

# SENATE BILL REPORT

## SB 5251

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As Reported by Senate Committee On:  
Agriculture, Water, Trade & Economic Development, February 14, 2017  
Ways & Means, February 6, 2018  
Economic Development & International Trade, January 18, 2018

**Title:** An act relating to tourism marketing.

**Brief Description:** Concerning tourism marketing.

**Sponsors:** Senators Takko, Warnick, Rolfes, McCoy, Zeiger and Chase.

**Brief History:**

**Committee Activity:** Agriculture, Water, Trade & Economic Development: 2/09/17, 2/14/17 [DPS-WM].  
Ways & Means: 6/30/17 [DP2S]; 1/30/18, 2/06/18 [DP4S, w/oRec].  
Economic Development & International Trade: 1/18/18, 1/18/18 [DP3S-WM].

**Brief Summary of Fourth Substitute Bill**

- Creates the Washington Tourism Marketing Authority (Authority) to manage financial resources and contract for the development of a statewide tourism marketing plan.
- Directs 0.2 percent of retail sales taxes collected on lodging, car rentals, and restaurants to fund the implementation of the statewide tourism marketing plan.

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**SENATE COMMITTEE ON AGRICULTURE, WATER, TRADE & ECONOMIC DEVELOPMENT**

**Majority Report:** That Substitute Senate Bill No. 5251 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Warnick, Chair; Hawkins, Vice Chair; Chase, Ranking Minority Member; Wellman, Assistant Ranking Minority Member; Brown, Honeyford, McCoy, Pearson, Short, Takko and Van De Wege.

**Staff:** Greg Vogel (786-7413)

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*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.*

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## SENATE COMMITTEE ON WAYS & MEANS

**Majority Report:** That Fourth Substitute Senate Bill No. 5251 be substituted therefor, and the fourth substitute bill do pass.

Signed by Senators Rolfes, Chair; Frockt, Vice Chair; Bailey, Billig, Brown, Carlyle, Conway, Darneille, Fain, Hasegawa, Hunt, Keiser, Mullet, Palumbo, Pedersen, Ranker, Rivers, Schoesler, Van De Wege, Wagoner and Warnick.

**Minority Report:** That it be referred without recommendation.

Signed by Senators Braun, Ranking Member; Becker.

**Staff:** Alia Kennedy (786-7405)

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## SENATE COMMITTEE ON ECONOMIC DEVELOPMENT & INTERNATIONAL TRADE

**Majority Report:** That Third Substitute Senate Bill No. 5251 be substituted therefor, and the third substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Chase, Chair; Takko, Vice Chair; Brown, Ranking Member; Wagoner and Wellman.

**Staff:** Greg Vogel (786-7413)

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

The Legislature terminated the state tourism program and the Commission at the end of the 2009-2011 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.

**Summary of Bill (Fourth Substitute):** The Washington Tourism Marketing Authority (Authority). The Authority is established as a public entity to manage financial resources and contract for statewide tourism marketing services. The Authority 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; and
- nine representatives from the tourism industry and related businesses.

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

- one ex-officio member from Commerce, Department of Revenue, State Parks and Recreation Commission, and the Department of Transportation; and
- one member from a federally recognized Indian tribe.

Statewide Tourism Marketing Account (Account). The Account is created and expenditures from the account may only be made for allowable expenses related to implementation of the statewide tourism program. The Account is subject to appropriation. 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: (1) rural tourism-dependent counties, (2) natural wonders and outdoor recreation opportunities of the state, (3) attraction of international tourists, (4) identification of local offerings for tourists, and (5) assistance for tourism areas adversely impacted by natural disasters;
- contracting for the evaluation of the impact of the statewide tourism marketing program; and
- administrative expenses of the Authority.

Expenditures may be made when a two-to-one nonstate-to-state match is provided.

Sales and Use Tax. Beginning July 1, 2018, 0.2 percent of taxes collected on retail sales of lodging, car rentals, and restaurants must be deposited into the Account, up to \$1.5 million for fiscal year 2019, and up to \$3 million for future biennium. Deposits into the account may only occur if the Legislature authorizes the deposit in the Operating Budget.

