

HOUSE BILL REPORT

HB 1123

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

Title: An act relating to tourism marketing.

Brief Description: Concerning tourism marketing.

Sponsors: Representatives Condotta, Ryu, Barkis, Kirby, Wilcox, Tarleton, McBride, Smith, Muri, Frame, Tharinger, Morris and J. Walsh.

Brief History:

Committee Activity:

Community Development, Housing & Tribal Affairs: 1/25/17, 1/26/17 [DPS].

Brief Summary of Substitute Bill

- Creates the Washington Tourism Marketing Authority (Authority) to manage financial resources for the development of a statewide tourism marketing plan.
- Directs 0.1 percent of retail sales taxes collected on lodging, car rentals, and restaurants to fund the implementation of the statewide tourism marketing plan.
- Requires the Joint Legislative Audit and Review Committee to complete an evaluation of the Authority.

HOUSE COMMITTEE ON COMMUNITY DEVELOPMENT, HOUSING & TRIBAL AFFAIRS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 7 members: Representatives Ryu, Chair; Macri, Vice Chair; McCabe, Ranking Minority Member; Barkis, Assistant Ranking Minority Member; Jenkin, Reeves and Sawyer.

Staff: Kirsten Lee (786-7133).

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.

State Tourism.

The State Tourism Commission (Commission) was created in 2007 to direct the state tourism program administered through the Department of Commerce (Department). 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. 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 Departments of Revenue (DOR), the Department, the Office of the State Treasurer, and the Office of the Secretary of State (OSOS) were required to assist the WTA in developing the funding mechanism. The WTA was also directed to propose a governance structure that includes a board representing the five industry sectors as well as destination marketing organizations.

Sales and Use Tax.

Retail sales taxes are imposed on retail sales of most articles of tangible personal property, digital products, and some services. A retail sale is a sale to the final consumer or end user of the property, digital product, or service. If retail sales taxes were not collected when the user acquired the property, digital products, or services, then use taxes apply to the value of property, digital product, or service when used in this state. The state, most cities, and all counties levy retail sales and use taxes. The state sales and use tax rate is 6.5 percent; local sales and use tax rates vary from 1.0 percent to 3.3 percent, depending on the location.

Joint Legislative Audit and Review Committee.

The Joint Legislative Audit and Review Committee (JLARC) is comprised of an equal number of House and Senate members, Democrats and Republicans. The nonpartisan staff of the JLARC conduct performance audits, program evaluations, sunset reviews, and other analyses assigned by the Legislature and the Committee itself.

Summary of Substitute Bill:

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 receives administrative support from the Department, and is governed by a board of directors (Board) comprised of 13 voting members:

- one member from each of the two major caucuses of the House of Representatives and the Senate (four members and alternates for each appointed by the Speaker of the House and President of the Senate respectively); and

- nine representatives from the tourism industry and related businesses—tourism and related businesses include restaurant, outdoor recreation, attractions, retail, and rental car businesses.

The Director of the Department appoints all voting, nonlegislative representatives of the Board, and must take into consideration contributions of a particular industry, and accept and consider nominations from a tourism industry or related business when making appointments. The chair of the Board must be a member from a tourism industry or a related business.

A nonvoting advisory committee to the Board is also established. The advisory committee consists of:

- four ex-officio members from the Department, Department of Revenue, State Parks Department, and the Department of Transportation; and
- one member from a federally recognized Indian tribe (appointed by the Director of the Department).

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.

Statewide Tourism Marketing Account.

The Statewide Tourism Marketing Account (Account) is created in the state treasury, as an appropriated account. Expenditures from the Account may only be made by the chair of the Authority or the chair's designee for allowable expenses related to implementation of the statewide tourism program. Allowable expenses include:

- entering into a contract for a multiple-year statewide tourism marketing plan with an existing statewide nonprofit organization, which must include focuses on rural tourism-dependent counties, natural wonders and outdoor recreation opportunities of the state, attraction of international tourists, identification of local offerings for tourists, and assistance for tourism areas adversely impacted by natural disasters;
- contracting for the evaluation of the impact of the statewide tourism marketing program; and
- paying for administrative expenses of the Authority.

