SUBJECT: Allowing HOT revenue financing for spaceport observation, other projects

COMMITTEE: Ways and Means — favorable, without amendment

VOTE: 11 ayes — Meyer, Thierry, Button, Cole, Guerra, Martinez Fischer, Murphy, Noble, Rodriguez, Sanford, Shine

0 nays

SENATE VOTE: On final passage, May 13 — 28-2 (Hall, Hughes)

WITNESSES: No public hearing.

BACKGROUND: Interested parties have called for allowing Brownsville to use hotel occupancy tax revenue to finance certain projects promoting tourism or the space launch industry.

DIGEST: SB 2089 would allow a municipality to use revenue from the municipal hotel occupancy tax (HOT) to fund a qualified project. For the purposes of the bill, this would include towers and other facilities used by hotel guests and tourists to observe spacecraft and spaceport activities and learn about spacecraft and spaceport operations and launches. A qualified project also could include a venue that was:

- located on land owned by a municipality, another governmental entity, or the venue owner;
- partially financed by private contributions that equaled at least 40 percent of the project costs; and
- related to the promotion of tourism and the convention and hotel industry.

The bill would apply only to a qualified project located in a municipality that was the county seat of a county bordering Mexico and the Gulf of Mexico (Brownsville).

A municipality could pledge the HOT revenue from a hotel located in a project financing zone for the payment of bonds or other obligations issued or incurred for the qualified project or to acquire real property on which the project was located.

"Project financing zone" would mean an area within a municipality:

- that was designated as such a zone by the municipality by ordinance or by an economic development agreement under Local Government Code ch. 380;
- the boundaries of which were within a one-mile radius of the qualified project;
- the designation of which specified the longitude or latitude of the center of the project;
- the designation of which expired within 15 years; and
- all or part of which was located in a qualified federal opportunity zone.

The bill would require the municipality to notify the comptroller of its designation of a project financing zone no later than 30 days after the designation.

The municipality also could pledge for the payment of the bonds or obligations the local revenue from eligible taxable proceeds from hotels located in a project financing zone that would be available to the owners of hotel projects that qualified for certain tax rebates under current law if the hotels were qualified.

The municipality would be entitled to receive the incremental hotel-associated revenue from the zone for the period beginning on the first day of the year after the year the municipality designated the zone and ending on the last day of the month during which the designation expired. "Incremental hotel-associated revenue" would be defined as the amount in any calendar year after the year in which the municipality designated the zone by which hotel-associated revenue, including the state tax revenue from qualified hotel projects and mixed beverage tax revenue collected from all hotels located in the zone, exceeded the base year amount.

The municipality could pledge the incremental hotel-associated revenue for the payment of bonds or other obligations authorized by this bill.

The comptroller would have to deposit incremental hotel-associated revenue in a separate suspense account held in trust for the municipality outside the state treasury. The comptroller would have to begin making payments from the account to the municipality on the date the qualified project was commenced. If the project was not commenced by the fifth anniversary of the first deposit to the account, the comptroller would have to transfer the account funds to the general revenue fund and cease making deposits.

The bill would allow the comptroller to estimate the amount of incremental hotel-associated revenue that would be deposited to a suspense account each calendar year. The comptroller could make deposits to and the municipality could request disbursements from the account on a monthly basis based on that estimate. At the end of the calendar year, the comptroller would have to adjust the deposits and disbursements to reflect the actual revenue deposited.

The municipality would have to notify the comptroller if the qualified project was abandoned, in which case the comptroller would have to transfer to the amount of suspense account funds exceeding the amount required for the payment of bonds or obligations to the general revenue fund.

The bill would take effect September 1, 2021.

NOTES: According to the Legislative Budget Board, the bill would have a negative fiscal impact beginning in fiscal 2025. The bill would result in a loss of $100,000 to general revenue beginning in that year, which would grow annually to an estimated loss of $830,000 in fiscal 2031.