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March 24, 2015

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Sports and Entertainment District and Arena

This memorandum is in response to several questions asked of our office relating to the proposed Sports and Entertainment District (District) that would be created under Assembly Bill 21 (AB 21)/Senate Bill 21 (SB 21), the Governor's 2015-17 biennial budget recommendations.

What would be the State's commitment related to the construction of an arena facility in Milwaukee?

AB 21/SB 21 would authorize the Department of Administration (DOA) to issue $220,000,000 in GPR-supported, state appropriation bonds to make a grant to assist a sports and entertainment district in the construction of sports and entertainment facilities used principally for professional basketball, including the acquisition or lease of property. The bills would also provide a net amount of $2,800,000 GPR in 2016-17 from a newly-created, annual debt service appropriation to reflect an estimate of the initial debt service payment on the bonds.

What are appropriation bonds?

Appropriation bonds are not considered public debt of the state and thus are not subject to the state's constitutional debt limit or any limitations relating to the issuance of public debt. The state's annual disclosure document relating to its various types of bond issues also indicates that the payment of principal, and premiums, if any, and interest on the bonds are subject to annual appropriation. That is, payments due in a state fiscal year are made only to the extent that sufficient amounts are appropriated by the Legislature. The state would not be legally obligated to appropriate the amounts for payment of debt service on the bonds, and if it does not do so, it would incur no liability to the owners of the bonds. The payment of the bonds would be at the discretion of the Legislature.

However, under current law, recognizing its moral obligation to do so, the Legislature expresses its expectation and aspiration that it shall make timely appropriations from moneys in the general fund that are sufficient to pay the principal and interest due with respect to any appropriation obligations in any year. This moral obligation pledge would apply to the $220,000,000 in appropriation bonds that would be authorized to assist a sports and entertainment district. The state has issued appropriation bonds in the past to refinance the state's pension and accumulated sick leave conversion liabilities and to repurchase the state's tobacco settlement revenues, which had earlier been securitized to a third party issuer.

While the appropriation bond transaction has not yet been structured, DOA indicates that it would likely include components similar to existing appropriation obligation bond issues and the debt service funding in the bills reflects those components. As a result, the net debt service amount is associated with the legal agreements that govern the appropriation bonds, which could require that the annual debt service appropriation for repayment of the bonds equal the maximum possible payment that could be made in each year or the succeeding year. Because there could be principal and interest payments scheduled in 2017-18, the GPR appropriation in 2016-17 ($25,234,500) would be set at a higher level than expected debt service in that year ($2,800,000). Therefore, an estimated $22,434,500 of the appropriated funds would not actually be expended in 2016-17 and would lapse (revert) to the general fund.

Are there any new taxes included in the proposal, such as the so-called "jock taxes"?

No, the proposal would not create a new tax. The "jock tax" refers to the state individual income taxes paid by professional athletes who perform in Wisconsin under current law. Nonresident professional athletes pay taxes on a portion of their compensation for services rendered to the team, based on the share of the individual's "duty days" in Wisconsin relative to his or her total duty days. However, Wisconsin does not tax the wages of individuals who are residents of states with which Wisconsin has an income tax reciprocity agreement (Illinois, Indiana, Kentucky, and Michigan). The state also taxes income earned in Wisconsin by professional entertainers who perform in this state. All income taxes are deposited into the state general fund. None of these provisions would be affected by the budget bill. There would be no specific set-aside of either existing or future taxes from the Milwaukee Bucks or other National Basketball Association (NBA) teams for any purpose.

How are the taxes on NBA personnel related to the proposed $220 million financing?

Under AB 21/SB 21, the state would issue $220 million in appropriation bonds to fund a grant to the District for the construction of an arena facility in Milwaukee. The bonds would be repaid from an annual, GPR appropriation created under the bills. The Governor's, and the Department of Administration (DOA) Secretary's, public comments indicate that the $220 million would effectively be repaid from the growth in state personal income taxes associated with projected annual increases in incomes of the players and other personnel of the Milwaukee Bucks organization and of visiting NBA franchises playing at the proposed facility.

The bills would not statutorily tie any income tax revenue to the repayment of the $220 million in bonds. These income tax revenues would be deposited to the state's general fund. However, as described by the administration, these annual tax amounts would notionally be used to cover the GPR debt service due on the $220 million in bonds. Regardless, interest and principal on the bonds would have to be paid from the general fund no matter what amount of income taxes are collected from NBA players and other employees.

What is the administration's policy reasoning behind the proposed financing method?

