

BILL ANALYSIS

C.S.H.B. 3772
By: Nevárez
Ways & Means
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Certain municipalities, interested parties note, are currently authorized to issue a municipal hotel occupancy tax for the promotion of tourism, among other uses. Recent legislation allowed the use of municipal hotel occupancy tax revenue to enhance and upgrade sports facilities in certain municipalities to increase tourism. According to the parties, certain municipalities are having difficulties securing loans for sports complex projects because of existing requirements relating to the allocation of the tax revenue. C.S.H.B. 3772 seeks to address this issue.

CRIMINAL JUSTICE IMPACT

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

C.S.H.B. 3772 amends the Tax Code to remove a municipality that has a population of at least 7,500 and is located in a county that borders the Pecos River and that has a population of not more than 15,000 from the municipalities authorized to use municipal hotel occupancy tax revenue for the promotion of tourism by the enhancement and upgrading of existing sports facilities or fields provided the municipalities own the facilities or fields. The bill removes as an authorized use of such tax revenue by a certain municipality the construction of a recreational venue in the immediate vicinity of area hotels.

C.S.H.B. 3772 includes among the authorized uses of municipal hotel occupancy tax revenue by certain municipalities the construction, enlarging, equipping, improvement, maintenance, repairing, and operation of an arena used for rodeos, livestock shows, and agricultural expositions to substantially enhance hotel activity and encourage tourism and removes as an authorized use a business recruitment project to substantially enhance hotel activity and encourage tourism. The bill includes among such municipalities a municipality with a population of at least 7,500 that is located in a county that borders the Pecos River and that has a population of not more than 15,000; a municipality with a population of not more than 5,000 that is located in a county through which the Frio River flows and an interstate highway crosses, and that has a population of at least 15,000; and a municipality with a population of not less than 7,500 that is located in a county with a population of not less than 40,000 but less than 250,000 that is adjacent to a county with a population of less than 750.

C.S.H.B. 3772 prohibits an applicable municipality from using municipal hotel occupancy tax revenue to construct or expand a recreational facility or an arena used for rodeos, livestock

shows, and agricultural expositions in an amount that would exceed the amount of hotel revenue in the area that is likely to be reasonably attributable to events held at that facility or arena during the 15-year period beginning on the date the construction or expansion is completed. The bill requires an independent analyst or consultant hired by the municipality to make this required projection. The bill requires a municipality that uses municipal hotel occupancy tax revenue for the construction, enlarging, equipping, improvement, maintenance, repairing, or operation of such a facility to annually prepare a report that describes the events held during the preceding year at each facility that received municipal hotel occupancy tax revenue from the municipality during that year and the number of hotel room nights, hotel revenue, and municipal hotel occupancy tax revenue attributable to those events.

EFFECTIVE DATE

On passage, or, if the bill does not receive the necessary vote, September 1, 2015.

COMPARISON OF ORIGINAL AND SUBSTITUTE

While C.S.H.B. 3772 may differ from the original in minor or nonsubstantive ways, the following comparison is organized and formatted in a manner that indicates the substantial differences between the introduced and committee substitute versions of the bill.

INTRODUCED

SECTION 1. Section 351.1076, Tax Code, is amended by amending Subsection (a) and adding Subsection (c) to read as follows:

(a) Except as provided by Subsection (c), a [A] municipality that spends municipal hotel occupancy tax revenue for the enhancement and upgrading of existing sports facilities or fields as authorized by Section 351.101(a)(7):

(1) shall determine the amount of municipal hotel occupancy tax revenue generated for the municipality by hotel activity attributable to the sports events and tournaments held on the enhanced or upgraded facilities or fields for five years after the date the enhancements and upgrades are completed; and

(2) may not spend hotel occupancy tax revenue for the enhancement and upgrading of the facilities or fields in a total amount that exceeds the amount of area hotel revenue attributable to the enhancements and upgrades.

