

MINUTES OF THE SENATE ASSESSMENT AND TAXATION COMMITTEE

The meeting was called to order by Chairperson David Corbin at 10:50 a.m. on January 28, 2003, in Room 519-S of the Capitol.

All members were present except: Senators Clark and Pugh

Committee staff present: Chris Courtwright, Legislative Research Department
April Holman, Legislative Research Department
Gordon Self, Revisor of Statutes Office
Shirley Higgins, Committee Secretary

Conferees appearing before the committee: Molly McGovern, Mid-America Regional Council

Others attending: See attached list.

Senator Corbin announced that the joint taxation subcommittee appointed to draft a bill regarding property taxation for not-for-profit independent living units will meet at 10:30 a.m. on Thursday, January 30.

Informational presentation on the Kansas and Missouri Metropolitan Culture District Compact

Molly McGovern, representing the Mid-America Regional Council, outlined the history and purpose of the Culture District and explained how the bi-state sales tax revenues have been invested. Information regarding studies of the not-for-profit U.S. arts industry, the national economic impact of the not-for-profit cultural organizations, and the economic activity of arts and cultural non-profits in the Kansas City metro area were attached to her written testimony. (Attachment 1) Ms. McGovern pointed out that, through the bi-state sales tax, the region can combine resources that no single city or county can amass on its own. She noted that the Culture District was formed following a public vote with the support of a majority of voters in Johnson County, Kansas, and Clay, Platte, and Jackson Counties in Missouri. The voters also authorized a sales tax to raise \$118 million for the restoration of Union Station and the development of a science museum in the station. That tax expired in 2002 when the \$118 million total was reached. Ms. McGovern discussed the economic return to the states from visitors to the area, from the employment of cultural organizations, and from resident spending and contributions. She explained that the definition of "cultural activities" was revised in 2000 to include sports. In conclusion, she emphasized that a positive aspect of the existing legislation is that no bi-state project can be funded without the region's voters approving the specific project and no single county can impose the tax without voter approval.

Following her presentation, Ms. McGovern responded to questions from the Committee concerning the possibility of specific projects being listed when the next vote on the Compact is taken. She also confirmed that the first \$899,000.00 collected in bi-state sales taxes was set aside for administration, and the bi-state culture district commission contracted with the Mid-America Regional Council for staff support. In addition, she agreed to provide data on the percent of population based in Kansas City, Missouri, and Kansas City, Kansas, as requested by Senator Oleen. In response to questions from Senator Allen regarding current information on the success of the science museum in Union Station, she indicated that she would contact Union Station and attempt to obtain detailed information as to if it is meeting projected expectations with regard to visitors, revenues, and jobs.

Senator Haley moved to approve the minutes of the January 22 meeting, seconded by Senator Buhler. The motion carried.

The meeting was adjourned at 11:25 a.m.

The next meeting is scheduled for January 29, 2003.

Good morning. I am Molly McGovern, staff administrator for the Kansas and Missouri Metropolitan Culture District Commission. I have been asked to address the committee this morning regarding certain aspects of the District's history, purpose and how the BiState sales tax revenues have been invested.

The purpose of the cultural district was to support projects of metropolitan significance such as those activities that have an impact on the entire region not simply a single city or county. Through the BiState sales tax, the region can combine resources that no single city or county can amass on its own. Through this combined financial support, Metropolitan Kansas City can compete with much larger cities and can fund assets that enhance the region's quality of life and stimulate economic development and job creation.

The Culture District was formed in November 1996, following a public vote with the support of a majority of voters in Johnson County, Kansas, and Clay, Platte and Jackson counties in Missouri. The vote authorized the formation of the district and the levying of a 1/8-cent sales tax to raise \$118 million in public funds for the restoration of Union Station and the development of a science museum in the station, Science City. The tax expired in the first quarter of 2002 when the \$118 million total was reached.

The Commission is comprised of 9 elected and 2 appointed public officials representing the governing bodies of the four member counties and the city councils of the four cities in the region (now five) with populations of more than 50,000, as well as the state art and humanities councils through appointments made by the governors of both Kansas and Missouri.

Planning for the formation of the district involved numerous stakeholders over a decade and the legislative actions in both Missouri and Kansas were supported by studies that documented the value of cultural organizations and facilities to the two states and the Kansas City metropolitan region. The studies documented the economic return to the states and the community from visitors to the area (tourists), from the employment of the cultural organizations, and from resident spending and contributions.

