

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 87TH LEGISLATIVE REGULAR SESSION

April 19, 2021

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

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: SB1649 by Perry (Relating to the authority of certain municipalities to receive certain tax revenue derived from certain establishments related to a hotel and convention center project and to pledge certain tax revenue for the payment of obligations related to the project.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1649, As Introduced : an impact of \$0 through the biennium ending August 31, 2023.

A negative fiscal impact to the state would begin in fiscal year 2026.

General Revenue-Related Funds, Five- Year Impact:

<i>Fiscal Year</i>	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2022	\$0
2023	\$0
2024	\$0
2025	\$0
2026	(\$2,330,000)

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	Probable Revenue Gain/(Loss) from General Revenue Fund 1
2022	\$0
2023	\$0
2024	\$0
2025	\$0
2026	(\$2,330,000)

Fiscal Analysis

The bill would amend Section 351.157(b) of the Tax Code to add subsection (4-a) to permit a municipality described by Section 351.152(14) to use rebates of state sales and use tax and hotel tax revenue for hotel and convention center projects. The bill would amend Section 351.157(c) to add subsection (4-a) to permit the municipality to receive rebates from restaurants, bars, and retail establishments and from swimming pools and swimming facilities owned or operated by the qualified hotel. The bill would amend Section 351.157(e) to state that the project must be commenced before September 1, 2027.

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

Lubbock has proposed plans for a 250 room hotel with 7,700 sq. ft. of convention center space and 38,160 sq. ft. of common space in zip code 79401. The planned opening date would be September 2025.

This estimate is based on the 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 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 Lubbock. Lubbock would be entitled to receive state sales and use tax and state hotel tax revenue generated, paid, and collected by a qualified hotel and each restaurant, bar, and retail establishment not more than 1,000 feet from the hotel or qualified convention center and from swimming pools and swimming facilities owned or operated by the related qualified hotel. 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, AJL, SD, BRI, KK