

## LEGISLATIVE BUDGET BOARD

Austin, Texas

### FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

April 8, 2003

**TO:** Honorable Jim Keffer, Chair, House Committee on Economic Development

**FROM:** John Keel, Director, Legislative Budget Board

**IN RE: HB2768** by Woolley (Relating to facilitating and supporting the efforts of certain municipalities to promote economic development by hosting the Pan American Games, the Olympic Games, the Super Bowl, the NCAA Final Four, the NBA All Star Game, the MLB All Star Game, BCS Games, and World Cup Soccer Games, and events and activities related to any of the foregoing; authorizing certain municipalities and certain counties to issue notes for payment of obligations incurred to bid for, prepare for, and host any of the foregoing events.), **As Introduced**

**No significant fiscal implication to the State is anticipated.**

#### Fiscal Analysis

The bill would amend Article 5190.14, Vernon's Texas Civil Statutes, to extend the state law supporting the Olympic and Pan American Games, to cover "other events," and to provide financing for the costs involved in bidding for the location of one or more games and costs associated with making the necessary preparations to conduct one or more games in Texas. Currently, Article 5190.14 of Vernon's Texas Civil Statutes only covers the 2007 Pan American Games and the 2012 Olympic Games. The bill would remove those dates to include any Pan American Game and any Olympic Game, as well as any Super Bowl, NCAA Final Four, NBA All-Star Game, MLB All Star Game, BCS Game, World Cup Soccer Game, and any events and activities related to or associated with those games.

**Pan American Games.** The bill would require the Comptroller to estimate, before September 1 of the year that is eight years before the year in which it is anticipated the Pan American Games may be held in the state, the amount of state and municipal tax revenue that would be deposited in the Pan American Games Trust Fund before January 1 of the year after the year in which it is anticipated that the games would be held in this state. On January 1 of the second year after the year in which the games were held in this state, the Comptroller would have to transfer any remaining money in the fund to the General Revenue Fund 0001.

**Olympic Games.** If a site selection organization selected a site in the state for the Olympic Games in any year, the bill would require the Comptroller to determine, for each subsequent calendar quarter after the first measurable impact in the state as a result of preparation for the games, the incremental increases in selected state tax receipts within the marketable area as determined by the Comptroller, as well as for the county and municipal tax revenues, as applicable, from the local sales and use, hotel occupancy, and mixed beverage taxes. The bill would require the Comptroller to retain the amount of mixed beverage tax revenue determined by the Comptroller to be the incremental increase in receipts, directly attributable to the preparation for and presentation of the games and related events, and collected by the state on behalf of the endorsing county or municipality from the sales and use tax and the mixed beverage tax to be received by the endorsing county or municipality, from the amounts otherwise required to be sent to the endorsing municipality or county. The Comptroller would have to retain the mixed beverage tax revenue until the end of the third calendar month following the month in which the closing event of the game occurred or the date the amount of revenue in the Olympic Games Trust Fund equaled 14 percent of the maximum amount of \$100 million in state and municipal tax revenue allowed to be deposited in the fund. The endorsing county and municipality would have to

deposit quarterly into the Olympic Games Trust Fund the amount of its hotel occupancy tax revenue determined by the Comptroller. At the same time, the Comptroller would deposit a portion of the incremental increase in selected state tax revenue directly attributable, as determined by the Comptroller, to the preparation for and presentation of the games and related events, in an amount equal to 6.25 times the amount of the hotel occupancy tax revenue deposited by the endorsing county and municipality. Current law requires a similar local deposit, and state match, of local sales taxes. The bill would require the Comptroller to provide an estimate, no later than August 31 of the year that is twelve years before the year in which the games were scheduled to be held, of the total amount of state and municipal tax revenue that would be deposited in the Olympic Games Trust Fund if the games were to be held in this state.

