

House BILL NO. 581

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INTRODUCED BY

*Forbes* *Wiseman* *Letts* *Carlwin* *Phabian* *Simpkins*  
*Christiane* *Wilson*

A BILL FOR AN ACT ENTITLED: "AN ACT ALLOCATING A PORTION OF THE ACCOMMODATION TAX COLLECTIONS TO BE USED FOR GRANTS FOR THE CONSTRUCTION OF TOURISM-RELATED FACILITIES; PROVIDING THAT THE AWARD OF GRANTS BE RECOMMENDED BY THE TOURISM ADVISORY COUNCIL AND APPROVED BY THE GOVERNOR; PLACING CONDITIONS ON GRANTS; ALLOWING PROJECTS TO APPLY FOR FUNDING AS QUALIFIED ENERGY PROJECTS; ALLOWING TAX COLLECTIONS TO BE PLEDGED TO SERVICE AN OBLIGATION; PROVIDING THAT AN OBLIGATION MAY NOT EXCEED 10 YEARS; APPROPRIATING FUNDS FOR A PROJECT; AMENDING SECTIONS 2-15-1816 AND 15-65-121, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 2-15-1816, MCA, is amended to read:

"2-15-1816. **Tourism advisory council.** (1) There is created a tourism advisory council.

(2) The council is composed of not less than 12 members appointed by the governor from Montana's private sector travel industry and includes at least one member from Indian tribal governments, with representation from each tourism region initially established by executive order of the governor and as may be modified by the council under subsection (5).

(3) Members of the council shall serve staggered 3-year terms, subject to replacement at the discretion of the governor. ~~The governor shall designate four of the initial members to serve 1 year terms and four of the initial members to serve 2 year terms.~~

(4) The council shall:

- (a) oversee distribution of funds to regional nonprofit tourism corporations for tourism promotion and to nonprofit convention and visitors bureaus in accordance with Title 15, chapter 65, part 1, and this section;
- (b) advise the department of commerce relative to tourism promotion;
- (c) advise the governor on significant matters relative to Montana's travel industry;
- (d) prescribe allowable administrative expenses for which accommodation tax proceeds may be

1 used by regional nonprofit tourism corporations and nonprofit convention and visitors bureaus;

2 (e) direct the university system regarding Montana travel research;

3 (f) approve all travel research programs prior to their being undertaken; ~~and~~

4 (g) encourage regional nonprofit tourism corporations to promote tourist activities on Indian  
5 reservations in their regions; and

6 (h) recommend to the governor the grants to be awarded from the tourism-related facilities account  
7 established under [section 3] to entities for construction of tourism-related facilities.

8 (5) The council may modify the tourism regions established by executive order of the governor.

9 (6) The department of commerce shall adopt ~~such rules as may be~~ necessary to implement and  
10 administer Title 15, chapter 65, part 1, and this section."

11  
12 **Section 2.** Section 15-65-121, MCA, is amended to read:

13 **"15-65-121. Distribution of tax proceeds -- general fund loan authority.** (1) The proceeds of the  
14 tax imposed by 15-65-111 must, in accordance with the provisions of 15-1-501(6), be deposited in an  
15 account in the state special revenue fund to the credit of the department of revenue. The department may  
16 spend from that account in accordance with an expenditure appropriation by the legislature based on an  
17 estimate of the costs of collecting and disbursing the proceeds of the tax. Before allocating the balance of  
18 the tax proceeds in accordance with the provisions of 15-1-501(6) and as provided in subsections (1)(a)  
19 through (1)(d) of this section, the department shall determine the expenditures by state agencies for in-state  
20 lodging for each reporting period and deduct 4% of that amount from the tax proceeds received each  
21 reporting period. The amount deducted must be deposited in the general fund. The balance of the tax  
22 proceeds received each reporting period and not deducted pursuant to the expenditure appropriation or  
23 deposited in the general fund is statutorily appropriated, as provided in 17-7-502, and must be transferred  
24 to an account in the state special revenue fund to the credit of the department of commerce for tourism  
25 promotion and promotion of the state as a location for the production of motion pictures and television  
26 commercials, to the Montana historical society, to the university system, and to the department of fish,  
27 wildlife, and parks, as follows:

