HOUSE RESEARCH ORGANIZATION bill analysis | 5/6/2019 | HB 4347 (2nd reading) Anchia, et al. (CSHB 4347 by Murphy)

SUBJECT: Expanding the cities that pledge state tax revenues for certain projects

COMMITTEE: Ways and Means — committee substitute recommended

VOTE: 11 ayes — Burrows, Guillen, Bohac, Cole, Martinez Fischer, Murphy, Noble, E. Rodriguez, Sanford, Shaheen, Wray

0 nays

WITNESSES: For — Jessica Herrera, City of El Paso; Ron Jensen, City of Grand Prairie; Jon Weist, City of Irving; Justin Bragiel, Texas Hotel and Lodging Association; (*Registered, but did not testify*: Jeff Williams, City of Arlington; Ron Bottoms, Tiffany Foster, and David Plauck, City of Baytown; Rob Franke, City of Cedar Hill; Corbin Van Arsdale, City of Cedar Park; Steve Williams, City of Conroe; Tammy Embrey, City of Corpus Christi; Odis Jones, City of Hutto; EA Hoppe, City of Kerrville; Scott Campbell, City of Roanoke; Manny De La Rosa, City of San Benito; Carrie Simmons, City of Seabrook; Rick Rameriz, City of Sugar Land; Richard Boyer, City of The Colony; Edward Broussard, City of Tyler; Kevin Cleveland, City of Weatherford; James Hernandez and Ben Morse, City of Webster; Shannon Overby, Conroe Convention and Visitors Bureau; Jim Short, Fort Bend County; Monty Wynn, Texas Municipal League; Neal T. "Buddy" Jones, Texas Rangers Baseball Club; Rebecca Robinson, Texas Restaurant Association; Ron Hinkle, Texas Travel Industry Association; Tara Mueller)

Against — None

On — (*Registered, but did not testify*: Julio Mendoza-Quiroz and Brad Reynolds, Comptroller of Public Accounts)

BACKGROUND: Tax Code ch. 351 allows certain municipalities to pledge state tax revenue from hotel projects owned by or on land owned by the cities to pay bonds issued in connection with the acquisition, lease, or construction of hotels within 1,000 feet of city-owned convention centers and certain ancillary facilities. The Tax Code and the Government Code authorize the comptroller to rebate state taxes collected by the projects during their first 10 years of operation.

Tax Code ch. 351 lists descriptions of the cities that qualify for the program.

DIGEST: CSHB 4347 would expand the list of municipalities that could pledge state tax revenue from certain hotels and other ancillary facilities for the payment of bonds or obligations issued or entered into for certain projects involving the acquisition, construction, or lease of city-owned convention center facilities. The bill also would alter the requirements for certain municipalities that were allowed to pledge such revenue under current law.

New municipalities. The bill would add descriptions of 17 cities to the list of municipalities that could pledge such revenue for the payment of certain bonds or obligations.

Municipalities that would be added to the list would include those:

- with a population of between 90,000 and 150,000 located in three counties and that contained a branch campus of the University of Houston System (Pearland);
- primarily located in a county with a population of at least 4 million that was connected by a bridge to Kemah (Seabrook);
- with a population of between 20,000 and 25,000 that contained part of Mustang Bayou and was wholly located in a county with a population of less than 500,000 (Alvin);
- with a population of between 70,000 and 85,000 located in two counties, one of which had a population of at least 4 million and the other of which had a population of less than 50,000 (Baytown);
- with a population of at least 10,000 wholly located in a county with a population of at least 4 million that had a city hall less than three miles from a space center operated by a federal agency (Webster);
- that was the county seat of a county through which the Pedernales River flowed and in which the birthplace of a president of the

United States was located (Fredericksburg);

