

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION**

**March 9, 2015**

**TO:** Honorable Troy Fraser, Chair, Senate Committee on Natural Resources & Economic Development

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE:** SB749 by Hinojosa (Relating to the allocation of state hotel occupancy tax revenue to certain barrier island coastal municipalities.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for SB749, As Introduced: a negative impact of (\$1,849,000) 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	(\$867,000)
2017	(\$982,000)
2018	(\$1,036,000)
2019	(\$1,090,000)
2020	(\$1,148,000)

**All Funds, Five-Year Impact:**

Fiscal Year	Probable Revenue Gain/(Loss) from <i>General Revenue Fund</i> 1	Probable Revenue Gain/(Loss) from <i>City of Port Aransas</i>	Probable Revenue Gain/(Loss) from <i>City of Corpus Christi</i>
2016	(\$867,000)	\$652,000	\$215,000
2017	(\$982,000)	\$753,000	\$229,000
2018	(\$1,036,000)	\$794,000	\$242,000
2019	(\$1,090,000)	\$836,000	\$254,000
2020	(\$1,148,000)	\$880,000	\$268,000

## **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 rate of the state hotel occupancy tax that eligible barrier island municipalities receive from one percent to 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 take effect September 1, 2015.

## **Methodology**

The bill's provisions would add Corpus Christi as an eligible barrier island municipality, but only hotels located on the barrier island of Corpus Christi would receive the 2% allocation. The bill's provisions would also increase the current allocation to Port Aransas by an additional one percent. Data on taxable hotel receipts was multiplied by the percentage increase in the state hotel occupancy tax rate for 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, and extrapolated through 2020.

## **Local Government Impact**

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

**Source Agencies:** 304 Comptroller of Public Accounts

**LBB Staff:** UP, SZ, SD, AG