

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 88TH LEGISLATIVE REGULAR SESSION

April 2, 2023

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

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB2321 by Stucky (Relating to the authority of certain municipalities to use certain tax revenue for hotel and convention center projects and other qualified projects.), As Introduced

Estimated Two-year Net Impact to General Revenue Related Funds for HB2321, As Introduced : an impact of \$0 through the biennium ending August 31, 2025.

However, there would be a negative impact to General Revenue Related Funds beginning in fiscal year 2027.

General Revenue-Related Funds, Five- Year Impact:

<i>Fiscal Year</i>	<i>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</i>
2024	\$0
2025	\$0
2026	\$0
2027	(\$2,390,000)
2028	(\$2,490,000)

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	<i>Probable Revenue Gain/(Loss) from General Revenue Fund 1</i>
2024	\$0
2025	\$0
2026	\$0
2027	(\$2,390,000)
2028	(\$2,490,000)

Fiscal Analysis

The bill would amend Chapter 351 of the Tax Code, relating to Municipal Hotel Occupancy Taxes, to add to Section 351.152(46), adding a municipality that contains an intersection of Interstates 35E and 35W and at least two public universities, to the list of municipalities that are entitled to receive certain tax revenue derived from a hotel and convention center project and to pledge certain revenue for the payment of obligations related to the project.

The bill would amend Section 351.157(b) to add (13), a municipality described by Section 351.152(46) (a municipality that contains an intersection of Interstates 35E and 35W and at least two public universities); and Section 351.157(c) to add (13) (for a municipality described by (b)(13)), restaurants, bars and retail

establishments.

Methodology

The bill's provisions would affect the city of Denton.

Denton would be eligible to receive funds described in Sections 351.156, relating to Entitlement to Certain Tax Revenue, and 351.157, relating to Additional Entitlement for Certain Municipalities, which provides, in relevant part, that a municipality to which Section 351.152 applies is entitled to receive from the qualified hotel and each restaurant, bar, and retail establishment located in or connected to the hotel or the related qualified convention center facility, the state sales and use tax and the state hotel occupancy tax. Section 351.157(d) provides, in relevant part, that a municipality to which the section applies is entitled to receive the revenue derived from the state sales and use taxes, and local mixed beverage taxes generated, paid, and collected from a qualified establishment. Section 351.158, relating to Period of Entitlement, would entitle Denton to receive the revenue until the tenth anniversary of the date the qualified hotel to which the entitlement relates is open for initial occupancy.

The city of Denton has tentative plans for a qualified hotel with the additional entitlement from restaurants, bars, and retail establishments as provided under Section 351.157 and could avail itself of the tax rebates should eligibility be acquired through this legislation. The estimate is based on a projected opening date of September 1, 2026, or state fiscal year 2027, a comparison and review of revenues paid to the owners of extant qualified hotel projects, and estimated attributes of such prospective hotel.

Local Government Impact

The bill's provisions would affect the city of Denton.

Denton would be eligible to receive funds described in Sections 351.156 and 351.157 which provides, in relevant part, that a municipality to which Section 351.152 applies is entitled to receive from the qualified hotel and each restaurant, bar, and retail establishment located in or connected to the hotel or the related qualified convention center facility, the state sales and use tax and the state hotel occupancy tax.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JMc, KK, SD, BRI