

Arizona Senate Bill 1335—2020 Legislative Session

Tourism Marketing Authorities – Public-Private Partnership

Arizona Senate Bill 1335 (SB1335) is enabling legislation that would allow tourism marketing authorities (TMAs) to be created in all municipalities regardless of population and/or counties with populations of less than two million throughout the state, putting Arizona communities on a more level playing field with more than 180 municipalities that are already using TMAs to attract visitors, meetings and events.

Through an assessment on sold hotel and resort guest rooms, hoteliers would remit revenue to the Arizona Department of Revenue (ADOR), which would allocate it to the applicable municipalities and/or counties. Then, the revenue would be passed through to TMAs.

Destination marketing organizations (DMOs) in jurisdictions with TMAs would use the money for new sales, marketing and promotional projects that augment their existing programs of work. Details are spelled out in SB1335, along with fact sheets generated by the Arizona Lodging & Tourism Association and DMOs throughout Arizona.



Benefits

- **More visitors and visitor dollars** to participating communities.
- **More state, county and municipal tax revenue** from visitors.
- More **visitor revenue** to pay for Arizona education, public safety and health care.
- **More jobs**—adding to Arizona’s 192,000 existing travel-related jobs.
- New visitor **marketing**, sales and promotion tailored to the needs of participating communities.
- **Hoteliers vote** on this assessment and have input on how the dollars are invested.
- **Accountability**—DMO boards oversee TMAs, DMOs provide performance reports to participating local/county governments, TMA funds are segregated from other DMO revenue to enhance oversight.
- **SB1335** is enabling legislation. DMOs have to come together with area hoteliers and local/county governments through a petition process to proceed. Communities that do not want to create a TMA are not compelled to do so.

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Updated: March 4, 2020

Strong Industry Support



Senate Bill 1335
Enabling Legislation for Tourism Marketing Authorities in Arizona
Fifty-fourth Arizona Legislature, Second Regular Session, 2020

Overview

Tourism has long been recognized as a key component of Arizona's economy. In 2018, this industry directly supported 192,000 jobs and generated statewide tax collection revenues of approximately \$3.63 billion, allowing our governments to provide critical services to their residents while keeping individual taxes low.

As several other states and municipalities have amped up their investment in this industry, Arizona has trailed, threatening our competitive position for both leisure visitation and meetings business. Therefore, numerous Arizona destination marketing organizations (DMOs) and municipal tourism offices have discussed in recent years potential funding streams to augment their respective sales and marketing budgets to better compete for meetings, conventions, events and leisure travelers.

In researching these opportunities, one that has emerged throughout the nation is the development of "Tourism Marketing Authorities" (TMAs), also referred to as "Tourism Marketing Improvement Districts" or "Tourism Business Improvement Districts," depending on the laws of the state in which they are formed. To date, 180 of these agreements have already been established. Those authorities/districts generated more than \$420 million in marketing revenue last year, utilized to increase destination competitiveness, visitation and employment.

The mechanism being proposed in the legislation allows for hotels and resorts within established boundaries to place an assessment on sold rooms. The dollar amount assessed will be determined by each authority upon its creation. That revenue will be collected monthly by the Arizona Department of Revenue (ADOR) at the same time hotel properties submit transient-lodging tax collections. ADOR then passes TMA revenue through to applicable municipalities and counties, which then transfers the revenue to the respective authorities.

Need for Legislation

TMAs cannot be created currently in Arizona, which is why the visitor industry throughout the state is working together to introduce enabling legislation in the 2020 Arizona legislative session. Sen. Tyler Pace, (R), District 25 (Mesa), and Sen. Sean Bowie (D), District 18 (Ahwatukee), are sponsoring this bill. Sen. Pace is serving as Vice-Chair of the Senate Commerce Committee this session. Sen. Bowie serves on Senate Appropriations, Commerce and Finance committees.

Barry Aarons and Laura Magnus, who represent Experience Scottsdale, Visit Mesa, Visit Phoenix and Visit Tucson at the legislature, are the lead lobbyists on the bill. Barry and Laura have been educating legislative leaders about this concept in recent months. The bill also is championed by the Arizona Lodging & Tourism Association.

Two-Step Process

The first step in creating TMAs is to pass the enabling legislation. If the bill is signed into law this session, TMAs would be permissible on or around Aug. 1, 2020. It's important to note that this is enabling legislation. DMOs, municipalities/counties are not compelled to create TMAs, but, by the existence of this enabling legislation, will have flexibility for long-term strategic planning, which includes funding.

