

Approved

Feb. 24, 1992
Date

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT

The meeting was called to order by Representative Diane Gjerstad at
Chairperson

3:40 ~~x~~m./p.m. on Wednesday, February 19, 1992 in room 423-S of the Capitol.

All members were present except:

Representatives Baker, Sluiter, Wagnon and Wisdom. Excused.

Committee staff present:

Lynne Holt, Legislative Research
Jim Wilson, Legislative Revisor
Betty Manning, Secretary

Conferees appearing before the committee:

Mary Lou McPhail, Asst. Director, Travel and Tourism, KDOC
Eldon Fastrup, Director, Marketing Division, State Board of Agric.
Jean Barbee, Executive Director, Travel Industry Assoc. of Kansas
Betty Simecka, President, Topeka Convention & Visitors Bureau
Joe Boyd, President & CEO, Wichita Convention & Visitors Bureau
Jim Hanni, AAA Kansas-Topeka Convention & Visitors Bureau
Kevin Robertson, Executive Director, KS Lodging Association

Chairperson Gjerstad called the meeting to order at 3:40 p.m.

Hearing was opened on **SB 483**, an act to establish the Kansas Interagency Council on Tourism.

First proponent, Mary Lou McPhail, Asst. Director, Travel and Tourism Division, Kansas Department of Commerce, supports the establishment of the council to more effectively coordinate tourism related projects. Attachment 1.

Eldon Fastrup, Director, Marketing Division, Kansas State Board of Agriculture, spoke favorably of **SB 483** but asked the committee to consider including the Board of Agriculture on the interagency council on tourism. Attachment 2.

The Chair asked if anyone else wished to be heard on the bill and recognized Laura Nichol, Secretary, Kansas Department of Commerce, who announced that David Edgell, director of Travel and Tourism, U.S. Department of Commerce, would be appearing on March 3 to discuss the national travel and tourism scene.

The Chair thanked the conferees for appearing before the committee. No other conferees appeared, hearings were closed on **SB 483**.

Hearings were opened on **SB 484**, clarifying the definition of transient guest tax. Jean Barbee, Executive Director, Travel Industry Association of Kansas, was first proponent. She believes this legislation is what the original bill intended and encouraged the committee to favorably pass this bill. Attachment 3.

Next conferee, Betty Simecka, President, Topeka Convention and Visitors Bureau, believes this bill addresses the clarification for use of the transient guest tax which sometimes is distributed for other uses not related to travel and tourism. She asked the committee to consider the transient guest tax as a tax to be used solely for promotion of conventions and tourism. Attachment 4.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT,

room 423-S, Statehouse, at 3:40 ~~am~~/p.m. on Wednesday, February 19, 1992.

Third proponent, Joe Boyd, President and CEO of the Wichita Convention and Visitors Bureau, urged favorable consideration and passage of **SB 484**. Attachment 5.

Next proponent, Jim Hanni, AAA Kansas, asked the committee to favorably pass this proposed legislation. Attachment 6.

Final proponent, Kevin Robertson, Kansas Lodging Association, stated that by defining the promotion of conventions and tourism, local units of government will become more aware of the legislative intent of the statute and reduce future abuses of the tax. Attachment 7.

The conferees responded to questions by committee members.

There were no opponents appearing before the committee. Hearings were closed on **SB 484**.

The meeting adjourned at 4:50 p.m.

I Feb 19, 1992

GUEST REGISTER

HOUSE

Committee on Economic Development

NAME

ORGANIZATION

ADDRESS

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Board of Agriculture

Topeka

Len Breynton

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Topeka

Maup Len McPhail

KBOC

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Jim Roberts

To Lodging Assn.

Topeka

Betty Timmer

TIAC Topeka CVB

Topeka

Jim Hanni

AAA Kansas - Topeka CVB

Topeka

Joe Boyd

WICHITA CVB

WICHITA KS

Jean Barber

Travel Industry

Topeka KS

Testimony before the
House Economic Development Committee

on

Senate Bill 483

February 19, 1992

by

Kansas Department of Commerce

Mary Lou McPhail
Asst. Director
Travel and Tourism Division

*Eco-Devo
Attach 1
02-19-92*

Ladies and Gentlemen of the Committee, thank you for the opportunity to appear before you on behalf of SB 483 establishing the Interagency Council on Tourism.

A couple of years ago the legislature appropriated funds to the Travel and Tourism Division to support a market research study of tourism in Kansas. This report was shared with this committee upon its completion last year. The study was to produce a five-year marketing plan and to make recommendations for the division to the travel industry.

