

Approved January 31, 1992
Date

MINUTES OF THE Senate COMMITTEE ON Economic Development

The meeting was called to order by Senator Dave Kerr at
Chairperson

8:00 a.m./~~pm~~ on January 29, 19⁹² in room 123-S of the Capitol.

All members were present ~~except~~ XXXX:

Committee staff present:

Lynne Holt, Legislative Research Department
Bill Edds, Revisor of Statutes' Office
LaVonne Mumert, Committee Secretary

Conferees appearing before the committee:

Jean Barbee, Travel Industry Association of Kansas
Martha Slater, Hutchinson
Kevin Robertson, Kansas Lodging Association
Martha Gabehart, Kansas Commission on Disability Concerns

S.B. 484 - Defining convention and tourism promotion, bed tax

Jean Barbee explained SB 484 and testified in support of the bill (Attachment 1). She said that SB 484 would add a definition of "convention and tourism promotion" to the statutes authorizing collection of the transient guest tax. Ms. Barbee explained that the lack of such a definition has resulted in the funds being used for activities other than convention and tourism promotion. She suggested that the bill be amended by moving the ":" in line 33 to come after the word "means". Ms. Barbee said there are no other resources available for promotion of cities and/or counties.

Martha Slater testified in favor of the bill (Attachment 2). She said there are other individuals involved in tourism who strongly support the bill but feel they cannot testify because they are employed by governmental entities who would not be supportive of the bill. She talked about the "self-regeneration" of the transient guest tax and how the benefits cease when the funds are used for purposes other than promotion. Ms. Slater said that, while decisions for use of funds will continue to be made at the local level under the bill, she believes local officials are more responsive to the spirit of the law when the definition for usage is more clear.

Kevin Robertson testified in favor of the bill (Attachment 3). He stated that over \$9 million was collected in 1992 by the tax and gave instances of "abuses" of the funds. Mr. Robertson mentioned that at least 34 of the 64 cities and counties collecting the tax have chartered-out of the statute, but he feels that SB 484 will help to stem the trend of using these funds for projects other than tourism promotion. Mr. Robertson suggested that the bill be amended to exclude the provision for "more than eight bedrooms". In response to questions from Senator Moran, Mr. Robertson said such an amendment would affect bed and breakfast establishments and other highway properties having 6-8 rooms. He advised that the amount of the tax ranges from 1-6% and estimated that three to five new entities begin or increase the tax each year.

Martha Gabehart discussed concerns about accessibility of motels and hotels for individuals with disabilities. She said the Commission on Disability Concerns would be in favor of the bill if it included provisions allowing the funds to be used for making buildings accessible. Senator Salisbury noted that, under the bill, funds could be used to promote such facilities. Ms. Gabehart stated that there appears to be no other option for resources to assist hotels and motels in becoming accessible.

CONTINUATION SHEET

MINUTES OF THE Senate COMMITTEE ON Economic Development,
room 123-S, Statehouse, at 8:00 a.m./~~p.m.~~ on January 29, 1992

Senator Vidricksen moved that SB 484 be amended to change the provisions for "more than eight bedrooms" to "more than two bedrooms". Senator Salisbury seconded the motion, and the motion carried.

Senator Vidricksen moved that the bill be technically amended by changing line 33 to read: "(e) "Convention and tourism promotion" means: (1) activities to" and also changing line 38 to read: "and corporate meetings and travel; and (2) support of those". Senator Salisbury seconded the motion, and the motion carried.

Senator Petty moved that the bill be further amended to provide that the funds may be used to make public facilities assessible to persons with disabilities. Senator Oleen seconded the motion, and the motion failed.

Senator Vidricksen moved that SB 484, as amended, be recommended favorably for passage. Senator Brady seconded the motion, and the motion carried.

The Committee was provided with written testimony of Betty Simecká, Topeka Convention and Visitors Bureau (Attachment 4).

The meeting was adjourned at 9:00. The next meeting of the Committee will be Thursday, January 30, 1992.



Travel
Industry
Association of
Kansas

810 Merchants National Bank
8th & Jackson
Topeka, Kansas 66612
913/233-9465 FAX 913/357-6629

STATEMENT

DATE: January 29, 1992

TO: Joint Economic Development Committee

FROM: Jean Barbee, Executive Director

RE: Definition of "Convention and Tourism Promotion"
(SB-484)

Chairperson Kerr 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. I have been asked to present and explain this bill to the committee today.

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.

May I answer your questions?

Attachment 1
1/29/92
Sen. Eco. Dev.

