

SENATE AMENDMENTS

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H.B. No. 4347

A BILL TO BE ENTITLED

AN ACT

relating to the authority of certain municipalities to use certain
tax revenue for hotel and convention center projects and other
qualified projects.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 351.001, Tax Code, is amended by adding
Subdivision (12) to read as follows:

(12) "Retail establishment" means an establishment
engaged in activities described by North American Industry
Classification System subsector code 442, 443, 445, 446, 448, 451,
452, or 453.

SECTION 2. Sections 351.102(b), (c), and (e), Tax Code, are
amended to read as follows:

(b) A municipality described by Subsection (e) ~~[An eligible
central municipality, a municipality with a population of 173,000
or more that is located within two or more counties, a municipality
with a population of 96,000 or more that is located in a county that
borders Lake Palestine or contains the headwaters of the San
Gabriel River, or a municipality with a population of at least
99,900 but not more than 111,000 that is located in a county with a
population of at least 135,000]~~ may pledge the revenue derived from
the tax imposed under this chapter from a hotel project that is
owned by or located on land owned by the municipality or, in an
eligible central municipality, by a nonprofit corporation acting on

1 behalf of an eligible central municipality, and that is located
 2 within 1,000 feet of a qualified convention center facility, as
 3 defined by Section 351.151, owned by the municipality for the
 4 payment of bonds or other obligations issued or incurred to
 5 acquire, lease, construct, and equip the hotel and any facilities
 6 ancillary to the hotel, including convention center
 7 entertainment-related facilities, ~~[meeting spaces,~~ restaurants,
 8 retail establishments ~~[shops]~~, street and water and sewer
 9 infrastructure necessary for the operation of the hotel or
 10 ancillary facilities, and parking facilities within 1,000 feet of
 11 the hotel or convention center facility. ~~[A municipality with a~~
 12 ~~population of 173,000 or more that is located within two or more~~
 13 ~~counties may pledge for the payment of bonds or other obligations~~
 14 ~~described by this subsection the revenue derived from the tax~~
 15 ~~imposed under this chapter from a hotel project not owned by or~~
 16 ~~located on land owned by the municipality if the project is located~~
 17 ~~on land that is owned by the federal government and the project is~~
 18 ~~located within 1,000 feet of a convention center facility owned by~~
 19 ~~the municipality.]~~ For bonds or other obligations issued under
 20 this subsection, ~~[an eligible central municipality or]~~ a
 21 municipality described by ~~[this subsection or]~~ Subsection (e) may
 22 only pledge revenue or other assets of the hotel project benefiting
 23 from those bonds or other obligations.

24 (c) A ~~[Except as provided by this subsection, a]~~
 25 municipality described by ~~[to which]~~ Subsection ~~[(b) or]~~ (e)
 26 ~~[applies]~~ is entitled to receive all funds from a project described
 27 by Subsection (b) that an owner of a project may receive under

1 Section 151.429(h) of this code, or Section 2303.5055, Government
2 Code, and may pledge the funds for the payment of obligations issued
3 under this section, but only if ~~[. — A municipality described by~~
4 ~~Subsection (e) is not entitled to receive funds from a project under~~
5 ~~this subsection unless]~~ the municipality has pledged the revenue
6 derived from the tax imposed under this chapter from the project for
7 the payment of bonds or other obligations issued or incurred for the
8 project.

9 (e) Subsection (b) applies only ~~[In addition to the~~
10 ~~municipalities described by Subsection (b), that subsection also~~
11 ~~applies]~~ to:

12 (1) a municipality with a population of two million or
13 more;

14 (2) a municipality with a population of 700,000 or
15 more but less than 1.3 million;

16 (3) a municipality with a population of 350,000 or
17 more but less than 450,000 in which two professional sports
18 stadiums are located, each of which:

19 (A) has a seating capacity of at least 40,000
20 people; and

21 (B) was approved by the voters of the
22 municipality as a sports and community venue project under Chapter
23 334, Local Government Code; and

24 (4) ~~[at least 110,000 but not more than 135,000 at~~
25 ~~least part of which is located in a county with a population of not~~
26 ~~more than 135,000,~~

27 ~~[(2) a municipality with a population of at least~~

~~9,000 but not more than 10,000 that is located in two counties, each of which has a population of at least 662,000 and a southern border with a county with a population of 2.3 million or more,~~

~~[(3) a municipality with a population of at least 200,000 but not more than 300,000 that contains a component institution of the Texas Tech University System,~~

~~[(4) a municipality with a population of at least 95,000 that borders Lake Lewisville,~~

~~[(5) a municipality that:~~

~~[(A) contains a portion of Cedar Hill State Park,~~

~~[(B) has a population of more than 45,000,~~

~~[(C) is located in two counties, one of which has a population of more than two million and one of which has a population of more than 149,000, and~~

~~[(D) has adopted a capital improvement plan for the construction or expansion of a convention center facility,~~

~~[(6) a municipality with a population of less than 6,000 that:~~

~~[(A) is located in two counties each with a population of 600,000 or more that are both adjacent to a county with a population of two million or more,~~

~~[(B) has full-time police and fire departments,~~
~~and~~

~~[(C) has adopted a capital improvement plan for the construction or expansion of a convention center facility,~~

~~[(7) a municipality with a population of at least 56,000 that:~~

1 ~~[(A) borders Lake Ray Hubbard; and~~
2 ~~[(B) is located in two counties, one of which has~~
3 ~~a population of less than 80,000;~~

4 ~~[(8) a municipality with a population of more than~~
5 ~~83,000, that borders Clear Lake, and that is primarily located in a~~
6 ~~county with a population of less than 300,000;~~

7 ~~[(9)]~~ a municipality with a population of less than
8 2,000 that:

9 (A) is located adjacent to a bay connected to the
10 Gulf of Mexico;

11 (B) is located in a county with a population of
12 290,000 or more that is adjacent to a county with a population of
13 four million or more; and

14 (C) has a boardwalk on the bay~~+~~

15 ~~[(10) a municipality with a population of 75,000 or~~
16 ~~more that;~~

17 ~~[(A) is located wholly in one county with a~~
18 ~~population of 575,000 or more that is adjacent to a county with a~~
19 ~~population of four million or more; and~~

20 ~~[(B) has adopted a capital improvement plan for~~
21 ~~the construction or expansion of a convention center facility;~~

22 ~~[(11) a municipality with a population of less than~~
23 ~~75,000 that is located in three counties, at least one of which has~~
24 ~~a population of at least four million; and~~

25 ~~[(12) an eligible coastal municipality with a~~
26 ~~population of more than 3,000 but less than 5,000].~~

27 SECTION 3. Section 351.102(d), Tax Code, is redesignated as

1 Section 351.1063, Tax Code, and amended to read as follows:

2 Sec. 351.1063. ALLOCATION OF REVENUE FOR ADVERTISING AND
3 PROMOTION: CERTAIN MUNICIPALITIES WITH CERTAIN PROJECTS. (a) This
4 section applies only to a municipality described by Section
5 351.102(e) or 351.152, other than an eligible central municipality
6 described by Section 351.001(7)(D).

7 (b) A [~~(d)~~ ~~Except as provided by this subsection, an~~
8 ~~eligible central~~] municipality [~~or another municipality described~~
9 ~~by Subsection (b) or (e)~~] that uses revenue derived from the tax
10 imposed under this chapter or funds received under Section
11 351.102(c), 351.156, or 351.157 [~~Subsection (c)~~] for a hotel
12 project under Section 351.102(b) or a qualified project under
13 Section 351.155 [~~described by Subsection (b)~~] may not reduce the
14 percentage of revenue from the tax imposed under this chapter and
15 allocated for a purpose described by Section 351.101(a)(3) to a
16 percentage that is less than the average percentage of that revenue
17 allocated by the municipality for that purpose during the 36-month
18 period preceding the date the municipality begins using the revenue
19 or funds for the hotel project. [~~This subsection does not apply to~~
20 ~~an eligible central municipality described by Section~~
21 ~~351.001(7)(D).~~]

22 SECTION 4. Section 351.102(f), Tax Code, is redesignated as
23 Section 351.1064, Tax Code, and amended to read as follows:

24 Sec. 351.1064. ALLOCATION OF REVENUE FOR CERTAIN SPORTING
25 EVENT EXPENSES: CERTAIN MUNICIPALITIES WITH QUALIFIED PROJECT. (a)
26 This section applies only to a municipality with a population of
27 200,000 or more but less than 300,000 that contains a component

institution of the Texas Tech University System.

(b) ~~[(f)]~~ A municipality ~~[described by Subsection (e)(3)]~~ that uses revenue derived from the tax imposed under this chapter or funds received under Section 351.156 ~~[Subsection (c)]~~ for repayment of bonds, ~~[or]~~ other obligations, or contractual obligations issued or incurred for a qualified ~~[hotel]~~ project under Section 351.155 ~~[described by Subsection (b)]~~ may not, in a fiscal year that begins after ~~[construction of]~~ the qualified ~~[hotel]~~ project is complete and during any part of which the bonds, ~~[or]~~ other obligations, or contractual obligations are outstanding, reduce the amount of revenue derived from the tax imposed under this chapter and allocated for a purpose described by Section 351.101(a)(6) to an amount that is less than the sum of:

(1) the amount of the revenue derived from the tax imposed under this chapter and allocated by the municipality for a purpose described by Section 351.101(a)(6) during the fiscal year beginning October 1, 2016; and

(2) three percent of the amount of revenue derived from the tax imposed under this chapter during the fiscal year for which the amount required by this subsection is being determined.

SECTION 5. Subchapter B, Chapter 351, Tax Code, is amended by adding Section 351.1021 to read as follows:

Sec. 351.1021. PLEDGE OR COMMITMENT OF CERTAIN TAX REVENUE FOR CERTAIN PROJECTS. (a) In this section:

(1) "Eligible municipality" means a municipality described by Section 351.102(e)(4).

(2) "Multipurpose convention center facility" means a

facility that will be constructed and, after that construction:

(A) is used to host conventions, meetings, live performances, and sporting events;

(B) is:

(i) leased by an eligible municipality; or

(ii) wholly owned by an eligible municipality, and none of which is or may be owned through an undivided common interest;

(C) is not located in a hotel or other structure;

(D) has at least 10,000 square feet of continuous and usable meeting space; and

(E) is configurable to simultaneously accommodate multiple events described by Paragraph (A) of different sizes and types.

(3) "Multipurpose convention center facility project" means a project that consists of a hotel owned by an eligible municipality or another person and a multipurpose convention center facility, the nearest exterior wall of which is located not more than 2,500 feet from the nearest exterior wall of the hotel. A multipurpose convention center facility project may include:

(A) each new or existing business located in the municipality, regardless of who owns the business or the property on which the business is located, the nearest exterior wall of which is located not more than 2,500 feet from the nearest exterior wall of the multipurpose convention center facility or the hotel that is part of the project;

(B) a parking shuttle or transportation system;

1 and

2 (C) any parking area or structure located in the
3 municipality, regardless of who owns the area or structure or the
4 property on which the area or structure is located, the nearest
5 property line of which is located not more than two miles from the
6 nearest exterior wall of the multipurpose convention center
7 facility.

8 (b) An eligible municipality or local government
9 corporation acting on behalf of an eligible municipality is
10 entitled to receive all funds from a multipurpose convention center
11 facility project that the owner of a project could receive under
12 Section 151.429(h) of this code or Section 2303.5055, Government
13 Code, if a project for purposes of those provisions included a
14 multipurpose convention center facility project. The municipality
15 or local government corporation is entitled to receive the funds
16 for a period of 10 years beginning on the date the multipurpose
17 convention center facility is issued a certificate of occupancy.

18 (c) An eligible municipality or local government
19 corporation acting on behalf of an eligible municipality may pledge
20 or commit the funds to which the municipality or local government
21 corporation is entitled as provided by Subsection (b) for the
22 payment of bonds, other obligations, or contractual obligations
23 issued or incurred for the multipurpose convention center facility
24 project.

25 (d) The comptroller shall deposit the funds to which an
26 eligible municipality or local government corporation is entitled
27 as provided by Subsection (b) in a separate suspense account of the

1 municipality outside the state treasury.

2 (e) The comptroller may make a rebate, refund, or payment
3 authorized under this section without the necessity of an
4 appropriation. The comptroller shall rebate, refund, or pay to the
5 eligible municipality the funds to which the municipality or local
6 government corporation is entitled as provided by Subsection (b) at
7 least quarterly.

8 SECTION 6. Subchapter B, Chapter 351, Tax Code, is amended
9 by adding Section 351.1022 to read as follows:

10 Sec. 351.1022. PLEDGE OR COMMITMENT OF CERTAIN TAX REVENUE
11 BY CERTAIN MUNICIPALITIES WITH SPORTS STADIUMS. (a) This section
12 applies only to a municipality described by Section 351.102(e)(3).

13 (b) A municipality is entitled to receive all funds from a
14 hotel project described by Section 351.102(b) that an owner of a
15 project may receive under Section 151.429(h) of this code or
16 Section 2303.5055, Government Code, and all tax revenue collected
17 under Chapter 183 by or from all permittees at the hotel project,
18 excluding revenue disbursed by the comptroller under Section
19 183.051(b). Notwithstanding any other law, the municipality is
20 entitled to receive the funds for a period of 30 years beginning on
21 the date the hotel project is open for initial occupancy.

22 (c) The municipality may pledge the funds to which the
23 municipality is entitled as provided by Subsection (b) for the
24 payment of bonds, other obligations, or contractual obligations
25 issued or incurred to acquire, lease, construct, improve, enlarge,
26 and equip the hotel project.

27 (d) The comptroller shall deposit the funds to which the

1 municipality is entitled as provided by Subsection (b) in a
2 separate suspense account of the municipality outside the state
3 treasury.

