Multiple Agency Fiscal Note Summary

Bill Number: 6592 SB	**Title:** Tourism authorities

Estimated Cash Receipts

NONE

Agency Name	2019-21		2021-23		2023-25	
	GF- State	Total	GF- State	Total	GF- State	Total
Local Gov. Courts						
Loc School dist-SPI						
Local Gov. Other	Non-zero but indeterminate cost and/or savings. Please see discussion.					
Local Gov. Total						

Estimated Operating Expenditures

Agency Name	2019-21			2021-23			2023-25		
	FTEs	GF-State	Total	FTEs	GF-State	Total	FTEs	GF-State	Total
Joint Legislative Audit and Review Committee	.2	82,500	82,500	.1	15,100	15,100	.7	276,300	276,300
Department of Revenue	.3	54,000	54,000	.2	37,900	37,900	.1	17,200	17,200
Total $	**0.5**	**136,500**	**136,500**	**0.3**	**53,000**	**53,000**	**0.8**	**293,500**	**293,500**

Estimated Capital Budget Expenditures

Agency Name	2019-21			2021-23			2023-25		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
Joint Legislative Audit and Review Committee	.0	0	0	.0	0	0	.0	0	0
Department of Revenue	.0	0	0	.0	0	0	.0	0	0
Total $	**0.0**	**0**	**0**	**0.0**	**0**	**0**	**0.0**	**0**	**0**

Estimated Capital Budget Breakout

NONE

Prepared by: Ramona Nabors, OFM	**Phone:** (360) 902-0547	**Date Published:** Final 2/ 3/2020

FNPID: 59400

FNS029 Multi Agency rollup

Individual State Agency Fiscal Note

Bill Number: 6592 SB	Title: Tourism authorities	Agency: 014-Joint Legislative Audit and Review Committee

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Operating Expenditures from:

	FY 2020	FY 2021	2019-21	2021-23	2023-25
FTE Staff Years	0.0	0.4	0.2	0.1	0.7
Account					
General Fund-State 001-1	0	82,500	82,500	15,100	276,300
Total $	0	82,500	82,500	15,100	276,300

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

☒ If fiscal impact is greater than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.

☐ If fiscal impact is less than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).

☐ Capital budget impact, complete Part IV.

☐ Requires new rule making, complete Part V.

Legislative Contact:	Clinton McCarthy	Phone: 360-786-7319	Date: 01/23/2020
Agency Preparation:	Rebecca Connolly	Phone: 360-786-5175	Date: 01/27/2020
Agency Approval:	Keenan Konopaski	Phone: 360-786-5187	Date: 01/27/2020
OFM Review:	Linda Hamilton	Phone: (360) 902-0556	Date: 01/28/2020

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

The bill makes the following changes to the tourism promotion area (TPA) statute:

• Removes the requirement that counties have a minimum population of 40,000.

• Defines "tourist" as a person that travels to a place fifty miles or more from the person's place of residence or business primarily for overnight stays in paid accommodations.

• Changes the maximum tourism promotion area lodging charge from two dollars to five dollars per night.

• Specifies that revenue from the charge must be used to promote tourism that increases the number of tourists to the area.

• Provides a mechanism for lodging businesses within the tourism promotion area to petition for removing the charge if they believe the charges are not increasing the number of tourists.

The Joint Legislative Audit and Review Committee must complete a sunset review (chapter 43.131 RCW) of the additional tourism promotion area charge by January 1, 2024. The review must:

(a) Analyze how tourism promotion area charge funds were used during the five-year period.

(b) Identify additional marketing and promotional measures conducted or purchased with additional funds beyond the current charge.

(c) Assess whether additional tourism promotion area charges above two dollars contributed to an actual increase in the number of tourists to each tourism promotion area.

(d) Assess the average additional cost per visit per tourist due to additional tourism promotion area charges above two dollars.

(e) Analyze tourists gained and lost in tourism promotion areas where the charge was removed during the five-year period.

