Luther S. Olsen
State Senator
14th District

Senate Bill 301
Testimony of Senator Luther Olsen

Senate Committee on Agriculture, Small Business, and Tourism

Thank you Chairman Moulton and Committee members for holding a hearing on Senate Bill 301. Representative Bies and I appreciate the opportunity to testify and discuss this bipartisan legislation which modifies local Room Tax.

Since 1967, towns, villages and cities have been authorized to impose a tax on establishments providing rooms or short term lodging to the public. The Room Tax is in addition to state and county sale taxes that apply to room charges and is unique in that that it only applies to one particular industry and is paid for by non-residents. These tax dollars are intended to increase transient tourism and generate paid overnight stays through tourism promotion and development.

Tourism is a substantial driver of the Wisconsin economy and represents a significant source of business sales, employment and revenue. The total tourism business sales in 2012 totaled $16.8 billion, helping sustain 184,000 jobs. With 1 in every 13 jobs in the State of Wisconsin being maintained by tourism activity, we need to continue working with these small business owners to expand this industry and create jobs.

Increased tourism supports a variety of small tourism businesses and sectors that will be positively impacted by this legislation including, but not limited to- lodging, restaurants, retail, grocery, gas stations, car rental, taxi service, museum/attractions, recreation, travel agents, and more.

Under state law, municipalities may impose a Room Tax that generally may not exceed 8 percent. The levied revenue must generally be divided by a 70-30 split. 70% must be spent on "tourism promotion and development" while the remaining 30% may be retained by the municipality to be used as it sees fit.

Senate Bill 301 aims to prioritize job creation, bring further accountability and transparency to the use of Room Tax revenue, ensure compliance with current law, while also retaining significant local control.

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This legislation preserves municipal control over their choice of a Tourism Commission or entity, oversight over Tourism Promotion and Development expenditures, appointments to the Tourism Commission, determination of how the amount that the municipality can retain is spent, and gives local resident business owners a venue for discussion.

A few key highlights of Senate Bill 301 are:

- This legislation requires municipalities to annually to certify and report to the Department of Revenue (DOR) the amount of room tax revenue collected, and the room tax rate imposed and expenditures.
- The bills make changes to the composition of the Tourism commission so that owners and operators of restaurants, tourist attractions or lodging facilities have proper representation on the board.
- Assembly Bill 385 and Senate Bill 301 allow a tourism entity or tourism organization to file a written complaint with a municipality if room tax revenue is being spent out of compliance with Wisconsin Statute. Furthermore, the bills create an optional opportunity for due process through voluntary mediation instead of immediate litigation.
- The legislation phases out an exception so that a municipality that retains more than 30 percent of the room tax must reduce the amount that it retains to no more than 30 percent.
- These bills allow lodging properties to retain 3% of room tax revenue collected to cover processing costs, but does not encompass sales or other taxes.

This legislation is evidence of years of working with stakeholders to resolve issues. However, Representative Bies and I understand that are sometimes unintended consequences and continue to be interested and willing to work with interested parties to address concerns in an amendment.

Once again, thank you for your time today and the opportunity to testify in favor of Senate Bill 301.

SB 301 / AB 385

Wisconsin

2013-14 ROOM TAX REFORM

proposal

INTENT OF A "ROOM TAX":

To generate a separate source of revenue from overnight travelers to help offset the costs of marketing, service and development to continually attract overnight travelers to the area. This "perpetual funding" model, when used properly, continually attracts overnight visitors to spend money in the community, generating more room tax revenue.

BRIEF OVERVIEW OF STATE ROOM TAX STATUTE

Initially established in 1967, with modifications passed in 1994, and again in 2006, Wisconsin Statute 66.0615 authorizes municipalities to impose a local room tax on paid overnight stays at lodging properties, with numerous conditions, including:

- An **8 %** cap, with limited exceptions
- A requirement that the municipality may not retain more than **30 %** of the revenue, with limited exceptions
- A requirement, with limited exceptions, that **70 %** or more of the revenue must be spent on "**tourism promotion and development**" **(TPD)** as defined in the statute, with each expenditure required to be reasonably likely to generate paid overnight stays in multiple lodging properties in the taxed area, and significantly used by transient tourists.

Local Room Tax is imposed on lodging guests <u>in addition to</u> state sales tax, plus applicable county and special district taxes. Thus the total tax on overnight stays paid by lodging guests in areas imposing a room tax can range from a **low of 7 %** up to a current **high of 15.1 %.**

CURRENT CHALLENGES IN WISCONSIN

- In many areas, the room tax revenue paid by overnight guests at lodging properties is being used instead to **subsidize municipal services for local residents.**
- There is currently **no oversight of or accountability for** the state-authorized local room tax to ensure the state statute is being followed. Real transparency on what happens with room tax revenue is hard to find, as evidenced by recent studies. Non-residents, who have no voice or representation in the community, pay this unique tax.
- In addition to the basic administration costs of collecting a unique tax on their guests, lodging properties currently must also absorb the direct out-of-pocket costs of credit card processing fees on room tax, as more than 95% of lodging guests in our state pay by credit card. With more than $65 million collected in Room Tax annually around the state, **this alone costs lodging properties more than $1.5 million in out-of-pocket processing costs** each year.
- Some communities have **limited tourism industry representation** in overseeing Room Tax revenue expenditures that are required to go to "tourism promotion and development". Having a lack of tourism experience at the table can significantly reduce a positive return on investment in growing local tourism.
- The portion of room tax revenue designated for "tourism promotion and development" is required by law to fund marketing or projects "significantly used by transient tourists" and "reasonably likely to generate paid overnight stays at more than one establishment collecting the tax". Some areas instead spend this portion on **activities utilized primarily by local or neighboring residents**. According to the Wisconsin Department of Tourism, overnight guests spend an average of $180/day, which is more valuable to the community than day visitors who average $52/day. There is no current statutory guidance on what can be done if the tax revenue is allocated or used improperly.