4 (e) The comptroller may make a rebate, refund, or payment
5 authorized under this section without the necessity of an
6 appropriation. The comptroller shall rebate, refund, or pay to the
7 municipality the funds to which the municipality is entitled as
8 provided by Subsection (b) at least monthly.

9 SECTION 7. Subchapter B, Chapter 351, Tax Code, is amended
10 by adding Section 351.1023 to read as follows:

11 Sec. 351.1023. PLEDGE OR COMMITMENT OF CERTAIN TAX REVENUE
12 FOR CERTAIN MILITARY MUSEUMS AND CONFERENCE CENTERS. (a) In this
13 section:

14 (1) "Eligible municipality" means a municipality with
15 a population of less than 20,000.

16 (2) "Qualified project" means a project to construct
17 and equip a military museum and conference center located in an
18 eligible municipality on land donated for that purpose by an
19 institution of higher education as defined by Section 61.003,
20 Education Code, in this state.

21 (b) An eligible municipality is entitled to receive the
22 funds derived from the hotel occupancy tax imposed under Chapter
23 156 that are generated, paid, and collected by a hotel in the
24 eligible municipality. The eligible municipality is entitled to
25 receive the funds for a period of 10 years beginning on the earlier
26 of:

27 (1) the date the military museum that is part of the

1 qualified project is open for initial occupancy; or

2 (2) the date the convention center that is part of the
3 qualified project is open for initial occupancy.

4 (c) An eligible municipality may pledge or commit the funds
5 derived from the tax imposed under this chapter and Chapter 156 to
6 which the municipality is entitled for the payment of bonds, other
7 obligations, or contractual obligations issued or incurred to
8 construct and equip the qualified project.

9 (d) The comptroller shall deposit the funds to which an
10 eligible municipality is entitled in a separate suspense account of
11 the municipality outside the state treasury.

12 (e) The comptroller may make a rebate, refund, or payment
13 authorized under this section without the necessity of an
14 appropriation. The comptroller shall rebate, refund, or pay to the
15 eligible municipality the funds to which the municipality is
16 entitled at least quarterly.

17 SECTION 8. Chapter 351, Tax Code, is amended by adding
18 Subchapter C to read as follows:

19 SUBCHAPTER C. MUNICIPAL HOTEL AND CONVENTION CENTER PROJECTS

20 Sec. 351.151. DEFINITIONS. In this subchapter:

21 (1) "Infrastructure" includes:

22 (A) a road, street, highway, bridge, overpass,
23 underpass, and interchange;

24 (B) a fresh, reuse, or alternative water supply
25 system, sanitary sewer system, and storm drainage system;

26 (C) an electric system, telecommunications
27 system, and gas system;

1 (D) signage, landscaping, and hardscaping; and
2 (E) a public amenity or public area, such as a
3 plaza, park, or trail.

4 (2) "Qualified convention center facility" means a
5 facility that has been or will be constructed and that:

6 (A) is primarily used to host conventions or
7 meetings;

8 (B) is wholly owned by a municipality to which
9 this subchapter applies, and none of which is or may be owned
10 through an undivided common interest;

11 (C) is connected to a qualified hotel or has an
12 exterior wall that is located not more than 1,000 feet from the
13 nearest exterior wall of a qualified hotel;

14 (D) is not located in a hotel, sports stadium, or
15 other structure but may share common infrastructure or facilities
16 with a hotel, such as a heating, ventilation, and air-conditioning
17 system, electrical system, or kitchen;

18 (E) has at least 10,000 square feet of continuous
19 meeting space; and

20 (F) is configurable to simultaneously
21 accommodate multiple events described by Paragraph (A) of different
22 sizes and types.

23 (3) "Qualified hotel" means a hotel that is designated
24 by a municipality to which this subchapter applies as the hotel that
25 is part of a qualified project. A qualified hotel:

26 (A) must be located on land owned by the
27 designating municipality;

1 (B) must be connected to a qualified convention
2 center facility or have an exterior wall that is located not more
3 than 1,000 feet from the nearest exterior wall of the qualified
4 convention center facility; and

5 (C) may consist of two or more towers, regardless
6 of whether named or branded differently, that:

7 (i) are constructed at the same time; and
8 (ii) each meet the requirements of
9 Paragraphs (A) and (B).

10 (4) "Qualified project" means a project:

11 (A) to:

12 (i) acquire, construct, repair, remodel,
13 expand, or equip a qualified convention center facility; or

14 (ii) acquire, lease, construct, repair,
15 remodel, expand, or equip a qualified hotel; and

16 (B) that may include:

17 (i) acquiring, leasing, constructing,
18 repairing, remodeling, expanding, or equipping:

19 (a) a restaurant, bar, retail
20 establishment, or spa located in a qualified convention center
21 facility or qualified hotel or connected to a qualified convention
22 center facility or qualified hotel, including by a covered walkway;
23 or

24 (b) a parking area or structure, the
25 nearest property line of which is located not more than 1,000 feet
26 from the nearest property line of a qualified convention center
27 facility or qualified hotel;

1 (ii) acquiring, constructing, repairing,
2 remodeling, or expanding infrastructure that:

3 (a) is directly related to and
4 necessary for the qualified convention center facility or qualified
5 hotel; and

6 (b) is located within the property
7 lines of the qualified convention center facility or qualified
8 hotel, or not more than 1,000 feet from the nearest property line of
9 the facility or hotel; or

10 (iii) acquiring a property right, including
11 a fee simple interest, easement, or other interest in connection
12 with a purpose described by this subdivision.

13 Sec. 351.152. APPLICABILITY. This subchapter applies only
14 to:

15 (1) a municipality described by Section
16 351.001(7)(B);

17 (2) a municipality described by Section
18 351.001(7)(D);

19 (3) a municipality described by Section
20 351.001(7)(E);

21 (4) a municipality described by Section
22 351.102(e)(3);

23 (5) a municipality that contains more than 75 percent
24 of the population of a county with a population of 1.5 million or
25 more;

26 (6) a municipality with a population of 150,000 or
27 more but less than 200,000 that is partially located in at least one

1 county with a population of 125,000 or more;

2 (7) a municipality with a population of 150,000 or
3 more but less than one million that is located in one county with a
4 population of 2.3 million or more;

5 (8) a municipality with a population of 180,000 or
6 more that:

7 (A) is located in two counties, each with a
8 population of 100,000 or more; and

9 (B) contains an American Quarter Horse Hall of
10 Fame and Museum;

11 (9) a municipality with a population of 96,000 or more
12 that is located in a county that borders Lake Palestine;

13 (10) a municipality with a population of 96,000 or
14 more that is located in a county that contains the headwaters of the
15 San Gabriel River;

16 (11) a municipality with a population of 99,900 or
17 more but less than 111,000 that is located in a county with a
18 population of 135,000 or more;

19 (12) a municipality with a population of 110,000 or
20 more but less than 135,000 at least part of which is located in a
21 county with a population of less than 135,000;

22 (13) a municipality with a population of 9,000 or more
23 but less than 10,000 that is located in two counties, each of which
24 has a population of 662,000 or more and a southern border with a
25 county with a population of 2.3 million or more;

26 (14) a municipality with a population of 200,000 or
27 more but less than 300,000 that contains a component institution of

the Texas Tech University System;

(15) a municipality with a population of 95,000 or more that:

(A) is located in more than one county; and

(B) borders Lake Lewisville;

(16) a municipality with a population of 45,000 or more that:

(A) contains a portion of Cedar Hill State Park;

(B) is located in two counties, one of which has a population of two million or more and one of which has a population of 149,000 or more; and

(C) has adopted a capital improvement plan for the construction or expansion of a convention center facility;

(17) a municipality with a population of less than 6,000 that:

(A) is almost wholly located in a county with a population of 600,000 or more that is adjacent to a county with a population of two million or more;

(B) is partially located in a county with a population of 1.8 million or more that is adjacent to a county with a population of two million or more;

(C) has a visitor center and museum located in a 19th-century rock building in the municipality's downtown; and

(D) has a waterpark open to the public;

(18) a municipality with a population of 56,000 or more that:

(A) borders Lake Ray Hubbard; and

1 (B) is located in two counties, one of which has a
2 population of less than 80,000;

3 (19) a municipality with a population of 83,000 or
4 more that:

5 (A) borders Clear Lake; and

6 (B) is primarily located in a county with a
7 population of less than 300,000;

8 (20) a municipality with a population of less than
9 2,000 that:

10 (A) is located adjacent to a bay connected to the
11 Gulf of Mexico;

12 (B) is located in a county with a population of
13 290,000 or more that is adjacent to a county with a population of
14 four million or more; and

15 (C) has a boardwalk on the bay;

16 (21) a municipality with a population of 75,000 or
17 more that:

18 (A) is located wholly in one county with a
19 population of 575,000 or more that is adjacent to a county with a
20 population of four million or more; and

21 (B) has adopted a capital improvement plan for
22 the construction or expansion of a convention center facility;

23 (22) a municipality with a population of less than
24 75,000 that is located in three counties, at least one of which has
25 a population of four million or more;

26 (23) an eligible coastal municipality with a
27 population of 3,000 or more but less than 5,000;

1 (24) a municipality with a population of 90,000 or
2 more but less than 150,000 that:

3 (A) is located in three counties; and

4 (B) contains a branch campus of a component
5 institution of the University of Houston System;

6 (25) a municipality that is:

7 (A) primarily located in a county with a
8 population of four million or more; and

9 (B) connected by a bridge to a municipality
10 described by Subdivision (20);

11 (26) a municipality with a population of 20,000 or
12 more but less than 25,000 that:

13 (A) contains a portion of Mustang Bayou; and

14 (B) is wholly located in a county with a
15 population of less than 500,000;

16 (27) a municipality with a population of 70,000 or
17 more but less than 90,000 that is located in two counties, one of
18 which has a population of four million or more and the other of
19 which has a population of less than 50,000;

20 (28) a municipality with a population of 10,000 or
21 more that:

22 (A) is wholly located in a county with a
23 population of four million or more; and

24 (B) has a city hall located less than three miles
25 from a space center operated by an agency of the federal government;

26 (29) a municipality that is the county seat of a
27 county:

1 (A) through which the Pedernales River flows; and
2 (B) in which the birthplace of a president of the
3 United States is located;

4 (30) a municipality that contains a portion of U.S.
5 Highway 79 and State Highway 130;

6 (31) a municipality with a population of 48,000 or
7 more but less than 95,000 that is located in two counties, one of
8 which has a population of 900,000 or more but less than 1.7 million;

9 (32) a municipality with a population of less than
10 25,000 that contains a museum of Western American art;

11 (33) a municipality with a population of 50,000 or
12 more that is the county seat of a county that contains a portion of
13 the Sam Houston National Forest;

14 (34) a municipality with a population of less than
15 25,000 that:

16 (A) contains a cultural heritage museum; and

17 (B) is located in a county that borders the
18 United Mexican States and the Gulf of Mexico;

19 (35) a municipality that is the county seat of a county
20 that:

21 (A) has a population of 115,000 or more;

22 (B) is adjacent to a county with a population of
23 1.8 million or more; and

24 (C) hosts an annual peach festival;

25 (36) a municipality that is the county seat of a county
26 that:

27 (A) has a population of 585,000 or more; and

1 (B) is adjacent to a county with a population of
2 four million or more;

3 (37) a municipality with a population of less than
4 10,000 that:

5 (A) contains a component university of The Texas
6 A&M University System; and

7 (B) is located in a county adjacent to a county
8 that borders Oklahoma;

9 (38) a municipality with a population of less than
10 6,100 that:

11 (A) is located in two counties, each of which has
12 a population of 600,000 or more but less than two million; and

13 (B) hosts an annual Cajun Festival;

14 (39) a municipality with a population of 13,000 or
15 more that:

16 (A) is located on an international border; and

17 (B) is located in a county:

18 (i) with a population of less than 400,000;
19 and

20 (ii) in which at least one World Birding
21 Center site is located; and

22 (40) a municipality with a population of 4,000 or more
23 that:

24 (A) is located on an international border; and

25 (B) is located not more than five miles from a
26 state historic site that serves as a visitor center for a state park
27 that contains 300,000 or more acres of land.

1 Sec. 351.153. EXCEPTION TO OWNERSHIP REQUIREMENT. (a)
2 This section applies only to a municipality described by Section
3 351.152(6) or (29).

4 (b) Section 351.151(2)(B) does not apply to a facility that
5 otherwise meets the requirements of a qualified convention center
6 facility under Section 351.151.

7 (c) Section 351.151(3)(A) does not apply to a hotel that
8 otherwise meets the requirements of a qualified hotel under Section
9 351.151.

10 Sec. 351.154. NONPROFIT CORPORATION AS MUNICIPAL AGENT. A
11 municipality may authorize a nonprofit corporation to act on behalf
12 of the municipality for any purpose under this subchapter.

13 Sec. 351.155. PLEDGE OR COMMITMENT OF CERTAIN TAX REVENUE
14 FOR OBLIGATIONS FOR QUALIFIED PROJECT. (a) In addition to the
15 authority of a municipality to issue debt under Chapter 1504,
16 Government Code, a municipality may pledge or commit the revenue
17 derived from the tax imposed under this chapter from a qualified
18 hotel and the revenue to which the municipality is entitled under
19 Section 351.156 and, if applicable, Section 351.157 for the payment
20 of:

21 (1) bonds or other obligations issued for a qualified
22 project; and

23 (2) contractual obligations related to the project,
24 including obligations under:

25 (A) a contract authorized by Chapter 380, Local
26 Government Code, for the project; and

27 (B) an interlocal agreement directly related to

1 the project.

2 (b) A municipality may pledge or commit revenue for the
3 payment of bonds, other obligations, or contractual obligations
4 under Subsection (a) only if the qualified hotel that is a component
5 of the qualified project for which that revenue is pledged or
6 committed benefits from the pledging or committing of that revenue.

