

SUBJECT: Creating a trust fund for the 2007 Pan American Games

COMMITTEE: State Affairs — committee substitute recommended

VOTE: 11 ayes — Wolens, S. Turner, Alvarado, Brimer, Craddick, Danburg, Hilbert, Hunter, Longoria, Marchant, Merritt

1 nay — McCall

3 absent — Bailey, Counts, D. Jones

WITNESSES: For — Cyndi Taylor Krier and Raul Reyna, Sports Fiesta San Antonio Bid Committee; Nelson Wolff, Greater San Antonio Chamber of Commerce; Jose Mendez, City of San Antonio; Jesse Romero, Congressman Ciro D. Rodriguez; Susan Blackwood

Against — None

On — James LeBas, Office of the Comptroller of Public Accounts

BACKGROUND: The first Pan American Games opened in February 1951 in Buenos Aires, featuring 2,500 athletes from 22 countries. The organization governing the games was renamed the Pan American Sports Organization (PASO) in 1955. It now consists of 42 nations of North, Central, and South America and the Caribbean. PASO is headquartered in Mexico City. About 80 percent of the sports of the Pan American Games are also Olympic sports. The Pan Ams are held every four years during the summer before the Olympic games. This often means that Pan Am athletes are future Olympians.

The City of San Antonio has organized a committee to submit a bid to host the 2007 Pan American Games.

DIGEST: CSHB 3135 would allow the creation of a Pan American Games trust fund, money from which could be used only to fulfill joint obligations of the state and a municipality to a site selection organization under a contract to support the games. The maximum amount of the fund would be \$20 million.

The Texas Department of Economic Development (TDED) could enter into a games support contract on behalf of the state. Before doing so, TDED would have to execute an agreement with the local municipality that required the local organizing committee to repay the state for any funds expended by TDED from any surplus of funds that the committee retained after presentation of the games.

The Comptroller's Office would establish and administer the fund and would have to determine the incremental tax revenue generated by the selection of a Texas city as a host city for the Pan Am Games. The comptroller would have to deposit additional municipal and state taxes generated by the sales, rental car, hotel occupancy, mixed beverage, and liquor taxes in the fund beginning with the first measurable economic impact after the selection of the city. Revenue deposits would have to begin within one year of the selection of a city as a host site.

The Comptroller's Office would have to determine the amount of incremental tax revenue directly attributable to the games and would have to determine the market area in which the economic impact was to be measured. The comptroller would have to retain all designated municipal sales and use tax revenues in the account until the fund reached 14 percent of the maximum amount to be deposited in the fund or until the end of the third month after the closing event of the games, whichever came first. The municipality could increase the fund by pledging surcharges for user fees, including parking and ticket fees, charged in connection with the games.

The comptroller also would have to deposit state tax revenue in the fund until that amount reached 86 percent of the maximum fund balance or three months after the closing event of the games, whichever came first.

The local organizing committee would have to provide audited financial statements to enable the Comptroller's Office to determine the incremental increase in tax revenue. The comptroller would have to develop an estimate by August 31, 1999, of the total amount expected to be deposited in the trust fund by January 1, 2008, and would have to submit that estimate to the site selection organization.

Disbursements from the fund could be made only after the comptroller certified that the disbursement was required by the games support contract.

Any obligation to be paid from the fund would have to be paid first from municipal revenue deposited. Any money remaining in the fund on January 1, 2009, for the state's share would be transferred to general revenue. The municipality's share would be remitted after all state funds were deposited.

The municipality would have to hold an election on a uniform election date to endorse the use of a portion of its sales and use taxes to support the fund. An election would not be required if there was not enough time to hold an election between the effective date of this bill and the date the contract with the site selection organization had to be entered into. If an election were held, the comptroller could not retain municipal sales and use taxes in the fund unless a majority of voters approved.

