

# HOUSE BILL REPORT

## SHB 1258

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**As Passed House:**

March 1, 2023

**Title:** An act relating to increasing tourism to Washington state through enhancement of the statewide tourism marketing account and changing necessary match requirements.

**Brief Description:** Increasing tourism to Washington state through enhancement of the statewide tourism marketing account and changing necessary match requirements.

**Sponsors:** House Committee on Appropriations (originally sponsored by Representatives Ryu, Volz, Steele, Walen, Reeves, Waters, Chambers, Reed, Christian, Cortes, Callan, Schmidt, Barkis and Fosse).

**Brief History:**

**Committee Activity:**

Innovation, Community & Economic Development, & Veterans: 1/17/23, 1/20/23 [DP];

Appropriations: 2/1/23, 2/8/23 [DPS].

**Floor Activity:**

Passed House: 3/1/23, 96-0.

**Brief Summary of Substitute Bill**

- Requires a one-to-one, instead of two-to-one, nonstate or state fund, other than state general fund, match for all expenditures from the Statewide Tourism Marketing Account (Account).
- Increases the amount of revenue collected from the tax on the retail sales of lodging, car rentals, and restaurants that must be deposited into the Account from up to \$3 million per biennium to up to \$9 million.

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**HOUSE COMMITTEE ON INNOVATION, COMMUNITY & ECONOMIC DEVELOPMENT, & VETERANS**

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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 part of the legislation nor does it constitute a statement of legislative intent.*

**Majority Report:** Do pass. Signed by 12 members: Representatives Ryu, Chair; Donaghy, Vice Chair; Rule, Vice Chair; Barnard, Assistant Ranking Minority Member; Chambers, Corry, Cortes, Senn, Shavers, Street, Waters and Ybarra.

**Staff:** Cassie Jones (786-7303).

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## HOUSE COMMITTEE ON APPROPRIATIONS

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 31 members: Representatives Ormsby, Chair; Bergquist, Vice Chair; Gregerson, Vice Chair; Macri, Vice Chair; Stokesbary, Ranking Minority Member; Chambers, Assistant Ranking Minority Member; Corry, Assistant Ranking Minority Member; Berg, Chandler, Chopp, Connors, Couture, Davis, Dye, Fitzgibbon, Hansen, Harris, Lekanoff, Pollet, Riccelli, Rude, Ryu, Sandlin, Schmick, Senn, Simmons, Slatter, Springer, Steele, Stonier and Tharinger.

**Staff:** Jessica Van Horne (786-7288).

### **Background:**

#### Washington Tourism Marketing Authority.

Established in 2018, the Washington Tourism Marketing Authority (Authority) is responsible for contracting for statewide tourism marketing services that promote tourism in Washington. The Authority is governed by a board of directors consisting of four members of the Legislature and nine representatives, appointed by the Governor, with expertise in the tourism industry and related businesses, including hotel, restaurant, outdoor recreation, attractions, retail, and rental car businesses. A nonvoting advisory committee advises the board and is comprised of one representative each from the Department of Commerce, the State Parks and Recreation Commission, the Department of Transportation, representatives of other state agencies as deemed appropriate by the Authority, and one member from a federally recognized Indian tribe.

#### Statewide Tourism Marketing Account.

Of the taxes collected on the retail sales of lodging, car rentals, and restaurants, 0.2 percent must be deposited into the Statewide Tourism Marketing Account (Account). Revenue collections may be up to \$3 million per biennium and must be deposited into the Account. The deposit to the Account may only occur if the Legislature authorizes the deposit in the biennial omnibus appropriation act.

Expenditures from the Account may only be made for allowable expenses related to implementation of the statewide tourism program and operation of the Authority. The Account is subject to appropriation. A two-to-one nonstate or state fund, other than State

General Fund, match must be provided for all expenditures from the Account. A match may consist of nonstate or state fund, other than State General Fund, cash contributions, the value of an advertising equivalency contribution, or an in-kind contribution. The Authority's board of directors must determine criteria for what qualifies as an in-kind contribution.

#### Use of Funds.

From amounts appropriated for the Authority and from other moneys available to it, the Authority may use funds for the following:

- entering into a contract for a multiple year statewide tourism marketing plan with a statewide nonprofit organization whose sole purpose is marketing Washington to tourists which must include focuses on: (1) rural, tourism-dependent counties; (2) natural wonders and outdoor recreation opportunities of the state; (3) attraction of international tourists; (4) identification of local offerings for tourists; and (5) assistance for tourism areas adversely impacted by natural disasters;
- contracting for the evaluation of the impact of the statewide tourism marketing program; and
- paying for administrative expenses of the Authority, which may not exceed 2 percent of the state portion of funds collected in any fiscal year.

