purchase football season tickets. Currently, such a fee is not charged, and the stadium has not yet established a one-time right-to-purchase fee. Therefore, the potential fiscal effect of exempting the right-to-purchase fee cannot be determined.

Administrative Costs and Program Revenues

Assuming the district enacts the tax, the Department of Revenue (DOR) would incur ongoing expenses of \$201,400 and 2.5 FTE's to administer the tax on behalf of the district. There would also be one-time development costs of \$324,500. The bill would allow DOR to retain 1.5% of the taxes collected on behalf of the district to cover its administrative expenses. Assuming revenues of \$15.5 million, these revenues to the state would be \$232,500.

YEB 3/1/00

FISCAL ESTIMATE WORKSHEET

Detailed Estimate of Annual Fiscal Effect

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I. One-Time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):

One-time development costs of \$325,400

| II. Annualized Costs: | Annualized Fiscal impact on State funds from: | |
|---|---|----------------------|
| A. State Costs by Category | Increased Costs | Decreased Costs |
| State Operations - Salaries and Fringe (FTE Position Changes) | \$ 104,900 (2.5 FTE) | \$ - (- FTE) |
| State Operations-Other Costs | 96,500 | - |
| Local Assistance | | - |
| Aids to Individuals or Organizations | | - |
| TOTAL State Costs by Category | \$ 201,400 | \$ - |
| B. State Costs by Source of Funds | Increased Costs | Decreased Costs |
| GPR | \$ 201,400 | \$ - |
| 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 | \$ | \$ - See Text |
| GPR Earned | | - |
| FED | | - |
| PRO/PRS | 232,500 | - |
| SEG/SEG-S | | - |
| TOTAL State Revenues | \$ 232,500 | \$ - See Text |

NET ANNUALIZED FISCAL IMPACT

| | <u>STATE</u> | <u>LOCAL</u> |
|------------------------|--------------|--------------|
| NET CHANGE IN COSTS | \$ 201,400 | \$ |
| NET CHANGE IN REVENUES | \$ See Text | \$ |

| | | |
|--|--|-----------------------|
| Agency/Prepared by: (Name & Phone No.) Wisconsin Department of Revenue John Stott, (608) 266-9706 Jacek J. Cianciara, (608) 266-8133 | Authorized Signature/Telephone No. Yeang-Eng Braun (608) 266-2700  | Date 3/1/00 |
|--|--|-----------------------|