

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 89TH LEGISLATIVE REGULAR SESSION

April 5, 2025

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

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB1186 by Craddick (Relating to the entitlement of certain municipalities to receive tax revenue from certain establishments located near a hotel and convention center project.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1186, As Introduced: an impact of \$0 through the biennium ending August 31, 2027.

However, there would a negative impact of (\$797,000) through the biennium ending August 31, 2029. Similar fiscal implications would continue for 10 years after date of entitlement.

General Revenue-Related Funds, Five- Year Impact:

<i>Fiscal Year</i>	Probable Net Positive/(Negative) Impact to <i>General Revenue Related Funds</i>
2026	\$0
2027	\$0
2028	(\$342,000)
2029	(\$355,000)
2030	(\$370,000)

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	Probable Revenue Gain/(Loss) from <i>General Revenue Fund</i> 1
2026	\$0
2027	\$0
2028	(\$342,000)
2029	(\$355,000)
2030	(\$370,000)

Fiscal Analysis

The bill would amend section 351.157 of the Tax Code to add Subsection (b-1), a municipality described by Section 351.152 (12) with a population of 130,000 or more, 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's provisions would affect the City of Midland.

Methodology

The City of Midland 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. Additionally, Section 351.157 provides, in relevant part, that a municipality to which the section applies is entitled to receive funds from qualified restaurants, bars, retail establishments, swimming pools, and swimming facilities located no more than 1,000 feet from the exterior wall of a qualified hotel or convention center facility. 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 would entitle Midland 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 Midland has plans for a qualified hotel with the additional entitlement from restaurants, bars, retail establishments, swimming pools and swimming facilities 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 August 31st, 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 City of Midland 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, RStu