SENATE AMENDMENTS

2nd Printing

By: Tepper H.B. No. 2313

A BILL TO BE ENTITLED

AN ACT

relating to the authority of certain municipalities to use certain tax revenue for certain qualified projects.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 351.1015, Tax Code, is amended by adding Subsection (a-1) and amending Subsection (g) to read as follows:

(a-1) Notwithstanding Subsections (a)(5) and (6), with respect to a qualified project located in a municipality described by Subsection (b)(7), the term "venue" does not include a facility used primarily for the performing arts, including a theater, opera house, music hall, or rehearsal hall.

(g) The comptroller shall deposit incremental hotel-associated revenue collected by or forwarded to the comptroller in a separate suspense account to be held in trust for the municipality that is entitled to receive the revenue. The suspense account is outside the state treasury, and the comptroller may make a payment authorized by this section from the account without the necessity of an appropriation. The comptroller shall begin making payments from the suspense account to the municipality for which the money is held on the date the qualified project in the project financing zone is commenced. If the qualified project is not commenced by the fifth anniversary of the first deposit to the account or, for a suspense account held in trust for a municipality described by Subsection (b)(7), by the third anniversary of the

<u>first deposit in the account</u>, the comptroller shall transfer the money in the account to the general revenue fund and cease making deposits to the account.

SECTION 2. Section 351.1015(a)(4), Tax Code, is amended to read as follows:

(4) "Project financing zone" means an area within a municipality:

(A) that the municipality by ordinance or by agreement under Chapter 380, Local Government Code, designates as a project financing zone;

(B) the boundaries of which are<u>:</u>

<u>(i)</u> within a three-mile radius of the center of a qualified project; <u>or</u>

<u>(ii) if designated by a municipality described by Section 351.001(7)(B) on or before December 31, 2024, a continuous geographic area the total area of which is less than or equal to the maximum area allowed under Subparagraph (i) that contains the qualified project;</u>

(C) the designation of which specifies<u>:</u>

<u>(i) for a zone the boundaries of which are prescribed by Paragraph (B)(i),</u> the longitude and latitude of the center of the qualified project; <u>or</u>

<u>(ii) for a zone the boundaries of which are prescribed by Paragraph (B)(ii), the exact boundaries of the zone;</u> and

(D) the designation of which expires not later than the 30th anniversary of the date of designation.

SECTION 3. Section 351.1015(b), Tax Code, as amended by Chapters 644 (H.B. 4559), 779 (H.B. 5012), 927 (S.B. 2220), and 1110 (S.B. 1057), Acts of the 88th Legislature, Regular Session, 2023, is reenacted and amended to read as follows:

(b) This section applies only to a qualified project located in:

(1) a municipality with a population of at least 700,000 but less than 950,000 according to the most recent federal decennial census; [~~or~~]

(2) a municipality that contains more than 70 percent of the population of a county with a population of 1.5 million or more;

(3) [~~(2)~~] a municipality described by Section 351.001(7)(B);

(4) [~~or~~

[~~(3)~~] a municipality described by Section 351.152(61);

(5) [~~(2)~~] a municipality with a population of at least two million;

(6) a municipality described by Section 351.152(14) with a population of more than 250,000; or

(7) a municipality described by Section 351.152(15) that has a population of 200,000 or more.

SECTION 4. To the extent of any conflict, this Act prevails over another Act of the 89th Legislature, Regular Session, 2025, relating to nonsubstantive additions to and corrections in enacted codes.

SECTION 5. This Act takes effect September 1, 2025.

ADOPTED

MAY 26 2025

Secretary of the Senate

By:

H.B. No. 2313

Substitute the following for H.B. No. 2313:

By:

C.S.H.B. No. 2313

A BILL TO BE ENTITLED

AN ACT

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BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Section 351.1015(a)(4), Tax Code, is amended to read as follows:

(4) "Project financing zone" means an area within a municipality:

(A) that the municipality by ordinance or by agreement under Chapter 380, Local Government Code, designates as a project financing zone;

(B) the boundaries of which are:

(i) within a three-mile radius of the center of a qualified project; or

(ii) if designated by a municipality described by Section 351.001(7)(B) on or before December 31, 2024, a continuous geographic area the total area of which is less than or equal to the maximum area allowed under Subparagraph (i) that contains the qualified project;

(C) the designation of which specifies:

(i) for a zone the boundaries of which are prescribed by Paragraph (B)(i), the longitude and latitude of the center of the qualified project; or

(ii) for a zone the boundaries of which are prescribed by Paragraph (B)(ii), the exact boundaries of the zone; and

(D) the designation of which expires not later than the 30th anniversary of the date of designation.