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Two-Step Process (continued)

The second step will be more arduous. The accompanying attachment “Tourism Marketing Authorities” provides an overview of how the process will work. All municipalities, regardless of population, and/or counties with a population of less than two million persons, can work with their established DMO, or their internal tourism office if no established DMO exists, to create and operate a TMA. TMAs can only be created, however, if hotels/resorts representing a yet to be finalized majority of not less than 51% of the lodging rooms within the geographic boundaries of the proposed authority submit a petition to the applicable governmental body asking that the authority be established. Additional details can be found in the attachment and the bill.

Benefits

TMAs are intended to augment DMOs’ budgets, not supplant existing bed-tax funding. Some practical examples of how revenues can be used include travel sales, marketing, promotion, events, airline routes, luring and hosting conventions and meetings business and more. The bill includes a short list of what TMAs cannot fund.

If established, the additional resources generated by the TMA and invested into dynamic sales and marketing efforts have the potential to attract more visitors to Arizona. Increased visitation means more jobs for our friends and neighbors, greater economic impact for our communities, and additional general fund dollars for our cities, towns and state to invest in education, public safety, transportation and beyond.

There are 180 U.S. jurisdictions that have created Tourism Marketing Authorities (TMAs), also known as Tourism Marketing Improvement Districts or Tourism Business Improvement Districts. TMAs are formed through a public-private partnership between the local government and the hoteliers in the district that will be remitting the assessment.

Why are destination marketing organizations, hoteliers and visitor industry partners pursuing TMAs?

A major advantage of a TMA is that it increases the amount of funding available for tourism-related programs. Hotels and DMOs want to bring more meetings and leisure travel to participating hotels and resorts by generating additional money for sales, marketing, promotion, events or new airline routes. The success of these efforts would translate into increased economic activity across many sectors of Arizona. Increased economic activity means more jobs, increased general fund dollars and more.

How a TMA would be created:

1. State passes enabling legislation allowing for the creation of TMAs.
2. A majority of hoteliers (weighted by the number of rooms) would join together in partnership with a recognized 501(c)(6) non-profit tourism promotion organization or municipal tourism office and propose a Tourism Marketing Authority.
3. A petition would be created that determines or designates:
 - a. geographical boundaries of the TMA. The bill clarifies that the location of a hotel property will be defined as the municipality that receives the hotel room bed tax pursuant to Title 9.
 - b. the destination marketing organization (DMO) or municipal tourism office through which the authority would be administered. DMO boards will serve as the TMA governing bodies. Municipalities will serve as the TMA governing bodies for authorities managed by municipal tourism offices.
 - c. the dollar amount of assessments on a per-room, per night sold basis.
 - d. the transient lodging facilities within the geographic boundaries whose rooms would be subject to the assessment.
 - e. that the purpose of the TMA is for tourism marketing, sales, promotion and events. The enabling state legislation will prohibit the use of the monies for capital expenses.
 - f. annual reporting requirements.
4. The majority of hoteliers (weighted by number of rooms) would have to sign the petition for it to be considered.
5. The petition would be brought before the political subdivision(s) within the boundaries of the TMA. If more than one municipality is within the TMA as defined by the location(s) based on the municipality that receives the hotel room bed tax pursuant to Title 9 then both municipalities will be required to vote to adopt the authority and an Intergovernmental agreement needs to be signed between those political subdivisions.
6. The governing body must hold public meetings with the support and participation of the tourism community seeking the TMA.
7. With an affirmative vote by the political subdivision, the TMA will be established.

Senate Bill 1335—Tourism Marketing Authorities Overview

How would the monies be collected?

The TMA will be handled very similarly to how lodging establishments handle bed-tax revenue. Hotels and resorts will charge, collect and remit TMA revenue to the Arizona Department of Revenue. The state then passes the applicable amounts through to respective county and/or municipal governments and 100% of those monies are passed to the TMA. Again, if no recognized tourism promotion agency exists, the petition may designate the municipal tourism office as the administrator of these monies. Per the bill, all TMA monies must be accounted for separately from the monies of the DMO.

What if the TMA wants to change the assessment?

Because the TMA was established per the requirements of the legislation for a specific period of time, and the rate of assessment was stated at that time, the assessment rate would be constant through the lifespan of the TMA.

However, a mechanism to make changes exists by having the parties request a termination of the existing TMA and immediately replacing it, by petition, with a new TMA operating under the modified parameters.

Can the TMA be terminated?

The TMA would be approved and by statute has up to a 10-year lifespan. The TMA can be extended by an affirmative vote of the political subdivision(s) that created it. At any time during the TMA's term, a majority of the assessed businesses (weighted by number of rooms) could petition to terminate the TMA.

Can the ability to create a TMA be eliminated?

Once the petition has been granted to create an authority and one is in fact formed, it will have whatever life was specified (up to 10 years) even if the legislature later strikes this language from the statutes. Note, however, that such an action would prevent the creation of future TMAs.