The additional tourism promotion area charge is terminated effective July 1, 2025. The remaining sections are terminated effective July 1, 2026.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

Department of Revenue data indicates there are currently 60 tourism promotion areas (TPA). Some cities and counties have more than one TPA, and some do not charge the maximum amount. The bill would increase the number of cities and counties that would be eligible to participate.

The study is due by January 1, 2024.

• In 2020, JLARC staff would develop a data collection system, with input from municipalities and the Department of Revenue. Staff also would work to identify and collect baseline data regarding TPA revenue and expenditures, tourist volume, and marketing activities. JLARC staff will work with a consultant to identify appropriate methodologies to assess whether additional tourism promotion area charges above two dollars contributed to an actual increase in the number of tourists.

• In 2021 and 2022, JLARC staff will work to ensure that municipalities are able to provide the data needed for the study.

• JLARC staff would collect any remaining data and, with assistance from the consultant, conduct the analysis during 2023.

Based on the timing, JLARC staff assume that there will be 2.5 years of data available for the analysis.

JLARC estimates its costs to be divided between a) JLARC staff costs, and b) the costs associated with engaging external experts to assist JLARC staff in completing its assignment.

a) JLARC estimates its costs based on audit months (approximately $20,100 per audit month). JLARC estimates it will take 16 audit months to complete the assignment required by this bill.

b) Consultant Costs: JLARC anticipates engaging consultant(s) to assist with determining whether additional tourism promotion area charges contribute to an actual increase in the number of tourists. We estimate consultant costs of $52,000.

JLARC assumes comparable consultant efforts and costs made available for previous studies, and estimated costs reflect JLARC's recent experience in contracting with external entities for similar work.

JLARC ASSUMES THAT THE ASSIGNMENT IN THIS PROPOSED BILL MAY REQUIRE ADDITIONAL RESOURCES. JLARC WILL ASSESS ALL OF THE ASSIGNMENTS MANDATED IN THE 2020 LEGISLATIVE SESSION. BASED ON ALL LEGISLATION THAT IS PASSED, JLARC MAY SUBSEQUENTLY DETERMINE THAT IT CAN ABSORB THE COSTS FOR THIS PROPOSED BILL IN ITS BASE BUDGET, IF THE WORKLOAD OF OTHER ENACTED LEGISLATION DOES NOT EXCEED CURRENT STAFFING LEVELS.
HOWEVER, ADDITIONAL RESOURCES TO COVER CONSULTANT COSTS OF $52,000 WOULD NEED TO BE PROVIDED.

JLARC Audit Months: JLARC calculates its staff resources in "Audit Months" to estimate the time and effort to undertake and complete its studies. An "Audit Month" reflects a JLARC analyst's time for a month, together with related administrative, support, and goods/services costs. JLARC's anticipated 2019-21 costs are calculated at approximately $20,100 per audit month.

Part III: Expenditure Detail

III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2020	FY 2021	2019-21	2021-23	2023-25
001-1	General Fund	State	0	82,500	82,500	15,100	276,300
		Total $	0	82,500	82,500	15,100	276,300

III. B - Expenditures by Object Or Purpose

	FY 2020	FY 2021	2019-21	2021-23	2023-25
FTE Staff Years		0.4	0.2	0.1	0.7
A-Salaries and Wages		43,800	43,800	9,400	146,900
B-Employee Benefits		14,000	14,000	3,000	47,000
C-Professional Service Contracts		12,000	12,000		40,000
E-Goods and Other Services		11,600	11,600	2,500	38,800
G-Travel		1,100	1,100	200	3,600
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
9-					
Total $	0	82,500	82,500	15,100	276,300

III. C - Operating FTE Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2020	FY 2021	2019-21	2021-23	2023-25
Research Analyst	111,051		0.3	0.2	0.1	0.5
Support staff	77,705		0.1	0.1		0.3
Total FTEs			0.4	0.2	0.1	0.7

III. D - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

IV. A - Capital Budget Expenditures

NONE

IV. B - Expenditures by Object Or Purpose

NONE

IV. C - Capital Budget Breakout

Identify acquisition and construction costs not reflected elsewhere on the fiscal note and describe potential financing methods

