

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 85TH LEGISLATIVE REGULAR SESSION

May 5, 2017

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

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: HB2538 by Raymond (relating to the use of certain tax revenue by certain municipalities and the authority of those municipalities to pledge that revenue for the payment of obligations related to hotel and convention center projects.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2538, Committee Report 1st House, Substituted: a negative impact of (\$801,000) through the biennium ending August 31, 2019.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2018	(\$368,000)
2019	(\$433,000)
2020	(\$491,000)
2021	(\$534,000)
2022	(\$689,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue (Loss) from <i>General Revenue Fund</i> 1
2018	(\$368,000)
2019	(\$433,000)
2020	(\$491,000)
2021	(\$534,000)
2022	(\$689,000)

Fiscal Analysis

The bill would amend Chapter 351 of the Tax Code regarding the municipal hotel occupancy tax and other taxes.

The bill would amend Section 351.1015 of the Tax Code regarding certain qualified projects to

allow a municipality that is described by new Section 351.102(c-1) to use certain tax revenue to fund a qualified project.

The bill would add Section 351.102 (c-1) to allow a municipality that is the county seat of a county that borders the United Mexican States, has a population of less than 300,000, contains one or more municipalities with a population of 200,000 or more, and that holds an annual jalapeno festival to receive all funds from a hotel and convention center project that the owner of a project could receive under Section 151.429(h) of the Tax Code or Section 2303.5055 of the Government Code (qualified hotel projects) if a project included a hotel and convention center project. For purposes of this subsection, "hotel and convention center project" means a project that is an existing hotel owned by the municipality or another person and a convention center facility to be acquired, constructed, equipped, or leased, that will be located within 1,000 feet of the hotel, and that will be owned by or located on land owned by the municipality.

The bill would take effect immediately upon enactment, assuming it received the requisite two-thirds majority votes in both houses of the Legislature. Otherwise, it would take effect September 1, 2017.

Methodology

Under Section 351.1015, the City of Laredo would have authority to receive incremental state hotel occupancy tax revenues, state sales tax revenues, and mixed beverage tax revenues from hotels within a three mile radius of their convention center and/or other statutory designated city facilities. The incremental tax revenue would be the additional state hotel occupancy tax revenues, state sales tax revenues, and mixed beverage tax revenues at certain hotels that exceed a base amount. The base amount would be the amount of those revenues collected from hotels within a three-mile radius of the project during the year the project zone is designated. All such revenue in excess of the base amount would be payable to the project in each year for a period of up to 30 years.

Under Section 351.102, the City of Laredo or hotel project owner would receive rebates of all state hotel tax and state sales tax collected by the hotel. As the bill provides for qualification of an existing hotel as the hotel to be part of a hotel and convention center project and that the convention center may need not be yet built, the project could be designated and eligible to receive rebates of state tax as soon as the bill is effective, assumed to be September 1, 2017 for purposes of the estimates below.

The estimates below are based on sales and hotel tax data for the La Posada Hotel, which has been identified by the City of Laredo as the existing hotel intended for the project, and on sales, franchise, and mixed beverage tax data for all the hotels within a 3 mile distance of the La Posada Hotel. For purposes of estimates of the incremental revenues due the project under Sec. 351.1015, it is assumed that calendar year 2018 would be the base year, with increments payable to the project commencing 2019 and continuing for a period of up to 30 years.

Local Government Impact

The City of Laredo would have authority to receive incremental state hotel occupancy tax revenues, state sales tax revenues, and mixed beverage tax revenues from hotels within a three mile radius of their convention center and/or other statutory designated city facilities.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: UP, KK, SD