

Multiple Agency Fiscal Note Summary

Bill Number: 6040 S SB	Title: Public speedway authority
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Estimated Cash Receipts

Agency Name	2007-09		2009-11		2011-13	
	GF- State	Total	GF- State	Total	GF- State	Total
Department of Revenue	(16,067,000)	(16,093,000)	(5,083,000)	(5,091,000)	(23,081,000)	(23,117,000)
Total \$	(16,067,000)	(16,093,000)	(5,083,000)	(5,091,000)	(23,081,000)	(23,117,000)

Local Gov. Courts *						
Local Gov. Other **	Non-zero but indeterminate cost. Please see discussion.					
Local Gov. Total						

Estimated Expenditures

Agency Name	2007-09			2009-11			2011-13		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Department of Revenue	.1	17,600	17,600	.1	14,200	14,200	.0	0	0
Department of Ecology	.0	0	0	.0	0	0	.0	0	0
Department of Natural Resources	.0	0	0	.0	0	0	.0	0	0
Total	0.1	\$17,600	\$17,600	0.1	\$14,200	\$14,200	0.0	\$0	\$0

Local Gov. Courts *									
Local Gov. Other **									
Local Gov. Total									

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Prepared by: Doug Jenkins, OFM	Phone: 360-902-0563	Date Published: Final 3/20/2007
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* See Office of the Administrator for the Courts judicial fiscal note

** See local government fiscal note

FNPID: 17482

Department of Revenue Fiscal Note

Bill Number: 6040 S SB	Title: Public speedway authority	Agency: 140-Department of Revenue
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Part I: Estimates

☐ No Fiscal Impact

Estimated Cash Receipts to:

FUND	FY 2008	FY 2009	2007-09	2009-11	2011-13
GF-STATE-State 01 - Taxes 01 - Retail Sales Tax	(7,987,000)	(7,987,000)	(15,974,000)	(4,709,000)	(22,707,000)
GF-STATE-State 01 - Taxes 59 - Leasehold Excise Tax		(93,000)	(93,000)	(374,000)	(374,000)
Performance Audit Account-State 01 - Taxes 01 - Retail Sales Tax	(13,000)	(13,000)	(26,000)	(8,000)	(36,000)
Total \$	(8,000,000)	(8,093,000)	(16,093,000)	(5,091,000)	(23,117,000)

Estimated Expenditures from:

	FY 2008	FY 2009	2007-09	2009-11	2011-13
FTE Staff Years	0.1		0.1	0.1	
Fund					
GF-STATE-State 001-1	17,600		17,600	14,200	
Total \$	17,600		17,600	14,200	

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

- ☒ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☒ Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 03/01/2007
Agency Preparation: Steve Smith	Phone: 360-570-6080	Date: 03/20/2007
Agency Approval: Don Gutmann	Phone: 360-570-6073	Date: 03/20/2007
OFM Review: Doug Jenkins	Phone: 360-902-0563	Date: 03/20/2007

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

Note: This fiscal note reflects SSB 6040 (S-2406.1). This revision is to the local revenue impacts. This fiscal note supercedes 6040-2.

This proposal authorizes the creation of a public speedway authority (Authority) in an area with at least 400,000 population and coterminous with the boundaries of up to three counties. The Authority is a municipal corporation, and its purpose is to develop and finance a professional motorsports entertainment and family recreation facility (speedway facility).

Beginning on January 1, 2011, the Authority may impose a 0.048 percent sales and use tax which is credited against the state sales and use tax (the "speedway sales tax"). The Department of Revenue (Department) will collect the tax for the Authority at no cost to the Authority. The tax expires the earlier of: (1) 25 years after it is first imposed, or (2) when all bonds issued to finance the construction of public facilities and infrastructure associated with the speedway facility are paid off and all amounts due to any financial institutions, insurance companies, or other public or private entities providing credit enhancement to the bonds have been paid.