7 (c) A municipality may pledge or commit revenue under this
8 section for only one qualified project. After a municipality
9 pledges or commits revenue under this section for a qualified
10 project, the municipality may not ever again pledge or commit
11 revenue for a qualified project.

12 (d) Subsection (c) does not apply to a municipality with a
13 population of 175,000 or more.

14 (e) A municipality is not entitled to receive revenue under
15 Section 351.156 or 351.157 unless the municipality has pledged or
16 committed a portion of the revenue derived from the tax imposed
17 under this chapter and collected by the qualified hotel for the
18 payment of bonds, other obligations, or contractual obligations
19 described by Subsection (a) and issued or incurred for the
20 qualified project.

21 Sec. 351.156. ENTITLEMENT TO CERTAIN TAX REVENUE. Subject
22 to Sections 351.155(e) and 351.158, a municipality is entitled to
23 receive the revenue derived from the following taxes generated,
24 paid, and collected by a qualified hotel, and each restaurant, bar,
25 and retail establishment located in or connected to the hotel or the
26 related qualified convention center facility, that is located in
27 the municipality:

1 (1) the sales and use tax imposed under Chapter 151;
2 (2) the hotel occupancy tax imposed under Chapter 156;
3 and

4 (3) if a political subdivision that is entitled to
5 receive the revenue from the tax agrees in writing to the
6 municipality receiving that revenue:

7 (A) the sales and use tax imposed by the
8 political subdivision under Chapter 322 or 323;

9 (B) the hotel occupancy tax imposed by the
10 political subdivision under Chapter 352; and

11 (C) the mixed beverage tax issued under Section
12 183.051.

13 Sec. 351.157. ADDITIONAL ENTITLEMENT FOR CERTAIN
14 MUNICIPALITIES. (a) In this section, "qualified establishment"
15 means an establishment:

16 (1) that is located on land:

17 (A) owned by a municipality; or

18 (B) owned by any person if the establishment is
19 located in a municipality described by Section 351.152(3);

20 (2) the nearest exterior wall of which is located not
21 more than 1,000 feet from the nearest exterior wall of a qualified
22 hotel or qualified convention center facility;

23 (3) that is constructed:

24 (A) on or after the date the municipality
25 commences a qualified project under this subchapter; or

26 (B) at any time if the establishment is located
27 in a municipality described by Section 351.152(3);

1 (4) that is not a sports stadium; and
2 (5) that is the type of establishment described by
3 Subsection (c) from which the municipality is entitled to receive
4 revenue under Subsection (d).

5 (b) This section applies only to:

6 (1) a municipality described by Section 351.152(3);
7 (2) a municipality described by Section 351.152(6);
8 (3) a municipality described by Section 351.152(7);
9 (4) a municipality described by Section 351.152(10);
10 (5) a municipality described by Section 351.152(16);
11 (6) a municipality described by Section 351.152(22);
12 (7) a municipality described by Section 351.152(25);
13 (8) a municipality described by Section 351.152(34);
14 (9) a municipality described by Section 351.152(35);
15 (10) a municipality described by Section 351.152(36);

16 and

17 (11) a municipality described by Section 351.152(38).

18 (c) A municipality is entitled to receive revenue under
19 Subsection (d) derived from the following types of establishments
20 that meet the requirements of Subsections (a)(1), (2), (3), and
21 (4):

22 (1) for a municipality described by Subsection (b)(1):
23 (A) restaurants, bars, and retail
24 establishments; and
25 (B) swimming pools and swimming facilities owned
26 or operated by the related qualified hotel;

27 (2) for a municipality described by Subsection (b)(2),

restaurants, bars, and retail establishments;

(3) for a municipality described by Subsection (b)(3),
restaurants, bars, and retail establishments;

(4) for a municipality described by Subsection (b)(4):

(A) restaurants, bars, and retail
establishments; and

(B) swimming pools and swimming facilities owned
or operated by the related qualified hotel;

(5) for a municipality described by Subsection (b)(5),
restaurants, bars, and retail establishments;

(6) for a municipality described by Subsection (b)(6),
restaurants, bars, and retail establishments;

(7) for a municipality described by Subsection (b)(7),
restaurants, bars, and retail establishments;

(8) for a municipality described by Subsection (b)(8),
restaurants, bars, and retail establishments;

(9) for a municipality described by Subsection (b)(9),
restaurants, bars, and retail establishments;

(10) for a municipality described by Subsection
(b)(10):

(A) restaurants, bars, and retail
establishments; and

(B) swimming pools and swimming facilities owned
or operated by the related qualified hotel; and

(11) for a municipality described by Subsection
(b)(11):

(A) restaurants, bars, and retail

establishments; and

(B) swimming pools and swimming facilities owned or operated by the related qualified hotel.

(d) Subject to Subsection (e), in addition to the revenue to which the municipality is entitled under Section 351.156, a municipality to which this section applies is entitled to receive the revenue derived from the following taxes generated, paid, and collected from a qualified establishment located in the municipality:

(1) the sales and use tax imposed under Chapter 151; and

(2) the mixed beverage tax issued under Section 183.051, if the political subdivision that is entitled to receive the revenue from the tax agrees in writing to the municipality receiving that revenue.

(e) A municipality to which this section applies is not entitled to receive revenue under Subsection (d) unless the municipality commences a qualified project under this subchapter before September 1, 2023.

Sec. 351.158. PERIOD OF ENTITLEMENT. A municipality is entitled to receive revenue as provided by Sections 351.156 and 351.157 until the 10th anniversary of the date the qualified hotel to which the entitlement relates is open for initial occupancy.

Sec. 351.159. DEPOSIT OF REVENUE. Notwithstanding any other law, the comptroller shall deposit the revenue from the taxes described by Sections 351.156 and 351.157 that were collected by or forwarded to the comptroller in trust in a separate suspense

1 account of the qualified project. The suspense account is outside
2 the state treasury and the comptroller may make a payment
3 authorized by this subchapter without the necessity of an
4 appropriation.

5 Sec. 351.160. QUARTERLY PAYMENTS. The comptroller shall
6 pay to each municipality the revenue to which the municipality is
7 entitled under this subchapter at least quarterly.

8 SECTION 9. Sections 351.102(b-1), (c-1), and (g), Tax Code,
9 are repealed.

10 SECTION 10. The comptroller of public accounts may adopt
11 rules as necessary to administer this Act.

12 SECTION 11. The changes in law made to Subchapter B, Chapter
13 351, Tax Code, by this Act apply only to a hotel project described
14 by Section 351.102(b), Tax Code, as amended by this Act, for which a
15 municipality by ordinance first authorizes the issuance of bonds or
16 other obligations, executes an agreement under Chapter 380, Local
17 Government Code, or executes an interlocal agreement directly
18 related to the project that is secured by a pledge or commitment of
19 revenue under that subsection for the project on or after the
20 effective date of this Act. A hotel project described by Section
21 351.102(b), Tax Code, for which a municipality by ordinance first
22 authorized the issuance of bonds or other obligations, executed an
23 agreement under Chapter 380, Local Government Code, or executed an
24 interlocal agreement directly related to the project that is
25 secured by a pledge or commitment of revenue under that subsection
26 for the project before the effective date of this Act is governed by
27 the law in effect when the ordinance was adopted or the agreement

1 was executed, and that law is continued in effect for purposes of
2 those hotel projects.

3 SECTION 12. Subchapter C, Chapter 351, Tax Code, as added by
4 this Act, applies only to a qualified project as defined by Section
5 351.151, Tax Code, as added by this Act, for which a municipality by
6 ordinance first authorizes the issuance of bonds or other
7 obligations, executes or amends an agreement under Chapter 380,
8 Local Government Code, or executes or amends an interlocal
9 agreement directly related to the qualified project that is secured
10 by a pledge or commitment of revenue under Subchapter C, Chapter
11 351, Tax Code, for the project on or after the effective date of
12 this Act.

13 SECTION 13. The changes in law made by this Act do not
14 affect the validity of a bond, other obligation, or contractual
15 obligation for which revenue was pledged or committed under Section
16 351.102, Tax Code, before the effective date of this Act. Bonds,
17 other obligations, or contractual obligations for which revenue was
18 pledged or committed before the effective date of this Act are
19 governed by the law in effect when the revenue was pledged or
20 committed, and that law is continued in effect for purposes of the
21 validity of those bonds, obligations, and contractual obligations.

22 SECTION 14. This Act takes effect September 1, 2019.

ADOPTED

MAY 21 2019

Henry Gaud
Secretary of the Senate

By: Nelson

H.B. No. 4347

Substitute the following for ____B. No. ____:

By: Nelson

C.S.H.B. No. 4347

A BILL TO BE ENTITLED

AN ACT

1

2 relating to the authority of certain municipalities to use certain
3 tax revenue for hotel and convention center projects and other
4 qualified projects.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

6 SECTION 1. Section 351.001, Tax Code, is amended by adding
7 Subdivision (12) to read as follows:

8 (12) "Retail establishment" means an establishment
9 engaged in activities described by North American Industry
10 Classification System subsector code 442, 443, 445, 446, 448, 451,
11 452, or 453.

12 SECTION 2. Sections 351.102(b), (c), and (e), Tax Code, are
13 amended to read as follows:

14 (b) A municipality described by Subsection (e) [~~An eligible~~
15 ~~central municipality, a municipality with a population of 173,000~~
16 ~~or more that is located within two or more counties, a municipality~~
17 ~~with a population of 96,000 or more that is located in a county that~~
18 ~~borders Lake Palestine or contains the headwaters of the San~~
19 ~~Gabriel River, or a municipality with a population of at least~~
20 ~~99,900 but not more than 111,000 that is located in a county with a~~
21 ~~population of at least 135,000] may pledge the revenue derived from
22 the tax imposed under this chapter from a hotel project that is
23 owned by or located on land owned by the municipality or, in an
24 eligible central municipality, by a nonprofit corporation acting on~~

1 behalf of an eligible central municipality, and that is located
2 within 1,000 feet of a qualified convention center facility, as
3 defined by Section 351.151, owned by the municipality for the
4 payment of bonds or other obligations issued or incurred to
5 acquire, lease, construct, and equip the hotel and any facilities
6 ancillary to the hotel, including convention center
7 entertainment-related facilities, ~~[meeting spaces]~~ restaurants,
8 retail establishments ~~[shops]~~, street and water and sewer
9 infrastructure necessary for the operation of the hotel or
10 ancillary facilities, and parking facilities within 1,000 feet of
11 the hotel or convention center facility. ~~[A municipality with a~~
12 ~~population of 173,000 or more that is located within two or more~~
13 ~~counties may pledge for the payment of bonds or other obligations~~
14 ~~described by this subsection the revenue derived from the tax~~
15 ~~imposed under this chapter from a hotel project not owned by or~~
16 ~~located on land owned by the municipality if the project is located~~
17 ~~on land that is owned by the federal government and the project is~~
18 ~~located within 1,000 feet of a convention center facility owned by~~
19 ~~the municipality.]~~ For bonds or other obligations issued under
20 this subsection, ~~[an eligible central municipality or]~~ a
21 municipality described by ~~[this subsection or]~~ Subsection (e) may
22 only pledge revenue or other assets of the hotel project benefiting
23 from those bonds or other obligations.

24 (c) A A ~~[Except as provided by this subsection, a]~~
25 municipality described by ~~[to which]~~ Subsection ~~[(b) or]~~ (e)
26 ~~[applies]~~ is entitled to receive all funds from a project described
27 by Subsection (b) that an owner of a project may receive under

1 Section 151.429(h) of this code, or Section 2303.5055, Government
2 Code, and may pledge the funds for the payment of obligations issued
3 under this section, but only if ~~[. — A municipality described by~~
4 ~~Subsection (e) is not entitled to receive funds from a project under~~
5 ~~this subsection unless]~~ the municipality has pledged the revenue
6 derived from the tax imposed under this chapter from the project for
7 the payment of bonds or other obligations issued or incurred for the
8 project.

