

MINUTES OF THE SENATE COMMITTEE ON TRANSPORTATION AND TOURISM

The meeting was called to order by Chairman Ben Vidricksen at 9:05 a.m. on January 14, 1998 in Room 254-E of the Capitol.

All members were present except: Senator Tim Huelskamp

Committee staff present: Hank Avila, Legislative Research Department  
Bruce Kinzie, Revisor of Statutes  
Marian Holeman, Committee Secretary

Conferees appearing before the committee: Norine Kruse, Tourism Dir., KS Dept. Of Commerce  
Janna Jordan, Hays Convention Center  
Doug Young, Young, Nichols Gilstrap, Inc.

Others attending: See attached list

Tourism.

Norine Kruse explained that Legislation was enacted last year which called for a consultant to be hired to conduct a large scale study of Kansas tourism. Her Department was directed to work closely with the Council on Travel & Tourism in contracting with that consultant. Ms. Kruse then introduced Janna Jordan, Chair of the Council on Travel & Tourism.

Ms. Jordan advised that the Council's main charge this year was to see a tourism study and recommendations project go through. They were able to contract with Young Nichols Gilstrap, Inc. The consultants made a presentation to the Council on December 18th in Lenexa. The Council voted in favor of the consultant's proposal and the strategic elements involved. Ms. Jordan introduced Doug Young to make the presentation.

Mr. Young provided a slide presentation on the consultant's preliminary report. The full report is due in March, 1998. He discussed the broad impact on economic development from tourism, the added impact of "high quality" visitors, and the need for Kansas to develop a competitive advantage, especially when neighboring states are strongly competitive and have large tourism budgets. Positives and negatives in the present tourism picture were profiled and strategy for development was outlined. See "Tourism Strategy for Kansas" (Attachment 1).

Members discussed the report with Mr. Young. Discussion covered the financing legislation; the proposed "Hall of American Heroes" and other strategic proposals; international visitors; as well as the need to examine current laws that negatively impact growth of tourism.

Meeting adjourned at 10:05 a.m.

The next meeting is on call for January 20, 1998.



**TOURISM STRATEGY**  
**FOR**  
**KANSAS**

**Preliminary**  
**Legislative Report**

**January 1998**



**YOUNG NICHOLS GILSTRAP, INC.**

*Sp. Transportation + Tourism  
Committee - 1/13/98*

# KANSAS TOURISM STRATEGY

## BACKGROUND

The Kansas Council on Tourism in cooperation with the Kansas Department of Commerce and Housing Tourism Development Division hired Young Nichols Gilstrap, Inc. ("YNG") in September of 1997 to develop a long term strategy for enhancing tourism-related economic development. The Kansas Legislature appropriated the funding to conduct the study.

*The following, abbreviated report focuses on issues that may need to be addressed in the 1998 Legislative Session. It precedes the full report scheduled for delivery in March of 1998.*

YNG was directed to provide an objective assessment of the current tourism environment and to follow a detailed scope of work outlined by the Tourism Division. The written assessment will be delivered in an upcoming final report. In addition, YNG conducted the process with the goal of creating a sustainable competitive advantage for the Kansas tourism industry in the future. In a more "micro" sense, the strategy targets a profitable niche within the highly competitive regional market.

The following, abbreviated report focuses on issues that may need to be addressed in the 1998 Legislative Session. It precedes the full report scheduled for delivery in March of 1998. Although the final language for the full report has not been drafted, YNG has recorded its preliminary conclusions. The preliminary findings were presented to the Council on Tourism in a more than 60-minute verbal report on December 18, 1997. The Council unanimously accepted the YNG report.

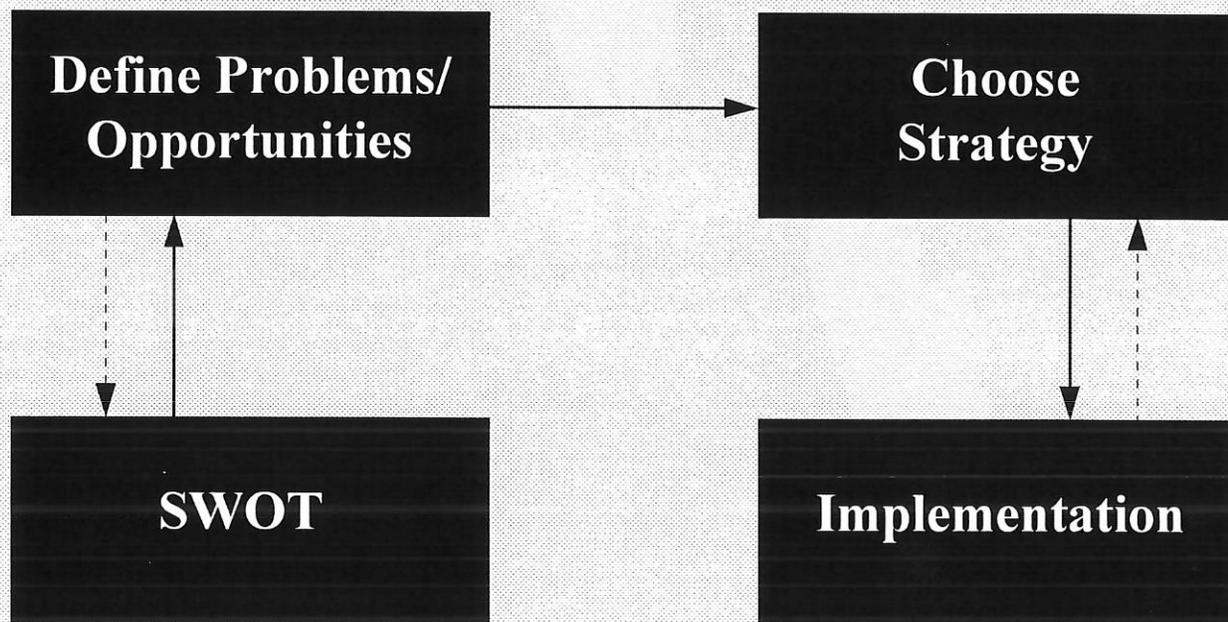
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# KANSAS TOURISM STRATEGY

## METHODOLOGY



**A**n extensive SWOT ("strengths, weaknesses, opportunities and threats") analysis served as the foundation for identifying the key issues facing the Kansas tourism industry. The analysis was conducted primarily through an intensive review of relevant Kansas tourism statistics, research studies and customer profiles. In addition, a variety of written surveys and interviews were conducted with tourism industry professionals and economic development leaders.

In reaching its findings, YNG relied on a combination of the accumulated data and its extensive tourism and business experience. YNG currently serves or has served as a tourism advisor to the United States Forest Service, individual states, local communities, public

land organizations, Native American tribes, attractions and developers. The conclusions were tested and modified through a series of interviews with tourism, community and government leaders and travel industry experts. The resulting strategy and recommendations delivered in the December council presentation featured a similar testing and review process.

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# KANSAS TOURISM STRATEGY

## TOURISM CAN ENHANCE ECONOMIC DEVELOPMENT AND QUALITY OF LIFE OPPORTUNITIES

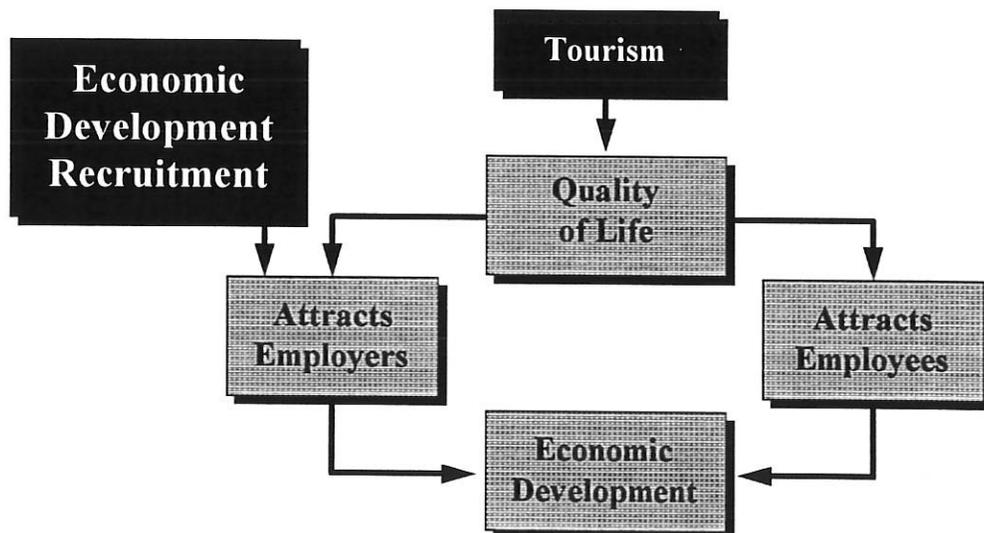
**T**hrough YNG's strategy work, the firm continues to gain a greater appreciation for the mutually beneficial impact tourism has on other forms of economic development. Just as escalating competition is transforming the business of travel, so is it changing all forms of economic development. Many regions believe that economic incentives (such as tax breaks, infrastructure commitments, etc.) are required to lure new businesses to their areas, but these incentives alone may not be sufficient under current competitive conditions. Most areas are now looking for other ways to compete. A focus on quality of life strengths, for example, can generate a host of outcomes that dramatically elevate a state's ability to compete. As competition escalates, economic development organizations find they must move from a passive selling mode -- accepting existing strengths and weaknesses as a given--to a newer, more proactive strategy.

