

SUBJECT: Municipal hotel occupancy tax use for certain transportation systems

COMMITTEE: Local Government Ways and Means — committee substitute recommended

VOTE: 5 ayes — Hill, Creighton, Puente, Quintanilla, Villarreal

0 nays

2 absent — Elkins, C. Howard

WITNESSES: For — Brandon Aghamalian, City of Southlake City Manager, Mayor and City Council; Scott Joslove, Texas Hotel & Lodging Association

Against — None

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

- convention center facilities or visitor information centers;
- registration of convention delegates;
- promotional advertising to attract tourists and convention delegates;
- encouragement and exhibition of creative arts;
- historic preservation;
- promotion of historic sites and museums; and
in certain cases:
 - promotion of sports events and enhancement of sports facilities;
 - cleaning and maintaining public land, including beaches;
 - mitigating coastal erosion; and
 - parks, civic centers, civic center buildings, auditoriums, exhibition halls, coliseums, marinas, cruise ship terminal facilities, hotels, motels, parking facilities, golf courses, trolley or trolley transportation systems, and other facilities that attract visitors and tourists to the municipality.

DIGEST: CSHB 2438 would allow a municipality to use municipal hotel occupancy tax revenues for a transportation system to bring tourists from hotels in and near the municipality to:

- the commercial center of the municipality;
- a convention center in the municipality;
- other hotels in or near the municipality; and
- tourist attractions in or near the municipality.

This tourist transportation system could be owned and operated by the municipality or be privately owned and operated but partially financed by the municipality.

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, 2007.

SUPPORTERS
SAY:

CSHB 2438 would clarify existing law by acknowledging established precedent, which allows municipal hotel occupancy tax to be spent on transportation systems. Tax Code, sec. 351.105 allows coastal municipalities to use municipal hotel occupancy tax revenue to support trolley transportation systems for tourists. Shuttles, vans, or buses also should be allowed for other municipalities if they are designed to serve tourist traffic. Legislative precedent has provided municipalities with greater flexibility in using municipal hotel occupancy taxes that they are currently authorized to collect. Every municipality has unique needs in supporting tourism and its hotel industry, and the state should not prevent local officials from providing the best level of service to this industry.

The bill would not allow municipal hotel occupancy tax to support a mass transit system. Rather, it would support tourism and provide a valuable service to the hotel industry. The proposed system simply would be a shuttle service to bring tourists from area hotels to regional tourist attractions and shopping districts. The shuttle system would be designed to serve those visiting from outside the municipality and would not be used by city residents, who would have access to an automobile or could otherwise get a ride to local shopping centers.

This bill would positively impact tourism and the hotel industry as well as individual municipalities. Current shuttle services offered by hotels usually provide transportation to and from regional airports but neglect to

bring visitors to area attractions. This bill would provide a higher level of service to visitors in hotels, which could provide added value for travelers and make them more likely to stay in a municipality offering this service. The service would enable visitors more easily to access community amenities such as shopping, dining, sporting events, and entertainment. This would result in more sales tax revenues for both the municipality and the state. It also would encourage visitors to travel without a car when visiting, which could reduce emissions and support air-quality efforts in the region.

OPPONENTS
SAY:

CSHB 2438 could set a precedent for allowing municipal hotel occupancy tax revenues to support mass transit systems. Municipal hotel occupancy taxes are supposed to support the tourism and the hotel and convention industries. While Tax Code, sec. 351.105 has allowed certain coastal municipalities to support trolley systems, those systems already existed and were tourist attractions in their own right. This bill would allow municipalities to siphon municipal hotel occupancy tax to create new transit authorities in their regions. While some tourists may benefit from these systems, the bill would not ensure that local residents would not also make use of these transit systems.

While this bill might help the hotel industry, it could negatively impact other tourist-related businesses. Taxi services, rental car companies, and shuttle services all compete for the same pool of traveler dollars. This bill would enable municipalities to create transportation systems that would directly compete with these existing, private services. While hotels currently provide shuttle services to regional airports, they are private companies competing in the private market for visitor transportation. Local governments should not sacrifice the livelihood of one set of small business owners in an effort to support other businesses generating more sales tax revenue. Also, these services would provide competitive advantages for area hotels and benefit only hotel guests, so individual hotels should bear the costs of these shuttle services, not local taxpayers.

OTHER
OPPONENTS
SAY:

This bill should require tourists to present a hotel room key or convention badge to ride the transportation system that would be supported with municipal hotel occupancy tax revenues in order to ensure area residents were not treating the service like a mass transit system.

NOTES:

The committee substitute differs from the original by authorizing the transportation system to bring tourists to a convention center in the

municipality, other hotels in or near the municipality, and tourist attractions in or near the municipality.

The companion bill, SB 1291 by Nelson, has been referred to the Senate Intergovernmental Relations Committee.