

- SUBJECT:** State financing of sports facilities
- COMMITTEE:** State Affairs — committee substitute recommended
- VOTE:** 15 ayes — Seidlits, S. Turner, Alvarado, Black, Bosse, Carter, Craddick, Danburg, Hilbert, Hochberg, B. Hunter, D. Jones, McCall, Ramsay, Wolens
0 nays
- SENATE VOTE:** On final passage, May 2 — voice vote (Bivins, Galloway, Haywood, Nixon and Ratliff recorded nay)
- WITNESSES:** *(On House companion, HB 2983 by Seidlits):*
- For — Craig Skien, Houston Oilers; Randy Campbell, Morgan Stanley; Gary Bradley, Michael D. McClure and Ronald J. Labinski, Houston Rockets; Don Carter, Ron Carter, James W. Livingston and Norm Sonju, Dallas Mavericks Club of the NBA; Robert Randolph, Houston Oilers and Motor Speedway Inc.; Max Wells, City of Dallas; Joe Paniagua, City of Fort Worth; Richie Jackson, Texas Restaurant Association; Don Hansen, Texas Hotel and Motel Association.
- Against — Robert D. Miller, Astrodome USA.
- On — Dan Wattles, Texas Department of Commerce; Mike Reissig, Comptroller's Office.
- BACKGROUND:** The Texas Enterprise Zone Act offers tax incentives to businesses that locate or remain in depressed urban or rural areas that have pervasive poverty, unemployment and economic distress. Enterprise zones must be nominated by cities and counties. The Texas Department of Commerce designates the zones for a period of seven years.
- Cities and counties can designate areas as reinvestment zones, making businesses or property owners eligible for tax abatements and tax increment financing under the Tax Code. There are six criteria for designating a reinvestment zone, and the one most commonly used is that the zone is reasonably likely to "contribute to the retention or expansion of primary

employment or to attract major investment in the zone that would be a benefit to the property and that would contribute to the economic development of the municipality."

DIGEST:

CSSB 1346 would create sports facility enterprise zones with governing authorities empowered to construct or renovate 10 sports facility projects. The authorities would be eligible for rebates of certain state and local taxes for up to 30 years. The size of the tax rebate would be based on tax-revenue increases in the zones from such sources as mixed-beverage taxes from sales at the sports facility.

Six projects would be reserved for the teams of National Football League (NFL), the National Basketball Association (NBA), the National Hockey League (NHL) and a motor speedway. The remaining four projects would include the Will Rogers Coliseum in Fort Worth and three projects selected by the Texas Department of Commerce based on their anticipated economic impact.

The projects would be entitled to receive local property, sales, mixed beverage taxes, and hotel occupancy taxes from activity at a sports facility and in a two-mile zone from the center of the facility. In addition, the sports authority would be entitled to receive state rebates, refunds or payments on tax proceeds for sales and mixed beverage taxes from businesses located at the sports facility or as part of an event at the facility and the incremental increase on mixed beverage, hotel occupancy taxes and sales taxes on food service at restaurants at businesses located in the sports zone outside the facility.

The tax revenue paid to the sports authority could continue for up to 30 years. A sports authority could not receive a state rebate, refund or payment before September 1, 1998.

The bill would also authorize a parking tax of up to \$2.50 per car and an admission tax of up to \$2 per person to be used to pay bonds or notes to construct or renovate a sports facility.

The bill would not apply to the Astrodome in Harris County. The bill would not allow an existing professional sports team in Houston or Harris

County to move to a sports facility in another city or county before January 1, 1998, unless the voters failed to approve a sports facility project at an election held for that purpose.

Sports facility enterprise zone. CSSB 1346 would authorize the creation of an enterprise zone called a sports facility enterprise zone, which would be an area designated by a city or county as a reinvestment zone and that includes or will include a qualified sports facility project. The zone would be an area within a two-mile radius of the center point of the sports facility.

Qualified sports facility projects. There would only be 10 sports facility projects. Six would have to be facilities for the National Football League, National Basketball Association or National Hockey League or for NASCAR or Indy Car events sanctioned by a company list on the New York Stock Exchange. The other four projects would be awarded by the Texas Department of Commerce to projects the department determined would have the largest positive impact to the state based on the project's impact on the local community. At least one of the four projects would be reserved for the remodeling the Will Rogers Coliseum in Fort Worth.