SOLUTIONS - To grow local tourism as originally intended, the following is proposed in **SB 301** (by Sen. Luther Olsen) & **AB 385** (by Rep. Garey Bies):

I. Create Transparency

Starting in 2015, each municipality imposing a Room Tax would be required to submit an **annual room tax report** on the allocations and use of room tax in the previous year to the Department of Revenue (DOR), with an incentive included to ensure timely submission. These reports will be available to the public, to improve transparency and accountability that does not currently exist.

II. Protect Tourism Promotion and Development Allocations

Provide a structure for local control that will ensure that this tax on tourists is primarily allocated and utilized for growing local tourism, as originally intended.

- Enable a **locally appointed tourism commission or eligible tourism entity**, with appropriate local tourism industry representation, to ensure the revenue designated for tourism promotion and development is used in compliance with the law.
- Require that **at least 70%** of all submitted room tax revenue be allocated to tourism promotion and tourism development, allowing 6 years for municipalities currently keeping more than 30% for their own purposes, to come into compliance with other areas in the state. *Note: Amendment 2 adds a cap of 5% on lessening the amount the municipality keeps each year until they reach 30%. With the projected growth in room tax income exceeding 5%, this results in a Zero Net Change to their budget..*
- Create a **fair and accountable process for statutory compliance complaints** that encourages an objective approach to resolution that could avoid costly litigation.
- **Amendments 1 and 2** also provide protection for municipal convention center debt obligations and existing municipal contracts funded by room tax revenue to ensure financial continuity.

III. Remove Direct Costs Borne by Only One Industry Collecting Room Tax

Offset part of the direct costs **paid only by the lodging industry** in collecting a room tax that benefits a range of local tourism businesses, along with the municipality.

- A lodging property collecting a local Room Tax would **retain 3% of the total room tax they collected,** prior to submission to the municipality, to cover average credit card processing fees just on the room tax portion. The percentage may be higher for municipalities with existing authorizations. The percentage would not include sales tax collections.
- To ensure the **remission of room tax revenue in a timely manner**, only lodging properties submitting their room tax collections by the municipality-set deadline would be eligible.

*Example: On a $100 room with a 6% local room tax, the room tax would be $6 and the amount retained by the property to offset card fees would be **$0.18**. Sales and other taxes are not impacted.*

For a *Wisconsin Room Tax Primer* and other Room Tax resources, visit www.WisconsinLodging.org/roomtax

February 3, 2014

the following organizations support this proposal:

Wisconsin Hotel & Lodging Association
Wisconsin Association of Convention & Visitor Bureaus
Wisconsin Bed & Breakfast Association
Golf Course Owners of Wisconsin
Tourism Federation of Wisconsin
Wisconsin Restaurant Association
Association of Wisconsin Tourist Attractions
Wisconsin ATV/UTV Association

for more information, contact:

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AB 385 & SB 301 Room Tax Reform

AMENDMENT 1 Changes

Proposed Change	Why Made
1. Change the date protecting convention center debt service entered into from January 1, 2005 to January 1, 2015.	Some municipalities that pay their current convention center debt obligations with room tax revenue, along with at least one planning new bonding for convention center construction/renovation, wanted to be sure that their debt service would be able to be funded by room tax revenue under this bill. The extension offers this protection.
2. Specify that refinanced municipal convention center debt service funded by room tax revenue is also protected, however with the clarification that only the funding continuing to pay the debt for construction would be covered.	At least one municipality has refinanced their remaining convention center debt and expressed a concern that they want specific protection enabling the continuation of room tax funding of the refinanced debt. This language does that, however, to ensure that this does not open the door to refinancing with revenues being used for other than the original construction debt, the language makes the intent clear.
3. Add clarification that the municipally owned convention center debt service must be paid first by the municipality before the split between what the municipality retains for their own purposes and what must go to tourism promotion & development occurs.	In comments submitted last session, the City of Madison expressed a concern that the language does not clarify how debt service is to be paid, creating too much uncertainty. The amendment provides clarification that the convention center debt service payments are paid first, before the remaining funds are distributed for tourism promotion and development to a tourism commission or entity. This also allows the municipality to retain it's local control of these obligations, something the municipalities expressed a concern with on numerous occasions.
Add clarification that the Annual Reports submitted by the municipality to the DOR would be due May 1 of each year.	The DOR suggested to set the date statutorily and to parallel other reports from municipalities to the DOR. This also allows time for the previous calendar year and reports to be compiled.
Add clarification that the Annual Reports by the municipality will be due beginning in 2015	The DOR suggested 2015 so that municipalities would have time to prepare processes needed to compile and submit reports.
Establish a delayed effective date of January 1, 2015 for certain specified components of the bill that will need some time to create processes and accommodate budget planning, while letting other more simple components to still go into effect upon signing the bill into law.	Similar to the reasoning above, municipalities, commissions, and tourism entities will need some time to make budgetary changes, and incorporate leadership changes to meet the new requirements. This would allow at least 9 months from the date of passage. *Wisconsin Hotel & Lodging Association 2/3/14TAP*