SECTION 2. Section 351.1015(b), Tax Code, as amended by Chapters 644 (H.B. 4559), 779 (H.B. 5012), 927 (S.B. 2220), and 1110 (S.B. 1057), Acts of the 88th Legislature, Regular Session, 2023, is reenacted and amended to read as follows:

(b) This section applies only to a qualified project located in:

(1) a municipality with a population of at least 700,000 but less than 950,000 according to the most recent federal decennial census; [~~or~~]

(2) a municipality that contains more than 70 percent of the population of a county with a population of 1.5 million or more;

(3) [~~(2)~~] a municipality described by Section 351.001(7)(B);

(4) [~~or~~

[~~(3)~~] a municipality described by Section 351.152(61);

(5) [~~(2)~~] a municipality with a population of at least two million; or

(6) a municipality described by Section 351.152(14) with a population of more than 250,000.

SECTION 3. To the extent of any conflict, this Act prevails over another Act of the 89th Legislature, Regular Session, 2025, relating to nonsubstantive additions to and corrections in enacted codes.

SECTION 4. This Act takes effect September 1, 2025.

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 89TH LEGISLATIVE REGULAR SESSION

May 27, 2025

TO: Honorable Dustin Burrows, Speaker of the House, House of Representatives

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 Passed 2nd House**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2313, As Passed 2nd House: a negative impact of ($2,200,000) through the biennium ending August 31, 2027.

However, there would be a negative impact of ($5,400,000) in the biennium ending August 31, 2029.

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 zone in Lubbock estimated to total $121,700,000 by fiscal year 2055.

General Revenue-Related Funds, Five- Year Impact:

Fiscal Year	**Probable Net Positive/(Negative) Impact to *General Revenue Related Funds***
2026	($800,000)
2027	($1,400,000)
2028	($2,300,000)
2029	($3,100,000)
2030	($3,900,000)

All Funds, Five-Year Impact:

Fiscal Year	**Probable Revenue Gain/(Loss) from *General Revenue Fund* 1**
2026	($800,000)
2027	($1,400,000)
2028	($2,300,000)
2029	($3,100,000)
2030	($3,900,000)

Fiscal Analysis

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.

Methodology

The of Section 351.1015(a)(4) of the Tax Code 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 Christi 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 amendment to Section 351.1015(b) of the Tax Code would affect the city of Lubbock.

Section 351.1015 would be amended to 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.

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 the 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 0905 – Qualified Hotel Project Trust Fund 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 designation 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

Local Government Impact

The impacts to Corpus Christi and Lubbock are described above.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JMc, SD, RStu, BRI

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 89TH LEGISLATIVE REGULAR SESSION

May 24, 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.), **Committee Report 2nd House, Substituted**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2313, Committee Report 2nd House, Substituted: a negative impact of ($2,200,000) through the biennium ending August 31, 2027.

However, there would be a negative impact of ($5,400,000) in the biennium ending August 31, 2029.

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 zone in Lubbock estimated to total $121,700,000 by fiscal year 2055.

General Revenue-Related Funds, Five- Year Impact:

Fiscal Year	**Probable Net Positive/(Negative) Impact to** ***General Revenue Related Funds***
2026	($800,000)
2027	($1,400,000)
2028	($2,300,000)
2029	($3,100,000)
2030	($3,900,000)

All Funds, Five-Year Impact:

Fiscal Year	**Probable Revenue Gain/(Loss) from** ***General Revenue Fund*** **1**
2026	($800,000)
2027	($1,400,000)
2028	($2,300,000)
2029	($3,100,000)
2030	($3,900,000)

Fiscal Analysis

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.

Methodology

The of Section 351.1015(a)(4) of the Tax Code 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 Christi 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 amendment to Section 351.1015(b) of the Tax Code would affect the city of Lubbock.

Section 351.1015 would be amended to 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.

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 the 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 0905 – Qualified Hotel Project Trust Fund 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 designation 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

Local Government Impact

The impacts to Corpus Christi and Lubbock are described above.

Source Agencies: 304 Comptroller of Public Accounts

LBB Staff: JMc, RStu, SD, BRI

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

LBB Staff: JMc, RStu, SD, BRI, CMA

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:

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

All Funds, Five-Year Impact:

Fiscal Year	**Probable Revenue Gain/(Loss) from *General Revenue Fund* 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

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 89TH LEGISLATIVE REGULAR SESSION

April 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.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for HB2313, As Introduced: a negative impact of ($1,200,000) 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 ($142,600,000) by fiscal year 2055, the last full year of entitlement for the zones.

General Revenue-Related Funds, Five- Year Impact:

Fiscal Year	**Probable Net Positive/(Negative) Impact to** ***General Revenue Related Funds***
2026	($400,000)
2027	($800,000)
2028	($1,400,000)
2029	($1,900,000)
2030	($2,500,000)

All Funds, Five-Year Impact:

Fiscal Year	**Probable Revenue Gain/(Loss) from** ***General Revenue Fund*** **1**
2026	($400,000)
2027	($800,000)
2028	($1,400,000)
2029	($1,900,000)
2030	($2,500,000)

Fiscal Analysis

The bill would authorize a project finance zone for a municipality with a population of 200,000 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 the cities of Lubbock and Amarillo. Lubbock and Amarillo 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 and Amarillo 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 cities of Lubbock and Amarillo. Lubbock and Amarillo 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