This speedway sales tax constitutes the entire state contribution for the speedway facility. The state will not make any additional contributions based on revised cost or revenue estimates, cost overruns, unforeseen circumstances, or any other reason.

The Authority may levy an admissions tax up to 5 percent on the speedway facility gate receipts. This tax replaces any city or county admissions taxes.

The Authority is authorized to issue bonds to finance the development of a speedway facility. The Authority may pledge for the debt service on the bonds: (1) the speedway sales tax, (2) the admissions tax, (3) revenues from leases, and (4) any other available amounts derived from any other sources. The term of the bonds may not exceed 30 years.

The Authority may defer payment of state and local sales and use taxes on the construction of the speedway facility. The Authority must begin repaying deferred taxes five years after completion of the speedway facility. The deferred taxes must be repaid over a ten-year period, with each annual payment equal to 10 percent of the deferred taxes. No interest or penalties apply to the deferred taxes if the payments are made by the due dates. The Department may authorize an accelerated repayment schedule for deferred taxes.

Land removed from designation as forest land for property tax purposes as a result of the sale or transfer of the land to the Authority is exempt from the compensating tax so long as the land is not covered with an impervious (non-penetrable) surface.

All public or entertainment areas within the speedway facility are exempt from state and local leasehold excise taxes.

The substitute bill requires the Authority to make payments in lieu of property taxes to any host jurisdiction, fire protection district, regional fire protection service authority, emergency medical service district, urban emergency medical service district, and to other applicable taxing districts. The amount of the payments in lieu of property taxes is equivalent to the property taxes that would be payable if the property were not owned by a municipal corporation.

Any portion of a speedway facility that is not covered with impervious surface and maintained in a condition consistent with the open space designation (including portions used for activities such as recreation, temporary parking for events, storm water management, wetlands, and wetland buffers) is eligible for open space classification for purposes of property taxation.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

ASSUMPTIONS/DATA SOURCES

The data sources included the Berk and Associates "Final Report" dated October 10, 2005, and supplemental Berk materials; International Speedway Corporation (ISC) and Great Western Sports, Inc.; the Office of the Lieutenant Governor; the Kitsap County Assessor; the Office of Financial Management (OFM); and the Department. The economic and revenue analysis performed by Berk and Associates and ISC was reviewed by the Department and OFM during the study process. However, the Department and OFM have no means of verifying confidential proprietary data used by Berk and Associates and ISC.

It is assumed that:

- If this bill is enacted, a speedway facility will be built in this state;
- Ground breaking will be in Fiscal Year 2008, with one-half of the construction completed in that year and one-half in Fiscal Year 2009;
- The speedway facility will be open for a full season in the summer of 2010, with half the attendance before July 1 and half in the remainder of the year;
- The Authority will encompass all of Kitsap and Pierce counties, the minimum size required by the bill;
- The Authority will not contain portions of counties;
- Both Kitsap County and the City of Bremerton have admissions tax rates of 5 percent;
- Bremerton will annex the major portion of the speedway facility site;
- Because the speedway sales tax, which is credited against the state sales tax, is effective January 1, 2011, the state will receive only five months of state sales tax collections within the boundaries of the Authority in Fiscal Year 2011;
- Repayment of the deferred sales and use taxes on construction of the speedway facility will commence in Fiscal Year 2013;
- Lands reclassified from designated forest land under chapter 84.33 RCW to classification as open space under RCW 84.34.020(1) are valued similarly, so the tax consequences will be minimal;
- The taxes authorized in this bill will be levied to the maximum extent; and
- The speedway facility will meet economic projections.

REVENUE ESTIMATES

Estimated state impacts are:

	State Sales Tax Credit	State Sales Tax Deferral	Repayment of Deferred Sales Taxes
FY08	0 million	(8.0) million	0
FY09	0 (8.0)	0	
FY10	0 0	0	
FY11	(4.7) 0	0	
FY12	(11.3) 0	0	
FY13	(12.2) 0	0.8 million	

In addition, the state leasehold excise tax exemption will result in estimated losses of \$93,000 in Fiscal Year 2009 and \$187,000 in subsequent years. The state performance audit account will also lose an estimated \$13,000 in Fiscal Year 2008.

