



June/July 2016

# FISCAL NOTES

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## Texas Road Finance, Part II: Economic Impacts By TJ Costello and Ginger Lowry

### INFRASTRUCTURE SPENDING BOOSTS ECONOMY

As we saw in Part I of this article (May 2016), Texas spends a mountain of money on its roadways — and needs to spend more if we want to keep traffic moving across our rapidly growing state.

Reliable transportation infrastructure is critical to economic development. Industries can thrive or die depending on the reliability and speed of their transportation options. A 2016 survey of corporate executives by *Area Development* magazine, for instance, ranked highway accessibility second among the top 10 site selection factors, just behind the availability of skilled workers. Highway accessibility has ranked first or second in importance in this survey for more than a quarter-century.

Yet in Texas and across America, basic transportation infrastructure is aging and increasingly at risk. According to a 2013 study by the American Society of Engineers, inadequate roads could cost the U.S. economy more than 400,000 jobs by 2040, particularly in high-value and high-paying sectors such as tech and manufacturing.

Efforts to expand and repair our roads also carry an economic impact, however — a large and beneficial one.

### DRIVING COSTS

As noted in Part I, Texas roadways face significant challenges. The state's population is expected to rise to nearly 45 million by 2040, yet traditional transportation funding is based on per-gallon motor fuels tax rates that have not risen since 1991, and ever more fuel-efficient cars have further depressed gas tax revenue. The Texas Department of Transportation (TxDOT) estimates it will require about \$60 billion in the next five to 10 years to improve connectivity and traffic flow in Texas' urban areas, as well as an additional \$20 billion for statewide connections and border-trade projects.

For Texas motorists, the costs of inadequate roads are cumulative and personal. According to the transportation research organization TRIP, the average American motorist pays an additional \$516 each year in added vehicle operating costs due to driving on poorly maintained roads. But many Texas drivers pay more, with additional costs averaging \$838 in San Antonio,



\$815 in El Paso, \$772 in Houston, \$716 in McAllen and \$549 in Corpus Christi.

Investments in new roads, improvements and routine repairs can extend the life of the state's roadway system, preventing or postponing more expensive reconstruction while reducing transportation and commuting costs and improving access to goods and services.

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### TOURING TEXAS

Texas roads are essential to the state's burgeoning tourism industry. Millions of people visit Texas each year, and they're often driving. According to a June 2015 report prepared for the Texas Governor's Office, travel had a \$70.6 billion impact on the Texas economy in 2014, directly generating 630,000 jobs and indirectly supporting another 473,800. It also generated \$6 billion in state and local tax revenues. Consultation with the Governor's Office indicates that more than half (54 percent) of travel spending in Texas comes from out-of-state travelers, and among domestic visitors, 61 percent travel by auto.

Of course, Texans also travel around our state — a lot. The average one-way distance for a Texan visiting a Texas destination is 161 miles.

# A Message from the Comptroller

Our roads and highways cost a lot — but so do poorly maintained and inadequate roads, which make commerce and personal travel more expensive and even dangerous.



Fixing and expanding our roadway system brings economic benefits as well.

In this issue of *Fiscal Notes*, we continue the examination of Texas road finance we began in May by turning to the economic impact of road construction. In addition to immediate employment in construction and related industries, road projects yield long-term benefits by improving our productivity and economic competitiveness. We'll put dollar figures to those benefits.

We also continue our series of tax profiles by examining Texas' state and local hotel occupancy taxes, often called "HOT" levies.

The state has had a HOT tax since 1959, and in the years since has authorized hundreds of local hotel taxes for cities, counties and special-purpose districts. These local HOT taxes support tourism advertising and promotion, the arts, historical renovation, sports arenas, convention centers and more. As anyone who's ever examined a hotel bill closely can attest, it's a sometimes-confusing patchwork of state and local taxes that vary widely across the state.

As always, I hope you enjoy this issue!

**GLENN HEGAR**

Texas Comptroller of Public Accounts

## MILITARY SNAPSHOT

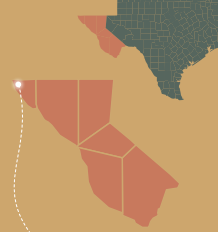
# FORT BLISS

Texas has long been committed to our military bases and the personnel who call the Lone Star State home. As the state's chief financial officer, I appreciate the military's contribution to our economy: \$136.4 billion in total annual output, \$81.3 billion in gross state product and more than 804,000 jobs. By detailing the economic impact of our military installations, we hope to emphasize their importance to strong, diverse and growing regional economies.

