

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 89TH LEGISLATIVE REGULAR SESSION

April 26, 2025

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

FROM: Jerry McGinty, Director, Legislative Budget Board

IN RE: SB1250 by Hinojosa, Juan "Chuy" (relating to the definition of a project financing zone for the purposes of certain municipalities that use certain tax revenue to fund convention center facilities, multipurpose arenas, venues, and related infrastructure.), **Committee Report 1st House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for SB1250, Committee Report 1st House, Substituted: a negative impact of (\$1,300,000) through the biennium ending August 31, 2027.

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.

General Revenue-Related Funds, Five- Year Impact:

<i>Fiscal Year</i>	<i>Probable Net Positive/(Negative) Impact to General Revenue Related Funds</i>
2026	(\$500,000)
2027	(\$800,000)
2028	(\$1,200,000)
2029	(\$1,600,000)
2030	(\$1,900,000)

All Funds, Five-Year Impact:

<i>Fiscal Year</i>	<i>Probable Revenue Gain/(Loss) from General Revenue Fund 1</i>
2026	(\$500,000)
2027	(\$800,000)
2028	(\$1,200,000)
2029	(\$1,600,000)
2030	(\$1,900,000)

Fiscal Analysis

The bill would allow for 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 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) of the Tax Code that contains the qualified project, a Project Finance Zone if a zone had already been designated on or before December 31, 2024.

Methodology

The provisions of this bill 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.

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 Corpus Christi 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 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.

Local Government Impact

The provisions of this bill would affect the city of Corpus Christi.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JMc, RStu, SD, BRI