

MINUTES OF THE HOUSE COMMITTEE ON TOURISM AND PARKS.

The meeting was called to order by Chairperson Becky Hutchins at 3:30 p.m. on February 12, 2003 in Room 243-N of the Capitol.

All members were present except: Representative Margaret Long - excused

Committee staff present: Mary Torrence, Revisor of Statutes' Office  
Hank Avila, Legislative Research Department  
Russell Mills, Legislative Research Department  
Sarah Samuelson, Committee Secretary

Conferees appearing before the committee: Michael Pickering, Travel Industry Association of Kansas  
Ron Hein, Kansas Restaurant and Hospitality Association

Others attending: see attached list

Chairperson Becky Hutchins welcomed the visitors from the Travel Industry Association of Kansas, and asked the visitors to introduce themselves. A sign-up sheet was passed around for touring the Czars exhibit on Wednesday, February 19; Chairperson Hutchins clarified that interns attending do not count towards a member's reported gifts.

**HB 2083 - Establishment of fund for use to advertise tourism opportunities in Kansas, use of certain income and sales tax revenues.**

Michael Pickering, representing the Travel Industry Association of Kansas, addressed the committee as a proponent of the bill (Attachment 1). He noted that Kansas ranks last among all states in tourism advertising. He also emphasized the effectiveness of advertising in generating revenue, and said that there is a 50 to 1 return on monies spent in advertising.

Representative O'Malley asked what the specific SIC codes in the bill represent; staff member Russell Mills replied as follows:

- 5812 eating places
- 5813 drinking places
- 7011 hotels, motels
- 7033 RV parks, campsites

Representative Kauffman asked whether this fund would be used to advertise specific tourist destinations, or the state as a whole. Mr. Pickering replied that the advertising would be general, but also highlighting certain specific attractions for target markets that would be interested. Advertising will be done all over the country, and in Europe. Every available medium (radio, TV, Internet, paper media) will be considered for use in tourism advertising.

Representative Ruff asked how much this proposal is likely to generate. Russell Mills replied that it would vary from year to year; if it had been in effect in 1999, the transfer of funds to the account would have been \$3.6 million; however, if it had been in effect in 2002, there would have been no transfer that year, since the 2002 receipts did not exceed the 2001 receipts by more than 3%.

Representative Peterson requested confirmation that the cost to the state would be very little, because the fund is a dedicated amount, based on increased revenue. This is correct; it is a win-win situation: it provides an incentive for the industry to produce more, because this will augment the advertising fund. Representative Peterson said that there should be freedom to use the money in whatever ways and whatever media is most effective. She commented on people's desire to vacation in a safe, secure place like Kansas, away from the coasts. Hunting and fishing are also draws, especially fishing.

Representative Beggs expressed the hope that the committee would not get bogged down in details, because the proposal is intended to establish a system by which advertising funds can be allocated. He said that any source of revenue is a positive thing, whether the revenue is predictable or irregular.

## CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON TOURISM AND PARKS at 3:30 p.m. on February 12, 2003 in Room 243-N of the Capitol.

Representative Osborne requested clarification about the path that the funding would take. They would be transferred to the Secretary of Commerce and Housing, then would be placed in the Tourism budget as a line item for General Promotions. Representative Osborne expressed the hope that the various agencies, departments, and councils involved with tourism could work together and maintain communication. Mr. Pickering agreed, saying that elected officials need to get more excited about tourism.

Representative Flaharty asked whether, if this fund comes from an excess in sales tax revenues, in years of prosperity the fund would keep growing indefinitely. Mr. Pickering replied that there is a cap of 90% of the average tourism spending of peer states. This cap is not in the bill, but could be requested as an amendment.

Representative Thull asked when the fund would be available; Mr. Pickering replied that it would begin in 2006. Representative Thull asked what would happen in the meantime with tourism promotion; Mr. Pickering replied that he only had the power to make recommendations.

Representative Osborne asked why the bill could not take effect and the money be allocated now, while it is most needed. Mr. Hein advocated the stabilizing effect of waiting for the economy to recuperate.