**Glenn Hegar**

Texas Comptroller of Public Accounts

### UPPER RIO GRANDE REGION



### FORT BLISS

### ESTIMATED CONTRIBUTIONS OF FORT BLISS TO THE TEXAS ECONOMY, 2015

**DIRECT EMPLOYMENT**  
40,844

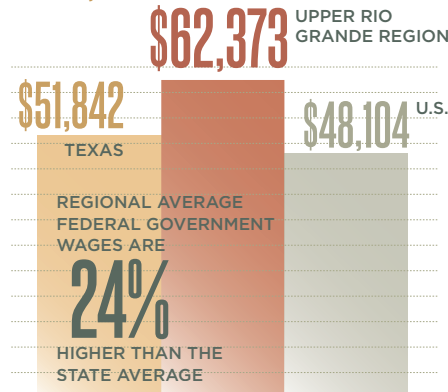
**OUTPUT**  
\$24.1 Billion

**DIRECT AND INDIRECT EMPLOYMENT**  
135,610

**GROSS DOMESTIC PRODUCT**  
\$14.2 Billion

Source: Texas Comptroller of Public Accounts

### AVERAGE FEDERAL GOVERNMENT WAGES, 2014



Source: Economic Modeling Specialists Intl.

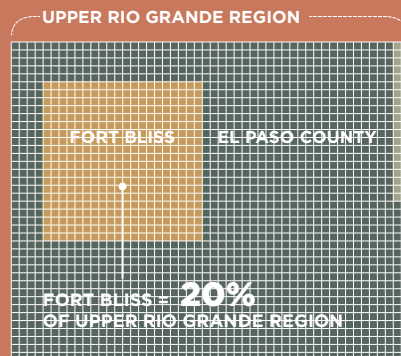
FORT BLISS COVERS MORE GROUND THAN THE STATE OF RHODE ISLAND.

Upper Rio Grande military employment more than doubled from 2004 to 2014, up by:

**17,158 JOBS**  
OR  
**141%**

Source: U.S. Census Bureau

### PEOPLE ASSOCIATED WITH FORT BLISS



Source: Fort Bliss and U.S. Census Bureau

APPROXIMATELY ONE OUT OF EVERY FIVE PEOPLE IN EL PASO COUNTY IS ASSOCIATED WITH FORT BLISS.

THEY ARE EMPLOYEES (MILITARY AND CIVILIAN), RETIREES OR FAMILY MEMBERS.



**FORT BLISS IS ONE OF 15 MAJOR TEXAS MILITARY INSTALLATIONS.** To see a complete list of these installations, plus more in-depth regional and county-by-county data, visit:

[TEXASAHEAD.ORG/ECONOMIC-DATA/MILITARY](http://TEXASAHEAD.ORG/ECONOMIC-DATA/MILITARY)

If you would like to receive paper copies of *Fiscal Notes*, contact us at [fiscal.notes@cpa.texas.gov](mailto:fiscal.notes@cpa.texas.gov)

**RETURNS ON INVESTMENT**

Transportation investment is an effective way to stimulate economic development. IHS Global estimates that every \$50 billion invested in federal highways and public transit programs generates an average of \$31 billion in personal income tax receipts and \$6 billion in federal corporate tax receipts due to increased economic activity.

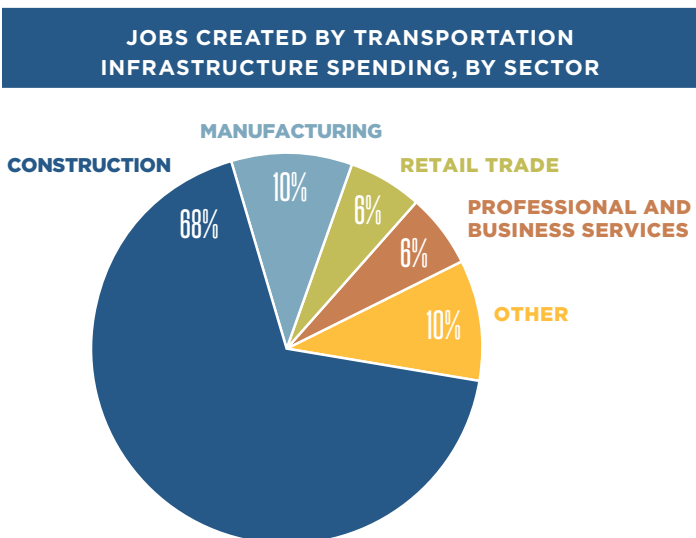
Transportation spending affects both the level and geographic distribution of economic activity. Such investments yield near-term benefits in employment; a recent White House analysis cited job creation in the construction, manufacturing, retail trade and professional and business service sectors (**Exhibit 1**).

Just as important, however, are long-term economic benefits including greater competitiveness, lower prices, higher productivity and higher incomes.

In general, transportation investment affects the economy in two ways: by increasing the demand for construction services and building materials, and by enhancing the connectivity of businesses and people.

To examine such impacts in Texas, the Comptroller’s office worked with Regional Economic Modeling, Inc. (REMI) to estimate the near- and long-term impacts of road spending between 2017 and 2040 in rural and urban Texas areas (**Exhibit 2**). The REMI team used TranSight, a dynamic transportation economic model, to examine the net efficiencies resulting from transportation spending. The exercise was based on four randomly selected counties in the Panhandle (Armstrong, Carson, Donley and Gray counties) and three in the Houston area (Fort Bend, Harris and Montgomery counties).

