

Date of Hearing: June 21, 2016

ASSEMBLY COMMITTEE ON ARTS, ENTERTAINMENT, SPORTS, TOURISM, AND  
INTERNET MEDIA

Kansen Chu, Chair

SB 1465 (De León) – As Amended June 16, 2016

**SENATE VOTE:** 35-1

**SUBJECT:** Public contracts: 2024 Olympic Games and Paralympic Games.

**SUMMARY:** This bill would authorize the Governor to sign agreements with the International Olympic Committee (IOC) and the International Paralympic Committee (IPC) as part of the site selection process for the City of Los Angeles' bid to host the 2024 Olympic Games and Paralympic Games. This bill would also authorize the Governor to enter into an agreement for the state to be jointly liable (up to \$250 million), as specified, with the Organizing Committee for the Olympic Games (OCOG), a nonprofit corporation, for obligations of the OCOG and for any financial deficit relating to the games, and establishes the Olympic Games Trust Fund.

Specifically, **this bill:**

- 1) Enacts the 2024 Olympic Games and Paralympic Games Act for the purpose of establishing a structure to provide financial guarantees, as required by the IOC, that California and the City of Los Angeles are prepared to host the summer games.
- 2) Makes the following legislative findings and declarations:
  - a) Hosting the games in California is expected to generate billions of dollars for the state's economy;
  - b) The OCOG, on behalf of the City of Los Angeles, has developed a self-sufficient bid for financing the games, including sufficient funds to reimburse local and regional governments for services provided during the games;
  - c) The City of Los Angeles plans to host a sustainable and environmentally responsible games, has committed to sports and recreational opportunities for young people throughout the area and plans to develop and implement a unique and broad-based cultural program;
  - d) The City of Los Angeles has involved athletes, sports professionals, environmentalists, business and financial experts, nonprofit organizations, youth service leaders and other individuals who represent the entire diversity of the state; and,
  - e) The City of Los Angeles expects there will be net revenue exceeding expenses that can be devoted to legacy programs for youth and citizens of California.
- 3) Defines "games support contract" to mean a joinder agreement executed by the Governor and containing terms permitted or required by this bill. Also, defines "joinder agreement" to mean an agreement entered into by the Governor, on behalf of the state, and the IOC and the IPC setting out representations and assurances by the state in connection with the selection

of a site in this state for the location of the games.

- 4) Authorizes the Governor to enter into a joinder agreement specifying that the state shall provide or cause to be provided any or all of the state government funding, facilities, and other resources specified in the OCOG's bid to host the games.
- 5) Provides that the agreements shall accept liability for obligations of the OCOG to a site selection organization, including obligations indemnifying the site selection organization against claims and liabilities to third parties arising out of or relating to the games.
- 6) Provides that any liability for an amount in excess of \$250 million shall be the responsibility of the OCOG. Also, provides that the OCOG will be bound by a series of agreements with the site selection organization as set forth in the joinder agreement.
- 7) Establishes within the State Treasury a special fund to be known as the "Olympic Games Trust Fund" and provides that the state may choose to fund the Olympic Games Trust Fund in any manner it considers appropriate and at the time or times the state determines necessary. Funds in the Trust Fund may be used only for the sole purpose of fulfilling the obligations of the state under a games support contract to provide adequate security, as specified.
- 8) Provides that no additional state funds shall be deposited into the Olympic Games Trust Fund once the Director of Finance determines that the account has achieved a sufficient balance to provide adequate security to demonstrate the state's ability to fulfill its obligations under a games support contract, or any other agreement, to indemnify and insure up to \$250 million of any net financial deficit and general liability resulting from the conduct of the games.
- 9) Provides that if the City of Los Angeles is selected by the site selection organization as the host city for the games, the Olympic Games Trust Fund shall be maintained until a determination by the Department of Finance is made that the state's obligations under a games support contract, or any other agreement, to indemnify and insure against any net financial deficit and general liability resulting from the conduct of the games are satisfied and concluded, at which time the trust fund shall be terminated. Also, stipulates that if the City of Los Angeles is not selected by the site selection organization as the host city for the games, the Olympic Games Trust Fund shall be immediately terminated and any monies therein shall immediately revert to the General Fund.
- 10) Stipulates that all moneys deposited, transferred, or otherwise contained in the trust fund shall be, upon appropriation by the Legislature, used for the sole purpose of obtaining adequate security to demonstrate the state's ability to fulfill its obligations under a games support contract, or any other agreement, to indemnify and insure up to \$250 million of any net financial deficit and general liability resulting from the conduct of the games.
- 11) Makes it explicit that the state, along with the City of Los Angeles, will be the payer of last resort with regard to any net financial deficit. Also, provides that any financial security provided by this bill may not be accessed until the security provided by the OCOG or by any other entity is exhausted and any insurance policies covering the state's liability are exhausted.

