

SUBJECT: Changes to the Major Events Trust Fund and the Events Trust Fund

COMMITTEE: Economic and Small Business Development — committee substitute recommended

VOTE: 6 ayes — J. Davis, Bell, Isaac, Murphy, E. Rodriguez, Workman

0 nays

3 absent — Vo, Y. Davis, Perez

SENATE VOTE: On final passage, April 25 — 28-0

WITNESSES: *(On House companion bill, HB 3182)*

For — Brandon Aghamalian, Cities of Fort Worth, Irving, Galveston, Corpus Christi and Frisco EDS; *(Registered, but did not testify: TJ Patterson, City of Fort Worth)*

Against — *(Registered, but did not testify: Jim Short, National Cutting Horse Association; Frank Sturzl, City of Arlington)*

On — Susan Blackwood, San Antonio Sports; Phillip Jones, Dallas Convention and Visitors Bureau; Matthew Payne, Austin Sports Commission; John Rolfe, Greater Houston Convention and Visitors Bureau; Michael Sawaya, City of San Antonio; Steve Sexton, Circuit of The Americas; Chris Shields, San Antonio Sports; *(Registered, but did not testify: Robert Wood, Comptroller of Public Accounts)*

BACKGROUND: Vernon's Texas Civil Statutes (VTCS), art. 5190.14, sec. 5A enables the comptroller to make disbursements from the Major Events Trust Fund prior to a major event in order to attract and secure such an event. The disbursement must equal the projected amount of local tax revenues expected to be generated by the event. Money appropriated by the state may be used for this purpose.

Events eligible to be funded through the Major Events Trust Fund are specified in sec. 5A(a)(4). These include the Super Bowl, the National Basketball Association All-Star Game, a National Collegiate Athletic

Association Bowl Championship Series game, and other events. To be eligible for funding, a specified event must meet the following requirements:

- a site selection organization selects a site located in Texas for the event after considering, through a competitive process, at least one site not located in Texas;
- a site selection organization selects a site located in Texas as the sole site for the event; and
- the event is not held more than once a year.

VTCS, art. 5190.14, sec. 5C governs events eligible for funding from a separate fund called the Events Trust Fund. Under this section, events must have undergone a multi-state site selection process in order to be eligible for funding.

DIGEST:

CSSB 1678 would make changes to the Major Events Trust Fund and the Events Trust Fund related to an event's eligibility for funding, as well as the requirements for the comptroller in administering each program.

Major Events Trust Fund. The bill would amend sec. 5A to require that an eligible event to be funded through the Major Events Trust Fund meet at least one of the following requirements:

- a site-selection organization selected a site located in Texas for the event to be held one time — or one time each year for an event scheduled under contract to be held each year for a period of years — after considering, through a competitive process, at least one site not located in Texas;
- a site-selection organization selected a site located in Texas as the sole site for the event or the sole site for the event in a region composed of Texas and one or more adjoining states;
- the event was not held more than once a year; or
- the event was projected to result in an incremental increase in state and local tax revenues of at least \$1 million.

The bill would repeal four subsections of sec. 5A that currently allow the comptroller to fund an event in advance through appropriations made to the Major Events Trust Fund for that purpose.

Events Trust Fund. The bill would prohibit disbursements from the

Events Trust Fund to be made toward constructing certain events facilities or performing routine maintenance on a facility.

The bill would limit to no more than 10 during any 12-month period the number of requests an endorsing municipality or county could submit for funding through the Events Trust Fund for an event estimated to generate less than \$200,000 in incremental tax revenue.

Additionally, the comptroller could adopt a model events support contract for use in administering the Events Trust Fund.

Clawback provisions. After the conclusion of an event funded by either trust fund, the comptroller would have to compare information on the actual attendance figures with the estimated attendance numbers projected for the event. The number of people — including out-of-state visitors — who were expected to attend the event would be compared to the number who actually attended. If the actual attendance numbers were significantly lower than the projection, the comptroller could make proportional reductions in the disbursement amount to the entity endorsing the event. The comptroller by rule would define what was considered to be “significantly lower” attendance.

Studies. Not later than 10 months after an event was funded by the Major Events Trust Fund, the comptroller would conduct a study on the economic impact of the event in its market area. The study would be posted on the comptroller’s website, along with the following information:

- the amount of incremental increase in tax receipts resulting from the event, including the information the comptroller relied upon to make this determination;
- documentation from the organization that performed the site selection for the event;
- information the comptroller relied upon in projecting out-of-state attendance to the event; and
- documentation submitted by the endorsing entity during the request for funding.

The comptroller also would be required to conduct a study for the Events Trust Fund examining the economic impact of events that qualify for funding and whether such events likely would be held in Texas without funding. The study would be presented to the lieutenant governor, the

speaker of the House, and key legislators by January 1, 2015.

This bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2013, and would only apply to requests for funding submitted on or after that date.

**SUPPORTERS
SAY:**

SB 1678 would help ensure that the Major Events Trust Fund was used to attract events that were competitively bid with other states and that would not have occurred here without the incentives provided by the state. To help guarantee that funds for an event were used for purposes consistent with the law, the bill would require more oversight from the comptroller in the operations of both funds.

New reporting requirements would make public key information about events that received funding, including the amount of any incremental increase in tax receipts resulting from an event. In addition, the bill would include a clawback provision through which the comptroller could reduce the amount disbursed to the endorsing entity if the actual attendance numbers turned out to be significantly lower than projected for an event receiving money from either fund.

The state auditor is already able to audit this program. Conceptually, when an event is approved, a subaccount is created for the revenues from that event. If the Senate version's audit requirement were implemented, the payment for the audit could not be distributed across all of the accounts. Additionally, the requirement in the Senate version to examine the efficiency and effectiveness of funding events is vague.

**OPPONENTS
SAY:**

The Major Events Trust Fund program has been a success and does not require revision. The original conception of the program was to reallocate tax revenues from the state to local taxing jurisdictions for the purposes of supporting major events. Before this program was authorized, local communities had to spend a lot of money to bring events to their communities through the bid process, investments in facilities, and actually holding the events. However, the primary benefactor of those events was the state, which received revenue from the sales tax and other sources. The Major Events Trust Fund program has helped restore some of the benefit to the local communities.

OTHER

The Senate-engrossed version of SB 1678 would have done a better job of

OPPONENTS
SAY:

ensuring that the Major Events Trust Fund was used only to attract profitable events that would not have occurred in Texas without incentives provided by the state. Under CSSB 1678, an eligible event would have to meet only one of four requirements under sec. 5A, including merely being held not more than once per year. The Senate-engrossed version, by contrast, would have required that an event meet all four requirements to be eligible for funding, including a projection that the event would result in an incremental increase in state and local tax revenues of at least \$1 million.

The bill should require an immediate audit of the Major Events Trust Fund. All of the expenditures, as well as the procedures and processes associated with this program, should be examined by the state auditor. This would bring needed transparency to the program.