

## **BILL ANALYSIS**

C.S.S.B. 1523  
By: Wentworth  
Economic Development  
Committee Report (Substituted)

### **BACKGROUND AND PURPOSE**

There are many major sporting or competitive events that consider Texas, amongst other states, as the site to host their events. These events often attract tens of thousands of spectators, many from out of state, and generate considerable economic activity. This activity results in increased tax revenues for the state treasury. However, the cost of bidding for, preparing for, and ultimately hosting a major event is also considerable, especially to the local host community. For example, the cost of improving a facility, expanding restroom facilities, extra traffic control efforts, extra security personnel, or the overtime cost of increased event-related personnel can extend into the millions of dollars for a local host community.

To encourage these major events to select Texas as their site and to help alleviate the costs associated with hosting these events, the Legislature established the "Olympic games trust fund", "the other events trust fund" and "the motor sports racing trust fund" (Article 5190.14 Vernon's Texas Civil Statutes (V.T.C.S.), Sections 5, 5A, and 5B respectively). However, under current law, only certain games and only if hosted by certain municipalities or counties of a certain size qualify to make application to these funds.

The purpose of C.S.S.B. 1523 is to establish the "sporting events trust fund" and to authorize a county with a population of at least 800,000 or a municipality with a population of at least 500,000 to make application to the Comptroller of public accounts (comptroller) for use of monies deposited into the sporting events trust fund to pay for certain costs incurred by the municipality or county for hosting the event or to pay the principal and interest on notes issued to improve, construct, renovate or acquire equipment or facilities.

### **RULEMAKING AUTHORITY**

It is the opinion of the committee that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

### **ANALYSIS**

SECTION 1. Amends Chapter 1507, Acts of the 76th Legislature, Regular Session, 1999 (Article 5190.14, V.T.C.S.), by adding Section 5C, as follows:

Sec. 5C. SPORTING EVENT TRUST FUND FOR CERTAIN MUNICIPALITIES AND COUNTIES. (a) States a definition of "endorsing county," "endorsing municipality," "event," "event support contract," and "site selection organization."

(b) If a site selection organization, after considering through a highly competitive process one or more sites that are not located in this state, selects a site for an event in this state pursuant to an application by a local organizing committee, endorsing municipality, or endorsing county, not later than three months before the date of the event the comptroller is required to determine for the 30 day period that ends at the end of the day after the date on which the event will be held or, if the event occurs on more than one day, after the last date on which the event will be held, in accordance with the following procedures developed by the comptroller:

(1) the incremental increase in the receipts to this state, within the market areas designated under Subsection (c) of this section, from taxes imposed under Chapters 151, 152, 156, and 183, Tax Code, and under Title 5, Alcoholic Beverage Code, that is

directly attributable, as determined by the comptroller, to the preparation for and presentation of the event and related activities;

(2) the incremental increase in the receipts collected by this state on behalf of each endorsing municipality in the market area from the sales and use tax imposed by each endorsing municipality under Section 321.101(a), Tax Code, and the mixed beverage tax revenue to be received by each endorsing municipality under Section 183.051(b), Tax Code, that is directly attributable, as determined by the comptroller, to the preparation for and presentation of the event and related activities;

(3) the incremental increase in the receipts collected by this state on behalf of each endorsing county in the market area from the sales and use tax imposed by each endorsing county under Section 323.101(a), Tax Code, and the mixed beverage tax revenue to be received by each endorsing county under Section 183.051(b), Tax Code, that is directly attributable, as determined by the comptroller, to the preparation for and presentation of the event and related activities;

(4) the incremental increase in the receipts collected by each endorsing municipality in the market area from the hotel occupancy tax imposed under Chapter 351, Tax Code, that is directly attributable, as determined by the comptroller, to the preparation for and presentation of the event and related activities; and

(5) the incremental increase in the receipts collected by each endorsing county in the market area from the hotel occupancy tax imposed under Chapter 352, Tax Code, that is directly attributable, as determined by the comptroller, to the preparation for and presentation of the event and related activities.

