

SENATE BILL REPORT

SHB 1258

As Reported by Senate Committee On:
Business, Financial Services, Gaming & Trade, March 21, 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: Passed House: 3/1/23, 96-0.

Committee Activity: Business, Financial Services, Gaming & Trade: 3/14/23, 3/21/23 [DPA-WM].

Brief Summary of Amended Bill

- Changes the matching funds requirement from two-to-one to one-to-one for expenditures from the Statewide Tourism Marketing Account (Account).
- Increases the amount that may be deposited into the Account to \$9 million per biennium from future revenue collections.
- Increases the proportion of state sales and use taxes collected and deposited into the Statewide Tourism Marketing Account from 0.2 percent to 3 percent.
- Requires the Joint Legislative Audit Review Committee to include information on local governments' use of lodging tax revenues in their report on the Washington Tourism Marketing Authority, due in 2028.

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.

SENATE COMMITTEE ON BUSINESS, FINANCIAL SERVICES, GAMING & TRADE

Majority Report: Do pass as amended and be referred to Committee on Ways & Means.

Signed by Senators Stanford, Chair; Frame, Vice Chair; Dozier, Ranking Member; Boehnke, Gildon, Lovick, MacEwen and Mullet.

Staff: Kellee Gunn (786-7429)

Background: The Legislature created the Washington Tourism Marketing Authority (Authority) in 2018 as a public entity to manage financial resources and contract for statewide tourism marketing services. The Authority is governed by a board of directors, with assistance from a nonvoting advisory committee.

Up to \$3 million from revenue per biennium from a 0.2 percent of tax collected on retail sales of lodging, car rentals, and restaurants may be deposited into the Statewide Tourism Marketing Account (Account). Money in the Account can only be spent after appropriation. A match of two-to-one nonstate or state fund, other than general fund state, must be provided for all expenditures from the account. The Account may be used for the operation of the Authority and the Statewide Tourism Marketing Program and for certain allowable expenses.

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;
- assistance for tourism areas adversely impacted by natural disasters;
- contracting for the evaluation of the impact of the statewide tourism marketing program; and
- administrative expenses of the Authority.

The Joint Legislative Audit Review Committee (JLARC) must evaluate the Authority and submit a report to the Legislature by December 2023. Except for King County, JLARC collects and provides information on how lodging taxes revenues are being used by local governments. The lodging tax, if enacted, allows a local government to get a credit of up to 2 percent on the state sales and use tax. Local governments may use the lodging tax revenue for the following:

- tourism marketing;
- marketing and operations of special events and festivals designed to attract tourists;
- supporting tourism-related facilities owned or operated by a municipality or a public facilities district; or
- the operations of tourism-related facilities owned or operated by nonprofit

organizations.

Summary of Amended Bill: The match requirement for expenditures from the Account is changed from two-to-one nonstate or state fund, other than general fund state, to one-to-one.

The portion of revenue collected on retail sales of lodging, car rentals, and restaurants and deposited into the Account is increased from \$3 to \$9 million per biennium. The percentage of the taxes collected and deposited into the Account for the Authority is increased from 0.2 percent to 3 percent.

The due date for JLARC's evaluation and report on the Authority to the Legislature is changed from December 1, 2023, to December 1, 2028.

JLARC must include in their report to the Legislature a summary of local governments' lodging tax expenditures to further understand the investment the state has made for tourism statewide. For the purpose of this report, King County must provide information on their lodging tax expenditures, as reasonable and appropriate, to JLARC. JLARC's report must provide an update on the Authority's progress in implementing a statewide tourism marketing program and provide a summary of investments made by local governments who have enacted a lodging tax to determine the extent to which the Authority and the lodging taxes have contributed to the growth of the tourism industry and economic development of the state.

