

HOUSE BILL REPORT

HB 2229

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

Title: An act relating to long-term funding for a state tourism marketing program.

Brief Description: Concerning long-term funding for a state tourism marketing program.

Sponsors: Representatives Morris, Smith, Appleton, Haler, Moscoso, Tarleton, Roberts, Ryu, Habib and Bergquist.

Brief History:

Committee Activity:

Community Development, Housing & Tribal Affairs: 1/21/14, 2/4/14 [DPS].

Brief Summary of Substitute Bill

- Directs the Washington Tourism Alliance to propose a mechanism to privately fund a state tourism marketing program.

HOUSE COMMITTEE ON COMMUNITY DEVELOPMENT, HOUSING & TRIBAL AFFAIRS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 8 members: Representatives Appleton, Chair; Sawyer, Vice Chair; Johnson, Ranking Minority Member; Holy, Assistant Ranking Minority Member; Gregerson, Hope, Robinson and Santos.

Minority Report: Do not pass. Signed by 1 member: Representative Young.

Staff: Sean Flynn (786-7124).

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

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expand the state tourism industry. The Commission could raise funds and had its own account.

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.

Summary of Substitute Bill:

By December 1, 2014, the WTA must submit a report to the Legislature that includes a proposal to privately fund a state tourism marketing program. The report must include a mechanism for raising funds from the tourism industry as divided into separate sectors. The WTA estimates that a state tourism marketing program will require an initial investment of \$7.5 million, apportioned among each industry sector as follows:

- lodging: \$2.4 million;
- food service: \$2 million;
- attractions and entertainment: \$975,000;
- retail: \$1.425 million; and
- transportation: \$600,000.

The report must propose the manner in which the amounts allocated to each sector will be collected and administered. The Legislature must direct the Departments of Revenue and Commerce, the Office of the State Treasurer, and the Office of the Secretary of State to assist the WTA in developing a fund collection method.

The proposal must include a governance structure that includes a board consisting primarily of members representing the five industry sectors, and also including destination marketing organizations. Other optional members may include significant donors to state tourism marketing. Board membership must ensure geographic and business diversity. The WTA must make initial board appointments from nominations submitted by statewide trade associations representing each of the five industry sectors.

Substitute Bill Compared to Original Bill:

The proportional amounts each tourism industry sector is intended to contribute are not expressly based on annual economic studies. The emergency clause is removed.

Appropriation: None.

Fiscal Note: Not requested.

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) Other surrounding states are providing funding for tourism promotion, while in Washington tourism promotion funding is provided by the private sector and local governments. Tourism is a \$16 billion industry. The tourism industry works well together to leverage resources. Without comprehensive funding, the Washington Tourism Association has had to maintain the Experience Washington website without a web manager and charge a fee for distributing its catalog. There is a need for visitor centers and call centers to effectively target tourist consumers.

An industry funding model needs to include a dedicated source of revenue that cannot be taken away for other purposes, to include a collection method within each tourist industry and to demonstrate a return on investment. The allocation percentages were created from industry research. The \$7.5 million is a modest proposal to fund a statewide program. The proposal includes working with diverse groups from around the state and is not just centered on a particular sector or geographic region.

Many businesses, such as restaurants and entertainment venues, that make up the tourism industry do not operate solely in tourism. The problem is trying to assess the right percentage from each kind of business. This bill would bring the different interests to the table to figure out a proper allocation model.

(In support with concerns) This is a good idea, but the details are concerning. Fairs attract a wide range of customers and vendors. Most vendors at fairs are charged a percentage of their gross sales as a fee to the fair for participating. If a vendor pays a fee based on gross sales and the fair also pays a fee of its gross to the state tourism plan, then there is double taxation. It is unclear what the trigger is for being included in the collection, such as nonprofit companies that depend on event revenues as their main source of income.

(Opposed) None.

Persons Testifying: (In support) Becky Bogard, Cheryl Kilday, and Louise Staten-Moser, Washington Tourism Alliance; Andy Olsen, Washington Lodging Association; and Julia Gorton, Washington Restaurant Association.

(In support with concerns) Heather Hanson, Washington State Fairs Association and Washington Golf Alliance.

Persons Signed In To Testify But Not Testifying: None.