A qualified sports facility project would be an existing or proposed sports facility constructed, remodeled, or rehabilitated by a city, county, other political subdivision or sports authority (a nonprofit corporation created by a local government under the Texas Transportation Corporation Act). Sports facilities could include arenas, coliseums, stadiums or speedways or any combination, including training, concession and parking facilities within a 1,000-foot radius of the center of the facility that is owned by a city, county, political subdivision or sports authority.

A sports facility could only be used for National Football League, National Basket Association, National Hockey League, or major league or minor league baseball, NASCAR or Indy Car sanctioned, National Cutting Horse Association, Olympic or international games or events.

Certifying a zone and project. Local governments could designate sports facility enterprise zones without the zones having to go through Department of Commerce procedures for enterprise zone designation if the local government designated the area as a reinvestment zone. The governing

body of a sports facility enterprise zone with a qualified sports facility project would be able to apply to the Department of Commerce for designation as an enterprise zone for the purposes of obtaining state tax rebates, refunds, or payments. The commerce department would be required to designate the zone if it were created in accordance with SB 1346 and the Tax Increment Financing Act. Sports facility enterprise zones would not count toward the three-zone per community limit on enterprise zones.

If a city or county certified that a facility was a qualified sports facility project entitled to local benefits, the facility would automatically be considered a qualified business and a qualified sports facility project. A qualified sports facility project would not be an enterprise project and would only be entitled to local benefits allowed a qualified business under tax increment financing laws and state tax rebates, refunds, or payments allowed in SB 1436.

The commerce department could only approve a qualified sports facility project used or to be used by a National Football League, National Basketball Association, or National Hockey League if it entered into an agreement with the city guaranteeing the bonds for the facility and the amount the team would contribute toward the construction, rehabilitation, or remodeling of the facility.

A team would have to agree to assume total debt responsibility for the facility if the team left the city unless another team agreed to be responsible for the facility's debt. If the facility was not to be used for professional football, basketball or hockey games or events, then the sports authority would be required to assure that a debt guarantee from the private sector was made and fulfilled.

The bill would add sports facility enterprise zone to the criteria for a reinvestment zone for tax increment financing. The local government would be required to provide rebates, refunds or payments for the same period the sports authority receives state tax payments. The bill would amend the Tax Increment Financing Act to allow sports facility enterprise zones to be reinvestment zones. Tax increment bonds or notes would have to mature

within 30 years. The bill would allow a city or county to hold an election on issuing tax increment bonds for notes for a qualified sports facility.

Local government responsibilities. The governing body of a city or county could set up a program that reduced or eliminated any fees or taxes that it imposed on a qualified sports facility project. During the agreed period any governmental body could agree to rebate, refund, or pay to a sports authority certain tax proceeds and incremental increase in tax proceeds.

Eligible tax proceeds would be all taxes generated, paid or collected at the sports facility, including hotel occupancy taxes (except those reserved for certain city uses), property taxes, sales taxes and mixed beverage taxes and incremental taxes, which would be the same taxes paid or collected by all non-facility businesses in the sports enterprise zone above those collected in the fiscal year directly before the zone was created, after adjustments for normal economic growth.

A local government could agree to guarantee the bonds or other obligations of a sports authority that were issued or incurred to pay for the construction or refurbishing of a qualified sports facility from hotel occupancy taxes or sales taxes. The agreement would have to be in writing and have an expiration date, and the sports authority would have to provide proof of the bond indebtedness.

Houston and Harris County referendum. CSSB 1346 would require Harris County voter approval as a precondition of any qualified sports facility project that was located in the county outside the City of Houston. It would require voters in the City of Houston to approve a sports facility in a sports facility enterprise zone.

The bill would prohibit a professional sports team playing in Houston or Harris County on January 1, 1995, from relocating to a qualified sports facility project in another city or county before January 1, 2008, unless the voters failed to approve a qualified sports facility project at the election held for that purpose. Moving would not relieve a team of the financial obligation it had at its former location. If a team moved to a qualified

sports facility and violated CSSB 1346, then that sports authority would not be entitled to receive state rebates, refunds or payments from the state.

