

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION

May 2, 2013

TO: Honorable John Davis, Chair, House Committee on Economic & Small Business Development

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: SB1678 by Deuell (Relating to the events and expenses eligible for, reporting requirements concerning disbursements from, an audit by the state auditor of, and a study by the comptroller of the Major Events trust fund and the Events trust fund.), As Engrossed

Estimated Two-year Net Impact to General Revenue Related Funds for SB1678, As Engrossed: an impact of \$0 through the biennium ending August 31, 2015.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2014	\$0
2015	\$0
2016	\$0
2017	\$0
2018	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable Savings/(Cost) from Major Events Trust Fund No. 869	Probable Savings/(Cost) from Events Trust Fund No. 830	Change in Number of State Employees from FY 2013
2014	(\$153,294)	(\$472,394)	4.4
2015	\$0	\$0	0.0
2016	\$0	\$0	0.0
2017	\$0	\$0	0.0
2018	\$0	\$0	0.0

Fiscal Analysis

The bill would amend eligibility, disbursement, and reporting requirements related to the Major Events Trust Fund (METF) and the Events Trust Fund (ETF) and an audit by the State Auditor's Office (SAO) and report by the Comptroller of Public Accounts (CPA) on certain events trust funds. The bill would require that an event funded through METF have an incremental increase in state and local revenues of at least \$1 million. The bill would reduce the length of time the CPA has to complete a post-event impact study for a METF event from 18 to 10 months and would require the CPA to post certain documents or information related to the study and event on the CPA's website. The bill would repeal provisions related to the METF which provide authority to fund an eligible event ahead of the event through appropriations made for that purpose.

The bill would limit the number of requests an endorsing county or municipality may submit for funding through ETF within any 12-month period to 10 requests, of which only three may be for nonsporting events. The bill would prohibit an endorsing county from submitting a request for funding through ETF for an event held at a location wholly within the corporate boundaries of a municipality. The bill would prohibit disbursements from the ETF for: construction of an arena, stadium or convention center; usual and customary facility maintenance; and major renovations. The bill would authorize the CPA to adopt a model event support contract and to make the contract available on the CPA website.

The bill would limit distributions from both the METF and ETF only for expenses deemed necessary to conduct the event and would limit disbursements for expenses to make a structural improvement or an addition of a fixture to a site for which the improvement or fixture is expected to derive most of its value in subsequent uses to five percent of the cost of that improvement or fixture. The CPA would be authorized to proportionately reduce the amount of a disbursement for an endorsing entity from the METF and ETF if an event's actual attendance figures are significantly less than the projected attendance count.

The bill would require the SAO and CPA to conduct, respectively, an audit and study related to certain events trust funds, including the METF, Motor Sports Racing Trust Fund and ETF. The bill would specify that the audit conducted by the SAO include a determination on whether money from an events trust fund is: disbursed in compliance with relevant laws or standards; monitored so that the recipients of events funding comply with applicable agreements, laws, or standards; and maintained to provide for financial controls and accountability regarding use of the money. The bill would specify that the study required by the CPA determine the economic impact of events which qualify for funding through the affected events trust fund and whether the events would likely be held in this state absent incentives provided through the trust funds. Both the audit by the SAO and the study by the CPA would be due by January 1, 2015 to the Lieutenant Governor, Speaker of the House of Representatives, and the presiding officer of each standing committee over the Senate and House of Representatives having primary jurisdiction over fiscal matters or matters related to tourism and recreation. The bill would require that, notwithstanding any other law, the CPA reimburse the SAO for the cost of the audit required under the bill using any balances available in fiscal year 2014 from the affected events trust funds. The reimbursement would be paid proportionally from the established funds based on the maximum balances in the funds during fiscal year 2014. This provision of the bill would expire on September 1, 2015.

The bill would take effect immediately upon receiving a two-thirds majority vote in each house. Otherwise, the bill would take effect September 1, 2013.

Methodology

Based on the analysis of the SAO, the cost for the agency to conduct the audit is anticipated to be \$625,688 in fiscal year 2014, which reflects the agency's 2013 billing rate of \$90 per hour applied to 7,000 hours of audit. The cost reflects salaries for 4.4 auditor positions (\$406,000) and associated benefits (\$120,744); travel expense of \$9,688; and other operating expenses of \$89,256.

Pursuant to the bill, the SAO would be proportionally reimbursed for their audit expenses from any balances available from affected events trust funds. The CPA indicated that the balances of the affected trust funds at the end of fiscal year 2012 were \$3.7 million in the Major Events Trust Fund; \$11.4 million in the Events Trust Fund; and \$0 in the Motor Sports Racing Trust Fund. Assuming the same proportion of balances and the availability of sufficient balances, it is assumed that \$153,294 would be paid out of the Major Events Trust Fund and \$472,394 would be paid out of the Events Trust Fund to reimburse the SAO's audit expenses at the end of fiscal year 2014. Although not specified by the bill, it is assumed that all balances at the end of fiscal year 2014 would be eligible to fund reimbursements to the SAO in addition to disbursements for events-related expenses to participating local entities. In the event that sufficient balances are not available, it is also assumed no reimbursements would be made to the SAO.

The CPA estimates there would also be a cost associated with conducting the study required by the bill. It is anticipated that the additional costs could be absorbed within existing resources.

Local Government Impact

There would be a negative fiscal impact to cities and counties which have an established events trust fund at the end of fiscal year 2014. This analysis assumes that reimbursements to the SAO for audit expenses would reduce the amount of trust fund dollars available for reimbursements for expenses related to hosting an affected event or would reduce the balances of local matching funds remaining after event-related payments are disbursed which would otherwise be returned to the contributing local entities.

Source Agencies: 304 Comptroller of Public Accounts, 308 State Auditor's Office

LBB Staff: UP, RB, EP, LCO