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COMMITTEE REPORT

March 11, 2009

**S. 304**

Introduced by Senators Leatherman, Alexander, Land, Campsen and Grooms

S. Printed 3/11/09--S. [SEC 3/12/09 1:58 PM]

Read the first time January 27, 2009.

**THE COMMITTEE ON FINANCE**

To whom was referred a Bill (S. 304) to amend Section 6‑1‑760 of the 1976 Code, relating to revenue bonds, to provide that the proceeds of local accommodations fees, hospitality fees, etc., respectfully

**REPORT:**

That they have duly and carefully considered the same and recommend that the same do pass:

HUGH K. LEATHERMAN, SR. for Committee.

**STATEMENT OF ESTIMATED FISCAL IMPACT**

**REVENUE IMPACT 1/**

This bill is not expected to impact state general fund revenue in FY2009-10.

## Explanation

This bill would amend Section 6-1-760 to allow a county or municipality to pledge revenue generated from the local accommodations tax, the local hospitality tax, and the local share of the state accommodations tax as security for issuing bonds and to use the proceeds from these revenue sources to retire outstanding bonds. Currently, pursuant to Article X, Section 14(10) of the State Constitution (Revenue Bond Act), counties and municipalities may pledge local accommodations fees as security for bonds issued for tourism-related purposes described in Section 6-1-530. This bill would amend Section 6-1-760 to extend the authorization of any county or municipality to issue bonds for tourism-related purposes described in Section 6-1-530 to the proceeds from local hospitality fees and state accommodations fees. This bill would also amend Section 6-4-10(3) to allocate 30% of state accommodations fees to a special fund used only for advertising and promotion of tourism to ensure that these fees may not be used to pledge as security for bonds and to retire bonds. According to the Department of Revenue, revenue from the two-cent state accommodations fee amounted to $45,462,639 in FY2007-08. The Office of Research and Statistics reports in the “Local Government Finance Report” that counties and municipalities collected $43,014,371 from the local accommodations tax and $127,097,606 from the local hospitality tax in FY2006-07. After allocating 30% of the state accommodations tax, or $31,823,847, to a special fund to promote tourism, this bill would allow counties and municipalities to pledge $201,935,824 as security against the issuance of bonds to fund local tourism-related projects in their communities. Because this bill would allow local authorities to decide how to allocate locally-generated tax revenue, it is not expected to impact state general fund revenue in FY2009-10.

*Approved By:*

William C. Gillespie

Board of Economic Advisors

1/ This statement meets the requirement of Section 2-7-71 for a state revenue impact by the BEA, or Section 2-7-76 for a local revenue impact or Section 6-1-85(B) for an estimate of the shift in local property tax incidence by the Office of Economic Research.

**A** **BILL**

TO AMEND SECTION 6‑1‑760 OF THE 1976 CODE, RELATING TO REVENUE BONDS, TO PROVIDE THAT THE PROCEEDS OF LOCAL ACCOMMODATIONS FEES, HOSPITALITY FEES, AND STATE ACCOMMODATIONS FEES MAY BE PLEDGED AS SECURITY, AND TO AMEND SECTION 6‑4‑10, RELATING TO STATE ACCOMMODATIONS FEES, TO PROVIDE THAT FEES ALLOCATED FOR ADVERTISING AND PROMOTING TOURISM MAY NOT BE PLEDGED AS SECURITY.

Be it enacted by the General Assembly of the State of South Carolina:

SECTION 1. Section 6‑1‑760 of the 1976 Code is amended to read:

“Section 6‑1‑760. Notwithstanding any provision of this article, any ordinance enacted by county or municipality prior to March 15, 1997, imposing an accommodations fee which does not exceed the three percent maximum cumulative rate prescribed in Section 6‑1‑540, is calculated upon a base consistent with Section 6‑1‑510(1), and the revenue from which is used for the purposes enumerated in Section 6‑1‑530, remains authorized and effective after the effective date of this section. ~~and the enacting~~ Any county or municipality is authorized to issue bonds, pursuant to Article X, Section 14(10) of the Constitution of this State, utilizing the procedures of Section 4‑29‑68, Section 6‑17‑10, et seq., or Section 6‑21‑10, et seq., for the purposes enumerated in Section 6‑1‑530, to pledge as security for such bonds and to retire such ~~debt using~~ bonds with the proceeds of ~~such an accommodations fee ordinance~~ accommodations fees imposed under Article 5 of this chapter, hospitality fees imposed under this chapter, state accommodations fees allocated pursuant to Section 6‑4‑10(1), (2), and (4), or any combination thereof, and the pledge of such other non‑tax revenues as may be available for those purposes. Fees allocated pursuant to Section 6‑4‑10(3) must be allocated to a special fund and used only for advertising and promotion of tourism to develop and increase tourist attendance through the generation of publicity, and not used to pledge as security for bonds and to retire bonds.”

SECTION 2. Section 6‑4‑10(3) of the 1976 Code is amended to read:

“(3) Thirty percent of the balance must be allocated to a special fund and used only for advertising and promotion of tourism to develop and increase tourist attendance through the generation of publicity. To manage and direct the expenditure of these tourism promotion funds, the municipality or county shall select one or more organizations, such as a chamber of commerce, visitor and convention bureau, or regional tourism commission, which has an existing, ongoing tourist promotion program. If no organization exists, the municipality or county shall create an organization with the same membership standard in Section 6‑4‑25. To be eligible for selection the organization must be organized as a nonprofit organization and shall demonstrate to the municipality or county that it has an existing, ongoing tourism promotion program or that it can develop an effective tourism promotion program. Immediately upon an allocation to the special fund, a municipality or county shall distribute the tourism promotion funds to the organizations selected or created to receive them. Before the beginning of each fiscal year, an organization receiving funds from the accommodations tax from a municipality or county shall submit for approval a budget of planned expenditures. At the end of each fiscal year, an organization receiving funds shall render an accounting of the expenditure to the municipality or county which distributed them. Fees allocated pursuant to this subsection must not be used to pledge as security for bonds and to retire bonds.”

SECTION 3. This act takes effect upon approval by the Governor.

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