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

A one-to-one, instead of two-to-one, nonstate or state fund, other than State General Fund, match must be provided for all expenditures from the Account.

The amount of revenue collected from the tax on the retail sales of lodging, car rentals, and restaurants that must be deposited into the Account is increased from up to \$3 million per biennium to up to \$9 million.

**Appropriation:** None.

**Fiscal Note:** Available.

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

#### **Staff Summary of Public Testimony (Innovation, Community & Economic Development, & Veterans):**

(In support) When the state tourism office closed, there was a gap that local jurisdictions had to step up and fill. There were many small communities that could not fill this gap. The lack of state spending was a major detriment to the whole state. Washington lost ground in terms of market share in tax dollars collected from tourism. Tourism is a stable

business that can build a robust economy. The work that the tourism office is doing is transformative. This industry is important to the state and is not getting the support it needs.

There has been much work done to learn what it would take to rebuild a tourism program that would benefit the people of Washington state. What is needed is a way to sustain the program and operate it year-round without cash flow issues. The \$13 million in the bill is what is needed for an operational baseline. It is a small amount of money relative to the amount of sales tax collected on lodging, rental cars, and restaurants. This operational baseline will communicate to the industry that there is a future for the tourism program.

The hospitality industry has been very involved in rebuilding the statewide tourism program. But since the pandemic, convention and business travel is lagging significantly. Things are improving but they have not recovered. A tourism marketing program will help ensure a robust tourism industry throughout the years. This bill is an investment in the industry and in the state. Neighboring states make significant investments, and this puts Washington behind.

Tourism is vital to the local economy. It contributes to visitor spending and supports local businesses. Rural communities depend on the leadership of the State of Washington Tourism. It has contributed to pandemic recovery with grants, training, technical assistance, planning, and communication. It has provided tools that rural communities need. More state funding will allow expansion of the groundbreaking and visionary work. A fully funded, statewide tourism program is vital helping rural communities build their local tourism economy.

This bill is important for tourism and for the wine industry. The wine industry has a \$9.5 billion impact on Washington's state and local economies. The industry is still recovering, and tourism is critical to the industry. Many wineries are located in rural communities and work is being done to reinvigorate those communities and bring in tourists. The wine industry shares many goals with the statewide tourism program.

(Opposed) None.

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

(In support) Washington needs to invest in tourism. Tourism promotes economic growth by creating jobs and regenerative spending. When out-of-state tourists visit Washington, they buy goods and services, which leads to increased tax revenues that can then support social services and other public goods in our state. When the Washington Tourism Marketing Authority was established in 2018, and when funding was provided on a one-time basis in response to the COVID-19 pandemic, it created momentum. The tourism marketing program is seeing great results in keeping tourism-dependent industries afloat and bringing in more visitors. The program has also focused on supporting tourism in rural and underserved communities and communities of color. This assistance has been invaluable

for rural communities in encouraging sustainable tourism. Many business sectors, including hospitality industries, the wine industry, and LGBTQ+ businesses, have been assisted by this program. There is a considerable return on investment for every state dollar invested in this program.

This bill will allow the program to maintain the same level of funding as it received during the COVID-19 pandemic. If funding is not provided, many successful programs will be rolled back. Support is still needed as the hospitality industry continues to recover from declines in business and convention-related travel. Public and private partners also invest in the program through cash and in-kind contributions. The bill would increase support without raising new taxes. Other states fund tourism marketing programs at much higher levels than Washington. This bill would bring Washington in line with other states.

(Opposed) None.

**Persons Testifying (Innovation, Community & Economic Development, & Veterans):**

Representative Cindy Ryu, prime sponsor; David Blandford, State of Washington Tourism and Washington Tourism Alliance; Josh McDonald; Sherrye Wyatt; Shelly Stevens; Julia Gorton, Washington Hospitality Association; Ron Oh, Holiday Inn Express; and Representative Mike Steele.

**Persons Testifying (Appropriations):** Representative Cindy Ryu, prime sponsor; Julia Gorton, Washington Hospitality Association; Fred Felleman, Port of Seattle Commissioner; John Cooper, Yakima Valley Tourism; David Blandford, State of Washington Tourism; Shelly Stevens; Josh McDonald, Washington Wine Institute; and Gabriel Neuman, Greater Seattle Business Association.

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

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