

SENATE BILL REPORT

SB 6195

As Reported by Senate Committee On:
Trade & Economic Development, February 4, 2014

Title: An act relating to long-term funding for a state tourism marketing program.

Brief Description: Concerning long-term funding for a state tourism marketing program.

Sponsors: Senators Braun, Chase, Angel, Pedersen, Brown, King and Kohl-Welles.

Brief History:

Committee Activity: Trade & Economic Development: 1/23/14, 2/04/14 [DPS].

SENATE COMMITTEE ON TRADE & ECONOMIC DEVELOPMENT

Majority Report: That Substitute Senate Bill No. 6195 be substituted therefor, and the substitute bill do pass.

Signed by Senators Braun, Chair; Angel, Vice Chair; Chase, Ranking Member; Holmquist Newbry, Liias and Pedersen.

Staff: Edward Redmond (786-7471)

Background: According to the 2012 report by the Washington Council on International Trade and the Trade Development Alliance of Greater Seattle entitled "An International Competitiveness Strategy for Washington State," approximately 500,000 international tourists travel to Washington State annually. In 2010 Washington State posted a 32 percent increase over 2009 overseas visitor volumes, which was the largest increase in the nation and accounted for an estimated \$15.2 billion of traveler spending in the state. The report found that the growth is led by visitors from Europe, Japan, and increasingly from China, which respectively accounted for approximately 40,000 visitors in 2011.

Prior to 2011, the Washington State Tourism Commission (Commission) was responsible for expanding the tourism industry throughout the state and worked in collaboration with the public and private tourism development organizations to carry out its mandate. The Commission had an operating budget of approximately \$4.5 million; however, due to budgetary constraints, the Legislature defunded the state's tourism office in 2011. Washington is currently the only state in nation without a state-funded tourism office.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

The Washington Tourism Alliance (WTA) was formed by industry representatives in response to the closure of the state's tourism office. Since formation, assets from the state's tourism office including the call center, state visitor's guide, and website have been transferred to WTA and membership has increased to over 440 members. Currently, WTA operates with an annual budget of approximately \$427,000.

Summary of Bill (Recommended Substitute): Numerous legislative findings concerning the impacts of tourism to Washington State are outlined. Specifically, the Legislature finds that tourism represents the fourth-largest export industry in Washington State, employing more than 153,000 individuals and contributing significantly to state and local tax revenues. The Legislature also finds that competition from other states and provinces caused Washington State tourism to fall below the national average. Identifying a long-term, significant source of funding dedicated to a state tourism marketing program is therefore proposed as a means to rectify this trend.

An initial budget of \$7.5 million has been determined by WTA as a reasonable amount to implement a state tourism marketing program. The following five major sectors from the tourism industry were selected for initial collection of funds allocated pro rata: lodging, \$2.4 million; food service, \$2.1 million; attractions and entertainment, \$975,000; retail, \$1.425 million; and transportation, \$600,000.

The Department of Revenue, Department of Commerce, State Treasurer's Office, and Secretary of State must work with the WTA to develop a method for collecting tourism funds from the industry.

WTA must submit a report to the appropriate committees of the Legislature by December 1, 2014. The report must detail how such funds are collected and the safeguards devised to ensure that the funds are used only by WTA for the state tourism marketing program, which includes its administration. The report must also identify other tourism sectors, businesses, and government entities that are part of the tourism industry which could provide additional resources to the program.

WTA must establish a governance structure that includes a board with a majority of its members selected from the initial five tourism sectors. Representatives from destination marketing organizations must also be included on the board. The governance structure must determine appropriate uses of the collected funds and a method for reporting on the effectiveness of the program.

A method for terminating the collection of funds if the board determines that the funds are not being used appropriately must also be included in the report.

EFFECT OF CHANGES MADE BY TRADE & ECONOMIC DEVELOPMENT COMMITTEE (Recommended Substitute):

- Strikes language interpreted as creating a mandated assessment for initial funding and replaces it with language expressing general intent to collect such funds; and
- Removes the emergency clause.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony on Original Bill: PRO: WTA has reached the point where it needs help. WTA has convened numerous stakeholder meetings throughout the state. This bill will provide the direction to help WTA get to the next step toward establishing a permanent funding source for a statewide tourism marketing program. One of the major challenges for WTA is determining how to collect funds from a diversity of sectors within the tourism industry. This is a new type of model that has not been done before. The closest example is California; however, their tourism marketing program receives a large portion of funding from rental car taxes.

CON: A vast majority of the members in the retail association oppose the bill because they do not believe it will provide any benefit to them. If this is such a big priority to Washington, retailers feel Washington should make this a priority and fund it. If an industry assessment model is adopted by the state, what other sectors in Washington will be put into this type of funding model?

OTHER: The National Federation of Independent Business appreciates the intent of the bill. However, we are not sure if this should be considered a necessary function of government and funded out of the general fund, or if it should be funded through an assessment on businesses throughout a certain number of sectors. We are not sure if the bill achieves what it is intended to do. More discussions need to take place concerning how the assessments will be determined and at what levels.

Persons Testifying: PRO: Cheryl Kilday, Becky Bogard, Louise Staten-Masten, WTA; Patrick Pierce, Puget Sound Regional Council; Jan Simon, WA Lodging Assn.; John Creighton, Port of Seattle; Julia Gorton, WA Restaurant Assn.

CON: Mark Johnson, WA Retail Assn.

OTHER: Patrick Connor, National Federation of Independent Business of WA; Heather Hansen, WA State Fairs Assn.