AB 385 & SB 301 – Room Tax Reform

AMENDMENT 2 Changes

Proposed Change	*Why Made*
1. **Add a 5% Cap on the Annual Reduction in Room Tax Revenue Retained by Municipalities** • Applies to municipalities currently retaining more than 30% of Room Tax Revenue, due to the 1994 Grandfather Clause • The most a municipality would need to reduce their budget each successive year until they reach the 30% maximum they can keep from Room Tax revenue, would be 5% • Example: *A municipality currently retains 100% of the Room Tax revenue each year. Current bill language requires the municipality to reduce this percentage over 6 years to the 30% allowed (a 70% reduction over 6 years = 11.6% less annually). The 5% cap allows a lesser annual reduction that would take 14 years instead of 6 years to complete.*	• Some municipalities have complained that under the bill the amount of reduction in their budget is unreasonable for them to accommodate, resulting in forced major service budget cuts. • The amendment considerably expands the potential number of years for municipalities to achieve the 30% maximum retention of Room Tax revenue (from 6 years to up to 14 years), which should help considerably in budgetary planning and a minimization of impact. • Predictions from the top three lodging industry research firms show an **increase in lodging occupancy in 2014 ranging from 4.6% to 5.2%.** In addition, these experts are predicting an **increase in "Average Daily Rates" of 1.2% - 1.9%.** This equals a more than 5% increase in Room Tax revenue, which would more than offset the 5% reduction, equating to a zero net loss to the municipalities, and possibly even a modest net gain.
2. **Protection of Existing Municipal Contracts Funded by Room Tax Revenue.** • Municipalities with contracts in place as of January 1, 2013 for the use of Room Tax revenue for other than Tourism Promotion & Development would be authorized to continue to honor the contract funding commitments until the contract expires, is renewed, or is modified. The municipality must come into compliance by the first day of the second quarter following this date, with no further exceptions. • Example: *A municipality previously contracted for general economic development services funded by Room Tax revenue, with 8 years remaining to the agreement. Regardless if this contract is compliant with the current statute 66.0615 or the version revised with this legislation, they can honor their commitment for the remaining years. However, once it expires or changes, the municipality must be compliant with the new statute in less than 6 months.*	• Some municipalities have a situation such as described in the Example, and have expressed concern over what would happen to their current agreements, as it may not be in compliance with the current or revised statute. • The amendment authorizes continuation of the existing agreement, regardless of current compliance or compliance with funding changes under this legislation, however just for the original duration of the agreement. *Wisconsin Hotel & Lodging Association* *1/28/14TAP*

STATE REPRESENTATIVE
Garey Bies
1ST ASSEMBLY DISTRICT

Testimony of Representative Garey Bies
Senate Committee on Agriculture, Small Business and Tourism

Senate Bill 301 – Room Tax Modifications

Chairman Moulton, Committee members. Thank you for the opportunity to submit testimony on Senate Bill 301, relating to modifications of the local room tax.

Tourism is a vital component of Wisconsin's economy. In my district, tourism is the backbone of our local economy as we draw thousands of visitors from all over the country and from overseas. Studies show that tourism in Wisconsin generates $18.8 billion in economic impact and supports more than 184,000 jobs. It goes without saying that a thriving tourism and hospitality industry has a profound impact on job growth in Wisconsin.

Tourism provides a major influx of revenue to both our local businesses and to the Government – state and local. Tourism spending generates millions of sales tax dollars for state and local governments and other special taxes are available to capitalize on tourism dollars as well, including the room tax. The room tax is unique in that it only applies to one particular industry and is paid for by non-residents.

Under state law, the room tax is levied by a municipality and the revenue is to be divided with 70% to be spent on "tourism promotion and development" with the remaining 30% to be retained by the municipality to be used for any purpose. Several communities across the state, including Wisconsin Dells, allocate more than the required 70% because they understand that the investment in tourism promotion and development pays dividends and their entire community benefits.

The goal of this proposal is to ensure compliance with current law and provide better transparency on how the tax revenue is being spent. SB 301 makes the following changes to the room tax law:

- Requires municipalities imposing a room tax to file a report with the Department of Revenue detailing room tax revenue and expenditures.
- Allows a lodging property that submits revenues on time to retain 3% of the room tax collected to cover their costs in administering the tax.
- Provides greater representation from the tourism industry on the local Tourism Entity and/or commission

First for Wisconsin!

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- Phases out the exception for some municipalities to retain more than 30% of the room tax revenue.
- Establishes a process for handling complaints, including voluntary independent mediation

The Assembly Committee on Tourism held a public hearing on the bill in October. Since that time, we've held several meetings to address the concerns that were raised at the hearing. As a result of those meetings, we've introduced two amendments to the bill.

The biggest change would allow municipalities that currently retain more than the 30% to cap the annual reduction at 5% per year until they've met the 30% requirement. For instance, a city that retains 80% for its own use could take 10 years to comply.

Other changes include:

- Changes the date related to Convention Center Debt service to ensure that current debt obligations could continue to be funded by room tax revenue
- Clarifies that when construction debt service funded by room tax revenue is refinanced it would be protected and could continue to be paid for from room tax revenue
- Clarifies that convention center debt services are paid first, BEFORE the remaining funds are distributed for tourism promotion and development
- Protects existing contracts that municipalities have for tourism promotion and development. Once those contracts expire or they're modified, the municipality would have to comply with the requirements in this bill.

I understand that municipalities across our state face budget-deficit concerns, however filling those holes with room tax revenue isn't the answer. Less tourism promotion during difficult economic times will have a devastating domino effect. Fewer Wisconsin vacations means less spending, increased job loss, and less tax revenue for local and state governments.

Strengthening the language in state law to prevent improper use of room tax revenue, ensures that the revenue collected from tourists is utilized for Tourism Promotion and Development and helps sustain a healthy tourism industry.

Once again thank you for the opportunity to testify on Senate Bill 301 and I will be happy to answer any questions you may have.