Results from the latest studies commissioned by the KC Arts Council reveal the economic activity of the arts in the Kansas City metropolitan area including direct and indirect expenditure is \$281 million. Attendance at arts and cultural venues compared to other metro activities is 4.9 million cultural attendees compared to 5.5 million attendees at sports home games, theme parks and rounds of golf played. A significant number of attendees are attracted from outside the Kansas City metro region. In the Kansas City metro area, ancillary spending related to arts and culture by visitors from outside of Missouri and Kansas is estimated at more than \$50 million annually.

An Economic Impact Analysis prepared by the Missouri Department of Economic Development concludes employment from the construction activities at Union Station represented 805 new jobs for Missourians, and 143 new jobs for Kansans; \$32 million in Missouri Economic Activity and \$6 million in Kansas Economic Activity.

The Metropolitan Culture District's responsibility is limited to cultural activities, organizations or facilities. The definition of Cultural activities was revised in 2000 by both state legislatures to include sports. After the BiState Compact was enacted by the legislatures and approved by the US Congress, Kansas Governor Bill Graves and Missouri Governor Mel Carnahan each appointed a task force to identify the first project under this new law. The two task forces

January 28, 2002

*Senate Assessment + Taxation
1-2803
Attachment 1*

unanimously recommended the Union Station/Science City project to be the focus of the BiState effort.

The restored Union Station and new Science City opened to the public in November 1999. Union Station Kansas City Inc. estimates that 35 percent of all visitors since October 2000 were Kansas residents, and 60 percent were Missouri residents based on group, membership, and customer satisfaction data. Additionally, 3-5% of total revenue came from visitors from states outside of Kansas and Missouri, with the majority of visitors from the Midwestern core states in the following order (based on group attendance) Iowa, Nebraska, Oklahoma, Illinois, Arkansas, Texas, Minnesota. Other groups have attended from as far away as New York, New Jersey, Virginia, Colorado, and California. Union Station Kansas City, Inc. has not collected attendance data for the many casual visitors that visit and enjoy the station daily.

The many studies and committee meetings over a decade prior to the District's formation documented the multiple benefits that strong cultural organizations and offerings mean to the metropolitan region and both states of Kansas and Missouri. Although not readily quantifiable, an enhanced quality of life has important influence on the region's ability to attract both new economic investment and attract and retain a quality work force. As the two states and the metropolitan region work to attract life sciences research investment and talented people to the area, economic development professionals have reported that superior cultural and educational offerings will impact those decisions.

The work on the Culture District prior to its formation and continued work to build strong cultural organizations have recognized that the region can only support a limited number of cultural facilities and organizations, and that access to cultural offerings is the most important determinant in measuring the strength of the region's resources, not the specific geographic locations of the facilities. Many of the region's cultural organizations, although physically located in one community, conduct activities and offer programs and services throughout the region. The public has indicated their concern that this public tax resource not be used to duplicate existing and well-functioning organizations and facilities.

A very positive aspect of the existing legislation is that no BiState project can be funded without the region's voters approving the specific project – no single county can impose the tax without voter approval.

Table 2. Economic Impacts of Union Station Renovation Kansas City Metropolitan Area (Missouri)		
<i>Annual Averages</i>	Construction Period	Operations Period
Employment	805	543
Personal Income (\$M)	\$25,012,000	\$16,801,500
Economic Activity (\$M)	\$32,053,667	\$10,098,675

Economic Impacts in the Metro Area (Kansas)

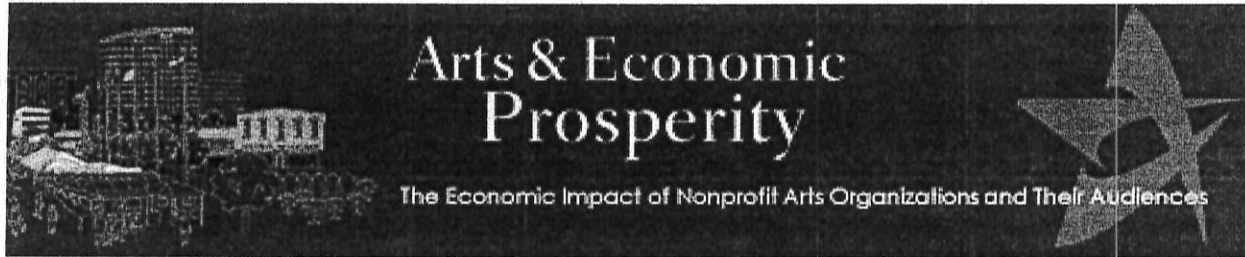
Table 3 presents the economic impacts of the Union Station project in the Kansas portion of the Kansas City Metropolitan Area.

