



House of Representatives

General Assembly

File No. 186

January Session, 2011

Substitute House Bill No. 6398

House of Representatives, March 23, 2011

The Committee on Commerce reported through REP. BERGER of the 73rd Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT CONCERNING PERFORMANCE-BASED TOURISM MARKETING.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

- 1 Section 1. (NEW) (*Effective July 1, 2011*) (a) As used in this section:
- 2 (1) "Commission" means the Connecticut Commission on Culture
- 3 and Tourism;
- 4 (2) "Executive director" means the executive director of the
- 5 Connecticut Commission on Culture and Tourism appointed pursuant
- 6 to section 10-393 of the general statutes; and
- 7 (3) "Regional tourism district" means any regional tourism district
- 8 established pursuant to section 10-397 of the general statutes.
- 9 (b) The commission shall administer a regional tourism marketing
- 10 grant program to provide grants to each regional tourism district for
- 11 the purpose of tourism marketing projects and activities. To be eligible
- 12 for a grant pursuant to this section, a regional tourism district shall

13 raise matching funds from private sources. Grants shall be made from
14 the tourism supplemental revenue account established pursuant to
15 section 2 of this act.

16 (c) The commission may adopt regulations, in accordance with the
17 provisions of chapter 54 of the general statutes, to implement the
18 provisions of this section.

19 Sec. 2. (NEW) (*Effective July 1, 2011*) There is established an account
20 to be known as the "tourism supplemental revenue account" which
21 shall be a separate, nonlapsing account within the General Fund. The
22 account shall contain any moneys required by law to be deposited in
23 the account. Moneys in the account shall be expended by the
24 Commission on Culture and Tourism for the purpose of providing
25 marketing grants to the state's tourism districts, defined in section 10-
26 397 of the general statutes, pursuant to section 1 of this act.

27 Sec. 3. (NEW) (*Effective July 1, 2011*) If, during the fiscal years ending
28 June 30, 2012, to June 30, 2015, inclusive, the sales tax revenue collected
29 by the Commissioner of Revenue Services from businesses in Standard
30 Industry Classification Codes (1) 5811, eating places only; (2) 5812,
31 eating and drinking places; (3) 5813, drinking places—alcoholic
32 beverages; (4) 7010, hotels, motels and tourist courts; (5) 7020, rooming
33 and boarding houses; (6) 7030, camps and trailer parks; (7) 7033,
34 trailering parks and campsites; (8) 7041, organization hotels and
35 lodging house; (9) 7920, producers, orchestras and entertainers; (10)
36 7940, commercial sports; (11) 7990, miscellaneous amusement and
37 recreation; (12) 7991, boat and canoe rentals; (13) 7992, public golf
38 courses and swimming pools; (14) 7996, amusement parks; (15) 7998,
39 tourist attraction; (16) 7999, amusement not elsewhere classified; and
40 (17) 8420, botanical and zoological gardens exceeds the amount
41 collected during the fiscal year ending June 30, 2011, by more than
42 three per cent, the commissioner shall segregate the amounts collected
43 beyond such three per cent and transfer such amounts to the tourism
44 supplemental revenue account established pursuant to section 2 of this
45 act. The amount segregated pursuant to this section shall not exceed

46 three million dollars during any fiscal year.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2011</i>	New section
Sec. 2	<i>July 1, 2011</i>	New section
Sec. 3	<i>July 1, 2011</i>	New section

CE *Joint Favorable Subst.*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 12 \$	FY 13 \$
Commission on Arts, Tourism, Culture, History and Film	GF - Revenue Gain	Up to \$3,000,000	Up to \$3,000,000
Department of Revenue Services	GF - Revenue Loss	Up to \$3,000,000	Up to \$3,000,000

Note: GF=General Fund

Municipal Impact: None

Explanation

Section 3 diverts up to \$3 million in additional sales tax revenue from specific tourism-related businesses to the Tourism Supplemental Revenue account established in Section 2 from FY 12 to FY 15. This transfer is applicable only if the total sales tax revenue from these businesses exceeds the total FY 11 amount by 3%.

