

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

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 6547

BILL NUMBER: HB 1323

DATE PREPARED: Dec 7, 2001

BILL AMENDED:

SUBJECT: Professional Sports and Convention Areas.

FISCAL ANALYST: Jim Landers

PHONE NUMBER: 232-9869

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: The bill makes changes regarding the Professional Sports and Convention Development Tax Area law applicable outside Marion County to require that at least one facility must be used by a professional sports franchise (this requirement does not apply to a tax area located in Fort Wayne). The bill requires qualified facilities used for convention or tourism-related events to serve national or regional markets. The bill requires an agreement regarding tax distributions if there is a mix of facility owners. The bill provides that in a tax area in Allen County, food and beverage taxes may not be captured for use in the tax area. The bill also provides that only the part of "covered taxes" attributable to the operation of a qualified facility may be captured for use in the tax area. The bill allows designating bodies to designate as part of a tax area a facility owned by a county building authority. It also expands the types of facilities that may be included in a tax area. The bill limits the designation of areas to one per county.

Effective Date: July 1, 2002.

Explanation of State Expenditures:

Explanation of State Revenues: Under current law, a Professional Sports and Convention Development Tax Area (PSCDA) is a special zone in which certain state and local tax revenues earned in the area are diverted and deposited into a special fund. This fund is dedicated to capital improvement in the development area. The taxes from which revenue may be captured in PSCDAs are the Gross Retail Tax, the Individual Adjusted Gross Income Tax, local food and beverage taxes, and local option income taxes. Currently, PSCDAs are operated by Marion County, Allen County, Evansville, Huntingburg, and South Bend.

Facilities Owned by County Building Authorities: The bill provides that a facility used by a professional sports franchise or for convention and tourism-related events may be included in a PSCDA if it is owned by a county building authority. Under current law, a PSCDA may include only facilities owned by a city, a county, a school corporation, a local capital improvement board, a civic center's board of directors in South

Bend and Mishawaka, or the Building Authority in Gary. This provision would allow facilities that would otherwise not be eligible for inclusion to be incorporated into a PSCDA. It is not known how many existing facilities would be affected, and the precise impact of future development cannot be determined. However, if additional facilities owned by county building authorities are included in PSCDAs, more state revenue could be diverted into PSCDA funds. The amount of state revenue which may be captured is currently limited to \$5 for each resident of the establishing unit, and any collections in excess of the maximum allowed would be realized as normal collections.

The four existing PSCDAs (other than Marion County) are not capturing the maximum amount allowed as outlined below in Table A. Money in a PSCDA fund may be used to construct, equip, or finance capital improvements for any facilities included in the area. The table below shows the amount of state revenue distributed from PSCDA funds in FY 2001 as reported by the State Auditor and the current capture limit certified by the State Budget Agency.

FY 2001 Distributions of Captured State Revenue from PSCDA Funds
(Capture limit is \$5 per resident of the establishing local unit)

FY 2001 Amount	Allen County	Evansville	Huntingburg	South Bend
Individual Withholding Tax	\$192,934	\$13,331	\$7,582	\$175,678
Sales Tax	\$263,648	\$14,267	\$2,158	\$164,993
State Taxes Captured	\$456,582	\$27,597	\$9,740	\$340,671
Current Capture Limit*	\$1,504,180	\$631,360	\$26,210	\$527,555
Amount Under Cap	\$1,047,598	\$603,762	\$16,470	\$186,884

*For purposes the Budget Agency's surplus estimates, it is assumed that all PSCDAs annually capture the full amount of state revenue allowed under the capture limit.

New capture limits have not, as of this time, been established by the State Budget Agency. Based on Census 2000 totals, however, the table below presents potential new capture limits for these PSCDAs.

Potential New Capture Limits
(Capture limit is \$5 per resident of the establishing local unit)

	Allen County	Evansville	Huntingburg	South Bend
Potential Capture Limit*	\$1,659,245	\$607,910	\$27,990	\$538,945

*Based on Census 2000 totals.

Expansion of Allowable Facilities: The bill also expands the category of facility which may be included in a PSCDA beyond athletic coliseums and those used directly for convention and tourism events. The newly allowable facilities would include airports, museums, zoos, nationally significant attractions, performing arts venues, and county courthouses listed on the National Register of Historic Places. This bill also provides that the taxes captured in a PSCDA would be those attributable to the operation of facilities designated as part of the area. Again, if a broader group of facilities could be included in a PSCDA, additional revenue generated by these facilities may be captured.

Extension of Establishment Date for 2nd Class Cities: The bill also extends the deadline by which second class cities may establish a PSCDA. This deadline is extended from July 1, 2002, to July 1, 2003. Two areas have been identified where new PSCDAs could be created due to this deadline extension, however, the actual number is indeterminable. Potentially, PSCDAs could be established in Richmond to include Don McBride Stadium, and in Gary to include the Genesis Convention Center and a baseball stadium currently under construction. Don McBride Stadium is home to a minor league baseball team in the Frontier League. The Genesis Convention Center is home to a Continental Basketball Association franchise, and the baseball stadium will reportedly be the venue for a minor league franchise in the Northern League. This team is to begin play in 2002.

If the facilities in Richmond and Gary meet the other requirements for PSCDAs, at least two new areas could be established under this proposal. However, local units would still have to adopt a resolution establishing the PSCDAs. The Budget Committee must also review any resolutions and the Budget Agency must approve them before revenues are diverted. The amount of state revenue which may be captured would still be limited to \$5 for each resident of the establishing unit, and any collections in excess of the cap would be realized as normal collections. The table below presents capture limits based on Census 2000 data for potential PSCDAs in Richmond and Gary.

State Revenue Caps for Potential PSCDAs
(Capture limit is \$5 per resident of the establishing local unit)

Establishing Unit	Richmond	Gary
Potential Capture Limit	\$195,620	\$513,730

*Based on Census 2000 totals.

Other Provisions: This bill would further require all PSCDAs to contain a professional sports facility (except for the Allen County PSCDA). The bill clarifies that if a PSCDA contains multiple facilities, these facilities may have different owners provided they are all eligible owners. If multiple owners exist, this bill would further require the parties involved to establish an agreement specifying the distribution of tax revenues collected for the PSCDA fund.

Explanation of Local Expenditures:

Explanation of Local Revenues: The bill provides that food and beverage taxes imposed in Allen County may not be captured for purposes of a PSCDA within that county. Under current law, food and beverage taxes and local option income taxes earned in PSCDAs are also captured for capital improvement, and there is no limit on the amount of local taxes that may be captured. As a result of the bill, the Allen County PSCDA would no longer be able to capture revenue from the food and beverage tax. In FY 2001, \$34,132 in food and beverage tax revenue was captured by the Allen County PSCDA.

Offsetting impacts may occur due to this bill's expansion of the category of facilities which may be included in development areas. PSCDA funds may increase by the full amount of additional COIT, CAGIT, and CEDIT revenue any new facilities generate. The increase in revenue would be directed to the PSCDA instead of other local taxing units in the county as provided under current law.

State Agencies Affected:

Local Agencies Affected: Certain local units.

Information Sources: Sandy Althous, Department of State Revenue, (317) 232-4263. Diane Kensworthy, State Budget Agency, (317) 232-7221. 2000 Census, U. S. Bureau of Census.