Tom Middleton

Fiscal Note & Local Impact Statement

Bill: S.B. 271 of the 132nd G.A. **Status:** As Introduced

Sponsor: Sens. Kunze and Eklund **Local Impact Statement Procedure Required:** No

Subject: Alters the funding mechanism that supports the Sporting Event Grant Program

State & Local Fiscal Highlights

- The bill changes the way grant awards are distributed under the Sporting Event Grant Program overseen by the Development Services Agency (DSA) and supported by state sales tax revenue. These changes could result in a loss in annual sales tax revenue received by the state, the extent depending on the number and size of large sporting events that local organizing entities pursue and win each year.
- The state sales tax revenue loss would be shared by the General Revenue Fund (GRF, 96.68%), the Local Government Fund (LGF, 1.66%), and the Public Library Fund (PLF, 1.66%). Funds deposited into the LGF and PLF are distributed to counties, municipalities, townships, and public libraries according to statutory formulas and decisions by county budget commissions.
- Under current law, individual grants to sporting event organizing entities are limited to a maximum of $500,000, and no more than $1.0 million per fiscal year may be awarded in grants to support local entities that host large sporting events. These limits are removed under the bill, potentially allowing for a higher amount of grant funding to be disbursed.
- The bill also eliminates the grant program's reliance on appropriations under the DSA budget. State sales tax receipts – which otherwise would be deposited in the GRF – would instead be directed to a new custodial fund called the Sports Event Grant Fund. DSA could then award funds to local entities from the custodial fund without the need for appropriations to do so.

Detailed Fiscal Analysis

Overview

Under current law, the Sporting Event Grant Program operated by the Development Services Agency (DSA) distributes awards to local sporting event organizing entities to support the cost of hosting major sporting events. The grant amount is calculated through a method whereby DSA estimates the projected increase in state sales tax receipts that would be directly attributable to the hosting of the game or event. A grant may range from $125,000 to $500,000. Overall, current law allows a total of $1.0 million per fiscal year to be awarded in Sporting Event Grants, contingent on appropriations established in each fiscal year. There are no appropriations to fund the program during the FY 2018-FY 2019 biennium. In prior years, the program has been funded using GRF funding through appropriation item 195407, Travel and Tourism. From FY 2014 to FY 2017, DSA awarded seven Sporting Event Grants totaling $2.5 million in GRF funding.

Sales tax revenue deposited into Custodial Fund

The bill changes the way the sales tax revenue available to support the program is distributed. Specifically, the bill eliminates the grant program's reliance on GRF appropriations by diverting state sales tax receipts – which otherwise would primarily be deposited in the GRF – to a new custodial fund called the Sports Event Grant Fund that does not require appropriation by the General Assembly. The Tax Commissioner would redirect this money to the custodial fund upon the request of the Director of Development Services, who would then be able to award grants from the Sports Event Grant Fund without an appropriation by the General Assembly.

Amount of grants and impact on state sales tax revenue

The bill also makes two changes to the grant amounts that can be awarded under the Sporting Event Grant Program. Combined, it is possible that the changes would result in a decline in sales tax revenue received, primarily the GRF. Specifically, the bill removes the cap of $1.0 million in total grants awards per fiscal year, and also eliminates the individual grant maximum of $500,000. The bill does, however, keep the minimum grant threshold of $125,000. Depending on the number and size of large sporting events that local organizing entities pursue and win each year, the altered program funding mechanism could allow for grants totaling in the millions of dollars to be awarded annually.

Under permanent law,[1] the GRF would receive 96.68% of the revenue from the state sales and use tax, while 1.66% of the receipts are transferred to the Local Government Fund (LGF, Fund 7069) and an identical share to the Public Library Fund (PLF, Fund 7065). Funds in the LGF and PLF are for distribution to counties, municipalities, townships, and public libraries. Thus, any decline in sales tax revenue would affect the GRF, LGF, and PLF proportionally.

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[1] Under a provision of H.B. 49 (the main operating budget act for the current biennium), in FY 2019, the PLF would receive 1.68% and the GRF 96.66% of sales tax revenue.