

- SUBJECT:** Expanding the events eligible for the Major Events Trust Fund
- COMMITTEE:** Economic and Small Business Development — favorable, without amendment
- VOTE:** 5 ayes — J. Davis, R. Anderson, Miles, Murphy, Sheets
0 nays
2 absent — Vo, Reynolds
- SENATE VOTE:** On final passage, March 21 — 30-0
- WITNESSES:** *(On House companion bill, HB 735 by Patrick):*
For — James Brothers, Arlington Convention and Visitor Bureau; Robert Cluck, Arlington City Council; *(Registered, but did not testify:* Justin Bragiel, Texas Hotel and Lodging Association; Larry Castro, City of Dallas; Ron Hinkle, Texas Travel Industry Association; T. J. Patterson, City of Fort Worth; Jon Weist, Arlington Chamber of Commerce; Monty Wynn, Texas Municipal League)

Against — None

On — Robert Wood, Comptroller’s Office, Local Government Assistance and Economic Development Division
- BACKGROUND:** The state has four separate event trust fund programs — the Major Events Trust Fund, the Events Trust Fund, the Motor Sports Racing Trust Fund, and the Special Events Trust Fund — designed to help Texas communities offset the costs of hosting sporting and nonathletic events. The Major Events Trust Fund, formerly the “Other Events Fund,” supports major national or international championship-type events, such as the National Football League (NFL) Super Bowl, National Collegiate Athletic Association (NCAA) Final Four basketball tournaments, Breeders’ Cup World Championship, and Formula One automobile races.

The Major Events Trust Fund applies local and state gains from sales and use, auto rental, hotel, and alcoholic beverage taxes generated over a 12-

month period from certain major sporting championships or events to pay costs incurred from hosting the event.

The fund previously has provided financing for large and well-attended events such as the 2004 and 2011 Super Bowls and the NCAA's 2004, 2008, and 2011 Men's Final Four basketball championships.

The trust fund can be used to pay costs related to the event preparation or operation or to pay principal and interest on notes used to build or improve facilities or acquire equipment for the event. One hundred percent of allowable expenses can be funded if sufficient tax receipts are deposited into the trust fund.

To qualify, an event cannot be held more than once yearly. If expected to generate at least \$15 million in local and state tax receipts, the event is eligible for prior funding to attract and secure it. If the event recurs, the previous year's receipts can be used to attract and secure subsequent events.

DIGEST:

SB 309 would amend Vernon's Texas Civil Statutes, art. 5190.14 by adding the Academy of Country Music Awards, the National Cutting Horse Association Triple Crown, and a national political convention for the Republican National Committee or the Democratic National Committee to the list of events eligible for the host city or county to receive reimbursement funding from the Major Events Trust Fund.

Within 18 months of the last day of an event eligible for funding from the Major Events Trust Fund, the comptroller would have to complete a study in the market area of the event on the measurable economic impact directly attributable to preparing for and presenting the event and its related activities, and would have to post the study results online.

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, 2011.

**SUPPORTERS
SAY:**

SB 309 would expand the list of qualified events for which the host city or county could receive reimbursement support from the Major Events Trust Fund. The trust fund is an innovative and important economic development tool that has proven successful in recruiting major events to Texas. This program allows cities and counties to compete with other

states in hosting major events such as this year's NCAA Final Four tournament games in Houston and this year's Super Bowl in Arlington. The program helps attract and retain events in Texas that provide economic activity that otherwise would not occur. Without these events, the state's economy would lack the revenue raised from dramatically increased hotel occupancy rates; food, tobacco and beverage consumption; retail and leisure activity; business contracts; utility usage; and air and car travel. The program gives Texas a competitive edge in the events industry.

SB 309 would allow the Academy of Country Music Awards, a national political convention of the Republican National Committee or the Democratic National Committee, and the National Cutting Horse Association Triple Crown to be included as events with access to the program's funds. The Academy of Country Music Awards is usually held in Las Vegas, but organizers would prefer a venue more in tune with their industry. Texas would be a perfect fit for this event. Also, the National Cutting Horse Association Triple Crown has previously been held in Texas, but the event frequently is recruited by other states. By making these events eligible for the program, Texas could better attract and retain these events rather than lose them and the economic development opportunities that they bring.

This legislation will not cost the state anything because the Major Events Trust Fund does not rely on state revenue. A comptroller-certified portion of the revenue from the event is used to reimburse costs to the host county or municipality after the event occurs. Reimbursement is used to pay costs related to preparing for or conducting the event, such as the public safety officers, snow plows, and sand trucks that were needed immediately before the 2011 Super Bowl. If a city or group of cities in a region is interested in hosting an eligible event, it first must submit an application and economic impact study projecting local and state sales tax revenue from the event to the comptroller. The comptroller then has to certify that the revenue from the event would not exist otherwise. The program only supports an event in Texas if evidence indicates that the event might be moved out of state. The program operates on extra tax revenues that otherwise would not accrue in Texas. A recent study performed on all of the state's events trust fund programs showed that since 2008, \$79.6 million in state and local tax revenue has been generated beyond the money used to reimburse host counties and municipalities for bringing the events to the state.

SB 309 would require the comptroller to perform a study of the measurable economic impact of each event eligible to benefit from the program after the event occurred. This step would ensure that the program had a true positive impact on the state.

**OPPONENTS
SAY:**

The Major Events Trust Fund costs the state revenue generated by events that likely would take place in Texas even without the recruitment incentives. For example, the National Cutting Horse Association Triple Crown already uses Texas as its venue. By adding this event to the program, Texas could forfeit state revenue by having to reimburse the host county or municipality for the event.

NOTES:

According to the fiscal note, the fiscal impact of SB 309 would depend upon the number and location of events covered. However, no significant fiscal implication to the state is anticipated.

The House companion bill, HB 735 by Patrick, was considered in a public hearing on March 17 and reported favorably, as substituted, on March 29 by the House Economic and Small Business Development Committee.