

SUBJECT: Making the Concacaf Gold Cup eligible for funding under MERP

COMMITTEE: Culture, Recreation and Tourism — favorable, without amendment

VOTE: 9 ayes — K. King, Gervin-Hawkins, Burns, Clardy, Frullo, Israel, Krause, Martinez, C. Morales

0 nays

WITNESSES: For — Andy Loughnane, Austin FC; (*Registered, but did not testify*: Dana Harris, Austin Chamber of Commerce; Nilesh Patel, Texas Hotel & Lodging Association; Ron Hinkle, TexasTravel Alliance; Idona Griffith; Thomas Parkinson

Against — None

On — (*Registered, but did not testify*: Adriana Cruz, Texas Economic Development & Tourism, Office of the Governor)

BACKGROUND: Government Code ch. 478 establishes the Major Events Reimbursement Program (MERP). MERP is designed to help Texas communities offset the cost of hosting major events that generate large amounts of tax revenue for the state. Events eligible for reimbursement under MERP include the Super Bowl, presidential debates, professional all-star games, and certain auto races among others. To be eligible, an event must generate an estimated incremental tax revenue of at least \$1 million. Local governments are required to contribute to the fund and the state matches each dollar contributed by a local government with \$6.25. Documentation that verifies actual attendance of the event is required to be submitted within 45 days of the event being held. If the actual attendance is lower than the estimated attendance, the amount for reimbursement could be reduced in proportion to the actual attendance.

DIGEST: HB 1472 would include the Confederation of North, Central America and Caribbean Association Football (Concacaf) Gold Cup among the events that are eligible for reimbursement funding under the Major Events

Reimbursement Program.

The bill would take effect September 1, 2021.

**SUPPORTERS
SAY:**

HB 1472 would continue the proven success of the Major Events Reimbursement Program (MERP) by including the Confederation of North, Central America and Caribbean Association Football (Concacaf) Gold Cup among the events eligible for the program. MERP has consistently drawn major events to Texas generating large amounts of revenue for the state, and including the Gold Cup among eligible events is an effective way to ensure that the proven benefits this tournament creates for the state continue into the future.

The Gold Cup is a proven success in Texas. Essentially functioning as Concacaf's continental championship, the tournament has national and international appeal and Gold Cup matches have been successfully staged with high attendance in Texas for a number of years. The growing popularity of soccer in the state and across the country indicates that the Gold Cup, which is held every two years, will continue to be a successful event in Texas that draws large numbers of out-of-state visitors.

Ensuring the continuation of this biannual event in Texas is a more effective method of creating economic benefit for the state than cutting taxes used to fund MERP and reducing regulation in an attempt to make the state a competitive host. Including the already successful Gold Cup under MERP, which would require it to continue to generate an estimated \$1 million in tax revenue for the state, would create a benefit for the state with a greater degree of certainty.

Bids to host Gold Cup matches, as with events already eligible for MERP, are highly competitive. Giving municipalities the reassurance that costs incurred as part of the bidding process could be reimbursed under MERP would allow them to confidently put forward bids that are likely to be successful. Event holders also appreciate the knowledge that a municipality has state backing and often view that favorably when evaluating bids. The effectiveness of the program is demonstrated by the

continuing willingness of municipalities to host events and the event holders continuing to select Texas cities as hosts.

Including the Gold Cup among events eligible for MERP is a timely concern. The Gold Cup is set to be held this summer and Texas is again a likely candidate to host matches. The growth of soccer in the state also opens up the possibility of new sites such as Austin FC's Q2 Stadium being selected to host the Gold Cup, which would spread the economic benefits of the tournament to new areas of the state.

CRITICS
SAY:

HB 1472 would add another type of event to MERP without any guarantee that it would create revenue for the state and would expand a program already lacking in transparency. Data about supposed out-of-state visitors is especially hard to verify and economic benefit analyses often fail to account for the fact that major events tend to have a crowding-out effect that depresses spending in other areas near the event. Reducing the taxes used to fund MERP could be an equally effective way to create an economic benefit. Carving out a special class of events is not the most effective way to ensure a benefit for the state. Rather, the state should reduce associated regulations and let market forces decide if Texas is a suitable host for an event.