The diversion of these revenues would decrease unrestricted resources in the General Fund. Any transfer would decrease future surpluses and could increase future deficits in the General Fund.

The estimated FY 11 sales tax revenue in these sectors is \$300 million. This would make the threshold for the revenue transfer at \$300 million plus 3% of that base, or \$9 million. Any revenue above \$309 million remitted in subsequent years would be transferred to the Tourism Supplemental Revenue account, up to \$3 million.

There is no cost to the Commission on Culture and Tourism to make the grants and adopt regulations.

The Out Years

Assuming positive inflationary increases in the future, it is

anticipated that the revenue diversion will be at the \$3 million cap in FY 14 and FY 15.

OLR Bill Analysis

sHB 6398

AN ACT CONCERNING PERFORMANCE-BASED TOURISM MARKETING.

SUMMARY:

This bill creates a temporary funding stream for marketing programs and activities implemented by the state's three regional tourism districts. It creates a separate nonlapsing General Fund account and transfers to it up to \$3 million in potential increases in the gross sales tax revenue generated in FY 12 through FY 15 by specified tourism-related businesses.

The bill authorizes Culture and Tourism Commission's executive director to use the account to make grants to the regional tourism districts that match the grants with private dollars. The commission may adopt regulations for administering these grants.

EFFECTIVE DATE: July 1, 2011

FUNDING MECHANISM

The bill establishes the tourism supplemental revenue account and funds it with some of the increase in annual sales tax revenue tourism-related businesses generate. It establishes FY 11 as the base year for measuring the increase in each of the subsequent fiscal years until the start of FY 16. When the revenue in those years exceeds the FY 11 revenue by 3%, the revenue services commissioner must transfer the amount of the increase up to \$3 million to the account. The commissioner must do this in FY 12 through FY 15.

TOURISM-RELATED BUSINESSES

The bill identifies the businesses from which the revenue services commissioner must segregate sales tax revenue based on the Standard

Industrial Classification (SIC) code (which has been replaced by the North American Industrial Classification System). The code groups businesses into categories and assigns a number to each one. The categories from which the commissioner must segregate sales tax revenue are:

1. eating places only (SIC 5811);
2. eating and drinking places (SIC 5812);
3. drinking places – alcoholic beverages (SIC 5813);
4. hotels, motels, and tourist courts (SIC 7010);
5. rooming and boarding houses (SIC 7020);
6. camps and trailer parks (SIC 7030);
7. trailering parks and campsites (SIC 7033);
8. organization hotels and lodging houses (SIC 7041);
9. producers, orchestras, and entertainers (SIC 7920);
10. commercial sports (SIC 7940);
11. miscellaneous amusement and recreation (SIC 7990);
12. boat and canoe rentals (SIC 7991);
13. public golf courses and swimming pools (SIC 7992);
14. amusement parks (SIC 7996);
15. tourist attractions (SIC 7998);
16. amusements not elsewhere classified (SIC 7999); and
17. botanical and zoological gardens (SIC 8420).

BACKGROUND

Business Classification Codes

SIC is a system for classifying businesses developed during the 1930s. It initially consisted of separate codes for manufacturers and other types of businesses and was periodically revised to reflect changes in the way goods were made and services delivered. But despite the revisions, users and analysts criticized SIC as outmoded and not reflective of the economy.

The North American Industrial Classification System (NAICS), developed pursuant to the North American Free Trade Agreement, groups businesses that use the same or similar processes to make goods or deliver services. Consequently, NAICS reflects the greater role service businesses play in the economy.

Related Bills

sHB 6398 establishes an identical, albeit permanent, mechanism to fund the Culture and Tourism Commission's statewide tourism promotion program. The Commerce Committee reported the bill favorably to the floor on March 8.

sHB 1002 transfers the Culture and Tourism Commission's duties and powers to the Department of Economic and Community Development (DECD). In doing so, it changes the commission into a committee advising the DECD commissioner. The Commerce Committee reported the bill favorably to the floor on March 17.

COMMITTEE ACTION

Commerce Committee

Joint Favorable Substitute

Yea 17 Nay 0 (03/08/2011)