LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 84TH LEGISLATIVE REGULAR SESSION

May 27, 2015

TO: Honorable Joe Straus, Speaker of the House, House of Representatives

FROM: Ursula Parks, Director, Legislative Budget Board

IN RE: **HB1585** by Paul (Relating to the use of hotel occupancy tax revenue in certain municipalities.), **As Passed 2nd House**

Estimated Two-year Net Impact to General Revenue Related Funds for HB1585, As Passed 2nd House: a negative impact of ($90,000) through the biennium ending August 31, 2017.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2016	$0
2017	($90,000)
2018	($90,000)
2019	($90,000)
2020	($90,000)

All Funds, Five-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from *General Revenue Fund* 1
2016	$0
2017	($90,000)
2018	($90,000)
2019	($90,000)
2020	($90,000)

Fiscal Analysis

The bill would add Section 351.1071, regarding the allocation of revenue in certain municipalities, that would apply only to a municipality with a population of not more than 5,000 and located less than one-eighth of one mile from a space center operated by an agency of the federal government.

An applicable municipality would be authorized to use 3 percent of the 7 percent municipal hotel tax to 1) establish, acquire, purchase, construct, improve, maintain, or operate an authorized facility; and 2) pay bonds issued to establish, acquire, purchase, construct, improve, maintain, or operate an authorized facility. The total amount of municipal hotel tax used on an authorized facility could not exceed the amount of revenue from that tax attributable to events at the facility over the 15-year period after the completion of construction, and the bill would provide procedures to determine if that requirement was met.

The bill would amend Chapter 2303 of the Government Code, regarding enterprise zones, to expand the definition of a "qualified hotel project" to include a hotel, including a privately owned hotel adjoining a convention center owned by a political subdivision, in a municipality with a population of 130,000 or more located within 50 miles of the state's border with Oklahoma, or to include a nonprofit municipally sponsored local government corporation created under Chapter 431 of the Transportation Code.

Methodology

In fiscal year 2014, a total of $11,308,406 in state revenue was allocated for qualified hotel projects. Currently the cities of Dallas, Fort Worth and San Antonio receive allocations of state sales and use tax and state hotel tax associated with qualified hotel projects. The following estimate is based on amounts of state sales and hotel tax revenues retained by the existing qualified hotel projects in relation to their share of host city hotel markets as indicated by state hotel tax receipts, and applied to the size of the McKinney hotel market. The estimate assumes a qualified hotel would not be operational until fiscal 2017.

Local Government Impact

The bill would authorize the city of Nassau Bay another use of the revenue collected from the municipal hotel occupancy tax.

A qualified hotel project under Section 2303.003(8)(C) as amended, the city of McKinney would be entitled to state sales tax and state hotel tax associated with a qualified hotel project under Section 151.429(h) of the Tax Code via Section 351.102(b) & (c) of the Tax Code. Such funds must be deposited in a suspense account outside the state treasury to be paid to the owner of the qualified hotel project.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: UP, CL, AG, KK