

SENATE BILL REPORT

ESSB 6592

As Amended by House, March 6, 2020

Title: An act relating to tourism authorities.

Brief Description: Concerning tourism authorities.

Sponsors: Senate Committee on Local Government (originally sponsored by Senators Holy, Hunt, Takko and Keiser).

Brief History:

Committee Activity: Local Government: 2/04/20 [DPS, w/oRec, DNP].

Floor Activity:

Passed Senate: 2/19/20, 43-5.

Passed House: 3/06/20, 89-8.

Brief Summary of Engrossed First Substitute Bill

- Allows a county with a population of 40,000 or less, or any city or town within the county, to form a tourism promotion area.
- Allows legislative authorities of tourism promotion areas to impose an additional charge of up to \$3.
- Allows lodging businesses to petition for removal of charges.

SENATE COMMITTEE ON LOCAL GOVERNMENT

Majority Report: That Substitute Senate Bill No. 6592 be substituted therefor, and the substitute bill do pass.

Signed by Senators Takko, Chair; Salomon, Vice Chair; Lovelett.

Minority Report: That it be referred without recommendation.

Signed by Senator Short, Ranking Member.

Minority Report: Do not pass.

Signed by Senator Honeyford.

Staff: Greg Vogel (786-7413)

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.

Background: The legislative body of any county with a population of more than 40,000, or any city or town within such a county, may form a tourism promotion area (TPA) to generate revenue for tourism promotion. Counties with a population of 40,000 or less, and cities or towns within those counties, are not eligible.

A TPA may include the entire jurisdiction or only a portion, and multiple jurisdictions may establish a joint TPA through interlocal agreement. However, a county TPA may only include unincorporated areas, unless the county has signed an interlocal agreement with one or more cities to form a joint TPA.

In a county with a population of 1 million or more, the legislative body must be comprised of two or more jurisdictions acting under an interlocal agreement. In 2015, the Legislature created an exception for Federal Way to form a TPA by itself.

Within the TPA, the legislative body may impose a charge up to \$2 per room per night on lodging businesses with 40 or more rooms. The legislative body may establish up to six different lodging classifications, with different rates in each. The classifications must be based on geographic location, number of rooms, or room revenue.

Lodging businesses with less than 40 rooms are exempt and may not be assessed, and some jurisdictions have established other exemptions by policy.

The lodging businesses collect the charges and remit them to the Department of Revenue, which deposits the revenues into the Local Tourism Promotion Account. The state treasurer distributes money in the account monthly to the legislative authority on whose behalf the money was collected.

The revenue must be used for “tourism promotion,” which is defined as activities and expenditures designed to increase tourism and convention business, including but not limited to advertising, publicizing, or otherwise distributing information to attract and welcome tourists, and operating tourism destination marketing organizations.

The legislative body may appoint an existing advisory board or create a new advisory board to make recommendations on the use of the revenues, but the legislative body has sole discretion as to how the funds are used to promote tourism. The legislative authority may contract with tourism destination marketing organizations or other similar organizations to administer the operation of the area.

Formation of a tourism promotion area is initiated by a petition to the legislative body of the city or county. The petition must describe the proposed TPA boundaries, the total estimated revenues, and the proposed uses of the revenues, and it must contain the signatures of people who operate lodging businesses in the proposed TPA who would pay at least 60 percent of the proposed charges. The legislative body must hold a public hearing on the establishment of the TPA.

Summary of Engrossed First Substitute Bill: Counties with a population of 40,000 or less, and cities or towns within those counties, are eligible to form TPAs.

A legislative authority may impose an additional charge up to \$3 on the furnishing of lodging by a lodging business located in the area. This charge authorization is in addition to the \$2 charge and expires July 1, 2027.

The legislative authority imposing the charge shall have sole discretion as to how the revenue derived from the charge is to be used to promote tourism that increases the number of tourists to the area. "Tourist" means a person who travels for business or pleasure on a trip:

- away from the person's place of residence or business and stays overnight in paid accommodations;
- to a place at least 50 miles away one way by driving distance from the person's place of residence or business for the day or stays overnight—*island communities without land access are exempt from the mileage requirement; or*
- to another country or state outside of the person's place of residence or business.

If a majority of the lodging businesses assessed the charges petition to have the charge removed, the legislative authority must remove the charge.

Each TPA must conduct a program review of the additional TPA charge. The review must be completed and submitted to the appropriate committees of the Legislature by January 1, 2026, and must:

- analyze how TPA charge funds were used during the period when the additional charge was in place;
- identify additional marketing and promotional measures conducted or purchased with additional funds beyond the current \$2 charge;
- assess whether additional TPA charges above \$2 contributed to an actual increase in the number of tourists; and
- assess the average additional cost per visit per tourist due to additional TPA charges above \$2.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

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

Staff Summary of Public Testimony on First Substitute: PRO: There are a bunch of other states out there that have monster tourism budgets. The bill is trying to accomplish what we have not been doing at the state level. There are checks and balances in place in the bill. Looking at economic forecasts for tourism, the next two years project as being flat or a little dip, which means the competition becomes more fierce. The more you tell your story, and get information out there, the more people come to visit.

We have seen tremendous growth in sports travel. The important thing to remember is that when you have an individual who competes, they often have a traveling party. Sports travel also encourages return travel, and introduces markets to individuals who want to return.

We are currently not able to access this resource in smaller areas such as Pacific County and Long Beach. This bill presents an equal opportunity for these communities. These funds are generated by hotels therefore we feel the bill is appropriately crafted. Folks that spend the night at hotels do not just spend their dollars there. We do believe additional accountability is appropriate when extending this tax further. This bill would provide more money to rural areas, which the tourism program is targeting to get tourists to.

OTHER: We support levelling the playfield and providing additional tourism resources particularly to smaller jurisdictions, but have some concerns about technical bits of the bill. There is nothing in the bill about how authorities transition if a charge is removed. Overall, we are very pleased to see these additional tourism resources available.

Some cities and counties have also expressed concern with the definition of tourist, believing that the bill misses out on an opportunity to promote local tourism. It would be very difficult to figure out who a tourist is and when they come to the area and how to measure that increase.

Persons Testifying: PRO: Senator Jeff Holy, Prime Sponsor; Meg Winchester, Visit Spokane; Eric Sawyer, Spokane Sports Commission; Andi Day, Long Beach Peninsula Visitors Bureau; Jerry Phillips, City of Long Beach, Mayor; Julia Gorton, Washington Hospitality Association; Becky Bogard, Washington Destination Marketing Organizations.

OTHER: Candice Bock, Association of Washington Cities; Mellani McAleenan, Washington State Association of Counties; Doug Levy, citizen.

Persons Signed In To Testify But Not Testifying: No one.

EFFECT OF HOUSE AMENDMENT(S):

- Sets forth specific requirements to impose the additional charge, including signatures of persons who operate lodging businesses that would pay 60 percent or more of the proposed charges, proposed uses, and projects to be funded through the charge revenues and estimated rates.
- Allows the legislative authority 12 months to remove the charge, after receiving a petition from lodging businesses to remove the charge.
- Allows the legislative authority to determine the timing of when to remove the charge so the effective date of the expiration of the charge will not adversely impact existing contractual obligations.
- Provides that the legislative authority may not be held liable for any financial obligations, contractual obligations, or damages for removing the charge.