During the construction period of 1997-1999, 143 new jobs were created in the Metro Area. These jobs led to an additional \$13 million annually in personal income. Total economic activity generated in the area was around \$6 million per year.

During the operations period of 2000-2011, 39 new jobs will be created. These jobs will lead to an increase of nearly \$8 million annually in personal income. Finally, total economic activity generated in the Metro Area due to the Union Station renovation will be just under \$2 million per year.

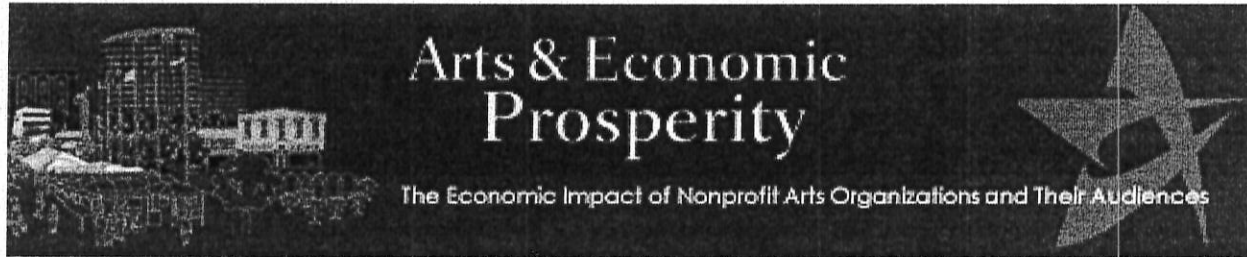
Table 3. Economic Impacts of Union Station Renovation Kansas City Metropolitan Area (Kansas)		
<i>Annual Averages</i>	Construction Period	Operations Period
Employment	143	39
Personal Income (\$M)	\$13,186,667	\$7,881,000
Economic Activity (\$M)	\$6,146,667	\$1,702,583





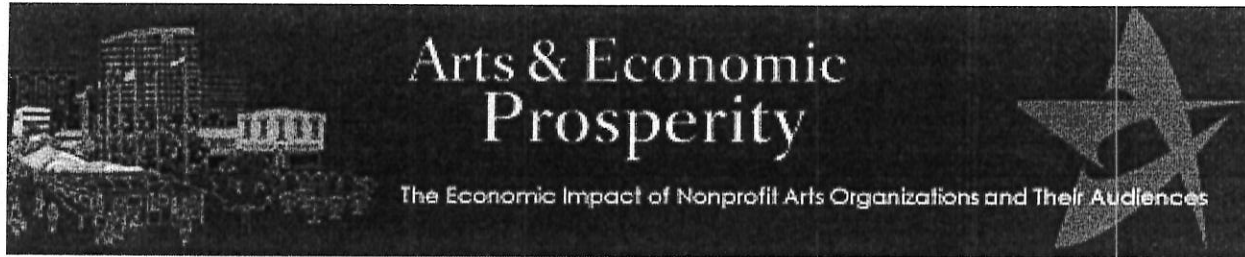
Most comprehensive study of the not-for-profit US arts industry ever

- Detailed data from 3,000 non-profit arts and cultural organizations in 91 communities from 33 states and the District of Columbia (not NY, LA and Chicago)
- Intercept interviews with 40,000 audience members about spending associated with attending a performance or exhibition (food, drink, parking, travel & lodging, etc.)
- Rigorous research methodology and customized input-output models designed to construct an accurate national model

