

SENATE BILL REPORT

SB 5362

As of February 15, 2021

Title: An act relating to ensuring the funding of agricultural fairs.

Brief Description: Ensuring the funding of agricultural fairs.

Sponsors: Senators McCune and Warnick.

Brief History:

Committee Activity: Agriculture, Water, Natural Resources & Parks: 2/09/21, 2/11/21
[DPS-WM, DNP].
Ways & Means: 2/18/21.

Brief Summary of First Substitute Bill

- Eliminates a \$2 million annual transfer from the state general fund to the fair fund.
- Requires specified amounts be transferred or distributed annually to the fair fund from either certain retail sales tax revenues or the state general fund as appropriated in the omnibus operating appropriations act.

SENATE COMMITTEE ON AGRICULTURE, WATER, NATURAL RESOURCES & PARKS

Majority Report: That Substitute Senate Bill No. 5362 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Van De Wege, Chair; Salomon, Vice Chair; Warnick, Ranking Member; Honeyford, Rolfes and Short.

Minority Report: Do not pass.

Signed by Senator Stanford.

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.

Staff: Karen Epps (786-7424)

SENATE COMMITTEE ON WAYS & MEANS

Staff: Jed Herman (786-7346)

Background: Agricultural Fairs. Agricultural fairs are fairs or exhibitions intended to promote agriculture by including, among other things, a balanced variety of exhibits of livestock and agricultural products. Agricultural fairs are divided into four categories:

- area fairs are organized to serve an area larger than one county;
- county and district fairs are organized to serve the interests of certain single counties;
- community fairs are organized primarily to serve a smaller area than an area fair or county fair; and
- youth shows and fairs serve three or more counties, educate and train rural youth, and are approved by Washington State University or the Office of the Superintendent of Public Instruction.

Fair Fund. State law requires that each fiscal year the state treasurer transfer \$2 million from the state general fund into the fair fund administered by the Washington State Department of Agriculture (WSDA). Ninety-five percent of all allocations from the fair fund must be distributed to agricultural fairs based on a merit rating system set up by the director. This merit rating must take into account certain factors, including:

- area and population served, attendance, gate receipts, and community support;
- open or youth participation and the number and type of exhibits;
- evidence of successful achievement of the aims and purposes of the fair; and
- extent of improvements made to grounds and facilities from year to year and the overall condition and appearance of grounds and facilities.

Any state allocations must be made only as a reimbursement for operating expenses incurred by the fairs. WSDA may use up to 10 percent for special assistance to any participating fair and may use the remaining 5 percent for expenses, including fair commission expenses.

Summary of Bill (First Substitute): The \$2 million transfer each fiscal year from the state general fund to the fair fund is removed. The omnibus operating appropriations act must appropriate to the fair fund an amount equal to the greater of:

- \$2 million;
- beginning July 1, 2021, to June 30, 2023, the estimated amount of state retail sales tax collected on sales occurring at area fairs and county fairs, not to exceed \$2,750,000;
- from July 1, 2023, to June 30, 2025, the estimated amount of state retail sales tax occurring at area fairs and county fairs, not to exceed \$3,500,000; and
- beginning July 1, 2025, the estimated amount of state retail sales tax on sales occurring at area fairs and county fairs, not to exceed \$4 million.

The estimated amount of state retail sales tax collected on sales occurring at area fairs and county fairs must be determined by the Department of Revenue (DOR) and include only those amounts collected in the calendar year preceding the fiscal year for which a transfer is made. Estimates made by DOR may not be overturned by a court except upon a showing of willful misconduct by clear, cogent, and convincing evidence.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

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

Staff Summary of Public Testimony on First Substitute (Agriculture, Water, Natural Resources & Parks): PRO: This bill is about revenue sharing for county, community, youth, and area fairs. There are currently 67 fairs in Washington that receive revenue from the state. The \$2 million appropriation has not been increased in over 20 years. The bill will double the investment in fairs over the next few years and will generate more state revenue. Technology, education, carnival, and entertainment companies that provide services to fairs have an impact of over \$10 million in the state. Fairs support nonprofits in the community, providing them with an outlet to raise funds that are then reinvested into the community. Fairs bring together local businesses, including home-based businesses, many of which would not have that opportunity without fairs. Involvement in local fairs have a significant impact on the kids involved, teaching them teamwork, leadership, public speaking, husbandry, and healthy competition. This bill will support fairs financially but will also allow fairs to focus on the youth and the community that they serve. Twenty-five of the 67 fairs derive over 35 percent of their total annual budget from this fund and without that support, many would be unable to continue to operate. This legislation will ensure fairs receive funding and tie it to something that has a growth factor to it. In 2018, over 45,000 youth participated in Washington fairs, teaching youth responsibility, self-confidence, and record-keeping skills. The bill changes how fair revenue is derived, tying the fair fund to the value fairs represent to the state and to their communities. This bill ties the fund to the sales taxes generated on the fairgrounds during the fair, setting a floor of \$2 million and a cap of \$4 million.

Persons Testifying (Agriculture, Water, Natural Resources & Parks): PRO: Senator Jim McCune, Prime Sponsor; John Morrison, Clark County Fair; Shelly Bennett, Pierce County Fair; Sunny Saunders, Washington State Fairs Association.

Persons Signed In To Testify But Not Testifying (Agriculture, Water, Natural Resources & Parks): No one.