28 (a) 1% to the Montana historical society to be used for the installation or maintenance of roadside  
29 historical signs and historic sites;

30 (b) 2.5% to the university system for the establishment and maintenance of a Montana travel

1 research program;

2 (c) 6.5% to the department of fish, wildlife, and parks for the maintenance of facilities in state  
3 parks that have both resident and nonresident use, subject to 23-1-131; and

4 (d) the balance of the proceeds as follows:

5 (i) subject to [section 3], 75% to be used directly by the department of commerce for tourism  
6 promotion and for tourism-related facilities;

7 (ii) except as provided in subsection (1)(d)(iii), 25% to be distributed by the department of of  
8 commerce to regional nonprofit tourism corporations in the ratio of the proceeds collected in each tourism  
9 region to the total proceeds collected statewide; and

10 (iii) if 25% of the proceeds collected annually within the limits of a city or consolidated city-county  
11 exceeds \$35,000, 50% of the amount available for distribution to the regional nonprofit tourism corporation  
12 in the region where the city or consolidated city-county is located ~~is~~ to be distributed to the nonprofit  
13 convention and visitors bureau in that city or consolidated city-county.

14 (2) If a city or consolidated city-county qualifies under this section for funds but fails to either  
15 recognize a nonprofit convention and visitors bureau or submit and gain approval for an annual marketing  
16 plan as required in 15-65-122, then those funds must be allocated to the regional nonprofit tourism  
17 corporation in the region in which the city or consolidated city-county is located.

18 (3) If a regional nonprofit tourism corporation fails to submit and gain approval for an annual  
19 marketing plan as required in 15-65-122, then those funds otherwise allocated to the regional nonprofit  
20 tourism corporation may be used by the department of commerce for tourism promotion and promotion of  
21 the state as a location for the production of motion pictures and television commercials.

22 (4) The department of commerce may use general fund loans for efficient implementation of this  
23 section."

24

25 **NEW SECTION. Section 3. Tourism-related facilities account -- use -- obligations -- conditions.**

26 (1) There is a tourism-related facilities account in the state special revenue fund. The purpose of the  
27 account is to provide a source of revenue for local nonprofit convention and visitors bureaus to use to  
28 secure matching funds, grants, or other money to be used for building, repairing, and maintaining  
29 tourism-related projects.

30 (2) The department of revenue shall deposit at least \$300,000 a year in the account. The money

1 deposited in the tourism-related facilities account under 15-65-121 must be used by the tourism advisory  
2 council for the purposes set forth in subsection (1) of this section. The funds must be granted by the  
3 council to local nonprofit convention and visitors bureaus.

4 (3) Applications for grants must be submitted to the tourism advisory council through tourism  
5 regions or nonprofit convention and visitors bureaus. The council shall adopt procedures for the review  
6 and award of grants. The grants must be recommended by the council pursuant to 2-15-1816 and must  
7 be approved by the governor.

8 (4) Grants may be used by local nonprofit convention and visitors bureaus as matching funds for  
9 other funding sources. A grant amount from the tourism advisory council must be structured so that the  
10 amount of the grant may be reduced by amounts received from other sources.

11 (5) The tourism advisory council may request the department of natural resources and conservation  
12 to approve a project for funding as a qualified energy project. For purposes of this section, a "qualified  
13 energy project" means a project designed to save or reduce energy use in a tourism-related facility and from  
14 which the resulting energy cost savings are projected to meet or exceed the debt service obligation for the  
15 project. The council may also pledge the money deposited in the tourism-related facilities account under  
16 15-65-121 for a debt service obligation under this subsection. The term of an obligation under this  
17 subsection may not exceed 10 fiscal years.

18

19 **NEW SECTION. Section 4. Appropriation.** There is appropriated from the tourism-related facilities  
20 account or from bonds issued pursuant to [section 3(5)] \$1 million for a grant to the Great Falls-funded  
21 convention and visitors bureau for the Lewis and Clark national historic trail interpretive center.

