

HOUSE BILL REPORT

SB 6541

As Reported By House Committee On:
Appropriations

Title: An act relating to funding for tourism development.

Brief Description: Funding tourism development.

Sponsors: Senators Sellar, Snyder, Schow, Hale, Haugen and Kohl; by request of Department of Community, Trade, and Economic Development.

Brief History:

Committee Activity:

Appropriations: 2/28/98 [DPA].

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: Do pass as amended. Signed by 31 members: Representatives Huff, Chairman; Alexander, Vice Chairman; Clements, Vice Chairman; Wensman, Vice Chairman; H. Sommers, Ranking Minority Member; Doumit, Assistant Ranking Minority Member; Gombosky, Assistant Ranking Minority Member; Benson; Carlson; Chopp; Cody; Cooke; Crouse; Dyer; Grant; Keiser; Kenney; Kessler; Lambert; Linville; Lisk; Mastin; McMorris; Parlette; Poulsen; Regala; D. Schmidt; Sehlin; Sheahan; Talcott and Tokuda.

Staff: Joe Hauth (786-7271).

Background: Tourism is one of the state's major industries. Travel-related spending by out-of-state visitors and Washington residents traveling within the state totaled over \$7.5 billion in 1994, and provided employment for over 96,000 people. Tourism and travel-related spending generated \$411.7 million in state tax revenue and \$104.9 million in local tax revenue in 1994. Of the more than 26,000 businesses in Washington that make up the travel industry, 93.8 percent are considered small businesses with fewer than 50 employees.

The Department of Community, Trade and Economic Development, through the Tourism Development Division, works with the travel industry to increase tourism in the state. The state's core strategy is to increase off-season travel and travel to under-visited, largely rural areas of the state by stimulating demand and helping businesses and communities take advantage of that increased demand.

The tourism and travel-related services provided by the Tourism Development Division include an advertising campaign designed to stimulate consumer demand and new spending, a tourism public relations program designed to promote off-season travel opportunities, a travel trade marketing program to help tour operators develop and market the state, and a product development program to give tourism businesses in targeted rural communities assistance in marketing their area.

Recent reports on tourism in Washington have documented the need for: (1) the establishment of a tourism advisory committee; and (2) the development of a consistent mechanism to determine the appropriate level of state funding for tourism development activities.

Summary of Amended Bill: A tourism development advisory committee is created within the Department of Community, Trade and Economic Development (DCTED). The 15-member committee consists of: (1) two members of the House of Representatives, one from each political caucus appointed by the Speaker of the House; (2) two members of the Senate, one from each political caucus, appointed by the President of the Senate; and (3) 11 members appointed by the director of the DCTED from representatives of the travel industry throughout the state. The advisory committee must review and comment on the DCTED's tourism development plan and advise the director of DCTED on tourism activities.

The DCTED must establish a tourism budget development process that is used to establish the biennial budget for the Tourism Development Division. The following administrative steps are required prior to submission of the budget request to the Office of Financial Management:

- Identify the retail sales tax receipts for certain tourism-related industries (eating and drinking establishments, lodging, auto rental, and recreation);
- Based on the biennial budget ending June 30, 2001, calculate the increase in the amount of the specified retail sales tax receipts between the period four years prior to the biennium and the period two years prior to the biennium. If no increase is identified, then no additional funding request is submitted to the Office of Financial Management or the Legislature;
- If the biennial growth exceeds 8 percent, then an amount equal to one-half of the tax receipts above the base amount would be requested as additional funding by the DCTED; and
- No request for additional funding may exceed 10 percent of the previous biennial budget.

The tourism advisory committee and the tourism budget development process both expire on June 30, 2008.

The DCTED must annually report to the appropriate policy and fiscal committees of the Legislature on the tourism development program for the previous year. The report must contain information on targeted markets, benefits to different areas of the state, return of the state's investment, and other information on tourism development.

Amended Bill Compared to Original Bill: The amendment clarifies that the base amount is the previous biennial budget and modifies the budget development growth component. The percentage change in sales tax revenue must be greater than 8 percent. The amount of the growth component may not exceed 10 percent of the base amount.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Amended Bill: The bill takes effect on July 1, 1998.

Testimony For: Tourism benefits all sectors of the state and provides a tremendous source of revenue. The bill provides a performance-based formula, based on tourism-related sales tax revenue, for developing the tourism division budget within the Department of Community, Trade and Economic Development. Increased funding will help small businesses compete against other states for tourism dollars. The advisory committee provides the Legislature with an opportunity to provide feedback to the department.

Testimony Against: None.

Testified: Senator Sellar, prime sponsor; Senator Kohl; John Savich and Robin Pollard, Department of Community, Trade, and Economic Development (CTED); Becky Bogard, Washington State Hotel & Motel Association; and Nancy Watkins, Tacoma-Pierce County Convention & Visitor Bureau.