

Date of Hearing: April 21, 2015

ASSEMBLY COMMITTEE ON ARTS, ENTERTAINMENT, SPORTS, TOURISM, AND  
INTERNET MEDIA

Ian Charles Calderon, Chair

AB 398 (Campos) – As Amended April 20, 2015

**SUBJECT:** California Embassy.

**SUMMARY:** This bill would authorize the Governor's Office of Business and Economic Development (GO-Biz) to accept submissions of any tax exempt organization formed for the purpose of establishing and maintaining a California Embassy in the District of Columbia, as specified.

Specifically, **this bill:**

- 1) Permits the Governor's Office of Business and Economic Development (GO-Biz) within the Governor's Office to accept submissions of any plan of any organization that is exempt from federal income tax as specified and formed for the purpose of establishing and maintaining a California Embassy in the District of Columbia.
- 2) Requires the planned Embassy to be within one mile of the United States Capitol building.
- 3) Further requires that the plan shall contain the following information:
  - a) How the organization intends to establish the California Embassy.
  - b) How the organization intends to raise the funding necessary to establish the California Embassy.
  - c) How the organization intends to maintain and operate the California Embassy once it is established.
  - d) Any other relevant information the commission deems necessary.
- 4) States that the commission may approve the plan of any organization that it determines will establish, operate, and maintain a California Embassy that meets all of the following criteria:
  - a) Showcases California's cultural diversity.
  - b) Showcases California's higher education opportunities.
  - c) Showcases California's recreational and tourism opportunities.
  - d) Provides resources to Californians in the District of Columbia.
  - e) Provides a place of refuge for Californians in the District of Columbia.

- 5) Requires the organization whose plan is approved to submit a report to the commission every two years, as specified.
- 6) Makes various findings and declarations.

**EXISTING LAW:**

- 1) Establishes the Governor's Office of Business and Economic Development (GO-Biz) within the Governor's Office for the purpose of serving as the lead state entity for economic strategy and marketing of California on issues relating to business development, private sector investment and economic growth.
- 2) Establishes the California Tourism Marketing Act (The Act).
- 3) Makes various findings and declarations regarding the importance of California's tourism industry, need for marketing of the industry and importance in funding the marketing of the industry, including an industry-approved assessment to provide private-sector financing of marketing necessary to increase tourism, as provided.
- 4) Requires the Office of Tourism within GO-Biz to establish a non-profit Commission consisting of 37 members, including representatives of the tourism industry and travel agencies or tour operators, whose mission is to increase the number of persons traveling to and within California. Provides that the Commission be administered by an executive director who shall be a tourism industry marketing professional, recommended by a vote of the commissioners and approved by the Governor.
- 5) Requires the Commission to annually provide to all assessed businesses a report on the activities and budget of the Commission. Provides that the Commission's annual budget is subject to the review and approval of the Director of GO-Biz, but specifies that any decision of the Director related to the budget may be overridden by a vote of three-fifths or more of the commissioners then in office. Requires the Commission to maintain a report, updated when assessments are amended and to be made available to any assessed business, on the percentage assessment allocation between industry categories and industry segments including the reasons and methodology used for the allocations.
- 6) Requires the Commission to annually prepare a written marketing plan and specifies that any expenditure by the commission shall be consistent with the marketing plan. Requires the marketing plan to promote travel to and within California and to include, but not be limited to, an evaluation of the previous year's budget and activities; a review of California tourism trends, conditions, and opportunities; target audiences for tourism marketing expenditures; marketing strategies, objectives, and targets; and a budget for the current year.

**FISCAL EFFECT:** Unknown

**COMMENTS:**

- 1) *Author's statement.* The author states the following in support of this measure, "In my new role as Assistant Democratic Leader – External Relations, I am tasked with looking to expand California's representation and influence all over the nation. Our

nation's capital, Washington D.C., is the access point (and often only stop) for decision-makers, diplomats, and business leaders from all over the world. Having a strong entity, or an "embassy", in the vicinity of the United States Capitol that showcases California's economic and cultural prominence and that serves to centralize efforts from various California constituencies to advocate for California's interests, would help to highlight the critical role that California plays in both the nation and the world. In addition, the California Embassy would serve as a tourism home for all Californians and provide them with any resources they may need to learn more about our federal government's workings and its history, and make the best of their visit to D.C.

She further notes that, "California is the 7th largest economy in the world, with a gross domestic product of over \$2.20 trillion and with a population of 38.8 million people. At the same time, California receives 68 cents to every dollar it contributes to the Federal budget. This shows that although California plays a critical role in the United States, it is a donor state. As Californians, we should be more proactive in advocating for our state's well-being and growth at the national level."

- 2) *Model: Florida House, a privately funded and operated "Embassy."* According to the author, Florida House in Washington DC is the model for this legislation. Florida is the only state with an embassy in Washington, D.C. The Website for Florida House provides the following information, "Founded by former First Lady Rhea Chiles in 1973, thousands of visiting dignitaries, students and those having business in Washington have been welcomed to the nation's capital with a cold glass of Florida orange juice. The beautiful three story Victorian home, built in 1891, was purchased and is maintained solely by individual and corporate contributions. No state or federal tax dollars are used to support Florida House.

