

MINUTES OF THE
LEGISLATIVE, JUDICIAL AND ADMINISTRATIVE SUBCOMMITTEE

February 27, 1979
10:00 a.m.
Room 132
State Capitol Building
Tape Data: 8:2-4:570-1003
Subject: Dept. of Highways

The meeting was called to order at 10:05 a.m. by Acting Chairman Bill Hand. Chairman Menahan joined the meeting at a later time. All other members were present except Senator Lockrem. Fiscal Analyst JanDee May was also present.

The hearings for the day were Department of Highways: Travel Promotion.

DEPARTMENT OF HIGHWAYS
Travel Promotion

Ron Richards, Director of the Department, stated that the budget as presented is responsible, it addresses pressing needs of the Department which must be met during the next biennium. Requests for the maintenance division and the equipment division are especially important. Mr. Richards stated that we must intensify maintenance efforts to protect our investment in the highway system.

Mr. Richards said that winter months have been hard on the Department's resources. The equipment fleet is becoming outdated and unreliable.

He stated the Department's request will include a new shop building to replace a badly needed facility. The building which is being used for this purpose at the present has been cited for various violations. They intend to incorporate solar energy for heating purposes in this proposed building.

Discussion was held on the completion of the interstate program with the one cent tax increase on gasoline.

For the Travel Promotion Bureau, the Department requests that they be allotted the budget request shown in the FA budget of \$644,435 in 1980 and \$670,344 in 1981.

John Prebil, Administrator of the Centralized Services, gave a breakdown of the Travel Promotion budget as follows: contracted services \$178,087; supplies and materials \$5,300; communications \$5,300; travel \$22,472; rent \$7,420; miscellaneous expenses \$22,578 and equipment \$2,120.

The miscellaneous expenses are comprised of dues \$14,310; subscriptions \$530; registration fees \$1,060 and freight and express \$5,300.

Josephine Brooker, Director of the Travel Promotion Bureau, explained that the Bureau is operating on a budget of \$650,000 per year for the biennium. Most of the money is invested in national advertising primarily in magazines. They have proved in the past 4 years that for every \$1.00 invested in national advertising, there is produced in revenue for the State of Montana \$140. National advertising is an investment for return profit.

Mrs. Brooker also said total gasoline tax revenues from the state are approximately \$5,000,000. This more than pays for the national advertising program. All travel promotion budget monies are from gas tax money. The anticipated program for the next two years is a continuation of the very highly successful program. They do this with a staff of 7 1/2 FTE and they have been recognized as one of the most outstanding travel promotion programs in the United States.

They have found 90% of the business involved in the travel business with the state are classified as small business and that consistent with federal guidelines, they feel that their department serves a very vital function.

Mrs. Brooker responded to a question by Senator Thiessen that figures are compiled by the Planning and Research Bureau on a year to year update as to the number of visitors being business people. The study allows for an on-road highway count and spot check.

In conclusion, Mrs. Brooker stated that over one-third of their total budget was invested in paid national advertising. This attracts visitors to our state and their records indicate that 40% of those who wrote for information, actually came to Montana the first year. Another 25% indicate that they are likely to come to Montana the second year.

A discussion was held on the justification of travel promotion when the federal government is trying to negate travel in order to save critical fuel.

In equipment, the program is requesting \$2,100 for office equipment. The FA commented that as two typewriters were purchased in 1978, two typewriters were deleted from this budget. Two typewriters more would not be needed for 7 people. The FA stated that major equipment purchases have been made by this Department that were not appropriated by the Legislature.

Mrs. Brooker responded on the equipment request that the equipment purchased in 1974 was for a major pre-screen slide presentation for use in Expo '74. That equipment was used continuously for 6 months at Expo and has since been on loan to various organizations throughout the state. This equipment naturally wore out.

The FA directed her attention to the personnel within the Department. She stated that every staff member received a promotion

last year except one. She questioned the justification behind the request for classification changes.

Mrs. Brocker answered that these classification changes were to bring these positions in line with other people classified at these grades within the Department. They felt it was necessary to have an office manager in charge of the duties when the Director is away from the office.