SB 301 / AB 385

Wisconsin 2013-14 ROOM TAX REFORM proposal

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- Some communities have **limited tourism industry representation** in overseeing Room Tax revenue expenditures that are required to go to "tourism promotion and development". Having a lack of tourism experience at the table can significantly reduce a positive return on investment in growing local tourism.
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February 3, 2014

the following organizations support this proposal:

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Wisconsin Association of Convention & Visitor Bureaus
Wisconsin Bed & Breakfast Association
Golf Course Owners of Wisconsin
Tourism Federation of Wisconsin
Wisconsin Restaurant Association
Association of Wisconsin Tourist Attractions
Wisconsin ATV/UTV Association

for more information, contact:

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WH&LA
Wisconsin Hotel & Lodging Association

formerly the Wisconsin Innkeepers Association

Serving the lodging industry for more than 100 years

February 12, 2014

To: Senate Committee on Agriculture, Small Business, and Tourism
Senator Terry Moulton, Chairman
From: Trisha A. Pugal, CAE
President, CEO
RE: **Request for Support of SB 301 on Room Tax Reform**

The State of Wisconsin gave the authority for a municipality to impose a local Room Tax on paid overnight stays at lodging properties back in 1967. The concept was to provide an option for the funding of tourism marketing and such tourist services as visitors guides, tourist information phones, etc. so that the municipality did not have to fund these costs entirely on their own.

In 1994 the Room Tax Statute was amended to require at least 70% to go to tourism promotion and development, with some exceptions included to gain passage.

Around 2004, there were problems with municipalities using too broad of an interpretation of what tourism promotion and development was, so the statute was amended again in 2006 to include a definition to provide more specific guidance.

The definition of Tourism Promotion and Development allows for marketing projects, tourist informational services, and tangible municipal development (such as a convention center), <u>however,</u> to be eligible for funding, any of these must be:

- Significantly used by transient tourists AND
- Reasonably likely to generate paid overnight stays in multiple properties collecting the tax

In 2014 we continue to have problems around the state with Room Tax. Instead of being viewed as a resource to grow local tourism, Room Tax revenue is being viewed by some as a source to fill gaps in municipal budgets.

Challenges include:

- Information on local Room Tax is difficult to come by.
- Parts of the definition of Tourism promotion and development are being ignored
- In more than 40 communities, the municipalities still, <u>after 20 years,</u> keep more than 30% for their own use (some even keep 100% of it!)

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- The core purpose of growing local tourism is going by the wayside as a missed opportunity for thousands of small and larger local tourism businesses in areas around the state.

We are here today to ask your help in supporting further reform to the Room Tax Statute, primarily because the promises we heard years ago that the previous changes would fix the problems, did not work out.

We have witnessed grandfathered communities that keep all or most of the Room Tax revenue, who have more than doubled their annual revenue from room tax, while doing little or nothing to help promote tourism. After 20 years, it is now time to make changes to ensure that this tax on the guests of our local lodging properties – not on the municipality's residents – is more prominently used for the growth of local tourism.

Late last session a similar bill was introduced in the Assembly with numerous proposed revisions to the Room Tax Statute, and a hearing was held with vocal opposition from municipalities.

Leaders from the tourism industry invited leaders from the League of Municipalities on two occasions to meet and discuss their concerns, to see if there were changes that could make the proposal reasonable to all.

We listened, and crafted changes with the bill sponsors to address the input from the municipalities, with considerable concessions from the tourism industry.

SB 301 includes these compromises, focusing on two of the primary concerns voiced by the municipality representatives:

- The municipalities currently keeping over 30% for their own use will have difficulty reducing their retaining's to this level in just 3 years. ***The bill doubles the number of years to come into compliance (from 3 to 6 years).***
- The municipalities did not like the last bill's ability to litigate should a municipality not be in compliance with the statute (as the statute does not offer a penalty for non-compliance). ***This bill creates a complaint process that is less adversarial and offers an opportunity to remedy the complaint up front, with an option to use an outside mediator instead of rushing into litigation.***

In addition, after hearing concerns over the late remittance of Room Tax from some lodging properties, **this bill includes an incentive for properties to remit room taxes by a date set by the municipality.**

SB 301's companion bill in the Assembly had a hearing in October where the municipalities expressed further concerns. Once again the tourism industry listened, and went back to the drawing board with the bill sponsors. Two Amendments were introduced to address more concerns.

Amendment 1 addresses concerns questioning the protection of debt obligations for municipal convention centers, concerns how the debt payments would work with the allocations of room tax, and recommendations from the DOR on the timing of implementation:

- **Existing debt obligations** for municipal convention centers paid from room tax are now **protected.**
- The **municipality will remit the debt obligation payments**, retaining full control and oversight for these obligations. The municipality then retains it's own portion of the remaining revenue, with the balance going to tourism promotion & development
- DOR's timing recommendations for reporting were included, along with more time for other components for a smoother transition

Amendment 2 addresses more municipal concerns involving additional major compromises from the tourism industry:

- Municipalities retaining significantly more than 30% felt that the extended 6 years to reduce their retaining's of room tax to 30% was still not sufficient. This amendment puts a cap of 5% on the reduction each year – which in the case of those now keeping 100% would provide them **14 years** to adjust. The top 3 hospitality research firms in the country are predicting a 4.6 – 5.2% increase in occupancy at lodging properties in the next year, in addition to an almost 2% increase in average daily rates. What does this mean? This means that total room tax revenue for next year should go up more than 5%, which completely offsets the reduction their budget incurs while generating more money for local tourism promotion & development – a great solution!
- Municipalities concerned over a long -term contract for services not fitting the definition of tourism promotion & development, but currently funded from room tax would have protection for the duration of their original contract.

We feel that the tourism industry has more than done our part to compromise, while staying true to the mission of growing local tourism.

Our goal is <u>not</u> to point fingers at specific areas keeping all or most of the Room Tax revenue or at those who appear to not be spending the revenue in compliance with the statute, something that could easily be done but would not be productive. Instead, we wish to **focus on fixing the process** in order to prevent future challenges.

We respectfully ask for your support of SB 301.

