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**Community Development, Housing &  
Tribal Affairs Committee**

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**E4SSB 5251**

**Brief Description:** Concerning tourism marketing.

**Sponsors:** Senate Committee on Ways & Means (originally sponsored by Senators Takko, Warnick, Rolfes, McCoy, Zeiger and Chase).

**Brief Summary of Engrossed Fourth Substitute Bill**

- Creates the Washington Tourism Marketing Authority (Authority) to manage financial resources and contract for a statewide tourism marketing plan.
- Directs 0.2 percent of retail sales taxes collected on lodging, car rentals, and restaurants, up to \$1.5 million in fiscal year 2019 and up to \$3 million per biennium thereafter, to fund the implementation of the statewide tourism marketing plan.
- Requires the Joint Legislative Audit and Review Committee (JLARC) to evaluate the Authority.

**Hearing Date:** 2/20/18

**Staff:** Kirsten Lee (786-7133).

**Background:**

State Tourism.

The Washington Tourism Alliance (WTA) carries out official state tourism marketing and promotion activities. The WTA is a private nonprofit organization comprised of members of the state tourism industry. The WTA receives funding from its members. Among its activities, the WTA operates a state tourism website, publishes the official state tourism guide, and holds an annual tourism summit.

In 2014 the Legislature directed the WTA to propose a private funding mechanism for a state tourism marketing program, including how revenues would be allocated and collected from each

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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.*

tourism industry sector. The agencies that were required to assist the WTA in developing a funding mechanism included: the Department of Revenue; the Department of Commerce; the Office of the State Treasurer; and the Office of the Secretary of State. The WTA was also directed to propose a governance structure that included a board representing the five industry sectors as well as destination marketing organizations. In 2017 the Department of Commerce worked in collaboration with the WTA to contract with a private entity to create a statewide marketing plan. During the 2017 legislative session, \$500,000 from the General Fund was provided for the development of the statewide marketing plan.

#### Sales and Use Tax.

Retail sales taxes are imposed on retail sales of most articles of tangible personal property, digital products, and some services. A retail sale is a sale to the final consumer or end user of the property, digital product, or service. If retail sales taxes were not collected when the user acquired the property, digital products, or services, then use taxes apply to the value of property, digital product, or service when used in this state. The state, most cities, and all counties levy retail sales and use taxes. The state sales and use tax rate is 6.5 percent; local sales and use tax rates vary depending on the location.

#### Joint Legislative Audit and Review Committee.

The Joint Legislative Audit and Review Committee (JLARC) is comprised of an equal number of House and Senate members, Democrats and Republicans. The nonpartisan staff of the JLARC conduct performance audits, program evaluations, sunset reviews, and other analyses assigned by the Legislature and the Committee itself.

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

The Washington Tourism Marketing Authority (Authority) is established as a public entity to manage its financial resources and contract for statewide tourism marketing services. The Authority receives administrative support from the Department of Commerce.

A board of directors (Board) governs the Authority and is comprised of 13 voting members:

- one member (and alternates) from each of the two major caucuses of the House of Representatives and the Senate, appointed by the Speaker of the House of Representatives and President of the Senate respectively; and
- nine representatives from the tourism industry and related businesses, such as hotel, restaurant, outdoor recreation, attractions, retail, and rental car businesses.

The Governor appoints all voting, nonlegislative representatives on the Board, and must take into consideration and make appointments from nominations submitted by the two largest caucuses of the House and Senate. The Governor's appointments to the Board must reflect diversity in geography, size of business, gender, and ethnicity, and are restricted to two per county and one per city.

Appointments are for four years, though initial appointments are staggered between two- and four-year terms. Board members are not compensated, but may be reimbursed for expenses. The chair of the Board must be from the tourism industry or related businesses.

A nonvoting advisory committee to the Board consists of:

- four ex-officio members from the Department of Commerce, Department of Revenue, State Parks and Recreation Commission, and Department of Transportation; and
- one member from a federally-recognized Indian tribe, appointed by the Director of the Department of Commerce.

#### Tourism Accounts and Expenses.

The Authority is required to create a private local account to receive nonstate funds contributed to the Authority. The Statewide Tourism Marketing Account (Account) is created in the state treasury, as an appropriated account. Expenditures from the Account may only be made by the Department of Commerce for allowable expenses related to implementation of the statewide tourism program. Allowable expenses include:

- entering into a contract for a multiple-year statewide tourism marketing plan with an existing statewide nonprofit organization, which must include focuses on rural tourism-dependent counties, natural wonders and outdoor recreation opportunities of the state, attraction of international tourists, identification of local offerings for tourists, and 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 two percent of the state portion received in any fiscal year.

Expenditures may only be made when a two-to-one nonstate to state match has been provided. A nonstate match may consist of nonstate cash contributions deposited in the Authority's private local account, the value of an advertising equivalency contribution, or an in-kind contribution. The Board determines what qualifies as an in-kind contribution.

#### Sales and Use Tax.

Beginning July 1, 2018, 0.2 percent of taxes collected on retail sales of lodging, car rentals, and restaurants must be deposited into the Account, up to \$1.5 million for fiscal year 2019, and up to \$3 million for each biennium thereafter. Deposits to the Account are subject to legislative authorization in the biennial Operating Budget.

#### Reporting.

By December 1, 2021, the Authority must provide an interim report to the Governor and economic development committees of the Legislature, reporting its progress in implementing a statewide tourism marketing program.

The JLARC must evaluate the performance of the Authority, and report back to the Governor and economic development committees of the Legislature by December 1, 2023, to determine the extent to which the Authority contributed to the growth of the tourism industry and economic development of the state.

**Appropriation:** None.

**Fiscal Note:** Available.

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