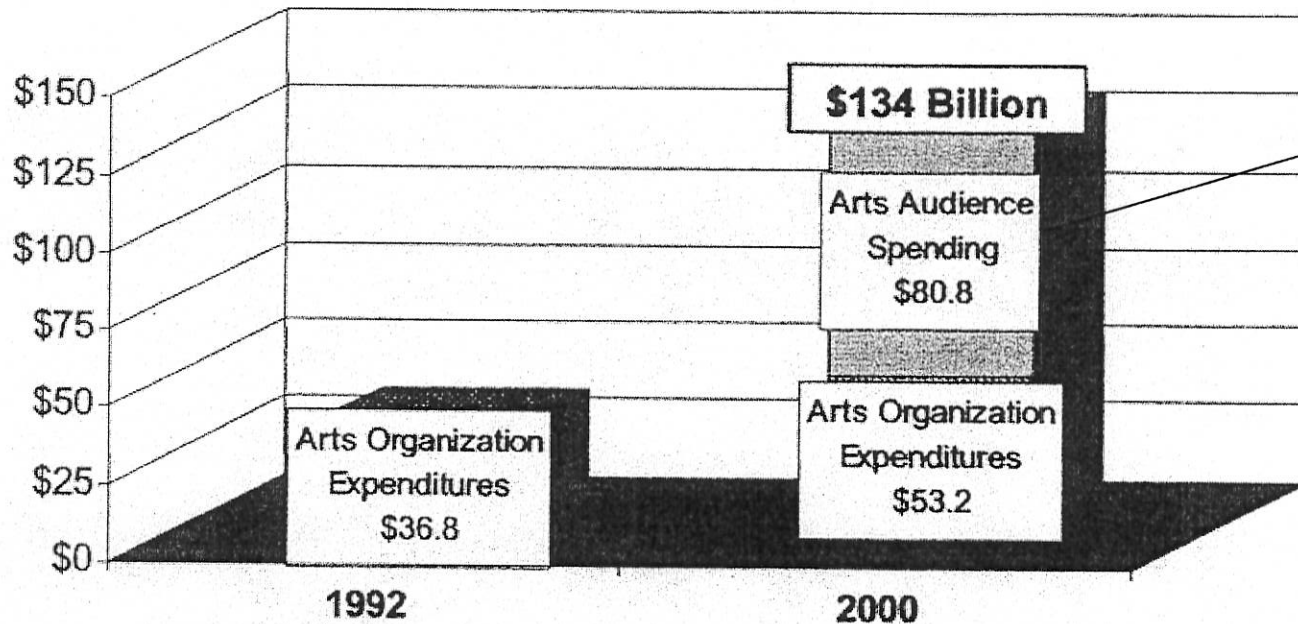


The national economic impact of the not-for-profit arts and culture industry

- **\$134 Billion** in total economic activity:
 - \$53.2 Billion in direct spending by arts organizations
 - \$80.8 Billion in event-related spending by arts audiences
- Full-Time Equivalent Jobs Supported: **4.85 million** (3.3% of U.S. workforce)
 - 1.14 million directly employed (almost 1% of workforce)
 - 0.95 million indirectly supported by organizational spending
 - 2.76 million linked to audience spending
- **\$24.4 Billion** in Federal, State and Local Tax Revenues, vs. less than **\$3 billion** in total govt. support



Estimated national economic impact of not-for-profit arts and cultural organizations



Average spending per person per event above admission fees:

