BILL ANALYSIS

Senate Research Center | S.B. 440
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Natural Resources & Economic Development
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Enrolled

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

S.B. 440 enables the City of Marfa to budget up to 15 percent of annual hotel occupancy tax revenue generated in the city towards improvements to the Marfa Municipal Airport, the area's only airport, which is owned by the Presidio County government. This bill is necessary because Marfa, a small town of 2,000 and an increasingly popular tourist destination, does not have a commercial airport capable of accommodating the increasingly large charter aircrafts coming into Presidio County. The asphalt on the Marfa Municipal Airport runway has begun to sink as a result of the increased air traffic from large modern charter turbines.

Marfa hopes to resolve this issue by constructing new runways and taxiways. The city hopes hotel occupancy tax dollars can be used toward qualifying for grant dollars available through the Texas Department of Transportation's Aviation Capital Improvement Program.

Marfa's geography, growing tourism appeal, and boom in air traffic create a unique situation requiring legislation. Tourism is a highly important part of Marfa's economy. According to the city, more than half of Marfa's total taxable sales is related to tourism, with over 30 percent coming from hotel receipts alone.

S.B. 440 amends Chapter 351 of the Tax Code to authorize the city of Marfa to recover its hotel tax revenue for infrastructure development. The bill places several limits on how the funds may be expended. First, the city may not retain more than 15 percent of its hotel occupancy tax revenue. That cap is further limited to no more tax revenue than would be reasonably attributable to guests traveling through the Marfa airport during the 15-year period beginning when taxes are first expended on the airport. The bill also requires the city of Marfa to enter into a memorandum of understanding with Presidio County to ensure adequate control over the funds such as to ensure that the funds accomplish a public purpose, and that the city protects the public's investment and ensures a return benefit, in this case the benefits associated with encouraging tourism to the area. The bill's provisions sunset after 10 years. (Original Author's / Sponsor's Statement of Intent)

S.B. 440 amends current law relating to the use by certain municipalities of hotel occupancy tax revenue to improve or expand certain airports.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Subchapter B, Chapter 351, Tax Code, by adding Section 351.1036, as follows:

> Sec. 351.1036. ALLOCATION OF REVENUE FOR AIRPORTS BY CERTAIN MUNICIPALITIES IN BORDER COUNTIES. (a). Provides that this section applies only to a municipality that is the county seat of a county that borders the United Mexican States, a county described by Section 352.002(a)(7) (relating to a county that has a population of less than 5,000, that borders the United Mexican States, and in which there

is located a major observatory), and a county described by Section 352.002(a)(14) (relating to a county that borders the United Mexican States and in which there is located a national park of more than 400,000 acres).

(b) Authorizes a municipality to which the section applies, notwithstanding any other provision of this chapter, to use municipal hotel occupancy tax revenue to improve or expand an airport that meets certain criteria.

(c) Prohibits a municipality to which this section applies from using municipal hotel occupancy tax revenue to improve or expand an airport described by Subsection (b) in certain amounts.

(d) Prohibits a municipality to which this section applies from using municipal hotel occupancy tax revenue to improve or expand an airport described by Subsection (b) after the 10th anniversary of the date the municipality first uses that revenue for that purpose.

(e) Requires the governing body of a municipality to retain sufficient control over revenue described by this section to ensure the revenue is used to benefit the municipality by improving or expanding an airport described by Subsection (b).

(f) Provides that this section expires December 31, 2032.

SECTION 2. Effective date: upon passage or September 1, 2017.