

SENATE BILL REPORT

SB 5916

As Reported by Senate Committee On:
Trade & Economic Development, February 18, 2015
Ways & Means, April 1, 2015

Title: An act relating to tourism marketing.

Brief Description: Enacting the tourism marketing act.

Sponsors: Senators Brown, Chase, Angel, Kohl-Welles, Hatfield, Benton and McAuliffe.

Brief History:

Committee Activity: Trade & Economic Development: 2/18/15 [DPS-WM, DNP, w/oRec].
Ways & Means: 3/31/15, 4/01/15 [DP2S, DNP, w/oRec].

SENATE COMMITTEE ON TRADE & ECONOMIC DEVELOPMENT

Majority Report: That Substitute Senate Bill No. 5916 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Brown, Chair; Chase, Ranking Minority Member; Angel, Frock and McCoy.

Minority Report: Do not pass.

Signed by Senator Ericksen.

Minority Report: That it be referred without recommendation.

Signed by Senator Braun, Vice Chair.

Staff: Jeff Olsen (786-7428)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Second Substitute Senate Bill No. 5916 be substituted therefor, and the second substitute bill do pass.

Signed by Senators Hill, Chair; Braun, Vice Chair; Dammeier, Vice Chair; Hargrove, Ranking Member; Keiser, Assistant Ranking Member on the Capital Budget; Bailey, Becker, Brown, Hatfield, Hewitt, Kohl-Welles, Schoesler and Warnick.

Minority Report: Do not pass.

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.

Signed by Senators Ranker, Ranking Minority Member, Operating; Hasegawa and Rolfes.

Minority Report: That it be referred without recommendation.

Signed by Senators Billig, Conway, O'Ban, Padden and Parlette.

Staff: Julie Murray (786-7711)

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 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. WTA is a private nonprofit organization comprised of members of the state tourism industry. Among its activities, WTA operates a state tourism website, publishes the Official State Tourism Guide, and holds an annual tourism summit. In 2014 the Legislature directed 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.

Summary of Bill (Recommended Second Substitute): The Washington Tourism Marketing Authority (Authority) is established as a public entity to manage state revenues and contract for statewide tourism marketing services. The Authority is governed by a board of directors (Board) comprised of 13 members representing tourism-related sectors, including the following:

- 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 State (Secretary) and the Director of the Department of Revenue (DOR) serve as ex-officio members of the authority. The Secretary and Director of DOR must jointly appoint members to the Board from nominations. The Secretary provides administrative support to the Authority.

Revenues are generated from fees assessed upon identified businesses within certain tourism-related sectors. Fees on the lodging sector are separately levied on each business through a charge of \$0.15 on each occupied room per night. The fee amount for all other businesses is set on a scale established for each industry, based on a business's annual adjusted gross revenue. The fee schedule ranges for each sector are as follows:

- food service: \$25 to \$3,500 per business;
- attractions and entertainment: \$100 to \$2,500 per business;
- retail: \$100 to \$2,500 per business; and
- transportation: \$125 to \$2,500 per business.

Annual fees are due from each business with its excise tax reporting to DOR and may be paid in entirety or in installments. The fees charged on lodging businesses are collected by DOR in a manner similar to the state excise taxes. Two percent of all fees collected are deposited into the general fund to defray state costs. The remainder are deposited in the Statewide Tourism Marketing Account to be used for the sole purpose of funding a statewide tourism marketing program. Collection of the fee is suspended if the Legislature changes the use of the funds or diverts them to another purpose. The Authority may also suspend the fee, on a majority vote, if the tourism program is found to be ineffective. The Authority must report on annually on program effectiveness beginning fiscal year 2017.

The Joint Legislative Audit and Review Committee must report on effectiveness of the program and the state's return on investment from the fees and charges by December 1, 2022. The act expires January 1, 2024.

EFFECT OF CHANGES MADE BY WAYS & MEANS COMMITTEE (Recommended Second Substitute): The North American Industry Classification System codes are replaced with specific descriptions of the businesses that comprise the tourism sectors that will be assessed annual fees: (1) food service, (2) attractions and entertainment, (3) retail, and (4) transportation. Businesses under common control are given fee credits to ensure that fee applies only once. The Secretary no longer collects fees, but remains a member of Authority and provides administrative support. DOR collect all fees and charges. Two percent of collections are deposited into the state general fund to defray state costs. Fees are suspended if the Legislature changes the use or redirects funds from the tourism marketing account. The Authority may suspend fees on majority vote if the tourism program is found to be ineffective.

Annual reporting by the Authority is required beginning fiscal year 2017. The Joint Legislative Audit and Review Committee must report on the effectiveness of the program and the state's return on investment from the fees and charges by December 1, 2022.

The entire Act expires January 1, 2024.

Appropriation: None.

Fiscal Note: Available.

[OFM requested ten-year cost projection pursuant to I-960.]

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony on Proposed Substitute as Passed Committee (Trade & Economic Development): PRO: Washington closed its tourism office in 2011, and there is currently state bridge funding for the Washington Tourism Alliance to maintain some tourism activities. Support for the current tourism efforts expire in June of this year, and Washington would be the only state without a state tourism program if this bill is not enacted. This proposal contains an industry plan, that is industry funded, with a dedicated and protected fund. The proposal contains a modest program compared to surrounding states

and regions, and is based on allocating fees to sectors benefitting from tourism. The proposal contains fees based on gross revenues and does not unduly burden those that cannot pay. Washington needs a statewide program to compete with other states and attract international tourists. Washington has significant natural resources and outdoor recreation activities and provides significant economic impacts to the state.

OTHER: Retailers have worked over the interim on the proposal to narrow the types of businesses included. There are some members in support, while others have concerns, but on the whole the retail association is neutral on the proposal.

Persons Testifying (Trade & Economic Development): PRO: Becky Bogard, WA Tourism Alliance; Andy Olsen, Columbia Hospitality; Doug Levy, WA Recreation and Park Assn., Recreational Boating Assn. of WA, city of Issaquah; Kris Watkins, Visit TRI-CITIES; George Sharp, Olympia Lacey Tumwater Visitor and Convention Bureau.

OTHER: Mark Johnson, WA Retail Assn.

Staff Summary of Public Testimony on Substitute (Ways & Means): PRO: We have been working on a plan to be an industry self-supporting organization since 2011. We wanted to create a program that is fair, has regional and industry representation, and promote tourism throughout the state. We looked at the sectors that benefit most from tourism to be assessed the fees and charges. We look at what other states are doing. We vetted our ideas with chambers of commerce and destination marketing organizations. We talked to business and trade associations. We did that again and again to refine the bill. The bill helps big and small businesses. We are here with a self-funded, self-governed solution to tourism funding.

Persons Testifying (Ways & Means): PRO: Becky Bogard, WA Tourism Alliance; George Sharp, Olympia Visitors and Convention Bureau; Julia Gorton, WA Restaurant Assn.

Persons Signed in to Testify But Not Testifying: No one.