The income tax revenues associated with any growth in NBA-related personnel incomes would be deposited to the general fund. The administration argues that those personnel would no longer be earning income in the state if an arena facility is not constructed. They add that if a new arena is not constructed, the NBA has indicated that it would possibly buy back the franchise and possibly look for another host city. Further, the officials note that the amortization schedule on the bonds would be structured so that just the income taxes on the expected growth in incomes of NBA-related personnel in 2014 and beyond would be used to repay the bonds. Conversely, they note that an estimated $6.5 million in existing income tax revenues associated with NBA-related incomes in 2013 would not be used in determining the bond repayment structure and would remain available to the general fund.

The rationale advanced by the administration is similar to the arguments used at the local government level in support of using tax incremental financing to pay for infrastructure improvements to support private development. Some have raised a concern that the proposed financing may set a precedent at the state level in that other businesses wishing to improve their facilities or operations may ask the state to subsidize their infrastructure needs using the income tax revenues from their employees to pay for cost of those improvements in exchange for them either retaining or expanding their operations in the state.

What is the potential state fiscal effect of the proposal?

The fiscal effect of the Governor's recommendation primarily involves the repayment of principal and interest on the proposed $220 million in bonds. However, because AB 21/SB 21 would provide the District the authority to operate and maintain the new arena facility, some concern exists that there could be a future fiscal impact to the state associated with ongoing maintenance and operation of the arena facility (see the later discussion on the operation and maintenance of the arena facility). Finally, income and sales tax exemptions would be extended to the District, and the proposed arena facility, which could impact state revenues.

The fiscal effect to the state associated with the repayment of $220 million in appropriation bonds could vary considerably depending on how the repayment of those bonds is structured and the interest rates on the bonds. DOA has indicated that they have not finalized a repayment structure. Market conditions at the time of the issue could impact any final decisions on how the debt would be issued, structured, and retired. DOA Capital Finance indicated the following relative to a possible bond issue: (a) the final transaction would be structured so that annual debt service on the bonds would mirror the state income taxes associated the projected growth in the incomes of NBA-related personnel; and (b) the final transaction could include a small portion of the principal being a short-term, variable rate debt, which could slightly lower interest costs on the bonds.

The Department of Revenue (DOR) has completed a projection of NBA-related personnel salaries over the proposed 30-year period of the arena financing, as well as the growth in state income tax revenues associated with those personnel over that period, assuming current tax rates would remain in place. Attachment 1 provides an illustration of what a potential appropriation bond repayment structure could look like if the $220 million in bond principal were to be repaid in a way that the annual debt service equals the growth in income tax revenues from NBA-related salaries projected by DOR. The repayment structure outlined in Attachment 1 assumes the principal borrowed would be amortized over a 30-year period. The schedule also assumes the bonds could be issued on a federally tax-exempt basis, at a rate of 4.0%.

The first column in Attachment 1 indicates DOR's projections of the additional state income tax associated with the projected growth in the incomes of NBA-related personnel (these amounts are revenues above the currently-estimated $6.5 million annually from such personnel). The middle columns indicate the annual principal and interest to be repaid on the bonds, as well as the outstanding principal balance at the end of each year. The last column indicates projected revenues from the first column less the annual GPR debt service on the bonds. As shown, DOR's projected revenues would equal the debt service due on the bond through 2045-46. However, once the $220 million in appropriation bonds are issued and the amortization schedule on the bond issue is established, if the actual income tax revenues are less than the scheduled debt service, other general fund revenues would have to make up the difference. Further, any legislation that would reduce the state's personal income tax rates would also result in less income tax revenue from the growth in NBA-related salaries. This would also result in other general fund revenues being needed to make the annual debt service payments on the bonds.

As indicated in the bonding scenario outlined in Attachment 1, the income tax revenues associated with the projected growth in the incomes of NBA-related personnel would not be sufficient to begin to pay principal on the bonds until 2028-29. As a result, the terms of the bonds would have to allow for what is termed a negative amortization schedule, which results from deferred interest on the bonds. That is, the bond indentures would have to include a repayment structure that would allow for scheduled payments to be made that are less than the interest due on the outstanding principal on the bonds. This unpaid interest is referred to as deferred interest and is added to the outstanding principal balance of the bonds each year.

The bonding scenario outlined in Attachment 1 demonstrates that, due to the negative amortization associated with the deferred interest, the total interest costs associated with financing the $220 million would be $268.4 million, including $53.1 million in deferred interest. As a result, under this scenario, the total fiscal effect to the state associated with financing a $220 million grant would be an estimated $488.4 million. The administration's policy decision to structure the proposed bond issue so that the amount of debt service due each year on the bonds would be notionally tied to, or mirror, the additional income taxes results in an amortization schedule that cannot meet the interest due on the bonds in the early years of the transaction and back-end loads the repayment of principal to the later years of the transaction. This results in the bonding transaction having higher overall costs than if the amortization schedule had more uniform annual debt service payments.

