

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION

April 9, 2019

TO: Honorable Dustin Burrows, Chair, House Committee on Ways & Means

FROM: John McGeady, Assistant Director Sarah Keyton, Assistant Director
Legislative Budget Board

IN RE: HB2407 by Krause (Relating to the authority of a municipality to pledge certain tax revenue for the payment of obligations related to hotel projects.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2407, As Introduced: an impact of \$0 through the biennium ending August 31, 2021.

However, there would be a negative impact of (\$3,473,000) through the biennium ending August 31, 2023.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2020	\$0
2021	\$0
2022	\$0
2023	(\$3,473,000)
2024	(\$5,340,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from General Revenue Fund 1
2020	\$0
2021	\$0
2022	\$0
2023	(\$3,473,000)
2024	(\$5,340,000)

Fiscal Analysis

The bill would amend Chapter 351 of the Tax Code relating to the authority of a municipality to pledge certain tax revenue for the payment of obligations related to qualified hotel projects.

The bill would add Section 351.102(c-2) to allow a municipality that is an eligible central municipality under Section 351.001(7)A) with a population of less than 400,000 and in which two professional sports stadiums are located, each with a seating capacity of at least 40,000 people, to use certain tax revenue to fund a qualified hotel project.

The municipality would be eligible to receive all funds from a hotel project that an owner of a project may receive under Section 151.429(h), Tax Code or Section 2303.5055 of the Government Code, and all the tax revenue collected under Chapter 183 by or from all permit holders at the hotel project, excluding revenue disbursed by the Comptroller under Section 183.051(b). The municipality could pledge those funds for the payment of bonds or other obligations issued or incurred to acquire, lease, construct, improve, enlarge, and equip the hotel project, and would be entitled to receive funds for a period of 30 years beginning on the date the hotel project is open for initial occupancy.

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, 2019.

Methodology

The bill would authorize the City of Arlington to establish a qualified hotel project which would be entitled to receive a rebate of 100 percent of state sales tax, state hotel tax, and mixed beverage taxes paid or collected by the hotel, businesses or permit holders located in the hotel project. The entitlement to state tax revenue would be for a period of thirty years after the qualified hotel is open for initial occupancy. Such funds must be deposited in a suspense account outside the state treasury to be paid to the owner of a qualified hotel project.

Currently, the City of Arlington is considering plans for the construction of an 880 room hotel as a qualified hotel project, but has not yet committed to development. However, this estimate assumes that the city would act on the authorization provided by the bill, and that given time required for planning and construction, a project eligible for rebates of state tax revenue would be undertaken but not be operational before fiscal 2023.

This estimate is based on the planned room size of the prospective hotel, average nightly room rate and annual average occupancy rate as indicated in the City of Arlington's consultant study for the project, the ratio of state sales tax to hotel tax revenues paid to the owners of the extant qualified hotel projects, and the ratio of state mixed beverage tax to state sales tax paid to the owners of the one extant project that receives state mixed beverage tax revenue. The entitlement to state tax revenue would be for a period of 30 years after the hotel is open for initial occupancy.

In fiscal 2018, a total of \$17,676,000 in state tax revenue was allocated for qualified hotel projects in the cities of Amarillo, Dallas, Fort Worth, Houston, Nacogdoches, and San Antonio.

Local Government Impact

The bill would authorize the City of Arlington to establish a qualified hotel project which would be entitled to receive a rebate of 100 percent of state sales tax, state hotel tax, and mixed beverage taxes paid or collected by the hotel, businesses or permit holders located in the hotel project.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: WP, KK

