

**HOUSE OF REPRESENTATIVES STAFF ANALYSIS**

**BILL #:** PCS for HB 219 Professional Sports

**SPONSOR(S):** Finance & Tax Subcommittee

**TIED BILLS:** **IDEN./SIM. BILLS:**

<b>REFERENCE</b>	<b>ACTION</b>	<b>ANALYST</b>	<b>STAFF DIRECTOR or BUDGET/POLICY CHIEF</b>
Orig. Comm.: Finance & Tax Subcommittee		Pewitt	Langston

**SUMMARY ANALYSIS**

The bill allows Major League Soccer to serve as a league authorizing a location for the purposes of certification of a new or retained professional sports franchise facility under current section 288.1162, Florida Statutes. Certification under this section would allow the owner of a facility to receive a distribution of \$2 million per year from sales tax revenues for up to 30 years, to be used essentially for the acquisition, construction, reconstruction, or renovation of the facility, and payment of debt service on bonds used for these purposes. The bill increases the number of applicants allowed to receive such certification from 8 to 9, and reserves the new certification for a Major League Soccer team.

The bill adds Major League Soccer All-Star games to the list of events which are exempt from the sales tax on admissions pursuant to section 212.04, F.S. It further replaces a group of specified NBA events with all events associated with the NBA All-Star week on the list of events exempt from this tax.

The Revenue Estimating Conference (REC) has not estimated the impact of the specific provisions of the bill relating to the distribution of funds under section 212.20, F.S. However, based on REC estimates of similar language, staff estimates that the bill would have a -\$0.8 million impact on General Revenue in fiscal year 2013-2014 (-\$2.0 million on a recurring basis).

The REC estimated that the language relating to the exemption on admissions to certain MLS and NBA events would have a negative indeterminate impact on state revenues. The indeterminate impact reflects the irregular and uncertain timing of All Star events in Florida. The REC noted, however, that if a qualifying MLS event were to occur, it would have a -\$0.1 million cash impact on general revenues. An NBA event qualifying as a result of this bill would also have a -\$0.1 million cash impact.

The bill has an effective date of July 1, 2013.

# FULL ANALYSIS

## I. SUBSTANTIVE ANALYSIS

### A. EFFECT OF PROPOSED CHANGES:

#### Current Situation

##### Professional Sports in Florida

Florida currently has 9 major professional sports teams.<sup>1</sup> The oldest major professional sports team in the state is the Miami Dolphins football franchise of the National Football League (NFL). The Dolphins franchise began in 1966. The newest major professional sports team in the state is the Tampa Bay Rays baseball franchise of the Major League Baseball (MLB) league. The Rays franchise began in 1998. Two Major League Soccer teams were based in Florida until 2001, when the league eliminated them. The teams were the Tampa Bay Mutiny and the Miami Fusion (based in Ft. Lauderdale).

In addition to the nine major professional sports teams, Florida is also home to 33 Minor League franchises in various sports and three Arena Football League teams. MLB's Spring Training Grapefruit League is also based in Florida, with 15 teams claiming the state as their second home for preseason training and exhibition games.

##### Sales Tax on Admissions

Section 212.04, F.S. provides that every person who sells or receives anything of value by way of admissions is exercising a taxable privilege at the rate of 6%. The section exempts from this tax admission to specified sporting events, including:

- NFL's Pro Bowl or Super Bowl
- Semifinal or championship games for national collegiate tournaments
- All-Star games of the MLB, NBA, or NHL
- MLB's Home Run Derby (held in conjunction with the All-Star game)
- NBA's Rookie Challenge, Celebrity Game, 3-Point Shooting Contest, and Slam Dunk Challenge

##### State Incentives for Professional Sports Teams

Section 288.1162, F.S., provides the procedure by which professional sports franchises in Florida may be certified to receive state funding for the purpose of paying for the acquisition, construction, reconstruction, or renovation of a facility for a new or retained professional sports franchise. Local governments, non-profit, and for-profit entities may apply to the program.

The Department of Economic Opportunity (DEO) is responsible for screening and certifying applicants for state funding. Applicants qualifying as new professional sports franchises may not have been based in Florida prior to April 1, 1987. Applicants qualifying as retained professional sports franchises must have had a league-authorized location in the state on or before December 31, 1976, and be continuously based at that location. The number of certified professional sports franchises, both new and retained, is limited to eight.

For both new and retained franchises, DEO must verify that:

- A local government is responsible for the construction, management, or operation of the professional sports franchise facility, or holds title to the property where the facility is located;
- The applicant has a verified copy of a signed agreement to use the facility with a new professional sports franchise for at least 10 years, or for 20 years in the case of a retained franchise;
- The applicant has a verified copy of the approval by the governing body of the NFL, MLB, NHL, or NBA authorizing the location;

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<sup>1</sup> Department of Economic Opportunity, *Professional Sports Franchises* (January 8, 2013).