\$21.75 local
\$38.05 non-local

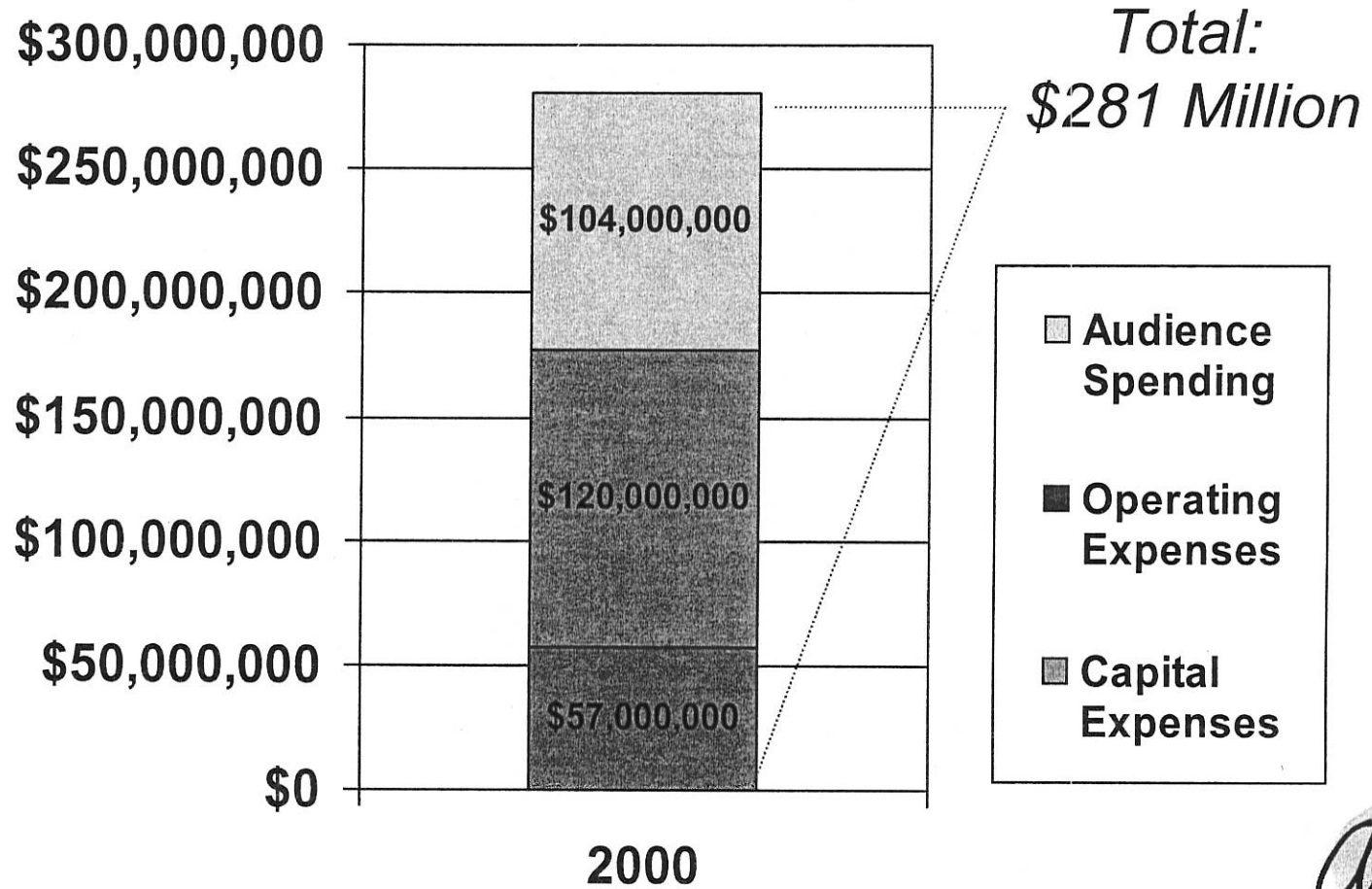
(meals/ refreshments, souvenirs, transportation, lodging, other)

Kansas City metro area study reinforces and supports the national results

- Study of the direct economic activity generated by non-profit arts and cultural organizations in the year 2000
- Conducted by Deloitte & Touche with data collected from 78 organizations



