

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION**

**April 18, 2005**

**TO:** Honorable John Carona, Chair, Senate Committee on S/C on Emerging Technologies & Economic Dev.

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

**IN RE: SB1253** by Brimer (Relating to measures to support efforts of municipalities and counties to recruit or retain special events.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for SB1253, As Introduced: a negative impact of (\$92,700,000) through the biennium ending August 31, 2007.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

**General Revenue-Related Funds, Five-Year Impact:**

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2006	(\$33,400,000)
2007	(\$59,300,000)
2008	(\$77,600,000)
2009	(\$108,700,000)
2010	(\$142,800,000)

**All Funds, Five-Year Impact:**

Fiscal Year	Probable Revenue Gain/(Loss) from <i>GENERAL REVENUE FUND</i> 1	Probable Revenue Gain/(Loss) from <i>All Local Units of Government</i>
2006	(\$33,400,000)	\$33,400,000
2007	(\$59,300,000)	\$59,300,000
2008	(\$77,600,000)	\$77,600,000
2009	(\$108,700,000)	\$108,700,000
2010	(\$142,800,000)	\$142,800,000

**Fiscal Analysis**

The bill would add Chapter 398 to Subtitle C, Title 12 of the Local Government Code, relating to measures to support efforts of municipalities and/or counties to recruit or retain special events.

The bill would authorize a host community to use a portion of the state tax revenue generated by a special event to assist in paying expenses incurred in connection with the event. To be eligible, a host community would have to submit an economic impact study for the geographic area expected to experience economic benefits from the special event.

Not less than six months before the first day of a special event, the host community seeking funds under this bill would have to submit its special event plan to the Texas Economic Development and

Tourism Office. The plan would include an estimate of the total amount of expenses each political subdivision within the host community anticipated would be incurred in hosting the event, and a request that an amount of money not to exceed one-half of the amount of total estimated expenses be deposited by the Comptroller of Public Accounts into a special event trust fund (established outside the State Treasury and held in trust by the Comptroller) for the host community. The Tourism Office would submit the plan to the Governor, Lieutenant Governor, and the Speaker of the House of Representatives for approval. If written approval from each were not received, the special event plan would be considered disapproved.

If the special event plan were approved and the host community selected as the event site, the Comptroller would deposit into the trust fund the amount requested in the special event plan. Each political subdivision within a host community would submit to the Comptroller a written application for reimbursement for an approved event-related expense accompanied by a paid invoice or receipt. No later than the 180th day following the last day of the special event, the Comptroller would transfer to General Revenue (Fund 0001) any money remaining in the trust fund.

Each subdivision would provide to the Comptroller an audited financial statement, in a form and at the time required by the Comptroller, with sufficient information to enable the Comptroller to verify that all expenditures from a host community's special event were authorized by law.

The bill would take effect September 1, 2005.

## **Methodology**

The Comptroller of Public Accounts estimated potential host community per-capita expenses based on data on actual local government expenses and estimated attendance at the Super Bowl, NCAA Final Four Tournament, and the MLB All-Star Game that occurred in Texas in calendar 2004. The Comptroller reduced these estimates by two-thirds to account for the likelihood of significantly lower per-capita host community expenses for the smaller special events likely to be sponsored under the provisions of this bill. The resulting estimated host community per-capita expenses were then reduced by the 50 percent reimbursement rate and multiplied by total estimated statewide special event attendance, based on data supplied by the Travel Industry Association of America. The estimate assumes that only 10 percent of the potential attendees would attend qualified special events in fiscal 2006, increasing to a 50 percent participation rate by 2010.

Note: This legislation would do one or more of the following: create or recreate a dedicated account in the General Revenue Fund, create or recreate a special or trust fund either with or outside of the Treasury, or create a dedicated revenue source. Legislative policy, implemented as Government Code 403.094, consolidated special funds (except those affected by constitutional, federal, or other restrictions) into the General Revenue Fund as of August 31, 1993 and eliminated all applicable statutory revenue dedications as of August 31, 1995. Each subsequent Legislature has reviewed bills that affect funds consolidation. The fund, account, or revenue dedication included in this bill would be subject to funds consolidation review by the current Legislature.

The Comptroller reported potential fiscal impact that could result upon application of the bill's provisions and the consequent reallocation of state tax revenue from General Revenue Fund to one or more special event trust funds. The Comptroller estimates a potential loss to the General Revenue Fund of \$92.7 million for the fiscal 2006-2007 biennium and a potential loss of \$329.1 million for fiscal years 2008-2010.

The Comptroller also noted that the bill does not contain a provision that would tie the allocation of state tax revenue to the estimated increase in state sales tax revenue associated with the special event for which the funds would be spent.

## **Local Government Impact**

Local governments would experience an increase in revenue as shown in the tables above. In addition, the bill would impose several reporting requirements on local governments that opt to participate in a Special Events Trust fund.

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

**LBB Staff:** JOB, JRO, WP, EB