



Testimony on House Bill 2282
to
the House Agriculture and Natural Resources Committee
by
Chris Wilson
Deputy Secretary
Kansas Department of Agriculture

February 15, 2010

Good morning, Chairman Powell, and members of the committee. I am Chris Wilson, Deputy Secretary of the Kansas Department of Agriculture, and I am here in support of House Bill 2282.

HB 2282 amends several statutes to provide a fee funded lodging inspection program. Prior to 2010 the lodging program was funded through an appropriation from the state general fund. The annual cost of operating the program at that time was about \$245,000. Unfortunately, to meet our November 2009 allotment, we were forced to temporarily suspend the program beginning January 2010. Although lodging facilities did pay fees they were only about \$50,000 and this is not sufficient to operate even a bare bones program.

Fees to fund this program will come from an increase to the lodging establishment license and application fees. The base license fee of \$30 for 1-9 rooms remains the same while the fee for each additional 10 rooms is increased from \$5 to \$10 with a maximum fee of \$300. For instance, a facility that has 49 rooms would see an increase in their annual license fee from \$45 to \$60. Over half the facilities in the state would see their fee increase by less than \$15. The maximum fee for a new license application is increased from \$100 to \$200, and the fee for a duplicate license is increased from \$3 to \$5.

These increases should generate about \$75,000, which would allow our Food Safety and Lodging program to inspect all newly licensed lodging facilities as required by KSA 36-502. In addition, the bill proposes amendments to K.S.A. 36-518, which requires our department to investigate complaints involving lodging establishments and this funding will cover those inspections along with resulting follow-up inspections if violations are found. Although, the funding will not allow us to do routine inspections as we had done prior to 2010, it will allow us to inspect all new licenses and respond to consumer complaints at licensed lodging facilities. We plan to hire one additional inspector who, along with existing inspectors, will be cross-trained to perform both food safety and lodging inspections. This will increase program efficiency, help reduce travel time and allow for the maximum number of facilities to be inspected.

The bill also deletes a statute that directs to the state general fund all fees received pursuant to the food service and lodging act, and this provides an opportunity to simplify how fees are pooled to fund food safety inspections. The deleted statute required some food service fees to go into a food inspection reimbursement fee fund. Provisions of this bill will allow those fees to now go into the food safety fee fund. This bill also allows fees now going into the food inspection fee fund to also go into the food safety fee fund. This creates a single pool for all food safety fees from which to operate food safety functions. The food safety fee fund currently is authorized by a budget proviso that was part of KDHE's budget when we took over the program. We believe this should be in substantive law, and the bill clarifies this intent.

We would seek to make one balloon amendment that is attached to the testimony. The 2010 legislature authorized a proviso in the budget creating a lodging inspection fee fund. We request this proviso be placed in substantive law so it is clear all money received from lodging license fees goes into that fund.

It is important that a state-operated lodging inspection program exist because it instills confidence in Kansas residents and visitors that our hotels are being inspected and are operating under the required sanitation standards. We worked with industry and feel these changes will maintain these standards. We support HB 2282 because it will provide for a program that meets the needs of the lodging industry, tourism and consumers, and it will do it for a lower cost than the program we suspended.

I will stand for questions at the appropriate time.

Memorandum

To: Vicki Helsel, Division of Budget

From:

Subject: Fiscal Impact of HB 2282

Date:

Analysis of Legislation:

HB 2282 amends KSA 36-502 to increase the license fees for lodging establishments in the state. It keeps the base license fee for lodging establishments with 1-9 rooms but increased the multiplier for each additional 10 rooms or fraction of 10 rooms from \$5 to \$10 with a maximum license fee of \$300. The maximum amount for the application fee is increased from \$100 to \$200 and the fee for a duplicate license increases from \$3 to \$5.

HB 2282 amends KSA 36-518 to clarify that the Secretary can inspect a facility when a complaint is received.

HB 2282 deletes KSA 36-512 that directs all fees received pursuant to the food service and lodging act goes into the state general fund. The bill also amends KSA 74-591 which modifies the food safety fee fund to allow money that was going into the food inspection reimbursement fund to go into the food safety fund which was authorized under the deleted statute. The bill also directs money that was going into the food inspection fee fund to now go into food safety fee fund. This is currently in a budget proviso that has been reauthorized by the legislature since KDA assumed responsibility for all food safety inspections in the state.