- that contained a portion of U.S. Highway 79 and State Highway 130 (Hutto);
- with a population of between 48,000 and 95,000 located in two counties, one of which had a population of between 900,000 and 1.7 million (Cedar Park);
- with a population of less than 25,000 that contained a museum of Western American art (Kerrville);
- with a population of at least 50,000 that was the county seat of a county that contained a portion of the Sam Houston National Forest (Conroe);
- with a population of less than 25,000 that contained a cultural heritage museum and was located in a county that bordered the United Mexican States and the Gulf of Mexico (San Benito);
- that was the county seat of a county that had a population of at least 115,000 that was next to a county with a population of at least 1.8 million and that hosted an annual peach festival (Weatherford);
- that was the county seat of a county that had a population of at least 585,000 that was next to a county with a population of at least 4 million (Richmond);
- with a population of less than 10,000 that contained a component university of The Texas A&M University System and that was located in a county next to a county that bordered Oklahoma (Commerce);
- with a population of less than 6,100 that was located in two counties, each of which had a population of between 600,000 and 2 million, and that hosted an annual Cajun Festival (Celina);
- with a population of at least 13,000 that was located on an international border in a county with a population of less than 400,000 in which was located at least one World Birding Center site (Rio Grande City); and
- with a population of at least 4,000 that was located on an international border and within five miles of a state historic site that served as a visitor center for a state park that contained at least 300,000 acres of land (Presidio).

These municipalities could pledge and receive state tax revenues from qualified hotels or certain ancillary facilities located in or connected to the hotel for the payment of bonds, obligations, and contractual obligations issued or entered into in connection with qualified projects involving qualified convention center facilities and the qualified hotel. The bill would set out the definitions and requirements for what constituted a qualified project, a qualified hotel, and a qualified convention center facility.

The taxes that could be pledged and received by these municipalities would include state sales and use taxes, state hotel occupancy taxes, special district and county sales and use taxes, county hotel occupancy taxes, and the mixed beverage taxes issued by the comptroller to municipalities or counties. Under certain circumstances, some municipalities also could pledge state tax revenue generated on land owned by a municipality that was within 1,000 feet of qualified hotels or qualified convention center facilities.

Such revenue could be pledged only if qualified hotels that were part of qualified projects would benefit from the pledging of that revenue. Municipalities would be able to pledge revenue for only one qualified project, unless the municipality had a population of 175,000 or more. Municipalities would not be entitled to receive funds from qualified projects unless the municipality had pledged a portion of the tax revenue for the payment of bonds, obligations, or contractual obligations associated with the projects.

A municipality would be entitled to pledge this revenue for 10 years following the date a qualified hotel was open for initial occupancy and would not be entitled to pledge or receive this revenue unless a qualified project was commenced before September 1, 2023. The comptroller would deposit revenue collected by or forwarded to the comptroller that had been pledged by the municipality in a separate suspense account of the qualified project, which would be outside the state treasury. The comptroller would be required to pay this revenue to municipalities at least quarterly.

Changes for existing municipalities. Certain municipalities that currently are allowed to pledge state tax revenue for the purposes set out above would be subject to the requirements of municipalities that were added by this bill. These municipalities would include Corpus Christi, Nacogdoches, El Paso, Arlington, San Antonio, Grand Prairie, Irving, Amarillo, Tyler, Round Rock, Odessa, Midland, Prosper, Lubbock, Frisco, Cedar Hill, Roanoke, Rowlett, League City, Kemah, Sugar Land, Katy, and Port Aransas. The bill would also provide special rules and requirements for Kemah and Arlington.

Effective date. This bill would take effect September 1, 2019, and would apply to qualified projects for which municipalities first authorized the issuance of bonds or other obligations or executed agreements secured by a pledges of revenue for the project on or after that date.

SUPPORTERS SAY:

CSHB 4347 would create jobs, stimulate economic development, and reform an important state rebate program to improve transparency.

Certain designated cities currently receive a 10-year rebate of certain state taxes collected at hotel projects located near city-owned convention centers. This rebate is used to cover the costs of bonds issued for the construction of the convention center and associated facilities. Six cities so far have taken advantage of the program, and it is anticipated that the state will double the return on its investment in these projects.

This bill would allow 17 more cities to use this successful program. CSHB 4347 would not create any new taxes or change any tax rates but merely would allow more cities to use these tax revenues to meet the demands of tourism in the state, fueling economic growth that may not have otherwise have occurred in the state and increasing tax revenue to the state in the long run.

The bill also would clean up statutory language to make it clear which cities could take advantage of the program.

OPPONENTS SAY: CSHB 4347 would negatively impact state revenue to fund purely local projects.

NOTES: According to the Legislative Budget Board, the bill would have an estimated negative impact of $11 million to general revenue related funds through fiscal 2020-21. Additionally, the bill would result in a negative impact of about $62 million through fiscal 2022-23.