

BILL ANALYSIS

C.S.S.B. 748
By: Nelson
Economic & Small Business Development
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Interested parties assert that the municipality of Fort Worth needs to improve its cultural and entertainment venues and that this task may be funded through the creation a project financing zone and revenue generated from the municipal hotel occupancy tax. C.S.S.B. 748 seeks to provide funds to enhance and upgrade convention center facilities, specified multipurpose arenas and venues, and certain related infrastructure for applicable municipalities.

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.S.B. 748 amends the Tax Code to authorize revenue from the municipal hotel occupancy tax to be used to fund a qualified project located in a municipality with a population of at least 650,000 but less than 750,000 according to the most recent federal decennial census. The bill defines "qualified project" as a convention center facility or a multipurpose arena or venue that includes a livestock facility and is located within or adjacent to a recognized cultural district, and any related infrastructure, that is located on land owned by a municipality or by the owner of the venue; that is partially financed by private contributions that equal not less than 40 percent of the project costs; and that is related to the promotion of tourism and the convention and hotel industry. The bill defines "project financing zone" as an area within a municipality that the municipality by ordinance or by agreement designates as a project financing zone; the boundaries of which are within a three-mile radius of the center of a qualified project; the designation of which specifies the longitude and latitude of the center of the qualified project; and the designation of which expires not later than the 30th anniversary of the date of designation.

C.S.S.B. 748 authorizes an applicable municipality to pledge the revenue derived from the municipal hotel occupancy tax from a hotel located in the project financing zone for the payment of bonds or other obligations issued or incurred to acquire, lease, construct, improve, enlarge, and equip the qualified project. The bill authorizes the municipality to pledge for the payment of such bonds or other obligations the local revenue from eligible tax proceeds as defined by statutory provisions relating to tax refunds for qualified hotel projects from hotels located in a project financing zone that would be available to the owners of qualified hotel projects under those provisions if the hotels were qualified hotel projects, excluding any amount received by the municipality for a specified type of hotel project and located in the zone that exists on the date the municipality designates the zone.

C.S.S.B. 748 requires an applicable municipality to notify the comptroller of public accounts of the municipality's designation of a project financing zone not later than the 30th day after the date the municipality designates the zone and entitles the municipality to receive the incremental hotel-associated revenue, as defined by the bill, from the project financing zone for the period

beginning on the first day of the year after the year in which the municipality designates the zone and ending on the last day of the month during which the designation expires. The bill authorizes the municipality to pledge the revenue for the payment of bonds or other obligations issued or incurred to acquire, lease, construct, improve, enlarge, and equip the qualified project.

C.S.S.B. 748 requires the comptroller to deposit incremental hotel-associated revenue collected by or forwarded to the comptroller in a separate suspense account to be held in trust for the municipality that is entitled to receive the revenue. The bill establishes that the suspense account is outside the state treasury and authorizes the comptroller to make an authorized payment to the municipality from the account without the necessity of an appropriation. The bill requires the comptroller to begin making payments from the suspense account to the municipality for which the money is held on the date the qualified project in the project financing zone is started. The bill requires the comptroller, if the qualified project is not started by the fifth anniversary of the first deposit to the account, to transfer the money in the account to the general revenue fund and to cease making deposits to the account.

C.S.S.B. 748 authorizes the comptroller to estimate the amount of incremental hotel-associated revenue that will be deposited to a suspense account during each calendar year, authorizes the comptroller to make deposits to the account, and authorizes the municipality to request disbursements from the account on a monthly basis based on the estimate. The bill requires the comptroller to adjust the deposits and disbursements at the end of each calendar year to reflect the amount of revenue actually deposited to the account during the calendar year. The bill requires a municipality to notify the comptroller if the qualified project in the project financing zone is abandoned and, in that case, requires the comptroller to transfer to the general revenue fund the amount of money in the suspense account that exceeds the amount required for the payment of bonds or other obligations issued or incurred to acquire, lease, construct, improve, enlarge, and equip the qualified project.

C.S.S.B. 748 includes a qualified project and pledging payment of revenue bonds and revenue refunding bonds for a qualified project among the limited purposes for which an eligible central municipality is authorized to use the amount of revenue from the municipal hotel occupancy tax that is derived from the application of the tax at a rate of more than seven percent of the cost of a room.

EFFECTIVE DATE

September 1, 2013.

COMPARISON OF ORIGINAL AND SUBSTITUTE

While C.S.S.B. 748 may differ from the original in minor or nonsubstantive ways, the following comparison is organized and highlighted in a manner that indicates the substantial differences between the engrossed and committee substitute versions of the bill.