9 (e) Subsection (b) applies only ~~[In addition to the~~
10 ~~municipalities described by Subsection (b), that subsection also~~
11 ~~applies]~~ to:

12 (1) a municipality with a population of two million or
13 more;

14 (2) a municipality with a population of 700,000 or
15 more but less than 1.3 million;

16 (3) a municipality with a population of 350,000 or
17 more but less than 450,000 in which two professional sports
18 stadiums are located, each of which:

19 (A) has a seating capacity of at least 40,000
20 people; and

21 (B) was approved by the voters of the
22 municipality as a sports and community venue project under Chapter
23 334, Local Government Code; and

24 (4) ~~[at least 110,000 but not more than 135,000 at~~
25 ~~least part of which is located in a county with a population of not~~
26 ~~more than 135,000;~~

27 ~~[(2) a municipality with a population of at least~~

1 ~~9,000 but not more than 10,000 that is located in two counties, each~~
2 ~~of which has a population of at least 662,000 and a southern border~~
3 ~~with a county with a population of 2.3 million or more,~~

4 ~~[(3) a municipality with a population of at least~~
5 ~~200,000 but not more than 300,000 that contains a component~~
6 ~~institution of the Texas Tech University System,~~

7 ~~[(4) a municipality with a population of at least~~
8 ~~95,000 that borders Lake Lewisville,~~

9 ~~[(5) a municipality that:~~

10 ~~[(A) contains a portion of Cedar Hill State Park,~~

11 ~~[(B) has a population of more than 45,000,~~

12 ~~[(C) is located in two counties, one of which has~~
13 ~~a population of more than two million and one of which has a~~
14 ~~population of more than 149,000, and~~

15 ~~[(D) has adopted a capital improvement plan for~~
16 ~~the construction or expansion of a convention center facility,~~

17 ~~[(6) a municipality with a population of less than~~
18 ~~6,000 that:~~

19 ~~[(A) is located in two counties each with a~~
20 ~~population of 600,000 or more that are both adjacent to a county~~
21 ~~with a population of two million or more,~~

22 ~~[(B) has full-time police and fire departments,~~
23 ~~and~~

24 ~~[(C) has adopted a capital improvement plan for~~
25 ~~the construction or expansion of a convention center facility,~~

26 ~~[(7) a municipality with a population of at least~~
27 ~~56,000 that:~~

1 ~~[(A) borders Lake Ray Hubbard, and~~
2 ~~[(B) is located in two counties, one of which has~~
3 ~~a population of less than 80,000,~~
4 ~~[(8) a municipality with a population of more than~~
5 ~~83,000, that borders Clear Lake, and that is primarily located in a~~
6 ~~county with a population of less than 300,000,~~
7 ~~[(9)]~~ a municipality with a population of less than
8 2,000 that:
9 (A) is located adjacent to a bay connected to the
10 Gulf of Mexico;
11 (B) is located in a county with a population of
12 290,000 or more that is adjacent to a county with a population of
13 four million or more; and
14 (C) has a boardwalk on the bay[+
15 ~~[(10) a municipality with a population of 75,000 or~~
16 ~~more that.~~
17 ~~[(A) is located wholly in one county with a~~
18 ~~population of 575,000 or more that is adjacent to a county with a~~
19 ~~population of four million or more, and~~
20 ~~[(B) has adopted a capital improvement plan for~~
21 ~~the construction or expansion of a convention center facility,~~
22 ~~[(11) a municipality with a population of less than~~
23 ~~75,000 that is located in three counties, at least one of which has~~
24 ~~a population of at least four million, and~~
25 ~~[(12) an eligible coastal municipality with a~~
26 ~~population of more than 3,000 but less than 5,000].~~

27 SECTION 3. Section 351.102(d), Tax Code, is redesignated as

1 Section 351.1063, Tax Code, and amended to read as follows:

2 Sec. 351.1063. ALLOCATION OF REVENUE FOR ADVERTISING AND
3 PROMOTION: CERTAIN MUNICIPALITIES WITH CERTAIN PROJECTS. (a) This
4 section applies only to a municipality described by Section
5 351.102(e) or 351.152, other than an eligible central municipality
6 described by Section 351.001(7)(D).

7 (b) A [~~(d) Except as provided by this subsection, an~~
8 ~~eligible central~~] municipality [~~or another municipality described~~
9 ~~by Subsection (b) or (e)] that uses revenue derived from the tax~~

10 imposed under this chapter or funds received under Section
11 351.102(c), 351.156, or 351.157 [~~Subsection (e)]~~ for a hotel
12 project under Section 351.102(b) or a qualified project under
13 Section 351.155 [~~described by Subsection (b)]~~ may not reduce the
14 percentage of revenue from the tax imposed under this chapter and
15 allocated for a purpose described by Section 351.101(a)(3) to a
16 percentage that is less than the average percentage of that revenue
17 allocated by the municipality for that purpose during the 36-month
18 period preceding the date the municipality begins using the revenue
19 or funds for the hotel project. [~~This subsection does not apply to~~
20 ~~an eligible central municipality described by Section~~
21 ~~351.001(7)(D).~~]

22 SECTION 4. Section 351.102(f), Tax Code, is redesignated as
23 Section 351.1064, Tax Code, and amended to read as follows:

24 Sec. 351.1064. ALLOCATION OF REVENUE FOR CERTAIN SPORTING
25 EVENT EXPENSES: CERTAIN MUNICIPALITIES WITH QUALIFIED PROJECT. (a)
26 This section applies only to a municipality with a population of
27 200,000 or more but less than 300,000 that contains a component

1 institution of the Texas Tech University System.

2 (b) [~~(f)~~] A municipality [~~described by Subsection (e)(3)~~]
3 that uses revenue derived from the tax imposed under this chapter or
4 funds received under Section 351.156 [~~Subsection (e)~~] for repayment
5 of bonds, ~~[or]~~ other obligations, or contractual obligations issued
6 or incurred for a qualified [~~hotel~~] project under Section 351.155
7 [~~described by Subsection (b)~~] may not, in a fiscal year that begins
8 after [~~construction of~~] the qualified [~~hotel~~] project is complete
9 and during any part of which the bonds, ~~[or]~~ other obligations, or
10 contractual obligations are outstanding, reduce the amount of
11 revenue derived from the tax imposed under this chapter and
12 allocated for a purpose described by Section 351.101(a)(6) to an
13 amount that is less than the sum of:

14 (1) the amount of the revenue derived from the tax
15 imposed under this chapter and allocated by the municipality for a
16 purpose described by Section 351.101(a)(6) during the fiscal year
17 beginning October 1, 2016; and

18 (2) three percent of the amount of revenue derived
19 from the tax imposed under this chapter during the fiscal year for
20 which the amount required by this subsection is being determined.

21 SECTION 5. Subchapter B, Chapter 351, Tax Code, is amended
22 by adding Section 351.1021 to read as follows:

23 Sec. 351.1021. PLEDGE OR COMMITMENT OF CERTAIN TAX REVENUE
24 FOR CERTAIN PROJECTS. (a) In this section:

25 (1) "Eligible municipality" means a municipality
26 described by Section 351.102(e)(4).

27 (2) "Multipurpose convention center facility" means a

1 facility that will be constructed and, after that construction:

2 (A) is used to host conventions, meetings, live
3 performances, and sporting events;

4 (B) is:

5 (i) leased by an eligible municipality; or

6 (ii) wholly owned by an eligible
7 municipality, and none of which is or may be owned through an
8 undivided common interest;

9 (C) is not located in a hotel or other structure;

10 (D) has at least 10,000 square feet of continuous
11 and usable meeting space; and

12 (E) is configurable to simultaneously
13 accommodate multiple events described by Paragraph (A) of different
14 sizes and types.

15 (3) "Multipurpose convention center facility project"
16 means a project that consists of a hotel owned by an eligible
17 municipality or another person and a multipurpose convention center
18 facility, the nearest exterior wall of which is located not more
19 than 2,500 feet from the nearest exterior wall of the hotel. A
20 multipurpose convention center facility project may include:

21 (A) each new or existing business located in the
22 municipality, regardless of who owns the business or the property
23 on which the business is located, the nearest exterior wall of which
24 is located not more than 2,500 feet from the nearest exterior wall
25 of the multipurpose convention center facility or the hotel that is
26 part of the project;

27 (B) a parking shuttle or transportation system;

1 and

2 (C) any parking area or structure located in the
3 municipality, regardless of who owns the area or structure or the
4 property on which the area or structure is located, the nearest
5 property line of which is located not more than two miles from the
6 nearest exterior wall of the multipurpose convention center
7 facility.

8 (b) An eligible municipality or local government
9 corporation acting on behalf of an eligible municipality is
10 entitled to receive all funds from a multipurpose convention center
11 facility project that the owner of a project could receive under
12 Section 151.429(h) of this code or Section 2303.5055, Government
13 Code, if a project for purposes of those provisions included a
14 multipurpose convention center facility project. The municipality
15 or local government corporation is entitled to receive the funds
16 for a period of 10 years beginning on the date the multipurpose
17 convention center facility is issued a certificate of occupancy.

18 (c) An eligible municipality or local government
19 corporation acting on behalf of an eligible municipality may pledge
20 or commit the funds to which the municipality or local government
21 corporation is entitled as provided by Subsection (b) for the
22 payment of bonds, other obligations, or contractual obligations
23 issued or incurred for the multipurpose convention center facility
24 project.

25 (d) The comptroller shall deposit the funds to which an
26 eligible municipality or local government corporation is entitled
27 as provided by Subsection (b) in a separate suspense account of the

1 municipality outside the state treasury.

2 (e) The comptroller may make a rebate, refund, or payment
3 authorized under this section without the necessity of an
4 appropriation. The comptroller shall rebate, refund, or pay to the
5 eligible municipality the funds to which the municipality or local
6 government corporation is entitled as provided by Subsection (b) at
7 least quarterly.

8 SECTION 6. Subchapter B, Chapter 351, Tax Code, is amended
9 by adding Section 351.1022 to read as follows:

10 Sec. 351.1022. PLEDGE OR COMMITMENT OF CERTAIN TAX REVENUE
11 BY CERTAIN MUNICIPALITIES WITH SPORTS STADIUMS. (a) This section
12 applies only to a municipality described by Section 351.102(e)(3).

13 (b) A municipality is entitled to receive all funds from a
14 hotel project described by Section 351.102(b) that an owner of a
15 project may receive under Section 151.429(h) of this code or
16 Section 2303.5055, Government Code, and all tax revenue collected
17 under Chapter 183 by or from all permittees at the hotel project,
18 excluding revenue disbursed by the comptroller under Section
19 183.051(b). Notwithstanding any other law, the municipality is
20 entitled to receive the funds for a period of 30 years beginning on
21 the date the hotel project is open for initial occupancy.

22 (c) The municipality may pledge the funds to which the
23 municipality is entitled as provided by Subsection (b) for the
24 payment of bonds, other obligations, or contractual obligations
25 issued or incurred to acquire, lease, construct, improve, enlarge,
26 and equip the hotel project.

27 (d) The comptroller shall deposit the funds to which the

1 municipality is entitled as provided by Subsection (b) in a
2 separate suspense account of the municipality outside the state
3 treasury.

4 (e) The comptroller may make a rebate, refund, or payment
5 authorized under this section without the necessity of an
6 appropriation. The comptroller shall rebate, refund, or pay to the
7 municipality the funds to which the municipality is entitled as
8 provided by Subsection (b) at least monthly.

9 SECTION 7. Chapter 351, Tax Code, is amended by adding
10 Subchapter C to read as follows:

11 SUBCHAPTER C. MUNICIPAL HOTEL AND CONVENTION CENTER PROJECTS

12 Sec. 351.151. DEFINITIONS. In this subchapter:

13 (1) "Infrastructure" includes:

14 (A) a road, street, highway, bridge, overpass,
15 underpass, and interchange;

16 (B) a fresh, reuse, or alternative water supply
17 system, sanitary sewer system, and storm drainage system;

18 (C) an electric system, telecommunications
19 system, and gas system;

20 (D) signage, landscaping, and hardscaping; and

21 (E) a public amenity or public area, such as a
22 plaza, park, or trail.

23 (2) "Qualified convention center facility" means a
24 facility that has been or will be constructed and that:

25 (A) is primarily used to host conventions or
26 meetings;

27 (B) is wholly owned by a municipality to which

1 this subchapter applies, and none of which is or may be owned
2 through an undivided common interest;

3 (C) is connected to a qualified hotel or has an
4 exterior wall that is located not more than 1,000 feet from the
5 nearest exterior wall of a qualified hotel;

6 (D) is not located in a hotel, sports stadium, or
7 other structure but may share common infrastructure or facilities
8 with a hotel, such as a heating, ventilation, and air-conditioning
9 system, electrical system, or kitchen;

10 (E) has at least 10,000 square feet of continuous
11 meeting space; and

12 (F) is configurable to simultaneously
13 accommodate multiple events described by Paragraph (A) of different
14 sizes and types.

15 (3) "Qualified hotel" means a hotel that is designated
16 by a municipality to which this subchapter applies as the hotel that
17 is part of a qualified project. A qualified hotel:

18 (A) must be located on land owned by the
19 designating municipality;

20 (B) must be connected to a qualified convention
21 center facility or have an exterior wall that is located not more
22 than 1,000 feet from the nearest exterior wall of the qualified
23 convention center facility; and

24 (C) may consist of two or more towers, regardless
25 of whether named differently, branded differently, reporting
26 different addresses to the comptroller under this code, or
27 reporting taxes separately to the comptroller under this code,

1 that:

2 (i) are constructed at the same time;

3 (ii) are connected to each other or to a
4 qualified convention center facility; and

5 (iii) each meet the requirements of
6 Paragraphs (A) and (B).

7 (4) "Qualified project" means a project:

8 (A) to:

9 (i) acquire, construct, repair, remodel,
10 expand, or equip a qualified convention center facility; or

11 (ii) acquire, lease, construct, repair,
12 remodel, expand, or equip a qualified hotel; and

13 (B) that may include:

14 (i) acquiring, leasing, constructing,
15 repairing, remodeling, expanding, or equipping:

16 (a) a restaurant, bar, retail
17 establishment, or spa located in a qualified convention center
18 facility or qualified hotel or connected to a qualified convention
19 center facility or qualified hotel, including by a covered walkway;
20 or

21 (b) a parking area or structure, the
22 nearest property line of which is located not more than 1,000 feet
23 from the nearest property line of a qualified convention center
24 facility or qualified hotel;

25 (ii) acquiring, constructing, repairing,
26 remodeling, or expanding infrastructure that:

27 (a) is directly related to and

1 necessary for the qualified convention center facility or qualified
2 hotel; and

3 (b) is located within the property
4 lines of the qualified convention center facility or qualified
5 hotel, or not more than 1,000 feet from the nearest property line of
6 the facility or hotel; or

7 (iii) acquiring a property right, including
8 a fee simple interest, easement, or other interest in connection
9 with a purpose described by this subdivision.