LEAGUE OF WISCONSIN MUNICIPALITIES

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To: Senate Committee on Agriculture, Small Business, and Tourism

From: Curt Witynski, Assistant Director, League of Wisconsin Municipalities

Date: February 12, 2014

Re: Opposition to SB 301, Room Tax Law Changes

The League of Wisconsin Municipalities strongly opposes SB 301, making changes to the room tax law that interferes with local control over a municipally authorized and imposed tax. These changes are designed strictly to benefit the lodging and tourism industry at the expense of municipal property taxpayers. The bill makes the following changes harmful to municipalities:

1. Eliminates municipal governing body discretion to spend room tax revenues directly on tourism promotion and development. Instead, the bill mandates that municipalities transfer the revenues designated for tourism promotion and development to an unelected tourism entity or commission for spending.
2. Eliminates the 1994 grandfather clause by requiring municipalities that retain more than 30 percent of the room tax under ordinances adopted prior to 1994 to reduce the amount retained to no more than 30 percent over a six-year or longer period. This will create a significant hole in some community's budgets, which they will not be able to fill due to strict levy limits. This is true even under the proposed amendment that caps the annual reduction at 5% a year.

Given the severe financial stress municipalities are under, it doesn't make sense to reduce a source of revenue that some municipalities use to pay convention center debt, to pay for police and fire services provided to hotels, or to pay for other municipal services necessary for the community, and therefore, tourism to thrive.

We urge you to oppose SB 301. Thanks for considering our concerns.

Office of the Mayor
Paul R. Soglin, Mayor

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February 12, 2014

To: Senate Committee on Agriculture, Small Business, and Tourism
From: Nick Zavos, Government Relations Officer
Re: Opposition to Assembly Bill 385

The City of Madison opposes Assembly Bill 385.

This bill makes substantial policy changes to current law. It is not bringing statutory language in line with the "intent" of the law. This bill proposes fundamental policy changes that have substantial financial impacts on local property owners.

In Madison, this bill could be devastating for the Monona Terrace. Since its construction, the Monona Terrace has been a generator of the room tax. In 2012, the Terrace generated almost 50,000 room nights on conventions and conferences, and generated over 60% of the total group room nights booked in the City of Madison.

More than room tax, the Terrace has been a true catalyst for economic development. Before the construction of the Terrace, the capitol square was 50% vacant. Since 1995, Downtown property values have increased 2.5 times as fast as the rest of the city. Currently, the city is moving forward with its largest-ever redevelopment project. The motivation for this project is ensuring that the Terrace has enough hotel rooms to remain the vibrant and successful destination it is today.

Monona Terrace was constructed using city, county and state funding, and is governed by a board that reflects those financial commitments - appointments are made by the city, the county and the governor. The operating expenses of the Terrace are funded through a combination facility revenues and room tax. The city currently spends over 50% of the room tax on the Monona Terrace. This bill would remove the city's ability to make decisions about how 70% of the room tax is spent. Thus, a large portion of the funds that the Terrace relies on would be placed under the control of a separate board. Not only does this put the operations the Monona Terrace in a precarious situation, it makes long-term planning impossible.

Madison is a model for the effective use of the room tax, and has produced enviable results. AB 385 would place this success at risk. Given the important role the Terrace plays in promoting tourism and economic development, and given the commitment the state, county and city have made to the facilities' success, we urge you not to support AB 385.

Thank you for your consideration.

WAUPACA
AREA CHAMBER OF COMMERCE

A Great Place to Be

February 12, 2014

Chairman Moulton and Committee Members
Senate Committee on Agriculture, Small Business and Tourism
Wisconsin State Legislature

Dear Senator:

The Waupaca Area Chamber of Commerce supports room tax reform to direct room tax collections for their intended purpose of tourism promotion and tourism development.

As the recognized tourism entity for the Waupaca area, we rely on room tax distributions from the City of Waupaca for promoting our area. In 2012, the economic impact of tourism in Waupaca County totaled \$79.1 million, generated \$9.7 million in state and local taxes and supported 1,266 jobs. This represents a major segment of our local economy which is necessary to maintain a vibrant and healthy community for our residents.

The Waupaca area, known best for our Chain O' Lakes, relies on the tradition of families visiting from the Milwaukee and Chicago markets that make us a destination for their family summer vacations. As family traditions evolve and competition increases within tourism destinations, funding for promoting the Waupaca area as a destination is imperative to attract visitors. Room tax distributions, partnered with the investment of local businesses, are essential to make this promotion possible.

We support proposed room tax reform to ensure appropriate oversight, accountability and distribution for use of room tax collections. It seems logical that those with the greatest knowledge of travel and visitor motivations should be involved in the direction of room tax collections and that in cases where the proper use of funds is in question an opportunity for mediation be available.

While our organization enjoys a strong relationship with the City of Waupaca with a history of working cooperatively with our municipal leaders, we believe that the changes to room tax legislation will help to provide some clarity to the intention of room tax collections and their distribution. In 2012 and 2013, the City of Waupaca withheld \$20,000 of annual room tax collections from the Waupaca Area Chamber of Commerce for general budget purposes. Our greatest concern is that this re-distribution of funds could continue in future years severely impacting our ability to market the area.

Sincerely,

Terri Schulz
President

Jeff Anderson
Tourism Director

221 S. Main Street
Waupaca, WI 54981-1522
Ph. 715-258-7343
Fax 715-258-7868
Toll Free 888-417-4040
E-Mail DiscoverWaupaca@WaupacaAreaChamber.com

CITY OF LAKE GENEVA

626 GENEVA STREET
LAKE GENEVA, WISCONSIN 53147
(262) 249-4098 • Fax (262) 248-4715
www.cityoflakegeneva.com

DENNIS E. JORDAN
CITY ADMINISTRATOR

February 12, 2014

To: Committee on Agriculture, Small Business and Tourism
Honorable Terry Moulton, Chair

Senate Bill 301 – Changes to Local Room Tax

Dear Chairman Moulton and Members of the Committee on Tourism, Small Business and Tourism:

Many cities collect a room tax, but many of them are completely different from one another. Lake Geneva is a city that is first and foremost a tourist attraction. The lake is a tourist magnet. The City and local merchants have spent millions of dollars in the past 15 years to make the community an added attraction to the lake. The City has utilized capital project funds, general funds and TIF in the downtown area to eliminate blight, improve traffic flow and make significant improvements in infrastructure. Once the City invested in improving the infrastructure and improve the traffic flow, the commercial community responded by significantly upgrading their properties. That is shown by the increased assessments generated in the downtown commercial area.

