

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: HB4266** by Herrero (Relating to the authority of certain municipalities to use certain tax revenue to fund convention center facilities, multipurpose arenas, venues, and related infrastructure.), **As Introduced**

**Estimated Two-year Net Impact to General Revenue Related Funds** for HB4266, As Introduced : a negative impact of (\$4,990,000) through the biennium ending August 31, 2025.

However, the negative fiscal implications would continue to grow after 2028 up until the end of 30-year anniversary of the zone's designation. The estimated entitlement to state revenue for the last full year would be (\$192.0 million).

General Revenue-Related Funds, Five- Year Impact:

| <i>Fiscal Year</i> | <b>Probable Net Positive/(Negative) Impact to<br/>General Revenue Related Funds</b> |
|--------------------|-------------------------------------------------------------------------------------|
| 2024               | (\$1,310,000)                                                                       |
| 2025               | (\$3,680,000)                                                                       |
| 2026               | (\$6,548,000)                                                                       |
| 2027               | (\$9,682,000)                                                                       |
| 2028               | (\$13,004,000)                                                                      |

All Funds, Five-Year Impact:

| <i>Fiscal Year</i> | <b>Probable Revenue Gain/(Loss) from<br/>General Revenue Fund<br/>1</b> |
|--------------------|-------------------------------------------------------------------------|
| 2024               | (\$1,310,000)                                                           |
| 2025               | (\$3,680,000)                                                           |
| 2026               | (\$6,548,000)                                                           |
| 2027               | (\$9,682,000)                                                           |
| 2028               | (\$13,004,000)                                                          |

Fiscal Analysis

The bill would amend Section 351.1015 of the Tax Code, relating to Certain Qualified Projects, to authorize a municipality that is described by Section 351.001(7)(B) -- a municipality with a population of 250,000 or more that is located wholly or partly on a barrier island that borders the Gulf of Mexico; is located in a county with a population of 300,000 or more; and has adopted a capital improvement plan to expand an existing convention center facility) -- to use certain tax revenue to fund a qualified project (project).

**Methodology**

The bill's provisions would apply to the City of Corpus Christi.

The City of Corpus Christi would have authority to receive incremental hotel-associated revenue from all hotels within the zone's boundaries, for a period of up to 30 years, less any amount distributed to a qualified hotel project already within the zone in the year the zone is designated. Hotel-associated revenue includes state sales tax revenue, state hotel tax revenue, state mixed beverage sales tax revenue and state mixed beverage gross receipts tax revenue collected from a hotel and businesses located within a hotel. The incremental revenue would be all such revenue in excess of the amounts from hotels within the zone during the year the project zone is designated by the municipality.

The Comptroller would begin depositing the estimated monthly incremental hotel-associated revenue into Fund 0805 – Incremental Hotel-Associated Revenue Suspense Trust for Corpus Christi once the hotels, and associated businesses in the hotels, within the zone have been determined by the city and validated by the Comptroller.

As incremental revenue available to finance development of the project zone would be maximized by establishing the earliest year possible as a base year for the determination of the incremental revenue, it is assumed that project designation would occur during calendar 2023, the year of the effective date of the bill, with deposits to the project trust account beginning in calendar and fiscal 2024. The estimates are based on hotel tax revenue from hotels currently in operation and identified as within the likely boundaries of the zone, multiplied by a factor to account for associated sales tax and mixed beverage tax revenue based on data for extant hotel projects, and extrapolated to future years at an average annual growth rate of six percent as representative of typical hotel tax growth rates prior to the pandemic.

As these estimates are extrapolated from hotels currently in operation, they do not reflect higher payments to the project zone that would occur if the project improvements resulted in capture of market share by the project zone hotels from hotels in Corpus Christi outside the zone or from other parts of the state. They also do not reflect higher payments as would occur if the project improvements attracted additional tourist visits from outside the state that otherwise would not have occurred anywhere in the state; revenue from such additional tourist visits paid to the project zone would not represent revenue foregone by the state.

**Local Government Impact**

The bill's provisions would apply to the City of Corpus Christi.

The City of Corpus Christi would have authority to receive incremental hotel-associated revenue from all hotels within the zone's boundaries, for a period of up to 30 years, less any amount distributed to a qualified hotel project already within the zone in the year the zone is designated. Hotel-associated revenue includes state sales tax revenue, state hotel tax revenue, state mixed beverage sales tax revenue and state mixed beverage gross receipts tax revenue collected from a hotel and businesses located within a hotel.

**Source Agencies:** 304 Comptroller of Public Accounts

**LBB Staff:** JMc, KK, SD, BRI