10 Sec. 351.152. APPLICABILITY. This subchapter applies only
11 to:

12 (1) a municipality described by Section
13 351.001(7)(B);

14 (2) a municipality described by Section
15 351.001(7)(D);

16 (3) a municipality described by Section
17 351.001(7)(E);

18 (4) a municipality described by Section
19 351.102(e)(3);

20 (5) a municipality that contains more than 75 percent
21 of the population of a county with a population of 1.5 million or
22 more;

23 (6) a municipality with a population of 150,000 or
24 more but less than 200,000 that is partially located in at least one
25 county with a population of 125,000 or more;

26 (7) a municipality with a population of 150,000 or
27 more but less than one million that is located in one county with a

1 population of 2.3 million or more;
2 (8) a municipality with a population of 180,000 or
3 more that:
4 (A) is located in two counties, each with a
5 population of 100,000 or more; and
6 (B) contains an American Quarter Horse Hall of
7 Fame and Museum;
8 (9) a municipality with a population of 96,000 or more
9 that is located in a county that borders Lake Palestine;
10 (10) a municipality with a population of 96,000 or
11 more that is located in a county that contains the headwaters of the
12 San Gabriel River;
13 (11) a municipality with a population of 99,900 or
14 more but less than 111,000 that is located in a county with a
15 population of 135,000 or more;
16 (12) a municipality with a population of 110,000 or
17 more but less than 135,000 at least part of which is located in a
18 county with a population of less than 135,000;
19 (13) a municipality with a population of 9,000 or more
20 but less than 10,000 that is located in two counties, each of which
21 has a population of 662,000 or more and a southern border with a
22 county with a population of 2.3 million or more;
23 (14) a municipality with a population of 200,000 or
24 more but less than 300,000 that contains a component institution of
25 the Texas Tech University System;
26 (15) a municipality with a population of 95,000 or
27 more that:

1 (A) is located in more than one county; and
2 (B) borders Lake Lewisville;
3 (16) a municipality with a population of 45,000 or
4 more that:
5 (A) contains a portion of Cedar Hill State Park;
6 (B) is located in two counties, one of which has a
7 population of two million or more and one of which has a population
8 of 149,000 or more; and
9 (C) has adopted a capital improvement plan for
10 the construction or expansion of a convention center facility;
11 (17) a municipality with a population of less than
12 6,000 that:
13 (A) is almost wholly located in a county with a
14 population of 600,000 or more that is adjacent to a county with a
15 population of two million or more;
16 (B) is partially located in a county with a
17 population of 1.8 million or more that is adjacent to a county with
18 a population of two million or more;
19 (C) has a visitor center and museum located in a
20 19th-century rock building in the municipality's downtown; and
21 (D) has a waterpark open to the public;
22 (18) a municipality with a population of 56,000 or
23 more that:
24 (A) borders Lake Ray Hubbard; and
25 (B) is located in two counties, one of which has a
26 population of less than 80,000;
27 (19) a municipality with a population of 83,000 or

1 more that:
2 (A) borders Clear Lake; and
3 (B) is primarily located in a county with a
4 population of less than 300,000;
5 (20) a municipality with a population of less than
6 2,000 that:
7 (A) is located adjacent to a bay connected to the
8 Gulf of Mexico;
9 (B) is located in a county with a population of
10 290,000 or more that is adjacent to a county with a population of
11 four million or more; and
12 (C) has a boardwalk on the bay;
13 (21) a municipality with a population of 75,000 or
14 more that:
15 (A) is located wholly in one county with a
16 population of 575,000 or more that is adjacent to a county with a
17 population of four million or more; and
18 (B) has adopted a capital improvement plan for
19 the construction or expansion of a convention center facility;
20 (22) a municipality with a population of less than
21 75,000 that is located in three counties, at least one of which has
22 a population of four million or more;
23 (23) an eligible coastal municipality with a
24 population of 3,000 or more but less than 5,000;
25 (24) a municipality with a population of 90,000 or
26 more but less than 150,000 that:
27 (A) is located in three counties; and

1 (B) contains a branch campus of a component
2 institution of the University of Houston System;
3 (25) a municipality that is:
4 (A) primarily located in a county with a
5 population of four million or more; and
6 (B) connected by a bridge to a municipality
7 described by Subdivision (20);
8 (26) a municipality with a population of 20,000 or
9 more but less than 25,000 that:
10 (A) contains a portion of Mustang Bayou; and
11 (B) is wholly located in a county with a
12 population of less than 500,000;
13 (27) a municipality with a population of 70,000 or
14 more but less than 90,000 that is located in two counties, one of
15 which has a population of four million or more and the other of
16 which has a population of less than 50,000;
17 (28) a municipality with a population of 10,000 or
18 more that:
19 (A) is wholly located in a county with a
20 population of four million or more; and
21 (B) has a city hall located less than three miles
22 from a space center operated by an agency of the federal government;
23 (29) a municipality that is the county seat of a
24 county:
25 (A) through which the Pedernales River flows; and
26 (B) in which the birthplace of a president of the
27 United States is located;

1 (30) a municipality that contains a portion of U.S.
2 Highway 79 and State Highway 130;

3 (31) a municipality with a population of 48,000 or
4 more but less than 95,000 that is located in two counties, one of
5 which has a population of 900,000 or more but less than 1.7 million;

6 (32) a municipality with a population of less than
7 25,000 that contains a museum of Western American art;

8 (33) a municipality with a population of 50,000 or
9 more that is the county seat of a county that contains a portion of
10 the Sam Houston National Forest;

11 (34) a municipality with a population of less than
12 25,000 that:

13 (A) contains a cultural heritage museum; and

14 (B) is located in a county that borders the
15 United Mexican States and the Gulf of Mexico;

16 (35) a municipality that is the county seat of a county
17 that:

18 (A) has a population of 115,000 or more;

19 (B) is adjacent to a county with a population of
20 1.8 million or more; and

21 (C) hosts an annual peach festival;

22 (36) a municipality that is the county seat of a county
23 that:

24 (A) has a population of 585,000 or more; and

25 (B) is adjacent to a county with a population of
26 four million or more;

27 (37) a municipality with a population of less than

1 10,000 that:
2 (A) contains a component university of The Texas
3 A&M University System; and
4 (B) is located in a county adjacent to a county
5 that borders Oklahoma;
6 (38) a municipality with a population of less than
7 6,100 that:
8 (A) is located in two counties, each of which has
9 a population of 600,000 or more but less than two million; and
10 (B) hosts an annual Cajun Festival;
11 (39) a municipality with a population of 13,000 or
12 more that:
13 (A) is located on an international border; and
14 (B) is located in a county:
15 (i) with a population of less than 400,000;
16 and
17 (ii) in which at least one World Birding
18 Center site is located;
19 (40) a municipality with a population of 4,000 or more
20 that:
21 (A) is located on an international border; and
22 (B) is located not more than five miles from a
23 state historic site that serves as a visitor center for a state park
24 that contains 300,000 or more acres of land;
25 (41) a municipality with a population of 36,000 or
26 more that is adjacent to at least two municipalities described by
27 Subdivision (15); and

1 (42) a municipality with a population of 28,000 or
2 more in which is located a historic railroad depot and heritage
3 center.

4 Sec. 351.153. EXCEPTION TO OWNERSHIP REQUIREMENT. (a)
5 This section applies only to a municipality described by Section
6 351.152(6) or (29).

7 (b) Section 351.151(2)(B) does not apply to a facility that
8 otherwise meets the requirements of a qualified convention center
9 facility under Section 351.151.

10 (c) Section 351.151(3)(A) does not apply to a hotel that
11 otherwise meets the requirements of a qualified hotel under Section
12 351.151.

13 Sec. 351.154. NONPROFIT CORPORATION AS MUNICIPAL AGENT. A
14 municipality may authorize a nonprofit corporation to act on behalf
15 of the municipality for any purpose under this subchapter.

16 Sec. 351.155. PLEDGE OR COMMITMENT OF CERTAIN TAX REVENUE
17 FOR OBLIGATIONS FOR QUALIFIED PROJECT. (a) In addition to the
18 authority of a municipality to issue debt under Chapter 1504,
19 Government Code, a municipality may pledge or commit the revenue
20 derived from the tax imposed under this chapter from a qualified
21 hotel and the revenue to which the municipality is entitled under
22 Section 351.156 and, if applicable, Section 351.157 for the payment
23 of:

24 (1) bonds or other obligations issued for a qualified
25 project; and

26 (2) contractual obligations related to the project,
27 including obligations under:

1 (A) a contract authorized by Chapter 380, Local
2 Government Code, for the project; and

3 (B) an interlocal agreement directly related to
4 the project.

5 (b) A municipality may pledge or commit revenue for the
6 payment of bonds, other obligations, or contractual obligations
7 under Subsection (a) only if the qualified hotel that is a component
8 of the qualified project for which that revenue is pledged or
9 committed benefits from the pledging or committing of that revenue.

10 (c) A municipality may pledge or commit revenue under this
11 section for only one qualified project. After a municipality
12 pledges or commits revenue under this section for a qualified
13 project, the municipality may not ever again pledge or commit
14 revenue for a qualified project.

15 (d) Subsection (c) does not apply to a municipality with a
16 population of 175,000 or more.

17 (e) A municipality is not entitled to receive revenue under
18 Section 351.156 or 351.157 unless the municipality has pledged or
19 committed a portion of the revenue derived from the tax imposed
20 under this chapter and collected by the qualified hotel for the
21 payment of bonds, other obligations, or contractual obligations
22 described by Subsection (a) and issued or incurred for the
23 qualified project.

24 Sec. 351.156. ENTITLEMENT TO CERTAIN TAX REVENUE. Subject
25 to Sections 351.155(e) and 351.158, a municipality is entitled to
26 receive the revenue derived from the following taxes generated,
27 paid, and collected by a qualified hotel, and each restaurant, bar,

1 and retail establishment located in or connected to the hotel or the
2 related qualified convention center facility, that is located in
3 the municipality:

4 (1) the sales and use tax imposed under Chapter 151;

5 (2) the hotel occupancy tax imposed under Chapter 156;

6 and

7 (3) if a political subdivision that is entitled to
8 receive the revenue from the tax agrees in writing to the
9 municipality receiving that revenue:

10 (A) the sales and use tax imposed by the
11 political subdivision under Chapter 322 or 323;

12 (B) the hotel occupancy tax imposed by the
13 political subdivision under Chapter 352; and

14 (C) the mixed beverage tax issued under Section
15 183.051.

16 Sec. 351.157. ADDITIONAL ENTITLEMENT FOR CERTAIN
17 MUNICIPALITIES. (a) In this section, "qualified establishment"
18 means an establishment:

19 (1) that is located on land:

20 (A) owned by a municipality; or

21 (B) owned by any person if the establishment is
22 located in a municipality described by Section 351.152(3);

23 (2) the nearest exterior wall of which is located not
24 more than 1,000 feet from the nearest exterior wall of a qualified
25 hotel or qualified convention center facility;

26 (3) that is constructed:

27 (A) on or after the date the municipality

1 commences a qualified project under this subchapter; or

2 (B) at any time if the establishment is located
3 in a municipality described by Section 351.152(3);

4 (4) that is not a sports stadium; and

5 (5) that is the type of establishment described by
6 Subsection (c) from which the municipality is entitled to receive
7 revenue under Subsection (d).

8 (b) This section applies only to:

9 (1) a municipality described by Section 351.152(3);

10 (2) a municipality described by Section 351.152(6);

11 (3) a municipality described by Section 351.152(7);

12 (4) a municipality described by Section 351.152(10);

13 (5) a municipality described by Section 351.152(16);

14 (6) a municipality described by Section 351.152(22);

15 (7) a municipality described by Section 351.152(25);

16 (8) a municipality described by Section 351.152(34);

17 (9) a municipality described by Section 351.152(35);

18 (10) a municipality described by Section 351.152(36);

19 and

20 (11) a municipality described by Section 351.152(38).

21 (c) A municipality is entitled to receive revenue under
22 Subsection (d) derived from the following types of establishments
23 that meet the requirements of Subsections (a)(1), (2), (3), and
24 (4):

25 (1) for a municipality described by Subsection (b)(1):

26 (A) restaurants, bars, and retail
27 establishments; and

1 (B) swimming pools and swimming facilities owned
2 or operated by the related qualified hotel;
3 (2) for a municipality described by Subsection (b)(2),
4 restaurants, bars, and retail establishments;
5 (3) for a municipality described by Subsection (b)(3),
6 restaurants, bars, and retail establishments;
7 (4) for a municipality described by Subsection (b)(4):
8 (A) restaurants, bars, and retail
9 establishments; and
10 (B) swimming pools and swimming facilities owned
11 or operated by the related qualified hotel;
12 (5) for a municipality described by Subsection (b)(5),
13 restaurants, bars, and retail establishments;
14 (6) for a municipality described by Subsection (b)(6),
15 restaurants, bars, and retail establishments;
16 (7) for a municipality described by Subsection (b)(7),
17 restaurants, bars, and retail establishments;
18 (8) for a municipality described by Subsection (b)(8),
19 restaurants, bars, and retail establishments;
20 (9) for a municipality described by Subsection (b)(9),
21 restaurants, bars, and retail establishments;
22 (10) for a municipality described by Subsection
23 (b)(10):
24 (A) restaurants, bars, and retail
25 establishments; and
26 (B) swimming pools and swimming facilities owned
27 or operated by the related qualified hotel; and

1 (11) for a municipality described by Subsection
2 (b)(11):

3 (A) restaurants, bars, and retail
4 establishments; and

5 (B) swimming pools and swimming facilities owned
6 or operated by the related qualified hotel.

7 (d) Subject to Subsection (e), in addition to the revenue to
8 which the municipality is entitled under Section 351.156, a
9 municipality to which this section applies is entitled to receive
10 the revenue derived from the following taxes generated, paid, and
11 collected from a qualified establishment located in the
12 municipality:

13 (1) the sales and use tax imposed under Chapter 151;
14 and

15 (2) the mixed beverage tax issued under Section
16 183.051, if the political subdivision that is entitled to receive
17 the revenue from the tax agrees in writing to the municipality
18 receiving that revenue.

19 (e) A municipality to which this section applies is not
20 entitled to receive revenue under Subsection (d) unless the
21 municipality commences a qualified project under this subchapter
22 before September 1, 2023.