**EXISTING LAW:** Existing law provides specified requirements in awarding certain public contracts.

**FISCAL EFFECT:** According to Senate Appropriations Committee, potential future state costs of up to \$250 million, should Los Angeles be selected as the site of the 2024 Olympics by the IOC. State costs would only occur if the 2024 games incurred large financial deficits, and all other securities provided by non-state entities are exhausted. The \$250 million dollar liability may be secured by a General Fund appropriation or by insurance coverage, letters of credit, or other acceptable secured instruments purchased or secured by the General Funds, or by any combination thereof.

**COMMENTS:**

- 1) *Background: Los Angeles bid for Olympics.* The Los Angeles bid for the 2024 Summer Olympics and Paralympics is an ongoing attempt to bring the 2024 Olympic Games (XXXIII Olympiad) to the City of Los Angeles. Los Angeles is one of four candidate cities vying for the games – along with Paris, France; Rome, Italy; and Budapest, Hungary. The IOC is scheduled to select a host city in September 2017.

Los Angeles was chosen by the United States Olympic Committee (USOC) on August 28, 2015 after the Los Angeles City Council voted unanimously to back the bid. The City of Boston was originally chosen to be the American bid, but withdrew in late July 2015 due to potential cost overruns.

According to information supplied by the LA 2024 Bid Committee, their bid has a strong overall risk mitigation strategy, which features three key components:

- First, all main Olympic Games facilities exist or are planned, these include the “Big Three” Olympic venues: the Olympic Stadium (which will be the LA Coliseum), Olympic Village (athletes will be hosted by UCLA at their campus), and International Broadcast Center/Main Press Center (which will be housed at the NBC/Universal lot).
  - Second, there will be minimal construction of new competition venues necessary, as 97% of venues are existing, already planned, or temporary. According to LA24, only one new permanent competition venue will be built for canoe slalom.
  - Finally, the remaining risk will be comprehensively covered by a combined approach of conservative budgeting; significant budget contingency; insurance for any unanticipated issues; and lastly, in the very unlikely event of net liabilities that exceed the Los Angeles 2024 budget, SB 1465 provides that the City of Los Angeles must initially contribute at least \$250 million prior to any State contribution.
- 2) *Author's statement of need for legislation: Bill is necessary to fulfill IOC requirements and will stimulate the economy.* According to the author's office, this bill would establish a structure to provide state financial guarantees to demonstrate that California is serious and prepared to host the 2024 Olympic Games and Paralympic Games. This guarantee is required by the USOC and IOC as a prerequisite before any city can be considered for hosting an Olympic Games. Furthermore, the USOC and IOC require that all bid states and bid committees execute certain agreements including the authorized agreements contain in this

bill. He notes that, this bill proposes that the state's liability shall not exceed the amount of funds appropriated (up to \$250 million) to the Olympic Games Trust Fund. The funds may only be used for the sole purpose of fulfilling the obligations of the state under a games support contract to demonstrate adequate financial security. Any liability above this amount shall be the responsibility of the OCOG.