- The applicant has projections demonstrating a paid attendance of over 300,000 annually;
- The applicant has an independent analysis demonstrating that the amount of sales taxes generated by the use or operation of the franchise's facility will generate \$2 million annually;
- The city or county where the franchise's facility is located has certified by resolution after a public hearing that the application serves a public purpose; and
- The applicant has demonstrated that it will provide financial or other commitments of more than one-half of the costs incurred for the improvement or development of the franchise's facility.

Any applicant certified pursuant to this section may receive monthly payments from the state of \$166,667 for not more than 30 years, for an annual payment totaling \$2,000,004. The Department of Revenue disburses the payments, which are taken out of sales tax revenues.

Payments may only be used for the purpose of paying for the acquisition, construction, reconstruction, or renovation of the facility; reimbursing associated costs for such activities; paying or pledging payments of debt service on bonds issued for such activities; funding debt service reserve funds, arbitrage rebate obligations, or other amounts payable with respect to bonds issued for such activities; or refinancing the bonds. The state may only pursue recovery of funds if the Auditor General finds that the distributions were not expended as required by statute.

No facility may be certified more than once, and no sports franchise can be the basis for more than one certification unless the previous certification was withdrawn by the facility or invalidated by DEO before any funds were disbursed under s. 212.20(6)(d), F.S.

As of January 8, 2013, there were eight certified professional sports franchise facilities in Florida. The facilities and the payment distribution for each are listed below:

Facility Name	Certified Entity	Franchise	First Payment	Total to Date
<b>Sun Life Stadium</b>	Dolphins Stadium/South Florida Stadium	Florida Marlins	06/94	\$39,166,745
<b>Everbank Field</b>	City of Jacksonville	Jacksonville Jaguars	06/94	\$37,333,408
<b>Tropicana Field</b>	City of St. Petersburg	Tampa Bay Rays	06/95	\$35,166,737
<b>Tampa Bay Times Forum</b>	Tampa Sports Authority	Tampa Bay Lightning	09/95	\$34,833,403
<b>BB&amp;T Center</b>	Broward County	Florida Panthers	08/96	\$33,000,066
<b>Raymond James Stadium</b>	Hillsborough County	Tampa Bay Buccaneers	01/97	\$29,666,726
<b>American Airlines Arena</b>	BPL, LTD	Miami Heat	03/98	\$29,666,726
<b>Amway Center</b>	City of Orlando	Orlando Magic	02/08	\$10,000,020

### **Proposed changes**

The bill adds the Major League Soccer All-Star game to the list of events exempted from the sales tax on admissions. It also replaces the list of NBA games exempted with all events associated with the NBA All-Star week so long as they are held in an arena, convention center, or municipal facility.

The bill further adds Major League Soccer to the list of leagues that may authorize locations as part of the certification process under section 288.1162, F.S. It specifies that applicants who have previously been certified and received funds pursuant to section 212.20, F.S. are only prohibited from receiving an additional certification for the franchise or facility that served as the basis for the previous certification. The total number of facilities which may be certified as new or retained professional sports franchise facilities is increased from 8 to 9. The bill reserves the new certification slot for a Major League Soccer team.

The bill has an effective date of July 1, 2013.

**B. SECTION DIRECTORY:**

Section 1: Amends section 212.04, F.S. to exempt admission to a Major League Soccer All-Star game and certain NBA events from the sales tax.

Section 2: Amends section 288.1162, F.S. to allow Major League Soccer teams to seek certification and to increase the number of certifications allowable from 8 to 9.

**II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT**

**A. FISCAL IMPACT ON STATE GOVERNMENT:**

**1. Revenues:**

The Revenue Estimating Conference (REC) has not estimated the impact of the specific provisions of the bill relating to the distribution of funds under section 212.20, F.S. However, based on REC estimates of similar language, staff estimates that the bill would have a -\$0.8 million impact on General Revenue in fiscal year 2013-2014 (-\$2.0 million on a recurring basis).

The REC estimated that the language relating to the exemption on admissions to certain MLS and NBA events would have a negative indeterminate impact on state revenues. The indeterminate impact reflects the irregular and uncertain timing of All Star events in Florida. The REC noted, however, that if a qualifying MLS event were to occur, it would have a -\$0.1 million cash impact on general revenues. An NBA event qualifying as a result of this bill would also have a -\$0.1 million cash impact.

**2. Expenditures:**

None.

**B. FISCAL IMPACT ON LOCAL GOVERNMENTS:**

**1. Revenues:**

The REC estimated that the language relating to the exemption on admissions to certain MLS and NBA events would have a negative indeterminate impact on local government revenues. The indeterminate impact reflects the irregular and uncertain timing of All Star events in Florida. The REC noted, however, that if a qualifying MLS or NBA event were to occur, it would have an insignificant negative on local government revenues.

**2. Expenditures:**

None.

**C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:**

The provisions of the bill may encourage stadiums (which may be privately owned) to undertake a major renovation, which could have positive impacts on the construction sector. Additionally, such renovations could have a positive impact on ticket sales and other sales associated with sporting and other events.

**D. FISCAL COMMENTS:**

None.

**III. COMMENTS**

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

None.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

**IV. AMENDMENTS/ COMMITTEE SUBSTITUTE CHANGES**