Facilities use by high schools. A sports authority would be required to make a qualified sports facility available for public school or University Interscholastic League competitions if so requested for the cost of the utilities used at the event.

State rebates, refunds or payments. A sports authority that owns or is helping a governmental body to construct or remodel a qualified sports facility in the sports zone would be entitled to receive a state rebate, refund or payment of the incremental increase in tax proceeds from the sales and mixed beverage tax from businesses located *at* the sports facility or as part of an event at the sports facility.

The sports authority also would be entitled to the incremental increase in tax proceeds collected from the mixed beverage tax, hotel occupancy tax, and sales tax on food service at restaurants at businesses located in the sports enterprise zone *outside* the facility.

The incremental increase would be the tax collected above those collected in the fiscal year directly before the zone was created, after adjustments for normal economic growth.

State tax rebates, refunds or payments to a sports authority could only be made on taxes imposed or collected after August 31, 1998, regardless of when the bonds or notes are issued.

The tax payments would last for the term of the bonds issued to construct or refurbish the qualified sports facility project, but no more than 30 years. The bonds would have to be approved by the Texas Public Finance Authority prior to being issued and only if each city or county that created the sports authority also rebates, refunds or pays taxes outlined in SB 1346 to the sports authority.

An NFL, NBA or NHL team that left the facility would be required to have another team or facility tenant fulfill the terms of the agreement before the

team left. The new team or tenant would have to be approved by the commerce department.

A professional team or the lessee of a NASCAR or Indy Car sports facility that was not located in the state on January 1, 1995, but later was a tenant of a qualified sports facility would be required to rebate to the state comptroller 50 percent of the average annual amount of sales and mixed beverage taxes for the first three years of operation for as long as the sports authority receives state payments. The rebate to the state would begin the first year based on an estimate made by the state comptroller, which would be adjusted until the third year.

A professional sports team located in a city on January 1, 1995, that relocates to a qualified sports facility within the same city would be required to rebate to the state comptroller 50 percent of the amount of sales and mixed beverage taxes collected by the team during its last full fiscal year at its former location for as long as the sports authority receives state payments.

A sports facility would not be entitled to a state payment unless each city and county that created the sports authority agreed to pay the sports authority tax proceeds and incremental tax proceeds in the bill. If the conditions were met and bonds have been or will be issued to construct or refurbish a sports facility, the state treasurer would be required to set up a special fund outside the state treasury for the sports authority to which the state payments would be deposited. The sports authority would administer the fund and be the trustee of the fund's assets. The state treasurer would be the custodian of the fund's assets and would issue the checks.

Texas Transportation Corporation as sports authority. The bill would amend the Texas Transportation Corporation Act to allow a local government corporation to be created to accomplish any government purpose. It would require a member of the board of directors to be a resident of a local government creating the corporation. It would allow the local government corporation to have the powers of an industrial development corporation created under Sec. 4(B) Development Corporation Act, including being exempt from paying sales taxes. It would allow the corporation to borrow funds or acquire land (with the approval of the local

government) for any project or activity. The city could create a local government corporation as a sports authority. The sports authority would have to have a seven-member board with three of the members appointed by the state comptroller and would serve concurrent six year terms.

Parking and admissions taxes. CSSB 1346 would allow a city to impose an event parking tax and an event admission tax for an event at a qualified sports facility. The tax revenue could only be used to acquire sites or acquire, construct, improve, rehabilitate, remodel, enlarge, equip, or repair a qualified sports facility project. The city would be required to pledge the taxes to pay bonds issued either by the city or the sports authority to construct or remodel a qualified sports facility project.

The parking event tax could not be more than \$2.50 and could only be imposed on each car parked in a parking facility located within 2,500 feet of a sports facility enterprise zone up to two hours before and after the beginning of an event. A parking tax could not be imposed for an event at a sports facility existing on September 1, 1995, unless it was designated at qualified sports facility.

The admission tax could not exceed \$2 per person added to the admissions price and could only be imposed on events at a qualified sports facility.

The bill would take effect September 1, 1995.

**SUPPORTERS
SAY:**

CSSB 1346 would help Texas professional sports teams build new facilities or improve existing facilities to assure that the teams remain in Texas and continue to provide the economic benefits to the community and the state. Professional sports teams inspire the young to achieve athletic excellence and bring together diverse segments of the population. Winning sports teams increase the state's overall prestige nationally and internationally. Texas cannot afford to lose these economic and cultural assets, whose absence would inevitably diminish the economy and quality of life in Texas. The financial help government would provide would be repaid in many ways and many times over.