(c) Requires the comptroller, for the purposes of Subsection (b)(1) of this section, to designate as a market area for the event each area in which the comptroller determines there is a reasonable likelihood of measurable economic impact directly attributable to the preparation for and presentation of the event and related activities, including areas likely to provide venues, accommodations, and services in connection with the event based on the proposal provided by the local organizing committee to the comptroller. Requires the comptroller to determine the geographic boundaries of each market area. Requires an endorsing municipality or endorsing county that has been selected as the site for the event to be included in the market area for the event.

(d) Requires each endorsing municipality or endorsing county to remit to the comptroller and requires the comptroller to deposit into a trust fund created by the comptroller and designated as the sporting events trust fund (trust fund) the amount of the municipality's or county's hotel occupancy tax revenue determined under Subsection (b)(4) or (b)(5) of this section, less any amount of the revenue that the municipality or county determines is necessary to meet the obligations of the municipality or county. Requires the comptroller to retain the amount of sales and use tax revenue and mixed beverage tax revenue determined under Subsection (b)(2) or (b)(3) of this section from the amounts otherwise required to be sent to the municipality under Sections 321.502 and 183.051(b), Tax Code, or to the county under Sections 323.502 and 183.051(b), Tax Code, and deposit into the trust fund the tax revenues, less any amount of the revenue that the municipality or county determines is necessary to meet certain obligations. Requires the comptroller to begin retaining and depositing the local tax revenues with the first distribution of that tax revenue that occurs after the first day of the 30 day period described by Subsection (b) of this section and to discontinue retaining the local tax revenues under this subsection when the amount of the applicable tax revenue determined under Subsection (b)(2) or (b)(3) of this section has been retained. Establishes the trust fund outside the state treasury, to be held in trust by the comptroller for administration of this section. Authorizes money in the trust to be disbursed by the comptroller without appropriation only as provided by this section.

(e) Authorizes an endorsing municipality or endorsing county to guarantee its obligations under an event support contract and this section by pledging surcharges from user fees,

including parking or ticket fees, charged in connection with the event, in addition to the tax revenue deposited in the trust fund under Subsection (d) of this section.

(f) Requires the comptroller to deposit into the trust fund a portion of the state tax revenue determined under Subsection (b)(1) of this section in an amount equal to 6.25 times the amount of the local sales and use tax revenue and mixed beverage tax revenue retained and the hotel occupancy tax revenue remitted by an endorsing municipality or endorsing county under Subsection (d) of this section.

(g) Authorizes an endorsing municipality by ordinance or an endorsing county by order to authorize the issuance of notes to meet its obligations under a event support contract or event support contract in order to improve, construct, renovate, or acquire facilities or to acquire equipment. Authorizes an endorsing municipality or endorsing county to provide that the notes be paid from and secured by amounts on deposit or amounts to be deposited into the trust fund or surcharges from user fees, including parking or ticket fees, charged in connection with the event. Requires any note issued to mature not later than seven years from its date of issuance.

(h) Authorizes the money in the trust fund to be used to pay the principal of and interest on notes issued by an endorsing municipality or endorsing county under Subsection (g) of this section and to fulfill obligations of the state or an endorsing municipality or county to a site selection organization under a event support contract or event support contract, which obligations are authorized to include the payment of costs relating to the preparations necessary or desirable for the conduct of the event and the payment of costs of conducting the event, including improvements or renovations to existing facilities or other facilities and costs of acquisition or construction of new facilities or other facilities.

(i) Requires a local organizing committee, endorsing municipality, or endorsing county to provide information required by the comptroller to enable the comptroller to fulfill the comptroller's duties under this section. Requires a local organizing committee, endorsing municipality, or endorsing county to provide an annual audited financial statement required by the comptroller, if any, not later than the end of the fourth month after the date the period covered by the financial statement ends.

(j) Requires the comptroller to provide an estimate not later than three months before the date of a event of the total amount of tax revenue that would be deposited in the trust fund under this section in connection with that event, if the event were to be held in Texas at a site selected pursuant to an application by a local organizing committee or endorsing municipality or endorsing county. Requires the comptroller to provide the estimate on request to a local organizing committee or endorsing municipality or endorsing county. Authorizes a local organizing committee or endorsing municipality or endorsing county to submit the comptroller's estimate to a site selection organization.

