

INTERIM JOINT COMMITTEE ON ECONOMIC DEVELOPMENT AND WORKFORCE INVESTMENT

Minutes of the 6th Meeting of the 2021 Interim

November 18, 2021

Call to Order and Roll Call

The 6th meeting of the Interim Joint Committee on Economic Development and Workforce Investment was held on Thursday, November 18, 2021, at 9:00 AM, in Room 154 of the Capitol Annex. Representative Russell Webber, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Wil Schroder, Co-Chair; Representative Russell Webber, Co-Chair; Senators Robby Mills, Adrienne Southworth, Mike Wilson, and David Yates; Representatives Shane Baker, Kim Banta, Lynn Bechler, Tina Bojanowski, Josh Bray, George Brown Jr., Josh Calloway, McKenzie Cantrell, Daniel Elliott, Chris Freeland, Al Gentry, Mark Hart, Thomas Huff, DJ Johnson, Kim King, William Lawrence, Matt Lockett, Scott Sharp, Steve Sheldon, and Ashley Tackett Laferty.

Guests: Kasey Maier, President and CEO, Waterfront Botanical Gardens; Brett Shepard, Director of Capital Campaigns, Waterfront Botanical Gardens; Hank Phillips, President and CEO, Kentucky Travel Industry Association; and Josh Crawford, Executive Director, Pegasus Institute.

LRC Staff: Janine Coy, Audrey Ernstberger, Kirk Smith, and Sasche Allen.

Approval of Minutes

A motion to approve the minutes of the October 21, 2021, meeting was made by Representative Bechler, seconded by Representative Johnson, and approved by voice vote.

Waterfront Botanical Gardens

The Waterfront Botanical Gardens is located in downtown Louisville on a 23 acre site and construction of a three phase construction plan began in 2017. The Graeser Family Education Center and the Ellen T. Leslie Botanical Classrooms construction has been completed and future phases include a visitor center, children's garden, conservatory, and Japanese garden. Various events, adult and youth education programs, summer camps, scout and family programs, and youth collaboration and volunteer opportunities are hosted at the gardens. There have been 30,000 visitors to date and 29 percent of visitors have come

from outside the state. Once fully constructed, it is estimated that the Waterfront Botanical Gardens could receive up to 400,000 visitors per year.

Answering a question from Representative Huff, Kasey Maier, President and CEO of Waterfront Botanical Gardens, stated that about \$20 million of mostly private funding has been raised but other funding options through grants and foundations are being considered. Admission is currently free, but an admission price may be implemented in the future. Ms. Maier estimated that about \$250,000 is generated per year from event rentals.

Responding to Senator Yates, Ms. Maier pointed out that the Waterfront Botanical Gardens is ranked in Louisville Tourism's top three tourism attractions. She added that according to the garden's feasibility study, if a city has a botanical garden then visitors stay up to one and a half days longer.

Addressing Representative Banta, Ms. Maier said education will be offered in the future regarding the neighborhood and landfill that the Gardens were constructed on.

Kentucky Travel Industry Association

Hank Phillips, President and CEO of the Kentucky Travel Industry Association (KTIA), discussed the labor shortage throughout the travel industry and the state tourism recovery and investment proposal. Although the cause for low workforce participation is multifaceted and existed prior to the pandemic, the travel industry is greatly impacted by the issue of childcare because the industry has a large number of female employees. Many businesses throughout the industry have increased labor costs as a result of the labor shortage. The state tourism recovery and investment proposal presented included a request for \$75 million of American Rescue Plan Act funds to be distributed for marketing the state as a whole, marketing communities throughout the state, and attracting meetings and conventions. Mr. Phillips also suggested legislative action regarding shared economy industry platforms such as Airbnb paying the transient room tax throughout the entire state instead of only in particular cities.

Answering a question from Representative Webber, Mr. Phillips explained that Airbnb initiated communication regarding the transient room tax and will comply with any legislative action taken.

Responding to Representative King, Mr. Phillips stated that of the \$75 million that is being requested, \$15 million will be allocated to the Department of Tourism for marketing the state, \$35 million will be allocated to tourism commissions across the state for marketing communities, and \$25 million will be allocated to tourism commissions for attracting meetings and conventions. The allocation of funds to tourism commissions throughout the state for marketing communities would be formula based utilizing 2019 county tourism economic impact data, similar to the formula already used by the Department of Tourism for the distribution of Tourism Marketing Incentive Program

matching funds. A grant program has been suggested for the allocation of funds for attracting meetings and conventions. Answering a follow up question, Mr. Phillips said requirements for how the requested funds are to be spent will be similar to existing statutory requirements for the Department of Tourism.

Addressing Representative Baker, Mr. Phillips commented about the correlation between tourism and quality of life.

Replying to Representative Johnson, Mr. Phillips said the return on investment for the requested \$75 million is difficult to estimate but the economic impact of the tourism industry in 2020 declined \$2.9 billion.

Answering a question from Representative Bechler, Mr. Phillips explained that the requested funds will not be allocated to specific tourist attractions like the Waterfront Botanical Gardens directly, but \$35 million will be allocated to tourism commissions across the state for marketing communities. Addressing a follow up question, Mr. Phillips stated that proposed transient room tax legislation will apply to short term lodging platforms.

Responding to comments made by Representative Sheldon, Mr. Phillips stated that social safety nets are necessary but should be balanced.

Addressing a question from Senator Southworth, Mr. Phillips said the Tourism Marketing Incentive Program totals \$2 million, and the matching aspect varies by tourism commission. Responding to a follow up question, Mr. Phillips explained that the requested American Rescue Plan Act funds would need to be spent in the designated time frame determined by the federal government.

Pegasus Institute

A presentation was given by Josh Crawford, Executive Director of the Pegasus Institute, about the effect of macroeconomic conditions on workforce participation, state workforce participation trends, and the positive correlation between economic freedom and workforce participation. The Fraser Institute's report, *Economic Freedom in North America*, was discussed which ranks states by overall economic freedom in addition to government spending, taxes, and regulation. The Commonwealth has consistently ranked in the bottom quartile, but the most recent report that uses 2019 data ranks the state at 37th in the nation. Mr. Crawford explained that the state's workforce should be taken into consideration when making any changes to tax policy, workplace regulations, and occupational licenses.

Responding to Representative Bojanowski, Mr. Crawford stated there is supporting research for information in his presentation including academic journals regarding women in the workforce. The economic performance of a state is multifaceted.

Addressing Representative Baker, Mr. Crawford explained there are certain factors that affect workforce participation that are unique to the Commonwealth. The state's economy includes employees of industries that were more greatly affected by the pandemic. In addition, government transfer payments have significantly affected the economy. A balance must be reached for social programs that create an appropriate safety net while not creating an environment that disincentivizes workforce participation.

Replying to Representative King, Mr. Crawford stated the study addresses three subcategories that include government spending, taxes, and regulation.

Responding to comments made by Representative Cantrell about factors that impact the state's workforce participation, Mr. Crawford pointed out that COVID-19 deaths had little to no significant impact on workforce participation. Women reentering the workforce, second chance employers, and the number of individuals in the millennial generation are some factors that could be addressed to improve workforce participation throughout the state.

There being no further business before the committee, the meeting adjourned at 10:37 a.m.