

SUBJECT: Local accountability for hotel occupancy tax expenditures

COMMITTEE: Ways and Means — committee substitute recommended

VOTE: 9 ayes — Oliveira, McCall, Bonnen, Craddick, Y. Davis, Keffer, T. King, Ramsay, Sadler

0 nays

2 absent — Heflin, Hilbert

SENATE VOTE: On final passage, Local and Uncontested Calendar, April 19 — 30-0

WITNESSES: (*On House companion bill, HB 2466:*)
For — Richard Beckert, Malibu Entertainment Worldwide; Robert Floyd, Texas Society of Association Executives; John Longstreet, Bristol Hotels & Resorts

Against — None

BACKGROUND: In general, municipal hotel occupancy tax revenues may be used only to promote tourism and the convention and hotel industry. Current law provides limited exceptions for certain counties. However, no revenues derived from this tax may be used for general revenue purposes or for general government operations of a municipality.

DIGEST: CSSB 1603 would require a municipality to maintain accurate records of the receipt and expenditure of revenue from the municipal hotel occupancy tax, including interest derived from that revenue. The bill would require interest derived from the hotel tax be expended for the same purposes as the tax revenue itself.

The bill would take effect September 1, 1999, and would apply only to expenditures made on or after that date, regardless of when the revenue was collected.

- SUPPORTERS SAY:** CSSB 1603 would require municipalities to be accountable for their spending of municipal hotel occupancy tax funds. State law requires these revenues to be spent for a limited number of specific purposes, yet there is no mechanism under law to ensure that these revenues are spent only for these purposes. Some municipalities have misused these funds to cover general government expenses, which the law requires to be funded from other taxable sources.
- The bill also would clarify that interest derived from hotel tax revenues can be used only for the same purposes for which a municipality can use the tax revenues. This provision would ensure that a municipality could not use hotel tax monies to generate an additional source of funds for general government spending.
- The bill would not impose an unwarranted or costly mandate on municipalities. It simply would require them to demonstrate their compliance with laws regarding the use of tax funds in the same manner as conventions and visitors bureaus.
- OPPONENTS SAY:** CSSB 1603 would require cities to change their accounting procedures to separate a single source of funds from all others. Rather than account for every single dollar in a separate account, it should be sufficient for cities to demonstrate that their aggregate expenditures on purposes authorized for hotel occupancy tax revenues equal or exceed those revenues.
- OTHER OPPONENTS SAY:** Compliance with this bill would be much less burdensome if a municipality could wait until the beginning of its fiscal year to alter its reporting of income and expenditures. Also, the bill should include proper enforcement mechanisms.
- NOTES:** The House committee substitute deleted a section from the Senate-passed bill that would have enabled owners or operators of hotels to initiate a civil action in district court for injunctive relief necessary to prevent unlawful expenditure and for the return of the full amount of revenue spent on unauthorized purposes.