TESTIMONY TO SENATE ECONOMIC DEVELOPMENT COMMITTEE IN SUPPORT OF

SENATE BILL 484, CLARIFYING DEFINITION OF TRANSIENT GUEST TAX

Speaker: Martha Slater
1000 East 27th
Hutchinson, KS

Tourism Affiliations: TIAK Board of Directors - 9 years
Currently 1st Vice-President TIAK

Kansas Film Commission - 10 years
Chairman - 1990-1991

Greater Hutchinson Convention/Visitors Bureau
Advisory Board - 4 years
Chairman - 1989

Chairman, "Tourism Tomorrow" Task Force
for Reno County, 1991-1992

Good morning. I am here as a volunteer, to discuss the transient guest tax... one of the most critical issues facing Kansas tourism.

In Hutchinson we are in an ongoing struggle to stay true to the spirit and intent of this tax. Regretfully, I can report only partial success.

The key to the transient guest tax is its self-regeneration. It is earned only when people stay in motels. When the tax is used to promote activities and organizations that inspire overnight stays in a community, then more tax is generated... and not just transient guest tax.

These visitors spend money, and generate sales tax; the employees who serve them generate income tax. An entire local economy is strengthened when the transient guest tax is spent for its intended purpose.

If transient guest tax revenue is not re-invested, there will be a point of diminishing return. It's as simple as that.

What is not simple these days is finding the money to run local government at the level people expect. I understand that. Local officials are desperate for funding sources.

It is further complicated by the fact that the visitor industry is so vast, and crosses so many industry lines, it is easy to claim that certain expenditures will enhance it.

more...

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Martha Slater testimony
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A good example is our local city owned softball complex, Fun Valley. Fun Valley brings in hundreds of teams every summer. Because of their uniforms, we see them in the restaurants and the mall; they check into motels in a group, and we can document their economic impact.

Our city government forces the CVB to subsidize Fun Valley to the tune of \$25,000 a year. That is 13% of our budget. And I mean they force us to. They write it into the operating agreement/contract with the Chamber of Commerce, and make it clear that they will not renew the agreement unless we go along with this.

The CVB does not fund any other attraction in Reno County. Not the Museum, the Kansas Cosmosphere, which is visited by 390,000 people a year, or the State Fair, which commands annual attendance of over 300,000.

The most we've done for these attractions in the past is give them a few hundred dollars for brochures, and that practice has now ended. Why is it only a city attraction that should be funded?

The motel managers on our CVB board reluctantly agree to the Fun Valley expenditure because they rely on the summer business. And frankly, we have a gun at our heads.

In 1991 Fun Valley faced major water supply problems, which at first looked like a quarter of a million dollar problem. Some city officials suggested that perhaps the bed tax should be raised to pay for this.

Thanks to a major lobbying/educational effort, and assisted by a cheaper solution to the problem, we finally avoided that confrontation.

But there's always one waiting for us right around the corner. We are currently helping to fund a Cultural Commission that the city created but then failed to fund through the general operating budget. Instead they look to us to give these folks \$15,000 a year - almost 8% of our budget.

This is an extremely worthy group, but their role is to coordinate arts and activities in Hutchinson...to improve the quality of life for our local citizens. Only a tiny part of what they do might involve filling motel beds... yet we are their major funder.

This is expected to be a heated, annual discussion.

As members of the CVB Board, we live with the constant insinuation that if we don't toe the line, our members will not be re-appointed, our contract will not be renewed, and the work of the CVB will be reduced to a person that works out of City Hall.

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21% of our budget -- \$40,000 a year -- is not ours to control.

We recognize that it is our job to properly educate our city officials. They are good people doing a difficult task, and we have made some headway.

But all of tourism needs your help in better defining the transient guest tax. It is not a bottomless pit, a mysterious slush fund for local officials to dip into to balance the budget.

The people I know employed in tourism work tirelessly. They travel extensively to promote their communities, and work long, weird hours.

Travel and Tourism will be the nation's #1 industry by the year 2000. If Kansas is to follow the trend, we must spend our transient guest taxes the way they were intended to be spent. Water mains have other sources of funding.

Convention and tourism marketing does not.

Please. I urge your support of Senate Bill 484.

Martha Slate



Date: January 28, 1992
To: Senate Committee on Economic Development
From: Kevin Robertson
Executive Director
Re: SB 485 - definition of Convention and Tourism Promotion

Mr. Chairman and members of the committee thank you for allowing me the opportunity to appear before you today on SB 485. 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 485 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 transient guest tax dollars which were returned to their local units of government supposedly for the promotion of conventions and tourism.

I am not here before you today to discuss the lodging industry's attitude toward the guest tax, rather, I am here today to discuss how guest tax revenue is spent.

The lodging industry supports the language contained within SB 485 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 is. Making shopping centers handicap accessible, building highways, removal of hazardous waste, renovating airports, and putting up street lights are all projects that have been funded by transient guest tax revenues.

In reality this bill may do little to stem the tide of what the lodging 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 485.

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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."

SB 485 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.

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

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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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.