

HOUSE BILL REPORT

HB 1938

As Reported by House Committee On:
Community Development, Housing & Tribal Affairs

Title: An act relating to tourism marketing.

Brief Description: Enacting the tourism marketing act.

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

Brief History:

Committee Activity:

Community Development, Housing & Tribal Affairs: 2/9/15, 2/17/15 [DPS].

Brief Summary of Substitute 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.

HOUSE COMMITTEE ON COMMUNITY DEVELOPMENT, HOUSING & TRIBAL AFFAIRS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 6 members: Representatives Appleton, Chair; Robinson, Vice Chair; Johnson, Ranking Minority Member; Zeiger, Assistant Ranking Minority Member; Sawyer and Van De Wege.

Minority Report: Do not pass. Signed by 1 member: Representative Hawkins.

Staff: Sean Flynn (786-7124).

Background:

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 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.

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 (DOR), the Department of Commerce, the Office of the State Treasurer, and the Office of the Secretary of State (OSOS) 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 Substitute 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 (four members);
- food service (three members);
- retail (two members);
- attractions and entertainment (one member);
- transportation (one member); and
- regional destination marketing organizations (two members).

The Secretary of the OSOS (Secretary) and the Director of the DOR 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 the DOR 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 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 DOR must send a list of all businesses in each sector to the OSOS 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 DOR must incorporate fee collections as it transitions to a new excise tax collection system. The fee assessed on lodging businesses is collected by the DOR 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 must require that the organization includes a governing board that has diverse geographic representation, as well as representation from a variety of tourism related interests, including: adventure and recreation; arts and culture; attractions; economic development; destination marketing organizations; lodging; food service; retail; transportation; and tribes.

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.

Substitute Bill Compared to Original Bill:

The DOR must incorporate fee collections within its new excise tax collection system. The organization operating the statewide marketing program must have geographic and sector diversity representation. A majority of the Authority Board members may authorize expenditures if there is a dispute with how the chair of the Board is spending funds.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill contains an emergency clause and takes effect on July 1, 2015.

Staff Summary of Public Testimony:

(In support) The state lost its state tourism office in 2011. The state tourism budget is down to \$1.1 million, which is far behind other regional states. If nothing is done this year, the entire state program will disappear. Other states have state offices. The Washington Tourism Alliance was instructed by the Legislature to study and report on a proposal to provide a funding mechanism for statewide tourism marketing. This bill is the result of that study and the report submitted to the Legislature last year.

This industry-funded mechanism is more inclusive of other sectors of the tourism industry, without relying only on funding from the lodging sector. The work on this bill reflects an effort to not create a new bureaucracy and adopts existing collecting systems. The five tourism sectors were determined by which businesses benefit from tourism as well as how much money each brings into the state. The fee schedule is not intended to unduly burden any business. Tourism is important to the restaurant industry. It is important for all restaurants, large and small, to participate in the marketing program, and industry representatives were engaged in the process in the formation of this assessment model.

Outdoor recreation is a tourism magnet, responsible for 200,000 jobs in the state, and should be in the state marketing program.

The Authority created in this bill is a vehicle to assist the DOR and the OSOS in collecting fees. The Authority is modeled after the electronic recycling program. The Authority model also allows the industry flexibility to determine its own marketing program.

(In support with amendment(s)) The bill should exclude charges on fairs for the portion of the carnival revenues passed on to the fair, in order to avoid a double fee. Campsites at State Parks will be subject to the lodging fee assessed in this bill, which will cut into the revenues State Parks receives from camp sites.

(Opposed) None.

Persons Testifying: (In support) Representative Appleton, prime sponsor; Representative Johnson; Becky Bogard and Andy Olsen, Washington Tourism Alliance; Julia Gorton, Washington Restaurant Association; and Ginger Eagle, Washington Public Ports Association.

(In support with amendment(s)) Doug Levy, Washington Parks and Recreation Association and Recreational Boating Association of Washington.

(With concerns) Daniel Farber, Washington State Parks and Recreation Commission; and Heather Hanson, Washington State Fairs Association.

Persons Signed In To Testify But Not Testifying: None.