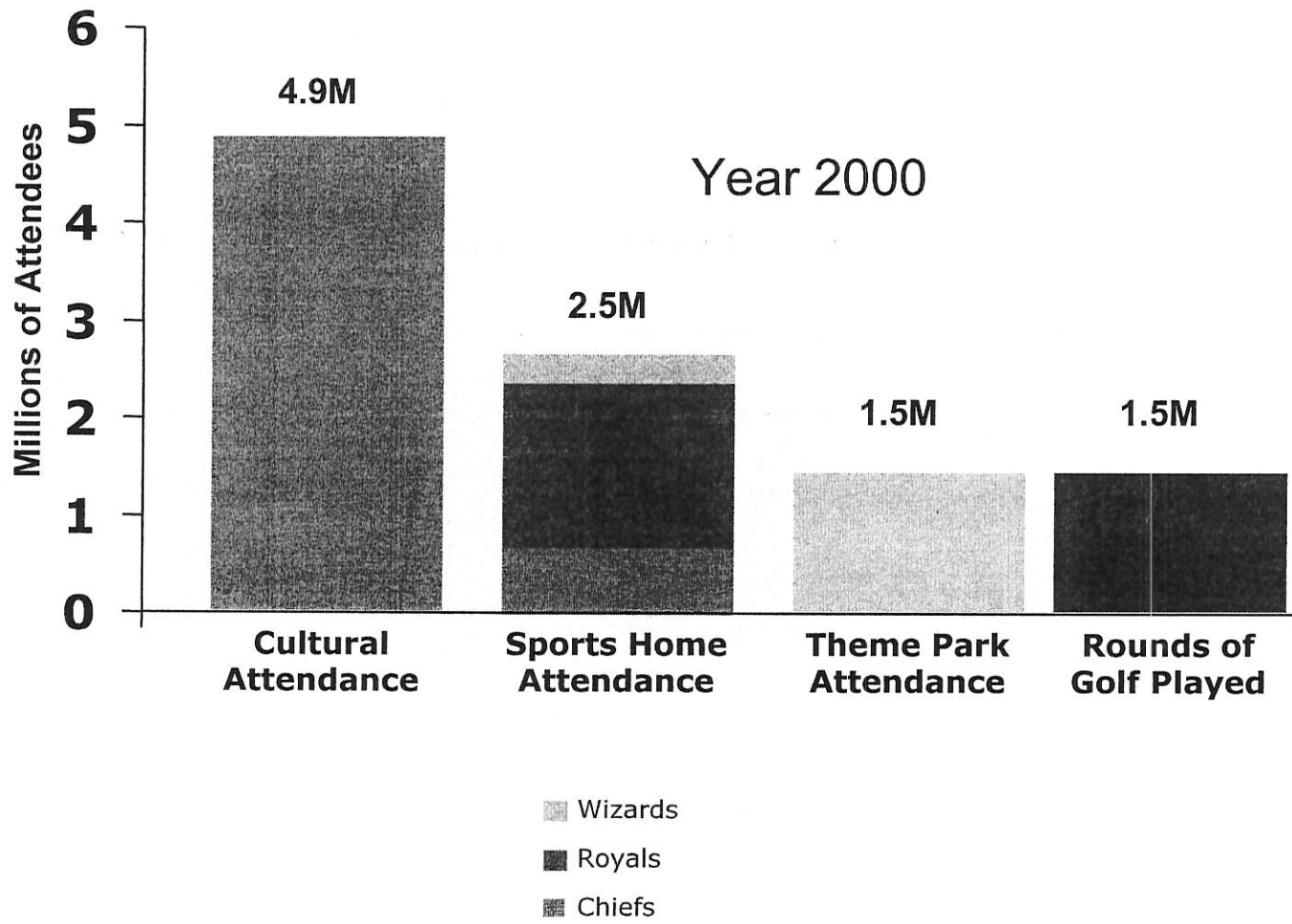
Economic activity of arts and cultural non-profits in KC metro area



Source: "Economic Activity Study," Deloitte and Touche, 2000



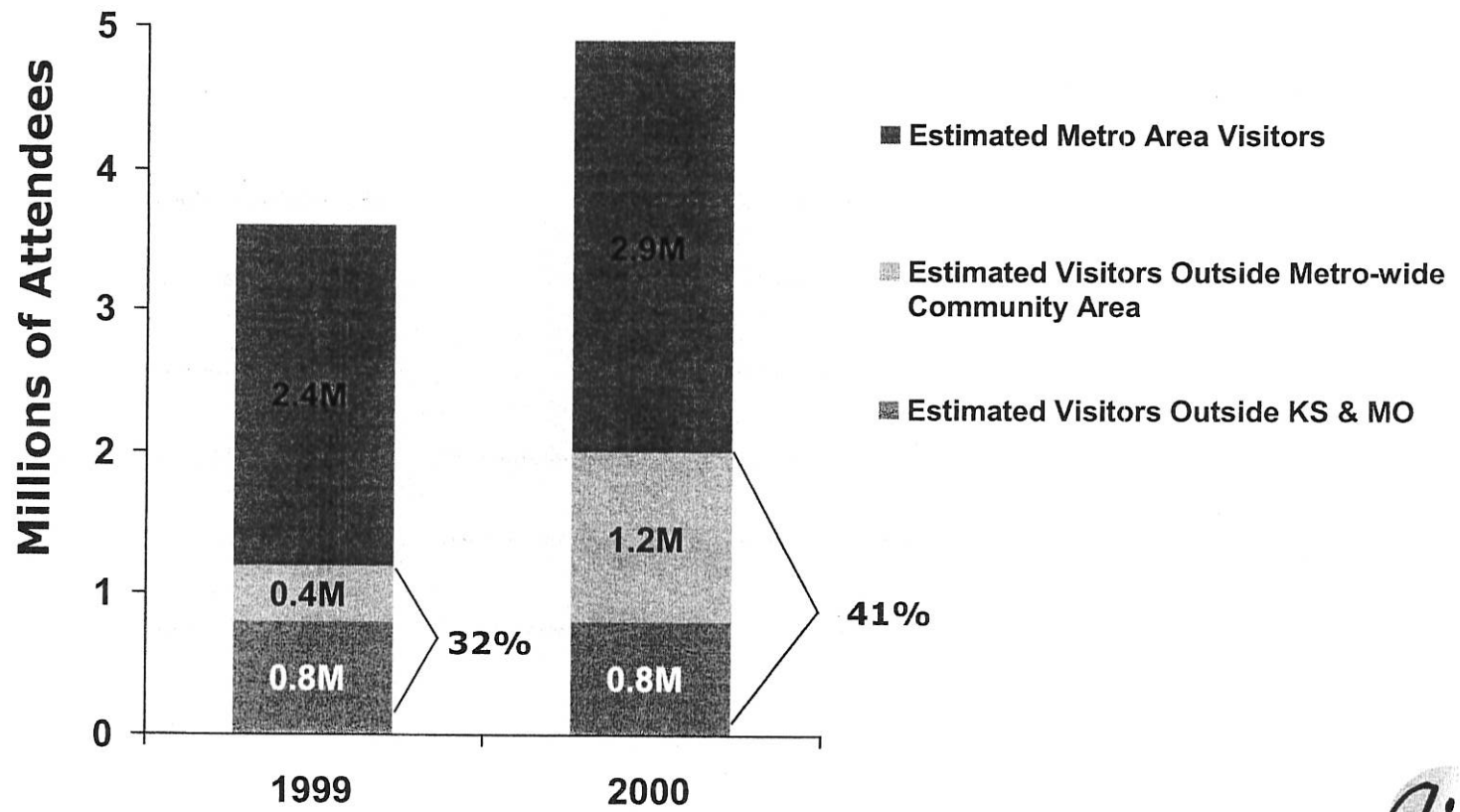
Attendance at arts & cultural venues compared to other metro activities