Ron Hein, representing the Restaurant and Hospitality Association, addressed the committee as a proponent of the bill (Attachment 2). He distinguished between the lodging industry and the restaurant industry, noting that the clientele of lodging establishments is almost entirely tourists, whereas restaurants experience a great deal of business from within their communities. But both industries are affected by tourism, and money spent in the promotion of tourism would increase revenues for them and for the state of Kansas.

Representative Peterson asked whether this kind of plan was originally a reaction to a similar measure by the state of Missouri. Mr. Hein said yes, in part. Representative Peterson asked whether Missouri's plan was successful; Sandy Braden from the Tourism Industry Association of Kansas replied that it was very successful at first; she has no recent data. Representative Peterson clarified that this bill was not an experiment, but was based on facts. Mr. Hein agreed, saying that there is empirical data showing a 50:1 return on funds earmarked for advertising. Also, many surrounding states are advertising tourism, and it is necessary for Kansas to maintain a level playing field, in order to compete for the tourism dollars.

Representative Peterson commented that the problem with this concept before was that the former lieutenant governor had discouraged earmarking funds. Mr. Hein said that in general, earmarking funds is not necessarily wise, but in this case it works to increase revenue.

Representative Novascone asked whether any other agency is funded in this way. Representative Schwab answered that the Chickadee Checkoff and the Firefighters' Relief Fund are current examples of designated funding.

Representative O'Malley asked why this earmarking was necessary, why funding had not been available through the usual channels of budget allocations. Mr. Hein said that the budget is often driven by what seem like more urgent needs, and that more elective funding is often cut first.

Representative Osborne requested comment from Steve Kelly, Business Director and Acting Director of Tourism for the Department of Commerce. Mr. Kelly expressed concern about the fluctuation in revenue that the proposed bill would produce, but he commented that this could be the state's best chance for allocating money for tourism advertising. He recommended that some sort of reserve system be established, whereby the excess money from prosperous years could mitigate a lack of resources in leaner years. He stated that it is a good idea for specific attractions to be advertised to targeted markets with interest in those attractions, but that Kansas should especially focus on finding more generalized strengths to advertise.

Representative Merrick asked how the surrounding states fund their tourism advertising. Mr. Kelly replied that he was not sure. Committee staff will research this question and report to the committee.

HOUSE COMMITTEE ON TOURISM AND PARKS

GUEST LIST

DATE: Feb 12, '03

NAME	REPRESENTING
Callie Renschner	TIAK - Ecnrey Co. Try SW KS
Murray McGee	TIAK Franklin Co. CVB Ottawa, KS
MICHAEL W. PICKERING	TIAK - Lincoln, KANSAS
Lu Marcell	TIAK - Emporia CVB, KS
Pan Nielert	TIAK - AAA KANSAS
Cris Corlier	TIAK - Great Bend CVB
Jeff Johnson	TIAK Lyons
Betsy Blake	TIAK - Manhattan CVB
Karen Hillard	TIAK - Manhattan CVB
Dianne Bayes	TIAK - Manhattan CVB
Jetta Pittman	Hutchinson, Ks.
Joni Miller	Hutchinson Ks
Arnold Pittman	Hutchinson, K.S.
Sara Hershberger	Hutchinson, K.S.
Andrew Nisley	Hutchinson, K.S.
Jeff Botteborg	KS Spoolway
Sandra Braden	
Steve Kelly	KDOCH
Leslie Wilson	Kansas Arts Commission
Stephanie Buchanan	DOB
Jarah Martin	Rep Mowson



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**Testimony of Michael Pickering**

**On behalf of the Travel Industry Association of Kansas (TIAK)**

**Regarding House Bill 2083**

**Submitted to the House Tourism Committee  
Wednesday, February 12, 2003**

House Tourism Committee

Meeting Date 2/12/03

Attachment 1

**Testimony of Michael Pickering**  
**On Behalf of the Travel Industry Association of Kansas**  
**In Support of HB2083**  
**Wednesday, February 12, 2003**

Madam Chairman and members of the committee, my name is Michael Pickering. I am on the Executive Board of the Travel Industry Association of Kansas (TIAK). I have chaired the Governor's Council on Travel & Tourism for the past two years. I also, along with my wife operate The Woody House Bed & Breakfast in Lincoln, Kansas.

