

Fiscal Estimate Narratives

DOR 3/27/2015

LRB Number	15-0260/2	Introduction Number	AB-0093	Estimate Type	Original
Description Bonding, spending, and taxation authority and auditing of local professional baseball park districts					

Assumptions Used in Arriving at Fiscal Estimate

The Southeast Wisconsin Professional Baseball Park District began imposing a 0.1% sales tax in Milwaukee, Ozaukee, Racine, Washington and Waukesha Counties on January 1, 1996. Proceeds from this tax finance Miller Park, the Milwaukee Brewers' home field. The Department of Revenue (DOR) collects and administers the baseball district sales and use tax. DOR distributes 98.5% of tax collections to the district and retains 1.5% of collections for administrative expenses. The district has the authority to issue bonds for stadium construction and other expenditures.

Under current law, the tax sunsets upon retirement of the bonds issued to finance the ballpark and the funding of a maintenance and capital improvement fund for the ballpark. Once this occurs, the district board certifies to the Department of Revenue that the district has retired all bonds and sufficiently funded a fund for any maintenance or capital improvement. DOR stops collecting the tax the first day of a calendar quarter at least 120 days after the notification from the district.

This bill makes several changes to current law. First, it alters the procedure for terminating the sales and use tax by the district. Once the Legislative Fiscal Bureau determines that 1) the bonds of the district have been retired; and 2) a sufficient fund for routine maintenance has been funded, the LFB will make a certification to the department of revenue to that effect. The department anticipates that LFB's determination will be no different from that of the district. This provision has no fiscal effect.

Under current law, the district must have its financial statements audited by an independent certified public accountant. The bill requires that the district submit the audit report to the legislature. This provision has no fiscal effect.

The bill requires the district to spend 75% of its revenue paying off debt. As noted in the district's most recent financial statements, sales tax revenue makes up 94% of the district's revenue and is used to repay the bonds. In 2013, sales tax revenue far exceeded the current required debt service payments. The district placed the excess funds in escrow for bond redemption. In 2013, the district effectively expended more than 75% of its revenue to retire bonds. This provision has no fiscal effect.

The district may refinance its bonds, but not increase the amount of debt or negotiate a longer term for repayment. Finally, any project that would cost over \$500,000 would need approval from the State Building Commission. DOR does not possess relevant data to comment on the impact of the stipulation. The Department of Administration is better suited to estimate the impact of this provision.

In calendar year 2014, the stadium district sales and use tax generated \$28.5 million. Since 1996, the baseball district sales tax has generated \$447.2 million.

A report by Public Financial Management estimates the sales and use tax revenue for 2015 to be \$28.7 million. Assuming average sales and use tax growth of 3.1% and average return on investments of 3.8% the sales tax should end in 2019. The bill may limit extensions to the life of the district sales tax to the extent the provisions reduce any additional future expenditures.

Long-Range Fiscal Implications