**EXHIBIT 1**



Source: U.S. Office of the White House, *An Economic Analysis of Transportation Infrastructure Investment*, July 2014

**EXHIBIT 2**

**ESTIMATED ECONOMIC BENEFITS OF \$25 MILLION IN TEXAS ROAD SPENDING**

Due to Reduced Costs for Transportation and Access to Goods and Services

**PANHANDLE AREA (ANNUAL GAINS)**

	MID-TERM (2020)	LONG-TERM (2040)
Employment gain (2% reduction in costs)	224	216
Additional gross state product	\$16,750,000	\$20,275,000
Employment gain (5% reduction in costs)	575	552
Additional gross state product	\$42,990,000	\$52,138,000

**HOUSTON AREA (ANNUAL GAINS)**

	MID-TERM (2020)	LONG-TERM (2040)
Employment gain (2% reduction in costs)	29,373	47,930
Additional gross state product	\$6,376,671,000	16,722,964,000
Employment gain (5% reduction in costs)	73,120	122,383
Additional gross state product	\$16,232,987,000	\$43,356,209,000

Source: Regional Economic Modeling, Inc. (REMI) and Texas Comptroller of Public Accounts

In the Panhandle area, an additional \$25 million for transportation infrastructure construction could create more than 300 jobs in 2017. By 2020, if the investment reduces the cost of transportation (including commuting as well as all other travel) and access to goods and services by just 2 percent, the project would yield 224 additional jobs in that year, lifting real gross state product (GSP) by \$16.8 million. By 2040, a continued 2 percent reduction in costs could mean an additional 216 jobs and \$20.3 million in GSP in that year.

CONTINUED ON PAGE 4



**Any further delays in transportation improvements may compromise the state’s budget and make future decisions more expensive and more painful.**

If the \$25 million spending increase resulted in a 5 percent reduction in costs, the area could see 575 additional jobs in 2020, with an increase to real GSP of \$43 million. In 2040, a continuing 5 percent cost reduction could result in another 552 jobs and \$52.1 million in GSP.

In the Houston area, by contrast, an additional \$25 million for transportation infrastructure could add nearly 400 jobs in 2017. In 2020, again assuming a 2 percent reduction in the cost of transportation and access to goods and services, the area could see 29,400 more jobs and \$6.4 billion in additional GSP. By 2040, the 2 percent reduction could mean an additional 48,000 jobs and \$16.7 billion in real GSP in that year.

If the additional spending creates additional lanes and other highway construction projects, in 2020 the Houston area might see a 5 percent reduction in costs and a resulting increase of 73,100 jobs plus \$16.2 billion in additional GSP. By 2040, the 5 percent cost reduction could result in another 122,400 jobs and \$43.4 billion in GSP.

**PAY NOW OR PAY LATER?**

While road construction costs have risen rapidly in recent years, this growth has slowed dramatically since the Great Recession ended, particularly in the all-important category of borrowing costs. As the national economy continues to recover, however, prices will rise.



Any further delays in transportation improvements may compromise the state’s budget and make future decisions more expensive and more painful.

The Texas economy relies on the speedy, reliable and cost-efficient transport of components, finished goods and raw materials to and from state, national and international markets. Advanced communications and

**HERE IN MY CAR**

According to the Census Bureau’s 2014 American Community Survey, more than 91 percent of Texans commute to work each day by personal vehicle.

Among the 10 most populous states, Texas ranks fourth in its share of workers who commute to work alone in a car, and seventh in terms of statewide average commute times (**Exhibit 3**).

**EXHIBIT 3**

**COMMUTING IN THE 10 MOST POPULOUS STATES, 2014**

STATE	SHARE OF WORKERS WHO DRIVE TO WORK ALONE	STATE	AVERAGE COMMUTE TIME (MINUTES)
OHIO	83.6	NEW YORK	31.3
MICHIGAN	82.3	ILLINOIS	27.4
NORTH CAROLINA	81.4	CALIFORNIA	26.6
<b>TEXAS</b>	<b>80.4</b>	GEORGIA	26.2
FLORIDA	79.7	PENNSYLVANIA	25.3
GEORGIA	79.6	FLORIDA	25.0
<b>U.S. AVERAGE</b>	<b>76.5</b>	<b>U.S. AVERAGE</b>	<b>24.9</b>
PENNSYLVANIA	76.4	<b>TEXAS</b>	<b>24.6</b>
CALIFORNIA	73.5	MICHIGAN	23.4
ILLINOIS	73.4	NORTH CAROLINA	22.7
NEW YORK	53.1	OHIO	22.4

Source: U.S. Census Bureau, 2014 American Community Survey

cost-cutting business innovations, such as just-in-time delivery and push-style distribution, demand ever-faster shipments.

