

**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:** **HB4347** by Anchia (Relating to the use of certain tax revenue by certain municipalities for the payment of job training programs and the development of hotel and convention center projects.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB4347, As Introduced: a negative impact of (\$8,400,000) through the biennium ending August 31, 2021.

**Additionally, there would be a negative impact of (\$75,600,000) 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	(\$1,200,000)
2021	(\$7,200,000)
2022	(\$22,800,000)
2023	(\$52,800,000)
2024	(\$88,800,000)

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

<b>Fiscal Year</b>	<b>Probable (Cost) from General Revenue Fund 1</b>
2020	(\$1,200,000)
2021	(\$7,200,000)
2022	(\$22,800,000)
2023	(\$52,800,000)
2024	(\$88,800,000)

**Fiscal Analysis**

The bill would amend the Local Government Code and the Tax Code regarding the use by certain

municipalities of certain state and local tax revenues in relation to hotel and convention center projects.

The bill would amend Subtitle A, Title 10, Local Government Code by adding Chapter 310 regarding qualified municipal hotel and convention center projects.

Definitions of "qualified convention center facility," "eligible central municipality," "eligible coastal municipality," "qualified hotel project," and "qualified municipality," among other terms, would be provided.

A qualified municipality would be authorized to issue bonds and other obligations and to pledge certain state and local tax revenue for a qualified hotel project, including for the costs of workforce training at the project, advertising to attract tourists to the municipality, and payment of bonds for the project hotel, facilities and businesses on the same tract of land as the hotel or qualified convention center facility regardless of ownership, a qualified convention center facility, land where the project is to be located, parking facilities, and other infrastructure that supports the hotel project.

Qualified municipalities would be entitled to receive state sales tax and state hotel tax under Section 151.429(h), Tax Code collected by all businesses within a qualified project, regardless the ownership of the business, provided the business was constructed no more than 24 months before the project is open for initial occupancy, is on the same tract of land as the hotel or convention center, and within 1,500 feet of either the project hotel or convention center facility.

The entitlement to state revenue for a project would be limited to a period of ten years after the project hotel is open for initial occupancy. The entitlement to state sales tax revenue would be limited to 20 percent of the sales tax collected by project businesses during the first two years of that period, and to 80 percent of such sales tax collections during the remaining eight years.

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 provisions of the bill would apply for a municipality that first pledges revenue for bonds under the added Chapter 310, Local Government Code on or after September 1, 2017, rather than on or after the effective date of the bill. City of Irving and possibly other municipalities not yet identified may have pledged of revenue for bonds issued in that interval, which could result in entitlement to state tax revenues as soon as fiscal 2020.

The definition of qualified hotel project, inclusive of other facilities and businesses on the same tract of land and within 1,500 feet of an exterior wall of either a project hotel or convention center facility would result in greater entitlements to state revenue than conferred by the hotel project authorizations under current law; consequently, it would be expected that a significantly higher portion of qualified municipalities would establish projects than have thus far done so under current law and that the projects would on average result in significantly greater payments of state sales and hotel tax revenue to municipalities than would be the case under current law. There would be no limit on the number of projects that a municipality could undertake.

Negative fiscal implications would continue to increase exponentially as more projects are undertaken and more age past the two years of 20 percent entitlement to state sales tax into the

eight years of 80 percent entitlement.

### **Local Government Impact**

The cities of Abilene, Amarillo, Austin, Cedar Hill, Celina, Conroe, Corpus Christi, Dallas, Denton, El Paso, Fort Worth, Frisco, Garland, Grand Prairie, Haslet, Houston, Irving, Katy, Kemah, Kerrville, League City, Lewisville, Lubbock, Midland, Nacogdoches, Odessa, Pearland, Plano, Port Aransas, Prosper, Richmond, Roanoke, Round Rock, Rowlett, San Antonio, Sugarland, Tyler, Weatherford, and Westlake would be subject to provisions of the bill discussed above.

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

**LBB Staff:** WP, KK