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FISCAL IMPACT STATEMENT

LS 6146

BILL NUMBER: SB 69

NOTE PREPARED: Jan 23, 2012

BILL AMENDED: Jan 20, 2012

SUBJECT: Professional Motor Sports Development Area.

FIRST AUTHOR: Sen. M. Young

BILL STATUS: CR Adopted - 1st House

FIRST SPONSOR:

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: The bill allows the establishment of a professional motorsports development area (PMDA) in the town of Speedway. It provides that the Budget Committee must review and make a recommendation to the Budget Agency regarding a resolution establishing a PMDA. It specifies that the Budget Agency must approve the resolution before revenues may be allocated.

It allows for allocation to the town of state sales tax, state individual income tax, county option income tax, and admissions taxes attributable to a taxable event in the PMDA or earned in the PMDA. It authorizes the Budget Agency to determine and impose a base amount, for each of the covered taxes, that will not be allocated to the town. It also specifies the permissible uses of covered taxes allocated to the town.

Effective Date: July 1, 2012.

Explanation of State Expenditures: The Department of State Revenue (DOR) and the State Budget Agency (SBA) will have some additional administrative responsibility in making determinations relating to revenue capture by the Professional Motor Sports Development Area in Speedway. The existing resources of both the DOR and SBA should be sufficient to complete the tasks.

Explanation of State Revenues: *Summary* - The bill could reduce revenue from sales tax and state individual income tax attributable to the Indianapolis Motor Speedway (IMS) and other areas in Speedway that are designated as part of the Professional Motor Sports Development Area. The revenue loss could be mitigated depending on revenue capture limits under the bill that would be set by the State Budget Agency.

The potential capture from sales tax, state individual income tax, and local option income taxes is indeterminable but could be significant. The sales tax and state individual income tax capture would depend on limits set by the State Budget Agency under the bill. The potential capture of an admission tax on admissions to events at IMS is indeterminable and would depend on the admission tax imposed by Speedway under the bill. (Note: Under current statute, admission taxes are authorized in Indianapolis for facilities in the Professional Sports and Convention Development Area, Hendricks County, and for cities.)

Background Information - PMDA Establishment and Operation: The bill would authorize Speedway to establish a PMDA comprising IMS and any area in Speedway that will serve as a commercial gateway to the Indianapolis Motor Speedway. The PMDA could be established to operate for up to 30 years. To establish the PMDA, the Speedway town council must adopt a resolution. The PMDA could capture revenue from the following taxes attributable to taxable events or earned in the PMDA: (1) sales tax; (2) state individual income tax; (3) local option income taxes; and (4) an admission tax imposed by Speedway under IC 6-9.

In order to capture tax revenue in the PMDA, the State Budget Committee must review and make a recommendation to the State Budget Agency, and the State Budget Agency must approve the resolution. The bill authorizes the State Budget Agency to determine and impose a base revenue amount for each tax that will not be captured by the PMDA; and to determine a maximum amount of sales tax and state income tax revenue that may be captured by the PMDA. Revenue captured by the PMDA could be used by the Speedway redevelopment commission for the following:

- (1) Capital improvements located in or directly benefitting the PMDA.
- (2) Financing or refinancing such capital improvements or payment of bonds or leases of such capital improvements.
- (3) Providing financial assistance, including grants and loans, to enable private enterprise to improve, develop, or redevelop property in the PMDA or property directly serving or benefitting the PMDA or otherwise providing social and economic benefit to Speedway.

Professional Sports and Convention Development Areas (PSCDAs): The PMDA authorized by the bill would, in some respects, be similar to the PSCDAs that currently operate in Allen County, Evansville, Indianapolis, and South Bend. The revenue captured by these PSCDAs from FY 2009 through FY 2011 is reported in the table below. A description of the coverage of these PSCDAs and revenue capture details are also summarized below.

