

BILL ANALYSIS

Senate Research Center

S.B. 2779
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Economic Development
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As Filed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Interested parties assert that communities in Texas have been inappropriately withholding hotel occupancy tax (HOT) revenue from statutorily authorized usage by entities entitled to portions of that revenue. In withholding that revenue, some communities are imposing requirements on the entities able to use that revenue in ways that do not align with the statutory provisions that dictate in what manner HOT revenue can be used. For instance, some cities condition the disbursement of HOT revenue so that certain factors are met, such as the hiring of personnel based on their representation of certain populations. Accordingly, this bill would prohibit HOT revenue from being expended in a manner or by a program or activity that discriminates or gives preference on the basis of race, color, disability, sex, religion, age, or national origin.

Additionally, current statute requires a portion of HOT revenue to be directed towards the cleaning and maintaining of public beaches in certain eligible coastal municipalities. In the case of Galveston, a park board has been created by ordinance and statute to carry out that function. However, the City of Galveston has not funded the park board at 100 percent of collected HOT revenue required for these purposes, leaving the potential for the park board to not receive the amount necessary to carry out much needed beach cleaning and maintenance. Withholding HOT revenue is in contradiction to Texas statute. If left unfunded, critical park board services would negatively impact residents, tourism and the environment. As a result, this bill would adjust statute to direct the current statutory two percent allocation of HOT revenue directly to the park board, instead of the city pass-through mechanism currently in place. In doing so, the bill upholds the condition that the city dedicate a portion of HOT towards beach cleaning and patrol to draw down the current state reimbursement for nourishing, cleaning, and patrolling beaches.

As proposed, S.B. 2779 amends current law relating to the allocation and use of certain hotel occupancy tax revenues.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 156.2511, Tax Code, by amending Subsections (a) and (b) and adding Subsection (b-1), as follows:

(a) Requires the Comptroller of Public Accounts of the State of Texas (comptroller), not later than the last day of the month following a calendar quarter, to perform certain actions, including issuing to the park board of trustees created by the eligible coastal municipality a warrant drawn on the general revenue fund in the amount computed under Subdivision (1) (relating to requiring the comptroller to compute the amount of revenue derived from the collection of taxes at a rate of two percent and received from certain hotels).

(b) Authorizes money received under Section 156.2511 (Allocation of Certain Revenue), Tax Code, to be used only to clean and maintain public beaches in the eligible coastal

municipality, rather than authorizing an eligible coastal municipality to use money received under this section only to clean and maintain public beaches in this municipality.

(b-1) Provides that the comptroller is authorized to issue a warrant under this section only if the eligible coastal municipality has:

(1) allocated at least one percent of the tax imposed by the municipality under Chapter 351 (Municipal Hotel Occupancy Taxes) to clean and maintain public beaches in the municipality; and

(2) either applied for state funds under Subchapter C (Maintenance of the Public Beaches), Chapter 61 (Use and Maintenance of Public Beaches), Natural Resources Code, or made available to the comptroller the same information required to be contained in an application under Section 61.069 (Contents of Application), Natural Resources Code.

SECTION 2. Amends Section 351.101, Tax Code, by adding Subsection (b-1) to prohibit revenue derived from the tax authorized by this chapter, notwithstanding Subsection (a) (relating to authorizing revenue from the municipal hotel occupancy tax to be used only to promote tourism and the convention and hotel industry), from being expended in a manner or by a program or activity that discriminates on the basis of race, color, disability, sex, religion, age, or national origin.

SECTION 3. Effective date: September 1, 2025.