LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 78TH LEGISLATIVE REGULAR SESSION

May 9, 2003

TO: Honorable Kenneth Armbrister, Chair, Senate Committee on Natural Resources

FROM: John Keel, Director, Legislative Budget Board

IN RE: **SB1480** by Janek (Relating to efforts by coastal counties to mitigate coastal erosion and improve public access to public beaches; authorizing the issuance of bonds by coastal counties.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1480, Committee Report 1st House, Substituted: an impact of $0 through the biennium ending August 31, 2005.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2004	$0
2005	$0
2006	($14,695,000)
2007	($15,165,000)
2008	($15,817,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/ (Loss) from *GENERAL REVENUE FUND* 1	Probable Revenue Gain/ (Loss) from *HOTEL OCCUP TAX DEPOS ACC* 5003	Probable Revenue Gain/ (Loss) from *Coastal Protection and Improvement Fund*
2004	$0	$0	$0
2005	$0	$0	$0
2006	($13,470,417)	($1,224,583)	$14,695,000
2007	($13,901,250)	($1,263,750)	$15,165,000
2008	($14,498,917)	($1,318,083)	$15,817,000

Fiscal Analysis

The bill would amend Chapter 33 of the Natural Resources Code to add Subchapter I to provide funding sources for projects to mitigate coastal erosion.

The bill would create the Coastal Protection and Improvement Fund as a trust fund outside the State Treasury to be held by the Texas Treasury Safekeeping Trust Company. The Commissioner of the General Land Office (GLO) would serve as trustee to administer the fund. The bill would establish criteria for qualified projects in coastal counties that border the Gulf of Mexico. The Comptroller would be required to deposit four percent of the state hotel occupancy tax received from coastal counties to the Coastal Protection and Improvement Fund beginning September 1, 2005.

The Comptroller would deposit no more than needed for qualified projects as determined by the GLO.

The bill would authorize the GLO Commissioner to make agreements with coastal counties for projects and to make payments from the Coastal Protection and Improvement Fund to a coastal county based on the GLO's expected project costs. The bill would provide a mechanism for recovering an overpayment to a county.

The bill would prohibit a coastal county from using a payment from the Coastal Protection and Improvement Fund as a local match for funding under a state program. The Commissioner of the GLO would make the first distribution of money from the fund on or after January 1, 2006. The bill would require a five percent allocation by the GLO Commissioner from the fund for administrative expenses and to cover a coastal monitoring program by the University of Texas Bureau of Economic Geology.

If the amount of state hotel tax revenue from hotels located in a coastal county were more than the average hotel revenue collected from all coastal counties in any given fiscal year, qualified payments to that county would be 95 percent of the amount the county otherwise would be entitled to receive. The remaining five percent would be divided among the coastal counties whose state hotel tax revenue received was less than the average received by all coastal counties in the same fiscal year, in reverse proportion to the amount of hotel occupancy taxes received from hotels in each of those counties.

The bill would direct each coastal county to establish a county coastal protection and improvement fund. Each coastal county would be required to deposit any qualified payment or equalization payment that it received into its county coastal protection and improvement fund**.** Money in the county fund could only be used to pay the project costs of a qualified project.

The bill would allow coastal counties to issue bonds that would be purchased through the Texas Water Development Board.

The provisions of the bill would apply to a municipality if all, or substantially all, of the Gulf beach within a coastal county were located within the boundaries of the municipality.

The bill would take effect immediately upon enactment, assuming that it received the requisite two-thirds majority votes in both houses of the Legislature. Otherwise, it would take effect September 1, 2003.

Methodology

Based on the bill's eligibility requirements, the counties of Jefferson, Chambers, Galveston, Brazoria, Matagorda, Calhoun, Aransas, Nueces, Kleberg, Kenedy, Williacy, and Cameron would be the only counties eligible for the calculation of state tax revenue to be deposited to the coastal protection and improvement fund. The county of Kenedy would be the only county eligible that reports no taxable hotel revenue.

Data on taxable hotel revenues from the eligible counties were gathered from Comptroller tax files. Revenues were multiplied by the four percent rate required to be deposited to the Coastal Protection and Improvement Fund to determine the loss to the General Revenue Fund 0001 and the gain to the eligible counties.

Equalization payments cannot be estimated. However, based upon fiscal 2002 Comptroller tax files, the counties of Jefferson, Galveston, Nueces, and Cameron had state hotel occupancy tax revenue that exceeded that of the average of all coastal counties. The Comptroller receives no hotel occupancy tax from Kenedy County, thus bringing down the average collections from all coastal counties. Kenedy County is not included in the calculation of average hotel occupancy tax revenue, the counties of Galveston, Nueces, and Cameron exceeded that of all coastal counties.

Note: Without clarification, the municipalities that might qualify as a coastal county cannot be determined. The City of Galveston occupies substantially all of the 32-mile long Galveston Island, but not the 20-30 miles of Gulf beach from Point Bolivar to High Island that is also within Galveston county. South Padre Island only occupies approximately half of the Gulf beach in Cameron County. Therefore, calculations of state hotel occupancy tax to be drawn from General Revenue are based on the above counties—each counted once.

The fiscal impact reflects the four percent allocation of the state hotel occupancy revenue to coastal counties beginning September 1, 2005. This fiscal impact only refers to General Revenue deposited to the Improvement Fund; no dispersals are estimated.

Note: Because the bill would create or recreate a dedicated account in the General Revenue Fund, create or recreate a special or trust fund either with or outside of the Treasury, or create a dedicated revenue source, the fund, account, or revenue dedication included in this bill would be subject to funds consolidation review by the current Legislature.

Local Government Impact

The fiscal impact to local government is illustrated in the above table.

Source Agencies: 304 Comptroller of Public Accounts, 305 General Land Office and Veterans' Land Board, 580 Water Development Board, 720 The University of Texas System Administration

LBB Staff: JK, JO, CL, MS, SD