LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 89TH LEGISLATIVE REGULAR SESSION

May 23, 2025

TO: Honorable Phil King, Chair, Senate Committee on Economic Development

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: **HB2313** by Tepper (Relating to the authority of certain municipalities to use certain tax revenue for certain qualified projects.), **As Engrossed**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2313, As Engrossed: a negative impact of ($2,213,000) through the biennium ending August 31, 2027.

However, the negative impact would increase to ($22,363,000) in the biennium ending August 31, 2035.

Fiscal implications would grow significantly after 2030, with total revenue foregone by the state by fiscal year 2054 estimated to be $83,400,000 greater than what would be foregone if the city of Corpus Christi kept its currently designated zone.

Similar fiscal implications would continue after 2030, with total revenue foregone by the state to the project finance zones in Lubbock and Frisco estimated to total ($391,344,000) by fiscal year 2055.

General Revenue-Related Funds, Ten- Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to *General Revenue Related Funds*
2026	($804,000)
2027	($1,409,000)
2028	($2,316,000)
2029	($3,122,000)
2030	($3,929,000)
2031	($4,136,000)
2032	($4,344,000)
2033	($7,259,000)
2034	($10,847,000)
2035	($11,516,000)

All Funds, Ten-Year Impact:

Fiscal Year	Probable Revenue Gain/(Loss) from *General Revenue Fund* 1
2026	($804,000)
2027	($1,409,000)
2028	($2,316,000)
2029	($3,122,000)
2030	($3,929,000)
2031	($4,136,000)
2032	($4,344,000)

2033	($7,259,000)
2034	($10,847,000)
2035	($11,516,000)

Fiscal Analysis

The bill would amend Section 351.1015 (a-1) of the Tax Code to allow for the term "venue," with respect to a qualified project located in a municipality described by Subsection (b) (7), to not include a facility used primarily for the performing arts, including a theater, opera house, music hall, or rehearsal hall.

Section 351.1015 (g) would be amended to require the Comptroller to transfer money held in trust for a municipality described by Subsection (b) (7) to the General Revenue Fund and cease making deposits into their suspense account if said municipality does not commence their project by the third anniversary of the first deposit to the account.

The bill would amend Section 351.1015 (a)(4) of the Tax Code to allow for a municipality described by Section 351.001(7) (B) to designate a contiguous geographic area, the total area of which is less than or equal to the maximum area allowed under Section 351.1015 (a) (4) (B) that contains the qualified project, a Project Finance Zone if a zone had already been designated on or before December 31, 2024.

The bill would amend Section 351.1015(b) of the Tax Code to apply to municipalities described by Section 351.152(14) with a population of more than 250,000 and Section 351.152(15) that has a population of 200,000 or more.

Methodology

The amendments to Sections 351.1015 (a-1) and (g) would affect the city of Frisco.

It is assumed that the city of Frisco will commence their project before the third anniversary of the first deposit in their suspense account; therefore, the amendment to Sections 351.1015(a-1) and (g) would not have a fiscal impact to the state.

The amendments to Section 351.1015(a)(4) would affect the city of Corpus Christi.

The city of Corpus Christi designated a Project Finance Zone on December 11, 2024, but Section 351.1015 would be amended to authorize the city of Corpus Christi to redesignate a contiguous geographic area that's total area is less than or equal to the maximum area allowed by the existing 3-mile radius around a qualified project as described by 351.1015(a) (4) (B) as a Project Finance Zone. Corpus Christi would be provided 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. This estimate is based on proposed boundaries provided by the city of Corpus Christi.

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 sum of all 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 a suspense account to be held in trust outside the state treasury once the hotels, and associated businesses in the hotels, within the zone have been determined by the city and validated by the Comptroller.

The city of Corpus Christi would be allowed to keep their current base year, 2024, with deposits to the project trust account beginning in 2025. However, the city of Corpus Christ would be required to retroactively update the list of hotels that would count towards their base year for their project finance zone once their new boundary, as described by the provisions of this bill, is established.

The estimates are based on the difference between hotel tax revenue from hotels currently in operation and identified as within the boundary of Corpus Christi's current designated zone and their new proposed zone that would be allowed under the provisions of this bill, multiplied by a factor to account for associated sales tax and mixed beverage tax revenue based on data for extant hotel projects, extrapolated to future years at an average annual growth rate of four percent as representative of typical hotel tax growth rates in Corpus Christi.

As this estimate for project financing zone rebates is extrapolated from hotels currently in operation, it does not reflect higher payments to a project zone that would occur if the project-associated infrastructure improvements result in capture of market share by the project hotel and other hotels in the project zone from hotels elsewhere in a designating municipality or from other parts of the state. It also does 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 a project zone would not represent revenue foregone by the state.

For the first five years after new zone designation, this bill would result in increase in the estimated entitlement to state tax revenue by almost 90 percent compared with the current zone, from $6,700,000 to $12,700,000. Over the 30-year life of the zone, the increase in estimated entitlement to state tax revenue would be from $94,100,000 to $177,500,000.

The amendments to Section 351.1015(b) would affect the cities of Lubbock and Frisco.

Section 351.1015 would be amended to authorize a project finance zone for the cities of Lubbock and Frisco. Lubbock and Frisco would be provided 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 sum of all 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 a suspense account to be held in trust outside the state treasury 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 project-associated infrastructure would be maximized by establishing the earliest year possible as base year for the determination of incremental revenue, it is assumed project designations for Lubbock and Frisco would occur during 2025, the year of the effective date of the bill, with deposits to the project trust accounts beginning in 2026. The estimates are based on hotel tax revenue from hotels currently in operation and identified as within the likely boundaries of the zones, multiplied by a factor to account for associated sales tax and mixed beverage tax revenue based on data for extant hotel projects, extrapolated to future years at an average annual growth rate of six and a half percent as representative of typical hotel tax growth rates prior to the pandemic.

As this estimate for project financing zone rebates is extrapolated from hotels currently in operation, it does not reflect higher payments to a project zone that would occur if the project-associated infrastructure improvements result in capture of market share by the project hotel and other hotels in the project zone from hotels elsewhere in a designating municipality or from other parts of the state. It also does 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 a project zone would not represent revenue foregone by the state.

Fiscal impact to the state from Frisco's Project Finance Zone would be negligible for the first 7 years of the project, but in fiscal 2033 the Omni PGA Frisco Resort qualified hotel project will reach the end of its entitlement period. At that time, the state revenue collected by the resort will be eligible, because excluded from base year revenue of the zone under Sec. 351.1015(2)(A)(i) and recognized in Comptroller Rule 3.12(b)(1)(F), to be included as incremental hotel-associated revenue within Frisco's project finance zone. The practical effect of establishing a project finance zone inclusive of the Omni PGA Frisco Resort qualified hotel project would be to extend the period of local entitlement to state tax revenue collected at the resort from the 10 years provided by Sec. 351.158 to a total of 32 years.

Local Government Impact

The fiscal impact to units of local government is described above.

Source Agencies: 304 Comptroller of Public Accounts

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