23 Sec. 351.158. PERIOD OF ENTITLEMENT. A municipality is
24 entitled to receive revenue as provided by Sections 351.156 and
25 351.157 until the 10th anniversary of the date the qualified hotel
26 to which the entitlement relates is open for initial occupancy.

27 Sec. 351.159. DEPOSIT OF REVENUE. Notwithstanding any

1 other law, the comptroller shall deposit the revenue from the taxes
2 described by Sections 351.156 and 351.157 that were collected by or
3 forwarded to the comptroller in trust in a separate suspense
4 account of the qualified project. The suspense account is outside
5 the state treasury and the comptroller may make a payment
6 authorized by this subchapter without the necessity of an
7 appropriation.

8 Sec. 351.160. QUARTERLY PAYMENTS. The comptroller shall
9 pay to each municipality the revenue to which the municipality is
10 entitled under this subchapter at least quarterly.

11 SECTION 8. Sections 351.102(b-1), (c-1), and (g), Tax Code,
12 are repealed.

13 SECTION 9. The comptroller of public accounts may adopt
14 rules as necessary to administer this Act.

15 SECTION 10. The changes in law made to Subchapter B, Chapter
16 351, Tax Code, by this Act apply only to a hotel project described
17 by Section 351.102(b), Tax Code, as amended by this Act, for which a
18 municipality by ordinance or resolution first authorizes the
19 issuance of bonds or other obligations, executes an agreement under
20 Chapter 380, Local Government Code, or executes an interlocal
21 agreement directly related to the project that is secured by a
22 pledge or commitment of revenue under that subsection for the
23 project on or after the effective date of this Act. A hotel project
24 described by Section 351.102(b), Tax Code, for which a municipality
25 by ordinance or resolution first authorized the issuance of bonds
26 or other obligations, executed an agreement under Chapter 380,
27 Local Government Code, or executed an interlocal agreement directly

1 related to the project that is secured by a pledge or commitment of
2 revenue under that subsection for the project before the effective
3 date of this Act is governed by the law in effect when the ordinance
4 was adopted or the agreement was executed, and that law is continued
5 in effect for purposes of those hotel projects.

6 SECTION 11. Subchapter C, Chapter 351, Tax Code, as added by
7 this Act, applies only to a qualified project as defined by Section
8 351.151, Tax Code, as added by this Act, for which a municipality by
9 ordinance or resolution first authorizes the issuance of bonds or
10 other obligations, executes or amends an agreement under Chapter
11 380, Local Government Code, or executes or amends an interlocal
12 agreement directly related to the qualified project that is secured
13 by a pledge or commitment of revenue under Subchapter C, Chapter
14 351, Tax Code, for the project on or after the effective date of
15 this Act.

16 SECTION 12. The changes in law made by this Act do not
17 affect the validity of a bond, other obligation, or contractual
18 obligation for which revenue was pledged or committed under Section
19 351.102, Tax Code, before the effective date of this Act. Bonds,
20 other obligations, or contractual obligations for which revenue was
21 pledged or committed before the effective date of this Act are
22 governed by the law in effect when the revenue was pledged or
23 committed, and that law is continued in effect for purposes of the
24 validity of those bonds, obligations, and contractual obligations.

25 SECTION 13. This Act takes effect September 1, 2019.

ADOPTED

Rv
MAY 21 2019

Letay Spaul
Secretary of the Senate

FLOOR AMENDMENT NO. 1

BY: *Seligar*

1 Amend H.B. No. 4347 by adding the following appropriately
2 numbered SECTION to the bill and renumbering the SECTIONS of the
3 bill accordingly:

4 SECTION _____. Subchapter B, Chapter 351, Tax Code, is
5 amended by adding Section 351.10712 to read as follows:

6 Sec. 351.10712. ALLOCATION OF REVENUE FOR CONSTRUCTION AND
7 MAINTENANCE OF SPORTS-RELATED FACILITIES BY CERTAIN
8 MUNICIPALITIES. (a) This section applies only to a municipality
9 with a population of at least 95,000 that is located in a county
10 that is bisected by United States Highway 385 and has a population
11 of not more than 140,000.

12 (b) Notwithstanding any other provision of this chapter, a
13 municipality to which this section applies may use revenue derived
14 from the tax imposed under this chapter to construct and maintain:

15 (1) a sports facility located in the municipality; or

16 (2) a multipurpose convocation center capable of
17 hosting intercollegiate athletic events on land owned by a state
18 university if the municipality leases the land on which the center
19 will be located from the university for a term of at least 25 years.

20 (c) A municipality that uses revenue derived from the tax
21 imposed under this chapter for a purpose described by Subsection
22 (b):

23 (1) shall determine the amount of area hotel revenue
24 attributable to the sports events and tournaments held at the
25 sports facility or multipurpose convocation center for seven years
26 after the date the municipality first uses hotel occupancy tax
27 revenue for the purpose described by Subsection (b);

28 (2) shall at the end of the seven-year period
29 described by Subdivision (1) reimburse from the municipality's

1 general fund to the municipality's hotel occupancy tax revenue fund
2 any hotel occupancy tax revenue expended on the sports facility or
3 multipurpose convocation center during that period in excess of the
4 amount determined under Subdivision (1); and

5 (3) may not during the seven-year period described by
6 Subdivision (1) reduce the percentage of revenue from the tax
7 imposed under this chapter and allocated for a purpose described by
8 Section 351.101(a)(3) to a percentage that is less than the average
9 percentage of that revenue allocated by the municipality for that
10 purpose during the 36-month period preceding the date the
11 municipality first uses hotel occupancy tax revenue for the purpose
12 described by Subsection (b).

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION

May 21, 2019

TO: Honorable Dennis Bonnen, Speaker of the House, House of Representatives

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

IN RE: HB4347 by Anchia (Relating to the authority of certain municipalities to use certain tax revenue for hotel and convention center projects and other qualified projects.), **As Passed 2nd House**

Estimated Two-year Net Impact to General Revenue Related Funds for HB4347, As Passed 2nd House: a negative impact of (\$980,000) through the biennium ending August 31, 2021.

Additionally, there would be a negative impact of (\$46,853,000) 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	(\$980,000)
2022	(\$11,760,000)
2023	(\$35,093,000)
2024	(\$49,087,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue (Loss) from General Revenue Fund 1
2020	\$0
2021	(\$980,000)
2022	(\$11,760,000)
2023	(\$35,093,000)
2024	(\$49,087,000)

Fiscal Analysis

The bill would amend Chapter 351, Tax Code to provide authority for certain municipalities to use certain state and local tax revenue for hotel and convention center projects.

Section 351.102 (Pledge For Bonds) would be amended to strike extant limiting descriptions of municipalities subject to the section and to add limiting descriptions as follows: (1) a municipality with population of two million or more (Houston); (2) a municipality with population of 700,000 or more but less than 1.3 million (Austin, Dallas, Fort Worth); (3) a municipality with population of 350,000 or more but less than 450,000 in which two sports stadiums with specified characteristics are located (Arlington); and (4) a municipality with population less than 2,000 that is located (A) adjacent to a bay connected to the Gulf of Mexico and (B) in a county with population of 290,000 or more adjacent to a county with population of 4 million or more, and that has a boardwalk on the bay (Kemah).

The bill would add Section 351.1021 to provide authority for a "multipurpose convention center facility project" for a certain eligible municipality (Kemah). Such a project would include: a hotel, whether owned by the municipality or another person; a multipurpose convention center facility located within 2,500 feet of the project hotel; any new or existing business, regardless of ownership, located in the municipality that is within 2,500 feet of the nearest exterior wall of the multipurpose facility or of the project hotel; a parking shuttle or transportation system; and any parking area or structure, regardless of ownership, within two miles of the nearest exterior wall of the multipurpose facility.

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 entitlement to state revenue would be for a period of 10 years beginning on the date the multipurpose facility is issued a certificate of occupancy.

The bill would add Section 351.1022 to provide that an eligible municipality (Arlington) is entitled to use certain tax revenue to fund a qualified hotel project. The municipality would be eligible to receive all funds from a hotel project that an owner of a project may receive under Section 151.429(h), Tax Code or Section 2303.5055 of the Government Code, and all the tax revenue collected under Chapter 183 by or from all permit holders at the hotel project, excluding revenue disbursed by the Comptroller under Section 183.051(b). The municipality could pledge those funds for the payment of bonds or other obligations issued or incurred to acquire, lease, construct, improve, enlarge, and equip the hotel project, and would be entitled to receive funds for a period of 30 years beginning on the date the hotel project is open for initial occupancy.

The bill would add Subchapter C to Chapter 351 regarding municipal hotel and convention center projects.

A "qualified convention center facility" would be a facility primarily used or to be used to host conventions or meetings, is wholly owned by a municipality and none of which may be owned through an undivided common interest, is connected to a qualified hotel or is not more than 1,000 feet from a qualified hotel, is not located in a hotel, sports stadium, or other structure, has at least 10,000 square feet of continuous meeting space, and is configurable to simultaneously accommodate multiple events.

A "qualified hotel" would be the hotel designated by a municipality as part of a qualified project, on land owned by the designating municipality, and connected to or within 1,000 feet of the

qualified convention center facility.

A "qualified project" would be a project to acquire, construct, repair, remodel, expand, or equip a qualified convention center facility or a qualified hotel, or lease of the latter, and could include a restaurant, bar, retail establishment, or spa located in or connected to the qualified facility or qualified hotel, a parking area or structure located within 1,000 feet of the qualified facility or qualified hotel, and infrastructure located within the property lines of or not more than 1,000 feet from a property line of the qualified facility or qualified hotel.

A "retail establishment" would be an establishment engaged in activities described by North American Industry Classification System codes 442 (Furniture and Home Furnishings Stores), 443 (Electronics and Appliance Stores), 445 (Food and Beverage Stores), 446 (Health and Personal Care Stores), 448 (Clothing and Clothing Accessories Stores), 451 (Sporting Goods, Hobby, Musical Instrument, and Book Stores), 452 (General Merchandise Stores), or 453 (Miscellaneous Store Retailers).

Subchapter C would provide limiting descriptions of the municipalities to which it applies: (1) Corpus Christi, (2) Nacogdoches, (3) El Paso, (4) Arlington, (5) San Antonio, (6) Grand Prairie, (7) Irving, (8) Amarillo, (9) Tyler, (10) Round Rock, (11) Odessa, (12) Abilene and Midland, (13) Prosper, (14) Lubbock, (15) Frisco and Lewisville, (16) Cedar Hill, (17) Roanoke, (18) Rowlett, (19) League City, (20) Kemah, (21) Sugar Land, (22) Katy, (23) Port Aransas, (24) Pearland, (25) Seabrook, (26) Alvin, (27) Baytown, (28) Webster, (29) Fredericksburg, (30) Hutto, (31) Cedar Park, (32) Kerrville, (33) Conroe, (34) San Benito, (35) Weatherford, (36) Richmond, (37) Commerce, (38) Celina, (39) Rio Grande City, (40) Presidio, (41) The Colony, and (42) Kyle.

A municipality would be entitled to receive the revenue from state sales and use tax imposed under Chapter 151 and state hotel tax imposed under Chapter 156 generated, paid, and collected by a qualified hotel and each restaurant, bar, and retail establishment located in or connected to the hotel. The entitlement to state tax revenue would be for a period of 10 years after the qualified hotel is open for initial occupancy.

A municipality could also receive, if agreed to by the pertinent political subdivision, transit authority and county sales tax, county hotel tax, and the county share of mixed beverage tax generated, paid, or collected by a qualified hotel and each restaurant, bar, and retail establishment located in or connected to the hotel.

Additionally, some municipalities (El Paso, Grand Prairie, Irving, Round Rock, Cedar Hill, Katy, Seabrook, San Benito, Weatherford, Richmond, and Celina) would be entitled to receive state sales tax revenue generated, paid, and collected from a qualified establishment. "Qualified establishment" would be defined as an establishment that is (1) located on land owned by a municipality and not more than 1,000 feet from the closest exterior wall of a qualified hotel or qualified convention center facility, (2) is constructed on or after the date of commencement of the qualified project, (3) is not a sports stadium, and (4) is a restaurant, bar, or retail establishment. Additionally, for some municipalities (El Paso, Round Rock, Richmond, and Celina) a qualified establishment would include a swimming pool, swimming facilities, and related facilities owned or operated by the related qualified hotel.

A municipality would be authorized to pledge the state tax revenue it is entitled to receive in relation to a qualified project, as well as municipal hotel occupancy tax revenue from the qualified hotel, for the payment of bonds or other obligations issued for the qualified project, and contractual obligations under a contract authorized by Chapter 380, Local Government Code, for the qualified project. A municipality could pledge such revenue for only one qualified project,

except that a municipality with population of 175,000 or more (Amarillo, Arlington, Corpus Christi, El Paso, Grand Prairie, Irving, Lubbock, and San Antonio) would not be limited to one qualified project.

A municipality would not be entitled to receive revenue under Subchapter C unless it commences a qualified project before September 1, 2023.

The bill would add new Section 351.10712 to authorize a municipality with a population of at least 95,000 that is located in a county that is bisected by United States Highway 385 and has a population of not more than 140,000 (Odessa) to use municipal hotel occupancy taxes to construct and maintain a sports facility in the municipality or a multipurpose convocation center capable of hosting intercollegiate athletic events on land owned by a state university if the municipality leases the land on which the center will be located from the university for a term of at least 25 years.

The bill would take effect September 1, 2019.

Methodology

With respect to municipalities that do not have authorization to pledge state sales tax and hotel tax revenue for a hotel or convention center hotel project under current law, to the extent that pertinent information was available regarding plans for a project, estimates are based on 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. When pertinent information was not available for a municipality, estimates were developed proportionally to estimates for other municipalities of comparable population.

