

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
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**FISCAL IMPACT STATEMENT**

**LS 7074**  
**BILL NUMBER: SB 242**

**DATE PREPARED: Jan 4, 2001**  
**BILL AMENDED:**

**SUBJECT:** Zoo and Aquarium Development Areas.

**FISCAL ANALYST:** Brian Tabor  
**PHONE NUMBER:** 233-9456

**FUNDS AFFECTED:**  **GENERAL**  
 **DEDICATED**  
**FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** This bill allows the following cities with zoos to designate a Zoo and Aquarium Development Tax Area (ZADA) covering certain facilities: (1) Fort Wayne; (2) South Bend; (3) Evansville; (4) Michigan City; (5) Lafayette; and (6) Indianapolis. It requires the area to be established before July 1, 2002, and provides that the area terminates not later than December 31, 2031. It also provides that covered taxes earned in the tax area are allocated to a ZADA fund established for the city. The bill further provides that the funds may only be used for: (1) a zoo or an aquarium capital improvement; or (2) the financing or refinancing of a capital improvement.

The bill appropriates \$39,200,000 to certain zoos for capital projects and provides that money appropriated to unaccredited zoos must be used for capital projects that will assist the zoos in achieving accreditation. It also provides that money appropriated for a proposed capital project may not be expended until the capital project is reviewed by the Budget Committee and approved by the Governor upon the recommendation of the Budget Agency.

**Effective Date:** July 1, 2001.

**Explanation of State Expenditures:** *Zoo and Aquarium Development Areas:* This bill allows Indianapolis, Fort Wayne, Evansville, South Bend, Michigan City, and Lafayette to establish special tax areas called Zoo and Aquarium Development Areas (ZADAs). It permits the municipal legislative body to approve a ZADA which includes a facility within the city that is part of a zoo or aquarium. The area may contain noncontiguous tracts of land provided the entire ZADA is within the city.

If a city's legislative body passes a resolution authorizing a ZADA under this bill, the Department of State Revenue must establish a nonreverting ZADA fund for that tax area. The Department's current resources are sufficient to absorb the additional costs associated with this provision. The State Budget Agency would also be required to approve the local resolution before any state tax revenue is allocated to a ZADA fund.

*Appropriation of funds:* This bill makes \$39,200,000 in appropriations from the state General Fund to six Indiana zoos in FY 2002. These funds may be used solely for capital projects. Money appropriated to zoos that are not accredited by the American Zoo and Aquarium Association (AZA) must be used only for capital projects which will help the zoo achieve accreditation. The money would be distributed as follows:

| <b>Zoo (and City)</b>               | <b>FY 2002<br/>Appropriation</b> |
|-------------------------------------|----------------------------------|
| Indianapolis Zoo                    | \$26,000,000                     |
| Fort Wayne Children's Zoo           | \$8,000,000                      |
| Mesker Park Zoo (Evansville)        | \$2,000,000                      |
| Potawatomi Zoo (South Bend)         | \$1,600,000                      |
| Washington Park Zoo (Michigan City) | \$800,000                        |
| Columbian Park Zoo (Lafayette)      | \$800,000                        |
| <b>TOTAL</b>                        | <b>\$39,200,000</b>              |

Of the six zoos in the table above, only the Indianapolis Zoo, the Fort Wayne Children's Zoo, and the Potawatomi Zoo in South Bend are currently accredited by the AZA. Zoos may also not spend money from these appropriations until the capital project is reviewed by the Budget Committee and approved by the Governor upon the recommendation of the Budget Agency.

**Explanation of State Revenues:** *Zoo and Aquarium Development Areas:* ZADAs would be special zones in which certain state and local tax revenues earned in the area are diverted and deposited into a special fund. This fund is dedicated for capital improvement within zoo or aquarium facilities or the financing of such improvements. The taxes from which revenue may be captured in ZADAs are the Gross Retail Tax, Individual Adjusted Gross Income (AGI) Tax, local food and beverage taxes, and local option income taxes. The AGI and local option income taxes captured would be those assessed on all salaries, wages, bonuses, and other forms of compensation paid to zoo or aquarium employees earned in the area. However, the amount of state revenue which may be captured is limited to \$5 for each resident of the city each year for twenty years, and any collections in excess of the cap would be realized as normal revenue.

The amount of state revenue actually captured in each zone will vary according to payroll and the amount of concessions and other sales transactions occurring in the established tax zone. Based on the 1990 federal decennial census, the maximum amount of state revenue that could be captured annually for the potentially largest ZADA, the Indianapolis Zoo, is \$3.7 M (city population of 731,327 multiplied by \$5). A Washington Park Zoo ZADA in Michigan City would have the smallest cap of the six Indiana zoos, as its cap would be \$169,110 (city population of 33,822 multiplied by \$5).

However, it is unlikely that the amount captured in any ZADA would exceed the cap. According to an official with the Indianapolis Zoo, annual payroll is approximately \$6 M. By multiplying total payroll by the Individual Adjusted Gross Income Tax rate of 3.4%, it is estimated that about \$200,000 in state income tax revenue could be captured each year. Along with an estimated \$200,000 in sales tax revenue from gifts and concessions, the total amount which could be captured annually in an Indianapolis ZADA would be

approximately \$400,000 (well below the \$3.7 M cap). Using this same method for a ZADA including the Washington Park Zoo, the annual amount that would be captured is estimated to be \$15,000, also well below the \$169,110 cap.

Gross Retail (or Sales) Tax revenue is distributed to the General Fund, the Property Tax Replacement Fund, the Public Mass Transportation Fund, the Industrial Rail Service Loan Fund, and the Commuter Rail Service Fund. Revenue from the Individual AGI Tax is deposited only in the General Fund. A tax zone under this bill must be established by local resolution before July 1, 2002, although modifications to the ZADA by local resolution may be made after this date. Given the July 1, 2001, effective date of this bill, the first potential year of impact to state revenue could be as early as FY 2002. Any ZADA established under this proposal would expire on December 31, 2031.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** *Zoo and Aquarium Development Areas:* Food and beverage taxes and local option income taxes earned in ZADAs would also be deposited in a ZADA fund for capital improvement, and there is no limit on the amount of local taxes that may be captured (State revenues are capped at \$5 for each resident of the city each year for twenty years.). ZADA funds would receive the full amount of food and beverage, COIT, CAGIT, and CEDIT tax revenue generated within the special tax area for each year the area is in existence. Due to the July 1, 2001, effective date of this bill, the first potential year of impact to local units could be CY 2001.

**State Agencies Affected:** Department of State Revenue; State Budget Agency.

**Local Agencies Affected:** Local units where ZADAs may be established.

**Information Sources:** American Zoo and Aquarium Association; US Census; Claudia Willis, Vice-President of Finance, Indianapolis Zoo, (317) 630-2039; Lane Theriac, Director, Washington Park Zoo, (219) 873-1510.