

SESSION OF 2008

**SUPPLEMENTAL NOTE ON
SENATE SUBSTITUTE FOR HOUSE BILL NO. 2827**

As Amended by Senate Committee of the Whole

Brief*

Senate Sub. for HB 2827 would establish the Kansas Tourism Corporation (KTC) as an independent government agency similar to the Kansas Bioscience Authority or the Kansas Turnpike Authority. The purpose of the KTC would be to provide for a collaboration of public and private organizations responsible for influencing tourism spending and growing the Kansas economy by enhancing the visitor experience through targeted marketing, product development, professional development and research. The bill also would provide that the Division of Travel and Tourism of the Kansas Department of Commerce would be transferred to the KTC on January 1, 2009 with all statutory references to the Division replaced with KTC and any classified employees transferred to the Corporation would retain their classified status. The Kansas Tourist Attraction Evaluation Committee and the Kansas Council on Travel and Tourism would be eliminated with passage of the Act.

Governance

The KTC would be governed by a 13-member Board of Directors. The appointments to the Board would be as follows:

- The Governor would appoint three members;
- The President of the Senate would appoint two members;
- The Speaker of the House would appoint two members;
- The Minority Leader of the Senate would appoint one member;

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

- The Minority Leader of the House would appoint one member; and
- The Travel Industry Association of Kansas would appoint four members.

The bill would allow the KTC to hire a President and staff and require that Kansas, Inc. evaluate and report on the effectiveness of the operation every three years. The KTC would be required to publish an annual report and present it to the Legislature, the Governor, and Kansas, Inc.

Funding

Funding for the KTC would come from two sources. The KTC would receive 50.0 percent of the growth in state sales tax collected from tourism companies with the base tax year being 2007. Tourism companies would be determined by the North American Industry Classification System, commonly known as NAICS. Funding from the state sales tax collected from the tourism companies would be transferred to the KTC on a quarterly basis. Second, the funding provided to the Division of Travel and Tourism would be transferred to the KTC.

The sales tax revenues committed for a STAR Bond or highway project would continue to fund the payment of the bonds until the bonds are paid off despite the provision directing state sales taxes to the KTC.

The provisions of the Act would sunset on July 1, 2013.

Background

The Senate Committee replaced all of HB 2827 and placed the contents of Substitute for SB 501 within the bill. In addition, the Committee amended the bill by providing language which would allow the sales tax revenues committed for a STAR Bond project to continue to fund the payment of the bonds.

The bill was the work of the Kansas Tourism Initiative and the Joint Committee on Economic Development. Proponents for the bill included representatives of the Travel Industry Association of Kansas; President and CEO of Destination Management, Inc., Lawrence, Kansas; and the Director of the Abliene Convention and Visitors Bureau. Written testimony supporting the bill included the Kansas Chamber; Kansas Bankers Association; Wichita Festivals, Inc.; Franklin County; Rolling Hills; Washington County Tourism; Wild West Country; Coffeyville Chamber; Manhattan Convention and Visitors Bureau; and Grant County Chamber. The only opponent was the Secretary of the Kansas Department of Revenue and the Kansas Department of Commerce provided written testimony as neutral.

The Senate Committee of the Whole made two amendments to the bill: providing language which would allow the sales tax revenues committed for highway bond projects to continue to fund the payment of the bonds and that any employees transferred to the new Corporation from the Department of Commerce would retain their classified status.

The fiscal note on SB 501 included two additional funding sources: which would have allowed a 50.0 percent tax credit for cash contributions to the KTC from individuals and businesses with a cap of \$1.0 million in credits each year; and 3.0 percent of the revenues from destination casinos authorized under the Kansas Expanded Lottery Act be transferred to the KTC. Both of these funding streams were eliminated by the Senate Committee.

The Department of Revenue estimated that SB 501 would decrease state revenues by \$2.4 million in FY 2009. Of that amount, State General Fund revenue was estimated to decrease by \$2.1 million and the State Highway Fund revenue was estimated to decrease by \$250,000 in FY 2009. In addition, the Department believes that the bill would require modifications to the automated tax system and may require expenditures outside current contract programmer services.

The FY 2009 Governor's Budget Report includes expenditures of \$3.4 million for the Travel and Tourism Development Division of the Department of Commerce for FY 2009, including \$1.8 million allocated from the agency's Economic Development Initiatives Fund Block Grant. The Department of Commerce indicates that the bill would transfer all funding and personnel to the KTC on January 1, 2009 which would be halfway through FY 2009. The Department currently has 13.0 FTE positions and 1.0 non-FTE unclassified permanent position in the Travel and Tourism Division. These expenditures of the KTC would be outside of the state treasury and the positions become contract employees outside of the state government payroll system. The Department of Commerce indicates that it currently operates its travel and tourism, marketing, business recruitment, and workforce development efforts in an integrated strategy. The original fiscal note states that transferring the Travel and Tourism Division to the KTC may create a disjointed brand image for the state and indicates that cost savings of operating with shared resources may be lost with transferring the Division.

Kansas, Inc. indicates SB 501 would require it to evaluate and report on the effectiveness of the KTC every three years. Kansas, Inc. indicates that it would need between \$75,000 and \$100,000 to perform this evaluation. Funding for this evaluation would not be needed until FY 2011. Any fiscal effect associated with SB 501 is not reflected in *the FY 2009 Governor's Budget Report*.