Poor roads cost Texans money — and sometimes their lives. Extra fuel, repairs, lost time and reduced productivity all have a negative impact on the economy by affecting the competitiveness and productivity of

Texas businesses. Transportation infrastructure spending, by contrast, positively affects local and state economies by connecting businesses, customers, goods and services more efficiently, which in turn enhances business expansion as well as safety. **FN**

To learn more about Texas transportation planning and projects, see TxDOT’s Texas Transportation Plan 2040 at [bit.ly/txdotplan](http://bit.ly/txdotplan).

**A TIME TO PLAN, A TIME TO BUILD**

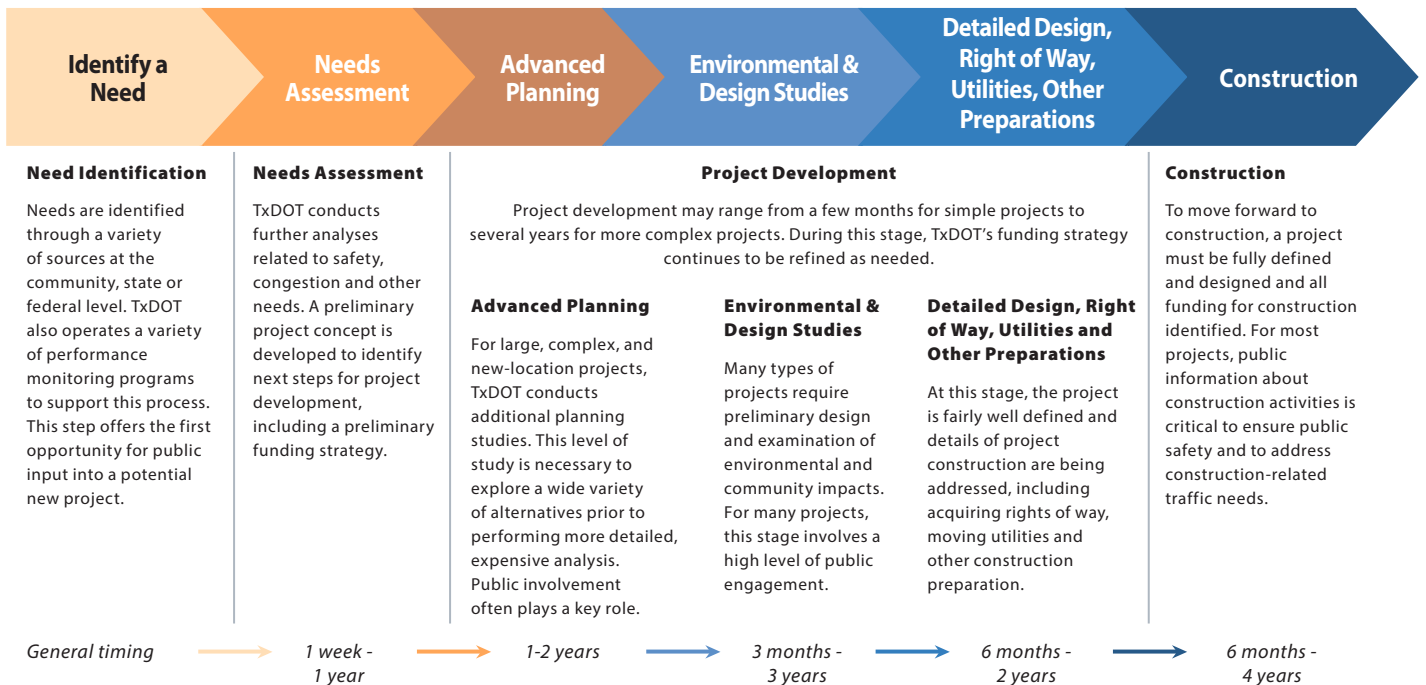
Selecting, planning and executing a transportation infrastructure project takes time. How much time depends on a number of factors including need, economic conditions, environmental issues and — most importantly — the availability of financing. The time frame from need identification to construction for any project varies but typically takes about four years (**Exhibit 4**).

In addition to individual project planning, road construction in Texas is subject to longer-range planning processes, including the Statewide Long Range Transportation Plan (24 years); the Metropolitan Transportation Plan (20 years); Unified Transportation Plan (10 years); and the Statewide Transportation Improvement Program (four years).



EXHIBIT 4

**TxDOT PROJECT SELECTION PROCESS**



Graphics and analysis courtesy of the Texas Department of Transportation.

# The Hotel Occupancy Tax

By Gerard MacCrossan and Joyce Jauer

## A SHORT HISTORY OF A COMPLEX LEVY



Photo courtesy of Galveston Island Convention and Visitor's Bureau.

When booking lodging in Texas, you're often spoiled for choice — lots of beds at lots of different prices. But however much you spend, you're also contributing to the state and local governments by paying combined hotel occupancy taxes of anywhere from 6 to 17.5 percent, depending on where you stay.

The state's HOT tax, as it's often called, has been around since 1959, when the Texas Legislature enacted a 3 percent hotel occupancy tax. Two rate hikes by lawmakers in the 1980s brought it to the present state rate of 6 percent.