Beginning in Fiscal Year 2010, Kitsap County and the City of Bremerton, or any other jurisdictions that host a speedway,

may lose an estimated \$1.7 million a year each if the speedway authority levies the admissions tax to the maximum extent allowed by this proposal thereby precluding the county and city from collecting admissions taxes on the speedway gate receipts; however, since local authorities have no way of knowing if these circumstances will occur, the impact on local admissions taxes is indeterminate. Local jurisdictions will lose an estimated \$107,000 in Fiscal Year 2009 from the leasehold excise tax exemption and \$2.5 million from the deferral of local sales and use taxes.

TOTAL REVENUE IMPACT:

State Government (cash basis, \$000):

FY 2008 - \$ (8,000)
 FY 2009 - \$ (8,093)
 FY 2010 - \$ (187)
 FY 2011 - \$ (4,904)
 FY 2012 - \$ (11,506)
 FY 2013 - \$ (11,611)

Local Government, if applicable (cash basis, \$000):

FY 2008 - \$ (2,462)
 FY 2009 - \$ (2,568)
 FY 2010 - \$ (213)
 FY 2011 - \$ (213)
 FY 2012 - \$ (213)
 FY 2013 - \$ 33

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

To implement this legislation, the Department will incur costs of approximately \$17,600 in Fiscal Year 2008. These will be for the amendment of three administrative rules. No additional FTEs will be required.

To implement this legislation, the Department will incur costs of approximately \$14,200 in Fiscal Year 2010. These will be for developing, programming, analyzing, and testing the information systems for the proposed changes. Time and effort to incur these costs are equal to 0.2 of an FTE.

The Department will absorb these costs. However, should this bill and other similar bills pass, the net impact may result in costs above the level the Department can reasonably absorb. In that event, the Department will need additional resources to implement the legislation.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2008	FY 2009	2007-09	2009-11	2011-13
FTE Staff Years	0.1		0.1	0.1	
A-	8.800		8,800	9,400	
B-	2.200		2,200	2,400	
E-	5.800		5,800	1,200	
J-	800		800	1,200	
Total \$	\$17,600		\$17,600	\$14,200	

III. B - Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2008	FY 2009	2007-09	2009-11	2011-13
HEARINGS SCHEDULER	31,056	0.0		0.0		
IT SPEC 4	54,372				0.1	
RULES MANAGER	78,194	0.0		0.0		
RULES POLICY SPECIALIST	64,587	0.0		0.0		
TAX POLICY SPECIALIST 3	61,500	0.1		0.1		
Total FTE's		0.1		0.1	0.1	

Part IV: Capital Budget Impact

NONE.

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

Should this legislation become law, the Department will use the expedited process to amend WAC 458-29A-400 (titled: Leasehold excise tax-Exemptions), WAC 458-30-210 (titled: Classification of land under chapter 84.34 RCW), and WAC 458-40-530 (Property tax, forest land-Land grades-Operability classes). Persons affected by this rule-making would include public speedway authorities.

Individual State Agency Fiscal Note

Bill Number: 6040 S SB	Title: Public speedway authority	Agency: 461-Department of Ecology
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Part I: Estimates

☒ **No Fiscal Impact**

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

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- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 03/01/2007
Agency Preparation: Vince Chavez	Phone: (360) 407-7544	Date: 03/01/2007
Agency Approval: Pat McLain	Phone: (360) 407-7005	Date: 03/02/2007
OFM Review: Jim Cahill	Phone: 360-902-0569	Date: 03/02/2007

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

The differences between the substitute bill from the original version are as follows: Added new sub-section (5) to Section 401 (Sales Tax – Credit against State Sales Tax); revised Section 402(2) (Public Speedway Authority Admissions Tax) and Section 603 (Payments in Lieu of Taxes); and removed Section 511 (Annex territory – RCW 35.13.005) and Section 512 (Annex territory – RCW 35.13.180). These revisions have no impact on Ecology's original assumptions outlined in SB-6040.

