

# HOUSE BILL REPORT

## SHB 1276

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### As Passed House:

March 8, 2007

**Title:** An act relating to creating a public-private tourism partnership.

**Brief Description:** Creating a public-private tourism partnership.

**Sponsors:** By House Committee on Community & Economic Development & Trade (originally sponsored by Representatives Linville, McDonald, Dunshee, Chase, Upthegrove, Strow, Dunn, Haler, VanDeWege, McCune, Kenney, Roberts and Morrell; by request of Governor Gregoire).

### Brief History:

#### Committee Activity:

Community & Economic Development & Trade: 2/1/07, 2/12/07 [DPS];

Appropriations: 2/22/07, 2/26/07 [DPS(CEDT)].

#### Floor Activity:

Passed House: 3/8/07, 94-2.

### Brief Summary of Substitute Bill

- Eliminates the Tourism Advisory Committee.
- Creates the Washington Tourism Commission.
- Creates the Tourism Enterprise Account.

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## HOUSE COMMITTEE ON COMMUNITY & ECONOMIC DEVELOPMENT & TRADE

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives Kenney, Chair; Pettigrew, Vice Chair; Bailey, Ranking Minority Member; McDonald, Assistant Ranking Minority Member; Chase, Darneille, Haler, Rolfes and P. Sullivan.

**Staff:** Tracey Taylor (786-7196).

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*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.*

## HOUSE COMMITTEE ON APPROPRIATIONS

**Majority Report:** The substitute bill by Committee on Community & Economic Development & Trade be substituted therefor and the substitute bill do pass. Signed by 34 members: Representatives Sommers, Chair; Dunshee, Vice Chair; Alexander, Ranking Minority Member; Bailey, Assistant Ranking Minority Member; Haler, Assistant Ranking Minority Member; Anderson, Buri, Chandler, Cody, Conway, Darneille, Dunn, Ericks, Fromhold, Grant, Haigh, Hinkle, Hunt, Hunter, Kagi, Kenney, Kessler, Kretz, Linville, McDermott, McDonald, McIntire, Morrell, Pettigrew, Priest, Schual-Berke, Seaquist, P. Sullivan and Walsh.

**Staff:** Owen Rowe (786-7391).

### **Background:**

According to the "Washington State Statewide Travel Impacts & Visitor Volume 1991-2006" report prepared by Dean Runyan Associates, the performance of the Washington travel industry for calendar year 2006 exceeded the U.S. travel industry in terms of spending, employment, and air travel. Total direct spending in Washington is estimated to be \$13.8 billion for 2006, which is an 8.6 percent increase over 2005. International visitors account for 10 percent of all visitor spending for the year. Travel spending directly generated \$908 million in state and local tax revenues in 2006. Over one-half of visitor spending is spent by overnight visitors who stay in commercial lodging. In 2006, travel spending directly supported 146,100 jobs with earnings of \$4.0 billion. Dean Runyan Associates found that visitor spending has a greater impact in rural counties than urban. In fact, rural counties were the top 10 counties with the highest proportion of travel generated earnings, employment and tax receipts.

The State Tourism Program is administered by the Department of Community, Trade and Economic Development (DCTED). The DCTED is advised by the Tourism Development Advisory Committee (TDAC). The TDAC is comprised of 15 members, including four legislators. The remaining 11 members are appointed by the Director of the DCTED. The TDAC must meet at least twice per year, and they are charged with reviewing and commenting on the tourism development plan presented by the DCTED. In addition, the TDAC may advise the Director of the DCTED concerning the tourism activities the DCTED should take.

At the end of each fiscal year, the DCTED must submit a report to the policy and fiscal committees of the Legislature describing the tourism development program and quantify the financial benefits to the state. In addition, the report must contain information regarding targeted markets, benefits to different areas of the state, the return on the state's investment, and other relevant information regarding tourism development.

### **Summary of Substitute Bill:**

The current Tourism Development Advisory Committee is abolished. The Washington Tourism Commission (Commission) is created and shall be co-chaired by the Director of the DCTED and by an industry member elected by the other Commission members.

