

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION**

**April 18, 2021**

**TO:** Honorable Morgan Meyer, Chair, House Committee on Ways & Means

**FROM:** Jerry McGinty, Director, Legislative Budget Board

**IN RE: HB2977** by Morrison (Relating to the use of hotel occupancy tax revenue by certain municipalities and the authority of certain municipalities to pledge that revenue, and to receive and pledge certain other revenue, for the payment of obligations related to a hotel and convention center project.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB2977, As Introduced : an impact of \$0 through the biennium ending August 31, 2023.

However, negative fiscal implications are estimated to begin in fiscal year 2025.

**General Revenue-Related Funds, Five- Year Impact:**

<i>Fiscal Year</i>	<i>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</i>
2022	\$0
2023	\$0
2024	\$0
2025	(\$2,090,000)
2026	(\$2,170,000)

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

<i>Fiscal Year</i>	<i>Probable Revenue Gain/(Loss) from General Revenue Fund 1</i>
2022	\$0
2023	\$0
2024	\$0
2025	(\$2,090,000)
2026	(\$2,170,000)

**Fiscal Analysis**

The bill would amend Section 351.152 of the Tax Code to provide authority for a municipality located in a county that has a population of not more than 300,000 and in which a component university of the University of Houston System is located to use rebates of state sales and use tax and hotel tax revenue for hotel and convention center projects.

The bill would amend Section 351.10712(a) to authorize this same city to use city hotel occupancy taxes to construct sports facilities and a multipurpose convocation center capable of hosting intercollegiate athletic

events on land owned by a state university if the municipality leases the land from the university for at least 25 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, 2021.

### **Methodology**

The bill would apply to the City of Victoria. Victoria would be entitled to receive state sales and use tax and state hotel tax revenue generated, paid, and collected by a qualified hotel, swimming facilities owned or operated by the qualified hotel, and each restaurant, bar, and retail establishment not more than 1,000 feet from the hotel or qualified convention center. Entitlement to state tax revenue would be for a period of 10 years after the qualified hotel is open for initial occupancy.

Victoria has no definite plans. This estimate assumes an opening date of September 2024.

This estimate is based on an assumed room size of the prospective hotel, an assumed average nightly room rate and annual average occupancy rate, and the ratio of state sales tax to hotel tax revenues paid to the owners of the extant qualified hotel project authorized for the additional entitlement to state sales tax revenue from establishments within 1,000 feet of the project hotel as provided under Section 351.157.

### **Local Government Impact**

The bill would apply to the City of Victoria. Victoria would be entitled to receive state sales and use tax and state hotel tax revenue generated, paid, and collected by a qualified hotel, swimming facilities owned or operated by the qualified hotel, and each restaurant, bar, and retail establishment not more than 1,000 feet from the hotel or qualified convention center. Entitlement to state tax revenue would be for a period of 10 years after the qualified hotel is open for initial occupancy.

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

**LBB Staff:** JMc, KK, SD, BRI