

**SUBJECT:** Approval of budgets for projects funded with municipal hotel tax

**COMMITTEE:** Local Government Ways and Means — favorable, without amendment

**VOTE:** 6 ayes — Hill, Hegar, Laubenberg, McReynolds, Mowery, Quintanilla  
0 nays  
1 absent — Puente

**WITNESSES:** None

**BACKGROUND:** Tax Code, sec. 351.101 governs use of municipal hotel occupancy tax revenue. Proceeds from this tax may be used only to promote tourism and the convention and hotel industry. The governing body of a municipality may contract with a person to manage activities funded by the hotel tax. The governing body must approve in writing the annual budget of the person who performs those functions and must require the person to report expenditures from the tax revenue at least quarterly. The governing body's approval of the person's budget creates a fiduciary responsibility for the person in regard to the tax revenue.

**DIGEST:** HB 1292 would specify that a municipal governing body may contract with one or more people to manage activities funded with hotel tax revenue. Other requirements relating to "one person" with whom the municipality contracts would relate to all people.

The bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2003.

**SUPPORTERS SAY:** HB 1292 would contribute to fiscal responsibility and transparency by closing a loophole that allows municipalities to avoid approving the budget and expenditures of hotel tax projects that are contracted to more than one entity. Many municipalities already delegate management of these projects to several entities, and HB 1292 would reflect this practice in the law. Most importantly, the bill would specify that a municipality must approve the budget and

HB 1292  
House Research Organization  
page 2

monitor the expenditures of each agent managing projects funded with the tax revenue, a necessary measure that can be avoided under the ambiguity of current law.

OPPONENTS  
SAY:

No apparent opposition.