
**Community Development, Housing &
Tribal Affairs Committee**

HB 1938

Brief Description: Enacting the tourism marketing act.

Sponsors: Representatives Appleton, Johnson, Ryu, Muri, Van De Wege, Tarleton, Moscoso, S. Hunt and Tharinger.

Brief Summary of Bill

- Creates the Washington Tourism Marketing Authority (Authority) as a public body to manage financial resources for state tourism marketing.
- Authorizes the Authority to contract for state tourism marketing services.
- Requires businesses within several tourism industry sectors to pay fees that fund statewide tourism marketing services.

Hearing Date: 2/9/15

Staff: Sean Flynn (786-7124).

Background:

The State Tourism Commission (Commission) was created in 2007 to direct the state tourism program administered through the Department of Commerce. The Commission was comprised of public and private industry representatives, and was directed to promote and expand the state tourism industry. The Commission could raise funds and it owned an account.

The Legislature terminated the State Tourism Program and the Commission at the end of the 2009-11 biennium. In the same year, the Washington Tourism Alliance (WTA) was formed to assume official state tourism marketing and promotion activities. The WTA is a private nonprofit organization comprised of members of the state tourism industry. The WTA receives funding from its members. Among its activities, the WTA operates a state tourism website, publishes the Official State Tourism Guide, and holds an annual tourism summit.

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.

In 2014 the Legislature directed the WTA to propose a private funding mechanism for a state tourism marketing program, including how revenues would be allocated and collected from each tourism industry sector. The Legislature directed the Departments of Revenue and Commerce, the Office of the State Treasurer, and the Office of the Secretary of State to assist the WTA in developing the funding mechanism. The WTA also was directed to propose a governance structure that includes a board consisting primarily of members representing the five industry sectors, and also including destination marketing organizations.

Summary of Bill:

Tourism Marketing Authority.

The Washington Tourism Marketing Authority (Authority) is established as a public entity to manage state revenues and contact for statewide tourism marketing services.

The Authority is governed by a board of directors (Board) comprised of 13 members representing tourism-related sectors, including:

- lodging (4 members);
- food service (3 members);
- retail (2 members);
- attractions and entertainment (1 member);
- transportation (1 member); and
- regional destination marketing organizations (2 members).

The Secretary of State (Secretary) and the Director of the Department of Revenue serve as ex-officio members of the authority.

Organizations representing each sector may submit nominations for appointment to the Board. The Secretary and Director of Department of Revenue must jointly appoint members to the Board from the nominations. Appointments must reflect diversity in geography, business size, gender, and ethnicity. Appointments last for four years, though initial appointments are staggered between two and four year terms. Board members are not compensated, but may be reimbursed for expenses.

The Authority is responsible for maintaining a database of businesses identified within each tourism industry sector, and notifying each business of the fees imposed within each sector. The Office of the Secretary of State (OSOS) must provide administrative assistance to the Authority.

Revenues.

Revenues are generated from fees assessed upon identified businesses within certain tourism-related sectors. Except for the lodging sector, the fee amount is set on a scale established for each industry, based on a business's annual adjusted gross revenue. The fee schedule limits for each sector are assessed as follows:

- food service: \$25 to \$3,500 per business (capped for businesses with revenues over \$10 million);
- attractions and entertainment: \$100 to \$2,500 per business (capped for businesses with revenues over \$5 million);

- retail: \$100 to \$2,500 per business (capped for businesses with revenues over \$5 million); and
- transportation: \$125 to \$2,500 per business (capped for businesses with revenues over \$5 million).

If a business changed names or ownership form, the annual fee is combined for both entities. Fees on the lodging sector are separately levied on each business through a charge of 15 cents on each occupied room per night.

Collection.

The Department of Revenue must send a list of all businesses in each sector to the Secretary for the collection of fees on business in each sector, except lodging. Businesses are identified and categorized into each particular sector based on North American Industrial Classification Codes, a national business classification system.

The OSOS then collects the fee from each business on the list through its corporation and limited liability company registration system. The fee is due from each business on its licensing or registration renewal deadline. The fee assessed on lodging businesses is collected by the Department of Revenue in a manner similar to the state excise taxes.

All fees collected are deposited in the Statewide Tourism Marketing Account (Account). All funds in the Account remain in the complete control of the Authority for the sole purpose of funding a statewide tourism marketing program. The Account is not subject to appropriation or allotment procedures regarding expenditures.

Tourism Marketing Services.

The Authority is authorized to spend funds from the Account to contract with a statewide tourism marketing nonprofit organization for a state tourism marketing plan. The Authority must consider contracting with a nonprofit organization whose governing board represents all tourism related sectors and is geographically diverse. If only one organization qualifies for a contract, the Authority may issue one contract to that entity.

The Authority also may use Account funds to pay for the costs associated with collecting fees, as well as up to 1.5 percent on other administrative costs.

Appropriation: None.

Fiscal Note: Requested on February 2, 2015.

Effective Date: The bill takes effect July 1, 2015.