

SENATE BILL REPORT

SB 6848

As Reported By Senate Committee On:
Ways & Means, February 12, 2008

Title: An act relating to financing stadium facilities at a state research university in a county with a population of one million or more.

Brief Description: Financing for the renovation of university stadium facilities.

Sponsors: Senators Prentice, Delvin, Kohl-Welles, Brandland, McAuliffe, Murray, Regala and Shin; by request of University of Washington.

Brief History:

Committee Activity: Ways & Means: 2/5/08, 2/12/08 [DP, DNP, w/oRec].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Pridemore, Vice Chair, Operating Budget; Zarelli, Ranking Minority Member; Brandland, Hatfield, Hewitt, Hobbs, Keiser, Kohl-Welles, Parlette, Rasmussen, Regala and Rockefeller.

Minority Report: Do not pass.

Signed by Senators Schoesler and Tom.

Minority Report: That it be referred without recommendation.

Signed by Senator Roach.

Staff: Dean Carlson (786-7305)

Background: The University of Washington is proposing a \$300 million renovation to Husky Stadium. One-hundred-fifty million dollars of public funds is requested for preservation, renovation, and maintenance of the facility. An additional \$150 million, provided from the university, will be used to improve the fan experience and upgrade the football facilities.

Local Hotel-Motel Tax. A hotel-motel tax is a special sales tax on lodging rentals by hotels, motels, rooming houses, private campgrounds, RV parks, and similar facilities. Cities and counties are authorized to levy a basic, or "state-shared," hotel-motel tax of up to 2 percent. These taxes are credited against the state sales tax on the furnishing of lodging.

Beginning in 1989, the hotel-motel tax in King County not only applied to servicing the debt on the Kingdome, but a portion of the tax revenues above \$5.3 million per year was dedicated to arts and heritage programs in King County. Currently, 70 percent of the excess revenue is

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dedicated to the arts and heritage programs; however, 40 percent of the arts revenue is for the arts endowment fund, of which the principal cannot be touched. The remaining 30 percent of the revenue in excess of \$5.3 million is dedicated first to retiring the Kingdome's debt, then to acquisition of open space lands, youth sports activities, and tourism promotion. This is to continue until the Kingdome's debt is retired, then the full portion of the local hotel-motel tax in King County is dedicated to retiring the debt on Qwest Field.

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 to 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) levying this 1 percent tax.

King County imposes an additional 2 percent rental car 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.

Food and Beverage Tax. King County was authorized to impose an additional sales and use tax of 0.5 percent on food and beverage sales at restaurants, taverns, and bars to finance the construction of Safeco Field. Food and beverage sales at grocery stores, mini-markets, and convenience stores were not included. The tax is imposed until the bonds are retired or by December 1, 2016.

Summary of Bill: The board of regents of a state research university may apply for a sales tax deferral for a university stadium renovation project. The taxes must begin to be paid back in the fifth year following completion of the project. One tenth of the tax must be paid back in each of ten consecutive years.

Beginning January 1, 2021, if bonds have been issued for a university stadium, at least 62.5 percent of the hotel-motel tax in King County must be used to pay off the bonds.

If bonds have been issued for a university stadium, after the bonds on the Kingdome are retired, 75 percent of the 1 percent rental car tax in King County must be used to pay off the bonds until the bonds are retired.

The two percent rental car tax must be used toward the university stadium bonds from the time when the Safeco Field bonds are paid off until December 31, 2015.

The King County food and beverage tax must be used toward the university stadium bonds from the time when the Safeco Field bonds are paid off until December 31, 2015.

Appropriation: None.

Fiscal Note: Requested on January 28, 2008.

Committee/Commission/Task Force Created: No.

Effective Date: The bill takes effect on July 1, 2008.

Staff Summary of Public Testimony: PRO: We are not asking for any resources outside of King County. Events at Husky Stadium bring in \$100 million in state and local taxes each year. This field was built 90 years ago, and is in desperate need of repair. There is over \$100 million in deferred maintenance accumulated at the stadium. We could struggle and get this done, but the stadium would still be no better. We decided to separate the normal capital budget items for public funding, and fund the upgrades through private donations. There is urgency to do this, as Sound Transit is going to build a major station in front of the stadium, and we could have the stadium construction done before that starts. If not, the cost of the project will escalate a great deal. Another reason to start now is that interest rates are low which will save millions. We feel this project is urgent, necessary, and is a fair distribution of resources. I feel that I have the responsibility to teach these players how to become young men. We will show all other universities the right way to do things.

Persons Testifying: PRO: Dan Evans, Chair Stadium Advisory Committee; Tyrone Willingham, UW Head Football Coach; Scott Woodward, UW Interim Athletic Director.