Estimates were adjusted upward for the municipalities that would be authorized to receive additional state sales tax revenues from qualified establishments not located within or connected to project hotels. Estimates for municipalities with authorization to pledge and receive state tax revenues under current law were developed and included for this fiscal note only if the municipality would be entitled to receive additional state sales tax revenues from qualified establishments not located within or connected to project hotels.

With respect to the multipurpose convention center facility project authorization for the City of Kemah, as the entitlement to state sales tax revenue includes tax revenue received from existing businesses within 2,500 feet of the project hotel, which may be an existing hotel and within 2,500 feet of the prospective multipurpose facility, the estimate is based on recent historical data for hotel tax and sales tax reported by establishments in Kemah. The entitlement to state revenue would begin when the multipurpose facility is issued a certificate of occupancy, which is not expected to occur before sometime in 2023.

Local Government Impact

The bill would make multiple changes, described above, to the statutes governing municipal hotel occupancy tax.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: WP, KK, SD

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION

May 18, 2019

TO: Honorable Jane Nelson, Chair, Senate Committee on Finance

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

IN RE: **HB4347** by Anchia (relating to the authority of certain municipalities to use certain tax revenue for hotel and convention center projects and other qualified projects.),
Committee Report 2nd House, Substituted

Estimated Two-year Net Impact to General Revenue Related Funds for HB4347, Committee Report 2nd House, Substituted: a negative impact of (\$980,000) through the biennium ending August 31, 2021.

Additionally, there would be a negative impact of (\$46,853,000) 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	(\$980,000)
2022	(\$11,760,000)
2023	(\$35,093,000)
2024	(\$49,087,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue (Loss) from <i>General Revenue Fund</i> 1
2020	\$0
2021	(\$980,000)
2022	(\$11,760,000)
2023	(\$35,093,000)
2024	(\$49,087,000)

Fiscal Analysis

The bill would amend Chapter 351, Tax Code to provide authority for certain municipalities to use

certain state and local tax revenue for hotel and convention center projects.

Section 351.102 (Pledge For Bonds) would be amended to strike extant limiting descriptions of municipalities subject to the section and to add limiting descriptions as follows: (1) a municipality with population of two million or more (Houston); (2) a municipality with population of 700,000 or more but less than 1.3 million (Austin, Dallas, Fort Worth); (3) a municipality with population of 350,000 or more but less than 450,000 in which two sports stadiums with specified characteristics are located (Arlington); and (4) a municipality with population less than 2,000 that is located (A) adjacent to a bay connected to the Gulf of Mexico and (B) in a county with population of 290,000 or more adjacent to a county with population of 4 million or more, and that has a boardwalk on the bay (Kemah).

The bill would add Section 351.1021 to provide authority for a "multipurpose convention center facility project" for a certain eligible municipality (Kemah). Such a project would include: a hotel, whether owned by the municipality or another person; a multipurpose convention center facility located within 2,500 feet of the project hotel; any new or existing business, regardless of ownership, located in the municipality that is within 2,500 feet of the nearest exterior wall of the multipurpose facility or of the project hotel; a parking shuttle or transportation system; and any parking area or structure, regardless of ownership, within two miles of the nearest exterior wall of the multipurpose facility.

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 entitlement to state revenue would be for a period of 10 years beginning on the date the multipurpose facility is issued a certificate of occupancy.

The bill would add Section 351.1022 to provide that an eligible municipality (Arlington) is entitled to use certain tax revenue to fund a qualified hotel project. The municipality would be eligible to receive all funds from a hotel project that an owner of a project may receive under Section 151.429(h), Tax Code or Section 2303.5055 of the Government Code, and all the tax revenue collected under Chapter 183 by or from all permit holders at the hotel project, excluding revenue disbursed by the Comptroller under Section 183.051(b). The municipality could pledge those funds for the payment of bonds or other obligations issued or incurred to acquire, lease, construct, improve, enlarge, and equip the hotel project, and would be entitled to receive funds for a period of 30 years beginning on the date the hotel project is open for initial occupancy.

The bill would add Subchapter C to Chapter 351 regarding municipal hotel and convention center projects.

A "qualified convention center facility" would be a facility primarily used or to be used to host conventions or meetings, is wholly owned by a municipality and none of which may be owned through an undivided common interest, is connected to a qualified hotel or is not more than 1,000 feet from a qualified hotel, is not located in a hotel, sports stadium, or other structure, has at least 10,000 square feet of continuous meeting space, and is configurable to simultaneously accommodate multiple events.

A "qualified hotel" would be the hotel designated by a municipality as part of a qualified project,

on land owned by the designating municipality, and connected to or within 1,000 feet of the qualified convention center facility.

A "qualified project" would be a project to acquire, construct, repair, remodel, expand, or equip a qualified convention center facility or a qualified hotel, or lease of the latter, and could include a restaurant, bar, retail establishment, or spa located in or connected to the qualified facility or qualified hotel, a parking area or structure located within 1,000 feet of the qualified facility or qualified hotel, and infrastructure located within the property lines of or not more than 1,000 feet from a property line of the qualified facility or qualified hotel.

A "retail establishment" would be an establishment engaged in activities described by North American Industry Classification System codes 442 (Furniture and Home Furnishings Stores), 443 (Electronics and Appliance Stores), 445 (Food and Beverage Stores), 446 (Health and Personal Care Stores), 448 (Clothing and Clothing Accessories Stores), 451 (Sporting Goods, Hobby, Musical Instrument, and Book Stores), 452 (General Merchandise Stores), or 453 (Miscellaneous Store Retailers).

Subchapter C would provide limiting descriptions of the municipalities to which it applies: (1) Corpus Christi, (2) Nacogdoches, (3) El Paso, (4) Arlington, (5) San Antonio, (6) Grand Prairie, (7) Irving, (8) Amarillo, (9) Tyler, (10) Round Rock, (11) Odessa, (12) Abilene and Midland, (13) Prosper, (14) Lubbock, (15) Frisco and Lewisville, (16) Cedar Hill, (17) Roanoke, (18) Rowlett, (19) League City, (20) Kemah, (21) Sugar Land, (22) Katy, (23) Port Aransas, (24) Pearland, (25) Seabrook, (26) Alvin, (27) Baytown, (28) Webster, (29) Fredericksburg, (30) Hutto, (31) Cedar Park, (32) Kerrville, (33) Conroe, (34) San Benito, (35) Weatherford, (36) Richmond, (37) Commerce, (38) Celina, (39) Rio Grande City, (40) Presidio, (41) The Colony, and (42) Kyle.

A municipality would be entitled to receive the revenue from state sales and use tax imposed under Chapter 151 and state hotel tax imposed under Chapter 156 generated, paid, and collected by a qualified hotel and each restaurant, bar, and retail establishment located in or connected to the hotel. The entitlement to state tax revenue would be for a period of 10 years after the qualified hotel is open for initial occupancy.

A municipality could also receive, if agreed to by the pertinent political subdivision, transit authority and county sales tax, county hotel tax, and the county share of mixed beverage tax generated, paid, or collected by a qualified hotel and each restaurant, bar, and retail establishment located in or connected to the hotel.

Additionally, some municipalities (El Paso, Grand Prairie, Irving, Round Rock, Cedar Hill, Katy, Seabrook, San Benito, Weatherford, Richmond, and Celina) would be entitled to receive state sales tax revenue generated, paid, and collected from a qualified establishment. "Qualified establishment" would be defined as an establishment that is (1) located on land owned by a municipality and not more than 1,000 feet from the closest exterior wall of a qualified hotel or qualified convention center facility, (2) is constructed on or after the date of commencement of the qualified project, (3) is not a sports stadium, and (4) is a restaurant, bar, or retail establishment. Additionally, for some municipalities (El Paso, Round Rock, Richmond, and Celina) a qualified establishment would include a swimming pool, swimming facilities, and related facilities owned or operated by the related qualified hotel.

A municipality would be authorized to pledge the state tax revenue it is entitled to receive in relation to a qualified project, as well as municipal hotel occupancy tax revenue from the qualified hotel, for the payment of bonds or other obligations issued for the qualified project, and contractual obligations under a contract authorized by Chapter 380, Local Government Code, for

the qualified project. A municipality could pledge such revenue for only one qualified project, except that a municipality with population of 175,000 or more (Amarillo, Arlington, Corpus Christi, El Paso, Grand Prairie, Irving, Lubbock, and San Antonio) would not be limited to one qualified project.

A municipality would not be entitled to receive revenue under Subchapter C unless it commences a qualified project before September 1, 2023.

The bill would take effect September 1, 2019.

Methodology

With respect to municipalities that do not have authorization to pledge state sales tax and hotel tax revenue for a hotel or convention center hotel project under current law, to the extent that pertinent information was available regarding plans for a project, estimates are based on 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. When pertinent information was not available for a municipality, estimates were developed proportionally to estimates for other municipalities of comparable population.

Estimates were adjusted upward for the municipalities that would be authorized to receive additional state sales tax revenues from qualified establishments not located within or connected to project hotels. Estimates for municipalities with authorization to pledge and receive state tax revenues under current law were developed and included for this fiscal note only if the municipality would be entitled to receive additional state sales tax revenues from qualified establishments not located within or connected to project hotels.

With respect to the multipurpose convention center facility project authorization for the City of Kemah, as the entitlement to state sales tax revenue includes tax revenue received from existing businesses within 2,500 feet of the project hotel, which may be an existing hotel and within 2,500 feet of the prospective multipurpose facility, the estimate is based on recent historical data for hotel tax and sales tax reported by establishments in Kemah. The entitlement to state revenue would begin when the multipurpose facility is issued a certificate of occupancy, which is not expected to occur before sometime in 2023.

Local Government Impact

The bill would make multiple changes, described above, to the statutes governing municipal hotel occupancy tax.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: WP, KK, SD

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION

May 16, 2019

TO: Honorable Jane Nelson, Chair, Senate Committee on Finance

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

IN RE: HB4347 by Anchia (Relating to the authority of certain municipalities to use certain tax revenue for hotel and convention center projects and other qualified projects.), As Engrossed

Estimated Two-year Net Impact to General Revenue Related Funds for HB4347, As Engrossed: a negative impact of (\$980,000) through the biennium ending August 31, 2021.

Additionally, there would be a negative impact of (\$47,653,000) 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	(\$980,000)
2022	(\$11,760,000)
2023	(\$35,893,000)
2024	(\$66,637,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue (Loss) from General Revenue Fund 1
2020	\$0
2021	(\$980,000)
2022	(\$11,760,000)
2023	(\$35,893,000)
2024	(\$66,637,000)

Fiscal Analysis

The bill would amend Chapter 351, Tax Code to provide authority for certain municipalities to use certain state and local tax revenue for hotel and convention center projects.

Section 351.102 (Pledge For Bonds) would be amended to strike extant limiting descriptions of municipalities subject to the section and to add limiting descriptions as follows: (1) a municipality with population of two million or more (Houston); (2) a municipality with population of 700,000 or more but less than 1.3 million (Austin, Dallas, Fort Worth); (3) a municipality with population of 350,000 or more but less than 450,000 in which two sports stadiums with specified characteristics are located (Arlington); and (4) a municipality with population less than 2,000 that is located (A) adjacent to a bay connected to the Gulf of Mexico and (B) in a county with population of 290,000 or more adjacent to a county with population of 4 million or more, and that has a boardwalk on the bay (Kemah).

The bill would add Section 351.1021 to provide authority for a "multipurpose convention center facility project" for a certain eligible municipality (Kemah). Such a project would include: a hotel, whether owned by the municipality or another person; a multipurpose convention center facility located within 2,500 feet of the project hotel; any new or existing business, regardless of ownership, located in the municipality that is within 2,500 feet of the nearest exterior wall of the multipurpose facility or of the project hotel; a parking shuttle or transportation system; and any parking area or structure, regardless of ownership, within two miles of the nearest exterior wall of the multipurpose facility.

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 entitlement to state revenue would be for a period of 10 years beginning on the date the multipurpose facility is issued a certificate of occupancy.

The bill would add Section 351.1022 to provide that an eligible municipality (Arlington) is entitled to use certain tax revenue to fund a qualified hotel project. The municipality would be eligible to receive all funds from a hotel project that an owner of a project may receive under Section 151.429(h), Tax Code or Section 2303.5055 of the Government Code, and all the tax revenue collected under Chapter 183 by or from all permit holders at the hotel project, excluding revenue disbursed by the Comptroller under Section 183.051(b). The municipality could pledge those funds for the payment of bonds or other obligations issued or incurred to acquire, lease, construct, improve, enlarge, and equip the hotel project, and would be entitled to receive funds for a period of 30 years beginning on the date the hotel project is open for initial occupancy.

The bill would add Section 351.1023 to provide that a municipality with population less than 20,000 is entitled to receive the state hotel occupancy tax revenue generated, paid, and collected by a hotel in the municipality, for a qualified project to construct and equip a military museum and conference center located in the municipality on land donated for that purpose by an institution of higher education. The entitlement to state hotel tax revenue would be for a period of 10 years beginning with the earlier of the date of opening for initial occupancy of either the museum or the convention center.

The bill would add Subchapter C to Chapter 351 regarding municipal hotel and convention center projects.

A "qualified convention center facility" would be a facility primarily used or to be used to host

conventions or meetings, is wholly owned by a municipality and none of which may be owned through an undivided common interest, is connected to a qualified hotel or is not more than 1,000 feet from a qualified hotel, is not located in a hotel, sports stadium, or other structure, has at least 10,000 square feet of continuous meeting space, and is configurable to simultaneously accommodate multiple events.

A "qualified hotel" would be the hotel designated by a municipality as part of a qualified project, on land owned by the designating municipality, and connected to or within 1,000 feet of the qualified convention center facility.