The purpose of this bill would be to authorize the creation of a public speedway authority (PSA) in the State of Washington.

Section 301 would create the PSA to function in an area with a total population of at least four hundred thousand that is coterminous with the boundaries of one county or up to three contiguous counties.

Section 302 would define the PSA to be governed by a board of directors consisting of seven members, in which two positions would be appointed by the Governor.

Section 303 would require the PSA to provide for the acquisition of a site, financing, permitting, construction, maintenance, and operation of a professional motorsports entertainment and family recreation facility.

Section 505 would amend the current Growth Management Act (GMA) in RCW 36.70A.040 to allow the extension of urban services, including water sewer, without any restriction on adding additional hook-ups.

Section 507 would amend RCW 43.21C to allow the sounds originating from any professional motorsports entertainment and family recreation facility.

Section 510 would also waive the 6-year moratorium on forest land conversions.

Section 606 would allow a county to contract with the PSA for the construction of water or sewer facilities within ten miles of its corporate limits connecting with the county's public sewerage system to service a professional motorsports entertainment and family recreation facility.

Section 607 would allow granting authorities to include professional motorsports entertainment and family recreation facility in their application considerations.

Assumptions:

Responsibilities defined within this bill would fall within the local jurisdictions outside of Ecology authority. There are no specific duties assigned to Ecology defined in this bill. The agency could be asked to provide expertise in related fields regarding impacts as a result of this bill. These costs are assumed to be minimal and could be absorbed within existing resources.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

No impact.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

No impact.

Part III: Expenditure Detail

Part IV: Capital Budget Impact

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

Individual State Agency Fiscal Note

Bill Number: 6040 S SB	Title: Public speedway authority	Agency: 490-Department of Natural Resources
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Part I: Estimates

☒ **No Fiscal Impact**

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

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- ☐ Capital budget impact, complete Part IV.
- ☐ Requires new rule making, complete Part V.

Legislative Contact:	Phone:	Date: 03/01/2007
Agency Preparation: Brooke Hanson	Phone: 360-902-1200	Date: 03/01/2007
Agency Approval: Bob VanSchoorl	Phone: (360) 902-1298	Date: 03/01/2007
OFM Review: Linda Steinmann	Phone: 360-902-0573	Date: 03/01/2007

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

The Department of Natural Resources regulates forest land under the direction of the Forest Practices Act (76.09 RCW). Section 510 of SSB 6040 amends RCW 76.09.060 to waive the six-year moratorium preventing conversion of forest land. This waiver applies to proposals for developing land into a professional motor sports entertainment or family recreation facility.

An applicant to develop an entertainment or recreation facility on forest land will state on a forest practices application that the land will be converted to a use other than commercial forestry. This automatically removes the six-year moratorium for development permits on the site. All forest practices activities on this site will fall under the authority of the local government critical areas and development regulations.

SSB 6040 has no fiscal impact to the Department of Natural Resources.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

None.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

None

Part III: Expenditure Detail

Part IV: Capital Budget Impact

None

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

No rule changes required.

LOCAL GOVERNMENT FISCAL NOTE

Department of Community, Trade and Economic Development

Bill Number: 6040 S SB	Title: Public speedway authority
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Part I: Jurisdiction-Location, type or status of political subdivision defines range of fiscal impacts.