Could the appropriation bond transaction be structured differently?

Issuing bonds with an amortization schedule that would cover the annual interest due on the bonds and retire more principal earlier in the transaction rather than leaving large amounts of outstanding principal at the back end of the transaction would reduce the overall cost of the transaction. Attachment 2 to this memorandum provides an illustration of how the repayment of the $220 million in appropriation bonds with a 30-year term could look if the state repaid the bonds using a flat amortization schedule for the repayment of the principal.

Assuming the same 4.0% interest rate used in the bonding scenario outlined in Attachment 1, the annual debt service on $220 million in bonds outlined in Attachment 2 would be $12.7 million. The total repayment cost on $220 million in bonds under this scenario would be $381.7 million, including $161.7 million in interest. The total costs of borrowing under this transaction would be $106.7 million lower than the costs of the bonding transaction outlined in Attachment 1.

However, as indicated in Attachment 2, this transaction would result in the annual GPR debt service costs on the appropriation bonds exceeding the projected, additional income tax revenues associated with NBA-related personnel incomes each year through 2029-30. Therefore, general fund tax revenues, other than those associated with the projected growth in the incomes of NBA-related personnel would be needed for the debt service on the bonds for the first 14 years of the transaction, after which the projected income taxes on NBA-related personnel would begin to exceed the annual debt service on the bonds, resulting in a net increase if available general fund revenues in those years.

Attachment 3 to this memorandum provides an illustration of how the repayment of the $220 million in appropriation bonds with a 20-year term could look if the state repaid the bonds using a flat amortization schedule for the repayment of the principal. Assuming the same 4.0% interest rate used in the bonding scenarios outlined in the other two attachments, the annual debt service on $220 million in bonds outlined in Attachment 3 would be $16.2 million. The total repayment cost on $220 million in bonds under this scenario would be $323.8 million, including $103.8 million in interest. The total costs of borrowing under this transaction would be $164.6 million lower than the costs of the bonding transaction outlined in Attachment 1 and $57.9 million lower than the 30-year, flat repayment structure outline in Attachment 2.

Similar to the 30-year, flat repayment structure outlined in Attachment 2, a 20-year, flat repayment amortization schedule would result in the annual GPR debt service costs on the appropriation bonds exceeding the projected, additional income tax revenues associated with NBA-related personnel incomes for several years. As indicated in Attachment 3, this would occur through 2033-34. Therefore, general fund tax revenues, other than those associated with the projected growth in the incomes of NBA-related personnel would be needed for the debt service on the bonds for the first 18 years of the transaction, after which the projected income taxes on NBA-related personnel would begin to exceed the annual debt service on the bonds, resulting in a net increase in available general fund revenues in those years.

Can the $220 million in bonds be issued on a federally tax-exempt basis?

According to the U.S. Department of Treasury, for federal income tax purposes, gross income does not include interest on state and local tax-exempt bonds if the bonds meet certain eligibility requirements. Because the interest income to the bondholder is exempt from federal income taxes, bondholders are willing to accept a lower interest rate on the bonds that generally reflects the value of the interest on the bonds being exempt from federal taxation.

State and local bonds are classified as either governmental bonds or private activity bonds. A bond is considered a private activity bond if both of the following are true: (a) more than 10% of the bond proceeds are used for private business use (private use test); and (b) the debt service on more than 10% of the bond proceeds is payable or secured from payments derived from private business use (private payments test). If either one of these does not apply, then tax-exempt government bonds can be used to finance a stadium facility. Therefore, even if a stadium facility does not meet the less than 10% private use test, it can be financed with federally tax-exempt bonds if it meets the private payments test. Given the funding makeup for the proposed arena facility and how the debt service on the $220 million bond issue would be repaid, it is likely that the bonds would meet the private payments test and could be issued as federally tax-exempt bonds.

Under the President of the United States' 2016 budget proposal, the private payments test would be eliminated. As a result, bonds issued to finance professional sports facilities would be taxable, private activity bonds if more than 10% of the facility is used for private business use. Removing the private payments test would eliminate the issuance of tax-exempt, governmental bonds for sports facilities with significant private business use by professional sports teams. The President's proposal would be effective for bonds issued after December 31, 2015. If passed, and if the $220 million in bonds for the proposed arena facility were issued after 2015, the bonds would likely have to be issued as federally taxable bonds, which would increase their interest costs.

Has the arena facility been designed and what will the facility cost?

