

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 79TH LEGISLATIVE REGULAR SESSION

April 14, 2005

TO: Honorable Mike Jackson, Chair, Senate Committee on S/C on Agriculture & Coastal Resources

FROM: John S. O'Brien, Deputy Director, Legislative Budget Board

IN RE: SB1044 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.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1044, As Introduced: an impact of \$0 through the biennium ending August 31, 2007.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2006	\$0
2007	\$0
2008	(\$17,234,000)
2009	(\$17,986,000)
2010	(\$18,785,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from <i>GENERAL REVENUE FUND 1</i>	Probable Revenue Gain/(Loss) from <i>HOTEL OCCUP TAX DEPOSIT ACCOUNT 5003</i>	Probable Revenue Gain/(Loss) from <i>New Coastal Protection and Improvement Fund</i>	Probable Savings/ (Cost) from <i>New Coastal Protection and Improvement Fund</i>
2006	\$0	\$0	\$0	\$0
2007	\$0	\$0	\$0	\$0
2008	(\$15,798,408)	(\$1,435,592)	\$17,234,000	(\$17,234,000)
2009	(\$16,487,766)	(\$1,498,234)	\$17,986,000	(\$17,986,000)
2010	(\$17,220,209)	(\$1,564,791)	\$18,785,000	(\$18,785,000)

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 require the Comptroller to deposit four percent of the state hotel occupancy tax

received from coastal counties to the Coastal Protection and Improvement Fund beginning September 1, 2007. The bill would provide that the GLO Commissioner allocate five percent of the revenue in this fund to the GLO for administrative expenses and to cover turtle and coastal monitoring programs at Texas A&M University at Galveston and the University of Texas. The remaining revenue would be used by the Commissioner to make payments to coastal counties for qualified beach erosion projects.

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 the fund to 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 bill also provides an equalization payment provision where if a county receives more than average revenue, the payments to that county would be only 95 percent of the revenue received. The remaining 5 percent would be divided among the counties based on certain conditions outlined in the bill.

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 create a special or trust fund either outside the Treasury, and therefore would be subject to funds consolidation review by the current Legislature.

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, 2005.

Methodology

There are 12 counties that would be eligible under this bill: Cameron, Willacy, Kenedy, Kleberg, Nueces, Aransas, Calhoun, Matagorda, Brazoria, Galveston, Chambers, and Jefferson counties.

Data on taxable hotel revenues from the eligible counties were gathered from the Comptroller's tax files. Revenues were multiplied by the 4 percent rate required to be deposited to the Coastal Protection and Improvement Fund to determine the loss to the General Revenue Fund and the Hotel Occupancy Tax for Economic Development Account No. 5003. Based on current law, 91.67 percent of state Hotel Occupancy Tax receipts are allocated to the General Revenue Fund and 8.33 percent of Hotel Occupancy Tax receipts are allocated to the Hotel Occupancy Tax for Economic Development Account No. 5003.

The section dealing with equalization payments cannot be estimated because it is not known if the amount received in hotel occupancy tax from the participating counties would exceed the average for those counties.

For purposes of this analysis, it is assumed that 5 percent of all Hotel Occupancy Tax receipts deposited to the Coastal Protection and Improvement Fund will be spent on GLO administrative costs and turtle and coastal monitoring programs administered by The University of Texas and Texas A & M University at Galveston, and that all remaining receipts will be distributed to eligible counties for qualified beach erosion projects.

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 the General Revenue Fund under this bill were based on the above counties—each counted once.

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

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