

HOUSE BILL REPORT

E4SSB 5251

As Reported by House Committee On:
Community Development, Housing & Tribal Affairs
Appropriations

Title: An act relating to tourism marketing.

Brief Description: Concerning tourism marketing.

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

Brief History:

Committee Activity:

Community Development, Housing & Tribal Affairs: 2/20/18 [DPA];
Appropriations: 2/24/18, 2/26/18 [DPA(CDHT)].

**Brief Summary of Engrossed Fourth Substitute Bill
(As Amended by Committee)**

- 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.

HOUSE COMMITTEE ON COMMUNITY DEVELOPMENT, HOUSING & TRIBAL AFFAIRS

Majority Report: Do pass as amended. Signed by 6 members: Representatives Ryu, Chair; Macri, Vice Chair; Barkis, Ranking Minority Member; McCabe, Assistant Ranking Minority Member; Jenkin and Reeves.

Staff: Kirsten Lee (786-7133).

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.

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 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 State 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 JLARC itself.

Summary of Amended 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 Speaker of the House of Representatives and President of the 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 representatives from the Department of Commerce, State Parks and Recreation Commission, Department of Transportation, and other state agencies as the Authority deems appropriate; 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 and state funds, other than State General Fund 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 2 percent of the state portion received in any fiscal year.

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

Amended Bill Compared to Engrossed Fourth Substitute Bill:

The amended bill:

- allows other dedicated state funds, other than State General Fund funds, to be used for the two-to-one match required to expend State General Fund monies from the statewide Account;
- clarifies that all matching funding, private and state funds other than State General Fund funds, be deposited into the Authority's private local account and are held in trust;
- changes reference of an ex officio member of the Tourism Marketing Authority Advisory Committee (Advisory Committee) to a representative; and
- eliminates the ex officio member on the Advisory Committee from the Department of Revenue and allows ex officio representatives from other agencies to serve on the Advisory Committee as deemed appropriate by the Authority.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony:

(In support) Other states are advertising and have messaging to bring tourists to their states and Washington needs to do the same to let tourists know that both Seattle and rural areas of the state have much to offer. The tourism industry in Washington can improve, even with incremental changes, by increasing the number of tourists visiting Washington, including the number of tourists staying at local hospitality establishments. The amendments to the bill are supported and allow many interested in participating and funding the state's tourism industry, including the Outdoor and Heritage caucus participants, to do so, while also allowing state dollars, that are not State General Fund dollars, to be used to match state dollars in the Account. For instance, the State Parks and Recreation Commission has state funds, not State General Fund dollars, that are earmarked specifically for marketing purposes.

(Opposed) None.

Persons Testifying: Senator Takko, prime sponsor; Don Malatesta, Washington Bed and Breakfast Guild; and Becky Bogard, Washington Tourism Alliance.

Persons Signed In To Testify But Not Testifying: None.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: Do pass as amended by Committee on Community Development, Housing & Tribal Affairs. Signed by 33 members: Representatives Ormsby, Chair; Robinson, Vice Chair; Chandler, Ranking Minority Member; MacEwen, Assistant Ranking Minority Member; Stokesbary, Assistant Ranking Minority Member; Bergquist, Buys, Caldier, Cody, Condotta, Fitzgibbon, Graves, Haler, Hansen, Harris, Hudgins, Jinkins, Kagi, Lytton, Manweller, Pettigrew, Pollet, Sawyer, Schmick, Senn, Springer, Stanford, Sullivan, Taylor, Tharinger, Vick, Volz and Wilcox.

Staff: Meghan Morris (786-7119).

Summary of Recommendation of Committee On Appropriations Compared to Recommendation of Committee On Community Development, Housing & Tribal Affairs:

No new changes were recommended.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony:

(In support) Finding a tourism marketing solution has taken many years. The purpose of this legislation is to bring more visitors into Washington. There has been a downturn in out-of-state tourists since Washington exited the marketing business and closed the State Tourism Office in 2011. This plan emphasizes rural tourism, international visitors, and outdoor recreation. A marketing plan was funded by an appropriation in fiscal year 2018 that maps how the state will move forward. Research shows that these investments will attract more visitors who come, pay taxes, and leave. Tourism is important to our hospitality businesses and local communities. Investment in tourism generates new taxes from out of state, which benefit everybody. Rarely does the Legislature have an opportunity to invest a small amount of money, leverage some private money, and see a huge return on that investment. Now is the time to invest in statewide marketing to guarantee those returns. This is a win-win opportunity.

Heritage groups, outdoor recreation groups, traditional hospitality groups, and many others support this legislation.

(Opposed) None.

Persons Testifying: Becky Bogard, Washington Tourism Alliance; Morgan Hickel, Washington Hospitality Association; and Mark Johnson, Washington Retail Association.

Persons Signed In To Testify But Not Testifying: None.