Tourism is an Industry in Kansas whose full potential has not been realized. Tourism creates revenues from in state and out of state visitors and could also bring people and businesses into the state.

Kansas ranks last among all states in tourism advertising, when the state of Kansas advertises travel. We realize a 50 to 1 return on monies spent.

In communities across the state, local newspapers seek advertisers from the local businesses, stating; hard times are the best times for promotions. It seems they know the secret.

The Plan

- If there is growth from one year to the next, the first 3% of growth in those specific codes would remain in the state general fund.
- 50% of any growth above 3% would be transferred to the General Promotions line item of the Division of Travel and Tourism.

Since nine - eleven we have seen increase interest in Kansas. After the attacks, President Bush allowed a commercial using his voice and likeness to be aired nationwide. The commercial did not promote going out and buying cars, boats or other items. It promotes travel across America, use of the airlines, and Travel the Highways. We need to promote the state of Kansas and you can help with this promotion.

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**Testimony Re: HB 2083 Tourism Advertising Fund  
House Tourism and Parks Committee  
Presented by Ronald R. Hein  
on behalf of  
Kansas Restaurant and Hospitality Association  
February 12, 2003**

Mr. Chairman, Members of the Committee:

My name is Ron Hein, legislative counsel for the Kansas Restaurant and Hospitality Association. The KRHA is the Kansas trade association for restaurant, hotel, lodging and hospitality businesses in Kansas.

The KRHA supports HB 2083. The KRHA supports legislation designed to provide funding for tourism promotion and advertising. HB 2083 provides a funding mechanism based upon allocating the percentage of excess revenues received from sales taxes on specific industries identified with tourism over and above a 3% increase in those sales tax receipts.

Tourism and its impact on the economy of Kansas any locality within the state, is a complicated issue. We believe very strongly that moneys invested in tourism and tourism promotion positively affect a community within the state or the State of Kansas.

Tourism is a broad term which includes convention and tourism, as well as other elements, such as lodging, restaurants, entertainment, and other businesses. Tourism directly affects our association from both the lodging and the restaurant perspective.

Obviously, lodging is directly impacted by "tourists". I put the word tourists in quotes because when dealing with public policy issues impacting on convention and tourism industries, care should be taken to differentiate between out of state tourists coming in to Kansas vs. in state tourists visiting other communities within the state.

The restaurant industry is also affected by tourism, although the percentage of restaurant business generated by tourist activity would not be as high as the percentage of lodging business generated by tourists. However, a high percentage of tourists obviously will be eating in restaurants, so the issue is very important to the restaurant industry. Currently, 47% of food consumed is purchased away from the home, but obviously not all from tourism. That percentage is growing.

House Tourism Committee

Meeting Date 2/12/03

Attachment 2

Since September 11, 2001, nationwide the tourism industry has suffered repercussions. Statewide, the effects of September 11 have been less devastating yet still important.

However, there also has been an impact on the lodging and restaurant industry by virtue of the poor economy. The economy has had a profound impact on high end restaurants, as anecdotally is represented by the recent closure of JJ's Bistro in Topeka, and the Bleu Jacket in Lawrence, both of which attributed their closure to the economy.

When individuals do not have enough personal money to spend, resulting from lost jobs, reduced increases or reductions in income from lay-offs or other employer actions, higher taxes, or higher expenses for other necessities, judgments are made regarding discretionary dollars available to be spent or reductions in the way dollars are spent. With regards to the restaurant and lodging industries, a poor economy results in people eating out less, traveling less, or choosing lower priced locations for overnight stays and dining.

Although there are statistics available to demonstrate that money spent on tourism has a definite role in increasing economic development and thus increasing additional revenues for the state and the economy, the solution is not that simple. Obviously, if it were, the state could simply spend enough on tourism to generate the necessary return on the investment in order to bail the state out of the financial problems it is experiencing.

However, with that said, our association believes that with the appropriate dollars spent on tourism and tourism promotion, working with the other elements of the convention and tourism business in a public/private partnership with state and local governments, we believe that public policy can be established that will maximize the value to the state of Kansas.

Thank you very much for permitting me to testify, and I will be happy to yield to questions.