Tourists are often a vital part of proactive economic development strategies. Visitors to a market exert an

influence that goes far beyond the common notion of "heads in beds." Consider that in many markets, for example, the annual flow of tourists often exceeds the number of local residents by several times. This flow of tourists should be recognized as potential employers, employees, home buyers and influencers of future economic development. In a sense, tourism helps market the community for many purposes each time it brings a visitor to town.

Coordinating tourism and economic development is also important to avoid negative synergy. Weak planning and zoning, or polluting industries, can undermine a visitor's perception of the community. Similarly, low value visitors can harm economic development. A tourism destination focused on spring break or low spending pass-through tourism may develop T-shirt tourism amenities that hurt certain communities' ability to attract the best employers and employees.

### *Tourism-Supported Economic Development*



Source: Young Nichols Gilstrap, Inc.

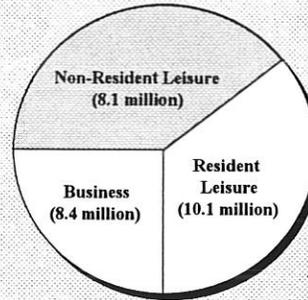
# KANSAS TOURISM STRATEGY

## KANSAS HOSTS AN IMPRESSIVE NUMBER OF ANNUAL VISITORS

United States Census Bureau statistics show Kansas currently has approximately 1 percent of the U.S. population.<sup>(a)</sup> Empirical research reports, meanwhile, indicate the Sunflower State captures its pro-rata share (1 percent) of both the total number of domestic leisure travelers and the total number of business visitors.<sup>(b)</sup> This is an impressive number of visitors.

Business and leisure visitor travel patterns, however, indicate Kansas is currently missing major economic opportunities by failing to capture its pro-rata share of both leisure and business travel spending. While Kansas has 1 percent of the total number of domestic leisure travelers, it only receives 0.6 percent of leisure travel spending. And while it is host to 1 percent of the total number of business travelers, it receives only 0.8 percent of spending by the domestic business travel market.<sup>(b)</sup>

### Non-Resident Destination Visitors - 1996



Total Visitors = 26.6 million <sup>(b)</sup>

#### Non-Resident--Purpose of Visit

ERA Survey <sup>(c)</sup>	# of Visitors
Pass-Through (48.9%)	4.0 Million
Visit Friends & Relatives (23.4%)	1.9
Vacation (6.9%)	0.5
Other (20.8%)	1.7
<b>Total</b>	<b>8.1 Million</b>

## Kansas Tourism Market Share -- 1996

### National Market Share

	<u>Leisure</u>	<u>Business</u>	<u>Total</u>
<b>Population <sup>(a)</sup></b>	NA	NA	<b>1.0%</b>
<b>Number of Visitors <sup>(b)</sup></b>	<b>1.0%</b>	1.0%	1.0%
<b>\$ Economic Impact <sup>(b)</sup></b>	<b>0.6%</b>	0.8%	0.7%

(a) Source: U.S. Bureau of the Census. 1995 Kansas population of 2,565,000; 1995 U.S. population of 262,755,000.

(b) Source: D.K. Shifflet & Associates. Estimate of 1996 direct financial impact of tourism for 50 states plus Washington D.C. Excludes transportation expenditures (ahma.com). Kansas' tourism economic impact of \$2,545 million (business \$952 million; leisure \$1,593 million).

(c) Source: Travel Development and Marketing Plan, Economics Research Associates, May 1991. Non-resident survey.

# KANSAS TOURISM STRATEGY

## INCREASED TRAVELER SPENDING OFFERS SIGNIFICANT OPPORTUNITY

**I**mplementing strategic steps to help Kansas receive its pro-rata share of visitor spending offers tremendous potential. For each 0.1 percent increase in domestic leisure travel spending, an additional \$262.5 million will be spent each year. An increase of just 100,000 higher value visitors has the potential to increase tourism's direct spending in Kansas by \$50-\$100 million annually.<sup>(d)</sup>

Targeting and developing higher spending visitors can stimulate a host of other benefits. If successful with such goals, higher value amenities (hotels, retail outlets, restaurants, golf courses, attractions, etc.) are often added to serve such visitors. The addition of such amenities are generally appreciated by the local residents and can even serve as important tools to attract new employers and employees to the state.

### *Tourism/Economic Development Opportunities for Kansas*

- ◆ Increased air access
- ◆ Rural economic development
- ◆ Exposure
  - ◆ Potential employers
  - ◆ Potential skilled employees
  - ◆ Potential retirees
- ◆ Increased quality of life (e.g. retail, golf, restaurant)
  - ◆ Attract employers, employees
  - ◆ Decrease brain drain

Source: Young Nichols Gilstrap, Inc.

## *Incremental Impact*

### Annual Economic Impact

- ◆ Each 0.1% increase -- leisure travel      \$262.5 million

### Annual Visitor Impact

- ◆ Increase of 100,000 visitors
  - ◆ High value visitor <sup>(d)</sup>      \$50-100 million
  - ◆ Low value visitor <sup>(e)</sup>      \$ 5-10 million

(d) Assumes \$500-1,000 spent per person per trip

(e) Assumes \$50-100 spent per person per trip

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# KANSAS TOURISM STRATEGY

## KANSAS CURRENTLY OPERATES AT A COMPETITIVE DISADVANTAGE

Many Kansas tourism and community leaders are quick to point out that the state has lagged behind many regional competitors in developing new tourist draws. Missouri and Colorado, for example, are generally regarded as having superior tourism products. At the same time, both states in the last decade have added the types of attractions and amenities that should enhance visitor spending.

Meanwhile, domestic competition is increasing. Newly charged competitors include places such as Cleveland, Mississippi's Gulf Coast and Branson, Missouri. Additionally, competition for tourism spending is escalating on a global basis. From Cuba to Albania and Costa Rica to Vietnam, a host of new competitors have entered the tourism business in the last five years.

Fortunately, there are lessons to be learned from the trend toward escalating tourism

competition. Most importantly for Kansas, the evidence indicates that the most successful destinations are those that do not attempt to be all things to all people. Rather, today's successful competitors tend to be focused. While the Indianapolis sports emphasis may not appeal to Cleveland's Rock and Roll Hall of Fame customers, it does draw a highly enthusiastic set of loyal visitors that have created an extremely profitable environment for many businesses and residents.

The combination of lower spending visitors and escalating competition has contributed to the fact that most Kansas tourist attractions today serve as dependent attractions. As opposed to independent attractions that serve as the reason for visitors traveling to a state, dependent attractions tend to rely on visitors or attendees who are already in the market. Dependent attractions do serve a valuable purpose in that they help entertain and educate travelers who are in Kansas for other reasons (e.g., passing through, visiting friends and relatives, attending meetings, etc.); however, more strategic niche packaging and the development of additional assets could help Kansas begin to feature more powerful, independent attractions.

Meanwhile, Kansas simply does not have the marketing resources to compete regionally, nationally or internationally. In addition to not having large resorts or attractions who market travel to

### *Kansas Faces Larger Competitors*

Total Tourism Budget (\$ Millions) <sup>(f)</sup>		Tourism Advertising Budget (\$ Millions) <sup>(f)</sup>		1996 Leisure Economic Impact (\$ Billions) <sup>(g)</sup>	
Arkansas	\$ 9.95	Arkansas	\$ 5.04	Missouri	\$6.1
Missouri	9.28	Missouri	4.21	Iowa	2.4
Oklahoma	7.29	Oklahoma	3.04	Arkansas	2.2
<b>Kansas</b>	<b>3.91</b>	Iowa	0.83	<b>Oklahoma</b>	<b>2.2</b>
Iowa	3.64	Nebraska	0.49	<b>Kansas</b>	<b>1.6</b>
Nebraska	2.11	<b>Kansas</b>	<b>0.40</b>	Nebraska	1.5

the state, Kansas has historically dedicated non-competitive levels of funding to state-led advertising programs. Compared with regional competition, Kansas advertising resources fall behind Arkansas, Missouri, Oklahoma, Iowa and Nebraska.<sup>(f)</sup> Advertising should be viewed as a tool to inform, educate and motivate travelers. An even more important factor may be that it helps a state define the type of visitors (high spending vs. low spending) that a destination attracts.

(f) Source: Survey of State Travel Offices 1995-96.

(g) Source: DKS&A data at ahma.com.

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# KANSAS TOURISM STRATEGY

## KANSAS READY FOR NEW TOURISM STRATEGY

**Y**NG's research indicated that the current Kansas tourism issues have not changed over several decades. In communicating this finding to Kansas tourism and business leaders, YNG has found that many people believe such information will serve as a force for change.

There are other factors that suggest the climate is right for more aggressive, market-driven solutions. An impressive number of Kansas tourism entities have suggested they recognize that strategic alliances need to be formed to compete. The push for the development of more powerful amenities, in addition, is also evident.

### *Past Strategies*

	<u>Year</u>
"...travel east and west has gone directly through [Kansas] and we have profited little by it." [What is needed is a campaign to advertise to the world] "the material, industrial and moral advantage" of Kansas.	1905
Improve roads to increase tourism	1924
Advertise the State's natural resources "to the world at large"	1927
Identify key historical sites	1934
Talk up Kansas tourism to Kansans	1977/78

Source: Robert Smith Bader, *Hayseeds, Moralizers & Methodists*, 1988. pp. 163-173

### *Kansas: Key Tourism Issues*

	Past Studies			Future
	1977 <sup>(h)</sup>	1991 <sup>(i)</sup>	1997/98 <sup>(j)</sup>	
No Image	✓	✓	✓	?
Pass-Through Visitor	✓	✓	✓	?
No Resort/ Weak Attractions	✓	✓	✓	?
Fragmented Efforts	✓	✓	✓	?