Source: Deloitte and Touche, 2000



A significant number of attendees come from outside the Kansas City metro region



Source: Deloitte and Touche, 2000



Defining Cultural Tourism

“Cultural Tourism is travel motivated entirely or in part by artistic, heritage or historical offerings... The Cultural Tourist tends to stay longer and spend more at destinations...” [*emphasis added*]

- Bill Moskin and Sandy Guettler in Exploring America Through its Culture, 1994



The Impact of Cultural Tourism

Latest national study by Partners in Tourism, done through Travel Industry Association:

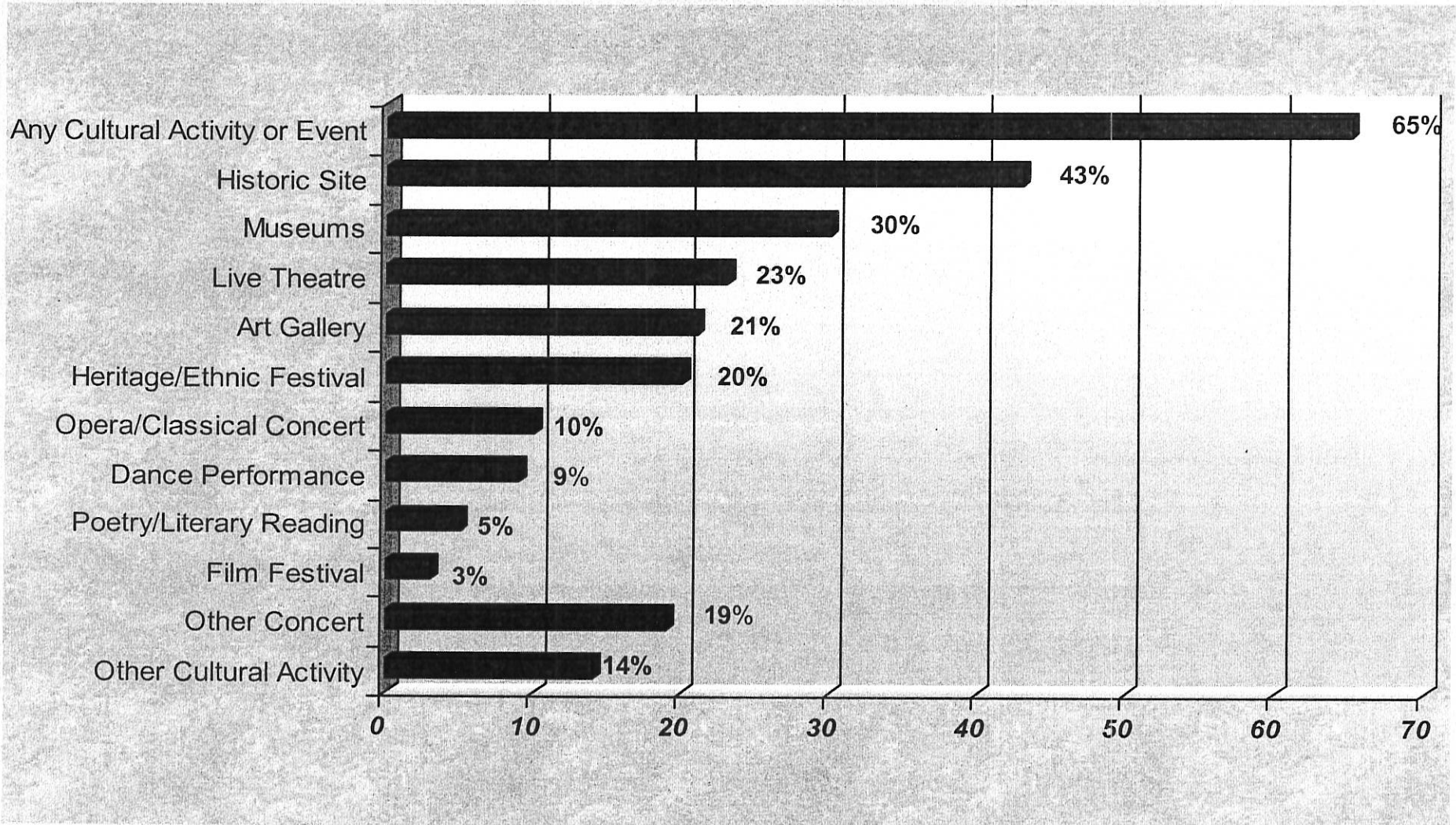
- 92.7 million U.S. adults (**65% of all travelers**) included a cultural, arts, heritage or historic activity while traveling 50+ miles in the year 2000
- of this group, 29.6 million U.S. adults (32%) extended their trip because of this activity
- 57% of these added one or more nights
- 21% of all person-trips include one or more of these activities (*potential audience of 3 million in metro KC*)