Mac Bryant from the Chamber of Commerce in Bozeman, spoke on behalf of the Travel Promotion Bureau. He said they are sold on the governmental agency and support the continued funding of the Promotion Department. They are convinced that state travel is responsible for over \$382,000,000 realized from travel generated by the Travel Promotion Department. Mr. Bryant commented that the Air Stream Caravan left \$12,000,000 in their community alone.

Buck Boles of the Montana Chamber of Commerce and West Yellowstone Chamber, stated that 98% of travel related businesses are classified as small businesses. He explained the distribution and what the money goes for. A survey of the 50 states showed an average budget for those 50 states of \$1,270,000 whereas Montana operates on approximately \$650,000. He showed other states compared with Montana.

They support the FA recommendation of \$644,000. Mr. Boles went on to say that they support this for the reason that a comprehensive study of the travel in the 5-state old west region is being undertaken. Montana's contribution to this study is \$12,000. The study has been sought by the Chambers in the past. He went on to explain the study and listed the items that would be included in the study.

Discussion followed on the possibility of a tax being levied against motel rooms and hotel rooms for people from out-of-state.

Dave Jonas, Helena Chamber of Commerce, testified that out of every 43 visitors to the state, one new employee is created. He went on to show how these businesses create other businesses.

Jim Knight from Helena stated that he is a small businessman in Helena. He spoke on behalf of the small businesses in the state and stated that travel benefits 95% of the businesses. In conclusion, Mr. Knight stated that this is a good investment.

Norman Kurtz representing the Northern Area Ski Operators Association, stated the Travel Promotion Bureau is doing an excellent job. He said it is a small, efficient unit that produces far more dollars than expended. Mr. Kurtz gave an example of winter advertising and stated that 80% of his visitors are from out-of-state.

Betty Masters from the Deer Lodge Chamber of Commerce, testified on behalf of the Travel Promotion Bureau. She stated that they

are in favor of economics in government but commented that some programs are well worth the investment while others are not. Mrs. Masters commented on the Travel Promotion Bureau more than paying for itself.

Dan Mizner spoke on behalf of the Cities and Towns Association. His testimony was in support of the budget for the Travel Promotion Bureau.

Larry Larson representing Travel Montana from Missoula, stated that the average total budget for the 50 states is \$1,271,000 with \$653,000 being spent for advertising. Montana has a budget of \$391,000 with \$216,000 going into advertising. For advertising, Montana uses almost 33%. The travel industry has grown 121% which is faster than all non-agricultural jobs and employment. Mr. Larson stated they are in favor of an increased budget or at least no budget reductions.

Roger Young from Great Falls, spoke on behalf of their Chamber of Commerce. Mr. Young stated that basically Chambers of Commerce are in the business of job development. There is no question about the fact that tourism is big business in every community around the state. They feel it is essential that the budget be kept in tact at least at the level it was last year.

Wayne Gibson, Vice-President of the Security Bank in Bozeman, echoed everything which had been stated in support of the Travel Promotion Bureau. He commented on the ability of lending money from money derived from travel. Mr. Gibson stated that travel is important to the state and that new dollars are important to Montana.

Jenny Mason representing the Holiday Inn in Bozeman, commented on the bus tours that come to their city. She stated that their motels work closely with the Travel Promotion Bureau and without them their business would decrease 10% on a yearly basis.

Dick Pace from Virginia City, stated that tourism is their whole economy. He talked about the preservation and restoration of their town and stated that without the income brought in from the tourists, they would be in a sorry way in keeping the heritage of the state alive.

Smokey Elser representing Montana Outfitters and Guide Association from Missoula, stated that 350 outfitters and guides derive their income from the tourist business. He stated that they fully support the project.

A lengthy discussion was held on what the travel promotion people are returning to the state. Questions were raised on restoring natural resources such as fish and game of the state. A question and answer period followed the discussion regarding this aspect of the Travel Promotion Unit.

Legislative, Judicial, Administrative
February 27, 1979
Page 5

The meeting was adjourned at 11:20 a.m.

Respectfully submitted.

William Menahan

William Menahan, Chairman

ve