One of the recommendations that resulted from the study was to create a "Kansas Inter-agency Council on Tourism" (KIACT). The study indicated a definite lack of coordination among state agencies listed in the bill, all of which dealt with different facets of tourism. This council would provide the mechanism for the "policy-makers" in these agencies to meet throughout the year and discuss tourism related projects and to determine the effects of programs and decisions on other agencies. Not only would this be extremely helpful in encouraging greater cooperative efforts in projects, but would help on legislative issues as well.

I have been a member of the tourism division for over three years and can well attest that there are numerous activities which go on in these agencies that would better serve the citizens of the state if a better coordination of those activities existed.

For instance, our division currently publishes a Calendar of Events, as do a couple of other state agencies. We are attempting to work with the other agencies to coordinate these efforts and put together a more comprehensive calendar which would provide better information to the public.

While we may all agree that these individual efforts should continue, we feel SB 483 would provide a greater impetus for all the agencies to put more emphasis on accomplishing the goals set out in this bill.

We recognize that some of these agencies are represented as ex-officio members on the Travel and Tourism Commission, but they are not all represented. Further, this commission serves only in an advisory capacity to the travel and tourism division and has no policy-making authority as the Inter-agency Council on Tourism would have. It should also be noted that many times ex-officio members have not attended scheduled commission meetings.

The creation of this council would not have a major impact on any agency's budget and would provide the opportunity for our division to market the state to travelers much more effectively than in the past.

Current division staff would gladly support the council in providing assistance as may be required.

Thank you.

PRESENTED

TO

House Economic Development

Committee

Diane Gjerstad, Chairperson

February 19, 1992

Senate Bill No. 483

Submitted By:

Sam Brownback, Secretary

Kansas State Board of Agriculture

Eldon Fastrup, Director

Marketing Division

*Eco-Devo
Attach 2
02-19-92*

My name is Eldon Fastrup, I am the Director of the Marketing Division, Kansas State Board of Agriculture.

Secretary Brownback, has requested that I take this opportunity to appear before your committee today and express support for Senate Bill No. 483, which establishes the Kansas interagency council on tourism.

Travel and tourism is an important economic resource for Kansas now and has greater potential in the future.

Those of us that are involved in promoting the states food products and working on a daily basis with the food processors, retail outlets, gift shops, etc., are very much aware of the cooperative relation between our food promotion and tourist promotion potentials. In addition, the positive economic impact of the tourism and food processing industries on our state's economy is more apparent today than ever before and they impact both urban and rural areas.

It is this commonality in the promotion of tourism and foods that provides excellent opportunities for cooperative projects between the Division of Travel and Tourism, Kansas Department of Commerce and the Marketing Division.

A quick summary of cooperative projects which have really benefitted our programs include:

- 1) Kansas Magazine feature stories on FROM THE LAND OF KANSAS companies and Kansas food began in 1983. Since that time many different types of articles and features have been used to promote agriculture and the food industry using a tourism theme.

- 2) Kansas Connection is the gift merchandising publication of the Domestic Marketing Section. Five publications have been printed annually. We distribute 2,000 copies per publication initially to the Kansas Visitors Center than fill reorders as requested as long as our supplies last.

- 3) Dining in Kansas Guide is a cooperative project with the Kansas Restaurant Association and Travel/Tourism division to highlight restaurants in the state participating in the "Savor Food FROM THE LAND OF KANSAS program".
- 4) Visitors Center Pilot Program (1991) included a statewide promotional tie-in with "Celebrate! Kansas Food" Month and Kansas Tourism Week in May. The Kansas State Board of Agriculture provided FROM THE LAND OF KANSAS prizes to fill Coleman coolers and popcorn for sampling. Plans are currently being developed by the division for May 1992.
- 5) Specialty Shop Brochure is designed to increase sales of FROM THE LAND OF KANSAS foods at specialty shops throughout Kansas. Kansas Department of Commerce has been utilized as one of the resources in identifying these retail outlets. The brochure was printed in December, 1991, and includes 78 locations by city to purchase FROM THE LAND OF KANSAS foods. These brochures have been distributed to all Kansas Visitor Centers.
- 6) "Celebrate! Kansas Food" Recipe Contest entrants must use five brand name FROM THE LAND OF KANSAS products in the favorite recipe they submit for competition. A winning prize was a Kansas vacation, at the Swedish Crown restaurant and Swedish Country Inn in Lindsborg arranged by the Travel and Tourism division. The project generates a great promotional opportunity for both divisions.

