SENATE BILL REPORT

SB 6085

As of October 12, 1995

Title: An act relating to public sports facilities.

Brief Description: Financing public sports facilities.

Sponsors: Senators Gaspard and McDonald; by request of Governor Lowry.

Brief History:
Committee Activity: Ways & Means: 10/12/95.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Terry Wilson (786-7715); Greg Pierce (786-7715); Stan Pynch (786-7715)

Background: In 1995, the Legislature authorized counties with population greater than one million to impose a 0.1 percent sales and use tax after voter approval. The tax revenue is dedicated to financing a professional baseball stadium. The King County Council placed before the King County voters a sales and use tax proposal on September 19, 1995. The proposal failed to receive a majority vote.

The state sales tax is imposed on each retail sale of most articles of tangible personal property and certain services. The use tax is imposed on the use of articles of tangible personal property when the sale or acquisition has not been subject to the sales tax. The use tax commonly applies to purchases made from out-of-state firms.

The state tax rate is 6.5 percent of the selling price. Local governments may levy additional sales taxes. The average local sales tax rate is 1.5 percent. The sales tax is paid by the purchaser and collected by the seller.

A sales and use tax deferral program is available for the construction of a baseball stadium with a retractable roof or canopy and natural turf. Taxes are deferred for five years from the date the facility is operationally complete and are repaid over the following ten years.

The State Lottery Commission administers several games of chance that are collectively called the State Lottery. The commission is directed by statute to operate the lottery to "produce the maximum amount of net revenues for the state consonant with the dignity of the state and the general welfare of the people."

With voter approval, a public facilities district may impose a 0.1 percent sales and use tax and both single-year excess property tax levies and multiple-year excess levies to retire general obligation bonds issued for capital purposes. A hotel/motel tax of up to 2 percent may also imposed, as long as the total state and local hotel/motel taxes do not exceed 11.5 percent. Currently, a district created in King County would be precluded from imposing the tax due to this restriction.

In addition, a county with a population of one million or more may impose a sales and use tax of 0.1 percent by resolution adopted by December 31, 1995, following approval by a majority of the voters in the county. Revenue from this tax revenue must be used to finance a baseball stadium with a retractable roof or canopy and natural turf. Tax revenue in excess of the amount needed for bond payments on the baseball stadium must be used for early retirement of the bonds or to pay costs to repair, remodel, or reequip a multipurpose stadium that seats in excess of 45,000 people. Before the tax can be collected, the county executive must certify that: (1) A professional baseball team will occupy the stadium for a period equal to or greater than the term of the bonds; (2) the baseball team will contribute $45 million toward the cost of stadium construction, with interest paid on amounts deferred after the bonds are issued; and (3) the baseball team will share a portion of the profits from its operations, for a period not to exceed the term of the bonds, to retire the initial bonds on stadium construction. If the bonds are retired early, then the shared profits are paid to the public facilities district.

Cities and counties may impose a tax of up to 5 percent on admissions to events except elementary and secondary school events. The county tax may not apply within cities that impose the tax, except a county may impose an admission tax on events in a stadium with a seating capacity over 45,000, built after January 1, 1995, and owned by a public facility district. The city may not also impose an admissions tax on such a facility.

Rather than following traditional public works bidding procedures, state agencies and large municipalities can use alternatives commonly known as "design-build" or "general contractor/construction manager" procedures. Authority to use these procedures is limited to contracts signed before January 1, 1997.

Property owned by federal, state, or local governments is exempt from the property tax. However, private lessees of government property are subject to the leasehold excise tax. The purpose of the leasehold excise tax is to impose a tax burden on persons using publicly-owned, tax-exempt property similar to the property tax that they would pay if they owned the property. The tax is collected by public entities that lease property to private parties. The tax rate of 12.84 percent is imposed on the amount paid in rent for the public property.

Summary: State and local financing is provided for a baseball stadium with natural turf and a retractable roof, to be constructed in the largest city in a county with a population of one million or more. Based on current population estimates, this stadium would be built in Seattle, King county.

State contribution. The additional 0.1 local sales and use tax option for a baseball stadium is eliminated. The legislative authority of a county with a population of one million or more may impose a sales and use tax at a rate of .017 percent. This tax is credited against the state sales and use tax. Therefore, consumers will not see an increase in tax. The tax and credit expire when the bonds are retired, but not later than 20 years after the bonds are issued.

A sports bond retirement account is created for deposit of state moneys dedicated to baseball stadium bond retirement. Interest on the account is credit to the account.

Special stadium license plates are authorized, with revenue deposited in the sports bond retirement account. The special license plate fee is $30.