A "qualified project" would be a project to acquire, construct, repair, remodel, expand, or equip a qualified convention center facility or a qualified hotel, or lease of the latter, and could include a restaurant, bar, retail establishment, or spa located in or connected to the qualified facility or qualified hotel, a parking area or structure located within 1,000 feet of the qualified facility or qualified hotel, and infrastructure located within the property lines of or not more than 1,000 feet from a property line of the qualified facility or qualified hotel.

A "retail establishment" would be an establishment engaged in activities described by North American Industry Classification System codes 442 (Furniture and Home Furnishings Stores), 443 (Electronics and Appliance Stores), 445 (Food and Beverage Stores), 446 (Health and Personal Care Stores), 448 (Clothing and Clothing Accessories Stores), 451 (Sporting Goods, Hobby, Musical Instrument, and Book Stores), 452 (General Merchandise Stores), or 453 (Miscellaneous Store Retailers).

Subchapter C would provide limiting descriptions of the municipalities to which it applies: (1) Corpus Christi, (2) Nacogdoches, (3) El Paso, (4) Arlington, (5) San Antonio, (6) Grand Prairie, (7) Irving, (8) Amarillo, (9) Tyler, (10) Round Rock, (11) Odessa, (12) Abilene and Midland, (13) Prosper, (14) Lubbock, (15) Lewisville, (16) Cedar Hill, (17) Roanoke, (18) Rowlett, (19) League City, (20) Kemah, (21) Sugar Land, (22) Katy, (23) Port Aransas, (24) Pearland, (25) Seabrook, (26) Alvin, (27) Baytown, (28) Webster, (29) Fredericksburg, (30) Hutto, (31) Cedar Park, (32) Kerrville, (33) Conroe, (34) San Benito, (35) Weatherford, (36) Richmond, (37) Commerce, (38) Celina, (39) Rio Grande City, and (40) Presidio.

A municipality would be entitled to receive the revenue from state sales and use tax imposed under Chapter 151 and state hotel tax imposed under Chapter 156 generated, paid, and collected by a qualified hotel and each restaurant, bar, and retail establishment located in or connected to the hotel. The entitlement to state tax revenue would be for a period of 10 years after the qualified hotel is open for initial occupancy.

A municipality could also receive, if agreed to by the pertinent political subdivision, transit authority and county sales tax, county hotel tax, and the county share of mixed beverage tax generated, paid, or collected by a qualified hotel and each restaurant, bar, and retail establishment located in or connected to the hotel.

Additionally, some municipalities (El Paso, Grand Prairie, Irving, Round Rock, Cedar Hill, Katy, Seabrook, San Benito, Weatherford, Richmond, and Celina) would be entitled to receive state sales tax revenue generated, paid, and collected from a qualified establishment. "Qualified establishment" would be defined as an establishment that is (1) located on land owned by a municipality and not more than 1,000 feet from the closest exterior wall of a qualified hotel or qualified convention center facility, (2) is constructed on or after the date of commencement of the qualified project, (3) is not a sports stadium, and (4) is a restaurant, bar, or retail establishment. Additionally, for some municipalities (El Paso, Round Rock, Richmond, and Celina) a qualified

establishment would include a swimming pool, swimming facilities, and related facilities owned or operated by the related qualified hotel.

A municipality would be authorized to pledge the state tax revenue it is entitled to receive in relation to a qualified project, as well as municipal hotel occupancy tax revenue from the qualified hotel, for the payment of bonds or other obligations issued for the qualified project, and contractual obligations under a contract authorized by Chapter 380, Local Government Code, for the qualified project. A municipality could pledge such revenue for only one qualified project, except that a municipality with population of 175,000 or more (Amarillo, Arlington, Corpus Christi, El Paso, Grand Prairie, Irving, Lubbock, and San Antonio) would not be limited to one qualified project.

A municipality would not be entitled to receive revenue under Subchapter C unless it commences a qualified project before September 1, 2023.

The bill would take effect September 1, 2019.

Methodology

With respect to municipalities that do not have authorization to pledge state sales tax and hotel tax revenue for a hotel or convention center hotel project under current law, to the extent that pertinent information was available regarding plans for a project, estimates are based on 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. When pertinent information was not available for a municipality, estimates were developed proportionally to estimates for other municipalities of comparable population.

Estimates were adjusted upward for the municipalities that would be authorized to receive additional state sales tax revenues from qualified establishments not located within or connected to project hotels. Estimates for municipalities with authorization to pledge and receive state tax revenues under current law were developed and included for this fiscal note only if the municipality would be entitled to receive additional state sales tax revenues from qualified establishments not located within or connected to project hotels.

With respect to the multipurpose convention center facility project authorization for the City of Kemah, as the entitlement to state sales tax revenue includes tax revenue received from existing businesses within 2,500 feet of the project hotel, which may be an existing hotel and within 2,500 feet of the prospective multipurpose facility, the estimate is based on recent historical data for hotel tax and sales tax reported by establishments in Kemah. The entitlement to state revenue would begin when the multipurpose facility is issued a certificate of occupancy, which is not expected to occur before sometime in 2023.

With respect to a municipality of population less than 20,000 qualifying a project consisting of a military museum and a conference center on land donated by an institution of higher education, numerous cities in the state could potentially qualify because they are within the population limitation and include property owned by some type of higher education institution that could be used for such facilities. The added Section 351.1023 would entitle any eligible municipality to the state hotel tax revenue from any hotel located in the eligible municipality - i.e., the entitlement would be to all state hotel tax revenue collected by hotels in the city. Only the City of Gainesville is known currently to have plans for such a project, expected to open in 2023, and the estimates below include projected hotel tax receipts from hotels in that city beginning in that year, and a

prudential estimate beginning in 2024 for other cities that could qualify.

Local Government Impact

The bill would make multiple changes, described above, to the statutes governing municipal hotel occupancy tax.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: WP, KK

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 86TH LEGISLATIVE REGULAR SESSION

April 30, 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 authority of certain municipalities to use certain tax revenue for hotel and convention center projects and other qualified projects.),
Committee Report 1st House, Substituted

Estimated Two-year Net Impact to General Revenue Related Funds for HB4347, Committee Report 1st House, Substituted: a negative impact of (\$11,080,000) through the biennium ending August 31, 2021.

Additionally, the bill would result in a negative impact of (\$62,153,000) 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	(\$11,080,000)
2022	(\$21,510,000)
2023	(\$40,643,000)
2024	(\$47,287,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue (Loss) from <i>General Revenue Fund</i> 1
2020	\$0
2021	(\$11,080,000)
2022	(\$21,510,000)
2023	(\$40,643,000)
2024	(\$47,287,000)

Fiscal Analysis

The bill would amend Chapter 351, Tax Code to provide authority for certain municipalities to use

certain state and local tax revenue for hotel and convention center projects.

Section 351.102 (Pledge For Bonds) would be amended to strike extant limiting descriptions of municipalities subject to the section and to add limiting descriptions as follows: (1) a municipality with population of two million or more (Houston); (2) a municipality with population of 700,000 or more but less than 1.3 million (Austin, Dallas, Fort Worth); (3) a municipality with population of 350,000 or more but less than 450,000 in which two sports stadiums with specified characteristics are located (Arlington); and (4) a municipality with population less than 2,000 that is located (A) adjacent to a bay connected to the Gulf of Mexico and (B) in a county with population of 290,000 or more adjacent to a county with population of 4 million or more, and that has a boardwalk on the bay (Kemah).

The bill would add Section 351.1021 to provide authority for a "multipurpose convention center facility project" for a certain eligible municipality (Kemah). Such a project would include: a 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 2,500 feet of the project hotel; any new or existing business, regardless of ownership, located in the municipality that is within 2,500 feet of the nearest exterior wall of the multipurpose facility or of the project hotel; and any parking area or structure, regardless of ownership, within two miles of the nearest exterior wall of the multipurpose facility.

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 add Section 351.1022 to provide that an eligible municipality (Arlington) is entitled to use certain tax revenue to fund a qualified hotel project. The municipality would be eligible to receive all funds from a hotel project that an owner of a project may receive under Section 151.429(h), Tax Code or Section 2303.5055 of the Government Code, and all the tax revenue collected under Chapter 183 by or from all permit holders at the hotel project, excluding revenue disbursed by the Comptroller under Section 183.051(b). The municipality could pledge those funds for the payment of bonds or other obligations issued or incurred to acquire, lease, construct, improve, enlarge, and equip the hotel project, and would be entitled to receive funds for a period of 30 years beginning on the date the hotel project is open for initial occupancy.

The bill would add Subchapter C to Chapter 351 regarding municipal hotel and convention center projects.

A "qualified convention center facility" would be a facility primarily used or to be used to host conventions or meetings, is wholly owned by a municipality and none of which may be owned through an undivided common interest, is connected to a qualified hotel or is not more than 1,000 feet from a qualified hotel, is not located in a hotel, sports stadium, or other structure, has at least 10,000 square feet of continuous meeting space, and is configurable to simultaneously accommodate multiple events.

A "qualified hotel" would be the hotel designated by a municipality as part of a qualified project, on land owned by the designating municipality, and connected to or within 1,000 feet of the qualified convention center facility.

A "qualified project" would be a project to acquire, construct, repair, remodel, expand, or equip a qualified convention center facility and a qualified hotel, or lease of the latter, and could include a restaurant, bar, retail establishment, or spa located in or connected to the qualified facility or qualified hotel, a parking area or structure located within 1,000 feet of the qualified facility or qualified hotel, and infrastructure located within the property lines of or not more than 1,000 feet from a property line of the qualified facility or qualified hotel.

A "retail establishment" would be a retail store that primarily sells tangible personal property.

Subchapter C would provide limiting descriptions of the municipalities to which it applies: (1) Corpus Christi, (2) Nacogdoches, (3) El Paso, (4) Arlington, (5) San Antonio, (6) Grand Prairie, (7) Irving, (8) Amarillo, (9) Tyler, (10) Round Rock, (11) Odessa, (12) Abilene and Midland, (13) Prosper, (14) Lubbock, (15) Lewisville, (16) Cedar Hill, (17) Roanoke, (18) Rowlett, (19) League City, (20) Kemah, (21) Sugar Land, (22) Katy, (23) Port Aransas, (24) Pearland, (25) Seabrook, (26) Alvin, (27) Baytown, (28) Webster, (29) Fredericksburg, (30) Hutto, (31) Cedar Park, (32) Kerrville, (33) Conroe, (34) San Benito, (35) Weatherford, (36) Richmond, (37) Commerce, (38) Celina, (39) Rio Grande City, and (40) Presidio.

A municipality would be entitled to receive the revenue from state sales and use tax imposed under Chapter 151 and state hotel tax imposed under Chapter 156 generated, paid, and collected by a qualified hotel and each restaurant, bar, and retail establishment located in or connected to the hotel. The entitlement to state tax revenue would be for a period of 10 years after the qualified hotel is open for initial occupancy.

A municipality could also receive, if agreed to by the pertinent political subdivision, transit authority and county sales tax, county hotel tax, and the county share of mixed beverage tax generated, paid, or collected by a qualified hotel and each restaurant, bar, and retail establishment located in or connected to the hotel.

Additionally, some municipalities (El Paso, Grand Prairie, Irving, Round Rock, Cedar Hill, Seabrook, San Benito, Weatherford, Richmond, and Celina) would be entitled to receive state sales tax revenue generated, paid, and collected from a qualified establishment. "Qualified establishment" would be defined as an establishment that is (1) located on land owned by a municipality and not more than 1,000 feet from the closest exterior wall of a qualified hotel or qualified convention center facility, (2) is constructed on or after the date of commencement of the qualified project, (3) is not a sports stadium, and (4) is a restaurant, bar, or retail establishment. Additionally, for some municipalities (El Paso, Round Rock, Celina) a qualified establishment would include a swimming pool, swimming facilities, and related facilities owned or operated by the related qualified hotel.

A municipality would be authorized to pledge the state tax revenue it is entitled to receive in relation to a qualified project, as well as municipal hotel occupancy tax revenue from the qualified hotel, for the payment of bonds or other obligations issued for the qualified project, and contractual obligations under a contract authorized by Chapter 380, Local Government Code, for the qualified project. A municipality could pledge such revenue for only one qualified project, except that a municipality with population of 175,000 or more (Amarillo, Arlington, Corpus Christi, El Paso, Grand Prairie, Irving, Lubbock, and San Antonio) would not be limited to one qualified project.

A municipality would not be entitled to receive revenue under Subchapter C unless it commences a qualified project before September 1, 2023.

The bill would take effect September 1, 2019.

Methodology

With respect to municipalities that do not have authorization to pledge state sales tax and hotel tax revenue for a hotel or convention center hotel project under current law, to the extent that pertinent information was available regarding plans for a project, estimates are based on 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. When pertinent information was not available for a municipality, estimates were developed proportionally to estimates for other municipalities of comparable population.

Estimates were adjusted upward for the municipalities that would be authorized to receive additional state sales tax revenues from qualified establishments not located within or connected to project hotels. Estimates for municipalities with authorization to pledge and receive state tax revenues under current law were developed and included for this fiscal note only if the municipality would be entitled to receive additional state sales tax revenues from qualified establishments not located within or connected to project hotels.

With respect to the multipurpose convention center facility project authorization for the City of Kemah, as the entitlement to state sales tax revenue includes tax revenue received from existing businesses within 2,500 feet of the project hotel, which may be an existing hotel and within 2,500 feet of the prospective multipurpose facility, the estimate is based on recent historical data for hotel tax and sales tax reported by establishments in Kemah.

Local Government Impact

The bill would affect several aspects of the municipal hotel occupancy tax discussed above.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: WP, KK, SD

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:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
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:

Fiscal Year	Probable (Cost) from General Revenue Fund 1
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 pledges 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