

SUBJECT: Excluding coliseums from convention center financing by hotel taxes

COMMITTEE: Ways and Means — committee substitute recommended

VOTE: 7 ayes — Oliveira, McCall, Bonnen, Y. Davis, Heflin, Hilbert, Keffer
0 nays
4 absent — Craddick, T. King, Ramsay, Sadler

WITNESSES: For —Don Hansen, Texas Hotel and Motel Association
Against — None

BACKGROUND: HB 92 by Brimer, the sports and community venue financing law enacted in 1997, requires voter approval before any additional taxes, including hotel occupancy taxes, can be used for venue projects. Venue projects are defined as including arenas, coliseums, stadiums, or other facilities used for professional or amateur sports or community events requiring admission fees.

Chapter 351 of the Tax Code authorizes municipalities and counties to allocate existing hotel occupancy taxes for the establishment, acquisition, purchase, construction, improvement, enlargement, or repair of convention center facilities. This can be done through an ordinance, with no public vote required.

Sec. 351.001 of the Tax Code defines “convention center facilities” or “convention center complex” to include civic centers, civic center buildings, auditoriums, exhibition halls, and coliseums owned or managed by a municipality or other government entity. Coliseum is not specifically defined, but generally words used in statute have their “ordinary meaning” if not specifically defined, and the general definition of a coliseum has been interpreted as including a stadium.

In 1998, the city of Round Rock agreed to finance a new multi-purpose facility, including a minor league baseball stadium, by dedicating existing hotel occupancy taxes for “convention center facilities.” Following a citizen petition drive, the city held an election to decide whether to dedicate the

taxes to pay for the project, and it was approved by 72 percent of the vote.

The Attorney General's Office, Public Finance Division, determined that the Round Rock facility qualified for funding as a convention center under tax law, that is, the law allowed the facility to be funded without a vote.

DIGEST:

HB 2844 would remove coliseums owned or managed by municipalities from the definition of "convention center facilities" or "convention center complex" in Tax Code sec. 351.001. "Convention center facilities" or "convention center complex" would mean facilities primarily used to host conventions and meetings.

HB 2844 would not apply to the use of tax revenue pledged to secure bonds issued before the bill's September 1, 1999, effective date. HB 2844 would not apply to the use of tax revenue already pledged or dedicated for the acquisition of sites for convention center facilities or the construction, improvement, enlarging, equipping, repairing, operation, and maintenance of existing convention center facilities.

**SUPPORTERS
SAY:**

HB 2844 would close a loophole in the Tax Code that allows municipalities to get around the intent of the 1997 sports and community venue financing law, which requires voter approval before tax revenue can be used to build sports facilities. HB 2844 would redefine convention centers so that coliseums, or stadiums, could not be funded with existing tax money without a vote.

This bill would ensure that sports facilities that are not primarily used as convention centers can be funded only with voter approval. This would preserve the original intent of the 1997 law, which was to ensure voters get a chance to decide whether to increase taxes and how to fund local civic projects.

If municipalities want to spend existing tax funds towards multi-use facilities that include sports facilities without holding elections, they should be allowed to use the funds only towards the segment used as a convention center.

HB 2844 is intended to operate prospectively and would not affect existing plans by the City of Round Rock or any other municipality to finance a

coliseum using hotel occupancy taxes without a vote.

**OPPONENTS
SAY:**

HB 2844 would limit the flexibility of smaller municipalities and counties to build community projects for use as convention centers, exhibition centers, and sports facilities. Smaller communities have smaller tax bases than large cities, and they may not be able to afford to build separate facilities. Building multi-use facilities allows them to save money by spending funds on one project that would serve many functions.

In Round Rock, the proposed facility included convention center space and exhibition space in addition to the stadium. The stadium itself was designed for multiple uses, such as concerts and truck shows. Because the stadium would only be used for baseball for 70 days out of the year, Round Rock used the opportunity to finance additional community space within the facility. The baseball team that is contracted to use the stadium is funding half of the construction of the entire facility. Also, Round Rock voters petitioned to vote on the project and overwhelmingly approved it, satisfying the intent of the 1997 sports facilities law.

NOTES:

The committee substitute added to the original bill that HB 2844 would not apply to the use of tax revenue already pledged or dedicated before the effective date of this Act.