#### Membership

There are 19 members of the Commission, including four legislators, one from each of the major caucuses of the House of Representatives and the Senate. The House of Representative members shall be appointed by the Speaker of the House and the Senate members shall be appointed by the President of the Senate. The remaining 15 members shall be appointed by the Governor. Prior to making appointments, the Governor must consider nominations from recognized organizations that represent the entities or interests from the industry sectors that must have representation under this act. The 15 members appointed by the Governor must include: three representatives of the lodging industry (one of whom shall be chosen from a list of three nominees from the largest lodging industry trade association), three representatives from nonprofit destination marketing organizations or visitors and convention bureaus; three representatives from the arts, entertainment, attractions or recreation industries; four private industry representatives, including two from the food, beverage and wine industries, and two from the travel and transportation industries; the Chair of the Washington Convention and Trade Center; and the Director of the DCTED. In making the appointments, the Governor must endeavor to balance the geographic and demographic composition of the Commission to include members with special expertise from tourism organizations, local jurisdictions, and small businesses directly engaged in tourism-related activities.

Legislative members of the Commission shall serve two-year terms. Non-legislative members shall serve three-year terms. The first members shall be appointed to staggered terms in order to ensure that each year only one-third of the nonlegislative members' terms end.

#### Administration

The Commission must meet at least four times per year; however, if necessary, they may meet more often. Members of the Commission will be reimbursed for travel expenses. A quorum is necessary to conduct business and shall consist of a majority of the members. Staff support shall be provided by the DCTED and an executive director, appointed by the Director of the DCTED in consultation with the Commission, shall administer the Commission.

#### Powers and Duties

In cooperation with public and private tourism development organizations, the Commission must pursue a coordinated program to expand the tourism industry throughout Washington.

The Commission must develop and approve, as well as update when necessary, a six-year strategic plan. The strategic plan at a minimum must include: promoting Washington as a tourism destination to national and international markets, including nature-based and wildlife viewing tourism; providing information to businesses and local communities on tourism opportunities that could expand local revenues; assisting local communities strengthen their tourism partnerships; providing leadership training and assistance to local communities to facilitate the development and implementation of local tourism plans; and coordinating the development of a statewide marketing plan by March 31, 2008, and every two years

thereafter. If the Commission does not adopt a marketing plan by March 31 of each even-numbered year, the DCTED Director has the authority to approve a tourism marketing plan. The marketing plan must specifically address the mechanisms for: funding national and international marketing and nature-based tourism efforts; interagency cooperation; and integrating the state plan with local tourism plans. The DCTED staff is responsible for implementing the strategic plan and the tourism marketing plan.

The Commission may solicit and receive gifts, grants, funds, fees and endowments for the Tourism Enterprise Account. The Commission may also host conferences and strategic planning workshops relating to nature-based and wildlife viewing tourism. In addition, the Commission may conduct or contract for tourism-related studies and contract with individuals, businesses or public entities to carry out its tourism related activities. The Commission may provide tourism-related organizations with marketing and other technical assistance.

#### Grant Program

A Tourism Competitive Grant Program is created as an ongoing program to enhance local efforts that support tourism-related activities. The Commission is tasked with developing and publicizing the formal selection criteria for the grant program. The grant criteria should include: the return on investment of state funding; the availability of other financial resources to the applicant; and the level of community support. Eligible applicants include local governments, nonprofit organizations and federally recognized Indian tribes.

Subject to available funding, the Commission shall solicit applications and award grants to successful applicants at least once per year. Grant awards must reflect geographic and demographic diversity and the variety of tourism activities. In addition, grant recipients are required to match the grant with equal funds; however, the match cannot be in-kind donations. The maximum grant award shall be determined by the Commission and may not be used for administrative costs.

#### Report

Annually, the Commission must submit a tourism report to the Legislature. The report must include information regarding the competitive grants disbursement and a copy of the most recent strategic plan.

#### Tourism Enterprise Account

The Tourism Enterprise Account is created in the custody of the State Treasurer. Gifts, grants, fees and endowments received from tribal, local and other governmental entities as well as private sources must be deposited into the Tourism Enterprise Account instead of the Tourism Development and Promotion Account. Only the Commission executive director or designee may authorize expenditures from the Tourism Enterprise Account, which is subject to allotment, but not appropriation.

Funds from the State Convention and Trade Account will be transferred into the Tourism Enterprise Account. These funds must be matched with private sector cash contributions or through in-kind contributions. For Fiscal Year 2009, 25 percent of the transferred funds are

subject to the matching requirement. In Fiscal Year 2010, 50 percent of the transferred funds are subject to the matching requirement. Beginning in Fiscal Year 2011 and thereafter, the transferred funds must be matched 100 percent with private contributions.

