

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

May 25, 2015

TO: Honorable Joe Straus, Speaker of the House, House of Representatives

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB1915** by Herrero (Relating to the allocation of state hotel occupancy tax revenue to certain barrier island coastal municipalities.), **As Passed 2nd House**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1915, As Passed 2nd House: a negative impact of (\$8,186,000) through the biennium ending August 31, 2017.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2016	(\$3,613,000)
2017	(\$4,573,000)
2018	(\$4,820,000)
2019	(\$5,076,000)
2020	(\$5,345,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from <i>General Revenue Fund 1</i>	Probable Revenue Gain/(Loss) from <i>City of Corpus Christi</i>	Probable Revenue Gain/(Loss) from <i>City of Port Aransas</i>	Probable Revenue Gain/(Loss) from <i>City of Quintana</i>
2016	(\$3,613,000)	\$2,874,000	\$593,000	\$2,000
2017	(\$4,573,000)	\$3,652,000	\$753,000	\$2,000
2018	(\$4,820,000)	\$3,850,000	\$794,000	\$2,000
2019	(\$5,076,000)	\$4,054,000	\$836,000	\$2,000
2020	(\$5,345,000)	\$4,269,000	\$880,000	\$2,000

Fiscal Year	Probable Revenue Gain/(Loss) from <i>City of Surfside Beach</i>
2016	\$144,000
2017	\$166,000
2018	\$174,000
2019	\$184,000
2020	\$194,000

Fiscal Analysis

The bill would amend Section 156.2512 of the Tax Code, regarding the allocation of state hotel occupancy revenue to certain barrier island coastal municipalities. The bill would increase the amount of state hotel tax revenue eligible barrier island municipalities based on a tax rate of two percent for all such municipalities, excluding revenue derived from the collection of taxes from a qualified hotel project.

Additionally, the definition of an eligible barrier island coastal municipality would be amended to include a municipality the boundaries of which include an institution of higher education that is part of the Texas Coastal Ocean Observation Network under Section 33.065 of the Natural Resources Code. That provision would add the city of Corpus Christi as an eligible barrier island municipality, joining Port Aransas and South Padre Island.

The bill would also change the definition of an eligible barrier island coastal municipality to include a municipality that has a population of less than 10,000 and is located in a county with a population of at least 300,000 that is adjacent to a county with a population of at least 3,000,000.

The bill would take effect October 1, 2015.

Methodology

The bill's provisions would add Corpus Christi, Surfside Beach, and Quintanta as eligible barrier island municipalities, and state tax revenue from all hotels located in Corpus Christi, Surfside Beach, and Quintanta would be subject to allocation to the cities based on a tax rate of two percent. The bill's provisions also would increase the current allocation to Port Aransas to be based on a tax rate of two percent rather than one percent. Data on taxable hotel receipts was multiplied by the applicable tax rate, or in the case of Port Aransas the increment to the applicable tax rate, that would be the basis of allocation of state tax revenue to each city to estimate the loss to the General Revenue Fund and the gains to the cities. The fiscal impact was then adjusted for the bill's effective date of October 1, 2015, and extrapolated through 2020.

Local Government Impact

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

Source Agencies: 304 Comptroller of Public Accounts

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