NONE

Part V: New Rule Making Required

Department of Revenue Fiscal Note

Bill Number: 6592 SB	Title: Tourism authorities	Agency: 140-Department of Revenue

Part I: Estimates

☐ **No Fiscal Impact**

Estimated Cash Receipts to:

NONE

Estimated Expenditures from:

	FY 2020	FY 2021	2019-21	2021-23	2023-25
FTE Staff Years	0.2	0.4	0.3	0.2	0.1
Account					
GF-STATE-State 001-1	19,700	34,300	54,000	37,900	17,200
Total $	19,700	34,300	54,000	37,900	17,200

Estimated Capital Budget Impact:

NONE

The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.

Check applicable boxes and follow corresponding instructions:

☐ If fiscal impact is greater than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.

☒ If fiscal impact is less than $50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).

☒ Capital budget impact, complete Part IV.

☒ Requires new rule making, complete Part V.

Legislative Contact:	Clinton McCarthy	Phone: 360-786-7319	Date: 01/23/2020
Agency Preparation:	Diana Tibbetts	Phone: 360-534-1520	Date: 01/31/2020
Agency Approval:	Don Gutmann	Phone: 360-534-1510	Date: 01/31/2020
OFM Review:	Ramona Nabors	Phone: (360) 902-0547	Date: 02/03/2020

Part II: Narrative Explanation

II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.

CURRENT LAW:
Any county with a population greater than 40,000 and less than 1 million, and any city within such a county, including unclassified cities or towns operating under special charters may charge a fee for tourism promotion purposes. Jurisdictions in a county with a population of 1 million or more may also charge a tourism promotion fee, but only where two or more jurisdictions are acting jointly as a legislative authority under an inter-local agreement. There is an exception for a city located in a county with a population of 1 million or more, incorporated after January 1990, and containing a population greater than 89,000 is considered the legislative authority and is not required to enter into an inter-local agreement with another jurisdiction located within the same county.

The tourism promotion area fee is limited to $2 per night.

Proposed Law:
- Removes the 40,000 population threshold to allow all county to levy a tourism promotion fee.
- Defines "tourist" as a person that travels to a place fifty miles away or more one way by driving distance from the person's place of residence or business primarily for overnight stays in paid accommodations.
- Increases the tourism promotion fee to $5 dollars per night.
- Allows lodging businesses that believe that the tourism promotion area charges are not having a significant economic impact by increasing the actual number of tourists to the area to petition the legislative authority to remove the charge.

EFFECTIVE DATE:
The bill takes effect 90 days after final adjournment of the session in which it is enacted.

II. B - Cash receipts Impact

Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.

This legislation results in no revenue impact to taxes administered by the Department of Revenue.

The local impact is unknown. Currently jurisdictions in 26 counties are eligible to levy a tourism promotion fee. Seventeen jurisdictions levy a tourism promotion fee. It is unknown which new jurisdictions would choose to levy a tourism promotion fee as well as which group of businesses may petition their legislative authority to remove the charge.

II. C - Expenditures

Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.

ASSUMPTIONS:
- Expenditures for this legislation are based on the addition of 10 new Tourism Promotion Areas (TPA).
- An unknown number of existing TPAs will adjust their rates.
- Actual costs will be dependent upon how many jurisdictions begin a new TPA or increase the rate in existing TPAs.
- It is unknown whether any TPAs will stop imposing tax. If the tax is ended it's assumed the Department of Revenue (Department) will have sufficient time to make system changes and notify businesses. The Department will incur additional costs, not included in this estimate, to make these changes.

FIRST YEAR COSTS:

The Department will incur total costs of $19,700 in Fiscal Year 2020. These costs include:

Labor Costs - Time and effort equates to 0.2 FTE.
- Create a Special Notice and identify publications and information that needs to be created or updated on the Department's website.
- Respond to letter ruling requests, email inquiries, and more difficult call backs from the telephone information center.

