

Transcript Prepared By the Clerk of the Legislature
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Appropriations Committee
February 01, 2018

[LB802]

The Committee on Appropriations met at 1:30 p.m. on Thursday, February 1, 2018, in Room 1003 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB802. Senators present: John Stinner, Chairperson; Kate Bolz, Vice Chairperson; Rob Clements; Robert Hilkemann; John Kuehn; Mike McDonnell; Tony Vargas; and Anna Wishart. Senators absent: Dan Watermeier.

SENATOR STINNER: Our next hearing will be on LB802, Nebraska Tourism Commission Promotional Cash Fund. And, Bob, you need to be in the chair. [LB802]

SENATOR HILKEMANN: Senator Stinner. [LB802]

SENATOR STINNER: Good Afternoon, Senator Hilkemann and fellow members of the Appropriations Committee. For the record, my name is John, J-o-h-n, Stinner, S-t-i-n-n-e-r, and I represent the District 48, which is comprised solely of Scotts Bluff County. I'd first like to start out by thanking the executive director of the Nebraska Tourism Commission, John Ricks, for his diligence in bringing to my attention the underlying issue which led to the introduction of LB802. The director has been with the commission just over a year and has already proved to be quite a competent...in furthering the mission of the commission. Last summer, the director discovered that revenue from advertisements purchased by outside entities and placed in the commission's publications were not being properly accounted for. After further analysis, he discovered that an advertising agency was collecting money from the organizations advertising in the travel journal and then applying those dollars against production costs. That process has been in place for many years, but it is not a best practice for the administration of state funds. For the sake of accountability he brought this issue to my attention and this bill was drafted as a solution. LB802 would require that advertising revenue collected by vendors under contract with the Nebraska Tourism Commission be submitted to the commission and deposited in a newly created the Nebraska Tourism Commission Promotional Cash Fund. In addition, LB802 would allow the commission to access these funds to carry out the agency's purpose under the Nebraska Visitors Development Act. Currently the commission is using an administrative created fund. But the budget under the Department of Administrative Services won't allow the commission to access these funds. Section 4 under LB804 (sic--LB802) authorizes the transfer from the administration funds to...into the newly created statutory fund. The director is here as well. And based on the numbers of last year, the revenue and spending from this fund would likely be somewhere in the neighborhood of \$90,000. The director will testify, in back of me, to answer any additional questions. And I welcome other questions from the committee at this time. [LB802]

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SENATOR HILKEMANN: Are there questions for Senator Stinner? Seeing none, thank you. The proponents for LB802. [LB802]

JOHN RICKS: (Exhibit 1) Good afternoon. My name is John Ricks, R-i-c-k-s. I'm the executive director of the Nebraska Tourism Commission. I'm here today to support LB802 related to the creation of the Nebraska Tourism (Commission) Promotional Cash Fund. This bill is not only a housekeeping matter, but it's also important to the commission's marketing efforts. Let me explain. When we were working with procurement in the Department of Administrative Services last year--when we were crafting the approach that compensation agreements with our marketing agencies would follow--we discovered that the way in which marketing vendors had been handling revenue collected from industry partners advertising in our travel guide, on VisitNebraska.com and other things, has not been according to approved DAS policies and procedures. First, please understand that this has been happening for years, maybe decades, and certainly since the state began producing a travel guide that accepted advertising. It's not new. But we discovered that these revenues were not meeting DAS procedural requirements and agreed with DAS that the situation should be remedied. This action is consistent with the commission's continuing efforts to coordinate closely with shared services offerings from DAS that promote proper stewardship of funds, including all of the monitoring and tracking and reporting procedures that we have now installed and are carefully and responsibly followed. This bill will even further enhance the accountability and transparency required to assure that we know what funds are going where, with whom, and for what purpose. To immediately address the problem back in the fall of 2017, a "child fund" was created to enable the commission to collect these revenues. However, because the commission would not be able to access the money deposited into this "child fund" without legislative approval, LB802 was drafted. LB802 will create an administrative fund that the commission can use to deposit and track and report amounts collected from industry partners for their participation in our various promotional programs. Specifically, the bill will require our marketing agencies involved in such programs to collect and submit any revenue received from industry partners to the commission on a monthly basis, including an itemization of the program involved and sources of revenue collected. The commission will then remit these funds to the State Treasurer for deposit into the new Nebraska Tourism (Commission) Promotional Cash Fund. And, finally, LB802 will enable the commission to use the fund to carry out its purposes under the Nebraska Visitors Development Act. This is important because these revenues can then be reinvested in commission marketing efforts to, for example, defray the production cost of the travel guide or enhancements to VisitNebraska.com and other things. Without access to these funds, the commission would, in effect, experience a budget decrease since these ad revenues have, in the past--here in Nebraska and in all other states I've worked in--been used to help marketing efforts. Thank you, very much. I'd be happy to answer any questions you may have. [LB802]