- 7) Ongoing activities include cooperative efforts with the "Savor Food FROM THE LAND OF KANSAS" program and FROM THE LAND OF KANSAS program on a daily basis to further the marketing of Kansas food and agriculture. Currently meetings are being conducted to pursue a statewide marketing plan for May, 1993, with the Travel & Tourism Division, Kansas Lottery and the Marketing Division.

- 8) Kansas Hunting Directory is a new project designed to assist interested land owners to promote hunting for a fee on their properties as an alternative income source. The Travel & Tourism division and the Department of Wildlife and Parks served as major cooperators in the distribution of the brochure thus linking two of the states natural resources – tourism and recreational hunting.

This list also includes cooperation on locating rural and farm sites for major film productions and developing rural farm and ranch visits per special request of tourists.

Based upon the well established spirit of cooperation between the two divisions and the enhanced efforts of both to plan and implement additional future projects, I would respectfully request the Committee to consider including the Board of Agriculture on the Kansas interagency council on tourism.

I am confident, participation on the council will benefit the marketing division project planning for the future and we would look forward to cooperating with other members in discharging responsibilities assigned to the Council.



Travel
Industry
Association of
Kansas

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STATEMENT

DATE: February 19, 1992
TO: House Committee on Economic Development
FROM: Jean Barbee, Executive Director
RE: Definition of "Convention and Tourism Promotion"
(SB-484)

Chairperson Gjerstad and members of the committee, my name is Jean Barbee and I represent the Travel Industry Association of Kansas (TIAK). TIAK is made of members which represent both the private and public sectors of tourism promotion in the state.

SB-484 was recommended by the Joint Committee on Economic Development as a result of interim study. The bill was requested by TIAK. The bill simply amends the transient guest tax authorization statutes to include a definition of "convention and tourism promotion."

Because there has been no statutory definition, this industry terminology has frequently been subjected to interpretations by local spending authorities without the benefit of an understanding of industry standards and guidelines. We have other conferees who will give you examples of this.

Our definition outlines the five major markets for travel and tourism sales and leaves the flexibility of expenditure levels within those markets to the administrator within the city or county.

We believe the original legislative intent in establishing the transient guest tax is reflected in this definition. We do not believe that the Legislatures of 1974 through 1979 who developed this local taxing authorization intended that those monies be treated as general fund revenue. Neither do we believe that to be your wish.

For Kansas to continue to compete, especially in the quickly expanding international market, we need your help to establish this definition to prevent the erosion of funding for local promotional efforts.

Eco-Devo
Attach 3
02-19-92

Topeka Convention and Visitors Bureau

3 Townsite Plaza • 120 E. Sixth, Suite 100 • Topeka, Kansas 66603

913-234-1030 • 1-800-235-1030 • FAX 913-234-8282

THE USE OF TRANSIENT GUEST TAX

BETTY J. SIMECKA, PRESIDENT
TOPEKA CONVENTION AND VISITORS BUREAU
AND
PRESIDENT OF THE TRAVEL INDUSTRY ASSOCIATION OF KANSAS

We in the travel and tourism industry have long sought for clarification of the use of the transient guest tax sometimes referred to as bed tax. Too many times, city and county officials view the bed tax the same as sales tax and distribute it for uses other than those areas related to travel and tourism.

First of all, everyone needs to remember that the bed tax is collected by the hotels and motels from the customer and the original intent was to see that the bed tax collected was recycled back into the system to generate more travel and tourism business. I want to emphasize at this point that when I refer to the travel and tourism business, that the convention business is included.

When the transient guest tax is distributed to entities other than those promoting tourism and conventions, then the bed tax does not get regenerated and at some point there will be a diminishing return.

Topeka has had its transient guest tax distributed to other groups who use it for operating capital, promotion of events which do not bring in overnight rooms and at one time, to cut the weeds along the highway!

The emphasis of the correct usage of the transient guest tax was addressed by the Topeka Convention and Visitors Bureau Board two years ago when we

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Attach 4
02-19-92*

issued a statement to the Topeka City Council and to the Mayor urging them to review the distribution of the bed tax to those entities who were not making proper usage by promoting tourism and conventions.

The International Association of Convention and Visitors Bureaus also issued a statement of concern as did the American Society of Association Executives.

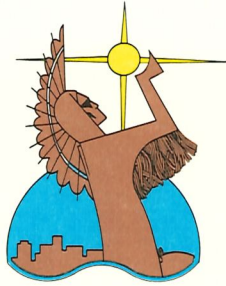
When I refer to the promotion of tourism and conventions, I am talking about sales and marketing efforts by the Convention and Visitors Bureaus to sell their cities and their counties and thereby, the state, to tourists, motorcoach operators, convention meeting planners and others who will stay in the hotels and motels. The bed tax is collected from these clients and their groups, but that is only a small part of the business accomplished.