SECOND YEAR COSTS:
The Department will incur total costs of $34,300 in Fiscal Year 2021. These costs include:

Labor Costs - Time and effort equates to 0.37 FTE.
- Test and verify computer system changes to add new TPA locations codes and adjust rates for others.
- Update mapping for new location areas and rates.
- Answer phone calls from local jurisdictions and taxpayers regarding the changes to TPA locations and tax rates.
- Review lodging reporting and funding reports to monitor collections and tax distributions.
- Amend one administrative rule.

THIRD YEAR COSTS:
The Department will incur total costs of $29,300 in Fiscal Year 2022. These costs include:

Labor Costs - Time and effort equates to 0.3 FTE.
- Test and verify computer system changes to add new TPA locations codes and adjust rates for others.
- Answer phone calls from local jurisdictions and taxpayers regarding the changes to TPA locations and tax rates.
- Review lodging reporting and funding reports to monitor collections and tax distributions.

ONGOING COSTS:
Ongoing costs for Fiscal Year 2023 equal $8,600 and include similar activities described in the third year costs. Time and effort equates to 0.1 FTE.

Part III: Expenditure Detail

III. A - Expenditures by Object Or Purpose

	FY 2020	FY 2021	2019-21	2021-23	2023-25
FTE Staff Years	0.2	0.4	0.3	0.2	0.1
A-Salaries and Wages	12,500	21,800	34,300	25,400	11,600
B-Employee Benefits	3,700	6,600	10,300	7,600	3,400
E-Goods and Other Services	2,200	3,700	5,900	4,100	1,800
J-Capital Outlays	1,300	2,200	3,500	800	400
Total $	$19,700	$34,300	$54,000	$37,900	$17,200

III. B - Detail: *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2020	FY 2021	2019-21	2021-23	2023-25
EMS BAND 4	119,061		0.0	0.0		
EXCISE TAX EX 3	57,948		0.1	0.1	0.1	0.1
MGMT ANALYST3	59,436		0.0	0.0		
MGMT ANALYST4	68,892		0.2	0.1	0.1	
TAX INFO SPEC 4	62,460	0.2		0.1		
TAX POLICY SP 2	70,632		0.0	0.0		
TAX POLICY SP 3	79,944		0.0	0.0		
TAX POLICY SP 4	86,064		0.0	0.0		
WMS BAND 3	101,257		0.0	0.0		
Total FTEs		0.2	0.4	0.3	0.2	0.1

III. C - Expenditures By Program (optional)

NONE

Part IV: Capital Budget Impact

NONE

None.

Part V: New Rule Making Required

Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.

Should this legislation become law, the Department will use the expedited rule-making process to amend WAC 458-20-, titled: "Hotels, motels, boarding houses, rooming houses, resorts, hostels, trailer camps, short-term rentals and similar lodging businesses". Persons affected by this rule-making would include counties and cities that impose the charge for a TPA.

LOCAL GOVERNMENT FISCAL NOTE

Department of Commerce

Bill Number: 6592 SB	**Title:** Tourism authorities

Part I: Jurisdiction-Location, type or status of political subdivision defines range of fiscal impacts.

Legislation Impacts:

[X] Cities: All cities and towns that choose to levy the TPA charge increase could have an indeterminate revenue increase.

[X] Counties: All counties that choose to levy the TPA charge increase could have an indeterminate revenue increase.

[ ] Special Districts:

[ ] Specific jurisdictions only:

[ ] Variance occurs due to:

Part II: Estimates

[ ] No fiscal impacts.

[ ] Expenditures represent one-time costs:

[ ] Legislation provides local option:

[X] Key variables cannot be estimated with certainty at this time: Number of counties, cities and towns that would choose to increase TPA charges; how many TPAs would be created if the 40,000 population requirement was eliminated;

Estimated revenue impacts to:

Non-zero but indeterminate cost and/or savings. Please see discussion.