Joint Legislative Audit and Review Committee (JLARC). JLARC must evaluate the performance of the Authority and report back to the Governor and economic development committees of the Legislature by December 1, 2023, to determine the extent to which the Authority contributed to the growth of the tourism industry and economic development of the state. The Authority must provide an interim report to the Governor and economic development committees of the Legislature by December 1, 2021, on its progress in implementing a statewide tourism marketing program.

#### **EFFECT OF CHANGES MADE BY ECONOMIC DEVELOPMENT & INTERNATIONAL TRADE COMMITTEE (Third Substitute):**

- Beginning July 1, 2018, directs that 0.2% of retail sales taxes on lodging, car rentals, and restaurants be deposited into the statewide tourism marketing account, with future revenue collections, except as provided for FY 2019, up to \$5 million per biennium and all deposits subject to authorization by the legislature in the biennial omnibus appropriations act.
- For FY 2019, provides that up to a maximum of \$1.5 million be deposited in the statewide tourism marketing account, with the deposit subject to authorization by the Legislature in the biennial Omnibus Appropriations Act.
- Makes changes to update the bill for the 2018 session.

**EFFECT OF CHANGES MADE BY WAYS & MEANS COMMITTEE (Fourth Substitute):**

- Changes the amount of future revenue collections for the purpose of funding the statewide tourism marketing authority from up to five million dollars per biennium to up to three million dollars per biennium.

**EFFECT OF CHANGES MADE BY WAYS & MEANS COMMITTEE (Second Substitute):**

- Removes the provision of 0.1 percent of retail sales taxes on lodging, car rentals, and restaurants to be deposited into the statewide tourism marketing account.
- Directs that the House members of the Board of Directors are appointed by the Speaker of the House of Representatives and the Minority Leader of the House of Representatives.
- Directs that the Senate members of the Board of Directors are appointed by the Majority Leader and Minority Leader of the Senate.
- Directs that the nine industry members of the Board of Directors are to be nominated by the two largest caucuses of both the Senate and the House of Representatives and are appointed by the Governor.
- Requires that the nominations include one representative from each of the following industries: hotel, restaurant, outdoor recreation, attractions, retail, and rental car businesses.
- Requires that no county in the state may have more than two appointments and no city may have more than one appointment from the nine industry members.
- Provides that the tourism marketing account is subject to appropriation.
- Creates a separate account for private match contributions.
- Makes other technical changes, including updating the statutes to reflect the current version of the law as a result of amendments made during the regular session.

**EFFECT OF CHANGES MADE BY AGRICULTURE, WATER, TRADE & ECONOMIC DEVELOPMENT COMMITTEE (First Substitute):**

- Changes private to nonstate when referring to matching funds in the Statewide Tourism Marketing Account.
- Changes State Parks Department to State Parks and Recreation Commission when referring to the advisory committee.
- Makes technical changes.

**Appropriation:** None.

**Fiscal Note:** Available.

**Creates Committee/Commission/Task Force that includes Legislative members:** Yes.

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

**Staff Summary of Public Testimony on Original Bill (Agriculture, Water, Trade & Economic Development):** *Testimony from 2017 Regular Session. The committee recommended a different version of the bill than what was heard.* PRO: Washington is a state to be proud of and should be showed off to the world. To not spend anything on a statewide basis to promote the state's tourist destinations is a missed opportunity. Additionally, this bill is a good compromise between stakeholders and the tourism industry.

Beyond traditional tourism sectors, the program also focuses on rural tourism, natural wonders, and areas impacted by natural disasters. Lake Chelan was hit by a devastating wildfire in 2015, and without a robust message to send back out to the world, the disaster can be the community's lasting image for a significant amount of time.

If this bill is passed, the state's return on investment would be substantial. Similar programs in other states have led to all-time highs in visitor rates and spending in the tourism sector. Investing in tourism benefits local communities, increases jobs, and creates additional state revenue.