The bill would allow cities to create sports authority zones and use the sales, beverage and hotel occupancy taxes and parking and ticket fees to

finance construction or expansion of stadiums and other sports facilities. The cities would have to help fund the projects before state refunds would be used for the projects. Teams would be required to pay their share of financing, even if they move to another city. This would curb any threat of owners to move teams to another city. Cities cannot afford to support professional sports alone and need help from the state. CSSB 1346 would authorize this essential aid, which would be repaid to the city and the state many times over through increased economic activity that sports franchises can provide.

Texas has eight professional sports teams: the Dallas Cowboys, Houston Oilers, San Antonio Spurs, Houston Rockets, Dallas Mavericks, Texas Rangers, Houston Astros and the Dallas Stars (formerly known as the Minnesota North Stars). In 1993 the industry generated about \$860 million and attracted more than 6.5 million paying fans.

The bill would also assure that Will Rogers Coliseum in Fort Worth, a Texas landmark and host to legendary rodeo events, would be refurbished for future generations to enjoy.

A proposed NASCAR-sanctioned race track in Grand Prairie would generate substantial statewide, regional and local economic impact. A study done by economics professors at the University of North Texas shows that the private and public expenditures of \$264 million for the proposed racetrack would increase statewide and local economic activity by \$646.8 million and generate almost \$232 million in earnings and support 13,755 jobs.

The amount of taxes used to support these sports facilities would be repaid to the community and the state from sales taxes generated by the increased economic activity resulting from the facilities outside the sports authority zones and the increase in sales statewide for winning team sports merchandise. Winning sports teams are a great boost for tourism, and businesses have indicated that winning teams are a consideration in business relocations decisions.

The professional sports franchises in Dallas — the Mavericks, the Cowboys and the Stars — support this bill. This bill would help the City of Dallas build a new \$141 million facility to replace the outdated Reunion Arena. Professional sports teams need state-of-the-art facilities to increase their box office revenues. The revenues generated would help pay the skyrocketing salaries to star players necessary for a winning team.

The bill would help keep Texas teams in Texas. Cities nationwide are receiving state grants and other public monies to build sport facilities. If Texas wants to keep its teams it must follow suit. No sports facilities have been built recently without public support. Nine sports facilities have been built recently with state aid: Oriole Park in Baltimore; Comiskey Park and United Park in Chicago; Jacobs Field and Gund Arena in Cleveland; American's Center in St. Louis; Jacksonville Stadium in Jacksonville, Florida; Crossroads Arena in Buffalo, New York and CoreStates Arena in Philadelphia. Also, a number of states have allowed cities to increase their sales taxes to finance sports facilities.

The competition for sports teams is growing, and the economic implications from Texas' teams moving to other states would be enormous. Building and remodeling sports facilities to keep and attract professional teams are the realities of today, and the state must provide financial support to compete with other localities public-support incentives. For example, the Los Angeles Rams left Los Angeles because the state and county refused to upgrade the coliseum.

New and remodeled facilities would allow Houston and Dallas to hold the NBA All-Star games and the NCAA Final Four, not to mention the Superbowl. Olympic games and events might come to the state. All these events have economic ripple effects that reach far and wide throughout the state. The Houston International Sport Committee is vying for the Pan Am Games in 2002 and the Olympic games in 2008 or 2012. The facilities built with the help of this bill would help Houston get these games and the economic impact would be felt throughout the state.

The Houston Oilers lease on the Astrodome runs out in 1997 and unless Houston builds a new facility (the Astrodome was not built for football),

the team could be made an offer they could not refuse by another city, and be forced to move.

This bill would allow Texas Stadium in Irving to be considered for football superbowl if the stadium was remodeled to cover the hole in the roof and expanded to accommodate 70,000 fans.

Forty percent of national football league ticket sales go to the National Football League. Placing an admissions tax on football tickets would assure that the extra money goes to pay off the bonds used to build or remodel the stadium. It is a user fee that would finance the debt of the facility. The parking tax is also a form of user fee. It is only fair to ask those who directly enjoy live sports to pay extra for using the facilities.

