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FISCAL IMPACT REPORT

SPONSOR: Taylor, J. G. DATE TYPED: 03/09/01 HB 907/aHTRC
 SHORT TITLE: Minor League Baseball Stadium Funding Act SB _____
 ANALYST: Kehoe

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY01	FY02	FY01	FY02		
		See Narrative			

(Parenthesis () Indicate Expenditure Decreases)

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY01	FY02			
	See Fiscal Impact Narrative			

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

LFC Files
 City of Albuquerque
 Taxation & Revenue Department (preliminary only)
 New Mexico Finance Authority (NMFA)

SUMMARY

Synopsis of HTRC Amendment

The House Taxation and Revenue Committee amendment provides that a municipality may include a stadium surcharge in each vendor contract upon a majority vote of the governing body. The original bill required the surcharge.

Synopsis of Original Bill

House Bill 907/aHTRC -- Page 2

House Bill 907 creates the Minor League Baseball Stadium Funding Act; authorizes municipalities to require vendors to collect a surcharge on revenues from activities at a minor league baseball stadium; authorizes the New Mexico Finance Authority (NMFA) to make loans for stadiums from the Public Project Revolving Loan Fund (PPRF); exempts the stadium surcharge from gross and governmental gross receipt taxes; and declares an emergency.

Significant Issues

The purpose of the Minor League Baseball Stadium Funding Act is to fund modern minor league baseball stadiums in class A counties with a population of more than two hundred thousand according to the 1990 federal decennial census.

House Bill 907 authorizes NMFA to make loans to municipalities from the PPRF to acquire land for and to design, purchase, construct, remodel, renovate, rehabilitate, improve, equip or furnish the minor league baseball stadium under the terms and conditions established by the Authority. The NMFA's primary source of financial assistance for such projects authorized by the Legislature is from the PPRF which receives an annual distribution of 75 percent of the governmental gross receipts tax (GGRT), annually for this purpose. Projects currently funded from the PPRF include low-cost loan and bond financing for roads, buildings, water and wastewater disposal systems, municipal utilities, parking facilities and other basic installations.

The bill authorizes municipalities to require stadium vendors to collect a surcharge on revenues derived from activities at the stadium to be used to retire the NMFA loan. In addition to repaying the NMFA loan, the municipality may use all or any portion of the surcharge for all costs associated to the stadium. Revenues subject to the stadium surcharge includes the sale of tickets, parking, souvenirs, concessions, programs, advertising, merchandise, corporate suites or boxes, broadcast revenues and all other products, services or activities occurring at a minor league baseball stadium are exempted from state and local regular gross receipt taxes.

Before establishing the amount of the stadium surcharge to be included in each vendor contract, the municipality must notify the Authority in writing of the proposed amount of the loan requested for the minor league baseball stadium and the proposed amount of the surcharge. After review of the proposed surcharge, the Authority is required to make a written recommendation to a municipality setting the minimum amount of the surcharge to be set forth in the loan and related documents. The minimum amount of the stadium surcharge shall never be less than five percent and may be any higher percentage recommended by the Authority to ensure payment of the loan.

The bill requires the municipality to provide by ordinance a method to either audit or otherwise ensure that vendors subject to the stadium surcharge collect and remit to the treasurer of the municipality the full amount of the surcharge due. The municipality may enforce the imposition by bringing a court action. Judgments are subject to a past due interest rate of 12%, plus attorney fees and costs.

A statute of limitations on lawsuits challenging the legality of the financial provisions of this bill is set at only thirty (30) days. The bill contains a "liberal interpretation clause" and a severability clause, thereby providing that if any provision of the bill is held invalid, other parts of the bill hold.

FISCAL IMPLICATIONS

A preliminary report from the Taxation & Revenue Department reflects the following fiscal impact to the state general fund, Albuquerque general fund and Bernalillo County fund:

FISCAL IMPACT (Thousands of dollars):

Note: Parenthesis () indicate a revenue loss:

<u>Estimated Impact on Revenues</u>				<u>Recurring or</u>	<u>Funds</u>
<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>		<u>Nonrecurring</u>	<u>Affected</u>
61	918	(195)	Recurring	General Fund	
43	(310)*	(136)	Recurring	Albuquerque General Fund	
5	70	(15)	Recurring	Bernalillo County	

Note: the positive impact on government general funds derives from the construction phase gross receipts. It is assumed the full \$35 million proposed is taxable. The negative amounts that persist for 30 years represents the siphoning of gross receipts tax from vendors.

Portland Family Entertainment expects to draw 6,270 fans a game when the Dukes come to town. The Dukes, when in Albuquerque, averaged around 4,000 in 1999. Assume the new stadium will draw at the 6,270 level, and can be leased for about \$1.07 million. Further assume the voters of Albuquerque and/or Bernalillo County approve about \$744,000 in property tax levies a year (.088 mills on the Bernalillo County base). Then a 10% stadium surcharge on \$5.95 million in annual revenues (unadjusted for lease fees) will generate about \$595,000 a year. Assume a new team occupies the existing stadium for one season beginning in May 2002 prior to when the new stadium is built and subsequently opens in May of 2003. While these time frames may be overly optimistic, their purpose is to exhibit approximate fiscal impacts and the timing of these impacts.