Examples of new or expanded attractions that are being developed or proposed include:

- ❖ A new NASCAR facility in Kansas City
- ❖ The proposed Wonderful World of Oz development
- ❖ The Salina-area Rolling Hills Refuge
- ❖ The National Park Service's Z-Bar Ranch
- ❖ Expansions of the Kansas Cosmosphere, Sternberg Museum and Old Cowntown
- ❖ Wichita's planned science center (Exploration Place)

(h) Welling, Minton & Vanderslice, Inc. study.

(i) ERA study.

(j) Based on YNG research.

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# KANSAS TOURISM STRATEGY

## STATEWIDE STRATEGY MUST FOCUS ON CREATING COMPETITIVE ADVANTAGE

**W**hile the list of new and proposed attractions is impressive, it does not remove the need for a competitive advantage strategy for the Kansas tourism industry as a whole. Traditional solutions--more advertising, lower prices etc.--only target symptoms and will leave Kansas with the traditional strategy issues in the future. As a result, YNG will be detailing a non-traditional strategy in its March 1998 report.

First, the foundation for the strategy will be existing Kansas strengths and market opportunities. Upon this foundation, YNG is recommending an aggressive campaign to:

- ❖ Target profitable market niches
- ❖ Develop an independent attraction

YNG conducted an intensive analysis and testing

phase to develop its niche recommendations. The niches that emerged from this process represent both a significant Kansas strength and a distinctive national opportunity. If developed correctly, it is believed that each individual niche will allow Kansas to aggressively compete in national and international markets for potential travelers who have passionate interests in the individual areas. The target niches are:

- ❖ Frontier History (including Old West and Civil War-related)
- ❖ Old West (primarily built on Dodge City's international reputation)
- ❖ Hunting
- ❖ Aviation
- ❖ Eco-tourism (including bird watching and fossil-related)
- ❖ Agri-tourism

## *Solve Problems Not Symptoms*

**Visible Symptoms**

- ◆ *No resort*
- ◆ *Seasonality*
- ◆ *Dependent attractions*
- ◆ *Lower quality amenities*

**Problem:**  
Destination needs to be more powerful

### **Solve Symptoms?**

- ◆ *More advertising*
- ◆ *Price discounting*
- ◆ *Recruit developers*
- ◆ *More pass-through visitors*

## Strategy Goal: Become Chooser

### Destination is Chooser

**Product:** Unique  
**Customer:** Knowledgeable;  
 Strong interest  
**Competitors:** Few  
**Value Captured By:** Destination

### Destination is Beggar

**Commodity**  
**Price-conscious**  
  
**Many**  
**Customer**

Source: Young Nichols Gilstrap, Inc.

Over time, such a niche focus would transform Kansas tourism marketing and development efforts from being a beggar to being a chooser. Kansas would not compete for Branson's music and entertainment customers, but, for example, Kansas would better establish itself as a competitive force in quail and pheasant hunting. A series of detailed implementation recommendations for building up the targeted niches will be outlined in the March 1998 report.

The research that YNG collected throughout this process clearly indicated the need for Kansas to enhance its image and draw destination visitors to the state. If correctly developed, an independent attraction can facilitate the accomplishment of such goals. Consider the impact that the Rock and Roll Hall of Fame has had in both Cleveland and Ohio. It recorded a first-year attendance of approximately one million people. The visitor base was composed primarily of out-of-state residents (62 percent) who had high household incomes.<sup>(k)</sup> Approximately 40 percent of the out-of-state museum visitors suggested the attraction was what motivated them to visit the destination and spend money in the area. Perhaps most importantly, it has effectively changed the image of Cleveland from "the mistake on the lake" to the "miracle on the lake." The development of this attraction has had a significant positive effect on Ohio's tourism industry, clearly demonstrating that it is an independent attraction.

(k) Source: Rock and Roll Hall of Fame and Museum.

In its March report, will recommend that Kansas develop the Hall of American Heroes. Because the image of the Heartland is consistent with patriotism and core values, Kansas is positioned as the most logical place to be host to this type of independent attraction. Furthermore, Kansas has its own heroes (e.g., Eisenhower) and heroism (e.g., the frontier). The Hall would be devoted initially to a limited number

of the greatest Americans who have changed history. Those heroes would include the greatest Presidents (e.g., Washington, Lincoln), the greatest military leaders (e.g., Eisenhower) as well as other distinguished heroes (e.g., Martin Luther King). Highlights of the facility would include:

- ❖ Interactive, entertaining presentations (the Rock and Roll Hall of Fame, for example, features more than twenty different film and video presentations)
- ❖ Motivation for travelers, both domestic and international, to visit Kansas
- ❖ A Kansas Hall and a "master" Kansas Visitor Center
- ❖ Regular inauguration ceremonies and possibly a July 4th parade for the millennium

Again, it is envisioned that the design and marketing of the Hall of American Heroes would attract many high value visitors to the state while also using the master visitor center to encourage visitations to additional Kansas attractions. At a time when many Americans are searching for appropriate role models, the Hall of American Heroes could capitalize on opportunities associated with creating a destination attraction built around this theme.

# KANSAS TOURISM STRATEGY

## KANSAS SHOULD CONSIDER TOURISM LEGISLATION

**T**o better capture the economic benefits and potential of tourism, legislation or legislative support will likely be needed to jump-start the Kansas tourism strategy. YNG is recommending increased support for the following:

### FEASIBILITY STUDY FOR THE DEVELOPMENT OF THE HALL OF AMERICAN HEROES

YNG recommends that the 1998 Kansas Legislature consider funding a feasibility study for the Hall of American Heroes. Such efforts should include planning the attraction in such a manner to guarantee that it becomes an independent attraction, it secures significant corporate sponsorship (financial) and it does not need annual government operating subsidies upon completion.

### ADDITIONAL ATTRACTION DEVELOPMENT

In addition to the Hall of American Heroes, it would benefit Kansas to improve many key existing attractions. It should also stimulate the development of new attractions that would enhance the target niches. Again, this is needed because the Kansas tourism product has more competition than it had a decade ago. It is also needed to make up for years of Kansas attempting to compete with insufficient resources. Attraction development efforts might include:

- ❖ The consolidation of current Kansas attraction development programs. The Kansas Tourism Division and the Council on Tourism have already initiated efforts in this direction (Attachment II) that are also consistent with recent Kansas Inc. recommendations.

- ❖ The funding of a State tourism attraction fund. This fund could also be included in efforts to consolidate the Division of Tourism's current attraction development alternatives.
- ❖ Consideration of legislation to provide state sales tax credits to qualified tourism projects. Similar legislation recently passed in Kentucky (Attachment III) and Arkansas (Attachment IV). The act reportedly has already helped Kentucky land a major aquarium and helped it to be selected for the development over Ohio (Attachment V).

### COMPETITIVE FUNDING FOR THE MARKETING OF KANSAS AS A TOURIST DESTINATION

Because of Kansas's current funding issues, special consideration should be given to developing a supplemental revenue fund similar to one recently established in Missouri. The Missouri Legislation appears to have stimulated a bill proposed by the 1997 Kansas Legislature's Special Committee on Tourism (Attachment VI). The legislation appears to be headed in the right direction, based on YNG's preliminary review.

YNG also recommends funding for development of the niches that are part of the strategic plan for Kansas.

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# KANSAS TOURISM STRATEGY

## ATTACHMENTS

- I. Appendix
  - ❖ Analysis of the strengths, weaknesses, opportunities and threats that face development of Kansas tourism
  - ❖ Analysis of the interrelationship between state and local interests in developing Kansas tourism
  - ❖ Analysis of the interrelationship between public and private sector efforts in developing Kansas tourism
  - ❖ Specific recommendations for the attraction, development and improvement of tourism in Kansas
- II. Proposed Strategic Tourism Development Program
- III. Think Tourists Only Come to Kentucky on Derby Day?
- IV. Arkansas Act 291 of 1997
- V. Big Fish Hail Aquarium as Work Starts  
(An article from *The Cincinnati Enquirer*)
- VI. 1997 Kansas Legislature's Special Committee Proposed Legislation

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**ATTACHMENT I**

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APPENDIX

**TOURISM STRATEGY FOR KANSAS**

*Preliminary Legislative Report*

January 1998

**I. Strengths, Weaknesses, Opportunities and Threats**

*(Instead of listing all possible subjects under each category, the assets or liabilities that are linked strongly with the recommended strategy are presented. The items are not listed in rank order.)*

A. Strengths

1. Quantity of visitors
2. Heartland image
3. Central location
4. Committed tourism industry personnel
5. Niche strengths
  - a) Major
    - (1) Based on current assets and opportunities
      - (a) Frontier History (including Old West and Civil War-related)
      - (b) Old West (primarily built on Dodge City's international reputation)
      - (c) Hunting
    - (2) Strong potential
      - (a) Aviation
      - (b) Eco-tourism (including bird watching and fossil-related)
      - (c) Agri-tourism
  - b) Minor
    - (1) Fishing
    - (2) African-American history
    - (3) Immigrant history
    - (4) Religious sites and architecture
    - (5) Art/handicrafts
    - (6) Civil War history
    - (7) Fall foliage and gardens
    - (8) Casinos
    - (9) Women heroes
    - (10) Zoos



