

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 89TH LEGISLATIVE REGULAR SESSION

April 13, 2025

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

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: HB3377 by Morgan (Relating to the authority of certain cities 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 HB3377, As Introduced: a negative impact of (\$915,000) through the biennium ending August 31, 2027. However, there would be a negative impact of (\$1,942,000) in the biennium ending August 31, 2028. The negative impact would begin in fiscal year 2027 and continue for 10 years.

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	(\$915,000)
2028	(\$952,000)
2029	(\$990,000)
2030	(\$1,030,000)

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	Probable Revenue Gain/(Loss) from <i>General Revenue Fund</i> 1
2026	\$0
2027	(\$915,000)
2028	(\$952,000)
2029	(\$990,000)
2030	(\$1,030,000)

Fiscal Analysis

The bill would add a municipality with a population of less than 70,000 that is located in three counties, at least one of which has a population of 4.0 million or more, to the list of municipalities exempt from the ownership requirements for certain qualified convention center facilities and qualified hotels.

Methodology

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

Katy is currently 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. Katy 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. Katy is entitled 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 Katy 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 of the Tax Code, with the additional need for exemptions from certain ownership requirements granted by section 351.153(a) 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 planned attributes of such prospective hotel.

Local Government Impact

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

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JMc, KK, SD, BRI