

Q: What will the proposed legislation do if passed?

A: The legislation will establish fees and a system to collect annual fees from businesses in five industry sectors most impacted by tourism (lodging, food service, attractions and entertainment, transportation and retail). The fees will be used to implement a long-term, sustainable statewide tourism marketing program and conduct research to determine the effectiveness of the program.

Q. Why is a sustainable, long-term funding program needed?

A: Since the legislature closed the state tourism office in 2011, Washington has been the only state in the U.S. without a vigorous statewide tourism marketing program. Competition has never been stronger for the tourism dollar. We are at significant risk of losing market share without a statewide marketing program.

Q: What process did you go through to get to this outcome? What kind of stakeholder input did you receive?

A: We are the only state in the nation without a state-funded tourism office/marketing authority. We are breaking newground and we have developed a proposal that has been deeply and thoughtfully crafted with input from around the state and different sectors since the summer of 2011. We have spent years traveling the state, updating as many businesses and organizations as possible; seeking input and gathering feedback. We have invested time and energy into meeting with other states, commissions, legislative and state agency staff to find out what is possible and what is not, while maintaining an 'industry funded – industry driven' proposal.

Q: How expensive are the fees for individual Washington businesses?

A: By spreading the fees across various tourism sectors the level is relatively low per business entity. A \$100 annual fee on a business that earns \$200-\$600K annually is well worth the investment of driving more tourists to our state, our economy and most importantly our establishments.

Q: How were fees determined for each industry segment?

A: The annual budget goal to be competitive with neighboring states is \$7.5M. Total fees for a sector are based generally on its contribution to statewide tourism revenues. That total is then divided among businesses in the sector according to adjusted gross revenue.

Accommodations	\$2,400,000
Food service	\$2,100,000
Attractions	\$975,000
Retail	\$1,425,000
Transportation	\$600,000
<u>Total</u>	<u>\$7,500,000</u>

Q: Is this a fee or a tax?

A: A fee is a charge that provides a direct benefit - in this case, the 'direct benefit' is a statewide tourism marketing program that brings more visitors into Washington State whose activities generate more activity for tourism businesses subject to the fees. This activity also increases tax dollars to towns, cities and the state.

Q: What is 'adjusted gross revenue'

A: Adjusted gross revenue is gross income after any valid deduction or exemptions in current state law.

Q: How will this fee be collected?

A: After the legislation is enacted, DOR will formally adopt a collection method. The expectation is that the fees would

be collected **through the existing DOR excise tax form**, with a separate column or entry place, and on the same schedule used to pay excise taxes (e.g., quarterly, monthly).

This proposal is **modeled after the current Electronic Recycling Program** set in statute where businesses pay a fee to a board comprised primarily of representatives of the affected industry.

Q: Is there regional & small business representation on the WTMA and the marketing entity?

A: First, it is important to note the **structure that is established is done so in statute**.

- **The Washington Tourism Marketing Authority (WTMA)** – which does NOT exist at this time – **would contract with an organization that would develop and implement the marketing plan.**
- **The WTMA would set out the general outline of the statewide marketing program but it is the contractor's job to put the details of the program together.**
- **The WTMA is a public body** whose members include representatives of businesses that would be subject to fees, the Secretary of State and the head of the Department of Revenue. Business representatives are appointed by the latter two officials and must be from recommendations submitted by businesses. This structure is **similar to the Electronic Recycling Act (RCW 70.95N)**, a long standing example of a public private partnership.
- The WTMA has limited responsibilities that include **contracting with a statewide non-profit organization to design and implement a statewide marketing program and evaluating the effectiveness of that program.**

The second part of the structure includes the requirements of the contractor, the organization actually implementing the statewide marketing plan.

- Under section 8(2) of the substitute bill, **the statewide non-profit organization** whose sole purpose is marketing Washington to tourists **must have representatives on its board that reflect geographic diversity as well as representatives from small and large businesses subject to the fees. It is this board that will guide the formation and implementation of the statewide marketing program.** If the Washington Tourism Alliance is the chosen as the contractor these requirements would be fulfilled.

Q: Are accountability measures included in the legislation?

