

February 4, 1998

BILL ANALYSIS

TO: Members, Committee on Trade and Economic Development
FROM: Kenny Pittman, Research Analyst (786-7392)
RE: **HB 2861 - Funding tourism development.**

BACKGROUND:

Tourism is one of the state's major industries. Travel-related spending by out-of-state visitors and Washington residents traveling within the state totaled over \$7.5 billion in 1994, and provided employment for over 96,000 people. Tourism and travel-related spending generated \$411.7 million in state tax revenue and \$104.9 million in local tax revenue in 1994. Of the more than 26,000 businesses in Washington that make up the travel industry, 93.8 percent are considered small businesses with fewer than 50 employees.

The Department of Community, Trade, and Economic Development, through the Tourism Development Division, works with the travel industry to increase tourism in the state. The state's core strategy is to increase off-season travel and travel to under-visited, largely rural areas of the state by stimulating demand and helping businesses and communities take advantage of that increased demand.

The tourism and travel-related services provided by the Tourism Development Division includes an advertising campaign designed to stimulate consumer demand and new spending, a tourism public relations program designed to promote off-season travel opportunities, a travel trade marketing program to help tour operators develop and market the state, and a product development program to give tourism businesses in targeted rural communities assistance in marketing their area.

Recent reports on tourism in Washington have documented the need for: (1) the establishment of a tourism advisory committee; and (2) the development of a consistent mechanism to determine the appropriate level of state funding for tourism development activities.

SUMMARY:

A tourism development advisory committee is created within the Department of Community, Trade, and Economic Development (DCTED). The 15 members committee consists of: (1) Two members of the House of Representatives, one from each political caucus appointed by the Speaker of the House; (2) Two members of the Senate, one from each political caucus, appointed by the President of the Senate; and (3) Eleven members appointed by the director of the DCTED from representatives of the travel industry throughout the state. The advisory committee must review and comment on the DCTED's tourism development plan and advise the director of DCTED on tourism activities.

The DCTED must establish a tourism budget development process that is used to establish the biennial budget for the Tourism Development Division. The following administrative steps are required prior to submission of the budget request to the Office of Financial Management:

- Identify the retail sales tax receipts for certain tourism-related industries (eating and drinking establishments, lodging, auto rental, and recreation);
- Based on the biennial budget ending June 30, 2001, calculate the increase in the amount of the specified retail sales tax receipts between the period four years prior to the biennium and the period two years prior to the biennium. If no increase is identified, then no additional funding request is submitted to the Office of Financial Management or the Legislature;
- If the biennial growth that exceeds 6 percent, then an amount equal to one-half of the tax receipts above the base amount would be requested as additional funding by the DCTED;
- No request for additional funding may exceed \$2 million per year.

The tourism advisory committee and the tourism budget development process both expire on June 30, 2008.

The DCTED must annually report to the appropriate policy and fiscal committees of the Legislature on tourism development program for the previous year. The report must contain on targeted markets, benefits to different areas of the state, return of the state's investment, and other information on tourism development.

Appropriation: None.

Fiscal Note: Requested January 28, 1998.

Effective Date: The bill takes effect July 1, 1998.