In fiscal 2015, the state collected almost \$526 million in state hotel occupancy taxes (**Exhibit 1**). The state's General Revenue Fund receives nearly 92 percent of

this revenue, with the remainder allocated to a state Economic Development Account that supports the tourism advertising and marketing activities of the Texas Governor's Economic Development and Tourism office.

In the early 1970s, the Legislature authorized municipalities to collect the first local hotel occupancy taxes in Texas. In 1981, the Legislature began permitting some counties to levy their own HOT taxes; legislation in the intervening years has increased the number of eligible counties to about 70.

And in 1997, the Legislature offered hotel occupancy taxing authority as one of several revenue options to support sports and community venues, to be levied by a city, county or a partnership between the two. Houston and Harris County, for example, created the Harris County - Houston Sports Authority in 1997 to support the Houston Astros baseball stadium, now called Minute Maid Park. Today, Texas cities and some counties may establish up to a 2 percent hotel occupancy tax to support a venue, if approved by public referendum.

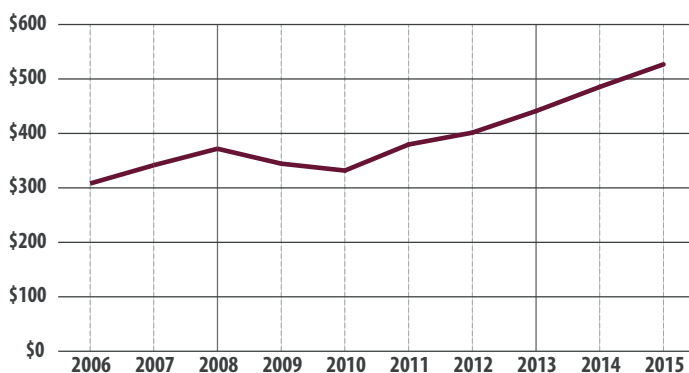
Over the years, the Legislature has authorized the return of a portion of the state HOT tax collected in six communities — Corpus Christi, Galveston, Port Aransas, Quintana, South Padre Island and Surfside Beach — to clean and maintain public beaches and shorelines within those municipalities.

In addition, various amendments to state law have permitted temporary state tax rebates to fund convention centers and related hotel facilities. The most recent was in 2015, when the Legislature amended the law to allow state tax rebates to six cities — El Paso, Frisco, Nacogdoches, Odessa, Round Rock and Tyler — to repay bond debt for a hotel project built

EXHIBIT 1

### TEXAS STATE HOTEL OCCUPANCY TAX COLLECTIONS, FISCAL 2006 - 2015

(Amounts in Millions)



Source: Texas Comptroller of Public Accounts

## HOTEL OCCUPANCY TAX STATUTES

**STATE:** Tax Code Chapter 156

**LOCAL HOT TAX:** Tax Code Chapter 351 (Municipal);  
Tax Code Chapter 352 (County)

**LOCAL SPORTS  
& COMMUNITY VENUE:** Local Government Code Chapters 334 and 335

Find the full text of these laws at [statutes.legis.state.tx.us](http://statutes.legis.state.tx.us).

within 1,000 feet of a convention facility. Ten cities were already eligible for these rebates.

The 2015 rebates weren't passed without controversy. During a boisterous debate in the 2015 legislative session, opponents criticized the Legislature's selective action in permitting HOT tax rebates for some cities but not others. Lawmakers on both sides of the issue proposed granting the rebate to many more cities — including some that weren't even considering developing a hotel convention center — to ensure their home areas weren't left out. The additional rebates didn't pass, however, and the legislators opposing them made their disapproval loud and clear.

### LOCAL HOT USES

Under Texas law, local HOT revenue can be used only to directly promote tourism and the convention/hotel industry. This means the proceeds should be spent on projects or events that result in visitors or attendees staying overnight in the community, generating more hotel occupancy tax. The Texas Municipal League

describes this as the first part of a two-part test it calls the hotel tax "two-step."

Provided the first test of directly promoting tourism and hotel activity is met, the expenditure then must fit into one of the categories authorized by statute. According to the Comptroller's Data Analysis & Transparency Division, these categories include:

- the construction, maintenance and operation of a convention or visitor center;
  - facilities and personnel for the registration of convention delegates;
  - advertising and promotional programs to attract tourists;
  - encouragement and promotion of the arts;
  - historical restoration and preservation projects;
  - advertising to encourage tourists to visit historic sites and museums;
  - signage directing the public to sights and attractions frequently visited by tourists;
  - certain transportation systems serving tourists and hotel guests;
- and, for certain cities,
- sporting events for which the majority of participants come from out of town;
  - qualifying sports facilities that routinely host regional or national tournaments; and
  - coliseums or multiuse facilities.

CONTINUED ON PAGE 8



Photo by Jason Risner, Hotel Emma, San Antonio.



Photo courtesy of Hotel Van Zandt, Austin.