To date, the exact location, size, total cost, and design of the arena facility have not been determined. Because the facility has not been designed and the site location and costs specific to the site have yet to be determined, the final cost of the construction of the arena facility is unknown. However, the Governor's recommendations indicate that prior to the state issuing appropriation obligations to fund the state's $220 million grant, the District would have to secure additional funding for the project in an amount at least equal to $300 million.

The administration indicates that the state's $220 million contribution amount is based on a $175 million contribution to the construction of the arena facility, $25 million for transportation and other infrastructure improvements at, or near, the arena, and $20 million for the Bradley Center Sports and Entertainment Corporation. In addition, the Governor's 2015-17 capital budget recommendations to the Building Commission would provide $6 million in bonding for maintenance and repair projects at the Bradley Center.

Will the District be responsible for constructing, or contracting for the construction of, the arena facility?

It is not known at this time which entity would be responsible for the construction of the arena facility. The bills would provide the District the authority to construct, equip, and improve the sports and entertainment facilities. The administration indicates that the decision as to which entity would construct the arena facility, or contract for its construction, has yet to be made. They indicate that this determination will be part of the contract negotiation process between the District and other parties, but that the District will play a collaborative role with other parties as to which companies are awarded contracts related to the arena.

What happens if a new arena facility is not built?

Reportedly, the NBA has indicated that the Milwaukee Bucks need a new arena facility in place before the 2017-18 season (the Bucks' current lease with the Bradley Center runs through September 30, 2017), or the NBA would buy back the franchise from the new owners. However, the administration and the Milwaukee Bucks franchise were unable to provide any document that indicates this NBA directive. The Milwaukee Bucks have indicated that a clause similar to this reported NBA directive is included in the private sale contract between the previous Milwaukee Bucks franchise owner and the current owners. However, the team has not provided any documents to support this assertion.

The Bradley Center Sports and Entertainment Corporation has indicated that the Bradley Center is in need of $100 million in improvements over the next 10 years. DOA has indicated that these $100 million in repairs are needed just to sustain the facility, rather than this being an amount needed to improve the facility to current NBA standards. A Corporation Board member has indicated that funding for these repairs is going to be a public obligation. Under the Governor's arena financing proposal, and 2015-17 capital budget recommendations, the state would be committing an additional $26 million to the Corporation and its facility.

Who would maintain and operate the arena facility?

In testimony before the Joint Finance Committee on his agency's budget, the DOA Secretary indicated that the District would be responsible for operating and maintaining the facility. AB 21/SB 21 specify that the District would have the authority to acquire, construct, equip, maintain, improve, operate, and manage its sports and entertainment facilities, as a revenue generating enterprise, or engage others to do these things.

The bills would require the District board to maintain a special fund into which it deposits the $220 million it would receive in the form of a grant from the state. The moneys in the fund could only be expended for the construction of sports and entertainment facilities, including the acquisition or lease of property. The District could not expend any money from this fund for the purpose of operating or maintaining any sports and entertainment facilities, including a basketball arena. DOA indicates that they do not anticipate the state contributing to ongoing maintenance, operating costs, or capital improvements of the new arena.

What revenues would the District have available to properly maintain and operate the arena facility and would those revenues be sufficient?

AB 21/ SB 21 would specify that the District would not have the authority to levy a tax or to issue debt related to the facility. However, the administration indicates that, similar to the Bradley Center Sports and Entertainment Corporation, the District created under the bills would have a variety of revenue streams in the absence of taxing authority and will manage its costs and income in a manner to sufficiently support the District.

The districts established for the construction of Miller Park in Milwaukee and for the redevelopment of Lambeau Field in Green Bay have authority to collect fees and other charges related to their facilities. The Sports and Entertainment District created under the bills would not have specific authority to do this. DOA indicates that it is their determination that establishing the District as a revenue-generating enterprise would be sufficient authority for the District to generate sufficient revenues for the District.

Administration officials point to the Bradley Center Sports and Entertainment Corporation financial reports as an indication of how the District could manage its arena facility. However, in recent years, the state has provided $10 million in GPR-supported bonding for capital maintenance and other capital needs associated with the Bradley Center facility (see below for more discussion of the state's support of this facility). Further, the Bradley Center Sports and Entertainment Corporation has documented $100 million in needed maintenance and improvements over the next 10 years that would need to be funded for the facility to remain functional.

While their stadium facilities are larger facilities than the proposed arena facility, the stadium districts created for construction of Miller Park and the redevelopment of Lambeau Field can provide some example of the annual costs associated with operating and maintaining a professional sports facility.

