

SENATE BILL REPORT

SB 6849

As of February 23, 2006

Title: An act relating to the extension of local taxes to fund arts, cultural and heritage institutions and programs, tourism promotion, publicly owned sports and entertainment facilities, and other civic amenities.

Brief Description: Extending the extension of local taxes to fund arts, cultural and heritage institutions and programs, tourism promotion, publicly owned sports and entertainment facilities, and other civic amenities.

Sponsors: Senators Prentice, Delvin, Kohl-Welles and McAuliffe.

Brief History:

Committee Activity: Ways & Means: 2/23/06.

SENATE COMMITTEE ON WAYS & MEANS

Staff: Terry Wilson (786-7433)

Background: Municipalities have various authorities to impose sales and use taxes. King County also imposes the following taxes for construction of Safeco Field: 1) a 0.017 percent sales and use tax that is credited against the state tax; (2) an additional 0.5 percent sales and use tax on food and beverage sales in restaurants, taverns, and bars; and (3) an additional 2 percent sales and use tax on car rentals. These taxes expire when the baseball stadium debt is retired. In addition, all counties may impose an additional 1 percent sales and use tax on car rentals for sports stadium facilities and youth facilities and youth or amateur sport activities and facilities.

A hotel-motel tax is a special sales tax on lodging rentals by hotels, motels, rooming houses, private campgrounds, RV parks, and similar facilities. Cities and counties are authorized to levy a basic hotel-motel tax of up to 2 percent. These taxes are credited against the state sales tax on the furnishing of lodging. Except for the city of Bellevue, cities in King County cannot impose the tax until January 1, 2021.

Beginning in 1987, the hotel-motel tax in King County not only applied to servicing the debt on the KingDome, but a portion of the tax revenues above \$5.3 million per year was dedicated to arts and heritage programs in King County. Currently, 70 percent of the excess revenue is dedicated to the arts and heritage programs; however, 40 percent of the arts revenue is for the arts endowment fund, of which the principal cannot be touched. The remaining 30 percent of the revenue in excess of \$5.3 million is dedicated first to retiring the KingDome debt, then to acquisition of open space lands, youth sports activities, and tourism promotion. This is to continue until 2012 until the KingDome debt is retired, then the full portion of the local hotel-motel tax in King County is dedicated to retiring the debt on Qwest Field. Beginning in

2012, the only known source of funding for the arts and heritage programs in King County is the earnings off the arts endowment.

Summary of Bill: Except for the city of Bellevue, cities in King County are permanently prohibited from imposing the basic hotel-motel tax. After January 1, 2021, the King County hotel-motel tax must be used 50 percent for art museums, cultural museums, heritage museums, heritage and preservation programs, the arts, and the performing arts in all parts of the county and 50 percent to pay the costs of constructing or improving civic amenities or tourism promotion.

For the arts endowment account funded with this hotel-motel tax, during the period January 1, 2013, through December 31, 2020, principal and earnings may be distributed to art museums, cultural museums, heritage museums, heritage and preservation programs, the arts, and the performing arts in all parts of the county.

The 0.017 percent sales tax in King County, the 0.5 percent sales tax on restaurant sales of food and beverages, and the 2 percent sales and use tax on car rentals for Safeco Field are made permanent. After the Safeco Field debt is retired, these taxes must be used for tourism promotion and constructing or improving civic amenities. After the KingDome debt is retired, 75 percent of the proceeds of the 1 percent King County rental car tax must be used to fund arts, cultural, and heritage activities, and to pay costs of constructing or improving civic amenities.

Civic amenities include any sports, cultural, or other civic amenity that promotes tourism or economic development including a sports stadium, a multipurpose public arena, and a stadium and exhibition center.

In calendar years 2013 through 2020, \$4.5 million of the taxes must be used for art museums, cultural museums, heritage museums, heritage and preservation programs, the arts, and the performing arts in all parts of the county, of which \$500,000 must be used for increasing access opportunities and participation in arts and heritage programs by under-served minority communities. Any remaining amounts collected each year must be used for tourism promotion and to pay the costs of constructing or improving civic amenities, including constructing or improving a multipurpose public arena for a National Basketball Association franchise and improving the baseball stadium.

King County may pledge these revenues to pay bonds, notes, or other obligations issued by the county or other municipal corporation or public corporation.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

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

Testimony For: The city of Seattle want the Sonics to stay in Seattle. Departure of the Sonics would be difficult for the city financially. Key Arena is having trouble financially even without the Sonics. Key Arena is an important part of the culture. Key Arena is integral to Seattle Center and needs \$20 million of work to be competitive even without the Sonics. This

bill is important for the arts and sports. The investment promotes economic development. People do not want to go to an old stadium. This is a community gathering place. The Sonics are having a hard time financially and cannot make a profit. Basketball should be treated the same as football and baseball. The lodging tax is important for the arts and heritage programs. This restores the money for the arts that was taken for Qwest Field. The arts have lost their capacity to bond. The loss of the money is a critical blow to the arts.

Testimony Against: The restaurant tax was supposed to sunset. The Legislature should honor its promise. Out-lying restaurants do not benefit from the presence of the sports teams. Margins are shrinking. They are only 1.8 percent as opposed to 5.6 percent nationally. People notice the tax and think they are being over-charged. King County voted against baseball and almost defeated the football stadium. Sixty percent of the public is against public subsidy of professional sports. Studies show there is little discernable economic impact from having professional sports teams. Businesses surrounding the facility see a decrease in revenues because the stadiums want to make the money inside. This is just subsidizing the \$3.1 million average salary of the players. Without a public subsidy, the stadiums would still get built. The outrageous salaries would just not be as high. There is no lower priority than this. If the Sonics were not here, discretionary income would still be spent here and more jobs would be created. Roads are more important to the economy than a stadium.

Who Testified: PRO: Marty Brown, Governor's office; Ron Sims, King County Executive; David Della, Seattle City Council; Tim Ceis, City of Seattle (Deputy Mayor); Jim Faulsick, Task Force on Key Arena; Margaret Lowe, 4 Culture; Dwight Gre, Organization Arts Fund; David Stern, NBA Commissioner; Howard Schultz, Chairman of Basketball Club of Seattle, owner of Sonics; Wally Walker, President and CEO, Seattle Sonics and Storm; Sid Morrison, Central Washington State Fair Association; Joe Follansbee, Association of King County Historical Organizations; Lorin Sandretzky, sports fan; Jill Armitage, Music Works; D. David Brown, Pacific Northwest Ballet; Encurnacion Garcia, Jalisco Restaurant; Donald "Slick" Watts, former Sonics, current educator Bryden Elementary School; Keith Robbins, Tini Bigs Lounge; Victoria Stiles, Shoreline Historical Museum; Michael H. Jerrett, Queen Anne Chamber of Commerce/Uptown Alliance; Dale Kershner, fan; Laura Ballock, Seattle Art Museum; Pamela Belyea, Seattle Academy of Fine Art; Guillermo Carvajal, Artist, Latino Arts; Brett Fetzer, Citizen.

CON: Anthony Anton, Washington Restaurant Association; Lane Hoss, Anthony's Homeport; Jim Berrios, Golden Steer Steak and Rib House; Ron Main, Hertz & Avis; Chris Van Dyke, Citizens for More Important Things; Kent Kammerer, Seattle Neighborhood Coalition; David Rolf, SEIU 775; Bert Metzger, Citizen; Armen Yousoufian, self.