

Municipal Funding of the Arts Using Hotel Occupancy Tax Revenues

Guidelines Presented by Texans for the Arts and the Texas Hotel and Lodging Association

The Texas Hotel and Lodging Association (THLA) is a nonprofit trade association representing every aspect of the lodging, convention, and tourism industry in Texas. Texans for the Arts (TFA) is a grass-roots nonprofit organization that advocates for public and private funding of the arts as both an enriching cultural resource and a powerful engine for economic growth and development in Texas.

The Municipal Hotel Occupancy Tax Statute (the MHOT Statute), Texas Tax Code § 351.101, provides that Municipal Hotel Occupancy Tax (HOT) revenues may be used to fund nine eligible categories of expenditures that have been found to promote tourism and the hotel and convention industries, including expenditures that promote specific art forms. Section § 351.101(a)(4), added by the Legislature in 1977, provides in applicable part: “Revenue from the municipal hotel occupancy tax may be used only to promote tourism and the convention and hotel industry, and that use is limited to the following:

the encouragement, promotion, improvement, and application of the arts, including instrumental and vocal music, dance, drama, folk art, creative writing, architecture, design and allied fields, painting, sculpture, photography, graphic and craft arts, motion pictures, radio, television, tape and sound recording, and other arts related to the presentation, performance, execution, and exhibition of these major art forms.”

THLA and TFA have formed a partnership to assist local governments in implementing the MHOT Statute.

In order to comply with the MHOT Statute, THLA and TFA agree that to be eligible for municipal arts funding with HOT revenues, recipients must satisfy the following requirements:

1. The recipient presents, performs, promotes, encourages, or otherwise makes possible, artistic events, cultural performances, programs, exhibitions, or lectures involving the major art forms listed in the MHOT, or “other arts related to the presentation, performance, execution, and exhibition of these major art forms.”
2. The hotel occupancy tax funded programs and events are advertised and open to the general public.
3. The recipient directly enhances and promotes tourism and the convention and hotel industry.

With regard to requirement number 3 above, THLA and TFA agree that the MHOT Statute does not require a recipient to demonstrate a set level of direct impact on tourism and the convention and hotel industry to be eligible for HOT funding. However, the demonstration of some level of direct impact on tourism and the convention and hotel industry should be required. Because the

MHOT provides no specific methodology for determining a recipient's impact on tourism or the convention/hotel industry, each funding entity has the flexibility to consider a number of factors. The following factors may be beneficial to consider, but this list is neither exhaustive nor mandatory. Cities and counties using hotel occupancy tax may consider any or all the below listed factors or other factors that are appropriate for determining a recipient's impact on tourism and the convention and/or hotel industry in a particular community:

- a. The recipient works with its area lodging operators and/or the convention and visitor bureau (CVB), either independently or in conjunction with other local arts organizations, to promote local arts events through hotel concierge services, training of hotel staff, hotel or CVB lobby area exhibitions, flyers, or similar measures to better serve visitors to the area and encourage their extended stay in area hotels or a return to stay in area lodging facilities.
- b. The recipient provides entertainment to conventions, conference, and meetings offered in its cities and towns at which attendees are drawn from both in and out of the region.
- c. The recipient uses local hotel and lodging facilities for galas, meetings, or other events sponsored by the recipient, including the use of hotel dining facilities by their patrons both pre and post events.
- d. The recipient books hotel rooms for visiting artists and offers hotel related information to attendees of the organization's hotel occupancy tax funded events.
- e. The recipient promotes or markets its events outside of the local area through standard media promotion or advertising; Web sites; mailing lists; local, regional, and national listings in publications and calendars; and use of social media and, where appropriate, includes a link to information about area hotels.
- f. The recipient produces its events in conjunction with or within the boundaries of a Cultural and Fine Arts District established pursuant to Texas Government Code § 444.031.
- g. The recipient, either through audience or attendee questionnaires, polling, or hotel block booking codes, demonstrates that hotel guests, tourists, convention attendees, or other out-of-town visitors have attended its hotel tax funded events.
- h. A performance, exhibition, or other event sponsored by the hotel occupancy tax recipient has been reviewed or otherwise noted in a publication that circulates outside of the recipient's local community, which helps promote tourism and hotel activity in the area.

THLA and TFA share the goals of growing and advancing tourism and the convention and hotel industry through the promotion of the arts and the encouragement of attendance at artistic and cultural events by persons outside of the local community. To this end, THLA and TFA are in the process of creating joint programs that will make convention and hotel industry resources available for marketing local artistic and cultural events to hotel guests

and attendees prior to and during their visits to the local area. Similarly, local artistic and cultural event hosts will endeavor to partner with the area hotel and lodging industry and the convention and visitor bureau to enhance the potential impact of their hotel tax funded arts programs on tourism and area hotel activity.

THLA and TFA have provided these guidelines to members, arts organizations, and HOT funding entities in order to foster understanding of the MHOT Statute and to stimulate collaboration between the local arts communities and the hotel and tourism industries. THLA and TFA will continue working together to nurture mutual cooperation and understanding among all partners invested in art, culture, and tourism.