A: Yes, there are several accountability measures in the legislation:

- The **fees are set in statute**; they are not set by a private board or state agency.
- Additionally who pays the fees is set in statute.
- The **legislature could amend or repeal this statute** in the future.
- The fees expire in 8 years unless extended by the legislature.
- The WTMA is required to report annually to the legislature.

Q: If the legislation passes, approximately when would fees be collected and used for statewide tourism marketing activities?

A: Fees would become effective in January 2017. The fees would be collected through the Department of Revenue system for collecting taxes and other fees.

Q: Why not reinstate the State Tourism Office in the state Department of Commerce?

A: The State Tourism Office was for the most part funded by general fund appropriations. Over the past 15 years, with the exception of a couple of years when the Washington State Convention Center contributed funds, the amount of the appropriations steadily decreased. Washington State always ranked 45th or below when compared to other states in tourism marketing funding. This suggests that funding such a program is not a legislative priority. To revert to that model to have to continually fight for additional funds does not seem like a wise step.

What the legislation represents is the tourism industry stepping up and saying we will fund a statewide marketing program as long as we have significant control over the contents and execution of the program. This is what the

legislation provides for and why it is supported by the tourism industry.

Q: Why can't you have the DOR compile a list of those who would be required to pay the fee and have an election so there is some accountability/representation?

A: There are 33,000 businesses in the five industry sectors named in the legislation. The sheer cost of contacting those businesses and explaining the proposal would be prohibitory. There are simply too many. Getting the required number of businesses to return a ballot would be nearly impossible.

Q: Why did you *not* propose a commodity commission?

A: Typically, commodity commissions are reserved for tangible commodities (i.e. potatoes or wine). Tourism is a service and these businesses are not established to produce merely one commodity or service; tourism is just one output among others. Moreover, there are too many businesses in this category to accurately gauge, so the WTA turned to the state to assist.

Q: Why can't this be a voluntary organization (e.g. Statewide Chamber of Commerce)?

A: In order to plan a long term marketing program, there must be predictability of funds available for the program. Voluntary contributions don't offer that predictability. Additionally:

- If totally voluntary, the plan will be based on a *'pay to play'* focus – because ***membership will be what drives the existence.***
- *'Pay to play'* would likely exclude smaller businesses and regions from being represented.
- If there is ***direction in representation from the legislature*** and ***predictable funding*** then the ***process will be inclusive.***

Q: Why don't you have legislative representation on the WTMA board?

A: This is strictly a contracting board. As it is currently designed the board would be comprised primarily of industry representatives who have direct experience and expertise in tourism marketing. Adding four legislators to the board would move us from our intent to be an industry funded and industry led effort, governed by individuals who are tourism professionals. There are two governmental officials on the board, the Secretary of State and the director of the Department of Revenue. These two officials have some role in administering and overseeing the program.

Q: Who proposed and sponsored this bill?

A: The bill was proposed by the Washington Tourism Alliance (WTA), a 501[c](6) organization established by industry stakeholders with the sole mission of sustaining Washington State destination tourism marketing. Industry leaders formed the organization when the state tourism office closed in 2011. SHB 1938 is sponsored by Representatives Appleton, Johnson and others in the House. 2SSB 5916 is sponsored by Senators Brown, Chase and others.

Q: Who is marketing statewide tourism in the meantime?

A: WTA's current, but slim, annual \$780,000 budget (which includes some remaining dollars from state bridge funding which expired June 30, 2015) is essential to maintaining our state's modest marketing activities, including visitor guide collateral, destination web site, trade show marketing participation, travel publicity, social media and more. The existing budget also allows WTA to maintain tourism research and to ensure geographic diversity through all its marketing which means that small communities get their fair share of tourism's benefit.

Q: Will businesses that benefit from tourism but are not assessed under the legislation contribute to the marketing program?

A: Under this proposal, any businesses which have an interest in tourism but are not subject to an assessment could contribute to the marketing program by participating with the non-profit contractor responsible for implementing the program. This would apply to a business or entity that is either not in an assessed category (e.g., airlines, ports) or that is too small to be subject to an assessment. Participation could include a financial contribution or partnering in a marketing activity.