Legislation Impacts:

- ☒ Cities: First class cities in a public speedway authority area of one to three counties with a total population over 400,000
- ☒ Counties: One to three counties combined population exceeding 400,000 with at least one first class city
- ☒ Special Districts: Creates a new special district "public speedway authority"
- ☒ Specific jurisdictions only: Counties with first class cities are Kitsap, Grays Harbor, Whatcom, Snohomish, King, Spokane, Benton, Pierce, Clark and Yakima Counties
- ☐ Variance occurs due to:

Part II: Estimates

- ☐ No fiscal impacts.
- ☐ Expenditures represent one-time costs:
- ☒ Legislation provides local option: Creation of a public speedway authority is a local option
- ☒ Key variables cannot be estimated with certainty at this time: While an initial proposal has been made to create a speedway authority in Kitsap, Pierce and Mason counties, the exact authority area is not known.

Estimated revenue impacts to:

Indeterminate Impact

Estimated expenditure impacts to:

Jurisdiction	FY 2008	FY 2009	2007-09	2009-11	2011-13
City					
County					
Special District					
TOTAL \$					
GRAND TOTAL \$					0

Part III: Preparation and Approval

Fiscal Note Analyst: Anne Pflug	Phone: 425 785 8557	Date: 03/06/2007
Leg. Committee Contact:	Phone:	Date: 03/01/2007
Agency Approval: Steve Salmi	Phone: (360) 725 5034	Date: 03/08/2007
OFM Review: Doug Jenkins	Phone: 360-902-0563	Date: 03/20/2007

Part IV: Analysis

A. SUMMARY OF BILL

Provide a clear, succinct description of the bill with an emphasis on how it impacts local government.

DIFFERENCES BETWEEN THE ORIGINAL AND THE SUBSTITUTE BILL

The public speedway authority is required to make annual payments in lieu of property taxes to any host jurisdiction, fire protection district, regional fire protection service, emergency medical service district, urban emergency medical service district or other taxing district in an amount equal to the property taxes that would be payable if the property were not owned by a municipal corporation.

The public speedway authority may apply the proceeds from the admissions tax as provided in the host jurisdiction agreement and delete the two options that were in the original bill -- 80 percent towards the cost of the facility including bond payments; and 20 percent to the host jurisdiction for any public purpose; or provide all the proceeds to the host jurisdiction for off-site public infrastructure improvements necessary for the operation of the facility.

The development agreement is required to support one or more land conservation projects that are in addition to any offsite mitigation projects or activities required as a condition of permitting the facility. The value must be at least \$1 million and the lessee is to work with a nonprofit land trust or other conservation organization to identify and implement the projects.

Two sections that dealt with annexation by a city of territory outside of the urban growth area of the city were deleted.

SUMMARY

SSB 6040 authorizes the creation of a public speedway authority as a municipal corporation to build and operate through a lessee a state "professional motorsports entertainment and family recreation center" within the authority boundaries. Provides authorization for the speedway authority to divert state sales taxes within the authority boundary, establish admissions taxes, and defer sales taxes on construction in order to issue bonds to finance construction of the facility. Authorizes operating and permitting agreements with the host community. Provides for exemptions or specialized application of a variety of sign, noise, purchasing and taxation statutes to the speedway.

SECTIONS WITH IMPACTS ON LOCAL GOVERNMENT

Section 201: Defines host jurisdiction as a first class city annexing a speedway site or, if the city did not act within a specific timeframe, a county; and defines the characteristics of a qualified prospective lessee of the speedway facility.

Section 301: Authorizes the creation of a speedway authority by legislative authority action of the host first class city (or host county if applicable) and at least one county that is not a host in a multi-county authority. The authority boundaries may encompass one to three contiguous counties with combined population of at least 400,000 population.

Section 302-309: Sets up the authority seven-member governing board, sets out its powers and duties, including purchasing requirements and authorizes compensation of the board. The authority board includes members appointed by the host jurisdiction and participating counties. Authorizes the treasurer of the host jurisdiction to be the treasurer of the authority.

