

SUBJECT: Use of hotel occupancy tax by certain municipalities to clean beaches

COMMITTEE: Ways and Means — favorable, with amendment

VOTE: 7 ayes — Oliveira, McCall, Bonnen, Y. Davis, Hilbert, Keffer, T. King

0 nays

4 absent — Craddick, Heflin, Ramsay, Sadler

WITNESSES: For — Ed Cyganiewicz, Town of South Padre Island; Don Hansen, Texas Hotel and Motel Association

Against — None

BACKGROUND: The state hotel occupancy tax rate is 6 percent. Revenue generated from this tax is deposited to general revenue, but some is allocated to state and local activities that promote tourism. An amount equal to one-half of 1 percent of this revenue goes to the Texas Department of Economic Development's media advertising and other marketing activities to promote Texas tourism.

In 1995, the 74th Legislature added Tax Code, sec. 156.2511, allocating 2 percent of state hotel tax revenue generated by certain eligible coastal municipalities for beach cleanup activities. An "eligible coastal municipality" is a home-rule city with a population between 40,000 and 80,000 that borders the Gulf of Mexico and that has created a park board of trustees to administer public beaches under Local Government Code, chapter 306. Galveston is the only such city. These funds can be used only to clean and maintain beaches within the municipality.

Certain municipalities and counties can impose additional hotel occupancy taxes. In general, revenue from these taxes can be used only for tourism promotion, such as for convention centers, advertising, the arts, and historic preservation. Coastal counties must use county hotel occupancy tax revenues solely for beach cleanup, beach facilities, and public restrooms and litter containers on or adjacent to the beach.

DIGEST: HB 1014 would amend the Tax Code to require the comptroller to calculate the amount of state hotel occupancy tax revenue generated from general-law municipalities with a population less than 5,000 bordering the Gulf of Mexico and located within 30 miles of the United Mexican States. The comptroller would have to issue a warrant from general revenue equal to 1 percent of this revenue. Eligible municipalities could use these funds only to clean and maintain public beaches in the municipality.

As amended, HB 1014 also would authorize a home-rule municipality with a population exceeding 250,000 and bordering the Gulf of Mexico to use all or any portion of the municipal hotel occupancy tax it assesses to clean and maintain public beaches in the municipality.

HB 1014 would take effect September 1, 1999. It would not affect tax revenue previously pledged to secure bonds issued before that date.

SUPPORTERS SAY: Clean beaches are essential to sustaining tourism on the Texas Gulf Coast. Local residents should not have to bear the costs of day-to-day cleaning and maintenance of Texas beaches, which are public land. Because hotel occupancy taxes can be used to promote tourism, this is an appropriate means to fund cleanup activities.

HB 1014 would reduce biennial revenues to general revenue by \$1 million, which would go to the town of South Padre Island to be used exclusively to clean and maintain the beach within the city limits. This \$1 million would represent just 1 percent of the state hotel taxes collected from visitors who stay in South Padre Island. If tourism declined because the beaches were covered with debris, the cost to the state could far exceed this \$1 million investment.

This bill also would enable Corpus Christi to use part or all of its municipal hotel occupancy tax to clean and maintain public beaches in the municipality. Galveston has similar authority, and the cleanup programs it has funded have been successful in sustaining tourism.

OPPONENTS SAY: The bill should contain a cap on the amount or percentage of municipal hotel occupancy taxes that Corpus Christi could use for beach cleanup. In its current form, the bill would allow Corpus Christi to use all of its municipal hotel taxes for this purpose. Though these activities are important, they must

be balanced with other intended uses of the hotel tax, such as maintaining convention centers, promoting the arts, advertising to attract tourists, and restoring historical sites. The bill would circumvent the requirements placed on virtually every other municipality regarding the use of its local hotel occupancy tax.

OTHER
OPPONENTS
SAY:

South Padre Island generates substantial local tax revenues from tourism. It is not unfair for local residents and business owners to share the costs of beach cleanup with the state. Funds from the state hotel tax should be used to match local contributions, not replace them entirely, which would require less than the \$1 million estimated in the bill's fiscal note.

NOTES:

The committee amendment would add the provision authorizing a home-rule municipality with a population exceeding 250,000 and bordering the Gulf of Mexico to use all or any portion of the municipal hotel occupancy tax it assesses to clean and maintain public beaches in the municipality.

An expected floor amendment would allow Corpus Christi to dedicate all or part of its municipal hotel occupancy tax only from hotels for which Nueces County assesses a county hotel occupancy tax. Those hotels are located in a tract of land that the city plans to annex. The annexation would replace the county tax, which must be used for beach improvements, with the municipal tax.

The companion bill, SB 550 by Lucio, is pending in the Senate Intergovernmental Relations Committee.

HB 1655 by V. Luna et al. and SB 1508 by Truan would allow an increase in the municipal hotel occupancy tax in Corpus Christi to be used exclusively to finance the costs of a municipally owned convention center. The House Ways and Means Committee reported HB 1655 favorably on April 7. SB 1508 passed the Senate on the Local and Uncontested Calendar on April 14 and has been referred to House Ways and Means.