Any donations made to the state for baseball stadium purposes are deposited in the sports bond retirement account.

The state lottery commission is directed to conduct at least two but not more than four games with sports themes per year. Additional revenues from these games are deposited in the sports bond retirement account.

A baseball stadium bond stabilization reserve is created in the state general fund, for the purpose of ensuring that state contributions to the sports bond retirement account are sufficient to retire one-half of the baseball stadium debt. Sixty-three million seven hundred fifty thousand dollars are set aside in the reserve. Interest on the reserve is credited to the reserve.

The authorization for a deferral of sales and use taxes on baseball stadium construction is repealed.

The state contribution is made on the assumption that the state share is one-half of the total amount of bonds issued, but not exceeding one-half of a total amount of two hundred fifty-five million dollars. The state will not make any additional contributions based on revised cost or revenue estimates, cost overruns, unforeseen circumstances, or any other reason.

<u>Local funding</u>. Before issuing bonds or imposing special local taxes for a baseball stadium, the county must create a public facilities district. The district will determine the amount of bonds necessary for the stadium. The county must pay the proceeds of the bonds to the district and contribute real property to the district for the stadium site. To the extent possible, the bonds shall be exempt from federal income tax.

The county legislative authority may impose the following taxes: (1) A special sales and use tax on food and beverage sales in restaurants, taverns, and bars, at a rate not exceeding 1 percent; and (2) a special sales and use tax on car rentals at the rate not exceeding 2 percent. Revenue from these taxes must be used to repay baseball stadium bonds. Excess revenue must be used for: (1) Early retirement of the baseball stadium bonds, or (2) retirement of bonds issued for expansion, remodelling, repairing, or reequipping of a multipurpose stadium that has a seating capacity over 45,000. (The Kingdome is such a facility.) These taxes expire when the baseball stadium bonds are retired, but not later than 20 years after the taxes are first issued.

The $45 million contribution required under current law from the baseball team may be used for pre-construction costs as well as bond retirement. Consent of the public facilities district is required before the team may make any contributions.

If a county imposes a 5 percent admission tax on events in a stadium located in a city, under the special exception that allows a county tax on events in such a stadium, the county may impose an additional 5 percent admissions tax on events in that stadium, and may impose an additional 5 percent admissions tax on similar stadia constructed before January 1, 1995. Special rules are provided for disposition of the revenue from these taxes. As applied to the

Kingdome, and a new baseball stadium if constructed in Seattle, the total admissions tax authorizations can be summarized as follows:

> Kingdome: 5 percent tax by Seattle (currently imposed), no restrictions on revenue use. 5 percent additional tax authorized for King County, revenue to be used for expanding, repairing, or reequipping the facility.
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> New baseball stadium: 10 percent total tax authorized for King County. Revenue from the first 2 percent of the tax rate must be transferred to the state sports bond retirement account. Revenue from the next 3 percent may be used only for unanticipated capital costs on the baseball stadium. Revenue from the remaining 5 percent may be used only for retiring bonds for the baseball stadium.

None of the local option taxes discussed above can be imposed unless the current law requirements are met regarding the team commitment to occupy the stadium for the term of the bonds, financial contribution by the team, and profit-sharing by the team.

Miscellaneous provisions. County and city property can be transferred to a public facilities district, either at creation of the district or later. Property encumbered by debt must be accompanied by adequate revenue to retire the debt.

In counties with a population of one million or more, three members of a public facilities board of directors will be appointed by the governor, and four members by the county executive.

In counties with a population of one million or more, a public facilities district that constructs a baseball stadium has, in consultation with the team that will use the stadium, the power to: determine the stadium site, determine the overall scope of the stadium project, make the final determination of stadium design, obtain professional services for the stadium design, establish stadium budget and bidding specifications, structure the stadium financing, and use alternative public works contracting procedures.

The expiration date for alternative public works contracting procedures is extended to include contracts signed before December 31, 1997.

A leasehold excise tax exemption is provided for public or entertainment areas of a baseball stadium with natural turf and a retractable roof, if constructed in a county with a population of one million or more.

Appropriation: Twenty million dollars is appropriated from the general fund to the office of financial management to pay for design and other pre-construction costs of a baseball stadium. After satisfaction that statutory conditions for building the stadium have been or will be met, the office shall transfer the appropriated moneys to the public facility district that owns the stadium. Transfers are limited to four state dollars for each three dollars in contributions from the baseball team.

Fiscal Note: Requested.

Effective Date: The bill contains an emergency clause and takes effect immediately.