Section 401: Authorizes the speedway authority board to divert up to 0.0480 of a percent of state sales taxes within the authority boundaries to finance the speedway, financing costs and bond repayment for up to 25 years.

Section 402, 404, 405: Authorizes the speedway authority board to institute an admissions tax of 1 cent per 20 cents on admissions to speedway events. The admissions tax may be used to pay for the speedway, financing costs and bond repayment or in the alternative be allocated to the host jurisdiction to pay for off-site infrastructure improvements; their financing or other public purposes of the host jurisdiction. Prohibits other public jurisdictions from imposing an admissions tax on speedway events.

Section 403: Authorizes the speedway authority or a city or county in the speedway authority boundary to issue bonds backed by authority revenues for up to 30 years. Authorizes a city or county to provide credit enhancement for the authority's bonds. The amount of net bond financing is limited to \$145M in 2007 dollars adjusted annually for inflation beginning in 2008.

Section 501: Requires an agreement between the speedway authority, its lessee and the host jurisdiction related to the development and operation of the speedway facility including construction and financing of off-site and on-site public infrastructure improvements; public access and use of the facility; and financing of the cost of event-related public services.

Section 502: Provides for a development agreement between the authority and the lessee for the speedway facility.

Section 503 and 704-706: Provides for a 10-year state and local sales tax deferral for speedway construction.

Section 504: Authorizes the host jurisdiction, the authority and the lessee to enter into an agreement related to permit processing, and limits

the issuance of bonds until after master plan approval by the host jurisdiction, if required, or annexation into a city where the speedway is a permitted use.

Section 505: Amends the Growth Management Act to allow the extension of urban services for the speedway when it is partially outside an urban area designated in a comprehensive plan.

Section 506: Amends the Scenic and Recreational Highway Act to permit signage on certain sections of Highway 3 in Kitsay County for speedway signage.

Section 507: Exempts the speedway from certain state noise regulations.

Section 508: Exempts the speedway from public works purchasing requirements.

Section 509: Transfers applicable speedway property deferred forest land classification taxes to the seller rather than the speedway authority.

Section 510: Exempts the speedway from Forest Practices Act conversion moratoria.

Section 602: Exempts the public portions of the speedway from leasehold taxes.

Sections 603: Requires the speedway authority to make annual payments in lieu of property taxes to any host jurisdiction, fire protection district, regional fire protection service authority, emergency medical service district, urban emergency medical service district, or other taxing district in an amount equal to the property taxes that would be payable with respect to the property were it not owned by a municipal corporation.

Section 604-606: Authorizes a county ("up to ten miles outside its jurisdiction") to provide sewage services to the speedway under certain circumstances and financial arrangements, and provides for the speedway to be included in water or sewer comprehensive plans of a county.

Section 607: Permits a county to classify for taxation purposes the parts of the speedway not covered by impervious surface as open space.

Section 701: Classifies the speedway authority as a special district to allow for its dissolution under certain conditions.

Section 702: Subjects the speedway authority to ethics, accountability, public meeting and disclosure laws, including auditing by the State Auditor.

Section 711: Effective July 1, 2007

B. SUMMARY OF EXPENDITURE IMPACTS

Briefly describe and quantify the expenditure impacts of the legislation on local governments, identifying the expenditure provisions by section number, and when appropriate, the detail of expenditures. Delineate between city, county and special district impacts.

DIFFERENCES BETWEEN THE ORIGINAL AND THE SUBSTITUTE BILL

SSB 6040 eliminates the two annexation related sections of the bill (exempting annexation of part of the speedway site from prohibitions under the Growth Management Act) and would require one or more land conservation projects of \$1M dollars or more to be supported by the speedway beyond any other conditions placed on the development as part of land use or permit approval.

SUMMARY

SSB 6040 may have a substantial (greater than \$1M) although indeterminate impact on local government expenditures. Most of the impacts are mitigated or may be mitigated through mechanisms established in the bill. Provisions are made for independent financing of the Speedway Authority Board and its operations after start up; for financing and operation of the speedway project and for the costs associated with providing infrastructure and local government services to the speedway during permitting, construction and operation. Special district costs are authorized to be address in several ways under the bill with the exception of transit services.