Benefiting from the convention and tourism business along with the hotels and motels are restaurants, retail stores, gasoline stations, convenience stores, convention centers, advertising agencies, printers, photographers and the list goes on.

I would appreciate your consideration of this serious matter as would my colleagues in the Travel and Tourism Industry of Kansas. We would like the legislature to consider the transient guest tax as a tax to be used only for the promotion of conventions and tourism.

Thank you for allowing me this time today to address this matter of importance to our industry.

WICHITA
Convention &
Visitors
Bureau



February 19, 1992

My name is Joe Boyd and I am President and CEO of the Wichita Convention and Visitors Bureau, a 501(c)(6) non-profit corporation, located at 100 South Main, Suite 100, Wichita, KS, 67202. My testimony today is given in reference to Senate Bill 484, relating to the promotion of tourism and conventions.

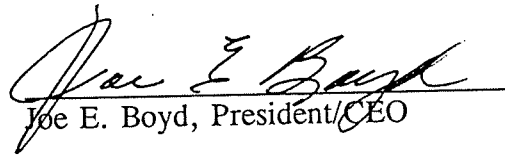
My professional experience in the field of convention and tourism dates back to 1974 and my entry into the field. I was a participant in the initial legislative process when transient guest tax was originally implemented July 1, 1975. The City of Wichita, Kansas, asked for and received this enabling legislation and was the first city in Kansas to utilize transient guest tax funds.

From the very beginning those of us in the field of tourism have been concerned with the lack of a clear and concise definition of convention and tourism promotion as stated in the original statutes. Today, we are here in an effort to clarify the definition of convention and tourism promotion.

History would reflect that as the visitor industry in Kansas has grown, so has the interest in using transient guest tax funds for purposes other than what we believe to be the intent of the original legislation. These occurrences seem to be more frequent particularly since federal funds have become more scarce. As reported many times before there have been numerous examples of abuse of transient guest tax proceeds by communities across Kansas. In September of 1989 TIAK adopted a policy statement in an effort to provide convention and visitors bureaus and chambers of commerce with a set of standardized guidelines regarding the use of transient guest tax funds. TIAK members were encouraged to present these policy statements to their respective cities and counties and encourage community leaders to adopt these guidelines.

It has always been my belief that the enabling transient guest tax legislation intended for fund proceeds to be used by those umbrella agencies who were engaged in the process of promoting entire communities versus a single attraction or a special interest project. In fact, KSA 12-1694 restricted the use of transient guest tax funds within counties of 300,000 or more population and required those counties utilizing transient guest tax funds to expend no more than 20% of fund proceeds for tourism promotion. The statute further required that 80% of the funds being utilized be spent for convention promotion. Thereby eliminating those special interest groups not engaged in community-wide convention promotion.

As a businessman it only seems logical to me that transient guest tax funds should be used by those agencies who regenerate and perpetuate the transient guest tax revenues through increased lodging occupancies. Increased lodging occupancy and extended length of stay by visitors means increased revenues for all aspects of a business community. Certain special interest groups and projects do not always accomplish this objective. I urge your consideration of SB484 and its passage.


Joe E. Boyd, President/CEO



KANSAS

**AUTO CLUB
INSURANCE
TRAVEL AGENCY**

Remarks made by Jim Hanni, President, AAA Kansas; Chairman, Topeka Convention and Visitors Bureau Council, before Kansas House of Representatives Committee on Economic Development in support of Senate Bill 484, February 19, 1992.

Thank you, Madam Chairman, and members of the committee, for the opportunity to speak in support of Senate Bill 484.

I am also wearing two hats today. First, as the President of AAA Auto Club of Kansas, and in this capacity, I represent about 106,000 individuals, members of our organization that travel by car. No other single business entity promotes travel quite like we do around the country and we are beginning to take a bigger interest in promoting tourism in our state. We see our role as being one of a good citizen enterprise, helping our state travel and tourism efforts and local convention and visitors bureaus as much as we can with other AAA clubs who may be sending their members to our state. So we are fast becoming a partner in promoting travel and tourism in Kansas...simply because it is the right thing to do.

The second hat I wear is that of being involved here in Topeka, directly, on our Convention and Visitors Bureau Board and as chairman of our Convention and Visitors Bureau Council as a volunteer. This council provides a great deal of volunteer manpower to incoming groups choosing Topeka as a place for a meeting site. We know it brings a lot of money into our state and into Topeka, helping our economy, much more so than many people realize.

Not only is our area a growing tourism destination, as evidenced by increases in both international and domestic travel data provided by our State Department of Commerce, but the potential in the future for increased tourism, convention and event activity is even greater.