Beginning in Fiscal Year 2008, up to \$4 million of funds from the State Convention and Trade Account may be transferred to the Tourism Enterprise Account. In addition, up to \$500,000 may be transferred from the State Convention and Trade Account to the Tourism Development and Promotion Account. Funds necessary for debt service and reserves for bonds issued and future issuances for the Museum of History and Industry as well as for the expansion of the State Convention and Trade Center must be maintained in the State Convention and Trade Account. No less than \$6.15 million per year, subject to an annual escalation, shall be retained in the State Convention and Trade Account for funding the State Convention and Trade Center capital maintenance. In addition, sufficient funds to fund operating appropriations for the annual operation of the Convention Center must be retained in the State Convention and Trade Center.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect 90 days after adjournment of session in which bill is passed.

**Staff Summary of Public Testimony:** (Community & Economic Development & Trade)

(In support) Washington has a great deal to offer tourists, and the tourism industry is an untapped resource ready to be developed further. However, the state budget for tourism promotion is the same amount in 2007 as it was in 1995. At \$3.5 million per year, Washington is 47th in tourism promotion spending and is 13th out of the 13 western states. Tourism is an economic development engine that brings in new money. This bill does several things to promote Washington's tourism industry. First, it makes the Commission a higher profile entity than its predecessor by being a Governor-appointed Commission. Second, it creates a commission with increased participation by the industry and a more engaging scope of work. Third, it provides additional funds to promote tourism, putting the state in a place to increase a return on the state spending. Fourth, the funding source is not General Fund-State, but a fund source with a nexus to tourism, and the fund transfer keeps the original beneficiary--the State Convention and Trade Center--whole. Fifth, the tourism industry is really an industry of industries making it difficult to organize and build consensus. This bill provides a state partnership with the overall industry and a place for all to have a voice. This is an economic development program for all of Washington as both urban and rural communities stand to benefit greatly from increased tourism.

(In support with amendments) A full match of funds is required by 2011, thus causing concern that the Commission would not have the stable source of funding necessary to design a multi-year marketing campaign. As a result, the match amount required should be decreased to \$2.5 million. In addition, an annual escalator clause should be added so that the funds will continue to grow. The escalator should be increased at the rate that the collections in Seattle

and King County increased. This would ensure further successes. Also, in order for the Commission to be well-managed the Governor should make appointments from a slate of candidates recommended by the trade associations for those categories of Commission members. The Commission should also have real and meaningful management and oversight of the implementation of the tourism strategic and marketing plans. Finally, the executive director should be appointed from a list of candidates recommended by the Commission.

(Opposed) None.

**Staff Summary of Public Testimony:** (Appropriations)

(In support) Washington ranks 47th in state spending on tourism. The range of attractions here gives the state huge potential as a tourist destination. The current tourism advisory committee has struggled with its authority and with even getting a quorum at scheduled meetings. This bill creates a matching program where money is taken from the Convention and Trade Center Account and is put into an account that will implement a plan developed by the new commission created in this bill. Tourism is a core economic development program for the Department of Community, Trade and Economic Development (DCTED). There is a significant return on investment from the dollars the state invests in tourism. There has been compromise and hard work in the development of this bill that reflects the needs and concerns of all sectors involved. Representation was diverse and included tribes, hotels, tour operators, museums, cruise lines, restaurants, wineries, and visitor bureaus. The current tourism process is broken, and this bill will allow the private sector and state government to work on a marketing plan that will benefit all of Washington.

(Opposed) None.

**Persons Testifying:** (Community & Economic Development & Trade) (In support) Representative Linville, prime sponsor; Marc Baldwin, Office of the Governor; Larry Williams, Department of Community, Trade and Economic Development; Kris Watkins, Tourism Advisory Committee and Tri-Cities Visitor and Convention Bureau; Doug Levy, Cities of Federal Way, Everett, Kent, Renton, and Puyallup; Becky Bogard, Washington State Association of Convention and Visitors Bureaus; John Christison, Washington State Convention Center; Tom Norwalk, Seattle Convention and Visitors Bureau; and John Cooper, Bellingham Convention and Visitors Bureau.

(In support with amendments) Jan Simon and T.K. Bentler, Washington State Hotel & Lodging Association (WSHLA); Sandra Miller, Governor Hotel and WSHLA; and Jeff Gouge, The Hotel Group and WSHLA.

**Persons Testifying:** (Appropriations) John Christison, Washington State Convention and Trade Center; Marc Baldwin, Office of the Governor; Larry William, Department of Community, Trade and Economic Development; Don Welsh, Seattle Convention Bureau; and Kris Watkins, Tri-Cities Convention and Visitors Bureau and Tourism Advisory Committee.

**Persons Signed In To Testify But Not Testifying:** (Community & Economic Development & Trade) None.

**Persons Signed In To Testify But Not Testifying:** (Appropriations) None.