**Other Events.** The bill would add Section 5A to establish the Other Events Trust Fund and define the applicable games. After the first measurable impact in the state as a result of preparation for the game, the Comptroller would be required to determine the incremental increase in receipts collected by the endorsing municipality of a game from its municipal hotel occupancy tax and receipts collected by the endorsing county of a game from its county hotel occupancy tax that is directly attributable to the preparation for and presentation of the games and related events. The Comptroller would determine the incremental increase in receipts, directly attributable to the preparation for and presentation of the games and related events, and collected by the state on behalf of the endorsing county and on behalf of the endorsing municipality from the sales and use tax and the mixed beverage tax to be received by the endorsing county and endorsing municipality. The Comptroller would be required to determine a market area for the game that would include the endorsing county and/or municipality where there would be a reasonable likelihood of measurable impact directly attributable to the preparation for and presentation of the game and related events. The bill would require the endorsing county and/or municipality to establish the Other Events Trust Fund and to deposit into the fund the incremental increase in the amount of sales and use tax and mixed beverage tax revenue, as well as its incremental increase in the amount of hotel occupancy tax in the amount estimated by the Comptroller as detailed above, less any amount that might be pledged to obligations of the county and/or municipality issued for purposes other than the support, bid, preparation for, and hosting of the games or related events. The endorsing county and/or municipality would be authorized to guarantee obligations under a games support contract to pledge surcharges from parking or ticket fees charged in connection with the game. The trust fund would be held outside the general fund of the endorsing county and/or municipality, and money in the trust fund would be used by the endorsing county and/or municipality without appropriation and only as provided by the bill. The bill would authorize an endorsing county and/or municipality to issue notes maturing no later than seven years from date of issuance to meet the obligations under a games support contract, to be paid by funds deposited in to the Other Events trust fund. A local organizing committee would be required to produce an annual audit statement of the local organizing committee's financial records, attendance at the game, and the economic impact of the game no later than the end of the fourth month after the date the period covered by the financial statement ends. The Comptroller would be required to provide an estimate no later than one month after a request by a local organizing committee, of the total amount of tax revenue that would be deposited into the Other Events Trust Fund before the date of the game, if the game were to be held in Texas. An endorsing county and/or municipality would be required to hold an election to determine if a portion of its sales and use taxes might be contributed to the Other Events Trust Fund. If the election were not approved, the endorsing county and/or municipality would not have to obtain an estimate from the Comptroller of the incremental increase in taxes due to the games and would not have to deposit the estimated incremental taxes into the Other Events Trust Fund.

An endorsing county and/or municipality would not have to hold an election to contribute its mixed beverage tax revenue or its hotel occupancy tax revenue to the Pan American Games Trust Fund, the Olympic Games Trust Fund, or to the Other Events Trust Fund.

The bill would take effect September 1, 2003.

## **Methodology**

The bill would require the Comptroller to deposit, from selected state tax revenue, 6.25 times the amount of hotel occupancy tax revenue that an endorsing county or city deposits into the Olympic Games Trust Fund, to the preparation for and presentation of the games and related events. Should an

endorsing county or city make these deposits, the state match would total approximately \$11 million per year.

Currently, an endorsing municipality and an endorsing county are required to hold an election to determine if the endorsing entity may contribute a portion of its tax revenue to the Pan American Games Trust Fund and the Olympic Games Trust Fund. The bill would not require an endorsing county and/or municipality to hold an election to contribute its mixed beverage tax revenue or its hotel occupancy tax revenue to the Pan American Games Trust Fund, the Olympic Games Trust Fund, or the Other Events Trust Fund.

### **Local Government Impact**

The City of Houston, which is hosting the 2004 Super Bowl, indicates that the provisions of the bill would cause a revenue loss, since the city would be required to give all incremental taxes to the host committee rather than retain them. The city indicates that they have already committed to providing police services, EMS, etc., the cost of which they are presuming would be covered by the tax dollars that are generated by the people coming to the event.

**Source Agencies:** 304 Comptroller of Public Accounts, 458 Alcoholic Beverage Commission, 480 Texas Department of Economic Development

**LBB Staff:** JK, JO, JRO, RT, DE, WP