"The Florida House Foundation is a nonprofit 501 (c) (3), nonpartisan organization that provides cultural, social, educational and economic resources; showcases Florida's culture and diversity; maintains and operates Florida House; and provides opportunities for Floridians to enrich their appreciation and knowledge of our nation's government. Its goals are to provide educational opportunities for Floridians of all ages; To be the unparalleled leader in hospitality and graciousness; To be of service to all Floridians; To be an integral part of the Florida/Washington, DC community and our Florida Congressional Delegation; To be a recognizable, sound and thriving institution providing an endowment to ensure the existence of Florida House for generations to come." (<http://floridaembassy.com/>, accessed April 3, 2015).

- 3) *California presence in Washington D.C.* California currently has the largest Congressional Delegation of any state, with 53 elected representatives in the House and two Senators. Each of these members has an office open to the public, located in the Capitol and adjacent office buildings. In addition, the California Governor maintains an office in Washington, DC, which is technically open to the public. The Governor's office is located at 444 North Capitol Street, and post 9-11, visitors must pass through security to enter. Representatives shared with the committee that while the offices are public, they typically do not provide constituent services. Another association of Californians in Washington is "The California Society," a private group of Californians doing business or government employees living in Washington who gather monthly for round table discussions of interest to California, and provide a networking forum for visiting dignitaries.

- 4) *Background: The California Tourism Marketing Act and Visit California.* The Act grew out of efforts to reverse a multi-year decline in California's tourism industry. During the 1970s, Governor Brown closed the Office of Tourism and withdrew funding from many tourism promotion efforts. During Governor Deukmejian's tenure, the Office of Tourism was reactivated. In February 1993, Governor Wilson created the Governor's Task Force on Tourism Funding (Executive Order W-41-93) for the purpose of "investigating various tourism funding methods and making policy recommendations regarding a new, "non-tax" method of providing stable financing for statewide tourism promotion." The Task Force, which was composed of representatives from various California businesses, developed the concept that was ultimately enacted by SB 256 (Johnston) Chapter 871, Statutes of 1995, as the California Tourism and Marketing Act.

The Act authorized the establishment of a non-profit, public benefit corporation, Visit California, to oversee the promotion of California as a premier travel destination. The statute became operative upon industry wide approval in 1997 and the assessment program was initiated in 1998. In 2001, the program was renewed by industry referendum with an 84% margin, while in 2007 it was renewed by a 91% margin. The first full year of assessment funding occurred during the 1998-99 fiscal year and between 1998 and 2002, the marketing budget was fully funded by the Commission and the state at approximately \$14 million annually.

Visit California is comprised of 37 Commission members, representing each industry segment (Accommodations, Restaurants and Retail, Attractions and Recreation, Transportation and Travel Services, and Passenger Car Rental). The Commission meets three times a year and directs and approves the marketing plan, expenditures and the overall strategic course for California tourism. The assessment program is administered by the Office of Tourism, Tourism Assessment Program which is housed in GO-Biz.

- 5) *Opposition of California tourism industry to prior version.*

Opposition to the Embassy proposed under AB 398 comes from the California tourist industry, which comprises a large aspect of the Visit CA membership, based on their concerns about redirecting scarce resources to activities beyond the scope of Visit CA. They write the committee to share, "As a non-profit association, CalTravel unifies our state's many travel-related businesses by bringing the travel and tourism industry together to deliver an exceptional California experience. The travel and tourism sectors generate more than \$117 billion for the state economy, employ over 1,000,000 Californians and bring in approximately \$4.3 billion in local taxes and \$5.2 billion in state taxes."

"Unfortunately, the CA Travel Association opposes any deviation of Visit California's core purpose which is the promotion of California as a tourist destination. While we appreciate your intent, the industry is troubled by any request to spend limited time and resources on a mission outside of its intended scope." CalTravel also is concerned about the impact of redirecting resources to oversight of a private non-profit Embassy on their effort to stave off competition for tourists and travel dollars, pointing out that, "The industry has increased its voluntary investment for the Commission's marketing program to keep up with other states and countries and on behalf of the industry, and want to be sure those dollars are being used for their original intent."

6) *Author's recent amendments address travel industry opposition.*

In response to concerns raised by the travel and tourism industry discussed in Comment 5 above, the author has amended her bill to substitute the Governor's Office of Business and Economic Development (GO-Biz) within the Governor's Office, and delete Visit CA, as the state agency responsible for the requirements of creating and maintaining the Embassy created under the legislation. The author reports that her staff is in negotiation with GO-Biz.

7) *Committee comment: If the California Embassy is intended as a private non-profit enterprise, why does state agency need to approve and oversee their activities?* Given that the model for the proposed California Embassy is a privately funded non-profit which has never been financially supported by its home state, and the requirement in the bill that any organization which may be considered for approval must already be a non-profit corporation "formed for the purpose of establishing and maintaining a California Embassy in the District of Columbia..." the committee may wish to consider the need for the state to provide oversight in creating and overseeing the proposed private non-profit foundation.

8) *Double-referral:* Should this bill pass out of this committee, it will be re-referred to the Assembly Committee on Judiciary.

**REGISTERED SUPPORT / OPPOSITION:**

**Support**

There is no support on file.

**Opposition**

(Prior version)

California Hotel and Lodging Association  
California Association of Banquet & Breakfast Inns  
California Travel Association (CalTravel)

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