

SENATE BILL REPORT

SB 6541

As Passed Senate, February 11, 1998

Title: An act relating to funding for tourism development.

Brief Description: Funding tourism development.

Sponsors: Senators Sellar, Snyder, Schow, Hale, Haugen and Kohl; by request of Department of Community, Trade, and Economic Development.

Brief History:

Committee Activity: Commerce & Labor: 2/2/98, 2/3/98 [DP].
Passed Senate, 2/11/98, 43-0.

SENATE COMMITTEE ON SENATE COMMERCE & LABOR

Majority Report: Do pass.

Signed by Senators Schow, Chair; Horn, Vice Chair; Anderson, Franklin and Newhouse.

Staff: Patrick Woods (786-7430)

Background: During 1997, the Department of Community, Trade, and Economic Development produced a report highlighting the following information:

- * Travel-related spending in Washington totaled approximately \$9.1 billion and generated \$1.9 billion in payroll and directly supported 124,400 jobs in 1997.
- * Since 1991 travel spending has grown an estimated 4.9 percent annually.
- * The largest proportions of travel-related expenditures were made by visitors staying in commercial accommodations such as hotels, motels and bed and breakfast establishments.
- * Travel spending generated approximately \$161 million in local tax revenue and \$464 million in state revenue.

In addition, other recent reports on tourism in Washington have outlined 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 of Bill: A tourism development advisory committee is created within the Department of Community, Trade, and Economic Development. The committee is comprised of members of the House of Representatives and the Senate, along with representatives of the travel industry from throughout the state. The committee is directed to review and comment on the department's tourism development plan and the performance of its other tourism development activities.

The department is directed to establish a tourism budget development process that includes the following administrative steps prior to being submitted and acted upon by the Office of Financial Management (OFM), the Governor or the Legislature. This internal agency process includes the following:

1. Identify the sales tax receipts for certain tourism related industries. These industries include lodging, eating, and drinking establishments, recreation and auto rental businesses.
2. Calculate the increase in the amount of the specified sales tax receipts in these areas 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 OFM or the Legislature;
3. If the biennial growth exceeds 6 percent, one-half of the tax receipts of the growth above 6 percent would become the additional level of funding to be requested by the department;
4. The proposed increases in funding due to the growth driven formula is limited to \$2 million per year.

The tourism budget development process terminates on June 30, 2008.

The department is directed to report to the Legislature on an annual basis regarding the agency's impact on tourism in Washington.

Appropriation: None.

Fiscal Note: Requested on January 29, 1998.

Effective Date: July 1, 1998.

Testimony For: This proposal will greatly assist tourism in Washington and move the Department of Community, Trade, and Economic Development's budget towards a performance based system. It would also provide a level of consistency in the budgetary process. The advisory council would be an asset to the department in responding to the opportunities and challenges facing the tourism industry.

Testimony Against: None.

Testified: Senator George Sellar; Jim Knapp, CTED Tourism Work Group (pro); Robin Pollard, CTED Tourism Division (pro); Becky Bogard, WSHA/WAVCB (pro).

House Amendment(s): The House amendment makes the following changes:

1. It clarifies that the base dollar amount referred to in the bill is the previous biennial budget appropriation;

2. The budget development process is modified by changing the required minimum growth rate in biennial retail sales tax from 6 percent to 8 percent; and
3. The maximum allowable growth in the state's tourism budget under the bill is changed from \$2 million per year to 10 percent per biennium.