Watching sports should not be the privilege of the wealthy. The minimal investment the state would make to these sports facilities would help keep ticket prices down and allow all Texans to participate in live sports events.

**OPPONENTS
SAY:**

This special-benefit legislation asks the taxpayers of Texas to subsidize professional sports teams by dedicating substantial amounts of tax money to building and renovating their facilities. These teams are large, for-profit corporations that are asking the state and local governments to pledge to them millions of dollars at a time when tax-supported services for far needier people and agencies are being slashed. This bill represents corporate welfare in its most overt form, and without a mention of the sorts of time limits and responsibility agreements that are being considered for individual welfare recipients.

The bill would subject the state to well-founded allegations of discrimination in favor of a highly specialized type of corporation, rather than making its tax policy even-handed for all businesses. It would subvert the intent of Texas Enterprise Zone Act to give professional sports teams, which pay exorbitant salaries to their players, a public gift that would continue annually for 30 years. Ten corporations would be entitled to receive between \$31 million and \$42 million a year from 1999 and 2003, drained from the state treasury. Yet other types of enterprise zones are created for only seven years, and tax abatements have a maximum time limit of 10 years and must be renewed after five years.

Not only would be the local and state tax rebates be unprecedented, but the deal would be sweetened with pledges to the corporations of special new local taxes. Rather than give away tax revenue to professional sports teams, governments should use public money to support public and higher education, social and health services and to protect the environment. Texas ranks low among states in rates of crime, teen pregnancy, high school graduation, health coverage and poverty rates. Remedying these ills would be a far better use of tax revenue than building sports palaces for richly paid athletes and their corporate employers. Corporations need to be encouraged to strive for self-sufficiency.

The state is dire need of revenue and cannot afford to waste taxpayer dollars to support professional sports teams. Professional sports teams use the threat of moving to another state as a bargaining chip to get the state and local governments to pay for sports facilities. Professional teams cannot move without permission of their league, and they would need to find a market large enough to merit a move.

Professional sports are not in financial trouble. According to a report by the state comptroller in November 1993 the average salary of a professional league ball player was \$635,000. Major club franchises are worth millions of dollars; the estimated value of the Houston Oilers is \$132 million and the Dallas Cowboys were bought in 1989 for \$140 million. Ticket sales are steady. Retail merchandize sales are at an all time high and reached \$6 billion nationwide in 1992, and Texas teams claimed about 12 percent of the national sales.

This bill initially was intended to help the Mavericks and the Stars build a facility in Dallas because the City of Dallas could not come up with a viable financing package. The number of facilities have been expanded from six to ten since the bill was introduced. Now there are 10 sanctioned projects, but others could easily be added later.

San Antonio built the Alamodome with money from its transit authority tax. The comptroller's report found that the economic benefit of professional sports teams were concentrated in Houston, Dallas and San Antonio. It said that these cities enjoyed two-thirds of the overall

economic benefits and these communities should pay the bill to build and renovate sports facilities.

At the very least this giveaway should be subjected to voter scrutiny in a nonbinding referendum. Voters should get to say whether they wish to subsidize professional sports teams with their tax dollars. It is one thing for a community to decide that it wishes to tax itself, like Arlington did to build the Texas Rangers Stadium, but it is another to ask people throughout the state to support professional sports in certain urban areas without a vote of the people.

The bill should make it clear that the public referendum in Houston and Harris County applies to the entire bill and not just to enterprise zones. Public officials in Houston and Harris County have made it known they do not want to build a downtown dome without a referendum.

**OTHER
OPPONENTS
SAY:**

The Texas Department of Commerce is being asked to choose three sports facilities projects based on economic impact to the state. The department would need additional staff and funds to make these complicated decisions. The political pressure placed on the department could be enormous as cities compete for the three available facilities.

NOTES:

The Senate-passed version of the bill would have entitled the sports authority to receive state rebates, refunds or 80 percent of sales and mixed beverage taxes collected at the sports facility and 80 percent of the incremental increase in state sales and mixed beverage taxes paid by businesses in the sports authority zone after the zone is created. The maximum total amount of state money that a sports authority would have been entitled to receive in a fiscal year would be limited to 35 percent of the average annual debt service for bonds or the tax ratio used by the commerce department in approving the project.