

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION

May 23, 2021

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

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB4305 by Morales, Eddie (relating to the use of certain tax revenue by certain municipalities.),
Committee Report 2nd House, Substituted

Estimated Two-year Net Impact to General Revenue Related Funds for HB4305, Committee Report 2nd House, Substituted : an impact of \$0 through the biennium ending August 31, 2023. The fiscal impact becomes negative beginning in fiscal year 2025.

General Revenue-Related Funds, Fifteen- Year Impact:

<i>Fiscal Year</i>	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2022	\$0
2023	\$0
2024	\$0
2025	(\$100,000)
2026	(\$210,000)
2027	(\$320,000)
2028	(\$440,000)
2029	(\$560,000)
2030	(\$690,000)
2031	(\$830,000)
2032	(\$970,000)
2033	(\$1,120,000)
2034	(\$1,280,000)
2035	(\$1,440,000)
2036	(\$1,610,000)

All Funds, Fifteen-Year Impact:

<i>Fiscal Year</i>	<i>Probable Revenue Gain/(Loss) from General Revenue Fund</i>
	1
2022	\$0
2023	\$0
2024	\$0
2025	(\$100,000)
2026	(\$210,000)
2027	(\$320,000)
2028	(\$440,000)
2029	(\$560,000)
2030	(\$690,000)
2031	(\$830,000)
2032	(\$970,000)
2033	(\$1,120,000)
2034	(\$1,280,000)
2035	(\$1,440,000)
2036	(\$1,610,000)

Fiscal Analysis

This bill would amend Chapter 351 of the Tax Code by adding Section 351.1016 regarding certain qualified projects in border municipalities.

The bill would provide for a municipality that is the county seat of a county bordering the Gulf of Mexico and the United Mexican States to use certain tax revenue to fund a qualified project. A qualified project would consist of a venue as defined in Section 334.001, Local Government Code, subject to specified conditions, or towers and other facilities used by hotel guests and tourists for observation of spacecraft and spaceport activities.

The bill would provide for the municipality to designate a project financing zone, the boundaries of which would be within a one-mile radius of the center of the qualified project and the designation of which would expire not later than the 15th anniversary of the date of the designation.

The bill would entitle the municipality to receive the incremental growth in hotel-associated tax revenue for the period beginning on the first day of the year after the year in which the municipality designates the zone and ending on the last day of the month during which the designation expires. Incremental growth in hotel-associated tax revenue would be the amount by which state sales and use taxes, state hotel occupancy taxes, and state mixed beverage taxes collected by or at hotels within the project financing zone exceed the amounts of such taxes collected in the year the financing zone was designated.

The bill would also provide that municipal hotel occupancy tax revenue may be used to fund a qualified project, and that municipal hotel tax revenue from a hotel located in the project financing zone may be pledged for bonds for the qualified project as well as other local revenues from hotels in the zone that would be available to owners of qualified hotel projects under Section 2303.5055(e) of the Government Code were those hotels qualified hotel projects.

The bill would also amend Section 351.10692 of the Tax Code, regarding use by certain municipalities of hotel tax revenue for the promotion and preservation of dark skies. Subsection (a) would be amended to expand the application of the section to 1) a municipality located in a county with a total area of more than 2,200 square miles but less than 2,350 square miles and 2) a municipality located in a county with a total area of more than 3,850 square miles but less than 4,000 square miles.

This 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 for a qualified project in the City of Brownsville, which is currently in the early stages of planning for a project that would be a qualified project for purposes of this bill, with the expectation that the project would include retail as well as restaurant activity within a qualified project hotel. This estimate assumes the designation of a project financing zone in 2024, with project opening and rebates of state tax revenues commencing in 2025, and assumed market shares of hotel, retail, restaurant and bar business that would occur with hotels within the project zone.

The bill would also provide that all cities in Jeff Davis and Presidio Counties may allocate and use municipal hotel occupancy tax revenue for the promotion and preservation of dark skies and this provision would have no state revenue implications.

Local Government Impact

The bill would apply for a qualified project in the City of Brownsville, which is currently in the early stages of planning for a project that would be a qualified project for purposes of this bill, with the expectation that the project would include retail as well as restaurant activity within a qualified project hotel.

The bill would also provide that all cities in Jeff Davis and Presidio Counties may allocate and use municipal hotel occupancy tax revenue for the promotion and preservation of dark skies and this provision.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JMc, AJL, SD, BRI