Supporters, such as the State Building and Construction Trades Council, add that hosting the 2024 Olympic Games and Paralympic Games in Los Angeles is expected to generate billions of dollars of economic revenue for the state and local economies. They point to the fact the city has hosted two prior Olympic Games with great success in 1932 (the X Olympiad) and 1984 (the XXIII Olympiad), and note that proceeds from the 1984 games continue to support youth athletic programs all over southern California today.

The LA Area Chamber of Commerce proudly points out that the only two times in history the Games made money were both when Los Angeles served as host. This fact, they claim, will make passage of this measure very low risk to the state. They close by stating, "hosting the Olympics will be good for tourism, good for tax revenues and business, and good for state pride and spirit."

- 3) *Author's recent amendments: Adding geographic diversity to strengthen this legislation.* One of the findings and declarations in this bill states that, "The endorsing municipality will involve athletes, sports professionals, environmentalists, business and financial experts, nonprofit organizations, youth service leaders and other individuals who represent the entire diversity of the endorsing municipality's state in its bid." In adding the word "state" instead of "area", the authors have expanded this scope beyond the Los Angeles region to include the diverse geography of the state of California. We envision hosting preliminary rounds of competitions such as soccer trials at Levi Stadium, track and field qualifying at CSU Sacramento, softball and baseball played at CSU Fresno, or rowing hosted by UC Berkeley, the possibilities are many. This concept is in keeping with most international competitions, such as the recent Women's World Cup of soccer, hosted by Canada and played in cities ranging from Moncton, on the East coast in New Brunswick and the central city of Montreal, Quebec all the way to Vancouver, British Columbia on the West coast. Indeed the coming Summer Olympic Games in Rio will have events at 45 different venues all across their nation. This expansion could be accomplished prudently, using the existing stellar facilities of northern California in addition to those in the LA area.
- 4) *Prior related legislation.*
  - a) SB 41 (de Leon), of 2015, would have authorized the state to enter into an agreement with the USOC in connection with the City of Los Angeles' bid to host the 2024 Olympic Games and Paralympic Games. (Held in the Senate Governmental Organization Committee at author's request.)
  - b) SCR 49 (Gaines), Resolution Statute 86, Statutes of 2011, urged the California Winter Games Committee to consider Lake Tahoe as a host region for the Winter Games.
  - c) AB 300 (Nunez), Ch.4, Statutes of 2007, authorized the Governor to sign agreements required by the USOC as part of the City of Los Angeles' 2016 Olympic Games bid process. The bill also authorized the Governor to make the state jointly liable (not to

exceed \$250 million), as specified, with the OCOG, a nonprofit corporation, for obligations of the OCOG and for any financial deficit relating to the games, and established the Olympic Games Trust Fund.

- d) SB 1987 (Burton), Ch.16, Statutes of 2002, established a structure for the state to indemnify, insure and provide financial guarantees up to \$250 million as required by the USOC to further the bid of the San Francisco Bay Area to host the 2012 Summer Olympic Games. The bill also provided the Governor the authority to sign any contracts on behalf of the state as part of the bid process.

## **REGISTERED SUPPORT / OPPOSITION:**

### **Support**

City of Anaheim  
City of Bakersfield  
City of Fresno  
City of Long Beach  
City of Los Angeles  
City of Oakland  
City of Sacramento  
City of San Diego  
City and County of San Francisco  
City of San Jose  
City of Santa Ana  
California Hotel and Lodging Association  
International Brotherhood of Boilermakers, Iron Ship Builders, Blacksmiths, Forgers & Helpers  
Local 92  
Los Angeles Area Chamber of Commerce  
Los Angeles County Federation of Labor, AFL-CIO  
Los Angeles Olympic Games 2024  
Los Angeles/Orange County Building Trades Council  
SEIU California  
S.M.A.R.T. Local Union 105  
State Building and Construction Trades Council of California

### **Opposition**

There is no opposition on file.

**Analysis Prepared by:** Dana Mitchell / A.,E.,S.,T., & I.M. / (916) 319-3450