

JLBC Fiscal Note

BILL # HB 4026

SPONSOR: Carbone

PREPARED BY: Hans Olofsson

TITLE: public infrastructure improvements; distribution limit

STATUS: House Engrossed

Description

HB 4026 makes several changes to an existing program that reimburses cities and counties for up to 80% of their cost for providing public infrastructure improvements benefitting manufacturing facilities that meet certain minimum capital investment requirements. The reimbursement is generated from the state Transaction Privilege Tax (TPT) collected and remitted by contractors that construct the manufacturing facilities and associated improvements. Of every \$1 remitted by contractors, 86.9% would have otherwise gone to the General Fund and the remaining amount would have been distributed to cities and counties under the regular TPT distribution formula.

Under current law, the aggregate cap of the TPT reimbursement program is \$200 million. HB 4026 makes several changes to this program, including the following:

- Replaces the \$200 million aggregate cap with a cap of \$75 million each fiscal year.
- By June 30th of each year, requires the Department of Revenue (DOR) to set aside local government reimbursement requests exceeding the \$75 million cap (for that fiscal year), if any, and then direct the State Treasurer to resume paying those monies to cities and counties in the following fiscal year.

Estimated Impact

We estimate the bill would result in an ongoing General Fund revenue loss of \$(17.8) million relative to the FY 2027 General Fund January Baseline. The ongoing local government share of the revenue loss would be \$(2.6) million

We have asked DOR for their estimated impact of the bill and are awaiting a response.

Analysis

Our estimate assumes the following:

- 1) According to DOR's most recent Annual Report, contractors that constructed manufacturing facilities certified by the Arizona Commerce Authority (ACA) collected and remitted a total of \$54.6 million in contracting TPT in FY 2025, the most recent complete fiscal year for which such data is available.
- 2) Given the 86.9% state/13.1% local government revenue shares, the state's General Fund revenue base was reduced by \$(47.4) million from the \$(54.6) million of total TPT remitted in FY 2025. The local revenue loss was \$(7.2) million.
- 3) Under the bill, we assume that the program's annual \$75 million limit would be reached each year. This would involve manufacturing facility contractors remitting at least \$75 million of TPT receipts associated with certified projects in FY 2027, which would then be distributed as \$75 million of local government reimbursement requests.
- 4) Of the \$75.0 million, \$65.2 million would have otherwise been deposited to the General Fund in FY 2027 and \$9.8 million would have been shared with local governments.
- 5) As a result, the bill would increase the General Fund revenue loss from \$(47.4) million to \$(65.2) million, or an additional \$(17.8) million.
- 6) The local revenue loss would increase from \$(7.2) million to \$(9.8) million, or an additional \$(2.6) million.

3/11/26