

SUBJECT: Trust funds for the 2007 Pan American Games and the 2012 Olympics

COMMITTEE: State Affairs — committee substitute recommended

VOTE: 14 ayes — Wolens, S. Turner, Alvarado, Bailey, Brimer, Counts, Craddick, Danburg, Hilbert, Hunter, Longoria, Marchant, McCall, Merritt

0 nays

1 absent — D. Jones

SENATE VOTE: On final passage, April 8 — 22-8 (Bivins, Carona, Duncan, Fraser, Haywood, Nelson, Ratliff, Shapiro)

WITNESSES: For — None

Against — None

On — Cathy Cunningham, City of Irving

DIGEST: CSSB 456 would allow the creation of a Pan American Games trust fund and an Olympic Games trust fund, money from which could be used only to fulfill joint obligations of the state and a municipality to a site selection organization under a contract to support the games. The maximum amount of the fund for the Pan American Games would be \$20 million. The Olympics fund maximum amount would be \$100 million.

The Texas Department of Economic Development (TDED) could enter into a games support contract on behalf of the state. Before doing so, TDED would have to execute an agreement with the local municipality that required the local organizing committee to repay the state for any funds expended by TDED from any surplus of funds that the committee retained after presentation of the games.

The Comptroller's Office would establish and administer the fund and would have to determine the incremental tax revenue generated by the selection of a Texas city as a host city for either of the games. The comptroller would have to deposit additional municipal and state taxes generated by the sales tax in

the fund beginning with the first measurable economic impact after the selection of the city. Revenue deposits would have to begin within one year of the selection of a city as a host site.

The Comptroller's Office would have to determine the amount of incremental tax revenue directly attributable to the games. The comptroller would have to retain all designated municipal sales and use tax revenues, and hotel occupancy taxes when applicable, in the account. The money would be retained until the fund reached 14 percent of the maximum amount to be deposited in the fund or until the end of the third month after the closing event of the games, whichever came first. The municipality could increase the fund by pledging surcharges for user fees, including parking and ticket fees, charged in connection with the games.

The comptroller also would have to deposit state tax revenue in the fund until that amount reached 86 percent of the maximum fund balance or three months after the closing event of the games, whichever came first.

The local organizing committee would have to provide audited financial statements to enable the Comptroller's Office to determine the incremental increase in tax revenue. For the Pan American Games, the comptroller would have to develop an estimate by August 31, 1999, of the total amount expected to be deposited in the trust fund by January 1, 2008, and would have to submit that estimate to the site selection organization. For the Olympic Games, the estimate would have to be completed by August 31, 2000.

Disbursements from the fund could be made only after the comptroller certified that the disbursement was required by the games support contract. Any obligation to be paid from the fund would have to be paid first from municipal revenue deposited. For the Pan American Games, any money remaining in the fund on January 1, 2009, for the state's share would be transferred to general revenue. For the Olympic Games, the state's share would be transferred two years after the closing event of the games. A municipality's share would be remitted after all state funds were deposited.

A municipality would have to hold an election on a uniform election date to endorse the use of a portion of its sales and use taxes to support the fund. An election would not be required if there were not enough time to hold an election between the effective date of this bill and the date the contract with

the site selection organization had to be entered into. If an election were held, the comptroller could not retain municipal sales and use taxes in the fund unless a majority of voters approved.

CSSB 456 would make the local organizing committee subject to the open meetings and open records laws. However, a bid submitted would be exempt from disclosure until the site selection committee selected the site for the games.

A subcommittee of the local organizing committee would not be subject to open meetings requirements if the subcommittee consisted of less than five members, did not meet in a public building, retained tape recordings of the meeting as public record, did not discuss or decide financial matters, and any decisions were to be reviewed by the local organizing committee. A local organizing committee that was exempted from taxation under 501(c) of the Internal Revenue Code would be exempt from sales, rental car, hotel occupancy, and franchise taxes.

CSSB 456 would impose ethics requirements on the local organizing committee, including disclosure of financial interests, disclosure of each contribution and each expenditure, and submission of financial statements. Contribution and expenditure reports would have to be filed quarterly, and financial statements would have to be filed annually.