Other research supports these findings, and numbers have been rising in the past five years

Source: Travel Industry Association, "The Historic/Cultural Traveler" 2001



Activities of Cultural/Historic Travelers



■ Cultural, Arts, Heritage or Historic Activities and Events included on Trips of 50+ Miles in the Past Year

Source: Travel Industry Association of America and Americans for the Arts

The Historic/Cultural Traveler Profile

- Only slightly older than the average traveler (48 years vs. 46 years)
- Somewhat more educated—for example, 23% with post-graduate degrees, vs. 20% of other travelers
- Much more active--17% of them participate in 4+ activities while traveling, compared to just 5% of all travelers
- 44% of them shop while traveling, compared to 33% of all U.S. travelers
- 18% of them spend more than \$1,000 when they travel, compared to 12% of all travelers
- Economic impact of each visitor is higher!

Source: Travel Industry Association, "The Historic/Cultural Traveler" 2001



Estimates of Cultural Tourism spending

- Cultural tourists spend **38% more per trip**, an average of \$631 compared to \$457 for all U.S. travelers (excludes transportation)
- In the Kansas City metro area, ancillary spending related to arts and culture by visitors from outside of Missouri and Kansas is estimated at more than \$50 million annually
- In Missouri, ancillary spending related to arts and culture by out-of-state visitors is estimated at more than \$190 million annually



Americans for the Arts

- a great resource for information about the many benefits of the arts and culture in our society
- on the web at www.artsusa.org
- information from the June 2002 “Arts & Economic Prosperity” report available in many different sizes and formats, with various levels of detail



The Arts Council
of Metropolitan Kansas City

Questions?

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Resources:

"The Role of the Arts in Economic Development"

<http://www.nga.org/cda/files/062501ARTSDEV.pdf>

"The Impact of Arts Education on Workforce Preparation"

<http://www.nga.org/cda/files/050102ARTSED.pdf>



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Additional Resources:

"The Arts & Economic Prosperity"

<http://www.artsusa.org/EconomicImpact/>

"Economic Activity Study of Arts and Culture in Kansas City"

<http://downloads.artslinks.org/Econ.pdf>

"Cultural Visitor Profile"

http://www.nasaa-arts.org/artworks/culture_profile.shtml

Missouri Division of Tourism

"MU Economic Impact Report 2001"

<http://www.missouritourism.org/pdf/EconomicImpactSum.pdf>



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