

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: HB3036 by Biedermann (Relating to the authority of certain municipalities 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 HB3036, As Introduced: a negative impact of (\$160,000) through the biennium ending August 31, 2021.

However, there would be a negative impact of (\$1,000,000) 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	(\$160,000)
2022	(\$490,000)
2023	(\$510,000)
2024	(\$530,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from General Revenue Fund 1
2020	\$0
2021	(\$160,000)
2022	(\$490,000)
2023	(\$510,000)
2024	(\$530,000)

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 that is the county seat of a county through which the Pedernales River flows and in which the birthplace of a president of the United States is located.

The bill would add Subsection (f-1) to allow a municipality described by Subsection (e)(13) to pledge municipal hotel tax revenue from a hotel project that is not owned by the municipality or located on land owned by the municipality, and to provide entitlement to state tax revenue under Section 151.429(h).

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 Fredericksburg currently has plans for a 161 room hotel expected to be operational in April 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. Such funds must be deposited in a suspense account outside the state treasury to be paid to the owner of a qualified hotel project. The entitlement to state tax revenue would be for a period of ten years after the hotel is open for initial occupancy.

This estimate is based on the planned room size of the prospective hotel, an assumed average nightly room rate and annual average occupancy rate, and the ratio of state sales tax to hotel tax revenues paid to the owners of the extant qualified hotel projects.

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 City of Fredericksburg 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, KK