A local professional football stadium district for the construction and maintenance of a renovated football stadium for the Green Bay Packers was created by 1999 Wisconsin Act 167. By local referendum, the District was provided the authority to impose 0.5% sales and use taxes. The District was required by statute to pay a specified amount ($3.4 million in third year following renovation of the stadium, inflated each year) to pay the maintenance and operating costs of the football stadium facilities. The District projects that over the 30-year life of the stadium facility, the total District contribution to the operation and maintenance of the facility will be $142.3 million, including: (a) District sales and use taxes totaling $106.7 million; (b) interest earnings totaling $21.1 million; and (c) other revenue (ticket tax, license plates, and sale of bricks) totaling $14.5 million.

A local professional baseball park district for the construction and operation of a new baseball stadium for the Milwaukee Brewers was created by 1995 Wisconsin Act 56. The District has the authority to impose 0.1% sales and use taxes within its five-county jurisdiction. As part of their lease agreement with the Milwaukee Brewers, the District provides funds for the annual maintenance and operation of the Miller Park facility. The District has other revenue sources including rent, specialized license plate sales, and fund investment earnings. However, District officials estimate that nearly 93% of the District’s revenues are derived from the 0.1% sales and use taxes. For the 30-year life of the Miller Park stadium facility, the District estimates that a total of $104.6 million from the sales and use tax revenues will be used to fund annual maintenance and repair costs ($57.0 million) and major capital repairs and improvement costs ($47.6 million).

Will the lease agreement with the Milwaukee Bucks require the team to cover any of the annual costs of operating and maintaining the new arena as an NBA facility?

The District would have authority to lease, as lessor or lessee, any property of the District. Lease revenues with the Milwaukee Bucks and other tenants would likely be available to assist in the operation and maintenance of the facility. The bills specify that the lease with the Bucks must include a provision stating that if the team breaks or otherwise fails to fulfill its obligations under the lease, the Bucks would have to pay the state an amount sufficient to retire the state's bonds. While the actual lease arrangements will not likely be finalized until the arena facility is constructed, DOA indicates a shared interest exists among numerous parties for the Bucks team to be successfully located in Milwaukee and for the arena to be operated in a financially sound manner.

DOA further indicates that the Governor's proposal is a framework for the state's contribution to the arena and further details will be established by collaborative discussions among the District, the Legislature, the Milwaukee Bucks, the City of Milwaukee, Milwaukee County, the Governor, and other stakeholders regarding how the District's facilities will be operated and maintained. However, while the Governor would have nine appointees to the proposed District board, and the Mayor of Milwaukee and the County Executive of Milwaukee County could each have one appointee to the board, the Legislature's only statutory role would be the Senate approval of the Governor's board appointees.

Does the state creating the District in statute leave the state open to any future obligation toward maintaining or improving the new arena facility?

Like the districts created in statute for the construction and management of Miller Park and redevelopment of Lambeau Field, the state also created the current Bradley Center Sports and Entertainment Corporation for the purposes of receiving the Bradley Center from the nonprofit Bradley Center Corporation. However, unlike the districts created for Miller Park and Lambeau Field, the Bradley Center Sports and Entertainment Corporation was not provided any authority to levy a tax to fund the ongoing maintenance and capital improvements needed at the facility.

In recent years, the state has provided $10 million in capital improvements, and some contend that the state may have some responsibility toward the estimated $100 million in capital maintenance improvements needed at the facility. Under the arena financing proposal and the Governor's 2015-17 capital budget recommendations, the state would be committing an additional $26 million for improvements to the facility.

The Governor, with the approval of the Senate, would have nine appointees to the proposed District board with the Mayor of Milwaukee and the County Executive of Milwaukee County possibly having one appointee each if they commit funding to the project. Given the state's $220 million commitment to the construction of the facility, having state appointees on the District board would give the state oversight over how these funds are used. However, having an overwhelming majority of those appointees, and perhaps all the District board appointees, could lead some to argue that the state should have a larger role in the future of the facility than is currently anticipated.

AB 21/SB 21 would create a district with no taxing or borrowing authority, which is more similar to the authority provided the Bradley Center Sports and Entertainment Corporation than to the other professional sports stadium districts created by the Legislature. Therefore, similar to how the state has shown some responsibility for improvements of the Bradley Center facility, it is possible that over the life of the arena facility, the state may be asked to assist in some manner with the capital maintenance and improvements at the proposed arena facility, although as noted above, the administration does not anticipate that this would be the case.

What will happen to the existing Bradley Center facility?

Given that the new arena facility location has yet to be determined, it is possible that the Bradley Center could remain in existence if its location is not needed for the new facility. The bills would allow the Bradley Center Sports and Entertainment Corporation, a statutorily-created instrumentality of the state, to sell, exchange, or otherwise divest itself of the Bradley Center, to the District created under the bills.