As a main tourist attraction, Lake Geneva is affected a great deal differently than other communities of the same size and area. The City has a year round population of 7,500. There is a summer population of 25,000 to 30,000, and a shoulder season population of 12,000 to 15,000. The City has to provide many more services than a normal city. As an example, the City of Burlington has a population of 10,500 and has 21 full time sworn officers. Elkhorn has a population of 10,084 and has 15 sworn police officers. Lake Geneva has a population of 7,500 and has 22 full time sworn officers and 14 part-time officers. Because aesthetics are primary to a tourist city, the City of Lake Geneva sweeps the downtown commercial area at least 4 days a week. Street Department personnel pick up garbage from the City parks on Saturdays and Sundays in addition to their weekly runs. Last July Fourth weekend, the City crews picked up over 7 tons of garbage from containers in the downtown area and City Parks. These services are all necessary because of the impact of the tourists to our City.

After reading the proposed Bill, it is evident that one of the main components of this bill is to make those communities that passed a room tax before 1994, to give 70% of the room taxes collected to tourism and convention bureaus. Since the City of Lake Geneva passed a room tax in 1992, it has placed the money in the City's General Fund. The City does make a contribution of $100,000 to the Chamber of Commerce annually. The City also provides a lakefront location and building for the Chamber at a cost of $1 per year. The Convention and Visitors Bu eau is an adjunct of the Chamber of Commerce. The City has continually invested general fund monies to improve infrastructure and provide amenities for tourists. For 19 years the room tax has been a part of the City's budget. Now, with a Levy Cap in place, it would be very difficult for the City to replace the approximately $360,000 this legislation would carve from the City's budget. Is the Tourism Bureau or Chamber of Commerce going to pay for police protection, street department services or traffic improvements? I think not. If the City was abusing the funds for spurious projects, that is one thing. However, the City of Lake Geneva can demonstrate that the funds received have been put to use in support of the tourism and lodging industry in the City and beyond.

The consequences of losing room tax revenue will be staff reduction and reduced services. It is the City of Lake Geneva's position that tourists visit communities they feel are safe, clean and provide necessary services. The Common Council has been very conscious of the taxes local residents pay and would rather raise funds from visitors than the local populace. The Room Tax helps to fund the services that the tourists expect and need.

The City of Lake Geneva respectfully requests that the legislation not be punitive to those communities that provide services to the tourism industry.

We strongly urge opposition to SB301 and any other proposed changes to the law that would further erode local control of room tax dollars.

Thank you for the opportunity to address the Committee and for your consideration of this testimony.

Dennis E. Jordan

Dennis E. Jordan
City Administrator

City of Bayfield

Office of the Clerk and Mayor

125 South First Street - P.O. Box 1170

Bayfield, Wisconsin 54814

Phone (715) 779-5712

cityclerk@cityofbayfield.com

Bayfield Chamber & Visitor Bureau & the City of Bayfield Oppose SB301 and AB385

DATE: February 11, 2014

TO: Senator Terry Moulton (Chair), Senate Committee on Agriculture, Small Business & Tourism

FROM: Larry J. MacDonald, Mayor

RE: Bayfield Chamber and Visitor Bureau and the City of Bayfield oppose SB301 & AB385

The City of Bayfield has continuously expressed its serious concern about the harmful effect of the proposed Room Tax Bill SB301 and AB385 to many of our State Legislators, our taxpayers and residents.

The **Bayfield WI Chamber & Visitor Bureau has passed a resolution opposing SB301 and AB385** (attached for reference). You will see their concerns echo many of ours and include:

1. The Contract between the City of Bayfield and the Bayfield Chamber of Commerce and Visitor Bureau is based on current state statute and <u>has worked well over the years</u> for both parties.

2. The City of Bayfield already operates on a lean and sustainable government operation and the <u>loss in revenue to the City means a very real reduction of tourism related services</u> currently provided; including reducing or eliminating their commercial trash/recycling program, restroom maintenance and police coverage.

3. The <u>reduction in service will likely impact the visitor's experience in a negative way</u>. This will impact tourism in Bayfield indefinitely. With the use of social media as a tool to voice a concern about a traveler's experience this becomes a very real threat to tourism in Bayfield, which we have worked so hard over the past 30 years to cultivate into this community's economic mainstay.

Please do not pass SB301 or AB385.

Resolution
by the
Bayfield Chamber of Commerce and
Visitor Bureau

We are opposed to AB 385/SB 301 concerning changes in room tax statutes as proposed because it will cause severe financial impacts to the residents and business community in the City of Bayfield.

Whereas, the City of Bayfield and the Bayfield Chamber and Visitor Bureau (Bayfield Chamber) have a positive and strong relationship that has lasted for decades; and

Whereas, the Bayfield community relies on tourism as its economic backbone; and

Whereas, AB 385/SB 301 negates pre-1994 agreements, regarding the percentage of room tax, that were made in full compliance with WI state statues. Currently the Bayfield Chamber receives 51.62% and the City receives 48.32% of all room tax collected; and

Whereas, in Bayfield the effect of this proposed change will cause a reduction of tourism services currently provided by the City. Public restroom maintenance, operation of public spaces and additional but necessary police coverage will all suffer from reduced or eliminated budgets; and

Whereas, the reduction or elimination of tourism related services will surely affect the visitor experience and potentially reduce the amount of tourism in Bayfield; and

Whereas, local residents should not be asked to pay for these services that have no direct benefit to them. The proposed legislation would require the City to raise the tax levy by more than 8% just to maintain the current level of service for visitors. However, current law will not allow an increase like this to the City's levy unless done by referendum, which is not likely to pass because for many there is no direct benefit.

