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BILL ANALYSIS

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Senate Bill 1515 (as enrolled)
Sponsor: Senator Patricia L. Birkholz
Senate Committee: Commerce and Tourism
House Committee: Tourism, Outdoor Recreation, and Natural Resources

Date Completed: 12-9-10

RATIONALE

The Community Convention or Tourism Marketing Act prescribes procedures for a nonprofit convention and tourism bureau to establish a marketing program funded by an assessment collected from owners of transient facilities (such as hotels and motels) within an assessment district. An assessment district may consist of one or more municipalities described in the marketing program. When it was enacted in 1980, the Act authorized just two areas of the State (Grand Traverse County and its contiguous counties, and Mackinaw City) to create assessment districts and establish marketing programs. In 1984, amendments to the Act extended it to any county with a population of less than 650,000, and to a city, village, or township within a county of that size. The maximum assessment allowed under the Act, which is 2% of room charges, has remained unchanged for the 30 years that the Act has been in effect (although a provision added in 1993 allows an assessment of up to 4% in a particular township). Some people believe that the maximum assessment should be raised to 5% to allow local authorities and business owners to increase their investment in local convention and tourism promotion and marketing.

In addition, some people believe that marketing programs funded by assessments levied under the Act are not subject to reporting and enforcement requirements sufficient to ensure that the programs comply with the Act. It has been suggested that reporting requirements and enforcement measures be enhanced.

CONTENT

The bill would amend the Community Convention or Tourism Marketing Act to do all of the following:

- **Increase from 2% to 5% the maximum allowable assessment collected from owners of transient facilities within a convention and tourism bureau's assessment district.**
- **Require a bureau's audited annual financial statements and certified report of its marketing programs to include the amount of compensation for the bureau's chief executive director.**
- **Require the director (the president of the Michigan Strategic Fund) to make a bureau's financial statements and certified report available to the public on the internet.**
- **Require the director to mail a demand letter to a bureau that failed to submit copies of its financial statement and certified report.**
- **Prohibit a bureau from spending assessments collected during a period of noncompliance with requirements to submit financial statements and reports to the State.**
- **Specify that if a bureau failed to provide copies of its financial statements and certified report within 90 days of a demand letter, the bureau would be responsible for a State civil infraction and could be ordered to pay a civil fine of up to $10,000.**

-- **Authorize the Attorney General to bring an action to dissolve a bureau that failed to provide copies of its financial statements and certified report within 90 days of a demand letter.**

Assessment Amount

The Act prescribes procedures for a nonprofit convention and tourism bureau to establish a marketing program funded by an assessment collected from owners of transient facilities within an assessment district. An assessment district may consist of one or more municipalities described in the marketing program. (A "municipality" is a county with a population of less than 650,000, or a city, village, or township within a county of that size.)

The amount of the assessment generally may not exceed 2% of room charges. The bill would increase that to 5%. The bill also would delete a provision allowing an assessment of 4% within a township that meets certain criteria.

Failure to Submit Financial Statements & Reports

The Act requires a bureau's financial statements to be audited at least annually by a certified public accountant. The financial statements must be mailed to each owner of a transient facility and be accompanied by a detailed report, certified as correct by the bureau's chief operating officer, describing the bureau's marketing programs. The bill would require the financial statements to include the amount of compensation for the chief executive director of the bureau.

Copies of the audited financial statements and the certified report must be mailed simultaneously to the director. The bill would require the director to make the financial statements and certified report available to the public on the internet.

Under the bill, if a bureau failed to submit copies of the audited financial statements and certified report to the director, the director or his or her designee would have to mail a demand letter to the bureau requesting copies of the statements and report, with a copy of the demand letter forwarded to the Attorney General. If the director or his or her designee did not receive copies of the statements and report within 90 days of the demand letter, upon notice by the director or the Attorney General, the bureau could not spend any portion of the assessment collected during the period of noncompliance. The Attorney General could assist the director in enforcing the Act.

If the bureau failed to provide the copies of the audited financial statements and the certified report within 90 days of the demand letter, the bureau would be responsible for a State civil infraction and could be ordered to pay a civil fine of up to $10,000. Also, the Attorney General could bring an action to dissolve the bureau.

MCL 141.873 & 141.876

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

The market for convention and tourism business is very competitive. Conference attendees and their families represent potential customers that convention and tourism bureaus target with promotional campaigns. The assessment authorized under the Act is an important tool for the Michigan tourism industry, allowing local hoteliers in many of Michigan's smaller communities to pool their efforts to attract business. The Act, however, limits the assessment that authorities may collect from owners and operators of transient facilities to 2% of room charges. That maximum rate, established when the Act became law 30 years ago, has never been increased.

Costs associated with operating convention and visitors bureaus and the need to gain greater exposure in more markets have outpaced the growth in room rates over the past three decades. Effective promotion of an area's tourism and convention appeal requires engagement in more media sources than ever before. The proliferation of internet advertising and booking over the last 10 to 15 years or so, for example, has created new markets and promotional needs for those in the tourism industry. Also, economic conditions in Michigan require that tourism advertisers cast a broader net in their marketing campaigns, extending promotional activity far beyond the State's borders. Travel trends, economic challenges, and media transformation mean more resources are needed to attract the level of business necessary to sustain the vitality of Michigan's travel industry. By allowing convention and tourism authorities to increase room rate assessments up to 5%, with the consent of the owners of lodging facilities in their areas, the bill would help to address these needs and provide bureaus with the resources necessary to promote their areas adequately.

Allowing local bureaus to increase assessments, however, would not constitute a replacement for statewide tourism promotion under the "Pure Michigan" campaign. The assessments allow local business owners to fund local and regional convention and tourism efforts that supplement and expand on statewide promotional efforts.

Supporting Argument

Current law does not contain sufficient measures to ensure that convention and tourism bureaus and transient facilities comply with requirements for a program adopted under the Act. The bill's enhanced reporting requirements and new enforcement measures would improve the State's ability to ensure that local bureaus and their members operate local convention and tourism promotion programs in a manner consistent with the statute.

Legislative Analyst: Patrick Affholter

FISCAL IMPACT

The bill would have no fiscal impact on State or local government. Convention and tourism bureaus, which are nonprofit entities, would be allowed to assess transient facilities in their district up to 5%, rather than the current 2%, which would potentially represent a significant change in revenue for the bureaus.

Fiscal Analyst: Eric Scorsone

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