

SUBJECT: Repealing expiration date of Other Events trust fund for sports events

COMMITTEE: Ways and Means — favorable, without amendment

VOTE: 6 ayes — J. Keffer, Edwards, Paxton, Ritter, Smithee, Woolley

0 nays

3 absent — Villarreal, Grusendorf, Luna

WITNESSES: For — Susan Blackwood, Chris Shields, San Antonio Sports Foundation; Franklin Jones, Robert Dale Morgan, Houston Super Bowl Host Committee

Against — None

BACKGROUND: In 1999, the 76th Legislature enacted SB 456 by Madla, authorizing the state to establish two trust funds to support efforts by some Texas cities to attract the 2007 Pan American Games and the 2012 Olympics (V.T.C.S., art. 5190.14). The law sought to address requirements by site-selection organizations that the state create a trust fund to cover any losses by the site-selection organizations resulting from the games.

In 2003, the Legislature enacted SB 275 by Nelson, which established a new trust fund known as the “Other Events trust fund” (V.T.C.S., art. 5190.14, sec. 5A) to aid municipal bidding on site selection for the Super Bowl, National Collegiate Athletic Association (NCAA) Final Four games, National Basketball Association All-Star Game, National Hockey League All-Star Game, Major League Baseball All-Star Game, NCAA Bowl Championship Series games, World Cup soccer games, or World Games. The law allows a county or municipality with a population of more than one million that had been selected as the site for one of these events to deposit the amount of sales and use, mixed beverage, and hotel occupancy tax revenue that is attributable to the preparation and presentation of the event into the Other Events trust fund.

Money from the Other Events fund can be used only to fulfill obligations to a site-selection organization. A city or county can issue notes to fund its

obligations under a contract with a site-selection organization and pay for those notes from the trust fund.

The statute governing the Other Events trust fund expires January 1, 2007.

DIGEST: HB 1528 would repeal the expiration date for the statute governing the Other Events trust fund.

The bill would take effect September 1, 2005.

SUPPORTERS SAY: The Other Events trust fund is an innovative and important economic development tool that has proven successful in recruiting major sporting events to Texas. By repealing the expiration date of the Other Events trust fund, HB 1528 would ensure that the program continued to help Texas cities host such events. The Other Events trust fund has been influential in drawing the Super Bowl and baseball's All-Star Game to Houston, as well as the NCAA Final Four to San Antonio. This bill would ensure that Texas did not miss out on these exciting and profitable events in the future.

With the Other Events trust fund, a city can fund a game fully with revenue generated by the event. This allows a city to issue notes to pay for an event and to pay for those notes with the fund money based on incremental tax revenue generated by the event.

An event such as the Super Bowl can be a huge economic boost for a city, and the state should continue to support this important economic development strategy. Major sporting events are important in generating economic activity for local business, increasing local tax revenues, providing opportunities for charitable events, and generally raising a community's profile. By generating substantial economic benefit for the host community, these events generate jobs that pay a living wage for Texans.

The current expiration date of January 1, 2007, hinders the state's ability to attract major sporting events, since it introduces uncertainty into the negotiation process between cities and counties and site-selection organizations. When evaluating a city's proposal to host an event, a selection committee considers many factors, including contractual certainty. If a committee sees an expiration date for a key financing tool, the committee may hesitate to enter into an agreement with the city or county.

Currently, many Texas cities are pursuing events eligible for support by the Other Events trust fund. For example, Arlington has applied to host the Super Bowl in its soon-to-be constructed stadium for the Dallas Cowboys. It is important to repeal the expiration date to aid the efforts of this and other proposals, particularly as other states have caught on and are copying Texas' innovative strategies in this regard.

HB 1528 would not affect government oversight of the Other Events trust fund, since the program currently is not subject to the Sunset review process. Future legislatures would be free to study the Other Events trust fund or to reform this program at any time.

OPPONENTS
SAY:

Like any other government program, the Other Events trust fund needs the oversight and review that a designated expiration date demands. Keeping a date certain at which a program will expire forces the Legislature to review the program before that date. This is the concept on which the state's Sunset review process is based, and there is no compelling reason why an exception should be made for the Other Events trust fund.

HB 1528 would transform what was intended to be a limited program to recruit the Olympics or Pan American Games into an entrenched program that initially was not contemplated. The Other Events trust fund siphons local tax revenue from necessary government services and pays for narrow public improvements such as sports stadiums. The Legislature should not lock local governments indefinitely into funding these programs.

NOTES:

The companion bill, SB 657 by Madla, was reported favorably from the Senate Business and Commerce Subcommittee on Emerging Technologies and Economic Development on April 5.