**Persons Testifying (Agriculture, Water, Trade & Economic Development):** PRO: Senator Dean Takko, Prime Sponsor; Shiloh Schauer, Wenatchee Valley Chamber of Commerce; Becky Bogard, Washington Tourism Alliance; Ron Peck, Port of Seattle; Kris Watkins, Visit TriCities; Andy Olson, Washington Tourism Alliance/Columbia Hospitality; Steve Simmons, CFO CG Public House; Andi Day, Long Beach Peninsula Visitors Bureau; Nancy Smith, Leavenworth Chamber of Commerce; Jane Wall, Association of Washington Cities; Morgan Hickel, Washington Hospitality Association/State Government Affairs Manager.

**Persons Signed In To Testify But Not Testifying (Agriculture, Water, Trade & Economic Development):** PRO: Cheryl Kilday, Visit Spokane; Dean Feldmeier, DoubleTree Spokane City Center; Mark Johnson, Washington Retail Association; Josh McDonald, Washington Wine Institute; Doug Levy, WA Recreation & Park Association and Recreational Boating Association of WA.

OTHER: Chris Green, Department of Commerce.

**Staff Summary of Public Testimony (Third Special Session 2017) (Ways & Means):** No public hearing was held.

**Persons Testifying (Ways & Means):** N/A

**Persons Signed In To Testify But Not Testifying (Ways & Means):** N/A

**Staff Summary of Public Testimony on Third Substitute (Ways & Means):** *The committee recommended a different version of the bill than what was heard.* PRO: It has been a number of years since the state has spent money on tourism. This bill targets rural areas. Programs like the one created under this bill grow the economy. This bill allows communities to connect on a national and international scale. It is a solution for how to fund tourism marketing in Washington. Tourists make up a great deal of the spending in some counties. Without marketing to bring people into the state, it is as if there is a broken link in

the sales chain. Rural areas with limited marketing services suffer the most. Tourism create jobs and is critical to the success of some businesses. Washington needs a cohesive state level marketing program that puts the state back on a national and international scene for potential visitors.

**Persons Testifying (Ways & Means):** PRO: Senator Dean Takko, Prime Sponsor; Andy Olson, Washington Tourism Alliance; Becky Bogard, Washington Tourism Alliance; Shiloh Shauer, Wenatchee Valley Chamber of Commerce; Andi Day, Executive Director, Long Beach Peninsula Visitors Bureau; Debbie Wardrop, General Manager, The Resort at Port Ludlow.

**Persons Signed In To Testify But Not Testifying (Ways & Means):** No one.

**Staff Summary of Public Testimony on Third Substitute (Economic Development & International Trade):** PRO: This bill is about getting a statewide tourism promotion program going, which the state does not have, and all other states do. It is an important bill, not only for the 19th district, but for the entire state. Most critical to the bill is the verbiage relating to promoting tourism in rural areas. The bill could have a real impact on rural economies. In Pacific County for example, the area is blessed with natural beauty and resources and many tourism assets, which are a cornerstone of the local economy. Fifty-two cents of every taxable dollar in the county is paid by a visitor and about 30 percent of the jobs are tourism related.

Washington State is the only state without any kind of mechanism to promote visitors outside of the state's borders to come into the state's borders. The bill focuses on rural areas, outdoor recreation, areas impacted by natural disasters, and bringing international tourists into the state. Studies show that for every dollar invested in a marketing program, the program returns somewhere around \$2.50 in state taxes. Additionally, the program is a public-private partnership, all state funds are subject to a two-to-one private to state match.

**Persons Testifying (Economic Development & International Trade):** PRO: Senator Dean Takko, Prime Sponsor; Andi Day, Long Beach CVB; Becky Bogard, Washington Tourism Alliance; Shiloh Schauer, Greater Wenatchee Chamber of Commerce.

**Persons Signed In To Testify But Not Testifying (Economic Development & International Trade):** OTHER: Chris Green, Commerce.