

SENATE BILL REPORT

SHB 2229

As Reported by Senate Committee On:
Trade & Economic Development, February 27, 2014

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: House Committee on Community Development, Housing & Tribal Affairs (originally sponsored by Representatives Morris, Smith, Appleton, Haler, Moscoso, Tarleton, Roberts, Ryu, Habib and Bergquist).

Brief History: Passed House: 2/17/14, 88-8.

Committee Activity: Trade & Economic Development: 2/27/14 [DP, w/oRec].

SENATE COMMITTEE ON TRADE & ECONOMIC DEVELOPMENT

Majority Report: Do pass.

Signed by Senators Braun, Chair; Angel, Vice Chair; Chase, Ranking Member; Pedersen.

Minority Report: That it be referred without recommendation.

Signed by Senator Holmquist Newbry.

Staff: Edward Redmond (786-7471)

Background: According to the 2012 report by the Washington Council on International Trade and the Trade Development Alliance of Greater Seattle entitled "An International Competitiveness Strategy for Washington State," approximately 500,000 international tourists travel to Washington State annually. In 2010 Washington State posted a 32 percent increase over 2009 overseas visitor volumes, which was the largest increase in the nation and accounted for an estimated \$15.2 billion of traveler spending in the state. The report found that the growth is led by visitors from Europe, Japan, and increasingly from China, which respectively accounted for approximately 40,000 visitors in 2011.

Prior to 2011, the Washington State Tourism Commission (Commission) was responsible for expanding the tourism industry throughout the state and worked in collaboration with the public and private tourism development organizations to carry out its mandate. The Commission had an operating budget of approximately \$4.5 million; however, due to

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budgetary constraints, the Legislature defunded the state's tourism office in 2011. Washington is currently the only state in the nation without a state-funded tourism office.

The Washington Tourism Alliance (WTA) was formed by industry representatives in response to the closure of the state's tourism office. Since formation, assets from the state's tourism office including the call center, state visitor's guide, and website have been transferred to WTA and membership has increased to over 440 members. Currently WTA operates with an annual budget of approximately \$427,000.

Summary of Bill: Numerous legislative findings concerning the impacts of tourism to Washington State are outlined. Specifically, the Legislature finds that tourism represents the fourth-largest export industry in Washington State, employing more than 153,000 individuals and contributing significantly to state and local tax revenues. The Legislature also finds that competition from other states and provinces caused Washington State tourism to fall below the national average. Identifying a long-term, significant source of funding dedicated to a state tourism marketing program is therefore proposed as a means to rectify this trend.

An initial budget of \$7.5 million has been determined by WTA as a reasonable amount to implement a state tourism marketing program. The following five major sectors from the tourism industry were selected for initial collection of funds allocated pro rata: lodging, \$2.4 million; food service, \$2.1 million; attractions and entertainment, \$975,000; retail, \$1.425 million; and transportation, \$600,000.

The Department of Revenue, Department of Commerce, State Treasurer's Office, and Secretary of State must work with WTA to develop a method for collecting tourism funds from the industry.

WTA must submit a report to the appropriate committees of the Legislature by December 1, 2014. The report must detail how such funds are collected and the safeguards devised to ensure that the funds are used only by WTA for the state tourism marketing program, which includes its administration. The report must also identify other tourism sectors, businesses, and government entities that are part of the tourism industry which could provide additional resources to the program.

WTA must establish a governance structure that includes a board with a majority of its members selected from the initial five tourism sectors. Representatives from destination marketing organizations must also be included on the board. The governance structure must determine appropriate uses of the collected funds and a method for reporting on the effectiveness of the program.

A method for terminating the collection of funds if the board determines that the funds are not being used appropriately must also be included in the report.

Appropriation: None.

Fiscal Note: Not requested.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony: PRO: WTA has convened numerous stakeholder meetings throughout the state. This bill will provide the direction to help WTA get to the next step toward establishing a permanent funding source for a statewide tourism marketing program. A letter from Pacific Place shopping shows that tourists spend far more on shopping than they do on lodging or food. WTA wants to be able to attract these visitors to come to Seattle and the rest of the state. WTA is aware that there are organizations like fairs that need special treatment. WTA is committed to work with them to figure out which ones are tourist attractions as opposed to local events. Restaurants in Washington are the largest private sector employers with over 200,000 employees. Restaurants contribute greatly to the state's economy; we are returning over \$700 million in sales and business and occupation taxes every year. Tourism is an important factor in sales for the industry. For that reason, we urge the committee's support for the bill.

OTHER: This bill will provide benefits to the fairs in Washington. There are outstanding questions from member fairs regarding how the collection of funding would work. For example, what would be the trigger for being included in the taxation? Many fairs are nonprofit and they are wondering whether they would be assessed as a nonprofit. The Retail Association would like to offer suggestions for improving the legislation. The Retail Association is very concerned with shifting resources from the general fund to an assessment program. What else may be funded through an assessment program? The Retail Association would like to offer suggestions on improving the legislation. Under section 2, subsection 1, line 22, after "section" insert the following: "the report must include a provision for an assessed business to opt out of the participation for reasons including, but not limited to, financial burden and non-applicable to business." What this amendment does is gives a business that feels it is not going to benefit from this program a chance to opt out.

Persons Testifying: PRO: Becky Bogard, WA Tourism Alliance; Julia Gorton, WA Restaurant Assn.

OTHER: John Morrison, WA State Fairs Assn., Vice President; Mark Johnson, WA Retail Assn.