(c) This section does not apply to a municipality described by Section 351.101(a)(7)(B)(viii), as added by Chapter 541 (S.B. 551), Acts of the 83rd Legislature, Regular Session, 2013.

No equivalent provision.

HOUSE COMMITTEE SUBSTITUTE

No equivalent provision.

SECTION 1. Section 351.101(a), Tax Code, as amended by Chapters 541 (S.B. 551) and 546 (S.B. 585), Acts of the 83rd Legislature, Regular Session, 2013, is

reenacted and amended to read as follows:

(a) Revenue from the municipal hotel occupancy tax may be used only to promote tourism and the convention and hotel industry, and that use is limited to the following:

(1) the acquisition of sites for and the construction, improvement, enlarging, equipping, repairing, operation, and maintenance of convention center facilities or visitor information centers, or both;

(2) the furnishing of facilities, personnel, and materials for the registration of convention delegates or registrants;

(3) advertising and conducting solicitations and promotional programs to attract tourists and convention delegates or registrants to the municipality or its vicinity;

(4) the encouragement, promotion, improvement, and application of the arts, including instrumental and vocal music, dance, drama, folk art, creative writing, architecture, design and allied fields, painting, sculpture, photography, graphic and craft arts, motion pictures, radio, television, tape and sound recording, and other arts related to the presentation, performance, execution, and exhibition of these major art forms;

(5) historical restoration and preservation projects or activities or advertising and conducting solicitations and promotional programs to encourage tourists and convention delegates to visit preserved historic sites or museums:

(A) at or in the immediate vicinity of convention center facilities or visitor information centers; or

(B) located elsewhere in the municipality or its vicinity that would be frequented by tourists and convention delegates;

(6) for a municipality located in a county with a population of one million or less, expenses, including promotion expenses, directly related to a sporting event in which the majority of participants are tourists who substantially increase economic activity at hotels and motels within the municipality or its vicinity;

(7) subject to Section 351.1076, the promotion of tourism by the enhancement and upgrading of existing sports facilities or fields, including facilities or fields for baseball, softball, soccer, and flag football, if:

- (A) the municipality owns the facilities and fields;
- (B) the municipality:
 - (i) has a population of 80,000 or more and is located in a county that has a population of 350,000 or less;
 - (ii) has a population of at least 75,000 but not more than 95,000 and is located in a county that has a population of less than 200,000 but more than 160,000;
 - (iii) has a population of at least 36,000 but not more than 39,000 and is located in a county that has a population of 100,000 or less that is not adjacent to a county with a population of more than two million;
 - (iv) has a population of at least 13,000 but less than 39,000 and is located in a county that has a population of at least 200,000;
 - (v) has a population of at least 70,000 but less than 90,000 and no part of which is located in a county with a population greater than 150,000;
 - (vi) is located in a county that:
 - (a) is adjacent to the Texas-Mexico border;
 - (b) has a population of at least 500,000; and
 - (c) does not have a municipality with a population greater than 500,000;
 - (vii) has a population of at least 25,000 but not more than 26,000 and is located in a county that has a population of 90,000 or less; or
 - ~~[(viii) has a population of at least 7,500 and is located in a county that borders the Pecos River and that has a population of not more than 15,000;]~~
 - (viii) is located in a county that has a population of not more than 300,000 and in which a component university of the University of Houston System is located; and
- (C) the sports facilities and fields have been used, in the preceding calendar year, a combined total of more than 10 times for district, state, regional, or national sports tournaments;
- (8) for a municipality with a population of at least 70,000 but less than 90,000, no part of which is located in a county with a population greater than 150,000, the construction, improvement, enlarging, equipping, repairing, operation, and maintenance of a coliseum or multiuse facility;
- (9) signage directing the public to sights and attractions that are visited frequently by

