

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 81ST LEGISLATIVE REGULAR SESSION

April 29, 2009

TO: Honorable Mark Strama, Chair, House Committee on Technology, Economic Development & Workforce

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

IN RE: SB1515 by Watson (Relating to a major events trust fund, a motor sports racing trust fund, and an events trust fund for sporting and non-sporting events.), **Committee Report 2nd House, Substituted**

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. However, no significant fiscal implication to the State is anticipated.

The bill would amend Article 5190.14, Vernon's Texas Civil Statutes, to create a Major Events Trust Fund and an Event Trust Fund to replace current provisions for the Other Events Trust Fund and the Sporting Event Trust Fund.

The bill would amend Section 2 of the article so that the purpose of the programs authorized therein would provide assurances for a "sporting and non-sporting game or event."

The bill would require the Comptroller to lengthen to one year the period during which the Comptroller would need to determine the incremental increase in tax revenue from hosting an event under Section 5A. The determination would include tax revenue resulting from indirect and direct expenditures from the event. The bill would also amend Section 5A to add Formula One automobile races, and the Breeders' Cup World Championships to the list of authorized events.

The bill would authorize the Comptroller and endorsing entities to enter into an additional agreement for events which the Comptroller determines will generate at least \$15 million in state and local tax revenue. The agreement would provide that an amount equal to the calculated local match would be remitted to the Comptroller for deposit in the trust fund before the event and that, in the 12 months immediately preceding the event, the state would deposit an amount equal to the calculated state share in to the trust fund from amounts appropriated for this purpose. In accordance with the agreement, the Comptroller would be authorized to make disbursements from the trust fund to pay costs associated with attracting and securing the event. Payments made under these agreements would be part of the trust fund total and would be subtracted from the available funds in the trust. The agreements could provide provisions that would allow remaining funds to be held in the trust fund and made available to pay the cost of securing the event in the future. This estimate assumes that an appropriation for an eligible event would be made for the fiscal year in which the event would be held and that most of the tax revenue increase would also be realized during that fiscal year. It is anticipated that the revenue increase would more than offset the cost of the appropriation during that fiscal year.

The bill would remove language regarding specific events or types of events that are eligible under Section 5C and eliminate population criteria for participation.. The bill would authorize eligibility for any event held in this state for which a local organizing committee, endorsing county, or endorsing city seeks approval from a site selection organization. The Comptroller would be required to base the determination of an incremental tax revenue increase from the event on information submitted by the local organizing committee or endorsing city or county, and would need to make the determination not later than the 30th day after receipt. In determining the amount of state revenue available for the creation of a trust fund, the Comptroller would be authorized to consider whether the event has been

held in the state on a previous occasion or to consider changes to the character of the event.

Currently, section 5C eligibility is limited to major sporting or athletic events. The bill would allow for the creation of trust funds for non-sporting events that would be funded with revenue from several state taxes (sales, motor vehicle rental, hotel occupancy, mixed beverage, and alcoholic beverage excise taxes) and local taxes (sales, hotel occupancy, and mixed beverage taxes associated with hosting the event).

An endorsing municipality or endorsing county would be allowed to remit other local funds to the Comptroller for deposit in each of the trust funds in an amount not to exceed the calculated local match. This provision of the bill would have no fiscal implications for the state or local governments since the other local funds would offset local tax revenue required for the local match.

After the conclusion of the event, the bill would require the requesting entity to provide information relating to the event, such as attendance and financial information.

The bill provides for the Economic Development and Tourism Division to enter into joinder agreements and joinder undertakings on behalf of the state. As a result the Office of the Governor indicates they will need at least one dedicated program specialist to support the program, resulting in one additional FTE each year.

The bill would take effect September 1, 2009.

Local Government Impact

The bill would allow an endorsing municipality or county, and a site selection organization to enter into a joinder agreement in connection with the selection of a site for a special event. An endorsing municipality or county would be allowed to collect surcharges and user fees attributable to the event for deposit into the Major Events trust fund. The bill would require a local entity that hosted a special event to report attendance figures and financial data to the Comptroller. The fiscal impact to a local entity could be significant depending on the local entity selected by a site selection organization to host a special event.

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

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