

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: HB4524 by Bonnen, Greg (Relating to the authority of certain municipalities to pledge certain tax revenue for the payment of obligations related to multipurpose convention center facility projects.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB4524, As Introduced: a negative impact of (\$11,270,000) through the biennium ending August 31, 2021.

Additionally, there would be a negative impact of (\$23,905,000) 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	(\$11,270,000)
2022	(\$11,715,000)
2023	(\$12,190,000)
2024	(\$12,675,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from General Revenue Fund 1
2020	\$0
2021	(\$11,270,000)
2022	(\$11,715,000)
2023	(\$12,190,000)
2024	(\$12,675,000)

Fiscal Analysis

The bill would amend Chapter 351 of the Tax Code, relating to municipal hotel occupancy taxes.

The bill would add Section 351.1021 to provide for an eligible municipality to create a multipurpose convention center facility project. Such a project would include: an existing hotel, whether owned by the municipality or another person; a multipurpose convention center facility to be acquired, constructed, equipped, or leased by the municipality that will be located within one mile of the project hotel; any new or existing business located in the municipality that is within 1,000 feet of the outer boundary of any component part of the project; and any related transportation infrastructure necessary to operate the multipurpose facility, including parking facilities and a shuttle system that connects the multipurpose facility to hotels and parking facilities.

An eligible municipality would be as described by Section 351.102(e)(9): one with a population less than 2,000, adjacent to a bay connected to the Gulf of Mexico, in a county with a population of 290,000 or more adjacent to a county with population of four million or more, and that has a boardwalk on the bay.

An eligible municipality would be entitled to receive all funds from a multipurpose convention center facility project that the owner of a project could receive under Section 151.429(h), Tax Code or Section 2303.5055, Government Code, if a project for purposes of those provisions included a multipurpose convention center facility project. The funds subject to the entitlement would be available for pledge for the payment of bonds or other obligations issued or incurred for the project. The funds would be subject to deposit in a suspense account outside the state treasury, to be paid to the eligible municipality without the necessity of an appropriation.

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 Kemah to establish a multipurpose convention center facility project. The entitlement to funds under Section 151.429(h), Tax Code would be up to 100 percent of state hotel tax collected by the project hotel, and 100 percent of state sales tax under Chapter 151 collected by the project hotel or by businesses located at the hotel or at the multipurpose facility, as well as sales tax collected by new or existing businesses within 1,000 feet of the project components, which include the project hotel, the prospective multipurpose facility, parking facilities, and a shuttle system.

Sales taxable activity in Kemah is concentrated in the Kemah Boardwalk, an entertainment district. That the city would be authorized to designate an existing hotel as the project hotel means that the Boardwalk Inn would be eligible to be the project hotel, in which case all state sales taxes collected by the restaurants, shops, and entertainment establishments in the Boardwalk would be subject to payment to the City of Kemah.

The term "shuttle system" is not precisely defined in the bill. For purposes of this fiscal note, the term is understood as inclusive of the routes to be traveled by shuttle vehicles, else inclusion of the word "system" would be superfluous. State sales taxes collected by businesses located within 1,000 feet of the shuttle routes, including routes to hotels other than the project hotel, would also be subject to payment to the City of Kemah.

In view of the limited geographic extent of Kemah and the scope of project entitlement to state sales tax revenues provided by the bill, it is likely that most state sales tax revenue collected by businesses in the city would be subject to payment to the City of Kemah.

The entitlement to state tax revenue would be for a period of ten years after the multipurpose convention center facility project is declared in existence by the City of Kemah, which may be on any date after the effective date of the bill and in advance of construction or entry into a development agreement for the construction of the multipurpose facility.

The City of Kemah has not yet announced specific plans for the construction of a multipurpose convention center facility. However, this estimate assumes that the city would act on the authorization provided by the bill. As declaration of a project and entitlement to state revenues may precede construction of a multipurpose facility, for purposes of this estimate it is assumed that payments to City of Kemah would begin with fiscal 2021. As the entitlement to the payments includes tax revenue received from existing businesses, the estimate is based on recent historical data for hotel tax and sales tax reported by establishments in Kemah. Once a new multipurpose facility is operational, additional growth in tax receipts subject to project entitlement would be expected to the extent the new facility would attract taxable spending into project venues in Kemah that otherwise would occur elsewhere in the region and the state.

Local Government Impact

In view of the limited geographic extent of Kemah and the scope of project entitlement to state sales tax revenues provided by the bill, it is likely that most state sales tax revenue collected by businesses in the city would be subject to payment to the City of Kemah.

Source Agencies: 304 Comptroller of Public Accounts

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