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STATE SENATOR • 17TH SENATE DISTRICT

Capitol Update By Senator Howard Marklein June 12, 2015

Go Ahead and Leave, Milwaukee Bucks

Like many residents of the 17th Senate District, I have had very mixed feelings about the proposed deal to build a new arena for the Milwaukee Bucks. I am not a Bucks fan. I don't know a single player on the team. I can't remember the last time I attended a game – or any event, for that matter – at the Bradley Center in Milwaukee.

Spending taxpayer money on an arena for a sport seems frivolous and irresponsible to me during a time when we are trimming our budget and making very tough decisions about core priorities in our state.

But, like I always do, I looked at the numbers and I want to show you what I have learned.

The state of Wisconsin owns the Bradley Center and owes \$20 million on existing Bradley Center debt. We cannot walk away from it.

When the Bucks were sold in 2014, the National Basketball Association (NBA) promised the new owners that a new arena would be built by 2017 or they could move the team to another city. If the state does not invest in the new arena, the team will leave Wisconsin.

If the team leaves Wisconsin, taxpayer liability is estimated at \$120 million in costs for the facility over the next 10 years. This liability includes debt, maintenance, operations and possible renovations.

If the team leaves Wisconsin, we lose a minimum of \$6.5 million in income taxes each year from player salaries. For example, when LeBron James plays in Milwaukee, we take income taxes from his salary for each game he plays in our state. During the 2014-2015 season, LeBron James was paid \$20,068,563 and we collect income taxes on these earnings!

In addition, it is estimated to cost \$100 million for upgrades to the facility in order to keep it functional in lieu of building a new arena. It is uncertain what kinds of events will use the facility if the Bucks leave. Concerts? Soccer? Hockey? Expos? Perhaps.

The recently proposed “new” deal to build an arena seeks a state contribution of \$55 million toward the total project cost of \$500 million, as well as our debts. In other words, the state would agree to pay \$4 million for the next 20 years. This means state-wide taxpayers would be paying 11% of the cost to build a new arena while divesting ourselves of major liabilities.

In return for our investment, the state of Wisconsin would get out of the arena business and is guaranteed the following:

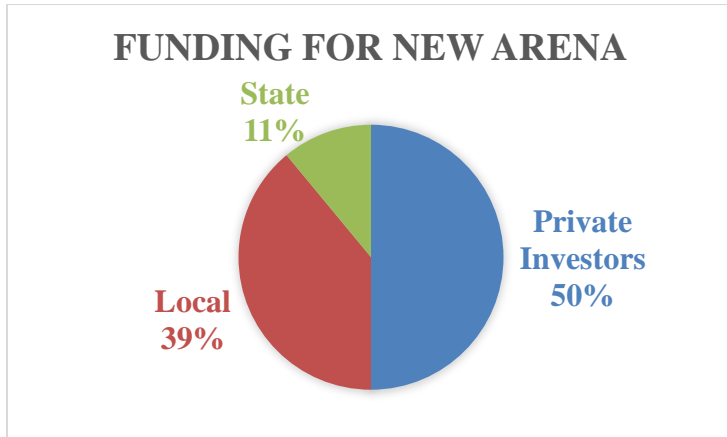
- The arena project is funded with no new state or local taxes – or state borrowing.
- Current debt on the Bradley Center is paid and the state is not responsible for the facility.
- 50% of the project will be paid by retired US Senator Herb Kohl (the Bucks’ former owner) and the Bucks’ current owners.
- Cost overruns on the project will be paid by the Bucks.
- Maintenance and operations of the arena will be paid by the team. The state currently covers all of these costs!
- The state is protected if the Bucks leave – the team will pay back the public investment.

The original proposal sought \$200 million from the state of Wisconsin with only \$50 million from the City and County of Milwaukee, which I thought was completely out of line. In the new deal, the City, County and the Wisconsin Center District (www.wcd.org) have increased their contributions to assume more of the burden, reducing the investment for taxpayers statewide.

Overall, the investment to build a new arena is proposed to be the following:

| Fund Source | Investment |
|---|----------------------|
| State of Wisconsin – Bonds: Bucks Stadium | \$55 million |
| Bucks Owners | \$150 million |
| Sen. Herb Kohl | \$100 million |
| City of Milwaukee | \$47 million |
| Milwaukee County | \$55 million |
| Wisconsin Center District | \$93 million |
| TOTAL | \$500 million |

To summarize the investments, private funding will cover 50% of the costs, Milwaukee’s investment in the project is 39% of the costs and the state will contribute 11% of the costs.



Another important factor to consider is that NBA salaries are projected to grow significantly over the next 20 years. Due to a new NBA TV deal, player salaries are expected to increase by 25% in 2017, which means additional income tax revenue for our state.

We are already collecting approximately \$6.5 million per year from player income taxes. If the state contribution is \$4 million per year, our investment is paid by these income taxes. As a numbers-guy, it looks like we are making money on this deal!

Estimates of economic impact include 15,000 jobs related to the new arena and surrounding development with \$1 billion in economic impact. In addition to the arena, new retail, entertainment and commercial development is planned around the site to create a more robust sports and entertainment district.

At this time, I am studying all of this new information and seeking input from stakeholders, residents of the 17th Senate District and others throughout the state. I understand that the estimates and information presented so far have been confusing and inconsistent. This column is an attempt to simplify and explain the new information I have gathered. I hope that you will find it helpful in your understanding of the proposed project.

To summarize our options:

1. We can do nothing. The Bucks will leave Wisconsin and the state will have to pay approximately \$120 million over the next 10 years for debt, maintenance and operations of the building without player income taxes (\$6.5+ million per year).
2. We can invest \$4 million per year for 20 years, the Bucks will stay, we will collect \$6.5+ million per year for player income taxes and \$1 billion will be invested in the project and surrounding developments and we will get out of the arena business.

Now, I want to hear from you. What do you think of this deal? Should the state contribute to the arena project? Or should we tell the Bucks to leave Wisconsin?

For more information and to connect with me, visit my website <http://legis.wisconsin.gov/senate/17/marklein> and subscribe to my weekly E-Update by sending an email to Sen.Marklein@legis.wisconsin.gov. Do not hesitate to call 800-978-8008 if you have input, ideas or need assistance with any state-related matters.

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