B. Weaknesses

1. Quality of visitors
  - a) Low spending
  - b) Kansas rarely final destination for leisure visitors
  - c) Seasonal
2. Most attractions are dependent
  - a) Do not independently generate visitors to the state
3. Lower value amenities
  - a) Few highly rated hotels and restaurants
  - b) Few distinctive retail draws
4. Fragmented tourism marketing and development efforts
5. Many marketing and development efforts based on internal/political needs, not market demand
6. Lack of scenery, beach, year-round weather and other natural advantages
7. Lack of awareness of tourism's potential in Kansas
8. Limited resources

C. Opportunities

1. New product development
  - a) Independent attraction
    - (1) Hall of American Heroes
2. New, expanded and potential attractions that have been proposed
  - a) A new NASCAR facility in Kansas City
  - b) The proposed Wonderful World of Oz development
  - c) The Salina-area Rolling Hills Refuge
  - d) The National Park Service's Z-Bar Ranch
  - e) Expansions of the Kansas Cosmosphere, Sternberg Museum and Old Cowtown
  - f) Wichita's planned science center (Exploration Place)
3. Expanded product development yet to be proposed
  - a) Improvement of key existing attractions
  - b) Development of new, strategic attractions
4. Niche market development and marketing
  - a) Major
    - (1) Based on current assets and opportunities
      - (a) Frontier History (including Old West and Civil War-related)
      - (b) Old West (primarily built on Dodge City's international reputation)
      - (c) Hunting
    - (2) Strong potential
      - (a) Aviation
      - (b) Eco-tourism (including bird watching and fossil-related)
      - (c) Agri-tourism

5. Increase commitment to tourism and dedicate greater resources
  - a) Marketing budget
  - b) Product (attraction) development
- D. Threats
  1. Current mindset
    - a) Tourism offers little potential
    - b) Kansas cannot compete
    - c) Focus only on selling the current product
    - d) Competition is urban if you are rural and vice versa
    - e) Competition is east if you are west and vice versa
    - f) Focus on internal/political needs not market demand
  2. Global, national and regional competition
    - a) Destinations competing in target niche segments
    - b) Destinations that feature more powerful attractions
    - c) Destinations currently experiencing positive momentum
    - d) Destinations that have adequate funds with which to market
    - e) Destinations with strong tourism image
    - f) Destinations with strong focus
  3. Failure to break out of strategy trap

## II. Interrelationship Between State and Local Interests in Developing Kansas Tourism

- A. Fragmentation of efforts creates
  1. Customer confusion
    - a) Communities often act as their own destination with their own brochure
      - (1) Difficult for customer to sort through 1,200 brochures
    - b) Kansas travel guide organized around internal/political needs -- equal consideration for geographic regions -- rather than customer interests or needs
      - (1) Creates blurred image for Kansas
  2. Inefficient use of resources
    - a) Communities and regions don't often pool marketing resources
      - (1) Limited use of strategic marketing alliances with neighboring states

**CONCLUSION: The state should focus its resources (e.g., Travel guide, advertising) around the niche markets and encourage the regions to participate in those efforts (e.g., using niche market reprints from the travel guide for marketing, not just a collection of community brochures).**

- ◆ Leverages marketing resources
- ◆ Reinforces a niche identity with customers

### **III. Interrelationship Between Public and Private Sector in Developing Kansas Tourism**

- A. Fragmentation also hurts the public/private sector interrelationship
- B. Private sector is small and fragmented
  - 1. Industry dominated by small hotels, small attractions and non-distinctive retail and restaurants
  - 2. Few private sector funds available to leverage or buoy public sector tourism marketing and development dollars
  - 3. In many competing states, private sector marketing resources fuel public efforts
    - a) For example, Missouri has significant private sector marketing
      - (1) Branson theaters
      - (2) Silver Dollar City
      - (3) Lake resorts
      - (4) Six Flags
      - (5) Worlds of Fun
- C. Many private sector companies that could benefit from a more productive Kansas tourism industry do not realize tourism's economic development potential
  - 1. Wichita aviation industry
    - a) Aviation-based tourism could aid much needed employee recruitment
  - 2. Real estate
    - a) Relocated employees may be more interested in buying then renting if convinced the state offers the amenities needed to make this their permanent home
    - b) Second home sales
      - (1) For example, hunters are buying second homes in North Central Kansas
    - c) Aids in recruitment of retirees
    - d) Aids corporate recruitment when state offers competitive levels of amenities that are often supported or generated by tourism sales

**CONCLUSION: Many forms of economic development and the private sector will benefit from a competitive advantage tourism strategy that results in the development of higher value amenities and results in the development of more powerful tourism entities.**

**RECOMMENDATION: The Kansas Council on Tourism and the Kansas Tourism Division should consider increasing internal public relations at efforts to educate local communities and private sector companies about the benefits that will accompany the appropriate growth of the Kansas tourism industry. Also, the Kansas Tourism Division should help focus product development and marketing on the designated niche markets by use of strategic grant criteria.**

#### IV. Specific Recommendations for the Attraction, Development and Improvement of Tourism in Kansas

- A. The state can improve its ability to attract and motivate travelers to visit the state
  - 1. Focus on strengths (niches) and market opportunities (customers)
    - a) Most powerful Kansas niches
      - (1) Frontier History (including Old West and Civil War-related)
      - (2) Old West (primarily built on Dodge City's international reputation)
      - (3) Hunting
      - (4) Aviation
      - (5) Eco-tourism (including bird watching and fossil-related)
      - (6) Agri-tourism
    - 2. Secure a level of funding that will allow Kansas to competitively advertise its assets and niche strengths
      - a) Draft of legislation by the Kansas Legislature's Special Committee on Tourism appears to be headed in the right direction
      - b) Secure funding for the development of the niches
- B. Numerous economic benefits associated with the further development of Kansas tourism
  - 1. For each 0.1 percent increase in domestic leisure travel spending, an additional \$262.5 million will be spent each year
  - 2. An increase of just 100,000 higher value visitors has the potential to increase tourism's direct spending in Kansas by \$50-\$100 million annually
  - 3. To reach Kansas's tourism potential, attraction development is needed
    - a) Kansas needs a strategic, high quality attraction that, by itself, is strong enough to draw significant numbers of visitors to the state
      - (1) YNG recommends the development of the Hall of American Heroes and the funding of a feasibility study
    - b) Kansas needs to encourage additional attraction development
      - (1) Attraction development efforts might include:
        - (a) The consolidation of current Kansas attraction development programs
        - (b) The funding of a state tourism attraction fund
        - (c) Consideration of legislation to provide state sales tax credits to qualified tourism projects (similar to legislation recently passed in Kentucky and Arkansas)

1-18

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**ATTACHMENT II**

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## ATTACHMENT II

Revised by Tourism Council Subcommittee on 12/18/97  
Edited and Reformatted on 1/1/98

### STRATEGIC TOURISM DEVELOPMENT PROGRAM

#### New Tourism Development Enhancements

- ◆ Consistent with 1998 YNG Strategic Tourism Plan
- ◆ Providing hands-on tourism planning assistance
- ◆ Funding of significantly sized projects
- ◆ Differentiating a tourism attraction from a local attraction
- ◆ Initiating an on-going application process for small projects
- ◆ Strengthening reporting and performance requirements
- ◆ Requiring Tourism Council to approve large projects
- ◆ Providing for any remaining funds to roll over to next fiscal year
- ◆ Either one fund with two categories, or two funds

#### SMALL PROJECTS

- ◆ Individual grant requests of \$10,000, or less
- ◆ On-going grant application process
- ◆ 10% of total fund, but no more than total of \$200,000
- ◆ Provide planning, marketing, development, or business consulting
- ◆ State contracted consultant for planning assistance based on need
- ◆ Must have a tourism plan, or be a part of a tourism plan
- ◆ Evaluated and awarded within KDOC&H
- ◆ 50% matching grant (25% of total project may be in-kind contributions)

#### LARGE PROJECTS

##### LARGE PROJECT FEATURES

- ◆ Individual grant requests over \$10,000
- ◆ No more than 90% of total fund
- ◆ Annual Funding Cycle
- ◆ 50% matching grant
- ◆ Semi-annual reports during and for two years after completion
  - Must report visitors in three categories
    - ▶ Less than 100 miles away (one way)
    - ▶ More than 100 miles away (one way)
    - ▶ out-of-state, by state or country
- ◆ Interval payments of 90% of grant at negotiated times
- ◆ 10% paid after receiving last report two years after completion

**LARGE PROJECT CRITERIA**

- ◆ Feasibility Plan
  - Determination of tourism attraction, vs. local attraction
    - 25% of visitors must be from more than 100 miles away
- ◆ Sound Business Plan
  - Customer-driven, growth potential
  - Becomes self-reliant/financeable over time
  - Capable Management
- ◆ Consistent with 1998 YNG Strategic Tourism Plan
  - Enhances Niches
    - Greater differentiation
    - Quality; potential for national reputation
  - Increases Visitor Spending
    - 25% must be out-of-state and 100 miles away
  - Leverages resources
    - Strategic alliances, internal cooperation
- ◆ Compatible with needs/goals of Kansans

**LARGE PROJECT SELECTION**

- ◆ Evaluation Committee
  - Tourism Council appoints three members
  - Secretary appoints two KDOC&H members
- ◆ Committee recommendations approved by Tourism Council
- ◆ Final approval by KDOC&H Secretary