The bill would establish an offense of bribery for intentional or knowingly offering, conferring, soliciting, or accepting any benefit for the recipient's decision, opinion, recommendation, or vote as a member of an organizing committee or site selection organization. The offense would not apply to meals and entertainment reported under the bill's expenditure requirements. An offense under this bill would be a second-degree felony, punishable by two to 20 years in prison and an optional fine of up to \$10,000.

This bill would take effect August 30, 1999.

**SUPPORTERS
SAY:**

The city of San Antonio has organized a committee to submit a bid to host the 2007 Pan American Games. The cities of Houston and Dallas have organized or are considering organizing committees to submit bids to host the 2012 Olympic Games. SB 456 would provide the state endorsement necessary for these efforts, which would benefit the entire state.

All of these Texas cities have a good chance of being selected as a host city for either sports event. For a city to receive the award, however, the state must create a trust fund to cover any losses by the site selection organization in the event that losses result from hosting the games. The Pan American Sports Organization requires that amount to be \$20 million. The International Olympic Committee requires a \$100 million commitment. SB 456 would allow the creation and funding of the trust funds with tax revenue directly attributable to the games, which should be more than sufficient to meet the required amount. It is very unlikely that there would be any losses related to hosting the games.

All three cities have hosted many other major sporting events. Hosting either games would be the next logical step in establishing Texas as a major sporting venue. The cities and the organizing committees have been involved in several other site selection processes and anticipate fully funding the games with revenue generated.

Setting the trust fund ceilings would ensure that the state was not obligated for an unreasonable amount of losses and would help to ensure that local and state tax revenues directly attributed to the games would be sufficient to reach that amount.

Complete discretion for the funding of the trust funds and disbursements from those funds would be left with the comptroller. That office already is developing revenue estimates based on past sporting events in these cities.

The ethics and bribery provisions added to this legislation would ensure ethical conduct on the part of the site selection organization and the local bid organizing committee.

While tax revenues from the entire state and city might be used to cover a loss from the games, many sectors of these cities and the state as a whole would benefit from the significant economic impact that hosting the games in a Texas city would produce. Economic estimates from the Atlanta Olympic Games have ranged from \$3 billion to \$5 billion in additional revenue for the city and the state.

OPPONENTS
SAY:

CSSB 456 would allow state and municipal tax revenues to be pledged against losses to the Pan Am Games and Olympic Games if they were held in

San Antonio, Houston, or Dallas. This would permit tax revenues that should be raised for the benefit of the entire state and the entire city to be used to subsidize expensive sporting events that may or may not pay off.

Sales tax revenues are often the primary method of financing many state and local functions. This legislation would dedicate a substantial portion of that revenue, setting it aside for several years to guarantee against the losses of the international games organizations for choosing Texas cities to host their games. This revenue dedication could impair the state or cities' ability to provide funding for needed services.

The bill should require the use of historically underutilized businesses to fulfill obligations and contracts of the games. It also should ensure that tax revenues retained for the games would not result in the withholding of services from people who normally would not benefit from the hosting of the games in a Texas city. Every person in the area that the comptroller certified would have to pay taxes related to putting on the games, but not all of those people would receive the benefits of having the games held in these cities.

NOTES:

The House committee substitute to SB 456 would make numerous changes including:

- ! adding provisions relating to ethics and bribery;
- ! adding provisions that would subject the local organizing committee to the open meetings and open records acts;
- ! setting a cap of \$20 million and \$100 million, respectively, on the Pan American and Olympic Games trust funds;
- ! establishing a 14 percent to 86 percent city-to-state ratio in the collection of the tax revenues;
- ! including provision for a local election;
- ! limiting the use of the funds collected to fulfill obligations under a valid games support contract;

- ! including tax exemptions for the local organizing committee; and
- ! making numerous other technical and clarifying changes to the bill.

A similar bill, HB 3135 by A. Reyna, which would create an identical fund for only the 2007 Pan American Games, was reported favorably by the House State Affairs Committee and placed on the General State Calendar, but was withdrawn from the calendar at the author's request.