

SUBJECT: Prohibiting ticket scalping at nonprofit livestock shows and rodeos

COMMITTEE: State Affairs — committee substitute recommended

VOTE: 6 ayes — Marchant, Madden, J. Davis, B. Cook, Gattis, Villarreal

0 nays

3 absent — Elkins, Goodman, Lewis

WITNESSES: For — None

Against — James Barr, Stephen Happel, and Stephen Parry, Texas Ticket Broker Association; (*Registered, but did not testify:*) Louis Chaump, Jr., Randy Cohen, Julie Irely, and Clark Robert Kothlow, Ticket City; Jerry Randack, Ticket Finders USA; Tariq Samee, Ticket Connection; Woofersmith, Ticket Vault; 12 other individuals

DIGEST: CSHB 432 would prohibit a person from reselling or offering to resell a ticket to a livestock show or rodeo sponsored by a nonprofit organization if the resale price was more than \$10 higher than the authorized price of the ticket. The bill would define “resell” as selling a ticket after it had been purchased from an event sponsor or from anyone authorized to sell a ticket by the event sponsor. It would define a nonprofit organization as an organization that is tax-exempt under U.S. Internal Revenue Code, sec. 501(c)(3) and that raises money to provide educational scholarships for Texas youth.

A first offense under this bill would be a misdemeanor punishable by a fine of up to \$100. A second offense would be a misdemeanor punishable by a fine of up to \$2,000, and any subsequent offense would be punishable by a fine of up to \$5,000.

The bill would take effect September 1, 2003.

SUPPORTERS SAY: CSHB 432 would address the problem of people being forced to pay ticket scalpers and independent ticket brokers exorbitant prices to attend certain nonprofit livestock and rodeo events. Ticket brokers often employ dozens of

people who stand in line or order tickets on the Internet to buy many of the available tickets for an event before ordinary citizens have a chance to buy them. Once the event has sold out, brokers who may have bought several hundred tickets can resell them for many times more than the authorized price. CSHB 432 would halt this unfair practice in one of the most troubling cases — events sponsored by nonprofit organizations.

While ticket resale has evolved into a large industry in Texas, the specific case of brokers and scalpers reselling tickets to nonprofit events deserves the special protection that CSHB 432 would afford. For example, the Houston Livestock Show and Rodeo serves the public interest by raising money for educational scholarships and providing affordable entertainment for Texas families. The event's promoter has chosen to keep ticket prices low enough to provide an accessible family atmosphere at the event. The rodeo relies on dedicated volunteers whose work holds down the event's cost, allowing ticket prices to remain low and enabling millions of dollars to be collected for charitable purposes. Unfortunately, self-interested people take advantage of this event by buying up tickets and reselling them at higher prices, thus undermining the mission of this community event.

When brokers or scalpers buy up tickets to nonprofit livestock shows and rodeos, they essentially profit from the work of volunteers who are trying to help their communities. While some might argue that ticket brokers fulfill a market demand legitimately, that argument does not apply in the case that CSHB 432 would address. Concert and sports promoters generally evaluate the demand for an event and set ticket prices accordingly. A nonprofit rodeo does not establish its price on the basis of supply and demand but prices the tickets according to noneconomic considerations. It is fundamentally unfair for ticket brokers to buy up tickets for which the event sponsor has held down the cost and then resell those tickets at greatly inflated prices once no more tickets are available.

CSHB 432 would not interfere unreasonably with the business practices of ticket brokers in the vast majority of events. These brokers still could provide their services in relation to for-profit events. CSHB 432 also would protect any company that required a service charge when selling tickets to an event by allowing a ticket to be resold for up to \$10 above the authorized price.

OPPONENTS  
SAY:

CSHB 432 would attempt to contravene the law of supply and demand but would fail in that attempt. Regardless of the price controls that the bill would establish, people would continue to recognize that the low price of tickets for these events does not reflect the demand for tickets. Enactment of CSHB 432 simply would force ticket resale into the black market.

The bill would ignore the substantial benefit that the state and consumers obtain from the legitimate ticket resale industry. Ticket brokers remit sales taxes to the state on all profits they realize above the cost paid for a ticket. Also, virtually all brokers offer buyers a full refund if an event is cancelled. Ticket brokers often work closely with promoters to stamp out the sale of counterfeit tickets to events. If CSHB 432 were enacted, the events covered by the bill would lose these and other protections as the resale market was driven underground.

The ticket resale industry in no way impedes the ability of nonprofit organizations to raise money through livestock and rodeo shows. These organizations remain free to set their prices at levels they choose. People who do not want to pay higher prices for tickets may buy lower-priced tickets by making arrangements to do so before an event sells out.

OTHER  
OPPONENTS  
SAY:

CSHB 432 would not go far enough in protecting consumers against unfair practices by scalpers and ticket brokers. To stop scalpers from unfairly buying hundreds of tickets and leaving consumers with no choice but to pay the higher cost or miss an event, the bill should prohibit the resale of tickets to any entertainment event.

NOTES:

As filed, HB 432 would have prohibited a person from reselling a ticket to any event for a price that was more than \$5 higher than the authorized price. It would have classified an offense as:

- a Class C misdemeanor for selling fewer than three tickets;
- a Class B misdemeanor for selling between three and nine tickets;
- a Class A misdemeanor for selling between 10 and 19 tickets; and
- a state-jail felony for selling more than 20 tickets.