Agency responsibility impact:

HB 2282 would result in funding to reimplement the lodging inspection program which had been temporarily suspended in January 2010 due to the November Governor's Allotments in November 2009 the lodging inspection program. The agency would need the authority to hire one FTE in order to implement the provisions of the bill. The FY 2011 budget eliminated three FTE's within the program that were responsible for lodging inspection prior to suspension of the program.

Budgetary Impact:

HB 2282 would generate \$72,000 in revenue annually through license and application fees. In calendar year 2011, the agency expects to license about 750 facilities in the state and collect application fees for about 85 new facilities in the state. The fees collected will be deposited in KDA's Lodging Fee Fund.

Fiscal Assumptions:

The fees generated will allow KDA's Food Safety and Lodging program to inspect all newly licensed facilities in the state as required by KSA 36-502. In addition, the fees will allow KDA to inspect all facilities which have received a complaint as required under amendments to KSA 36-518. KDA will perform all follow-up inspections based on violations found in new and complaint inspections. We will still not perform any routine inspections.

Implementation:

The lodging fees will fund one inspector position along with associated vehicle and equipment costs within KDA's Food Safety and Lodging program. These positions along with other positions will be cross-trained to perform both food safety and lodging inspections. This will minimize windshield time and allow for the maximum number of facilities to be inspected.

Long range fiscal impact:

No long range fiscal impact to the State General Fund is expected

HOUSE BILL No. 2282

By Committee on Agriculture and Natural Resources Budget

2-11

1 AN ACT concerning lodging inspections; relating to lodging inspection
2 fees; amending K.S.A. 2010 Supp. 36-502, 36-518 and 74-591 and
3 repealing the existing sections; also repealing K.S.A. 2010 Supp. 36-
4 512.
5

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

7 [Section] 1. K.S.A. 2010 Supp. 36-502 is hereby amended to read as
8 follows: 36-502. (a) It shall be unlawful for any person to engage in the
9 business of conducting a lodging establishment unless such person shall
10 have in effect a valid license therefor issued by the secretary of
11 agriculture. Applications for such licenses shall be made on forms
12 prescribed by the secretary, and each such application shall be
13 accompanied by the appropriate license fee required by subsection (c) of
14 this section. Prior to the issuance of any such license, the secretary shall
15 inspect or cause to be inspected the lodging establishment designated in
16 the application, to determine that it complies with the standards for
17 lodging establishments promulgated pursuant to this act. If such lodging
18 establishment is found to be in compliance, the secretary shall issue the
19 license. If the application for license is denied, the secretary shall give
20 written notice thereof to the applicant, stating also that the applicant is
21 entitled to a hearing thereon if a written request therefor is filed with the
22 secretary within 20 days of the date such notice is sent. Such hearing shall
23 be held in accordance with the provisions of the Kansas administrative
24 procedure act.

25 (b) Each license shall designate whether the licensed lodging unit is
26 a hotel, rooming house or boarding house. Any person obtaining a license
27 to engage in the business of conducting a rooming house or boarding
28 house shall not have the right to use the name "hotel" in connection with
29 such business. Every license issued hereunder shall be displayed
30 conspicuously in the lodging establishment for which it is issued, and no
31 such license shall be transferable to any other person or location.
32 Whenever any such license is lost, destroyed or mutilated, a duplicate
33 license shall be issued to any otherwise qualified licensee upon
34 application therefor and the payment of a fee in the amount of \$3 \$5.

35 (c) The fee for a license to conduct a lodging establishment in this
36 state for all or any part of any calendar year shall be \$30, except that the
37 fee for any lodging establishment containing 10 sleeping rooms shall be
38 \$35 \$40 and for every additional 10 rooms therein, an additional fee of \$5

Comment [ew1]: *New Section: There is hereby created the lodging inspection fee fund. The secretary shall remit all license fees received by the secretary under the provisions of K.S.A. 2009 Supp. 36-502, and amendments thereto, and all license renewal fees for lodging establishments under K.S.A. 36-505, and amendments thereto, to the state treasurer in accordance with the provisions of K.S.A. 75-4215, and amendments thereto. Upon receipt of each such remittance, the state treasurer shall deposit the entire amount in the state treasury to the credit of the lodging fee fund. All expenditures from the lodging fee fund shall be made in accordance with appropriation acts upon warrants of the director of accounts and reports issued pursuant to vouchers approved by the secretary of agriculture or by a person designated by the secretary. This section shall be a part of and supplemental to the food service and lodging act.*