

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

April 13, 2015

TO: Honorable Dennis Bonnen, Chair, House Committee on Ways & Means

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB3113** by Gonzales, Larry (Relating to the authority of certain municipalities to pledge revenue from the municipal hotel occupancy tax for the payment of obligations related to hotel projects.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB3113, As Introduced: an impact of \$0 through the biennium ending August 31, 2017.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2016	\$0
2017	\$0
2018	(\$335,000)
2019	(\$670,000)
2020	(\$1,370,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from <i>General Revenue Fund</i> 1
2016	\$0
2017	\$0
2018	(\$335,000)
2019	(\$670,000)
2020	(\$1,370,000)

Fiscal Analysis

The bill would amend Section 351.102 of the Tax Code which authorizes a municipality to pledge municipal hotel occupancy tax revenue to repay bond debt related to hotel projects.

The bill would amend Subsection (b) to extend its application to 1) a municipality with a population of 173,000 that is located in more than two counties, 2) a municipality with a population of 96,000 or more that is located in a county that borders Lake Palestine, and 3) a

municipality with population of 96,000 or more that is located in a county that contains the headwaters of the San Gabriel River.

The bill would amend the subsection to provide that a hotel project must be located on land owned or that will be owned by the municipality, and to expand the facilities ancillary to the hotel for which hotel tax revenue may be pledged to include meeting spaces, public spaces including open public spaces used for connectivity, plazas, and street and water and sewer infrastructure.

The bill would take effect immediately, assuming that it received the requisite two-thirds majority votes in both houses. Otherwise, it would take effect September 1, 2015.

Methodology

The City of Tyler has acquired land and begun planning for a convention center and hotel that would be a qualified hotel project; the planned hotel would include 250 rooms and is not expected to be completed and operational before November, 2017 at the earliest. Consequently, the municipality would not be expected to be entitled to receive state hotel tax and state sales tax revenue under Section 151.429(h), Tax Code, until sometime in fiscal year 2018.

The City of Round Rock does not currently own land suitable for a qualified hotel project and is not yet in active planning for one. Consequently that municipality would not be expected to be entitled to receive state hotel tax and state sales tax revenue before fiscal 2020.

In fiscal 2014, a total of \$11,308,406 in state tax revenue was allocated for qualified hotel projects. Currently the cities of Dallas, Fort Worth, and San Antonio receive allocations of state sales and use tax and state hotel tax associated with qualified hotel projects.

This estimate is based on the planned or an average room size for the prospective convention center hotels, an assumed average nightly room rate and annual average occupancy rate, an incremental gain in room nights sold in the state, and the ratio of state sales tax to state hotel tax revenues paid to the owners of the extant qualified hotel projects.

Local Government Impact

The cities of Tyler and Round Rock would be entitled to state sales tax and state hotel tax associated with a qualified hotel project under Section 151.429(h) of the Tax Code via Section 351.102(b) and (c) of the Tax Code. Such funds must be deposited in a suspense account outside the state treasury to be paid to the owner of the qualified hotel project.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: UP, KK, SD, AG