

Multiple Agency Fiscal Note Summary

Bill Number: 6592 E S SB	Title: Tourism authorities
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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
Department of Revenue	.3	54,000	54,000	.2	37,900	37,900	.1	17,200	17,200
Total \$	0.3	54,000	54,000	0.2	37,900	37,900	0.1	17,200	17,200

Estimated Capital Budget Expenditures

Agency Name	2019-21			2021-23			2023-25		
	FTEs	Bonds	Total	FTEs	Bonds	Total	FTEs	Bonds	Total
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 3/ 3/2020
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Department of Revenue Fiscal Note

Bill Number: 6592 E S SB	Title: Tourism authorities	Agency: 140-Department of Revenue
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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: Kyle Raymond	Phone: 360-786-7190	Date: 02/28/2020
Agency Preparation: Diana Tibbetts	Phone: 360-534-1520	Date: 03/02/2020
Agency Approval: Don Gutmann	Phone: 360-534-1510	Date: 03/02/2020
OFM Review: Ramona Nabors	Phone: (360) 902-0547	Date: 03/03/2020

Request # 6592-2-1

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.

Note: This fiscal note reflects language in ESSB 6592, 2020 Legislative Session.

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.
- Allows a legislative authority may impose an additional charge of up to three dollars per night of stay on the furnishing of lodging. This additional charge expires July 1, 2027.
- 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. Any legislative authority with a charge in place under as of January 1, 2020, shall not have the charge be removed.
- Requires each tourism promotion area to conduct a program review of the additional \$3 tourism promotion area charge. The review must be completed and submitted to the appropriate committees of the legislature by January 1, 2026.

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 change in state revenues.

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.

Request # 6592-2-1

- 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 E S SB

Title: Tourism authorities

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

Legislation Impacts:

☒ Cities: revenue increase for cities and towns that levy the additional TPA charge

☒ Counties: revenue increase for counties that levy the additional TPA charge

☐ Special Districts:

☐ Specific jurisdictions only:

☐ Variance occurs due to:

Part II: Estimates

☐ No fiscal impacts.

☐ Expenditures represent one-time costs:

☒ Legislation provides local option: certain jurisdictions have the option to increase TPA charges

☒ 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: Tammi Vellinga	Phone: 360-725-5038	Date: 03/02/2020
Leg. Committee Contact: Kyle Raymond	Phone: 360-786-7190	Date: 02/28/2020
Agency Approval: Allan Johnson	Phone: 360-725-5033	Date: 03/02/2020
OFM Review: Ramona Nabors	Phone: (360) 902-0547	Date: 03/03/2020

Part IV: Analysis

A. SUMMARY OF BILL

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

CHANGES FROM PRIOR BILL VERSION:

The amended bill makes the following changes to the substitute bill:

-- allows the legislative authority 12 months to remove the charge after receiving a lodging businesses charge removal petition; -- provides that the legislative authority may determine the timing of when to remove the charge so that the effective date of the expiration of the charge will not adversely impact existing contractual obligations; and
--provides that the legislative authority may not be held liable for any financial obligations, contractual obligations, or damages for removing the charge.

The changes in the substitute version do not create any new fiscal impacts to local governments.

SUMMARY OF CURRENT BILL VERSION:

-- Amends the definition of a "legislative authority" to allow a county with a population of 40,000 or less, or any city or town within the county, to form a Tourism Promotion Area (TPA).
-- Allows legislative authorities of TPAs to impose an additional charge of up to \$3 per room per night on lodging businesses located in the area.
-- Allows lodging businesses in a TPA to petition to remove charges imposed by the legislative authority.

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 bill would not impact local government expenditures.

By itself, the authority granted in this resolution has no fiscal impact. For those counties, cities, and towns choosing to levy the TPA charge increase, there could be minimal costs associated with obtaining legislative authority approval or to implement the change.

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. According to 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.

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 an estimated \$2,996,993 of revenue from TPA charges. The following increases are projected:

-- 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

Department of Revenue fiscal note

Department of Revenue website

House Bill Report, ESSB 6592, Innovation, Technology, & Economic Development Committee (2020)

Local Government fiscal note, SSB 6592 (2020)

Snohomish County

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