Expenditures may only be made when a two-to-one nonstate to state match has been provided.

At the end of the 2017-19 biennium, all revenues that remain in the Account that are not matched by nonstate funds will revert back to the General Fund.

Sales and Use Tax.

Beginning July 1, 2017, 0.1 percent of taxes collected on retail sales of lodging, car rental, and restaurants must be deposited into the Account, up to \$5 million per biennium. Funds collected are subject to nonstate matching funds prior to expenditure.

Joint Legislative Audit and Review Committee.

The JLARC must evaluate the performance of the Authority, and report back to the Governor and economic development committees of the Legislature by December 1, 2020, to determine the extent to which the Authority contributed to the growth of the tourism industry and economic development of the state.

By December 1, 2018, the Authority must provide an interim report to the Governor and economic development committees of the Legislature, reporting its progress in implementing a statewide tourism marketing program.

Substitute Bill Compared to Original Bill:

The substitute bill:

- changes the two-to-one private to state matching requirement for expenditures out of the Account to a two-to-one non-state to state matching requirement;
- restricts the 0.1 percent of retail sales taxes collected on lodging, car rentals and restaurants, deposited into the Account, to general retail sales taxes collected for each category and excluded any additional taxes collected on car rentals; and
- changes the Account from a nonappropriated to an appropriated account.

Appropriation: None.

Fiscal Note: Available. New fiscal note requested on January 30, 2017.

Effective Date of Substitute Bill: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) Washington is the only state without a statewide tourism marketing program, and tourism is important and critical to the vitality of Washington. Currently, Washington has some amazing assets and has the ability to compete with other states, but these assets need to be marketed, so the state benefits fully from tax revenues from these industries. Other states are marketing aggressively, and without an investment in tourism, Washington will continue to lose out on these market shares. Local industries, including restaurants, hoteliers, and shop owners are hoping to market Washington because other states are outpacing Washington's tourism efforts. By investing in tourism, Washington is guaranteed a return on tourism and has the potential for huge economic growth statewide and locally.

Rural communities in Washington have experienced significant natural disasters and it is important to these communities to have a partner at the state level to help with messaging. In addition, an increase in tourism could stimulate economic growth and be a job creator for rural communities.

The Washington Tourism Alliance met over the summer to work with a group, including legislators, on the legislation to develop a way to bring tourists into the state. The legislation is intended to create an oversight board that will oversee the tourism marketing nonprofit

contractor. The new tourism marketing efforts are not intended to create new taxes, but instead to divert a small amount from existing taxes. There are a few changes to the bill that are needed to clarify that the required matching contributions are not private, but nonstate contributions, and that only general sales taxes on the retail sales of rental cars is diverted to the Account.

Many states have seen a return on their investment in tourism and have learned that investing more in tourism pays off. Washington can be one of these states.

(Opposed) None.

(Other) The bill is supported with suggested changes, including amending the funding sources used for the development of the statewide tourism marketing plan. It is important not to divert other rental car taxes, specifically from the Multimodal Transportation Account, because these funds are important for city projects and support transit.

The Department had a tourism marketing office and provided branding of the state. Washington needs to continue these efforts. We need to think of tourism as a trade because one in nine jobs in Washington is tied to tourism.

Persons Testifying: (In support) Representative Condotta, prime sponsor; Morgan Hickel, Washington Hospitality Association; Patrick Knutson, Bud Bay Café; Becky Bogard, Washington Tourism Alliance; Shiloh Schauer, Wenatchee Valley Chamber and Washington Tourism Alliance; Ron Peck, Port of Seattle; Mark Johnston, Washington Retail Association; Doug Levy, Washington Recreation and Park Association and Recreational Boating Association of Washington; Shauna Stewart, Olympia-Lacey-Tumwater Visitor and Convention Bureau; and Josh McDonald, Washington Wine Institute.

(Other) Jane Wall, Association of Washington Cities; and Chris Green, Department of Commerce.

Persons Signed In To Testify But Not Testifying: None.