Bond Case Briefs

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Obama's Proposed Budget Would Bar Tax-Exempt Bonds to Finance Stadiums.

Florida lawmakers last year approved a plan to set aside $7 million in sales-tax dollars to help pay for building or renovating sports stadiums. But last month the Joint Legislative Budget Commission punted on the decision on whether or not to fund the four stadium projects that were before them — EverBank Field in Jacksonville, Daytona International Speedway, Sun Life Stadium in Miami-Dade County and an Orlando soccer stadium.

The issue of whether to give tax breaks to millionaires for such stadiums has been an issue for decades, and in the lead-up to the legislative session, the group Americans for Prosperity has been leading the opposition to it in Tallahassee.

Potentially a bigger threat to those and other stadiums getting funded in the future is a proposal in President Obama's 2016 budget, presented to Congress last month, that would bar the use of tax-exempt bonds to finance professional sports facilities, if more than 10 percent of the facility is used by private businesses. That means it would fall to cities and states to finance stadiums with bonds that aren't tax-exempt.

Numerous blogs and news agencies reported on this development when the president released his budget in February, but it is receiving more attention after a report in today's Wall Street Journal.

Between 1986 and 2012, sports facilities accounted for $17 billion in tax-exempt bond debt. That debt will be paid off 30 years from now and, by that time, the exemption will cost federal taxpayers $4 billion under Obama's plan.

The federal savings would be about $542 million between 2016 and 2025; however, federal tax payers will no longer be responsible for subsidizing stadiums far from their home team.

As Politico reported last month, tax-exempt bonds are not the only way local governments can use taxpayer resources to fund stadium projects, but they are a popular avenue for raising this money.

"Tax-exempt municipal bonds represent the least-expensive source of capital available to most team owners and are the preferred method of financing stadium construction," according to a 2012 UBS research report.

The owners of the Tampa Bay Rays are expected to look toward public financing of a new ballpark, if and when they ever get the opportunity to search for locations in Hillsborough County. The estimated costs of a retractable dome park to be built in the Tampa Bay area have been estimated to be around $550-600 million. Rays management has said in the past they would consider paying up to a third of those costs.

In the fall of 2012, a report by the Baseball Stadium Financing Caucus listed the potential sources of revenue in the Tampa Bay area to fund a new stadium. In Hillsborough that included using tax-increment financing (TIF) from the city of Tampa's downtown Community Redevelopment Agency;

redirecting part of the Community Tax (CIT) to improvements for a stadium; adding a new 5 percent surcharge on car rentals, and a new 6th cent added to the tourist/bed tax. In Pinellas some of the measures include redirecting using the bonds going to pay for Tropicana Field, which will expire at the end of this year, as well as redirecting a part of the Penny for Pinellas tax.

SaintPetersBlog

By Mitch Perry on March 9, 2015