

THE CULTURAL LEGACY OF LODGING REVENUE IN KING COUNTY

Historical Paper No.21



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Introduction

The tax levied in Seattle on hotel and motel rooms is now 15.6%, and, with the exception of Bellevue, a maximum of 12% in other areas of the County imposing a 1% local option lodging tax. While the largest single share of all of the taxes levied goes to support the Washington Trade and Convention Center, the state allows King County to use 2% of the state's share of the tax for certain tourism-related purposes. Since the state authorizing law was passed in 1967, King County's use of the 2% hotel-motel tax revenues has been subjected to complex restrictions and conditions unlike those of any other jurisdiction in the state. The sole, original use of the revenues by the County authorized under RCW 67.28.180 was to fund construction of the now defunct Kingdome, the former King County Multipurpose Stadium.

Even though the Kingdome has been demolished, state law continues to allocate the first \$5.3 million collected each year to a stadium account as part of a complex funding plan for the retirement of the Kingdome bonds and the construction of the new football stadium.

From 1991 through 2001 $\frac{3}{4}$ of the "excess revenue" (amounts over and above the first \$5.3 million collected annually for the stadiums) was allocated for cultural purposes, and the remaining $\frac{1}{4}$ of the "excess" was used primarily for additional stadium support. In 2001, however, the state mandated funding formula changed: the stadium account now receives an even larger share of the excess revenue (an additional 5%, for 30% total). In addition, between 2013 and 2020, every cent of the millions of dollars of new 2% revenues collected by the County each year will go into stadium support. The bottom line is that 2% lodging tax revenue has been used primarily for a sports stadium in the past, and it will continue to be used primarily for stadium purposes until the state authorizing code for stadium funding sunsets in 2020. At that point, the stadiums will have been subsidized with 2% lodging tax revenues for almost 53 years. Cultural resources will have been supported with such revenues for only 22 years.

How 2% Cultural Funding Works in King County

Between 1990 and 2002, a portion of the 2% "excess revenues" were the primary source for the granting programs of both the King County Arts and the King County Landmarks and Heritage Commissions, both a part of the former King County Office of Cultural Resources (OCR). Since January 2003 4Culture, a public corporation chartered by King County, now administers the lodging tax funds formerly allocated for cultural purposes by the Commissions and OCR, making hundreds of grants each year to support public projects and benefits provided by artists, heritage specialists, government agencies, museums and cultural organizations.

The codified funding formulas prescribing use of the 2% revenues in King County are now so convoluted that charts, tables and diagrams are required to explain all of their complexities to any reasonable person.

The Endowment

State code currently requires that until 2012, 40% of the revenue available for cultural purposes be placed into a “Cultural Endowment,” further reducing the amounts of funding available annually for 4Culture’s granting programs. New 2% revenues for cultural purposes sunset entirely after 2012 leaving only endowment interest to fund cultural granting programs. The net result of these changes will be that the lodging tax revenue based funding available for *annual allocation* through the granting programs of 4Culture have diminished from the 100% of excess revenue formerly available in the early 1990s to 42% between 2001 and 2012. Even under the rosiest of current fiscal projections, the Cultural Endowment, which will be the major source of funding for arts and heritage grants through 4Culture after 2012, is likely to yield less annual revenue than 4Culture did when it started in 2003. In the face of diminished revenues and the growing needs of an expanding and maturing cultural community, 4Culture is considering requests for legislation to allow more flexible use of 2% lodging tax funding for cultural purposes.

The Legacy

Despite some initial concern that lodging taxes would have a dampening effect on the development of the tourism industry, growth in tourism in King County exceeded projections through the 1990s. Many new hotels and motels are being built around the county, and cultural attractions are one of the reasons why the tourist industry has flourished. State tourism studies continue to suggest that cultural attractions are a more important generator of tourist interest than most other types of attractions, including sports. In 1997, state legislation enabled certain cities in King County to impose an additional 1% hotel-motel tax. A number of those cities are now using the revenue to support a variety of activities that promote tourism, including a number of arts and heritage facilities and projects.

Virtually every area of King County, every community, large or small, has benefited from the arts and heritage granting programs funded by 2% lodging tax revenues. The list of organizations that have received such grant support is enormous and reads like a “who’s who” of the cultural community. Among those projects and programs funded are those of major, regional institutions, a variety of travelling programs and smaller community-based and focused projects across the length and breadth of the county. Program quality, audiences served, accessibility and the value of resources managed are among the primary considerations in making the grant funds available.

From 1990 through the year 2000 lodging tax funded cultural grant programs invested over \$20 million in the cultural infrastructure of King County. While that pales in comparison to the enormous sums spent on the now imploded Kingdome alone, it nevertheless represents a tremendous legacy for future generations and has leveraged a massive outpouring of private support and volunteer contributions. With this support, arts and heritage organizations in Seattle and King County have garnered national and international recognition, awards and acclaim. The relatively modest investment in cultural resources from new 2% lodging tax revenues from 1990 to 2012 will continue to pay handsome dividends in terms of the quality of life, the enhancement of tourism and the creativity of King County’s citizens for decades to come.

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