Now Therefore Be It Resolved, we ask that AB 385/ SB 301 be rejected in its current form so that each community may make the best decision for their constituents, although we can support the reporting and mediation changes requested.

Be It Further Resolved, we understand tourism and tourism promotion in Bayfield. We feel we can continue to serve our residents, businesses and visitors within the room tax rate structure that is currently in place. Our tourism community functions extremely well under current statutes and we feel there is no need to change the room tax statutes. Please respect the needs of the Bayfield community and allow us to continue successfully serving all interested parties in the best manner possible utilizing the existing room tax rules.

Signed this 8th day of January, 2014.

Bayfield Chamber of Commerce and Visitor Bureau:

Nancy Sandstrom

Nancy Sandstrom, President

David M Eades, Executive Director

CITY OF BROOKFIELD

MAYOR
Steven V. Ponto

2000 North Calhoun Road
Brookfield, Wisconsin 53005-0595
262/787-3525
ponto@ci.brookfield.wi.us

February 2014

City of Brookfield concerns regarding SB 301/AB 385

The City opposed the versions of these bills when introduced in the last legislative session, and continues to oppose them today for the same reasons, as follows.

Supporters of these bills in the last session asserted that the post-1994 requirement to spend a minimum of 70% of room tax collections on tourism promotion and development, with expenditures deemed likely to generate paid overnight stays in lodging facilities, means that the tourism promotion dollars are intended to solely benefit lodging facilities – we would assert otherwise that tourism is not solely "heads in beds", but dollars should be used to promote restaurants, attractions, and other facilities serving visitors, including businesses who are welcoming customers, salespeople, etc.

In addition, since the date when the initial room tax statute was created (1967), communities have made decisions regarding the appropriateness of allowing hotels and motels to be constructed within their community. Part of the analysis in approving these facilities included a fiscal analysis of the impacts that such facilities would have on the cost of the delivery of services to the community. These communities found the financial burdens of providing services to these facilities were likely offset by the room taxes paid by these facilities. To remove the full extent of the financial offsets afforded to these communities is a "game changer" and financially irresponsible. Maybe the communities would not have approved the hotel or motel if it was learned that the financial game would be later changed.

The proposed legislation mandates the establishment of a separate entity or commission to spend tourism promotion dollars, with members of the tourism entity's governing body consisting of a majority of tourism industry providers. This should be a local decision, not a state mandate. Agencies funded under taxes should have proper oversight. For example, the majority of the Brookfield CVB board members are tourism or business community representatives, not appointed by the City or the Town of Brookfield, but the City and Town are also represented.

When the previous versions of these bills were being debated, there were assertions of misuse of room tax funds. We can only speak for Brookfield, but we believe we have always utilized room tax dollars in accordance with the law. If that is not the case in other communities, the appropriate course of action is not a wholesale change in state law, but consideration of litigation to ensure those who flaunt the law are made to comply. A law should not be created that replaces the need to exhaust other remedies. The following are some of the supposed misuses and the facts about the use of room tax dollars.

Room tax revenues used for general municipal expenses – it is only fair that all users, including transient lodging occupants, pay for the cost of providing municipal services, particularly public safety costs. That was part of the reason Brookfield initially enacted its room tax in 1978, when there were only two hotels in the City. The eight hotel properties in Brookfield generate a disproportionate number of police calls for service compared to other commercial uses. Further, the City has a significant investment in professional, full-time fire department staff and expensive equipment such as a ladder truck to be ready to respond to emergencies at multi-story lodging properties where the occupants are not familiar with their surroundings. This also includes the ability to provide emergency medical services of the highest caliber.

Funding for bike trails and parks maintenance – although Brookfield does not use room tax revenue specifically for bike trails, it is difficult to understand why using room taxes to improve and maintain amenities for a community, amenities that are often used by visitors and touted as attractions, could be characterized as a misuse. The local property taxpayer should not be bearing the sole brunt of such costs. One of Wisconsin's tourism strategies is promoting recreation.

Economic development programs are not appropriate to be funded via room taxes – again, particularly for communities with significant numbers of hotels that serve not only leisure but business travelers, room tax dollars should be used as part of the funding mix in providing municipal services, including economic development. Ensuring that a municipality has a vibrant business community, including retail, offices, manufacturers, etc. is critical to the health of all residents and businesses. After all, if demand generators such as office users were not there, the demand for the hotel rooms would be substantially less.

<u>Local fiscal problems with this bill</u>
SB 301 proposes to reduce the percentage retained by municipalities for pre-1994 room tax amounts to 30% over a three-year period. In the current fiscal and economic environment, that would create severe fiscal issues for the City of Brookfield. Based on our 2012 room tax collections, imposing the provisions of SB 301 would ultimately result in a $1 million reduction in our general fund revenues. With the property tax levy limitations continued in Wisconsin Act 20 (the state budget), Brookfield, and all other municipalities, would not be able to make up the lost room tax revenue with additional property taxes. Further, even if property tax limits were not in place, saddling the local elected officials with a choice between a significant property tax increase or reductions in service, due to an overreaching change in state law that changes the rules of the game after they have been in place for over 30 years, does not benefit the citizens of Brookfield or any municipality in Wisconsin.

In short, our tourism promotion model is not broken to require changes such as those for proposed in SB 301 – the mix of funds provided by room taxes, supplemented by advertising and promotion by businesses in the tourism and other industries provides for ample opportunity to attract leisure visitors and business travelers. Those visitors utilize municipal services like residents, and it is only fair that all users of municipal services pay such costs.