Under AB 21/SB 21, the District could also potentially be responsible for managing, operating, and maintaining the new arena facility, as well as the existing Bradley Center, if the Bradley Center remains in existence. The bills would provide that the District would have the authority to acquire, lease, or accept transfers of property, and assume the debt payments and outstanding obligations for the property acquired or accepted. Therefore, it appears that the District could take over and operate the Bradley Center facility. However, the District would not be required to do this. The Bradley Center Sports and Entertainment Corporation's 2014 annual report indicates that the Corporation had $17.8 million in long-term liabilities as of June 30, 2014. It is uncertain how the newly-created District would be able to fund the outstanding obligations associated with the Bradley Center facility and the $100 million in needed repairs to the Bradley Center facility if the facility remains in existence.

How does the proposed $220 million contribution to a professional basketball arena facility in Milwaukee compare to state contributions to other professional sports facilities in the state?

<u>Miller Park</u>. 1995 Wisconsin Act 56 created a local professional baseball park district under Chapter 229 of the statutes for the construction and operation of a new baseball stadium for the Milwaukee Brewers. The District is made up of five counties: Milwaukee, Ozaukee, Racine, Washington, and Waukesha. State transportation funding was provided for specific infrastructure costs related to the project. Those funds, all from the Department of Transportation, are shown in the following table. In addition to the amounts shown in the table, $9.1 million of federal transportation funds were used for the freeway relocation project.

Miller Park Construction
State Transportation Funds
($ in Millions)

Freeway relocation	$14.6
Preliminary engineering/environmental impact statement	2.8
Aid to the stadium district	12.0
Total	$29.4

Lambeau Field. 1999 Wisconsin Act 167 created a local professional football stadium district, under Chapter 229 of the statutes, for the redevelopment of Lambeau Field. In addition, 2001 Wisconsin Act 16 (the 2001-03 biennial budget) provided a $9.1 million state grant from the transportation fund for the development, construction, reconstruction, or improvement of parking lots, garages, transportation facilities, or other functionally-related or auxiliary facilities or structures on the site of the existing parking lot facility of the stadium.

Bradley Center. 1985 Act 26 created the Bradley Center Sports and Entertainment Corporation to receive the Bradley Center facility from the Bradley Center Corporation. The Act also required the Bradley Center Sports and Entertainment Corporation to own and operate the facility for the benefit of the citizens of this state, and to adequately provide for the long-term maintenance of the facility.

The state does not provide ongoing funding to the Bradley Center. However, in the past the state has provided $10 million in grants to assist with renovations and improvements at the facility. Under 2009 Act 28, the Building Commission was authorized to provide a $5.0 million grant funded with general fund-supported bonding proceeds to aid the costs of capital maintenance and repair of the facility. The project and funding was specifically enumerated as part of the 2009-11 state building program. Subsequently, under 2011 Act 28, the DOA Secretary provided an additional $5.0 million grant that was also funded with general fund-supported bonding proceeds. This grant was made by the DOA Secretary using the authority provided under Act 28 that allowed the Secretary to disburse, without Building Commission approval, up to $5.0 million of bonding to fund needed facility maintenance projects in the 2011-13 biennium. The bonding for these projects was issued over 10-year and 20-year terms.

Under AB 21/SB 21, the debt service associated with bonds issued to assist the Bradley Center is estimated at $839,300 GPR in 2015-16 and $904,700 GPR in 2016-17, and, according to DOA, estimated debt service on the bonds would be $954,300 GPR annually through 2020-21. When the 10-year bond issue is retired, the annual GPR debt service on the bonds would decline considerably. However, the state would continue to incur GPR debt service costs until the 20-year bond principal is retired. The total, estimated 20-year cost to repay the $10 million in bonding is $13.75 million, which includes $3.75 million in interest costs.

How does the amount of District tax revenue for the construction, operation, and maintenance of the proposed arena facility compare to the stadium district taxes used to fund those same activities at Miller Park and Lambeau Field?

The bills would not provide for any local taxes to be imposed by the District to finance the construction, operation, or maintenance of the proposed arena facility. Conversely, a significant amount of local taxes has been used to fund those same activities at Miller Park and Lambeau Field. For Miller Park, the stadium district board was provided the authority to impose 0.1% sales and use taxes in the five-county area. For Lambeau Field, Brown County voters approved a countywide referendum authorizing their stadium district to impose 0.5% sales and use taxes. To date, $447.2 million in local sales and use tax revenues have been distributed to the professional baseball stadium district for Miller Park and $288.1 million in local sales and use tax revenues have been distributed to the professional football stadium district for Lambeau Field.