## WHAT YOU PAY WHEN YOU STAY

Determining the amount you pay in hotel occupancy tax is simple for locations with state HOT tax only — with few exceptions, a room costing at least \$15 per night is subject to a 6 percent state tax anywhere in Texas. (Local hotel taxes are levied on room nights costing at least \$2.) The state and any applicable local tax is due on stays of no more than 30 consecutive days, unless the stay qualifies for another type of hotel tax exemption, such as that given to federal employees on official business.

The Legislature has authorized local HOT levies in piecemeal fashion, however, often through complex descriptions applying only to specific communities. Taxes may be due to the state and as many as three separate local jurisdictions collecting under the authority of different Tax Code and Local Government Code statutes.

In spring 2016, for instance, the authors priced a \$188 room for a single midweek night in downtown Austin, a few blocks from the state Capitol. Hotel occupancy taxes of about \$28 were tacked onto the bill, including 6 percent to the state, 7 percent to the city of Austin and another 2 percent supporting the Austin Convention Center.

**The Legislature has authorized local HOT levies in piecemeal fashion, often through complex descriptions applying only to specific communities.**

## MAXIMUM HOT RATES

Texas law for *county* hotel tax rates (Texas Tax Code 352) has been amended 29 times. Current law sets the cap for county HOTs at between 0.75 percent and 9 percent, depending on factors such as the county's population, the population of cities within its borders and geographical features such as proximity to Mexico, the Gulf of Mexico, the Neches River or a national park.

The statute governing the maximum *city* hotel tax rate (Texas Tax Code 351) has been amended 11 times, and currently caps the tax at 7 percent, 8.5 percent or 9 percent, depending on factors such as the city's population and its proximity to the Gulf of Mexico, the state of Louisiana, Lake Palestine or a coastal barrier island.

The maximum tax rate for cities and counties levying a tax for *sports and community venues* (Texas Local Government Code 334, 335) is 2 percent (or 3 percent for Dallas County only).

In 2013, the Legislature established a maximum cap of 17 percent for all state and local HOT taxes. El Paso's local taxes, however, were put in place before the Legislature established the combined cap; its city and venue taxes total 9 percent combined, on top of a 2.5 percent county tax and the 6 percent state tax, for a total of 17.5 percent.



## COMPTROLLER'S LOCAL HOT SURVEY

Unfortunately, again due to the piecemeal implementation of hotel occupancy taxes across Texas, there is no comprehensive list of local rates, or even of jurisdictions levying the tax. In fact, not every county is permitted by law to levy the tax. To determine the local rate at any location, the most practical course may be to check with the establishment where you plan to stay.

At present, it appears that about a third of eligible Texas cities, counties and special-purpose districts levy and collect local HOT taxes. To learn more, in early 2016 the Comptroller's office surveyed a number of Texas local governments on their use of hotel taxes. (See the survey results in detail at [comptroller.texas.gov/hoteltax/](http://comptroller.texas.gov/hoteltax/).)

Of 1,314 cities and 254 counties in Texas, 358 cities and 57 counties responded to the Comptroller survey (27.2 percent and 22.4 percent, respectively).

Among the survey participants, 61 percent of cities and 28 percent of counties levy a hotel occupancy tax. In their most recent fiscal year, survey respondents reported these entities collected a combined \$135.9 million. Many of the largest cities and counties did not submit data for the survey, however, so it's fair to assume that local HOT taxes bring in significantly more.

Of the 358 Texas cities responding to the Comptroller survey, 217 levy hotel tax (**Exhibit 2**) and collected \$126.3 million in their most recent fiscal year. Most of the responding cities (84 percent) collect the maximum allowable tax rate of 7 percent or, in three cases, 9 percent.

EXHIBIT 2

COMPTROLLER SURVEY: TEXAS MUNICIPAL HOTEL OCCUPANCY TAXATION	
TAX RATE	NUMBER OF RESPONDING CITIES
9%	3
8	0
7	183
6	10
5	7
4	11
3	2
2	1
1	0
NO TAX	141

Note: 358 cities responded to the survey.  
Source: Texas Comptroller of Public Accounts

Just 16 of 57 counties responding to the survey levy the hotel tax, collecting \$9.7 million in their most recent fiscal year (**Exhibit 3**). In many cases, the 17 percent cap placed on combined HOT levies prevents counties from collecting the maximum statutory tax rate because of overlapping boundaries with cities. Half of the responding counties levying the tax collect 2 percent.

Other findings include:

- among survey respondents, 39 percent of HOT revenue is allocated to advertising and promotion; 3 percent for historical preservation; 5 percent for arts and heritage purposes; and 21 percent for other purposes, including the operation of visitor centers and event facilities.
- Four entities responding to the survey — Brazos County and the cities of Arlington, El Paso and McAllen — collect both a city or county HOT tax and a separate HOT tax for sports and community venues.
- More than half of survey respondents that collect the tax — 124 cities and eight counties — collect between \$10,000 and \$500,000 annually from hotel taxes; the median for all respondents was \$104,256.