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SENATOR HILKEMANN: Thank you, Mr. Ricks. Are there questions for Mr. Ricks? Senator. [LB802]

SENATOR CLEMENTS: Thank you, sir. Can you tell me how much is in that fund now? [LB802]

JOHN RICKS: Right at this moment, I can't. I think that last year it was about \$90,000. And that's revenue collected from our marketing partners, the industry, to advertise in our guide and things. It was about \$90,000. [LB802]

SENATOR CLEMENTS: Do you think that's going to increase, the amount of (inaudible)... [LB802]

JOHN RICKS: I think it's going to increase because, honestly, we've helped the...we've helped wake up the industry in terms of following us into the travel guide and on Nebraska.com, because we want their advertising. It's the best way a smaller...not even a smaller...it's the best way the industry can get exposure in our programs is be in that visitor guide because we distribute hundreds of thousands of them a year, and to get on Nebraska.com because all of our advertising efforts push people to the Web site. So we hope it increases, yeah. [LB802]

SENATOR CLEMENTS: And do you have an expectation of the annual revenue, that it will be \$90,000? [LB802]

JOHN RICKS: It's really tough to tell. We're just going through that, we're just starting that...we did that one process for this year's guide and we'll start that again and I don't know what those numbers are. [LB802]

SENATOR CLEMENTS: All right, thank you. [LB802]

SENATOR HILKEMANN: Thank you, Senator Clements. Any other questions for Mr. Ricks? Seeing none, thank you for coming here today. [LB802]

JOHN RICKS: Yes, sir. [LB802]

SENATOR HILKEMANN: (Exhibit 2) Other proponents for LB802? Seeing no further proponents, we have...we have a letter I'm going to read into the record from Visit Omaha. It's: In an effort to ensure that the Nebraska Tourism Commission successfully meets the continuing

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changes and demands of Nebraska's growing travel industry, Visit Omaha supports LB802. The bill empowers our tourism to generate private revenue dollars to supplement lodging tax funding, which in turn will allow the commission to increase its marketing efforts. Creation of the Nebraska Tourism Commission Promotional Cash Fund provides a mechanism for the collection of those private revenue dollars, allowing the commission flexibility while maintaining accountability. As a government entity, Visit Omaha understands the value of being able to generate private dollars through advertising and partnerships to enhance its promotional efforts and grow demand. Are there opponents to LB802? Seeing no opponents to LB802, are there anybody (sic) here in a neutral position? Seeing none, that will conclude the testimony...or the hearing on LB802. Thank you, Senator Stinner, for waiving that. Did you have a question? [LB802]

SENATOR VARGAS: Yeah. Were there any letters in opposition? [LB802]

SENATOR HILKEMANN: No,... [LB802]

SENATOR VARGAS: Okay. [LB802]

SENATOR HILKEMANN: ...there were no letters in opposition. [LB802]

SENATOR VARGAS: Okay. [LB802]