

SUBJECT: Establishing the Sporting Event Trust Fund to attract sporting events

COMMITTEE: Economic Development — committee substitute recommended

VOTE: 4 ayes — Deshotel, Morrison, Ortiz, Veasey
0 nays
3 absent — Straus, Kolkhorst, Dunnam

SENATE VOTE: On final passage, May 1 — 31-0, on Local and Uncontested Calendar

WITNESSES: No public hearing

BACKGROUND: In 1999, the 76th Legislature enacted SB 456 by Madla, authorizing the state to establish two trust funds to support efforts by some Texas cities to attract the 2007 Pan American Games and the 2012 Olympics (V.T.C.S., art. 5190.14). The law sought to address requirements by site-selection organizations that the state create a trust fund to cover any losses by the site-selection organizations resulting from the games.

In 2003, the 78th Legislature enacted SB 275 by Nelson, which established a new trust fund known as the “Other Events Trust Fund” (V.T.C.S., art. 5190.14, sec. 5A) to aid municipal bidding on site selection for the Super Bowl, National Collegiate Athletic Association (NCAA) Final Four games, National Basketball Association All-Star Game, National Hockey League All-Star Game, Major League Baseball All-Star Game, NCAA Bowl Championship Series games, World Cup soccer games, or World Games. The law allows a county or municipality with a population of at least one million that had been selected as the site for one of these events to deposit the amount of sales-and-use, mixed beverage, and hotel occupancy tax revenue that is attributable to the preparation and presentation of the event into the Other Events trust fund.

Money from the Other Events fund can be used only to fulfill obligations to a site-selection organization. A city or county can issue notes to fund its obligations under a contract with a site-selection organization and pay for those notes from the trust fund.

During its 2005 regular session, the 79th Legislature enacted HB 1528 by Woolley, which repealed the expiration date of the Other Events trust fund, and SB 150 by Wentworth, which established the Motor Sports Racing trust fund.

DIGEST:

SB 1523 would establish the Sporting Event Trust Fund to help cities and counties recruit an National Collegiate Athletic Association (NCAA) regional tournament, Senior Olympic activity, or major sporting event. The bill would apply to counties with at least 800,000 residents (Travis, Bexar, Tarrant, Dallas, and Harris) and municipalities with at least 500,000 residents (El Paso, Fort Worth, Austin, San Antonio, Dallas, and Houston), defined in the bill as “endorsing counties” and “endorsing municipalities.” The bill would specify several site-selection organizations that could sponsor an eligible event.

No later than three months before the date of an event, the comptroller would have to provide an estimate of the amount of tax revenue that would be deposited into the Sporting Event Trust Fund if an event was held at a site selected pursuant to an application by a local organizing committee or endorsing municipality or county. This estimate could be submitted to a site-selection organization.

If a site-selection organization, after considering other sites outside of Texas, chose a site for an event in Texas, the comptroller would be required to determine the incremental increase in a predetermined market area from state sales-and-use, motor vehicle sales and rental, hotel occupancy, mixed beverage, liquor, wine, ale, and beer taxes that were attributable to an event. The comptroller also would have to determine the incremental increase in receipts collected by the state on behalf of the county or municipality in the market area from sales-and-use, hotel occupancy, and mixed beverage taxes attributable to an event. This estimate would be made for a 30-day period ending the day after the end of the event.

“Market area” for the event would be designated by the comptroller to include each area in which there likely would be an economic impact attributable to the event.

Deposits to the trust fund. An endorsing municipality or endorsing county would remit to the comptroller the amount of hotel occupancy tax revenue, less any amount necessary to meet the obligations of the

municipality or county. The comptroller would deposit this amount in the new trust fund. The comptroller would retain the amount of sales-and-use tax revenue and mixed beverage tax revenue from the amounts otherwise required to be sent to the municipality or county, less any amount necessary to meet the obligations of the municipality or county, and deposit it into the fund.

In addition to the tax revenue deposited into the Sporting Events Trust Fund, a municipality or county could guarantee obligations by pledging surcharges from user fees charged in connection with the event.

The comptroller would deposit into the fund an amount equal to 6.25 times the amount of local sales and use tax revenue, mixed beverage tax revenue retained and hotel occupancy tax remitted by an endorsing municipality or county.

Issuance of notes. A county or municipality could issue notes in order to meet its obligations to construct or renovate facilities or equipment under an event support contract. The notes could mature no longer than seven years from the date of issuance. The notes could be paid from, and secured by, deposits to the Sporting Event Trust Fund or from surcharges from user fees charged in connection with the event. Money in the trust fund could be used to pay principal and interest on notes and to fulfill obligations to a site selection organization under an event support contract.

Other provisions. A local organizing committee, endorsing municipality, or endorsing county would have to provide the comptroller with any information to fulfill the comptroller's duties under the bill.

The comptroller could make a disbursement from the trust fund approved by each contributing endorsing municipality or county for a purpose for which the municipality, county, or state was obligated under an event support contract. A disbursement could not be made for the purpose of soliciting the relocation of a professional sports franchise located in the state. Any obligation settled through a disbursement from a fund would have to be settled proportionately between state and local revenue.

Upon payment of all obligations, the comptroller would remit to each endorsing entity any remaining money in proportion to the amount each entity contributed.

The bill would not require a state guarantee of obligations under an event support contract.

The bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2007.

**SUPPORTERS
SAY:**

In creating the Sporting Event Trust Fund, CSSB 1523 would expand upon the success of the Other Events Trust Fund by allowing other cities to take advantage of this economic development strategy to recruit prestigious sporting events to Texas. The bill would allow Texas cities to competitively bid for events sponsored by the NCAA, United States Olympic Committee, National Association of Stock Car Auto Racing, and other nationally recognized sports organizations. The trust fund would allow local entities to bid, prepare for, and construct events that would bring significant economic activity and visibility to the state.

With the Sporting Event Trust Fund under CSSB 1523, a city or county could fully fund an event with revenue from the event. The program would allow an entity to issue notes to pay for the event and pay for those notes with the fund money based on incremental tax revenue generated by the event.

The bill would provide safeguards to protect local taxpayers and ensure that the fund was used properly. Specifically, the bill would require that a site-selection committee have considered sites outside of Texas before an event was eligible for participation in the program established under the bill. This would ensure that it was used most effectively as a competitive advantage in attracting such events to a Texas city.

**OPPONENTS
SAY:**

CSSB 1523 would further transform what was intended to be a limited program to recruit the Olympics or Pan American Games into an entrenched program that initially was not contemplated. The Sporting Event Trust Fund would siphon local tax revenue from necessary government services and pay for narrow public improvements to sports facilities.

NOTES:

The House committee substitute would require that a site-selection organization consider sites outside of Texas before an event became eligible to participate under the Sporting Event Trust Fund.
SB 1424 by Brimer, which would eliminate the population threshold on

the Other Events Trust Fund, passed the House by 143-1 on May 16, and the Senate has not yet considered the House amendments.