

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 80TH LEGISLATIVE REGULAR SESSION

May 24, 2007

TO: Honorable David Dewhurst, Lieutenant Governor, Senate

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 Passed 2nd House**

The fiscal impact to the state relating to Article 5190.6, Vernon's Texas Civil Statutes, cannot be determined as it is unknown which cities, if any, would impose a change in the sales and use tax.

The fiscal impact to the state relating to Article 5190.14, Vernon's Texas Civil Statutes would depend upon the number and location of 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, Vernon's Texas Civil Statutes, relating to economic development.

The bill would amend the Development Corporation Act of 1979 (Article 5190.6, Vernon's Texas Civil Statutes) relating to the requirement that certain economic development corporations hold a hearing before spending funds to undertake a project and to the authority of those economic development corporations to allow voters to elect to limit the period during which, or the projects for which, the tax is imposed.

The bill would amend Section 4B of the Development Corporation Act of 1979 to allow voters of a city that has imposed a sales and use tax for an economic development corporation to vote on a ballot proposition that would limit the length of time the sales tax could be imposed, that would reimpose or extend the period of the sales tax's imposition, or that would limit the use of sales tax revenue to a specific project.

Currently under the Act, a Section 4B corporation is required to hold at least one public hearing on a proposed project before expending funds to undertake the project; however, under the provisions of the bill only certain projects undertaken by certain corporations would require the public hearing.

According to the Comptroller of Public Accounts, it is unknown which cities, if any, would impose a change in the sales and use tax; therefore, the fiscal impact relating to Article 5190.6, Vernon's Texas Civil Statutes, cannot be determined.

The bill would amend Article 5190.14, Vernon's Civil Statutes, relating to facilitating and supporting efforts of certain municipalities and counties to promote economic development by hosting certain major sporting or athletic events.

The bill would amend Section 5B defining "motor sports racing event" as a specific automobile racing event sanctioned by the Automobile Competition Committee for the United States (ACCUS) and held at a temporary event venue.

The bill would add Section 5C to establish 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 establish the fund outside the State Treasury and it would be held in trust by the Comptroller for administration of this bill. The bill would 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 500,000 or more that contains a site selected by the site selection organization for an event. The bill would define an "event" as a NCAA regional tournament or playoff game; Senior Olympic activities; or other major sporting or athletic events or a related series of events sanctioned by a site selection organization. The bill would identify the applicable site selection organizations.

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

No later than three months before the date of an 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 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, 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 certain site selection organizations selected a site in Texas for an event.

The bill would require the Comptroller to determine, for the 30-day period ending at the end of the day after the date of the event or if the event occurs on more than one day, after the last date on which the event 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 event 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 event.

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 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.

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

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, the fiscal impact of this bill relating to Article 5190.14, Vernon's Texas Civil Statutes, 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 events 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 immediately upon enactment if it receives two-thirds vote in each house; otherwise, it would take effect September 1, 2007.

Local Government Impact

The fiscal impact to local government, relating to Article 5190.6, Vernon's Texas Civil Statutes, would vary depending on whether a city holds an election and the outcome of the election. At a minimum, a city could incur election costs. The impact on sales and use taxes would depend on the decision of the voters.

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 relating to Article 5190.14, Vernon's Texas Civil Statutes, cannot be estimated.

Source Agencies: 304 Comptroller of Public Accounts

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