

SENATE BILL REPORT

SB 5770

As Reported by Senate Committee On:
Business, Financial Services & Trade, January 25, 2022

Title: An act relating to providing Washington state convention economy grants.

Brief Description: Providing Washington state convention economy grants.

Sponsors: Senators Mullet and Frockt; by request of Secretary of State.

Brief History:

Committee Activity: Business, Financial Services & Trade: 1/20/22, 1/25/22 [DPS-WM].

Brief Summary of First Substitute Bill

- Creates a grant program to assist Washington State businesses dependent on economic activity created through conventions for businesses that have gross annual receipts of \$100 million or less.
- Sets the maximum award per grant at \$500,000.

SENATE COMMITTEE ON BUSINESS, FINANCIAL SERVICES & TRADE

Majority Report: That Substitute Senate Bill No. 5770 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Mullet, Chair; Hasegawa, Vice Chair; Dozier, Ranking Member; Brown, Frockt, Lovick and Wilson, L.

Staff: Clinton McCarthy (786-7319)

Background: In response to the pandemic, the federal government created the \$953 billion Paycheck Protection Program (PPP) loans, which was a Small Business Administration-backed loan intended to help businesses keep their workforce employed during the COVID-19 crisis. The PPP allowed entities to apply for low-interest private loans to pay for their

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payroll and certain other costs. The amount of a PPP loan was approximately equal to 2.5 times the applicant's average monthly payroll costs. In some cases, an applicant may have received a second draw equal to the first. The loan proceeds could be used to cover payroll costs, rent, interest, and utilities.

The American Rescue plan extended a number of tax benefits, such as the Employee Retention Credit and the Paid Leave credit to small businesses. The emergency capital investment program supports the efforts of low and moderate-income community financial institutions.

In Washington State, the Legislature passed ESHB 1368, which appropriated \$240 million for business assistance grants. There was \$150 million provided to assist businesses maintain their business operations, and \$90 million was provided to assist the reopening of businesses. Eligible businesses had to have reported annual gross receipts of \$5 million or less, and the maximum award was for \$75,000.

The U.S. convention industry lost billions of dollars in revenue as businesses restricted employee travel and governmental entities banned large gatherings during the pandemic. According to the Center for Exhibition Industry Research, the industry lost an estimated \$22 billion when including direct spending by exhibitors and attendees.

The Seattle Convention Center canceled 77 events between 2020 and 2022 according to the Washington State Convention Center Public Facilities District 2020 Annual Report. The estimated impact from these canceled events include:

- 323,045 less attendees;
- 482,636 fewer hotel rooms booked; and
- \$528.6 million lost in economic impact to the region.

Summary of Bill: The bill as referred to committee not considered.

Summary of Bill (First Substitute): The Department of Commerce (Commerce) is directed to create a COVID-19 grant program to assist Washington State businesses dependent on the economic activity created through conventions hosted in-state in order to maintain operations.

Eligibility. To receive a grant, a business or non-profit must:

- apply for a grant;
- have gross receipts of less than \$100 million in revenue for calendar year 2019;
- have expenses that are necessary to conduct business operations;
- self-attest the expense is not funded by any other entity; and
- have experienced a loss in income due to COVID-19.

Businesses must have either hosted a convention in Washington or provided support services to conventions in Washington.

Awards. Eligible businesses may receive a maximum of \$500,000 grant for revenue lost due to a cancellation or a reduction of participants in a convention hosted in Washington State in 2020 or 2021. Businesses must provide Commerce with financial records that can provide a basis for lost revenue. The grant shall equal the lost revenue between 2019 and 2020, less grants or loans from federal and state government programs and is not to exceed \$500,000.

Legislative Intent. The Legislature declares that it intends to fund the the program with \$5 million in either state or federal funds.

EFFECT OF CHANGES MADE BY BUSINESS, FINANCIAL SERVICES & TRADE COMMITTEE (First Substitute):

The \$5 million appropriation in state funds is removed, and replaced with language stating that it is the intent of the Legislature to fund the grant program with \$5 million in state or federal funds. Examples of eligible participants may include, but are not limited to, businesses that are dependent on Washington State conventions such as:

- the PAX West convention;
- the Spokane Hoopfest;
- the Emerald City Comic Con;
- the Northwest Flower and Garden Festival;
- the Seattle Boat Show; and
- the OrcaCon.

Appropriation: The bill contains an appropriation totaling \$5,000,000 from coronavirus state fiscal recovery fund-state appropriation.

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 Proposed Substitute: *The committee recommended a different version of the bill than what was heard.* PRO: This bill helps everyone. Not just nerdy conventions like PAX West or Emerald City Comicon. This will help conventions big and small. There are local artists that depend on these conventions. This bill would be a direly needed booster shot for the convention industry. Reserves are shrinking in this industry, while the state's reserves are growing. 2020 had a gruesome impact on anyone who relies on conventions. PAX West uses the convention center and eight other venues in downtown Seattle. Live events are a life multiplier for economic recovery. The reduction of these conferences have made it difficult to meet with potential

customers and clients. Sometimes, conventions have to come up with the difference in hotel rooms that are guaranteed by the convention to be occupied. While there has been recovery in leisure travel, the convention industry has been slow to recover. It would be great if this bill had more clarity around the priorities, but there is broad support for the bill. Conventions mean a lot for third party venues, restaurants, and other small businesses. People in this industry are not making connections to one another. We need a bridge to live events going forward again.

Persons Testifying: PRO: Senator Mark Mullet, Prime Sponsor; Secretary of State Steve Hobbs, Office of the Secretary of State; George Harris, President, Northwest Marine Trade Association; Keith Holkins, Penny Arcade, Inc.; Nathan OBrien, Lilac City Comicon; Shelly Robbins; John Boesche, Visit Seattle; Adam Davis, Game to Grow; John Cooper, Yakima Valley Tourism; Donna Prior, OrcaCon; Susan Watkins.

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