Evansville PSCDA*						
	State Income	COIT	CEDIT	Sales Tax	Food & Beverage	Total
FY 2009	\$14,124	\$1,035	\$0	\$44,013	\$5,783	\$64,955
FY 2010	\$13,979	\$2,826	\$0	\$36,751	\$4,793	\$58,349
FY 2011	\$15,612	\$2,997	\$0	\$24,912	\$4,669	\$48,190
Allen County PSCDA**						
	State Income	COIT	CEDIT	Sales Tax	Food & Beverage	Total
FY 2009	\$359,709	\$17,084	\$11,390	\$1,299,536	N/A	\$1,687,719
FY 2010	\$1,503,425	\$271,915	\$181,275	\$1,043,385	N/A	\$3,000,000
FY 2011	\$1,690,853	\$269,186	\$179,461	\$860,500	N/A	\$3,000,000
Indianapolis PSCDA (IN Conv. Center, Lucas Oil Stadium, Conseco Fieldhouse, Victory Field, Colts Practice Facility)^						
	State Income	COIT	CEDIT	Sales Tax	Food & Beverage	Total
FY 2009	\$11,163,971	\$731,115	\$0	\$2,902,096	\$303,224	\$15,100,406
FY 2010	\$9,474,924	\$2,613,479	\$0	\$3,083,898	\$308,468	\$15,480,769
FY 2011	\$8,915,404	\$2,447,749	\$0	\$2,921,552	\$291,341	\$14,576,046
Indianapolis PSCDA (J.W. Marriot, Downtown Marriot, Westin, Hyatt Regency)^						
	State Income	COIT	CEDIT	Sales Tax	Food & Beverage	Total
FY 2009	N/A	N/A	N/A	N/A	N/A	N/A
FY 2010	\$824,555	\$267,148	\$0	\$6,048,329	N/A	\$7,140,032
FY 2011	\$553,824	\$179,805	\$0	\$7,266,371	N/A	\$8,000,000
INDIANAPOLIS PSCDA TOTAL						
	State Income	COIT	CEDIT	Sales Tax	Food & Beverage	Total
FY 2009	\$11,163,971	\$731,115	\$0	\$2,902,096	\$303,224	\$15,100,406
FY 2010	\$10,299,479	\$2,880,627	\$0	\$9,132,227	\$308,468	\$22,620,801
FY 2011	\$9,469,228	\$2,627,554	\$0	\$10,187,923	\$291,341	\$22,576,046
South Bend PSCDA*						
	State Income	COIT	CEDIT	Sales Tax	Food & Beverage	Total
FY 2009	\$190,804	\$6,343	\$2,114	\$338,553	\$0	\$537,814
FY 2010	\$249,089	\$39,740	\$13,247	\$346,154	\$0	\$648,230
FY 2011	\$149,079	\$31,174	\$10,392	\$299,791	\$0	\$490,436

*The annual capture limit is based on city population and applies to the capture of state income tax and sales tax revenue. The Evansville capture limit is \$5 per capita of city population, which is equal to \$607,910. The South Bend capture limit is \$6.50 per capita of city population, which is equal to \$700,629.

**The annual capture limit is \$3 M and applies to the capture of state income tax, sales tax, and local option income tax revenue.

^^The annual capture limit is \$16 M for the area containing the sports facilities and the convention center and applies to state income tax, sales tax, local option income tax, and food and beverage tax. The annual capture limit is \$8 M for the area containing the four hotels and applies to state income tax, sales tax, and local option income tax.

The Indianapolis PSCDA contains Conseco Fieldhouse, Lucas Oil Stadium, Victory Field, the Indiana Convention Center, the Indianapolis Colts practice facility, the JW Marriot Hotel, the Downtown Marriott Hotel, the Westin Hotel, and the Hyatt Regency Hotel. The PSCDA is authorized to capture incremental revenue from sales tax, state income tax, local, local option income taxes, and food and beverage tax generated at the facilities other than the hotel facilities. There are two annual revenue capture limits that apply only to sales tax and state income tax. The annual state revenue capture limit on the facilities other than the hotel facilities is \$16 M. The PSCDA is allowed to capture revenue from sales tax, state income tax, and local option income taxes from the hotel facilities. The annual state revenue capture limit is \$8 M from the hotel facilities.

The PSCDA in Allen County comprises the War Memorial Coliseum, Grand Wayne Center, IPFW Campus, the Holiday Inn Hotel - Coliseum, and the Hilton Hotel - Grand Wayne Center. The Allen County PSCDA is allowed to capture revenue from sales tax, state income tax, and local option income taxes. The annual capture limit applies to all three taxes and is set at \$3 M.

The Evansville PSCDA comprises Bosse Field and Roberts Stadium. The South Bend PSCDA comprises the Century Center, the College Football Hall of Fame, Coveleski Stadium, Morris Civic Auditorium, Palais Royale Ballroom, and the Studebaker National Museum. Both of these PSCDAs are allowed to capture revenue from sales tax, state income tax, local option income taxes, and food and beverage tax. The annual capture limits are based on population and apply to sales tax and state income tax only. The capture limit for the Evansville PSCDA capture limit is equal to \$5 per capita of city population, which totals \$607,910 based on 2000 population. The capture limit for the South Bend PSCDA is \$6.50 per capita of city population, which is \$700,629 based on 2000 population.

Explanation of Local Expenditures: The bill authorizes Speedway to establish and operate a PMDA including the Indianapolis Motor Speedway and other parts of Speedway. (See *Explanation of State Expenditures* for further discussion of establishing the PMDA.)

Explanation of Local Revenues: The PMDA could capture revenue from local option income taxes attributable to the PMDA and revenue from an admissions tax attributable to the PMDA that would be imposed by Speedway. (See *Explanation of State Revenues* for further discussion of PMDA revenue capture.)

State Agencies Affected: DOR; SBA; State Budget Committee.

Local Agencies Affected: Town of Speedway.

Information Sources: Department of State Revenue, PSCDA revenue capture data FY 2009-2011.

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