**POTENTIAL FUNDING AMOUNTS**  
(with large project/small project allocations)

<u>If total state tourism fund was</u>	<u>large projects would be</u>	<u>small projects would be</u>
\$5 Million	\$4.8 Million	\$200,000
\$4 Million	\$3.8 Million	\$200,000
\$3 Million	\$2.8 Million	\$200,000
\$2 Million	\$1.8 Million	\$200,000
\$1 Million	\$ 900,000	\$100,000

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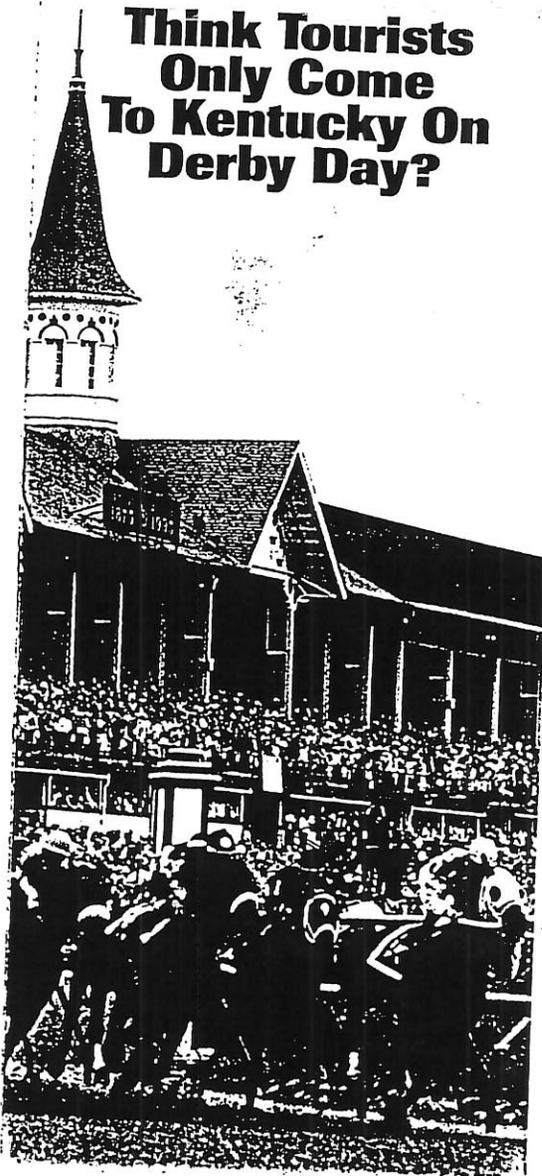
**ATTACHMENT III**

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# Think Tourists Only Come To Kentucky On Derby Day?



**BUSINESS REPLY MAIL**

FIRST-CLASS MAIL PERMIT NO. 1 FRANKFORT KY

POSTAGE WILL BE PAID BY ADDRESSEE

COMMONWEALTH OF KENTUCKY  
TOURISM DEVELOPMENT CABINET  
500 MERO ST STE 2400  
FRANKFORT KY 40601-9854



NO POSTAGE  
NECESSARY  
IF MAILED  
IN THE  
UNITED STATES



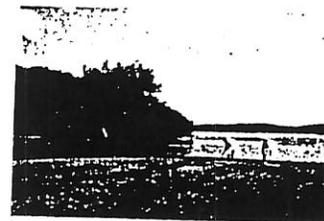
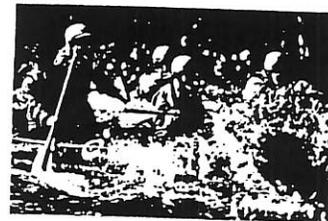
## Think Again.

While our famous Run For The Roses does give Kentucky global TV exposure, only about 145,000 people actually come to the Derby. That's a small percentage of the 80 million visitors who travel to and through the state each year.

If you're thinking of building or expanding a tourist facility, the tourism base is here for you to build on. And the state is ready to help with a dynamic new tourism development incentive program. When you take a closer look, we think you'll find Kentucky very attractive for your tourism business.

Sincerely,

Paul E. Patton  
Governor



*Kentucky.*  
Always in Season

# Kentucky Is Just The Ticket For Your Tourism Project.

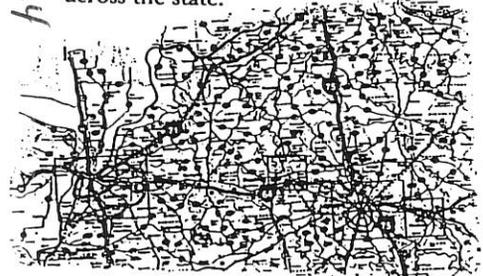
## Our Location is close to perfect.

Just take a look at the map. You'll see Kentucky is strategically located within a day's drive of two-thirds of the U.S. population. And with the latest trends showing

most tourists driving and more favoring destinations closer to home, that puts us in the right place.

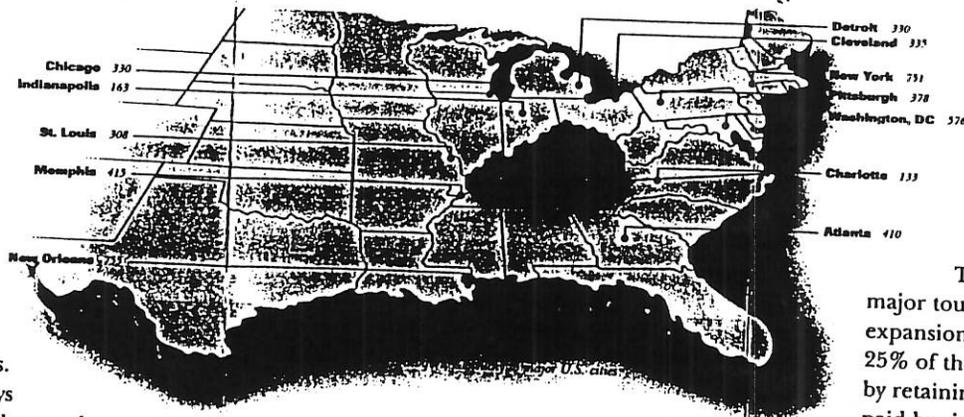
Kentucky is easily accessible from every direction on our five major interstates. Seven major parkways crisscross the state. Sky travelers can fly into the Northern Kentucky/Cincinnati International Airport and the airports at Louisville, Lexington and other cities across the state.

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## Our Business is hot.

"Corporate executives view the state as one of the top contenders for facility locations." That's what Site Selection



magazine said when it ranked our business climate as the fifth-best in the nation.

There are a lot of reasons for this high ranking. A workforce that's nearly 10% more productive than the national average. A labor surplus of over 200,000. The nation's third-lowest industrial power rates. And the availability of attractive sites in every part of the state.

## Our Incentives are innovative.

In Kentucky, we recognize that tourism is big business. That's why we're one of the few states in the nation to make tourism development a cabinet level post. And, we're the first state to pass anything like the Kentucky Tourism Development Act.

The developer of a major tourism attraction or expansion project can recover 25% of the project's total cost by retaining the state sales tax paid by visitors on admission tickets, food and gift sales. And the project could also be eligible for other state financial assistance programs. Take advantage of Kentucky's lowered price of admission.

For more information contact:  
 David Lovelace, Deputy Secretary  
 Kentucky Tourism Development Cabinet  
 (502) 564-4270 Fax (502) 564-1512.  
 Or return the self-addressed inquiry card.



## Like More To Think About?

We'll give you a lot more reasons why Kentucky should be your business address.

Simply fill out and return this card.

- Please send me the Kentucky Tourism Development Packet.
- Please call me to discuss my individual development project.

Name \_\_\_\_\_  
 Business name \_\_\_\_\_  
 Address \_\_\_\_\_  
 City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_  
 What type of business do you represent? \_\_\_\_\_  
 What specific information are you looking for? \_\_\_\_\_  
 Phone \_\_\_\_\_

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**ATTACHMENT IV**

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Stricken language would be deleted from present law. Underlined language would be added to present law.  
As Engrossed: H215/97 H216/97

1 State of Arkansas  
2 81st General Assembly  
3 Regular Session, 1997

A Bill  
ACT 291 of 1997

HOUSE BILL 1338

4  
5 By: Representatives Mullenix, Baker, Wallis, Milum, Hale, Terry Smith, Thomas, Bryant, Joe Hudson, Simmons,  
6 Purdom, Lavery, Broadway and Northcutt  
7 By: Senators Fitch, Hunter, and Canada  
8

9 For An Act To Be Entitled

10 "AN ACT TO PROMOTE TOURISM PROJECT DEVELOPMENT IN THE  
11 STATE OF ARKANSAS; TO PROVIDE STATE SALES TAX CREDITS TO  
12 QUALIFIED TOURISM PROJECTS; AND FOR OTHER PURPOSES."  
13

14 Subtitle

15 "AN ACT TO PROMOTE DEVELOPMENT OF  
16 TOURIST ATTRACTIONS."  
17

18 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:  
19

20 SECTION 1. TITLE. This act shall be referred to, and may be cited as,  
21 the "Arkansas Tourism Development Act."  
22

23 SECTION 2. LEGISLATIVE INTENT. The General Assembly finds and declares  
24 that the general welfare and material well-being of the citizens of the State  
25 of Arkansas depend, in large measure, upon the development of tourism  
26 attractions in the state, and that it is in the best interests of the state to  
27 induce the creation of new or the expansion of existing tourism attractions  
28 within the state in order to advance the public purposes of relieving  
29 unemployment by preserving and creating jobs that would not exist if not for  
30 the inducements to be offered by the state to approved companies, and by  
31 preserving and creating sources of tax revenues for the support of public  
32 services provided by the state; and that the authority prescribed by this act,  
33 and the purposes to be accomplished under the provisions of this act, are  
34 proper governmental and public purposes for which public moneys may be  
35 expended; and that the inducement of the creation or expansion of tourism  
36 attraction projects is of paramount importance, mandating that the provisions

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Handwritten signature and date: 1-26-97

1 of this act be liberally construed and applied in order to advance public  
2 purposes.