EFFECT OF BUSINESS, FINANCIAL SERVICES, GAMING & TRADE COMMITTEE AMENDMENT(S):

- Increases the proportion of state sales and use taxes collected on certain hospitality industries and deposited into the Account from 0.2 percent to 3 percent.
- Changes the date the JLARC evaluation on the Authority is due to the Legislature from December 1, 2023, to December 1, 2028.
- Requires JLARC to include in their report to the Legislature a summary of local governments' lodging tax expenditures to further understand the investment the state has made for tourism statewide.
- Requires counties with a population of 1,500,000 or more to provide information on their lodging tax expenditures to JLARC.
- Clarifies that the report due December 1, 2028, must provide an update on the Authority's progress in implementing a statewide tourism marketing program and a summary of investments made by local governments who have enacted a lodging tax to determine the extent to which the Authority and the lodging taxes have contributed to the growth of the tourism industry and economic development of the state.

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 Substitute House Bill: *The committee recommended a different version of the bill than what was heard.* PRO: We zeroed out the tourism account during the pandemic. Increasing the match, and the deposits, is a small task. The FIFA World Cup is coming. This bill will allow cities to coordinate hosting the World Cup. This is about local jobs and revenue generated. This is about serving our communities, and entire state. This is a modest investment.

Please increase the cap on the funds deposited to \$26 million per biennium. The requested amount is needed to fund the program year-round. Last year we received many applications for grant funding and were not able to fund them fully. A fully operating program will build back jobs and insulate downturns. Oregon's biennial budget is \$91 million, and the average investment by all states is over \$40 million. There needs to be a technical amendment. The original intent of the bill from 2018 was to take 0.2% of all sales on certain hospitality industries. I have double-checked this with members, and they agree this was the original intent. With the law as it now stands, with the cap of \$3 million, we did not realize this issue. Without the rate change, the higher requested cap will not be met.

Local tourism dollars have already been bonded to pay for other things, or are being used for infrastructure. This funding is vital to tourism marketing, nationally and internationally. This program brings in a return on investment, and we need to keep it going. Tacoma will benefit from the increase in state funds. This is an ecosystem, which works together. The private industry will scale up the funds to make Washington more competitive. This public-private investment has resulted in a \$33-\$1 return-on-investment. I came from working on tourism in southern Utah to working in the tri-cities. In Utah, state funding for tourism is much more significant than in Washington. The state office provides critical support through relationships, expertise, and resources. A similar model to Utah would benefit Washington.

Woodinville represents the heart of wine tourism. Tourism dollars support agricultural industry and service industry. COVID has had an impact on this industry. Last year, visitation dropped below 450,000. The tourism industry understands the challenges of competing funds. The state program provides more reach than a local tourism program can provide. Our state program is incredibly effective in bringing visitors to the state. Without this investment these people will go elsewhere, and we will lose that revenue. This investment brings in money that supports local governments, local businesses, and the state of Washington.

This program has languished for years. Restarting this program five years ago, this program is now poised to bring in many international visitors. These people stay twice as long and spend twice as much money. Supporting Washington state tourism will build infrastructure

throughout the state. Expanding financial support to this industry, will provide access to tourism to businesses that would otherwise not or have not marketed their businesses in this way. Expanding this funding will allow marketing to historically marginalized people and businesses, such as LGBTQ +.

Please amend the funding cap to \$26 million.

Persons Testifying: PRO: Representative Cindy Ryu, Prime Sponsor; Krista Bentley, Expedia Group; Emily Shay, Association of Washington Business; Dean Burke, Travel Tacoma - Mt. Rainier, Tourism & Sports; Adam Acampora, Woodinville Wine Country; Kevin Lewis, Visit Tri-Cities; David Blandford, Washington Tourism Alliance; Becky Bogard, State of Washington Tourism; Annette Pitts, Experience Olympia; Daylan Gibbard; John Cooper, Yakima Valley Tourism; Sam Cho, Port of Seattle Commissioner; Annie McGrath, Seattle Southside Chamber of Commerce; Gabriel Neuman, GSBA.

Persons Signed In To Testify But Not Testifying: No one.