RESOLUTION NO. 8672-13
by the Council as a Whole

WHEREAS, Senate Bill 301 and Assembly Bill 385 (hereinafter the "Proposed Legislation") have been introduced in the Wisconsin Legislature, and have been referred to Senate and Assembly Committees for review, consideration and recommendation to the full body of the Legislature; and

WHEREAS, Wi s. Stat. § 66.0615 currently authorizes the City of Brookfield to collect and retain for tourism and general fund purposes a room tax levied upon all hotels located in the City; and

WHEREAS, pursuant to the provisions of Wis. Stat. § 66.0615, the 2013 City budget includes anticipated revenues from room taxes of $2,384,600, of which revenue $1,788,450 is designated for general fund purposes, with the balance of $596,150 being designated for economic development and tourism promotion, including $407,350 relative to the City's contract with the Brookfield Convention and Visitors Bureau; and

WHEREAS, the Proposed Legislation, if it had been effective for the 2013 budget year, would decrease the City's portion of the room tax revenue which is authorized to be used and retained for general fund purposes by nearly $1.1 million; and

WHEREAS, the Proposed Legislation, if adopted, would also invade the legislative authority of the Common Council b y authorizing individuals to initiate action in the Circuit Court of Waukesha County challenging the allocation and use of room tax revenues;

NOW THEREFORE, BE IT RESOLVED, that the Common Council of the City of Brookfield, Wisconsin, by enactment and adoption of this resolution, expresses its opposition to the proposed amendment of Wis. Stat. § 66.0615 as set forth in Senate Bill 301 and Assembly Bill 385, and hereby urges the Wisconsin State Legislature to reject Senate Bill 301 and Assembly Bill 385.

ADOPTED AND APPROVED ON October 1, 2013.

Renee J. Tadych
Renee J. Tadych, Deputy City Clerk

Steven V. Ponto
Steven V. Ponto, Mayor

City of Franklin
Department of Finance

February 10, 2014

Senator Moulton, Chairman, Senate Committee on Agriculture, Small Business & Tourism
Room 306 South
State Capitol
PO Box 7882
Madison, WI 53707-7882

Re: Senate Bill 301

Dear Senator Moulton

The City of Franklin enacted a Room Tax in 1986 (Ord 1986-911). The residents have used those revenues since that time to provide for the services to the community as is determined reasonable and necessary by the local community and the people who live here.

Senate Bill 301 would remove local control over motel and hotel room tax use and impose required purposing of that resource by the legislature, regardless of the needs seen by our community.

The Franklin Common Council adopted resolution 2013-6919 (copy attached) opposing this bill and directing the City Clerk to send a copy to Governor Walker, Senate President Ellis and Assembly Speaker Vos. This opposition is necessary to protect and promote the health, safety and welfare of the City of Franklin, and the freedom of the Citizens of the City of Franklin to determine their own public needs and goals.

Sincerely,

Thomas M. Taylor

Thomas M Taylor, Mayor

9229 West Loomis Road, Franklin, Wisconsin 53132-9728 (414) 425-7500 Fax: (414) 427-7527

STATE OF WISCONSIN CITY OF FRANKLIN MILWAUKEE COUNTY

RESOLUTION NO. 2013-6919

A RESOLUTION IN OPPOSITION TO SENATE BILL 301 AND ASSEMBLY BILL 385 MANDATING THE EXPENDITURE OF ROOM TAX REVENUES ESSENTIALLY FOR ONLY TOURISM PROMOTION AND DEVELOPMENT

WHEREAS, the current 1,852 local governments in the State of Wisconsin in recent times have been required by the State of Wisconsin to provide the services necessary for their residents under "levy limits" and the like, having to annually budget for services in their communities, following numerous public meetings and substantial resident citizen and local elected official and local government staff time spent, attempting to value and cost and pick and chose those necessary services to be provided under the ceiling created by "levy limits" and other State mandates, while at the same time balancing the public hearing input and what the residents of the community who have made that community their home and who elected those in their home community responsible want their hard earned and then paid tax dollars to provide; and

WHEREAS, the Common Council having reviewed the proposed Senate Bill 301 and Assembly Bill 385 pending before the State of Wisconsin Legislature, which essentially require local municipalities to expend room tax revenues received only for the purposes of lodging and tourism, for hereinafter, despite the fact that some if not most of those municipalities have been utilizing such revenues for decades and decades for the provision of services and to meet those needs of their citizens as was determined reasonable and necessary by the local community and the people who live there; and

WHEREAS, the Common Council also having reviewed the League of Wisconsin Municipalities October 2, 2013 memo to the Assembly Committee on Tourism in reference to AB 385, Room Tax Law Changes, and having concurred with the statements and recommendation set forth therein.

NOW, THEREFORE, BE IT RESOLVED, by the Mayor and Common Council of the City of Franklin, Wisconsin, that the Common Council hereby declares its opposition to Senate Bill 301 and Assembly Bill 385, as is necessary to protect and promote the health, safety and welfare of the City of Franklin, and the freedom of the Citizens of the City of Franklin to determine their own public needs and goals.

BE IT FURTHER RESOLVED, that the City Clerk is hereby directed to send a certified copy of this Resolution to Wisconsin Governor Walker, Wisconsin State Senate President Michael Ellis and Wisconsin State Assembly Speaker Robin Vos.

RESOLUTION NO. 2013-6919
Page 2

Introduced at a regular meeting of the Common Council of the City of Franklin this 15th day of October, 2013.

Passed and adopted at a regular meeting of the Common Council of the City of Franklin this 15th day of October, 2013.

APPROVED:

Thomas M. Taylor

Thomas M. Taylor, Mayor

ATTEST:

Sandra L. Wesolowski

Sandra L. Wesolowski, City Clerk

AYES 5 NOES 0 ABSENT 1 (Ald. Mayer)