Estimated expenditure impacts to:

None

Part III: Preparation and Approval

Fiscal Note Analyst: Ellen Hatleberg	Phone: 360-725-3086	Date: 01/30/2020
Leg. Committee Contact: Clinton McCarthy	Phone: 360-786-7319	Date: 01/23/2020
Agency Approval: Alice Zillah	Phone: 360-725-5035	Date: 01/30/2020
OFM Review: Ramona Nabors	Phone: (360) 902-0547	Date: 02/03/2020

Part IV: Analysis

A. SUMMARY OF BILL

Provide a clear, succinct description of the bill with an emphasis on how it impacts local government.

SECTION 1 amends RCW 35.101.010 (Tourism Promotion Areas - Definitions) the definition of a legislative authority of any counties, cities and towns (including unclassified cities or towns operating under special charters) to remove the requirement of a minimum population of 40,000 to participate. A tourist is also defined as a person that travels to a place 50 miles away or more by driving from their place of residence or business.

SECTION 2 amends RCW 35.101.050 (TPAs: Lodging charge—Limitations) the tourism promotion area (TPA) lodging charge maximum for lodging business located in the area to have an allowable rate limit of $5.00 per night of stay instead of the previous $2.00 limit.

SECTION 3 amends RCW 35.101.130 (TPAs: Legislative authority has sole discretion concerning use for tourism promotion—Contracts for operation of area) to require that revenue from the charge must be used to promote tourism that increases the number of tourists to the area. It also allows lodging businesses to petition the legislative authority to remove the charge if they believe that the charges are not increasing the actual number of tourists to the area (not leading to a significant increase in revenue). The legislative authority must within 30 days, remove the charge if a petition is signed by all the lodging businesses within the area and consider removal if a petition is signed by a majority of these businesses.

B. SUMMARY OF EXPENDITURE IMPACTS

Briefly describe and quantify the expenditure impacts of the legislation on local governments, identifying the expenditure provisions by section number, and when appropriate, the detail of expenditures. Delineate between city, county and special district impacts.

This legislation would result in no expenditure impacts for local governments, because they have the option to choose to participate.

C. SUMMARY OF REVENUE IMPACTS

Briefly describe and quantify the revenue impacts of the legislation on local governments, identifying the revenue provisions by section number, and when appropriate, the detail of revenue sources. Delineate between city, county and special district impacts.

This legislation would result in an indeterminate revenue increase for local governments that choose to levy the TPA charge increase. The number of counties, cities and towns that would choose to increase TPA charges are unknown. Also unknown is how many TPAs would be created if the 40,000 population requirement was eliminated. However, these factors combined could lead to significant increases in revenue for counties, cities and towns.

The Department of Revenue's Lodging Information Rates and Changes for January 1 through March 31, 2020, identifies that there are currently nine TPAs with 60 participating municipalities. Of these 60, 45% charge the current maximum rate of $2.00, 30% charge $1.00, and 22% charge $0.50. According to estimates by Dean Runyan Associates, in 2018 TPAs brought in a revenue of $14.6 million.

Snohomish and Spokane Counties both anticipate that the option to increase TPA charges will lead to increased TPA charges and revenue increases in future years.
For illustrative purposes, in 2019 Spokane County brought in and estimated $2,996,993 of revenue from TPA charges. It is projected that fee increases if in future years, the charge is increased to $3.00, it is estimated to bring in

A TPA charge of $3.00 could lead to an annual increase of approximately $1,498,497 in revenue.
A TPA charge of $4.00 could lead to an annual increase of approximately $2,996,993 in revenue.
A TPA charge of $5.00 could lead to an annual increase of approximately $4,495,490 in revenue.

SOURCES:
Dean Runyan Associates, Washington State Travel Impacts & Visitor Volume 2010 - 2018p, May 2019,
http://www.deanrunyan.com/doc_library/WAStImp.pdf
Washington State Department of Revenue
Washington State Department of Revenue's Lodging Information Rates and Changes: Effective January 1 through March 31, 2020,
https://dor.wa.gov/sites/default/files/legacy/Docs/forms/ExcsTx/Lodging/LodgingFlyer_20_Q1.pdf
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