

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

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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.

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

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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.

Mr. Kelly commented on the plans to use some of the revenue from the sale of the Olathe Travel Information Center for advertising and promotions.

Chairperson Hutchins read the fiscal note, which states that there would be no fiscal impact for this bill until fiscal year 2006. The fiscal note also expresses some concerns for the difficulty of administration of this fund. Currently, individual income tax returns do not provide the business name or type of business, or business income or loss. Although the department has some data for sole proprietor businesses, cross-referencing this with individual income tax data would be incomplete. Also, changes would need to be made to computer systems for tracking information from partners' individual income tax returns. Information from corporate income tax payers may include several businesses, which the department may not be able to separate out using its current corporate tax processing system. However, Representative Hutchins said that perhaps these administrative concerns could be worked out in the interim before the bill takes effect.

Representative Peterson asked why SIC codes would not automatically come in on the tax returns; staff will research this question and report to the committee.

Representative Osborne suggested a \$1 million per year cap on monies transferred to the fund; Mr. Hein

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said that his client would consider such a compromise.

Chairperson Hutchins closed the hearing on **HB 2083**.

HB 2106 - Membership of Council on Travel and Tourism

Representative Hayzlett introduced an amendment, which Representative Ruff seconded, that the wording of line 41 be changed as follows: the words "and seven" be replaced with the words ", one shall be appointed from a list of three nominations by the Kansas sport hunting association and six". This amendment would allow the Kansas Sport Hunting Association, specifically to nominate one of the Council members that was formerly nominated by the general public.

Representative Hutchins asked whether Council members receive a stipend; staff member Hank Avila replied that they do not, but merely receive mileage.

Representative Peterson asked whether there is an actual organization called the Kansas Sport Fishing Association; and if so, whether the name should be capitalized in the amendment. Staff member Mary Torrence replied that the lowercase designation was the accepted convention in the format of statutes.

Representative Hayzlett made a motion to adopt the amendment. Representative Ruff seconded the motion. The motion carried.

Representative Hayzlett made a motion for the passage of HB 2106 as amended. Representative Merrick seconded the motion. The motion carried. Representative Hayzlett will carry the bill on the floor.

Chairperson Hutchins reminded the committee of next week's plans:

- Monday: hearing on **HB 2078** - Deer hunting permits and commercialization of wildlife
- Wednesday: tour of Czars exhibit; carpool at 3:00 from first floor, south entrance

The minutes from February 10 were distributed and approved without amendment.

Chairperson Hutchins adjourned the meeting at 4:45 p.m.

The next meeting is scheduled for February 17.