

LEGISLATIVE BUDGET BOARD

Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

May 23, 2005

TO: Honorable David Dewhurst, Lieutenant Governor, Senate

FROM: John S. O'Brien, Deputy Director, Legislative Budget Board

IN RE: SB150 by Wentworth (Relating to authorizing measures to support efforts to attract major motor sports racing events to this state.), **As Passed 2nd House**

Depending upon the number and location of future racing events, the state would be required to deposit a portion of state tax revenues associated with the events into the Motor Sports Racing Trust Fund as determined by the Comptroller of Public Accounts.

The bill would amend Article 5190.14, Vernon's Texas Civil Statutes, to extend the state law supporting the Olympic Games, Pan American Games, 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 to include the Automobile Competition Committee of the United States (ACCUS), the Champ Car organization, or the American Le Mans Series organization. The bill would provide financing for the costs involved in bidding for the location of one or more major sporting or athletic events and costs associated with making the necessary preparations to conduct one or more major sporting or athletic events in Texas. The bill would amend Sections 2 and 3 to replace the word "games" with "major sporting or athletic events."

The bill would add Section 5B to establish the Motor Sports Racing trust fund, established outside the State Treasury and held in trust by the Comptroller of Public Accounts for administration of this bill, and define what counties and/or municipalities would be eligible to endorse major sporting or athletic events. An "endorsing county" or "endorsing municipality" would mean a county or municipality with a population of one million or more that contains a site selected by the site selection organization for one or more motor sports racing events.

The bill would define a "motor sports racing event" as a specific automobile racing event for a particular year referred to as the United States Grand Prix, or a specific automobile racing event that is part of the Champ Car World Series or the American Le Mans Series. The Comptroller would designate a market area for the motor sports racing event. The market area would be an area for which the Comptroller determined that there was a reasonable likelihood of measurable economic impact directly attributable to the racing event, including areas likely to provide venues, accommodations, and services in connection with the racing event based on a proposal or other information provided by the endorsing entity to the Comptroller. If a site selection organization selected a site in Texas for a motor sports racing event, not later than three months before the date of the motor sports event the Comptroller would determine for the 30-day period ending at the end of the day after the date of the racing event: 1) the incremental increase in the receipts to the state, within the market areas designated by the Comptroller, from the sales and use, motor vehicle sales and rental, hotel occupancy, mixed beverage, liquor, wine, ale, and beer taxes that are directly attributable to the racing event; and 2) the incremental increase in receipts collected by the state on behalf of each endorsing municipality and county in the market area from the sales and use, hotel occupancy, and mixed beverage taxes directly attributable to the racing event.

Each endorsing municipality or county would remit to the Comptroller, and the Comptroller would deposit into the new trust fund, the amount of the municipality or county's hotel occupancy tax revenue less any amount of revenue that the municipality or county determined necessary to meet its obligations. Likewise, 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, and deposit into the new trust fund the tax revenues, less any amount of the revenue that the municipality or county determined necessary to meet its obligations. With respect to the incremental increase in state tax receipts within the market areas designated by the Comptroller and directly attributable to the racing event, the Comptroller would deposit into the new trust fund a portion of the state tax revenue in an amount equal to 6.25 times the amount of the local sales and use tax revenue, mixed beverage tax revenue retained and the hotel occupancy tax revenue remitted by an endorsing municipality or endorsing county. No later than three months before the date of a motor sports racing event, the Comptroller would provide an estimate of the total amount of tax revenue that would be deposited in the Motor Sports Racing trust fund if the racing event were to be held in this state at a site selected pursuant to an application by a local organizing committee, endorsing municipality, or endorsing county. The Comptroller would provide the estimate on request, and the requesting entity could submit the Comptroller's estimate to a site selection organization.

The bill would authorize a county or municipality to issue notes for facilities or equipment associated with the racing event. The notes could mature no later than seven years from the date of issuance. The endorsing entity could provide that the notes be paid from, and secured by, amounts on deposit or amounts to be deposited into the new trust fund or surcharges from user fees, including parking or ticket fees, charged in connection with the racing event. The funds in the new trust fund could be used to pay the principal and interest on notes issued by the endorsing municipality or county.

The bill would take effect September 1, 2005.

Local Government Impact

Localities that meet the population requirements of the bill are: Bexar, Dallas, Harris, and Tarrant counties and the cities of Dallas, Houston, and San Antonio. It is assumed that any costs to local entities associated with hosting a United States Grand Prix event would be offset in part by the revenues outlined in this bill.

Source Agencies: 301 Office of the Governor, 304 Comptroller of Public Accounts

LBB Staff: JOB, WK, CL, JRO, SD, WP, EB, KJG