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Attachments

ATTACHMENT 1

Illustration of a Potential Repayment Structure That Mirrors Projected Additional Tax Revenues (In Millions)

	DOR's Projections of Additional Tax Revenues	Annual Debt Service	Principal*	Interest	Outstanding Balance	Additional Income Tax Revenue Less Debt Service
2015-16	$0.0	$0.0	$0.0	$0.0	$220.0	
2016-17	0.9	0.9	0.0	0.9	227.9	$0.0
2017-18	2.8	2.8	0.0	2.8	234.2	0.0
2018-19	3.4	3.4	0.0	3.4	240.3	0.0
2019-20	3.9	3.9	0.0	3.9	245.9	0.0
2020-21	4.5	4.5	0.0	4.5	251.3	0.0
2021-22	5.1	5.1	0.0	5.1	256.2	0.0
2022-23	5.7	5.7	0.0	5.7	260.7	0.0
2023-24	6.4	6.4	0.0	6.4	264.8	0.0
2024-25	7.0	7.0	0.0	7.0	268.4	0.0
2025-26	7.7	7.7	0.0	7.7	271.4	0.0
2026-27	9.6	9.6	0.0	9.6	272.6	0.0
2027-28	10.4	10.4	0.0	10.4	273.1	0.0
2028-29	11.3	11.3	0.3	10.9	272.8	0.0
2029-30	12.2	12.2	1.2	10.9	271.5	0.0
2030-31	13.1	13.1	2.2	10.9	269.3	0.0
2031-32	14.1	14.1	3.3	10.8	266.0	0.0
2032-33	15.1	15.1	4.5	10.6	261.5	0.0
2033-34	16.2	16.2	5.7	10.5	255.8	0.0
2034-35	18.9	18.9	8.7	10.2	247.2	0.0
2035-36	20.2	20.2	10.3	9.9	236.9	0.0
2036-37	21.5	21.5	12.0	9.5	224.8	0.0
2037-38	22.9	22.9	13.9	9.0	210.9	0.0
2038-39	24.4	24.4	15.9	8.4	195.0	0.0
2039-40	25.9	25.9	18.1	7.8	176.8	0.0
2040-41	27.6	27.6	20.5	7.1	156.4	0.0
2041-42	29.3	29.3	23.0	6.3	133.3	0.0
2042-43	31.0	31.0	25.7	5.3	107.6	0.0
2043-44	32.9	32.9	28.6	4.3	79.0	0.0
2044-45	34.9	34.9	31.7	3.2	47.3	0.0
2045-46	37.0	37.0	35.1	1.9	12.2	0.0
2046-47	39.1	12.7	12.2	0.5	0.0	26.4
Total	$514.9	$488.4	$273.1	$215.3		$26.4**

*Includes $53.1 million in deferred interest accrued through 2027-28, which is added to the principal amount financed. Total interest cost on the bonds would equal $268.4 million ($215.3 million in interest paid plus $53.1 million in deferred interest).

**This represents net, additional income tax revenue under this scenario. Existing income tax revenue from NBA players or personnel, estimated at $6.5 million annually, would also be received, totaling $208.0 million over the 32 years.

Note: Column and row amounts may not add due to rounding.

ATTACHMENT 2

Illustration of a Potential 30-Year, Flat Repayment Structure of $220 Million in Bonds (In Millions)