SENATE ENGROSSED

SECTION 1. Subchapter B, Chapter 351, Tax Code, is amended by adding Section 351.1015 to read as follows:

Sec. 351.1015. CERTAIN QUALIFIED PROJECTS. (a) In this section:

(1) "Base year amount" means the amount of hotel-associated revenue collected in a project financing zone during the calendar year in which a municipality designates the

HOUSE COMMITTEE SUBSTITUTE

SECTION 1. Subchapter B, Chapter 351, Tax Code, is amended by adding Section 351.1015 to read as follows:

Sec. 351.1015. CERTAIN QUALIFIED PROJECTS. (a) In this section:

(1) "Base year amount" means the amount of hotel-associated revenue collected in a project financing zone during the calendar year in which a municipality designates the

zone.

(2) "Hotel-associated revenue" means the sum of:

(A) state tax revenue collected in a project financing zone from all hotels located in the zone that would be available to the owners of qualified hotel projects under Section 151.429(h) if the hotels were qualified hotel projects, excluding the amount of that revenue received by a municipality under Section 351.102(c) for a hotel project described by Section 351.102(b) and located in the zone that exists on the date the municipality designates the zone; and

(B) tax revenue collected from all permittees under Chapter 183 at hotels located in the zone, excluding revenue disbursed by the comptroller under Section 183.051(b).

(3) "Incremental hotel-associated revenue" means the amount in any calendar year by which hotel-associated revenue, including hotel-associated revenue from hotels built in the project financing zone after the year in which a municipality designates the zone, exceeds the base year amount.

(4) "Project financing zone" means an area within a municipality:

(A) that the municipality by ordinance or by agreement under Chapter 380, Local Government Code, designates as a project financing zone;

(B) the boundaries of which are within a three-mile radius of the center of a qualified project;

(C) the designation of which specifies the longitude and latitude of the center of the qualified project; and

(D) the designation of which expires not later than the 30th anniversary of the date of designation.

(5) "Qualified project" means a convention center facility, a multipurpose arena, a multiuse facility, and any related infrastructure or a venue as defined by Section 334.001, Local Government Code, that is:

(A) located on land owned by a municipality or by the owner of the venue;

(B) if the project is not a convention center facility, partially financed by private contributions that equal not less than 40 percent of the project costs; and

(C) related to the promotion of tourism and

zone.

(2) "Hotel-associated revenue" means the sum of:

(A) state tax revenue collected in a project financing zone from all hotels located in the zone that would be available to the owners of qualified hotel projects under Section 151.429(h) if the hotels were qualified hotel projects, excluding the amount of that revenue received by a municipality under Section 351.102(c) for a hotel project described by Section 351.102(b) and located in the zone that exists on the date the municipality designates the zone; and

(B) tax revenue collected from all permittees under Chapter 183 at hotels located in the zone, excluding revenue disbursed by the comptroller under Section 183.051(b).

(3) "Incremental hotel-associated revenue" means the amount in any calendar year by which hotel-associated revenue, including hotel-associated revenue from hotels built in the project financing zone after the year in which a municipality designates the zone, exceeds the base year amount.

(4) "Project financing zone" means an area within a municipality:

(A) that the municipality by ordinance or by agreement under Chapter 380, Local Government Code, designates as a project financing zone;

(B) the boundaries of which are within a three-mile radius of the center of a qualified project;

(C) the designation of which specifies the longitude and latitude of the center of the qualified project; and

(D) the designation of which expires not later than the 30th anniversary of the date of designation.

(5) "Qualified project" means:

(A) a convention center facility; or

(B) a multipurpose arena or venue that includes a livestock facility and is located within or adjacent to a recognized cultural district, and any related infrastructure, that is:

(i) located on land owned by a municipality or by the owner of the venue;

(ii) partially financed by private contributions that equal not less than 40 percent of the project costs; and

(iii) related to the promotion of tourism and

the convention and hotel industry.

(b) This section applies only to a qualified project located in a municipality with a population of at least 650,000 but less than 750,000.

(c) In addition to the uses provided by Section 351.101, revenue from the municipal hotel occupancy tax may be used to fund a qualified project.

(d) A municipality may pledge the revenue derived from the tax imposed under this chapter from a hotel located in the project financing zone for the payment of bonds or other obligations issued or incurred to acquire, lease, construct, improve, enlarge, and equip the qualified project.

(e) A municipality may pledge for the payment of bonds or other obligations described by Subsection (d) the local revenue from eligible tax proceeds as defined by Section 2303.5055(e), Government Code, from hotels located in a project financing zone that would be available to the owners of qualified hotel projects under that section if the hotels were qualified hotel projects, excluding any amount received by the municipality for a hotel project described by Section 351.102(b) and located in the zone that exists on the date the municipality designates the zone.