START UP

Section 301 authorizes a host jurisdiction to create a speedway authority. Later sections define the powers and duties of the board and revenue authority for construction and operation of the speedway. It is unclear how start-up costs are financed. If the host jurisdiction is to finance start-up costs for such things as initial board meetings, staffing, project parameters, permitting, property acquisition and development of initial agreements, it is unclear whether those costs may later be reimbursed from authority financing sources. Start-up costs may be significant (greater than \$1M) depending on how long it takes to put the development group, project groundwork and various sources of financing into place. If the project fails to go forward then the host government may have significant costs to close the project and deal with any liabilities or disputes. In any event, the host local government will have costs related to administration of the speedway project start up, and creation of the development and operating agreement between the authority and/or lessee and the local government.

CONSTRUCTION AND OPERATION

Various sections of the bill provide for financing and mitigation of the impacts of the speedway on local government services. A series of agreements, financing measures and statutory authority cover permitting, taxation, construction and operation of the speedway. Provisions are made for financing of infrastructure (including sewage services), development processing and provision of public services to the speedway while in operation. The authority powers, duties and financing authority cover all of the phases of development and operation of the speedway (note: the use of the work "acquisition" in Section 403 is assumed to mean property acquisition as well as acquisition of services or materials) except for start up, as noted above. The operations of the board may be paid for from lease income, but it is unclear whether they may be paid for or reimbursed from other sources.

IMPACT ON LOCAL GOVERNMENT SERVICES

Local governments (city, county or special district) may be reimbursed for costs through the development agreement, permitting agreement, fee-in-lieu of property tax payments or direct service agreements described in the bill. Typical types of local government costs include pre-development permitting/approvals and construction inspection; design, construction and financing of infrastructure; policing, fire and emergency medical services; street operations; transit services; water and waste water; storm drainage; and litter, parking control and event management before, during and after events hosted at the speedway site. Transit services would not be covered by in-lieu of property tax payments since transit agencies are generally not funded through property taxes. Transit service and capital cost mitigation would need to be addressed in the host jurisdiction agreement or as a condition of development approval.

SOURCES

Department of Revenue fiscal note

Legislative presentations - Speedway Project

Football and Baseball Stadium Authority local government agreements

C. SUMMARY OF REVENUE IMPACTS

Briefly describe and quantify the revenue impacts of the legislation on local governments, identifying the revenue provisions by section number, and when appropriate, the detail of revenue sources. Delineate between city, county and special district impacts.

DIFFERENCES BETWEEN THE ORIGINAL AND THE SUBSTITUTE BILL

SSB 6040 increases the number of local governments that would receive payments in lieu of property tax from the speedway and defines the size of the payments as equivalent to the property tax that would have been paid. The measure also creates more flexibility in the use of admissions tax. The proceeds may be used in the ways defined in the host jurisdiction agreement with the authority and lessor. Restrictions on admissions tax use are eliminated.

SUMMARY

SSB 6040 will have a significant (greater than \$1M dollars) although indeterminate impact on local government revenue or revenue authority. The impact is indeterminate because the local governments that will be within the boundary of the Speedway Authority are unknown. While the speedway study assumed the location of the speedway to be in Kitsap County, this measure would allow the authority to be formed in a variety of different locations throughout the state. Major impacts include bond and revenue authority for the speedway authority itself, and tax revenue impacts to the local governments within the authority boundaries (property tax, sales tax, admissions tax and in-lieu of payments). See Department of Revenue fiscal note for detail on tax revenue. Depending on the current land uses of the property ultimately designated for the speedway, local governments may gain or lose revenue relative to other development options. No estimate was made of spin-off revenue from speedway operations.

