

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 89TH LEGISLATIVE REGULAR SESSION

May 4, 2025

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

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.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2313, Committee Report 1st House, Substituted: a negative impact of (\$900,000) through the biennium ending August 31, 2027.

The negative fiscal impact to General Revenue Related Funds would continue to grow after fiscal year 2030, with total revenue foregone by the state estimated to total (\$121,700,000) by fiscal year 2055, the last full year of entitlement for the zones.

General Revenue-Related Funds, Five- Year Impact:

<i>Fiscal Year</i>	Probable Net Positive/(Negative) Impact to <i>General Revenue Related Funds</i>
2026	(\$300,000)
2027	(\$600,000)
2028	(\$1,100,000)
2029	(\$1,500,000)
2030	(\$2,000,000)

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	Probable Revenue Gain/(Loss) from <i>General Revenue Fund</i> 1
2026	(\$300,000)
2027	(\$600,000)
2028	(\$1,100,000)
2029	(\$1,500,000)
2030	(\$2,000,000)

Fiscal Analysis

The bill would authorize a project finance zone for a municipality with a population of 250,000 or more but less than 300,000 that contains a component institution of the Texas Tech University System.

Methodology

The bill would authorize a project finance zone for Lubbock. Lubbock 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 Fund 0805 – Incremental Hotel-Associated Revenue Suspense Trust 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 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.

Local Government Impact

The bill would authorize a project finance zone for the city of Lubbock. Lubbock 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.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JMc, KK, SD, BRI