CSHB 3135 would make the local organizing committee subject to the open meetings and open records laws. However, a bid submitted would be exempt from disclosure until the Pan American Sports Organization selected the site for the 2007 games. The local organizing committee would be exempt from sales, rental car, hotel occupancy, and franchise taxes.

CSHB 3135 would impose ethics requirements on the local organizing committee, including disclosure of financial interests, disclosure of each contribution and each expenditure, and submission of financial statements. Contribution and expenditure reports would have to be filed quarterly, and financial statements would have to be filed annually.

The bill would establish an offense of bribery for intentional or knowingly offering, conferring, soliciting, or accepting any benefit for the recipient's decision, opinion, recommendation, or vote as a member of an organizing committee or site selection organization. The offense would not apply to meals and entertainment reported under the bill's expenditure requirements. An offense under this bill would be a second-degree felony, punishable by two to 20 years in prison and an optional fine of up to \$10,000.

This bill would take effect August 30, 1999.

**SUPPORTERS  
SAY:**

San Antonio has a good chance of being selected as a host city for the 2007 Pan Am Games. For the city to receive the award, however, the state must create a trust fund to cover any losses by the site selection organization in the event that losses result from hosting the games. PASO requires the amount to

be \$20 million. This bill would allow the creation and funding of that fund with tax revenue directly attributable to the games, which should be more than sufficient to meet that amount. Also, it is very unlikely that there would be any losses relating to hosting the games in San Antonio.

Setting the ceiling for the trust fund at \$20 million would ensure that the state was not obligated for an unreasonable amount of losses and would help to ensure that local and state tax revenues directly attributed to the games would be sufficient to reach that amount.

San Antonio has hosted many other major sporting events. Hosting the 2007 Pan Am Games would be the next logical step in establishing the city as a major sporting venue. The city and the organizing committee have been involved in several other site selection processes and anticipate fully funding the games with revenue generated by their location in San Antonio. The city and the organizing committees have a strong record of fiscal management in hosting sporting events.

Complete discretion for the funding of the Pan Am Games trust fund and disbursements from that fund would be left with the comptroller. That office already is developing revenue estimates based on past sporting events in San Antonio and in other cities.

The ethics and bribery provisions added to this legislation would ensure ethical conduct on the part of the site selection organization and the local bid organizing committee.

While tax revenues from the entire state and city might be used to cover a loss from the games, many sectors of the city and the state as a whole would benefit from the significant economic impact that hosting the games in a Texas city would produce.

**OPPONENTS  
SAY:**

CSHB 3135 would allow state and municipal tax revenues to be pledged against losses to the Pan Am Games if they were held in San Antonio. This would permit tax revenues that should be raised for the benefit of the entire state and the entire city to be used to benefit one particular sector.

The bill at least should require the use of historically underutilized businesses to fulfill obligations and contracts of the games. It also should ensure that tax revenues retained for the games would not result in withholding services from people who normally would not benefit from the hosting of the games in a Texas city. Every person in the area that the comptroller certified would have to pay taxes related to putting on the games, but not all of those people would receive the benefits of having the games held in San Antonio.

NOTES:

The committee substitute:

- added provisions relating to ethics and bribery;
- added provisions that would subject the local organizing committee to the open meetings and open records acts;
- removed bonding authority granted for the construction of venues for the games;
- set a cap of \$20 million on the trust fund;
- removed the creation of a regional sports authority; and
- made numerous other technical and clarifying changes to the bill.

A related bill, SB 456 by Madla, passed the Senate on April 8 by 22-8 (Bivins, Carona, Duncan, Fraser, Haywood, Nelson, Ratliff, Shapiro) and was reported favorably by the House State Affairs Committee on May 6. That bill, as substituted by the House committee, would establish funding and procedures for the 2007 Pan American Games and the 2012 Olympic Games that would be identical to those established in CSHB 3135. The Senate-passed version of the bill did not include provisions relating to the maximum amount of the trust fund or the ethical or bribery provisions included in CSHB 3135.