



Ohio Legislative Service Commission

Phil Cummins

Fiscal Note & Local Impact Statement

Bill: S.B. 221 of the 128th G.A.

Date: February 22, 2010

Status: As Introduced

Sponsor: Sens. Morano and Wagoner

Local Impact Statement Procedure Required: Yes

Contents: Exempts from property tax the stadiums of independent professional minor league baseball teams

State Fiscal Highlights

- No direct fiscal effect on the state.

Local Fiscal Highlights

LOCAL GOVERNMENT	FY 2010	FY 2011	FUTURE YEARS
Avon, Lorain County, Other Local Governments			
Revenues	- 0 -	Possible \$100,000 loss	Possible growing losses
Expenditures	- 0 -	- 0 -	- 0 -
Avon Local School District			
Revenues	- 0 -	Possible \$96,000 loss	Possible growing losses
Expenditures	- 0 -	- 0 -	- 0 -

Note: For most local governments, the fiscal year is the calendar year. The school district fiscal year is July 1 through June 30.

- Tax exemption for a stadium property in Avon would result in loss of tax revenues for the city of Avon, Lorain County, and other units of local government.
- Tax revenue losses to Avon Local School District would not be partly offset by increased state foundation funding because of the amount of transitional aid that the district is already receiving.
- Revenue losses could be expected to grow in future years with rising property values.

Detailed Fiscal Analysis

The bill would exempt from taxation a stadium that is owned by a municipal corporation and used primarily by an independent professional minor league baseball team for a significant portion of its home schedule, if the facility was constructed in 2008 or thereafter, the team operates at the facility under a lease, license, management agreement, or similar arrangement with the municipal corporation that requires the team to pay rent, revenue, or other remuneration to the municipal corporation, and any residual cash from the property that accrues to the municipal corporation is used for the public purposes of the municipal corporation. An independent professional minor league baseball team is defined as a baseball team that employs professional players and that is a member of an established league composed of teams that are not affiliated with major league baseball.

An Internet search indicates that only one stadium property in Ohio currently appears to qualify for this tax exemption, the All Pro Freight Stadium where the Lake Erie Crushers play their home games, in the city of Avon, in Lorain County. The Lorain County Auditor's office identified the parcels on which the stadium is built. The market value of these parcels for tax year (TY) 2009 is \$1,080,900, which includes no improvements on most of the parcels. Opening day at the stadium was in June 2009. The Auditor's web site shows these parcels, owned by the city of Avon, as exempt from tax. All are in Avon Local School District.

As a result of the tax exemption for stadium property under the bill, a local government unit other than a school district would lose tax revenues equal to the decline in taxable value times the effective tax rate charged by the local government unit. Under the state's school funding formula, when a school district's property valuation decreases, the district's local share (charge-off) also decreases. For FY 2010, the charge-off rate is 22 mills (2.2%), so the district's local share would decrease by 22 mills times the decrease in property valuation. Generally, the formula is designed to increase state aid by the amount that the local share decreases. However, the guarantee in the formula, also known as transitional aid, can complicate this relationship. If a district is on the guarantee before the property valuation adjustment, its state aid would only change if the lowered local share were enough to remove it from the guarantee. Avon Local School District is currently receiving enough transitional aid that the loss of tax revenues from the stadium property exemption would not increase state foundation funding to the district. Therefore, as with other local government units, Avon Local School District would lose tax revenues equal to the decline in taxable value times the effective tax rate, with no offsetting increase in state foundation funding. The Lorain County Joint Vocational School District would also be affected. The biennial budget, H.B. 1, gave all joint vocational school district's (JVSD's) an increase in state aid of 0.75% in each year over what they received in the previous year. The Lorain County JVSD's

aid would remain unchanged by the tax exemption in FY 2010 and FY 2011, and they would bear the full cost of the lost tax revenue.

Various Internet sites show construction costs for the stadium, ranging from \$10 million to \$12.5 million. Adding the upper end of the range of these costs to the largely unimproved value shown on the Auditor's web site implies a market value based on a cost of about \$13 million, or a taxable value of about \$4.6 million at the 35% assessment rate. The effective tax rate on Class II real property in the city of Avon in TY 2008 was about 55.1 mills, of which 33.1 mills was levied by Avon Local School District, and the rest by the city, county, joint vocational school district, and county health district. However, 12.2 mills of these taxes were bond and emergency levies, which raise fixed sums of money. For these levies, loss of part of the tax base because of an exemption would be offset by increases in taxes on other property owners, to raise the required amounts. Tax revenue losses on the remaining 42.9 mills of taxes would total an estimated \$96,000 annually for Avon Local School District and \$100,000 annually for other units of local government. The bill specifies that the tax exemption for the stadium applies to TY 2009 and thereafter. Because the property is shown on the Auditor's web site as tax exempt for TY 2009, LSC assumes that the losses under the bill would begin in TY 2010, payable in the first half of 2011. Tax revenue losses could be expected to grow in future years if property values rise, as they have in most years for properties on average in Ohio, or if effective tax rates increase.

In the future, stadiums of other teams in other locales might also qualify for this tax exemption, increasing the loss of revenue to units of local government.