*With the timing as exhibited, a payment is due on the bond prior to when operating revenues become fully available (assume May 2003 payment date). This payment amount creates an Albuquerque general fund liability of about \$951 thousand.

TECHNICAL ISSUES

The City of Albuquerque “believes that the impact of the bill on coverage of the GRT-backed debt is immaterial. Sections 4 (c) and (d) and Section 8 of the bill appear to require the city to use the surcharge as a pledge source for borrowing only through the NMFA. It appears that the city would not have the ability to issue bonds on its own. The City of Albuquerque staff has expressed concern over the requirement in Section 8 (B) that the Gross Receipts Taxes are also pledged to the NMFA in connection with this loan in a manner to be determined by the Authority.”

ADMINISTRATIVE IMPLICATIONS

There will be little or no impact to the Taxation & Revenue Department. The exemption from gross receipts tax would be administered through the vendor contract with the municipality. The stadium surcharge will be collected by the City of Albuquerque.

RELATIONSHIP

Senate Bill 763 adds minor league baseball stadiums to the list of eligible use of tax proceeds, which if enacted, would provide another available revenue source to support this project.

OTHER SUBSTANTIVE ISSUES

For additional background purposes, the following information was obtained from a website produced by **Robert Smathers** <http://www.nmia.com/~roberts/dukesend.html>): in a copyrighted story March 13, 2000, Albuquerque Journal sports staff writer Dennis Latta reported that Dukes owner Bob Lozinak sold the Albuquerque Dukes – the Dodger’s AAA farm team -- to Marshall Glickman and Mike Higgins from Portland, Oregon. The estimated price of the sale was \$10 million to \$12 million. The Portland Business Journal set the price in a March 20, 2000 story at \$11.5 million. The franchise will transfer from Lozinak’s Albuquerque Professional Baseball Inc. to Glickman/Higgins’ Portland Family Entertainment. Immediately in wake of this announcement, Albuquerque mayor Jim Baca convened a committee to recruit a replacement team using a promise to build or renovate a suitable minor league baseball stadium as the major draw. At least three ownership groups have shown some interest, including one group that would not demand any renovations to the existing ball park at Cesar Chavez and University. However, the best guess of the price to renovate the existing sports stadium is about \$32 million, whereas the price to buy land at Lomas and Broadway (in close proximity to both I-25 and I-40) and build and equip a modern sports stadium is in the range of \$35 million. Of interest, the Portland group that purchased the Albuquerque Dukes -- Portland Family Entertainment -- will work with the city of Portland to renovate and operate the 74-year-old Civic Stadium. The Oregonian, Portland’s newspaper, reports that it will cost \$37 million to renovate Civic Stadium, and the city will finance 90 percent of that. A major part of the renovation will be to remove the left-field bleachers and add 32 luxury boxes. There will be sound reducing measures and traffic management measures done, part of an agreement with the city, Portland Family Entertainment, and residents near Civic Stadium. Portland Family Entertainment will pay \$908,000 a year to rent Civic Stadium and will split profits from other operational activities with the city. The city will finance their part of it with a bond issue.

The Dodgers, during the 1999-2000 off season, had made it known they didn't like the Albuquerque Sports Stadium. It didn't have the modern luxuries and space that a AAA-level ballpark in this day and age should have, such as batting cages, larger locker rooms, more spacious weight rooms. The Dukes have been the Dodgers AAA Farm Club since 1972. PCF President Branch Ricked III told the JOURNAL that average attendance seems to correlate to the age of the Stadium. The Sports Stadium was built in 1969; the Dukes' 1999 average attendance was 22nd out of 30 total AAA teams. In terms of ballpark ages, there were only three ballparks older than the Sports Stadium in the PCF in 2000. One of the newest stadiums will be the stadium in Sacramento, California. Vancouver's franchise moved after the 1999 season to Sacramento. New stadiums are also in Memphis and Louisville. Ricked III also went on to say the PCF is committed to bringing a franchise back to Albuquerque, but added that just because a stadium is built doesn't guarantee that there will be AAA-level baseball in Albuquerque. The Sports Stadium was built in 1969 for \$1.5 million. Bob Lozinak purchased the Dukes for around \$330,000 in 1978 from the Dodgers and sold the team to Portland Family Entertainment for an estimated \$10-12 million in 2000. When the Sports Stadium was built in 1969, UNM owned the land and gave the city the right to use the land for free to build a stadium. If Albuquerque is not able to gain a new franchise to temporarily play in the Sports Stadium while a new stadium is built, UNM will take over ownership of the land and the Lobo baseball team may end up playing their home games there under the lights and could attract regional tournaments.

POSSIBLE QUESTIONS

1. What is the total projected cost of a minor league baseball stadium?
2. What immediate impact will a loan from the NMFA Public Project Revolving Fund have on other legislatively authorized statewide projects?

3. What is the current loan and grant capacity of the PPRF?

LMK/njw:ar