(k) Authorizes the comptroller to make a disbursement from the trust fund on the prior approval of each contributing endorsing municipality or endorsing county for a purpose for which an endorsing municipality or endorsing county or this state is obligated under an event support contract. Prohibits a disbursement that the comptroller determines would be used for the purpose of soliciting the relocation of a professional sports franchise located in this state from being made from the trust fund.

(l) Provides that if a disbursement is made from the trust fund under Subsection (k) of this section, the obligation requires it to be satisfied proportionately from the state and local revenue in the trust fund.

(m) Requires the comptroller to remit to each endorsing entity, in proportion to the amount contributed by the entity, any money remaining in the trust fund on payment of all state, municipal, or county obligations under an event support contract related to the location of any particular event in Texas.

(n) Prohibits this section from being construed as creating or requiring a state guarantee to obligations imposed on the state or an endorsing municipality or endorsing county

under an event support contract or other agreement relating to hosting one or more events in this state.

(o) Prohibits the comptroller from undertaking any of the responsibilities or duties set forth in this section unless a request is submitted by the municipality or the county in which the event will be located. Requires the request to be accompanied by documentation from a site selection organization selecting the site for the event.

SECTION 2. Amends Subsection (a), Section 7, Chapter 1507, Acts of the 76th Legislature, Regular Session, 1999 (Article 5190.14, V.T.C.S.), to provide that this section does not affect or apply to an event support contract under certain sections, including Section 5C of this Act.

SECTION 3. States the effective date for this Act.

### **EFFECTIVE DATE**

Upon passage, or, if the Act does not receive the necessary vote, the Act takes effect September 1, 2007.

### **COMPARISON OF ORIGINAL TO SUBSTITUTE**

The original engrossed version of the bill defined and used the term "game" throughout whereas the substitute changes that term to "event" and makes conforming changes throughout the bill. The original bill defined "game" specifically as "a National Collegiate Athletic Association regional tournament or playoff game, a Senior Olympic activity, including a training program or feeder program sanctioned by the National Senior Games Association, or a major sporting or athletic event sanctioned by a site selection organization. The term includes any events and activities related to or associated with the games." The substitute expands the definition to include "or a related series of events".

The original engrossed version of the bill defined "endorsing municipality" as a municipality with a population of 600,000 or more whereas the substitute defines it as a municipality with a population of 500,000 or more.

The original engrossed version of the bill defined "site selection organization" as the National Collegiate Athletic Association, the Professional Golfers' Association, USA Track & Field, the United States Volleyball Association, the World Karting Association, the Professional Rodeo Cowboys Association, and USA Cycling. The substitute changed the definition of "site selection organization" to the United States Olympic Committee (USOC), United States Youth Soccer Association (USYSA), United States Bowling Congress (USBC), Amateur Softball Association of America (ASA), National Senior Games Association (NSGA), American Youth Football and Cheer (AYF), United States Lacrosse (USL), National Collegiate Athletic Association (NCAA), United States Tennis Association (USTA), Special Olympics, National Association for Stock Car Auto Racing (NASCAR), Breeder's Cup, or other major nationally or internationally recognized sports organizations."

Subsection (b) of the original states that if a site selection organization selects a site for a game in this state pursuant to an application by a local organizing committee, endorsing municipality, or endorsing county, not later than three months before the date of the game, the comptroller shall determine the incremental increase in certain taxes that occurred within the market area directly attributable to the event for the two-week period that ends at the end of the day after the date on which the game will be held or, if the game occurs on more than one day, after the last date on which the game will be held, in accordance with procedures developed by the comptroller. The substitute adds to subsection (b) that the process will occur "after" the site selection organization considers "through a highly competitive process one or more sites that are not located in this state" and changes the time period from two weeks to a "30 day" period.

In paragraphs (1), (2), (3), (4), (5) of subsection (b) and in subsection (c) the word "related events" in the original bills is changed to "related activities" in the substitute bill. Conforming changes are also made throughout the substitute bill.

The substitute modifies the original in Section 5C(o), by correcting a drafting error by changing the word "and" to "or."

The original engrossed version of the bill had an effective date of September 1, 2007. The substitute changed the effective date to "immediately if it receives a vote of two-thirds of all the members elected to each house, as provided by Section 39, Article III, Texas Constitution. If this Act does not receive the vote necessary for immediate effect, this Act takes effect September 1, 2007.