DISCUSSION

Local government revenue or revenue authority is modified in a variety of ways including:

- Public Speedway authority may divert up to 0.048 percent of state sales tax to finance the speedway for up to 25 years.
- Public Speedway authority may issue bonds for up to \$145M (modified by an inflator over time) for up to 30 years.
- Public Speedway authority may establish a 5 percent admissions tax on speedway gate revenue that preempts the admissions tax of Bremerton and Kitsap County or any other county and city(ies) within the authority boundaries.
- Compensating property taxes, if any, on existing land classified as forest use purchased for the speedway are paid by the seller (rather than buyer).
- Property taxation of the speedway property is modified to exempt from leasehold tax the speedway property used for public purposes; a property tax or leasehold tax on the portion of the property used for corporate use of the lessee; in-lieu of tax payments are made to local government service providers including the host jurisdiction; and open space taxation on all land that does not have impervious surfaces.
- Defers local construction sales tax for up to 10 years.
- Provides for agreements and payments to local governments that provide infrastructure construction and/or utility services to the speedway.
- No estimate was made of spin off revenue from speedway operations.

LOCAL GOVERNMENT REVENUE IMPACTS

Initially local governments would receive revenue from compensating property taxes, in the event that property purchased for the speedway

was in forest use classification, when the speedway property is removed from forest land classification (estimated at \$7.6M by Department of Revenue). The in-lieu-of-tax payments to the host jurisdiction, fire and emergency service providers or other direct public service providers would be substituted for property taxes that might be paid by a private use after conversion from forest land. Most special districts and general purpose local governments receive some property tax revenue and would receive some in-lieu of tax payment. Transit districts generally do not receive property tax revenue and would not receive revenue from the speedway authority unless provided for in the host jurisdiction agreement. Transit districts would like be asked to provide specialized and on-going service to a speedway site. Property taxes related to forest land or current use, admissions taxes on speedway gate revenue, and local sales taxes on construction are either deferred or are an opportunity cost to the applicable local taxing districts (city, county and special districts). Admissions tax opportunity costs are estimated at up to \$3.5M beginning in 2010 (see Department of Revenue fiscal note for detail) for jurisdictions within the authority boundary that may have an existing admissions tax of 5%.

Sections 501-502 and 604-606 authorize the host jurisdiction and/or the county to enter into agreements that would compensate the jurisdictions for public operating and development costs related to the speedway.

No revenue estimate was made of spin-off revenue to local government from speedway operations. Secondary revenue changes may result from increased patron sales tax revenue generated from ancillary activities related to speedway visits and revenue generated by re-development resulting from ancillary land uses that support speedway events.

SPEEDWAY AUTHORITY REVENUE

The measure provides for revenue to support the retirement of bonds for the first 23 to 25 years of the bond issues life (depending on when the bonds are issued during the construction cycle). After this time frame Section 401(3) diverted state sales taxes would no longer be available to pay debt service on the up to 30-year bonds. Section 403(4) and other revenue streams such as lease payments or admissions tax would need to be used to pay off remaining debt service. This provision may increase risk and/or interest rates.

BOND AND CREDIT ENHANCEMENT AUTHORITY FOR LOCAL GOVERNMENTS

Section 403 authorizes a local government (and/or the speedway authority) to purchase credit enhancements and issue bonds for the speedway project for up to 30 years. Depending on the type of bonds issued or credit enhancements purchased by a local government (revenue bonds or general obligation bonds), there may be some additional risk to the local government associated with a bond issue and repayment of debt. Failure to meet bond obligations in the manner projected at the start of the bond issue's life may result in unanticipated long-term financial obligations for the local government or undesirable impacts on the local government's credit rating. Loss of a lessee or change in the profitability of the sport associated with the speedway over the thirty year period may put the local government at greater risk.

SOURCES

Department of Revenue fiscal note
City of Bremerton and Kitsap County
Legislative Presentations - speedway project