

DEPARTMENT OF TAXATION 2020 Fiscal Impact Statement

1. **Patron** Lynwood W. Lewis, Jr.

2. **Bill Number** SB 787

3. **Committee** Passed House and Senate

House of Origin:

 Introduced

 Substitute

 Engrossed

4. **Title** Hampton Roads Regional Arena Authority;
Created, Financing of a Hampton Roads
Arena and Facility

Second House:

 In Committee

 Substitute

 X **Enrolled**

5. **Summary/Purpose:**

This bill would create the Hampton Roads Regional Arena Authority ("the Authority") and grant it certain powers relating to construction of an arena and facility, including the authority to:

- Issue bonds to construct the arena and facility;
- Receive state sales and use tax revenue that is attributable to the arena and facility;
- Use such revenue to repay such bonds; and
- Distribute any excess revenue to any Hampton Roads locality that elects to contribute to the financing of the construction of an arena and facility.

This bill would provide that the Authority's entitlement to state sales and use tax revenue would expire on the earlier of the maturity date of any bonds it issues related to constructing the arena and facility or July 1, 2060.

The bill would also repeal existing provisions of state law related to the Hampton Roads Sports Facility Authority.

This bill would become effective on July 1, 2020.

6. **Budget amendment necessary:** No

7. **Fiscal Impact Estimates are:** Not available. (See Line 8.)

8. **Fiscal implications:**

Administrative Costs

The Department of Taxation ("the Department") considers implementation of this bill as routine and does not require additional funding. This bill could result in unknown local administrative costs.

Revenue Impact

The proposed legislation would result in an unknown General Fund loss for the Commonwealth and an unknown revenue gain for the participating localities.

9. Specific agency or political subdivisions affected:

Department of Taxation

Localities participating in the Hampton Roads Regional Arena Authority

10. Technical amendment necessary: No

11. Other comments:

Background

Virginia Code § 58.1-608.3 (formerly the Public Facilities Act) allows sales tax revenue attributable to sales in new or substantially and significantly renovated or expanded public facilities to be transferred back to municipalities to pay the costs of the bonds issued to finance such facilities.

Legislation passed in 1996 created the Hampton Roads Sports Facility Authority, which was entitled to sales tax revenues that were to be generated by transactions taking place upon the premises of a proposed stadium that was never built.

Legislation enacted in 2019 granted the Virginia Beach certain powers relating to construction of a sports or entertainment project and any related facilities, including the authority to (i) issue bonds to construct a sports or entertainment project, (ii) receive state sales and use tax revenue that is attributable to such project, and (iii) use such revenue to repay such bonds. The legislation provided that the City of Virginia Beach's entitlement to state sales and use tax revenue would expire on July 1, 2039.

Proposal

This bill would create the Hampton Roads Regional Arena Authority ("the Authority") and grant it certain powers relating to construction of an arena and facility, including the authority to:

- Issue bonds to construct the arena and facility;
- Receive state sales and use tax revenue that is attributable to the arena and facility
- Use such revenue to repay such bonds; and
- Distribute any excess revenue to any Hampton Roads locality that elects to contribute to the financing of the construction of an arena and facility.

The sales and use tax entitlement would exclude the revenue generated by (i) the 0.5 percent tax paid into the Transportation Trust Fund; (ii) the 1.0 percent tax distributed to counties and cities on the basis of school-age population; and (iii) the 0.7 sales tax imposed in Northern Virginia and Hampton Roads for regional transportation purposes.

This bill would provide that the Authority's entitlement to state sales and use tax revenue would expire on the earlier of the maturity date of any bonds it issues related to constructing the arena and facility or July 1, 2060.

The bill would also repeal existing provisions of state law related to the Hampton Roads Sports Facility Authority.

This bill would become effective on July 1, 2020.

Similar Legislation

House Bill 1102 identical to this bill.

House Bill 120 would extend the City of Virginia Beach's entitlement to state sales tax revenue attributable to a sports or entertainment project, which under current law will expire on July 1, 2039, to July 1 following the twentieth anniversary of the completion of construction of the project.

House Bill 906 and **Senate Bill 163** would add the City of Chesapeake to the list of localities that are authorized to use state sales tax revenue attributable to a public facility to repay bonds issued to finance the facility; and would also add outdoor amphitheaters to the list of authorized public facilities and extends from July 1, 2020 to July 1, 2024, the period of time during which eligible localities may issue bonds that qualify for the public facility sales tax entitlement.

cc: Secretary of Finance

Date: 3/11/2020 SK
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