OBM Analysis of Browns' 25 Year Bond Proposal – Key Points Summarized

- The Amendment as drafted would create a complicated tax structure that carves out state General Revenue Fund tax receipts in a specific geographic location of the state.
- The size and nature of the proposed project will not meet IRS terms for tax-exempt status and therefore this project would need to be financed with taxable bonds. OBM estimates that a taxable issuance of this size will cost the state $200 million more over the life of the bonds compared to a tax-exempt issuance.
- The unprecedented $600 million in taxable bonds, backed with GRF dollars, would be the single most expensive bond issuance in our state history with a structure that violates the prudent policy set by the Treasurer of State, OBM, and the Ohio Public Facilities Commission. Ohio generally issues cultural and sports facilities debt for 10 years. However, the draft amendment restricts the bond maturity dates to *not less than* 25 years.
- The total cost of this structure would therefore exceed $1 billion.
- Ohio would own or partially own a sports stadium and the responsibility for maintenance, with no additional revenue. The state does not currently own any professional sports stadiums/fields/arenas. If this amendment is enacted, OBM recommends that the state receive revenue-sharing from events commensurate with our property ownership share.
- It appears that HSG's project size has already decreased over the course of discussions, with caveats about phasing recently added. In the meeting on June 20, 2024, HSG outlined a $3.8 billion project. Recent presentations have now characterized it as a $3.4 billion project. Further, it became clear during our meeting with HSG in December 2024 that the project includes three phases totaling up to $3.4 billion and HSG has only "committed" to Phase 1 which we believe totals $2.4 billion including half from public sources.
- The state tax revenue projections forecast by HSG do not stand up to scrutiny.
  - While most of the revenue they forecast comes from future state sales tax, it seems that they may be counting economic activities that are exempt from state sales tax.
  - On the income tax side, the new full-time jobs total at most 1,238, or 1,514 through all phases, not 5,000. HSG also claims their project will support 6,000 construction jobs. As a comparison, the Intel project is estimated to support 7,000 construction jobs over the course of the build – a project that is roughly ten times the size of the Browns' planned full-phase build-out.
- Their proposal for "pre-paid rent" does not even equal one year of debt service.
- The proposal either adds $600 million to the total GRF-backed debt included in the last capital budget, or it "pre-spends" $600 million of the next capital budget. The state has major unfinished business to tackle in the upcoming capital bill.
- The projected economic impact forecast by HSG runs directly counter to decades of research and evidence about the cost and benefits of professional sports stadiums. Despite the large role sports play in the American culture, professional sports teams are modest-sized enterprises compared to the local GDP.

For these reasons, OBM does not support the proposal as currently outlined in the amendment.