(f) A municipality shall notify the comptroller of the municipality's designation of a project financing zone not later than the 30th day after the date the municipality designates the zone. Notwithstanding other law, the municipality is entitled to receive the incremental hotel-associated revenue from the project financing zone for the period beginning on the first day of the year after the year in which the municipality designates the zone and ending on the last day of the month during which the designation expires. The municipality may pledge the revenue for the payment of bonds or other obligations described by Subsection (d).

(g) The comptroller shall deposit incremental hotel-associated revenue collected by or forwarded to the comptroller in a separate suspense account to be held in

the convention and hotel industry.

(6) "Venue" and "related infrastructure" have the meanings assigned by Section 334.001, Local Government Code.

(b) This section applies only to a qualified project located in a municipality with a population of at least 650,000 but less than 750,000 according to the most recent federal decennial census.

(c) In addition to the uses provided by Section 351.101, revenue from the municipal hotel occupancy tax may be used to fund a qualified project.

(d) A municipality may pledge the revenue derived from the tax imposed under this chapter from a hotel located in the project financing zone for the payment of bonds or other obligations issued or incurred to acquire, lease, construct, improve, enlarge, and equip the qualified project.

(e) A municipality may pledge for the payment of bonds or other obligations described by Subsection (d) the local revenue from eligible tax proceeds as defined by Section 2303.5055(e), Government Code, from hotels located in a project financing zone that would be available to the owners of qualified hotel projects under that section if the hotels were qualified hotel projects, excluding any amount received by the municipality for a hotel project described by Section 351.102(b) and located in the zone that exists on the date the municipality designates the zone.

(f) A municipality shall notify the comptroller of the municipality's designation of a project financing zone not later than the 30th day after the date the municipality designates the zone. Notwithstanding other law, the municipality is entitled to receive the incremental hotel-associated revenue from the project financing zone for the period beginning on the first day of the year after the year in which the municipality designates the zone and ending on the last day of the month during which the designation expires. The municipality may pledge the revenue for the payment of bonds or other obligations described by Subsection (d).

(g) The comptroller shall deposit incremental hotel-associated revenue collected by or forwarded to the comptroller in a separate suspense account to be held in

trust for the municipality that is entitled to receive the revenue. The suspense account is outside the state treasury, and the comptroller may make a payment authorized by this section from the account without the necessity of an appropriation. The comptroller shall begin making payments from the suspense account to the municipality for which the money is held on the date the qualified project in the project financing zone is commenced. If the qualified project is not commenced by the fifth anniversary of the first deposit to the account, the comptroller shall transfer the money in the account to the general revenue fund and cease making deposits to the account.

(h) The comptroller may estimate the amount of incremental hotel-associated revenue that will be deposited to a suspense account under Subsection (g) during each calendar year. The comptroller may make deposits to the account and the municipality may request disbursements from the account on a monthly basis based on the estimate. At the end of each calendar year, the comptroller shall adjust the deposits and disbursements to reflect the amount of revenue actually deposited to the account during the calendar year.

(i) A municipality shall notify the comptroller if the qualified project in the project financing zone is abandoned. If the qualified project is abandoned, the comptroller shall transfer to the general revenue fund the amount of money in the suspense account that exceeds the amount required for the payment of bonds or other obligations described by Subsection (d).

SECTION 2. Subsection (a), Section 351.1065, Tax Code, is amended.

SECTION 3. This Act takes effect September 1, 2013.

trust for the municipality that is entitled to receive the revenue. The suspense account is outside the state treasury, and the comptroller may make a payment authorized by this section from the account without the necessity of an appropriation. The comptroller shall begin making payments from the suspense account to the municipality for which the money is held on the date the qualified project in the project financing zone is commenced. If the qualified project is not commenced by the fifth anniversary of the first deposit to the account, the comptroller shall transfer the money in the account to the general revenue fund and cease making deposits to the account.

(h) The comptroller may estimate the amount of incremental hotel-associated revenue that will be deposited to a suspense account under Subsection (g) during each calendar year. The comptroller may make deposits to the account and the municipality may request disbursements from the account on a monthly basis based on the estimate. At the end of each calendar year, the comptroller shall adjust the deposits and disbursements to reflect the amount of revenue actually deposited to the account during the calendar year.

(i) A municipality shall notify the comptroller if the qualified project in the project financing zone is abandoned. If the qualified project is abandoned, the comptroller shall transfer to the general revenue fund the amount of money in the suspense account that exceeds the amount required for the payment of bonds or other obligations described by Subsection (d).

SECTION 2. Same as engrossed version.

SECTION 3. Same as engrossed version.