

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION

April 3, 2019

TO: Honorable Brian Birdwell, Chair, Senate Committee on Natural Resources & Economic Development

FROM: John McGeady, Assistant Director Sarah Keyton, Assistant Director
Legislative Budget Board

IN RE: **SB1307** by Taylor (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 SB1307, 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:

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

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue (Loss) from General Revenue Fund
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