

## **SB 110 A -A9 STAFF MEASURE SUMMARY**

### **House Committee On Revenue**

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**Meeting Dates:** 5/15, 5/29, 6/12

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#### **WHAT THE MEASURE DOES:**

Increases aggregate amount of incremental baseball tax revenues that may be granted over a 30-year period by the State of Oregon to be used to pay for the costs of financing, developing, constructing and furnishing a Major League Baseball stadium in Portland. The current law limit allows up to \$150 million in principal costs, plus the additional costs associated with financing the \$150 million, to be granted over the 30-year period. Measure increases the \$150 million limit to \$800 million and increases the minimum estimated cost of the baseball stadium from \$300 million to \$2 billion. The annual limit on incremental baseball revenues that may be granted is also increased from the amount reasonably required to amortize a loan of \$150 million, to an amount reasonably required to amortize a loan of \$800 million. Increases from \$50,000 to \$100,000, amount of compensation required for an individual to be considered a member of a professional athletic team for purposes of determining incremental baseball tax revenues.

#### **ISSUES DISCUSSED:**

- 'Incremental baseball revenue'
- Absent law specifying otherwise, personal income tax revenue is directed to state General Fund
- Salaries of Major League Baseball (MLB) players
- 'Rendering service to a professional athletic team' implications for redirecting of personal income tax revenue
- Salary comparisons of other teams, how an expansion team in Portland may compare
- Thirty year repayment window
- Hypothetical of MLB team locating in Portland and subsequently failing financially, impact on payroll and incremental baseball revenue
- Details to be included by grant agreement of Department of Administrative Services (DAS) and Treasury (due diligence required of the respective departments)
- Criteria/oversight of Treasury of grant agreements
- Model of stadium funding used in other cities (government subsidy provided for other stadium construction projects)
- Economic implications of stadium construction and MLB team locating in Portland, changes personal consumption expenditure composition
- Further review and discussion of potential sideboards around grant agreements
- Expected oversight actions and responsibilities of the Oregon State Treasury.

#### **EFFECT OF AMENDMENT:**

-A9 Before a grant agreement may be entered into, requires a Major League Baseball (MLB) franchise to enter into a perpetual revenue sharing agreement with the State of Oregon. Specifies revenue sharing agreement as equal to one percent of gross revenue the MLB franchise derived from all activities and sources related to baseball in the previous calendar year. Dedicates amounts received from the revenue sharing agreement to the state General Fund.

#### **BACKGROUND:**

Enacted in 2003, SB 5 allows the Director of the Oregon Department of Administrative Services, with the approval of the State Treasurer, to enter into one or more agreements on behalf of the State of Oregon to grant 30 years worth of incremental state personal income tax baseball revenues for the purpose of building a baseball stadium

located in Portland. The incremental state personal income tax baseball revenues are the personal income tax liabilities shown on Oregon income tax returns filed by members of a professional Major League Baseball team playing in Oregon (both home and away teams). Current law limits the total grant payments to no more than \$150 million, plus reasonable financing costs, and requires the baseball stadium to have an estimated cost of \$300 million or more. Under current law, incremental baseball tax revenues received in a year that substantially exceed the amount reasonably required to amortize the \$150 million loan are retained by the state of Oregon. Measure increases those respective limits/minimums from \$150 million to \$800 million, and from \$300 million to \$2 billion. Grant agreements may not be authorized until after a Major League Baseball franchise has agreed to locate and be based in Portland and all funding to build the major league stadium that is not based on the grant agreement has been committed.