However, it just isn't going to walk in the door. Aggressive, creative and energetic efforts are being made and the pressure to do more to compete with other areas require all the help from the transient guest tax funds that can possibly be provided.

But the present use of the transient guest tax allows other entities, besides those who directly regenerate the tax, to use it. These other entities simply are not responsible for having produced the tax in the first place and they are not doing anything to market people into our various communities' hotels. These funds typically are going into general operating funds and being used to promote their particular events. These events bring local citizens across town, for the most part, and do not result in overnight stays in our hotels.

All I am saying is the convention and visitors bureaus main function is to market Topeka, Wichita or whatever city it might be to bring in conventions and activities that draw people into our hotels and actually create the bed tax. They are the entities, these convention and visitors bureaus, that should be receiving the funds. Remember, this is their only source of revenue, not like the other recipients of the guest tax at this time.

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Attach 6
02-19-92*

If we don't allow these convention and visitors bureaus to have everything we can possibly provide them from this source, the bed tax, it will make our efforts to bring people into this state much, much more difficult at a time when tax dollars are so scarce. We should be doing anything we can, as Kansans, to bring outside money into our state at this time.

Thank you for the opportunity to speak to you in support of this bill.



KANSAS
LODGING
ASSOCIATION

Date: February 19, 1992
To: House Committee on Economic Development
From: Kevin Robertson
Executive Director
Re: SB 484 - definition of Convention and Tourism Promotion

Madame Chair and members of the committee thank you for allowing me the opportunity to appear before you today on SB 484. I am Kevin Robertson, Executive Director of both the Kansas Hotel and Lodging Associations representing 140 hotels and motels in the state of Kansas.

The lodging industry has a unique interest in SB 484, as it is the rental of hotel and motel rooms exclusively which are taxed. In calendar year 1991, hotels and motels collected \$9,033,664.26 in the 64 cities and counties which have a transient guest tax. Of that amount, 98% was returned to their local units of government (supposedly) for the promotion of conventions and tourism. The Department of Revenue retains 2% of the total to offset the costs of administering the tax.

The lodging industry supports the language contained within SB 484 defining the promotion of conventions and tourism. According to KSA 12-1693 and 12-1697, the transient guest tax is intended to "provide revenues (to cities and counties) to promote tourism and convention."

Unfortunately, a definition of "promotion of convention and tourism" has never existed in statute leaving this ambiguous. In the opinion of the lodging industry, guest tax revenues are currently being spent on projects other than tourism promotion. In fact, an attorney general opinion rendered this past summer indicates the promotion of conventions and tourism is whatever the city fathers believe it to be.

In reality this bill may do little to stem the tide of what the lodging industry sees as transient guest tax expenditure abuses. The attorney general has long ruled that home rule authority allows cities and counties to "charter out" of the statute and set their own rate and guidelines by ordinance. At least 34 of the 64 cities and counties collecting a transient guest tax have chartered-out of the statute and would not be affected by SB 484.

It is our hope, however, that by defining the promotion of conventions and tourism, local units of government will become more aware of the legislative intent of the statute and future abuses will be reduced.

This bill does not jeopardize the retirement of bonds on any local projects. All a locality would have to do to exempt itself from the provisions of this new definition is "charter-out."

In this respect, SB 484 does not go as far as the lodging industry would like to control the expenditure of the transient guest tax, however, we believe it is an important first step.

Another issue contained within SB 484, as amended by the Senate Committee on Economic Development at our request, is the reduction in the minimum room count for hotels and motels which must collect the tax from eight to two. This language is on page one line 26, and page two line 12 of the bill. The intent is to require **all** establishments which offer rooms to overnight guests to collect the transient guest tax. Currently, untold dollars are going uncollected from motels and bed and breakfast lodging facilities with eight rooms and under which are simply not required to collect the tax. According to records of lodging establishments licensed by the Department of Health and Environment, there are at least 36 such properties.

Finally, the lodging industry does not support opening transient guest tax revenues to be used to update public or private facilities to make them handicap accessible. Provisions of the federal Americans with Disabilities Act (ADA) will require all hotel and motel properties to meet very specific handicap accessible requirements prior to January 26, 1993. These improvements will be costly and will be paid by the hotel and motel owners.

Hotels across the country have already begun to prepare and make these improvements. The Kansas Lodging Association, along with the American Hotel and Motel Association is doing its part to notify hoteliers of the requirements of the ADA. In fact, we have scheduled two seminars on ADA requirements to be held in Kansas City and Newton on March 24 and 25.

I will be happy to respond to any questions you may have.