	DOR's Projections of Additional Tax Revenues	Annual Debt Service	Principal	Interest	Outstanding Balance	Additional Income Tax Revenue Less Debt Service
2015-16	$0.0	$0.0	$0.0	$0.0	$220.0	
2016-17	0.9	12.7	3.9	8.8	216.1	-$11.8
2017-18	2.8	12.7	4.1	8.6	212.0	-9.9
2018-19	3.4	12.7	4.2	8.5	207.8	-9.4
2019-20	3.9	12.7	4.4	8.3	203.3	-8.8
2020-21	4.5	12.7	4.6	8.1	198.8	-8.2
2021-22	5.1	12.7	4.8	8.0	194.0	-7.6
2022-23	5.7	12.7	5.0	7.8	189.0	-7.0
2023-24	6.4	12.7	5.2	7.6	183.9	-6.4
2024-25	7.0	12.7	5.4	7.4	178.5	-5.7
2025-26	7.7	12.7	5.6	7.1	172.9	-5.0
2026-27	9.6	12.7	5.8	6.9	167.1	-3.1
2027-28	10.4	12.7	6.0	6.7	161.1	-2.3
2028-29	11.3	12.7	6.3	6.4	154.8	-1.5
2029-30	12.2	12.7	6.5	6.2	148.2	-0.6
2030-31	13.1	12.7	6.8	5.9	141.5	0.4
2031-32	14.1	12.7	7.1	5.7	134.4	1.3
2032-33	15.1	12.7	7.3	5.4	127.0	2.4
2033-34	16.2	12.7	7.6	5.1	119.4	3.5
2034-35	18.9	12.7	7.9	4.8	111.5	6.2
2035-36	20.2	12.7	8.3	4.5	103.2	7.5
2036-37	21.5	12.7	8.6	4.1	94.6	8.8
2037-38	22.9	12.7	8.9	3.8	85.7	10.2
2038-39	24.4	12.7	9.3	3.4	76.4	11.7
2039-40	25.9	12.7	9.7	3.1	66.7	13.2
2040-41	27.6	12.7	10.1	2.7	56.6	14.8
2041-42	29.3	12.7	10.5	2.3	46.2	16.5
2042-43	31.0	12.7	10.9	1.8	35.3	18.3
2043-44	32.9	12.7	11.3	1.4	24.0	20.2
2044-45	34.9	12.7	11.8	1.0	12.2	22.2
2045-46	37.0	12.7	12.2	0.5	0.0	24.2
2046-47	39.1	0.0	0.0	0.0	0.0	39.1
Total	$514.9	$381.7	$220.0	$161.7		$133.2*

*This represents net, additional income tax revenue under this scenario. Existing income tax revenue from NBA players or personnel, estimated at $6.5 million annually, would also be received, totaling $208.0 million over the 32 years.

Note: Column and row amounts may not add due to rounding.

ATTACHMENT 3

Illustration of a Potential 20-Year, Flat Repayment Structure of $220 Million in Bonds (In Millions)

	DOR's Projections of Additional Income Taxes	Annual Debt Service	Principal	Interest	Outstanding Balance	Additional Income Tax Revenue Less Debt Service
2015-16	$0.0	$0.0	$0.0	$0.0	$220.0	
2016-17	0.9	16.2	7.4	8.8	212.6	-$15.3
2017-18	2.8	16.2	7.7	8.5	204.9	-13.4
2018-19	3.4	16.2	8.0	8.2	196.9	-12.8
2019-20	3.9	16.2	8.3	7.9	188.6	-12.3
2020-21	4.5	16.2	8.6	7.5	180.0	-11.7
2021-22	5.1	16.2	9.0	7.2	171.0	-11.1
2022-23	5.7	16.2	9.3	6.8	161.6	-10.5
2023-24	6.4	16.2	9.7	6.5	151.9	-9.8
2024-25	7.0	16.2	10.1	6.1	141.8	-9.2
2025-26	7.7	16.2	10.5	5.7	131.3	-8.5
2026-27	9.6	16.2	10.9	5.3	120.4	-6.6
2027-28	10.4	16.2	11.4	4.8	109.0	-5.8
2028-29	11.3	16.2	11.8	4.4	97.2	-4.9
2029-30	12.2	16.2	12.3	3.9	84.9	-4.0
2030-31	13.1	16.2	12.8	3.4	72.1	-3.1
2031-32	14.1	16.2	13.3	2.9	58.8	-2.1
2032-33	15.1	16.2	13.8	2.4	44.9	-1.1
2033-34	16.2	16.2	14.4	1.8	30.5	0.0
2034-35	18.9	16.2	15.0	1.2	15.6	2.7
2035-36	20.2	16.2	15.6	0.6	0.0	4.0
2036-37	21.5	0.0	0.0	0.0	0.0	21.5
2037-38	22.9	0.0	0.0	0.0	0.0	22.9
2038-39	24.4	0.0	0.0	0.0	0.0	24.4
2039-40	25.9	0.0	0.0	0.0	0.0	25.9
2040-41	27.6	0.0	0.0	0.0	0.0	27.6
2041-42	29.3	0.0	0.0	0.0	0.0	29.3
2042-43	31.0	0.0	0.0	0.0	0.0	31.0
2043-44	32.9	0.0	0.0	0.0	0.0	32.9
2044-45	34.9	0.0	0.0	0.0	0.0	34.9
2045-46	37.0	0.0	0.0	0.0	0.0	37.0
2046-47	39.1	0.0	0.0	0.0	0.0	39.1
Total	$514.9	$323.8	$220.0	$103.8		$191.1*

*This represents net, additional income tax revenue under this scenario. Existing income tax revenue from NBA players or personnel, estimated at $6.5 million annually, would also be received, totaling $208.0 million over the 32 years.

Note: Column and row amounts may not add due to rounding.