

SUBJECT: Use of municipal hotel occupancy taxes for sports facility improvements

COMMITTEE: Local Government Ways and Means — committee substitute recommended

VOTE: 7 ayes — Hill, Hamilton, Elkins, Laubenberg, Puente, Quintanilla, Uresti
0 nays

WITNESSES: For — Rick Atkins, City of Round Rock; Nancy Yawn, City of Round Rock

Against — None

BACKGROUND: Tax Code, ch. 351 permits the use of municipal hotel occupancy tax to promote tourism and the convention and hotel industry.

DIGEST: CSHB 1734 would allow the use of revenue from the hotel occupancy tax for improvements to sports facilities if:

- the facility was municipally owned and in the previous year had been used at least 10 times for district, state, regional, or national sporting events; and
- the population of the municipality was at least 80,000 and located within a county with a maximum population of 350,000.

A municipality that spent tax revenue on sports facilities would have to conduct a five-year study to determine the amount of hotel occupancy tax revenue attributable to the facilities. Expenditures on improvements in excess of this amount would be prohibited. Municipalities would be required to reimburse from their general funds to the municipality's hotel occupancy tax revenue fund expenditures on sports facilities exceeding the amount of the hotel tax revenue.

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, 2005.

**SUPPORTERS
SAY:**

HB 1734 would allow certain cities to use hotel occupancy tax revenue to improve sporting venues, which would raise revenue tied to tourism. While the intent of current law is to protect financial resources for the hotel industry, it is too restrictive. Certain municipalities rely heavily on sporting facilities to attract tourists who not only occupy local hotels but eat at local restaurants and spend money elsewhere in the community. The City of Round Rock, for example, lures fans and players from across Texas and the nation through the many competitions hosted at its numerous sports facilities.

HB 1734 would safeguard the use of the tax and hold municipalities accountable for any spending abuse. When municipalities disproportionately spent tax money on facilities, general revenue funds would be transferred to the hotel occupancy tax revenue fund. The five-year study would provide the data needed to assess the allowable increment of financing.

**OPPONENTS
SAY:**

HB 1734 would authorize use of the tax on activities not tied directly to the support of tourism and the hotel industry. Attorney general opinions in 1984 (JM-184) and 1988 (JM-965) held that hotel/motel taxes cannot be used for recreational facilities, such as golf courses and tennis courts, because such facilities are not directly tied to raising revenue and promoting tourism.

The study to determine the relationship between the revenue attributed to tourism and the hotel industry by the sports facilities should be completed before amending current law.

NOTES:

The original bill would not have required a municipality to refund the hotel occupancy tax revenue from its general revenue fund when sports facility improvements exceeded the taxes attributable to the improvements.