

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: HB4201 by King, Phil (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 HB4201, As Introduced: an impact of \$0 through the biennium ending August 31, 2021.

However, there would be a negative impact of (\$389,000) through the biennium ending August 31, 2025.

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	\$0
2024	(\$389,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from General Revenue Fund 1
2020	\$0
2021	\$0
2022	\$0
2023	\$0
2024	(\$389,000)

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 that has a population of 115,000 or more; is adjacent to a county with a population of 1.8 million or more; and hosts an annual peach festival.

The bill would amend Subsection (g) to extend the date - from September 1, 2019 to September 1, 2024 - by which a municipality must enter into an agreement with a person for the development of the hotel project.

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

There is no requirement that development agreements for hotel projects be submitted to the comptroller or other state agency for determination of validity, and no requirement that a development agreement entered into prior to September 1, 2019 for purposes of preserving authority to receive hotel project benefits not be subsequently amended or superseded before eventual development of a project. It is expected that municipalities would enter provisional agreements before September 1, 2019 sufficient to preserve authority to receive project benefits, were the date required for such agreements not extended. Consequently, the amendment of Section 351.102(g) would have no fiscal implications.

The City of Weatherford has identified but not yet acquired land for a prospective hotel project and is currently seeking but has not entered into an agreement with a private sector partner for development of a hotel project. The prospective hotel would not exceed 150-175 rooms, and would not be expected to open within the next four years. 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 2024.

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 an assumed 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. The entitlement to state tax revenue would continue for a period of ten 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 City of Weatherford 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