

## HOT Funds Legislative Initiative White Paper

Parks and Recreation has requested the City of Denton seek introduction and passage of legislation that would amend Tax Code Sec. 351.101 (a)7 by adding the City of Denton to the list of municipalities authorized to utilize Hotel Occupancy Tax (HOT) funds for enhancement and upgrading of city-owned and existing sports facilities or fields, which provide significant economic benefit to the community. Specifically, the purpose of HOT funds is to “promote tourism and the convention and hotel industry.” The athletic tournaments hosted by the City of Denton Parks and Recreation Department generate revenue for the City’s General Fund, the Recreation Fund, and co-sponsored associations. More importantly, however, the tournaments to-date in 2016 alone provided an estimated economic impact to local businesses, such as hotels, restaurants, and retailers, of more than \$1 million. In addition, the tournaments have generated more than 800 room nights for Denton hotels and brought in an estimated 28,083 spectators. The economic impact estimates are vetted through the Convention and Visitor’s Bureau.

For calendar year 2017 the number of available tournament weekends has been reduced from 30 to 13 due to a lack of Park Maintenance personnel that is needed to maintain fields for tournaments and the overall cost of maintaining the fields. Additional tournament staff was requested for the 2016-2017 Budget, but funding was not approved. The proposed legislative initiative would allow the City Council an innovative funding mechanism to allocate existing HOT funds to the maintenance of Parks and Recreation existing sports facilities or fields in order to continue hosting, at previous levels, the athletic tournaments that have supported the local tourism industry and had such a positive economic impact on the community. If the legislation passes, it will provide the City Council the statutory authority to allocate HOT funds to the maintenance of existing City-owned sports facilities or fields for the specific purpose of hosting athletic tournaments should they so choose.

There is a precedent of municipalities gaining statutory authority to access HOT funds for the purposes stated herein. The statute, Tax Code Sec. 351.101 (a)7, was last amended in the 84<sup>th</sup> Legislature to include the City of San Marcos ((*x*) *has a population of at least 40,000 and the San Marcos River flows through the municipality;*) by House Bill 3615 (Isaac). There were other inclusions, but this is the most relevant to Denton’s current interests. It was referred to the House Ways and Means Committee, recommended for the Local and Consent Calendar, and passed on Local 144/0. The bill was sent to the Senate Committee on Natural Resources and Economic Development, then placed on Local/Uncontested Calendar as substituted 31/0. The bill was sent to the Governor’s office following a contentious conference committee and final passage by the House (118/20) and Senate (29/2). The statute was also amended by HB 3772, but this amendment is less relevant for our purposes than HB 3615.

*Current statutory authority extends only to baseball, softball, soccer, and flag football sports facilities or fields. There may be an interest in expanding the statute to expand this scope to include football, tennis, rugby, and lacrosse. This would allow greater flexibility in the types of tournaments the City continues to host while keeping up with the attendant maintenance needs.*

Intergovernmental Relations staff would, if directed by the City Council as part of the legislative program, seek introduction and passage of legislation for the 85<sup>th</sup> Legislative Session. This would include approaching a member of the Denton County delegation and requesting he/she sponsor a proposed bill, attending and testifying in support of the legislation at a committee hearing to which it could be referred, and educating other members of our delegation, relevant committee members, and other legislators and stakeholders so they are aware of and supportive of the proposed bill. The intent would be to have the legislation go on the local and consent calendars as a “bracketed bill”, such that it would not impact other communities and only has a local impact.