3  
4 SECTION 3. DEFINITIONS. Whenever used or referred to in this act,  
5 unless the context clearly indicates otherwise:

6 (a) "Agreement" means an agreement entered into pursuant to Section 6  
7 of this act, by and between the Director and an approved company, with respect  
8 to a tourism attraction project;

9 (b) "Approved Company" means any eligible company that is seeking to  
10 undertake a tourism attraction project and is approved by the Director  
11 pursuant to Sections 5 and 6 of this act;

12 (c) "Approved Costs" mean:

13 (1) Obligations incurred for labor and to vendors, contractors,  
14 subcontractors, builders, suppliers, delivery men, and materialmen in  
15 connection with the acquisition, construction, equipping, and installation of  
16 a tourism attraction project;

17 (2) The costs of acquiring real property or rights in real  
18 property in connection with a tourism attraction project, and any costs  
19 incidental thereto;

20 (3) The cost of contract bonds and of insurance of all kinds that  
21 may be required or necessary during the course of the acquisition,  
22 construction, equipping, and installation of a tourism attraction project  
23 which is not paid by the vendor, supplier, delivery man, contractor, or  
24 otherwise provided;

25 (4) All costs of architectural and engineering services,  
26 including, but not limited to, estimates, plans and specifications,  
27 preliminary investigations, and supervision of construction and installation,  
28 as well as for the performance of all the duties required by or consequent to  
29 the acquisition, construction, equipping, and installation of a tourism  
30 attraction project;

31 (5) All costs required to be paid under the terms of any contract  
32 for the acquisition, construction, equipping, and installation of a tourism  
33 attraction project;

34 (6) All costs required for the installation of utilities in  
35 connection with a tourism attraction project, including, but not limited to,  
36 water, sewer, sewage treatment, gas, electricity, and communications, and

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SPEAK

1 including off-site construction of utility extensions paid for by the approved  
2 company; and

3 (7) All other costs comparable with those described in this  
4 subsection.

5 (d) "Director" means the Director of the Department of Parks and  
6 Tourism of the State of Arkansas or his designated representative;

7 (e) "Eligible Company" means any corporation, limited liability  
8 company, partnership, registered limited liability partnership, sole  
9 proprietorship, or business trust, or any other entity operating or intending  
10 to operate a tourism attraction project, whether owned or leased, within the  
11 state that meets the standards promulgated by the Director pursuant to Section  
12 4 of this act;

13 (f) "Final Approval" means the action taken by the Director authorizing  
14 the eligible company to receive inducements under Section 7 of this act;

15 (g) "Increased state sales tax liability" means that portion of an  
16 approved company's reported state sales (gross receipts) tax liability  
17 resulting from taxable sales of goods and services to its customers at the  
18 tourist attraction for any monthly sales tax reporting period after the  
19 approved company provides the certification required by Section 7(b) of this  
20 section, which exceeds the reported state sales tax liability for sales to its  
21 customers for the same month in the calendar year immediately preceding such  
22 certification.

23 (h) "Inducements" means the Arkansas sales tax credit as prescribed in  
24 Section 7 of this act;

25 (i) "Preliminary Approval" means the action taken by the Director  
26 conditioning final approval by the Director upon satisfaction by the eligible  
27 company of the requirements of this act;

28 (j)(1) "Tourism Attraction" means:

- 29 (A) Cultural or historical site;
- 30 (B) A recreational or entertainment facility;
- 31 (C) An area of natural phenomenon or scenic beauty;
- 32 (D) A theme park;
- 33 (E) An amusement or entertainment park;
- 34 (F) An indoor or outdoor play or music show;
- 35 (G) Botanical gardens;
- 36 (H) Cultural or educational centers.

PRESIDENT OF S  
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*Bobby L. Johnson*

(2) A tourism attraction shall not include:

(A) Lodging facilities, unless the facilities constitute a portion of a tourism attraction project and represent less than fifty percent (50%) of the total approved costs of the tourism attraction project;

(B) Facilities that are primarily devoted to the retail sale of goods, unless the goods are created at the site of the tourism attraction project or if the sale of goods is incidental to the tourism attraction project;

(C) Facilities that are not open to the general public;

(D) Facilities that do not serve as a likely destination where individuals who are not residents of the state would remain overnight in commercial lodging at or near the tourism attraction project;

(E) Facilities owned by the State of Arkansas or a political subdivision of the state; or

(F) Facilities established for the purpose of conducting legalized gambling. However, a facility regulated under Ark. Code Ann. §23-110-101 et seq. or §23-111-101 et seq. shall be a tourism attraction for purposes of this Act for any approval project as outlined in subsection (i)(1) of this section or for an approved project relating to parimutuel racing at the facility and not for establishing a casino or for offering casino-style gambling.

(k) "Tourism Attraction Project" or "Project" means the acquisition, including the acquisition of real estate by leasehold interest with a minimum term of ten (10) years, construction, and equipping of a tourism attraction; the construction and installation of improvements to facilities necessary or desirable for the acquisition, construction, and installation of a tourism attraction, including, but not limited to, surveys; installation of utilities, which may include, water, sewer, sewage treatment, gas, electricity, communications, and similar facilities; and off-site construction of utility extensions to the boundaries of the real estate on which the facilities are located, all of which are to be used to improve the economic situation of the approved company in a manner that shall allow the approved company to attract persons.

SECTION 4. EVALUATION STANDARDS; TOURISM ATTRACTION PROJECT APPLICATIONS; AND CONSULTING SERVICES.

SPENCER THE CLERK

1           (a) The Director, with the approval of the State Parks, Recreation and  
 2 Travel Commission, shall establish standards for the making of applications  
 3 for inducements to eligible companies and their tourism attraction projects by  
 4 the promulgation of administrative regulations in accordance with §25-15-201.  
 5 et seq..

6           (b) With respect to each eligible company making an application to the  
 7 Director for inducements, and with respect to the tourism attraction project  
 8 described in the application, the Director shall make inquiries and request  
 9 materials of the applicant that shall include, but shall not be limited to,  
 10 marketing plans for the project that target individuals who are not residents  
 11 of the state; a description and location of the project; capital and other  
 12 anticipated expenditures for the project that indicate that the total cost of  
 13 the project shall exceed five hundred thousand dollars (\$500,000) and the  
 14 anticipated sources of funding therefor; the anticipated employment and wages  
 15 to be paid at the project; business plans which indicate the average number of  
 16 days in a year in which the project will be in operation and open to the  
 17 public; and the anticipated revenues and expenses generated by the project.  
 18 Based upon a review of these materials, if the Director determines that the  
 19 eligible company and the tourism attraction project may reasonably satisfy the  
 20 criteria for final approval in subsection (c) of this section, then the  
 21 Director may consider granting a preliminary approval of the eligible company  
 22 and the tourism attraction project pursuant to Section 5(b).

23           (c) After granting a preliminary approval, the Director shall engage  
 24 the services of a competent consulting firm to analyze the data made available  
 25 by the eligible company and to collect and analyze additional information  
 26 necessary to determine that, in the independent judgment of the consultant,  
 27 the tourism attraction project:

28                   (1) Shall attract at least twenty-five percent (25%) of its  
 29 visitors from among persons who are not residents of the state:

30                   (2) Shall have costs in excess of five hundred thousand dollars  
 31 (\$500,000):

32                   (3) Shall have a significant and positive economic impact on the  
 33 state considering, among other factors, the extent to which the tourism  
 34 attraction project will compete directly with existing tourism attractions in  
 35 the state, and the amount by which increased tax revenues from the tourism  
 36 attraction project will exceed the sales tax credit allowed pursuant to

PRESIDENT  
SENATE



1 Section 7 of this act:

2 (4) Shall produce sufficient revenues and public demand to be  
3 operating and open to the public on a regular and persistent basis; and

4 (5) Shall not adversely affect existing employment in the state.

5 (d) The eligible company shall pay for the cost of the consultant's  
6 report and shall cooperate with the consultant and provide all of the data  
7 that the consultant deems necessary to make its determination under subsection  
8 (c) of this section.

9  
10 SECTION 5. STANDARDS FOR PRELIMINARY AND FINAL APPROVAL OF COMPANIES  
11 AND PROJECTS.

12 (a) The Director, with the approval of the State Parks, Recreation and  
13 Travel Commission, shall establish standards for preliminary approval and  
14 final approval of eligible companies and their projects by the promulgation of  
15 administrative regulations in accordance with §25-15-201, et seq..

16 (b) The Director may give its preliminary approval by designating an  
17 eligible company as a preliminarily approved company and preliminarily  
18 authorizing the undertaking of the tourism attraction project.

19 (c) The Director shall review the report of the consultant prepared  
20 pursuant to Section 4(c) of this act and other information that has been made  
21 available to the Director in order to assist the Director in determining  
22 whether the tourism attraction project will further the purposes of this act.

23 (d) The criteria for final approval of eligible companies and tourism  
24 attraction projects shall include, but shall not be limited to, the criteria  
25 set forth in Section 4(c) of this act.

