

**Economic Development,
Agriculture & Trade Committee**

HB 1767

Brief Description: Authorizing additional funding for minor league baseball facilities.

Sponsors: Representatives Darneille, Haler, McCoy, Kirby, Walsh, Clements, Grant, Conway and Flannigan.

Brief Summary of Bill

- Authorizes the distribution of \$3 million per year from the state lottery fund to the minor league baseball stadium fund beginning in 2006 to fund the operations, maintenance, repair, rehabilitation, financing, equipping and reequipping of a minor league baseball stadium and associated parking facilities.
- Authorizes a county with an existing minor league baseball stadium where currently a minor league team plays to impose a sales and use tax on car rentals of up to 2 percent to fund the operations, maintenance, repair, rehabilitation, financing, equipping and reequipping of a minor league baseball stadium and associated parking facilities.
- Authorizes a city or town with an existing minor league baseball stadium where currently a minor league team plays to impose an admissions tax of 5 percent to fund the operations, maintenance, repair, rehabilitation, financing, equipping and reequipping of a minor league baseball stadium and associated parking facilities.

Hearing Date: 2/28/05

Staff: Tracey Taylor (786-7196).

Background:

The Washington Lottery

In 1982, Washington's Lottery was created. The lottery games range from "scratch" tickets, in which players discover if they are an instant winner, to "draw" games in which players wait for the random drawing of numbers to determine if they have won. Currently, Washington offers six "draw" lottery games: *Mega Millions*, *Lotto*, *Quinto*, *The Daily Game*, *Daily Keno* and *Lucky for Life*. The jackpots for these "draw" lottery games range from \$300,000 for *Quinto* to a jackpot high of \$360 million for *Mega Millions*. Washington has also offered a range of "scratch" lottery games with as many as 30 different types of games a year for a player to choose from. Prizes for

"scratch" lottery games range from \$1 to \$1 million. Until 1996, proceeds from the sale of all State Lottery products, after payment of prizes and expenses, were deposited in the State General Fund.

Beginning in calendar year 1996, a portion of Lottery proceeds has been dedicated to assist with paying the principal and interest on bonds used to construct Safeco Field. The initial year distribution was \$3 million, and the amount increases at a rate of 4 percent per year until the bonds are retired, or 2016, whichever occurs earlier. A similar distribution requirement, starting at \$6 million annually, was established in 1998 to contribute to the retirement of bonds for the stadium and exhibition center now known as Qwest Field, and will terminate no later than 2021.

The voters approved Initiative 728 in 2000 which redirected the Lottery proceeds from the State General Fund to the Student Achievement Fund and the Education Construction Fund beginning July 1, 2001. In 2002, legislation was enacted to allow Washington to join the multi-state lottery *Mega Millions*. The legislation also directed that profits from all lottery games must benefit education, up to \$102 million annually. Once the \$102 million contribution level is met, any additional revenues from *Mega Millions* will benefit the State General Fund, while other lottery games continue to fund education. The previous commitment to the stadiums has continued.

In 2004, the net revenues from lottery games allocated for education were directed to the Education Construction Fund to help build, renovate, and remodel schools throughout Washington.

The Lottery Fund distributions for Fiscal Year 2004 for education accounted for 21.3 percent of the total proceeds or \$102 million. Mariners stadium received \$4 million or 0.08 percent of the total proceeds, while Qwest Field received \$7.3 million or 1.5 percent of the total lottery proceeds. The majority of the Lottery Fund or 61.7 percent went to the prizes.

Rental Car Tax

The rental of a passenger vehicle from a rental car company to customers, without drivers, for a period that does not exceed 30 consecutive days is subject the state and local retail sales tax. In addition, the state imposes a 5.9 percent rental car tax. The receipts of the state rental car tax are deposited into the multimodal transportation account. A county is also authorized to impose an additional car rental tax of 1 percent. After the state's administrative costs are deducted, the local receipts are distributed to the appropriate counties and may only be used for the construction or operation of public sports stadiums, or for youth or amateur sports activities or facilities. There are currently four counties Franklin, King, Pierce and Spokane counties levying this 1 percent tax.

Additional rental car taxes have been authorized. King County imposes an additional 2 percent tax to finance the construction of Safeco Field. Also, the Regional Transit Authority, which is comprised of the metropolitan areas of King, Pierce and Snohomish Counties, levies a tax of 0.8 percent on the rental of automobiles.

In Fiscal Year 2004, the state collected \$20.1 million in rental car tax revenues. The four counties imposing the 1 percent rental car tax collected \$2.8 million. King County's 2 percent tax on car rentals accounted for \$4.6 million for Fiscal Year 2004.

Admissions Taxes

Cities, towns, counties, and public facility districts are authorized to levy a tax on the price paid for admission to any place or event. This includes season tickets, cover charges, and charges for

the use of recreational facilities. A charge for parking may be subject to an admissions tax if the charge is related to the number of passengers. Also, charges for food and beverages may be included in the price subject to tax if entertainment is provided.

The tax on admissions is limited to 5 percent of the admission charge. However, King County may levy a 10 percent admissions tax for events at both Safeco Field and Qwest Field, including the adjacent exhibition center. In general, the receipts may be used for the general purpose of the jurisdiction, except the King County admissions taxes at Safeco Field and Qwest Field are dedicated to principal and interest payments for the bonds on the facilities.

In 2003, local admissions taxes collected amounted to \$20.2 million.

Summary of Bill:

The Minor League Baseball account is created in the State Treasury. The money distributed from the Minor League Baseball account must be used solely for the operation, maintenance, repair, rehabilitation, financing, equipping and reequipping of a minor league baseball stadium and associated parking facilities. A minor league baseball stadium is any public facility existing and in use on the effective date of this Act in which a minor league baseball team affiliated with a major league baseball club has operated for at least a portion of the previous two years.

Beginning with calendar year 2006, \$3 million of State Lottery Account funds shall be distributed to the Minor League Baseball Account. In subsequent years, the distribution shall be the previous year's amount plus an additional 4 percent. These distributions will continue until either the lottery distributions to Safeco Field cease or 15 years from the effective date of this Act, which ever is later.

The money in the Minor League Baseball Account shall be distributed annually to a governmental agency responsible for operating a minor league baseball stadium. The distributions will be divided on a per capita basis based on the population of the city in which the minor league baseball stadium is located as determined by the Office of Financial Management on the effective date of this Act.

In addition, the legislative authority of a county in which a minor league baseball team plays in an existing minor league baseball stadium is authorized to impose a special stadium sales and use tax upon retail car rentals with the county. The tax rate shall not exceed 2 percent of the selling price or the rental value. This tax is not credited against any other tax imposed on the car rental.

The legislative authority of a city or a town in which a minor league baseball teams plays in an existing minor league baseball stadium may impose a 5 percent tax on admissions. This tax may be imposed on the admission charged to a person for events in the minor league baseball stadium and any parking charges or fees imposed in the associated parking facilities. This tax is also in addition to any other taxes on admission levied by the city or town.

The revenues from both the rental car tax and the admissions tax shall be used solely for the operation, maintenance, repair, rehabilitation, financing, equipping, and reequipping of a minor league baseball stadium and associated parking facilities.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.