EXHIBIT 3

COMPTROLLER SURVEY: TEXAS COUNTY HOTEL OCCUPANCY TAXATION	
TAX RATE	NUMBER OF RESPONDING COUNTIES
9%	1
8	0
7	3
6	0
5	0
4	3
3	0
2.5	1
2	8
1	0
NO TAX	41

Note: 57 counties responded to the survey.  
Source: Texas Comptroller of Public Accounts

## LOCAL TAXES FOR LOCAL NEEDS

The complexity of hotel occupancy taxation reflects its development over time to suit specific community needs. That's why the hotel tax on your bill for a weekend trip to Padre Island, a college football game in El Paso or a rodeo in Bandera can be vastly different.

CONTINUED ON PAGE 10

Photo courtesy of South Congress Hotel, Austin.



## Many communities whose economies were buoyed by high oil prices just a few years ago have seen a marked decline in HOT revenue.

Local governments levying the 9 percent tax rate — the highest available by law — mostly use it to support more than one venue or project, or to maintain public land on the Gulf of Mexico. Four jurisdictions participating in the survey collect the tax at 9 percent:

- the city of *Fort Worth* collects a 9 percent HOT tax. Seven percent is used for operations including the Fort Worth Convention Center, the Fort Worth Convention and Visitors Bureau and the Will Rogers Memorial Center, while an additional 2 percent levied since 1997 is used to support debt service on bonds used to expand and improve the convention center.
- the city of *Groesbeck* adopted a 9 percent tax in 2009, which includes a 2 percent venue tax for a civic center.
- in 2003, the city of *Jamaica Beach* on Galveston Island increased its 7 percent hotel occupancy tax to 9 percent, and expanded a narrower 1998 ordinance to allow all uses of the funds permitted under state law, including beach tourism, construction and operation of a community pool and a potential project to build a recreation center.
- *Willacy County*, which includes a section of Padre Island, collects 9 percent to cover the cost of beach maintenance; the rate was increased by 1 percent every two years from an initial 4 percent levy in 2005.

### AROUND THE STATE

*Brazos County* collects a 2 percent venue tax for its Brazos Valley Fair and Exposition complex, and in 2013 introduced an additional 0.75 percent tax to contribute to the renovation of Texas A&M University's Kyle Field. Although these rates are relatively low, Brazos County

had the second-highest HOT revenue among the Comptroller's survey respondents (\$2.6 million in fiscal 2015) after El Paso County (\$3.6 million), probably due to the high number of visitors to Texas A&M.

The city of *El Paso* collects the municipal hotel occupancy tax at 7 percent to support an auditorium and convention center, and in 2012 introduced an additional 2 percent levy via a venue district hotel tax for a multipurpose sports stadium. Combined city HOT taxes totaled \$13.1 million in fiscal 2015.

*Reeves County* has a particularly complex history with venue-related HOT levies. In 2005, Reeves County and the city of Pecos formed a special district to levy the tax. Legislation approved in 2011 led to the dissolution of this district and the transfer of its revenues to a new county-controlled fund to collect a 2 percent venue tax. These funds may be used for the community center and rodeo, purposes cited in the election language that created the special district. Broader uses intended for the venue tax, such as advertising and promotion of the arts and heritage, are supported by Pecos' 7 percent city HOT tax.

### HOT REVENUE IN THE OIL BUST

Many communities whose economies were buoyed by high oil prices just a few years ago have seen a marked decline in HOT revenue, as lower oil prices spur producers and service companies to cut back on staffing and related spending. Once-bustling hotels in the oil patch now have empty rooms and are cutting prices to compete for what trade is left.

In the Eagle Ford Shale region, for example, the city of Kenedy has seen its HOT revenue plummet from \$257,000 in the first quarter of fiscal 2014 to less than \$123,000 in the same quarter of 2016. Such steep declines are commonplace across South Texas oilfield cities and counties.

It's a similar story in the Permian Basin. For example, Brownfield's local HOT revenues have been declining steadily since oil prices began falling in summer 2014. Collections exceeded \$65,000 in the third quarter of 2014, but fell to just \$31,000 in the first quarter of 2016.

### WHAT'S NEXT FOR LOCAL HOTEL TAXATION?

If history is a guide, the 2017 Legislature probably will see bills filed on behalf of communities seeking authority to levy a hotel tax, or to expand their spending authority to convention facilities or hotels to serve them.

One thing that's *unlikely* to happen is a streamlined, one-size-fits-all approach to clean up the complex HOT statutes. That might take a session in itself. **FN**

Find out more about Texas state and local hotel occupancy tax statutes at [comptroller.texas.gov/taxinfo/hotel](http://comptroller.texas.gov/taxinfo/hotel).

# State Revenue Watch

This table presents data on net state revenue collections by source. It includes most recent monthly collections, year-to-date (YTD) totals for the current fiscal year and a comparison of current YTD totals with those in the equivalent period of the previous fiscal year.

These numbers were current at press time. For the most current data as well as downloadable files, visit [TexasTransparency.org](http://TexasTransparency.org).