hotel guests in the municipality;
 (10) ~~the construction of a recreational venue in the immediate vicinity of area hotels, if:~~
~~[(A) the municipality:~~
~~[(i) is a general-law municipality;~~
~~[(ii) has a population of not more than 900;~~
~~and~~
~~[(iii) does not impose an ad valorem tax;~~
~~[(B) not more than \$100,000 of municipal hotel occupancy tax revenue is used for the construction of the recreational venue;~~
~~[(C) a majority of the hotels in the municipality request the municipality to construct the recreational venue;~~
~~[(D) the recreational venue will be used primarily by hotel guests; and~~
~~[(E) the municipality will pay for maintenance of the recreational venue from the municipality's general fund;~~
 [(11)] the construction, improvement, enlarging, equipping, repairing, operation, and maintenance of a coliseum or multiuse facility, if the municipality:
 (A) has a population of at least 90,000 but less than 120,000; and
 (B) is located in two counties, at least one of which contains the headwaters of the San Gabriel River; and
 (11) [(12)] for a municipality with a population of more than 175,000 but less than 225,000 that is located in two counties, each of which has a population of less than 200,000, the construction, improvement, enlarging, equipping, repairing, operation, and maintenance of a coliseum or multiuse facility and related infrastructure or a venue, as defined by Section 334.001(4), Local Government Code, that is related to the promotion of tourism.

No equivalent provision.

SECTION 2. Section 351.1066, Tax Code, is amended to read as follows:
 Sec. 351.1066. ALLOCATION OF REVENUE: CERTAIN MUNICIPALITIES. (a) This section applies only to:
 (1) a municipality with a population of at least 3,500 but less than 5,500 that is the county seat of a county with a population of less than 50,000 that borders a county with a population of more than 1.6 million; ~~and~~
 (2) a municipality with a population of at least 2,900 but less than 3,500 that is the county seat of a county with a population of

less than 22,000 that is bordered by the Trinity River and includes a state park and a portion of a wildlife management area;

(3) a municipality with a population of at least 7,500 that is located in a county that borders the Pecos River and that has a population of not more than 15,000;

(4) a municipality with a population of not more than 5,000 that is located in a county through which the Frio River flows and an interstate highway crosses, and that has a population of at least 15,000; and

(5) a municipality with a population of not less than 7,500 that is located in a county with a population of not less than 40,000 but less than 250,000 that is adjacent to a county with a population of less than 750.

(b) Notwithstanding any other provision of this chapter, a municipality to which this section applies may use all or any portion of the revenue derived from the municipal hotel occupancy tax for:

~~(1) [a business recruitment project to substantially enhance hotel activity and encourage tourism; and~~

~~[(2)] the construction, enlarging, equipping, improvement, maintenance, repairing, and operation of a recreational facility to substantially enhance hotel activity and encourage tourism; and~~

(2) the construction, enlarging, equipping, improvement, maintenance, repairing, and operation of an arena used for rodeos, livestock shows, and agricultural expositions to substantially enhance hotel activity and encourage tourism.

(c) A municipality to which this section applies may not use municipal hotel tax revenue to construct or expand a facility described by Subsection (b) in an amount that would exceed the amount of hotel revenue in the area that is likely to be reasonably attributable to events held at that facility during the 15-year period beginning on the date the construction or expansion is completed.

(d) An independent analyst or consultant hired by the municipality must make the projection required by Subsection (c).

(e) A municipality that uses municipal hotel occupancy tax revenue under this section shall annually prepare a report that describes:

(1) the events held during the preceding year at each facility that received municipal

hotel occupancy tax revenue from the municipality during that year; and
(2) the number of hotel room nights, hotel revenue, and municipal hotel occupancy tax revenue attributable to those events.

No equivalent provision.

SECTION 2. This Act takes effect immediately if it receives a vote of two-thirds of all the members elected to each house, as provided by Section 39, Article III, Texas Constitution. If this Act does not receive the vote necessary for immediate effect, this Act takes effect September 1, 2015.

SECTION 3. To the extent of any conflict, this Act prevails over another Act of the 84th Legislature, Regular Session, 2015, relating to nonsubstantive additions to and corrections in enacted codes.

SECTION 4. Same as introduced version.