22

23 **NEW SECTION. Section 5. Effective date.** [This act] is effective on passage and approval.

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-END-

STATE OF MONTANA - FISCAL NOTE

Fiscal Note for HB0581, as introduced

DESCRIPTION OF PROPOSED LEGISLATION:

An act allocating a portion of the accommodation tax collections to be used for grants for the construction of tourism-related facilities; providing that the award of grants be recommended by the Tourism Advisory Council and approved by the Governor; placing conditions on grants; allowing projects to apply for funding as qualified energy projects; allowing tax collections to be pledged to service an obligation; providing that an obligation may not exceed 10 years; appropriating funds for a project; and providing an immediate effective date.

ASSUMPTIONS:


1. There is a tourism-related facilities account in the state special revenue fund.
2. The tourism-related facilities account will provide a source of revenue for local nonprofit convention and visitors bureaus to use to secure matching funds, grants, or other money to be used for building, repairing, and maintaining tourism-related projects.
3. The Department of Revenue will deposit \$300,000 in the special revenue account each year of the biennium. It is assumed that the funds to be deposited in the account will be a portion of the proceeds balance that is used directly by the Department of Commerce for tourism promotion and for tourism-related facilities.
4. The Tourism Advisory Council may request the Department of Natural Resources and Conservation to approve a project for funding as a qualified energy project.
5. The Tourism Advisory Council may pledge the money deposited in the special revenue account for a debt service obligation not to exceed ten fiscal years.
6. Projected revenues, the 75% to be used directly by the Department of Commerce, are \$7.56 million for FY96 and \$7.74 million in FY97.
7. Since the accommodation tax funding in the Montana Promotion Division, Department of Commerce, is statutorily appropriated, the Executive Budget of 21.33 FTE and operating expenses totaling \$6,897,527 in FY96 and \$6,971,960 in FY97 is not appropriated in HB2. The Executive Budget recommendation was held to the FY94 actual level except for adjustments for inflation, the pay plan, equipment, and increases to the amount distributed for local and regional activities to coincide with projected revenues.
8. The Executive Budget includes \$1,827,000 in FY96 and \$1,881,810 in FY97 for local and regional distribution. Under the terms of this proposed legislation, the regional distributions will be reduced by \$75,000 each year of the biennium. FY94 actual regional expenditures were \$1,698,083.
9. There is approximately \$660,000 in FY96 and \$770,000 in FY97 of unobligated Department of Commerce accommodation tax revenue based on projected revenue for the biennium and the Executive Budget proposal. The amounts will be sufficient to cover the balance needed for the tourism-related facilities account.
10. New Section 4 of the bill appropriates \$1 million from the tourism-related facilities account or from bonds that may be issued pursuant to Section 3(5) of the bill for a grant to the Great Falls convention and visitors bureau for the Lewis and Clark national historical trail interpretive center.

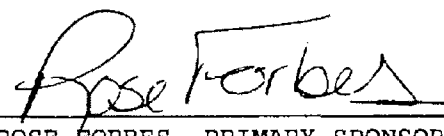
FISCAL IMPACT:

Montana Promotions Division

	<u>FY96</u>	<u>FY97</u>
	<u>Difference</u>	<u>Difference</u>
<u>Revenues:</u>		
Montana Promotion Division (02)	(225,000)	(225,000)
Regional Tourism Promotion (02)	(75,000)	(75,000)
Tourism-related Facilities (02)	<u>300,000</u>	<u>300,000</u>
Total	0	0

(continued on page 2)

  
 DAVE LEWIS, BUDGET DIRECTOR      DATE  
 Office of Budget and Program Planning

  
 ROSE FORBES, PRIMARY SPONSOR      DATE

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

Funding for the tourism regions will be minimally impacted.

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:

The bill will provide a \$1 million grant to support development of the Lewis and Clark National Historic Trail Interpretive Center, a revenue source for local nonprofit convention and visitor bureaus to use as matching funds, and potential funding for energy saving projects at tourism-related facilities.