26 (e) After a review of the relevant materials, the consultant's report,  
27 other information made available to the Director, and completion of other  
28 inquiries, the Director may give its final approval to the eligible company's  
29 application for a tourism attraction project and may grant to the eligible  
30 company the status of an approved company. The decision reached by the  
31 Director may be appealed by the eligible company to the State Parks,  
32 Recreation and Travel Commission. The decision of the State Parks, Recreation  
33 and Travel Commission shall constitute the final administrative decision of  
34 the Department of Parks and Tourism.

35  
36 SECTION 6. CONTRACTS.

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SPEAKER OF THE HOUSE

1 (a) Upon granting final approval, the Director may enter into an  
2 agreement with an approved company with respect to its tourism attraction  
3 project. The terms and provisions of each agreement shall include, but shall  
4 not be limited to:

5 (1) The amount of approved costs, which shall be determined by  
6 negotiations between the Director and the approved company;

7 (2) A date certain by which the approved company shall have  
8 completed the tourism attraction project. Within three (3) months of the  
9 completion date, the approved company shall document the actual cost of the  
10 tourism attraction project through a certification of such costs by an  
11 independent certified public accountant acceptable to the Director; and

12 (3) The following provisions:

13 (A) The term shall be ten (10) years from the later of:

14 (1) The date of the final approval of the tourism  
15 attraction project; or

16 (2) The completion date specified in the agreement,  
17 if such completion date is within two (2) years of the date of the final  
18 approval of the tourism attraction project. However, the term of the  
19 agreement may be extended for up to two (2) additional years by the Director,  
20 with the advice and consent of the Director of the Department of Finance and  
21 Administration, if the Director determines that the failure to complete the  
22 tourism attraction project within two (2) years resulted from unanticipated  
23 and unavoidable delay in the construction of the tourism attraction project,  
24 the project as originally planned will require more than two (2) years to  
25 complete, or resulted from a merger, acquisition or other change in business  
26 ownership or business structure.

27 (B) In any sales tax reporting period during which an  
28 agreement is in effect, if the increased state sales tax liability of the  
29 approved company exceeds the state sales tax credit available to the approved  
30 company, then the approved company shall pay the excess to the state as sales  
31 tax;

32 (C) Within forty-five (45) days after the end of each  
33 calendar year of the approved company, the approved company shall supply the  
34 Director with such reports and certifications as the Director may request  
35 demonstrating to the satisfaction of the Director that the approved company is  
36 in compliance with the provisions of this act; and

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S  
PRESIDENT  
SECRETARY  
TREASURER  
COMPTROLLER  
CLERK

Ally L. Payne

1-32

1                   (D) The approved company shall not receive a credit against  
2 the Arkansas sales tax imposed by Ark. Code Ann. §26-52-301 et seq. with  
3 respect to any calendar year if:

4                   (1) In any calendar year following the fourth year of  
5 the agreement, the tourism attraction project fails to attract at least  
6 twenty-five percent (25%) of its visitors from among persons who are not  
7 residents of the state; or

8                   (2) In any calendar year following the first year of  
9 the agreement, the tourism attraction project is not operating and open to the  
10 public on a regular and persistent basis.

11                   (b) The Agreement shall not be transferrable or assignable by the  
12 approved company without the written consent of the Director.

13                   (c) If the approved company utilizes sales tax credits which are  
14 subsequently disallowed, then the approved company will be liable for the  
15 payment to the Director of the Department of Finance and Administration of all  
16 taxes resulting from the disallowance of the credits plus applicable penalties  
17 and interest.

18                   (d) The Director shall provide a copy of each agreement entered into  
19 with an approved company to the Director of the Department of Finance and  
20 Administration.

21  
22                   SECTION 7. TOURISM ATTRACTION PROJECT SALES TAX CREDIT.

23                   (a) Upon receiving notification from the Director that an approved  
24 company has entered into a tourism project agreement and is entitled to the  
25 sales tax credits provided by this act, the Director of the Department of  
26 Finance and Administration shall provide the approved company with such forms  
27 and instructions as are necessary to claim those credits.

28                   (b)(1)(A)(i) An approved company whose agreement provides that it shall  
29 expend approved costs of more than five hundred thousand dollars (\$500,000)  
30 but less than one million dollars (\$1,000,000) shall be entitled to a credit  
31 if the company certifies to the Director of the Department of Finance and  
32 Administration that it has expended at least \$500,000 in approved costs, and  
33 the Director certifies that the approved company is in compliance with this  
34 Act. The Director of the Department of Finance and Administration shall then  
35 issue a sales tax credit memorandum to the approved company equal to 10% of  
36 the approved costs. Subsequent requests for credit for additional certified

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1 approved costs in excess of \$500,000 but less than \$1 million shall result in  
2 a sales tax credit equal to 10% of the approved costs.

3 (ii) If the company subsequently expends additional certified  
4 approved costs so that the total amount of expended approved costs exceeds  
5 \$1,000,000, then the sales tax credit memorandum shall equal 25% of the  
6 approved costs in excess of \$1,000,000.

7 (B) An approved company whose agreement provides that it shall  
8 expend approved costs in excess of one million dollars (\$1,000,000) shall be  
9 entitled to a credit if the company certifies to the Director of the  
10 Department of Finance and Administration that it has expended at least one  
11 million dollars (\$1,000,000) in approved costs and the Director certifies that  
12 the approved company is in compliance with this Act. The Director of the  
13 Department of Finance and Administration shall then issue a sales tax credit  
14 memorandum to the approved company equal to 25% of the approved costs. The  
15 credit on all subsequent additional certified approved costs shall be equal to  
16 25% of the costs.

17 (C) The Director of the Department of Finance and Administration  
18 may require proof of expenditures. Additional credit memorandum may be issued  
19 as the approved company certifies additional expenditures of approved costs.

20 (2) No sales tax credit memorandum shall be issued for any  
21 approved costs expended after the expiration of two (2) years from the date  
22 the agreement was signed by the Director and the approved company. However,  
23 the Director, with the advice and consent of the Director of the Department of  
24 Finance and Administration, may authorize sales tax credits for approved costs  
25 expended up to four (4) years from the date the agreement was signed if the  
26 Director determines that the failure to complete the tourism attraction  
27 project within two (2) years resulted from:

28 (i) Unanticipated and unavoidable delay in the construction  
29 of the tourism attraction project;

30 (ii) The tourism attraction project, as originally planned,  
31 will require more than two (2) years to complete; or

32 (iii) A change in business ownership or business structure  
33 resulting from a merger or acquisition.

34 (c) The credit memorandum issued pursuant to paragraph (b) above may be  
35 used to offset a portion of the reported state sales (gross receipts) tax  
36 liability of the approved company for all sales tax reporting periods

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Handwritten signature on the right margin: "Robert L. Pogue".

1 following the issuance of the credit memorandum subject to the following  
2 limitations:

3 (1) Only increased state sales tax liability as defined in this  
4 act may be offset by the issued credit;

5 (2)(A) An approved company whose agreement provides that it shall  
6 expend approved costs in excess of one million dollars (\$1,000,000) shall be  
7 entitled to use only 10% of the amount of each issued credit to offset  
8 increased state sales tax liability during each calendar year, plus the amount  
9 of any unused credit carried forward from a prior calendar year; and.

10 (B) An approved company whose agreement provides that it shall  
11 expend approved costs of more than five hundred thousand dollars (\$500,000),  
12 but less than one million dollars (\$1,000,000) shall be entitled to use only  
13 20% of the amount of each issued credit to offset increased state sales tax  
14 liability during each calendar year, plus the amount of any unused credit  
15 carried forward from a prior calendar year; and.

16 (3) All issued credit memoranda shall expire at the end of the  
17 month following the expiration of the Agreement as provided in Section 6 of  
18 this act.

19 (d) The approved company shall have no obligation to refund or  
20 otherwise return any amount of this credit to the person from whom the sales  
21 tax was collected.

22 (e) By April 1 of each year, the Director of the Department of Finance  
23 and Administration shall certify to the Director the state sales tax liability  
24 of the approved companies receiving inducements under this section, and the  
25 amount of state sales tax credits taken during the preceding calendar year.

26 (f) The Director of the Department of Finance and Administration may  
27 promulgate administrative regulations as are necessary for the proper  
28 administration of this act. The Director of the Department of Finance and  
29 Administration may also develop such form and instructions as are necessary  
30 for an approved company to claim the sales tax credit provided by this act.

31 (g) The Director of the Department of Finance and Administration shall  
32 have the authority to obtain any information necessary from the approved  
33 company and the Director of the Department of Parks and Tourism to verify that  
34 approved companies have received the proper amounts of sales tax credits as  
35 authorized by this act; The Director of the Department of Finance and  
36 Administration shall demand the repayment of any credits taken in excess of

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SPEAK FOR THE HOUSE

1 the credit allowed by this act.

2  
3 SECTION 8. LIBERAL CONSTRUCTION. This act shall be construed liberally  
4 to effectuate the legislative intent, and the purpose of this act is complete  
5 and independent authority for the performance of each and every act and thing  
6 herein authorized, and all powers herein granted shall be broadly interpreted  
7 to effectuate such intent and purposes and not as a limitation of powers.

8  
9 SECTION 9. All provisions of this act of a general and permanent nature  
10 are amendatory to the Arkansas Code of 1987 Annotated and the Arkansas Code  
11 Revision Commission shall incorporate the same in the Code.

