

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

May 8, 2007

TO: Honorable Joe Deshotel, Chair, House Committee on Economic Development

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

IN RE: SB1523 by Wentworth (Relating to facilitating and supporting efforts of certain municipalities and counties to promote economic development by hosting certain major sporting or athletic events.), **As Engrossed**

Depending upon the number and location of games and related events covered under the bill, the state would be required to deposit a portion of state tax revenues associated with the events into the Sporting Event Trust Fund as determined by the Comptroller of Public Accounts.

The bill would amend Article 5190.14, Vernon's Civil Statutes to create the Sporting Event Trust Fund to support efforts to attract the National Collegiate Athletic Association (NCAA) regional tournaments; Senior Olympic activities; or other major sporting events.

The bill would add Section 5C to establish the Sporting Event 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" would mean a county with a population of 800,000 or more and an "endorsing municipality" would mean a municipality with a population of 600,000 or more that contains a site selected by the site selection organization for a game.

Under the provisions of the bill, the Comptroller would designate a market area for the game and related events. 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 game or related events, including areas likely to provide venues, accommodations, and services in connection with the game based on a proposal or other information provided by the endorsing entity to the Comptroller.

No later than three months before the date of a game or related event, the bill would require the Comptroller to provide an estimate of the total amount of tax revenue that would be deposited in the Sporting Event Trust Fund under the two following conditions: 1) if the game 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, then the Comptroller would provide the estimate on request, and the requesting entity could submit the Comptroller's estimate to a site selection organization; and 2) if the NCAA, the Professional Golfers' Association (PGA), USA Track and Field, the United States Volleyball Association, the World Karting Association, the Professional Rodeo Cowboys Association, or USA Cycling selected a site in Texas for a game.

The bill would require the Comptroller to determine, for the two-week period ending at the end of the day after the date of the game or if the game occurs on more than one day, after the last date on which the game will be held: 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 game and related events; 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 game and related events.

The bill would require each endorsing municipality or county to 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 game and related events, 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.

The bill would authorize a county or municipality to issue notes for facilities or equipment associated with the game. 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 game and related events. 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.

Other provisions of the bill include the requirement of the local event organizing committee to provide to the Comptroller audited financial statements or other information required by the Comptroller and the exemption of events funded under the Sporting Events Trust Fund from review by the Department of Economic Development and Tourism. The new fund would be held outside of the State Treasury and held in trust by the Comptroller. Money in the fund could be disbursed without appropriation by the Comptroller only as provided in the bill. Disbursements from the fund could not be used to solicit the relocation of a professional sports franchise located in the state.

According to the Comptroller of Public Accounts, the fiscal impact of this bill cannot be estimated because it is not possible to estimate the local taxes that would be necessary to meet local obligations, and therefore the number or size of the games and related events covered in this bill cannot be forecasted.

Note: The bill would 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. Therefore, the fund, account, or revenue dedication included in this bill would be subject to funds consolidation review by the current Legislature.

The bill would take effect September 1, 2007.

Local Government Impact

It is not known which municipalities or counties that meet the population requirement would be selected by an appropriate site selection organization or would host an allowed event; therefore, the local fiscal effects of the bill cannot be estimated.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JOB, JRO, SD, EB, DB