

**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: HB2788** by Paul (Relating to the use of hotel occupancy tax revenue by certain municipalities, including the authority to pledge certain revenue for the payment of obligations related to hotel projects.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB2788, As Introduced: a negative impact of (\$180,000) through the biennium ending August 31, 2021.

**However, there would be a negative impact of (\$2,210,000) through the biennium ending August 31, 2023.**

**General Revenue-Related Funds, Five-Year Impact:**

<b>Fiscal Year</b>	<b>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</b>
2020	\$0
2021	(\$180,000)
2022	(\$1,080,000)
2023	(\$1,130,000)
2024	(\$1,170,000)

**All Funds, Five-Year Impact:**

<b>Fiscal Year</b>	<b>Probable Revenue (Loss) from General Revenue Fund</b>
2020	\$0
2021	(\$180,000)
2022	(\$1,080,000)
2023	(\$1,130,000)
2024	(\$1,170,000)

## **Fiscal Analysis**

The bill would amend Section 351.102 of the Tax Code regarding the pledge of municipal hotel tax revenue to certain bonds and entitlement of certain municipalities to state tax revenue associated with certain hotel projects.

The bill would amend Subsection (e) to extend the application of the Section to a municipality with a population of more than 10,000 that is wholly located in a county with a population of four million or more and has a city hall located less than three miles from a space center operated by an agency of the federal government.

The bill would also amend Subsection (g) to require a municipality to enter into an agreement with a person for the development of the hotel project before September 1, 2021.

The bill would take effect immediately upon enactment, assuming that it received the requisite two-thirds majority votes in both houses of the Legislature. Otherwise it would take effect September 1, 2019.

## **Methodology**

The City of Webster currently has plans for a 400 room hotel expected to be operational in June 2021. The city 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 Sections 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 a qualified hotel project.

This estimate is based on the planned room size of the prospective hotel, 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 hotel tax revenues paid to the owners of the extant qualified hotel projects.

In fiscal year 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 City of Webster would be entitled to state sales tax and state hotel tax associated with a qualified hotel project.

**Source Agencies:** 304 Comptroller of Public Accounts

**LBB Staff:** WP, SZ, SD, KK