Note: Texas' fiscal year begins on Sept. 1 and ends on Aug. 31.

## NET STATE REVENUE — All Funds Excluding Trust

(AMOUNTS IN THOUSANDS)

### Monthly and Year-to-Date Collections: Percent Change From Previous Year

Tax Collections by Major Tax	MAY 2016	YEAR TO DATE: TOTAL	YEAR TO DATE: CHANGE FROM PREVIOUS YEAR
<b>SALES TAX</b>	\$2,406,256	\$21,159,948	-2.51%
PERCENT CHANGE FROM MAY 2015	-7.08%		
<b>MOTOR VEHICLE SALES AND RENTAL TAXES</b>	383,698	3,328,427	2.25%
PERCENT CHANGE FROM MAY 2015	61.00%		
<b>MOTOR FUEL TAXES</b>	287,118	2,614,483	1.79%
PERCENT CHANGE FROM MAY 2015	-0.86%		
<b>FRANCHISE TAX</b>	3,493,050	3,733,340	-15.80%
PERCENT CHANGE FROM MAY 2015	-19.24%		
<b>INSURANCE TAXES</b>	25,017	1,346,469	8.47%
PERCENT CHANGE FROM MAY 2015	12.90%		
<b>NATURAL GAS PRODUCTION TAX</b>	10,134	423,855	-58.53%
PERCENT CHANGE FROM MAY 2015	-84.58%		
<b>CIGARETTE AND TOBACCO TAXES</b>	134,925	1,027,106	-5.12%
PERCENT CHANGE FROM MAY 2015	10.90%		
<b>ALCOHOLIC BEVERAGES TAXES</b>	123,800	880,453	4.51%
PERCENT CHANGE FROM MAY 2015	28.57%		
<b>OIL PRODUCTION AND REGULATION TAXES</b>	138,255	1,240,986	-44.36%
PERCENT CHANGE FROM MAY 2015	-33.16%		
<b>UTILITY TAXES<sup>1</sup></b>	62,959	300,051	-10.37%
PERCENT CHANGE FROM MAY 2015	586.52%		
<b>HOTEL OCCUPANCY TAX</b>	52,678	384,510	0.87%
PERCENT CHANGE FROM MAY 2015	15.82%		
<b>OTHER TAXES<sup>2</sup></b>	59,297	\$152,255	-30.16%
PERCENT CHANGE FROM MAY 2015	173.44%		
<b>TOTAL TAX COLLECTIONS</b>	<b>\$7,177,186</b>	<b>\$36,591,884</b>	<b>-6.92%</b>
PERCENT CHANGE FROM MAY 2015	<b>-10.60%</b>		
Revenue By Source	MAY 2016	YEAR TO DATE: TOTAL	YEAR TO DATE: CHANGE FROM PREVIOUS YEAR
<b>TOTAL TAX COLLECTIONS</b>	\$7,177,186	\$36,591,884	-6.92%
PERCENT CHANGE FROM MAY 2015	-10.60%		
<b>FEDERAL INCOME</b>	3,195,436	30,255,496	12.32%
PERCENT CHANGE FROM MAY 2015	-2.59%		
<b>LICENSES, FEES, FINES AND PENALTIES</b>	848,439	9,081,466	30.34%
PERCENT CHANGE FROM MAY 2015	-4.83%		
<b>INTEREST AND INVESTMENT INCOME</b>	265,883	841,710	-3.77%
PERCENT CHANGE FROM MAY 2015	11.47%		
<b>NET LOTTERY PROCEEDS<sup>3</sup></b>	164,549	1,673,273	16.20%
PERCENT CHANGE FROM MAY 2015	9.66%		
<b>SALES OF GOODS AND SERVICES</b>	18,150	215,809	-32.20%
PERCENT CHANGE FROM MAY 2015	-3.64%		
<b>SETTLEMENTS OF CLAIMS</b>	4,877	583,197	10.81%
PERCENT CHANGE FROM MAY 2015	178.07%		
<b>LAND INCOME</b>	68,365	738,996	-38.76%
PERCENT CHANGE FROM MAY 2015	-21.99%		
<b>CONTRIBUTIONS TO EMPLOYEE BENEFITS</b>	5	41	-6.85%
PERCENT CHANGE FROM MAY 2015	11.24%		
<b>OTHER REVENUE</b>	383,246	3,860,893	5.99%
PERCENT CHANGE FROM MAY 2015	3.58%		
<b>TOTAL NET REVENUE</b>	<b>\$12,126,135</b>	<b>\$83,842,765</b>	<b>3.22%</b>
PERCENT CHANGE FROM MAY 2015	-7.2%		

<sup>1</sup> Includes public utility gross receipts assessment, gas, electric and water utility taxes and gas utility pipeline tax.

<sup>2</sup> Includes the cement and sulphur taxes and other occupation and gross receipts taxes not separately identified.

<sup>3</sup> Gross sales less retailer commissions and the smaller prizes paid by retailers.

Note: Totals may not add due to rounding.



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