

Department of Planning and Budget 2022 Fiscal Impact Statement

1. Bill Number: SB727

House of Origin	<input type="checkbox"/>	Introduced	<input type="checkbox"/>	Substitute	<input type="checkbox"/>	Engrossed
Second House	<input type="checkbox"/>	In Committee	<input checked="" type="checkbox"/>	Substitute	<input type="checkbox"/>	Enrolled

2. Patron: Saslaw

3. Committee: Appropriations

4. Title: Virginia Football Stadium Authority.

5. Summary: Establishes the Virginia Football Stadium Authority as a political subdivision charged with financing the construction of a football stadium and related facilities. The Authority is authorized to hire independent contractors, enter contracts, acquire property, borrow money, and exercise other similar powers. The Authority is exempt from the Personnel Act and the Public Procurement Act.

The Authority may issue bonds with a maximum maturity date of 20 years. The bill provides that at least 50 percent of any revenues received from selling the naming rights to the stadium shall be dedicated to the principal and financing costs of any bonds issued under the bill, and provides that if the football team that will primarily use the stadium (the primary team) relocates, it shall be required to repay any outstanding principal and financing costs.

The bill entitles the Authority to sales tax revenues from transactions at the stadium but excludes certain revenues that current law dedicates to transportation and education. The entitlement begins on the stadium's operational date. The bill enables localities to appropriate tax revenues to the Authority.

The Authority is made up of nine members appointed by the Governor and subject to confirmation by the General Assembly. Four of the nine members are appointed from a list chosen by the primary team. The provisions of the bill expire if the Authority has not entered into a development and lease agreement with the primary team before July 1, 2025.

6. Budget Amendment Necessary: See item 8.

7. Fiscal Impact Estimates: Preliminary and indeterminate.

8. Fiscal Implications: This fiscal impact statement is preliminary and will be updated as additional information becomes available. At this time, fiscal estimates are considered indeterminate.

This bill establishes the Virginia Football Stadium Authority ("VFSA") as a political subdivision charged with financing the construction of a National Football League stadium, including practice fields and offices for the team and offices, restaurants, concessions, retail

and lodging facilities owned and operated in connection with the stadium, and other directly related properties, including parking and other properties located on a site specified by the primary team and consented to by the VFSA and the locality in which the site is located. The VFSA shall consist of nine members who shall be appointed by the Governor, who shall receive no compensation for their service but may be reimbursed by the Authority for reasonable expenses incurred in the performance of their duties. The bill authorizes the VSFA to hire employees and other such agents as may be necessary to effectuate the provisions of the bill. However, as written, the size and scope of the VSFA and its staffing needs are unknown.

The bill creates the Virginia Football Stadium Authority Financing Fund, which is required to be on the books of the State Comptroller. However, the new Authority is established as a political subdivision and may not have access to or have its expenditures recorded in the state's accounting system. A fiscal agent may be required to allow VSFA to administer the Fund. At this time, no fiscal agent has been identified; any costs associated with administering the Fund for VSFA are unknown.

According to the Department of Taxation (TAX), this bill may have an unknown but potentially significant negative impact to state revenues, as the VFSA would be entitled to all sales and use tax revenue generated at the stadium's "campus," which would include the stadium and proximate parcels that the county or city within which the property is located has included by ordinance in the campus with the exception of the following:

- The 1 percent tax allocated to localities for K-12 education
- The one-half percent tax dedicated to the Commonwealth Transportation Fund
- The 0.7 percent tax imposed in certain counties and cities for regional transportation purposes
- The additional one percent tax levied in the Historic Triangle region
- The one percent local option tax (unless so allocated by the locality)
- The additional one percent local tax levied by some localities for school construction and renovation.

The bill exempts VFSA from all taxes or assessments of any kind, including any tax on its bonds or income derived from them. TAX considers implementation of the provisions of this bill as routine and any costs can be absorbed within current resources.

The bill provides that VSFA may enter into a lease agreement for a term of at least 20 years and may issue bonds not to exceed 20 years from the issue date. However, any such lease agreements, contracts or proposed bond issuances must be submitted to the State Treasurer for review prior to execution or issuance. If the State Treasurer finds that the agreement or issuance would create a direct or contingent financial obligation of the Commonwealth or creates debt of the Commonwealth supported by state revenues, VSFA shall not be authorized to enter into such agreement or issue such bonds. VSFA is directed to include language in any such agreement that the primary team utilizing the stadium leaves before the expiration of the lease agreement that the team will pay any debt or financing costs that

remain outstanding. According to the Department of Treasury, there is no direct administrative fiscal impact to the department.

This bill may impact localities encompassing the stadium and campus. Localities may lose revenue due to the exemption from taxation provided to VFSA and to the extent the localities choose to dedicate local sales and use tax to VFSA. Alternatively, affected localities choosing not to redirect local tax revenue to the VFSA may see an increase in revenues from the stadium's operation.

9. Specific Agency or Political Subdivisions Affected: Department of Taxation; Department of Treasury; localities.

10. Technical Amendment Necessary: No.

11. Other Comments: HB1353 also establishes a Virginia Football Stadium Authority.