12  
13 SECTION 10. If any provision of this act or the application thereof to  
14 any person or circumstance is held invalid, such invalidity shall not affect  
15 other provisions or applications of the act which can be given effect without  
16 the invalid provision or application, and to this end the provisions of this  
17 act are declared to be severable.

18  
19 SECTION 11. All laws and parts of laws in conflict with this act are  
20 hereby repealed.

21  
22 SECTION 12. EMERGENCY CLAUSE. It is hereby found and declared that  
23 tourism related industries and businesses are suffering severe and irreparable  
24 harm due to a decline in the number of tourists visiting this state; that the  
25 preservation of these tourist related industries and businesses is vitally  
26 important to the economy of this state; that unless additional tourist  
27 attractions are built and developed in Arkansas many current jobs in these  
28 tourist related industries and businesses will be lost forever and causing  
29 severe economic hardship in this state; that this act is designed to encourage  
30 the development and construction of tourist attractions in Arkansas and to  
31 preserve the jobs of those Arkansans who earn their livelihood from tourist  
32 related industries and businesses. Therefore, an emergency is declared to  
33 exist, and this act being necessary for the preservation of the public peace,  
34 health, and safety, shall take effect and be in force from the date of its  
35 approval.

Handwritten notes and signatures on the left margin, including the word "NAT" at the bottom.

Handwritten notes and signatures on the right margin.

/s/Rap. Mullenix, et al

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APPROVED Mike Huckabee  
 2-27-97 GOVERNOR

Bobby L. Dyer  
 SPEAKER OF THE HOUSE

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**ATTACHMENT V**

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Votruba installed at NKU - Kentucky, B1

# THE KENTUCKY ENQUIRER

FRIDAY, NOVEMBER 21, 1997

## Tubby, UK win opener

Tubby Smith's regular season coaching debut at the University of Kentucky was a rousing success.



Smith's first 19 points in an 88-49 rout of Morehead State UK extended its streak of winning home openers to nine. Details in Sports, D1

## Patton, city leaders credit team effort

BY CINDY SCHROEDER

**NEWPORT** — Like sharks in a feeding frenzy, dozens of politicians gathered near the Newport floodwall Thursday to credit the teamwork that helped land a \$40 million aquarium.

The 100,000-square-foot, local and state levels. He also

two-story facility that will showcase exotic saltwater fish as well as freshwater exhibits, is expected to become Kentucky's fifth-largest tourist attraction when it opens on May 1, 1999. "We do understand that united we will prosper, and divided we will fall behind," Gov. Paul Patton said as he echoed a common theme before a crowd of about 400 assembled for the aquarium's groundbreaking at Second and Mounmouth streets.

NEWPORT Mayor Tom Guldugi praised the aggressive team effort at the local and state levels. He also

FRIDAY • NOVEMBER 21, 1997

AN EDITION OF THE CINCINNATI ENQUIRER • 50 CENTS

# Big fish hail aquarium as work starts

Cherwell Corp., a port's riverfront, state and local dignitaries said.

Located between the Taylor Southgate and L&N bridges in what is a rundown industrial area, the district will also feature a large plaza, restaurants, possibly an IMAX theater, and other attractions.

As if to underscore the speed with which the project has moved since it was proposed in 1995, Thursday's groundbreaking was punctuated

(Please see AQUARIUM, Page A10)



Tom Guldugi said such cooperative ventures as we rebuild this community. Mr. Guldugi said. With its soaring spires and shiplike masts, Oceanarium's aquarium will anchor a 10-acre entertainment district



Adults reviewing Newport broke ground Thursday on an aquarium that is expected to be a tourist magnet when it opens in 1999.

## Aquarium: Leaders hail start

CONTINUED FROM PAGE A1

by the sounds of equipment working outside the ceremonial tent, as workers prepared for the construction of the aquarium's foundation.

Although a prior commitment prevented Cincinnati Mayor Roxanne Qualls from attending Thursday's groundbreaking, she sent a letter of congratulations, and Cincinnati Councilwoman Bobbie Sterne and Hamilton County Commissioner Bob Bedinghaus attended.

"This partnership is not just a partnership on this side of the river. It's a partnership of both sides of the river," Mr. Patton said.

Projections call for the aquarium to boost the region's annual economy by \$62 million a year in the first five years after it opens.

The aquarium is a particular point of pride for Kentucky officials because it was the first beneficiary of the Kentucky Tourism Development Act, a one-of-a-kind state tourism incentive that's already being copied by other states.

The act will allow aquarium investors to recoup up to 25 percent of the project's cost for up to 10 years in a sales tax rebate.

Mr. Patton pledged Thursday to work with the 1998 General Assembly to make changes to the act so that the \$61.6 million entertainment district also qualifies for the incentive.

The aquarium is expected to support nearly 1,300 jobs once it opens, and about 1,500 jobs during construction. It could draw 1.2 million visitors a year, including many from outside Greater Cincinnati.



The Cincinnati Enquirer

"This is really such an exciting day, a red-letter day for tourism, not only in Newport, not only in Northern Kentucky, but across the state," said Ann Latta, secretary of Kentucky's Tourism Development Cabinet.

Ms. Latta said the aquarium is expected to become Kentucky's fifth-largest tourist attraction, behind Mammoth Cave, Land Between the Lakes, the Kentucky Kingdom Amusement Park and Churchill Downs in Louisville.

Aquarium Holdings of Northern Kentucky LLC is a joint venture of five Greater Cincinnati businessmen and Oceanic Adventures International Corp. in Toronto.

"I think what this project represents is the coming together of three things — community, teamwork and a public-private partnership," said Barry Rosenberg, the president of Aquarium Holdings and vice president of Steiner and Associates.

Besides Mr. Rosenberg, the group of five Cincinnati investors includes James Burchenal, an institutional broker with Paine Webber; lawyer Tom Heekin; Will Kreidler, a graduate student and former treasurer of Whitney Corp.; and Dudley Taft, president and CEO of Taft Broadcasting Co.

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**ATTACHMENT VI**

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## BILL NO. \_\_\_\_\_

By Special Committee on Tourism

AN ACT relating to travel and tourism; establishing the division of travel and tourism development supplemental revenue fund, the transfer of moneys to such fund and the use and making of expenditures from such fund; and providing for the administration of the act.

Be it enacted by the Legislature of the State of Kansas:

Section 1. (a) There is hereby created the division of travel and tourism development supplemental revenue fund. All moneys credited to such fund shall be expended or transferred only for the purposes and in the manner provided by this act and all expenditures from such fund shall be made in accordance with appropriation acts.

(b) On August 1, 1998, and on August 1, of each year thereafter, the director of accounts and reports shall make transfers from the state general fund to the division of travel and tourism development supplemental revenue fund in an amount determined in the following manner. The secretary of revenue shall compute the total retail sales taxes credited to the state general fund pursuant to article 36 of chapter 79 of the Kansas Statutes Annotated and amendments thereto, which were derived from the retail sale of tourist-oriented goods and services, as defined by subsection (c), in the second and third fiscal years prior to the fiscal year in which each transfer is made under this section and shall certify such amounts to the director of accounts and reports. If the sales taxes derived from the retail sale of tourist-oriented goods and services credited in the fiscal year two years prior to the fiscal year in which the transfer is to be made is more than 3% in excess of the sales taxes derived from the retail sales of tourist-oriented goods and services credited in the fiscal year three years prior to the

fiscal year in which the transfer is to be made, then the director of accounts and reports shall transfer an amount equal to 1/2 of the sales tax revenues from the second fiscal year prior to such transfer, which is more than 3% in excess of the sales tax revenues from the third fiscal year prior to such transfer, to the division of travel and tourism development supplemental revenue fund. Transfers shall not exceed \$1,500,000 in any one fiscal year. All transfers made in accordance with the provisions of this section shall be considered to be demand transfers from the state general fund.

(c) As used in this act, "sales of tourist-oriented goods and services" shall mean and include all sales by businesses identified under the following standard industrial classification codes:

- (1) SIC code 5812;
- (2) SIC code 5813;
- (3) SIC code 7011;
- (4) SIC code 7021;
- (5) SIC code 7032;
- (6) SIC code 7033;
- (7) SIC code 7041;
- (8) SIC code 7922;
- (9) SIC code 7929;
- (10) SIC code 7933;
- (11) SIC code 7941;
- (12) SIC code 7948;
- (13) SIC code 7991;
- (14) SIC code 7992;
- (15) SIC code 7996;
- (16) SIC code 7999;
- (17) SIC code 8412; and
- (18) SIC code 8422.

Sec. 2. Moneys in the division of travel and tourism development supplemental revenue fund shall be used by the division of travel and tourism development only for the

performance of powers and duties of the division as prescribed by law and shall be in addition to the budget base of such division in each fiscal year. The budget base of the division for a fiscal year shall be the amount budgeted and appropriated for the operation of the division from all other sources for the preceding fiscal year plus an amount equal to 90% of any moneys transferred to the division of travel and tourism development supplemental revenue fund in such preceding fiscal year.

Sec. 3. Prior to each appropriation from the division of travel and tourism development supplemental revenue fund, the division of travel and tourism development shall present to the committee on tourism of the house of representatives and to the committee on transportation and tourism of the senate, a targeted promotional marketing strategy within the state's tourism marketing and business development program to be financed from the fund including, but not limited to, targeted markets, duration of market plans, ensuing market strategies, and the actual and estimated investment return, if any, resulting therefrom.

Sec. 4. This act shall take effect and be in force from and after its publication in the statute book.