

**TOURISM EXPENDITURE REVIEW COMMITTEE
MEETING MINUTES
May 5, 2003
Room 2E21 of the SC Department of Revenue, 11 a.m.**

ATTENDANCE:

Committee Members in Attendance: Frans Mustert, Chairman; Lanneau Siegling, Vice Chairman; John Curry, Susan Cruse, Ron Carter, Rod Swaim, David Warren, Isabell Hill.

Non Committee Members/Guests in Attendance: Tom Sponseller, SC Hospitality Association; Damita Jeter, TERC Committee Staff; Jean Askew, City of Georgetown; Thomas Ellenburg, City of Myrtle Beach and Howard Duvall, Municipal Association of S.C.

CALL TO ORDER AND ADMINISTRATIVE TASKS:

Chairman Mustert called the meeting to order at 11 a.m., and asked the Committee to review the minutes from the last meeting on March 10, 2003. The minutes were reviewed and approved as submitted. Mrs. Jeter distributed reimbursement checks and asked for completion of travel vouchers. Mr. Mustert then discussed the modus operandi of the Committee for the benefit of the guests. He said the Committee's process is to review Accommodations Tax Reporting Forms for compliance based on the S.C. Code of Laws, ask for further information if expenditures are questionable and then make a determination based on that information. Entities have an opportunity to appeal any decision the Committee makes. Committee members make every effort to avoid conflicts of interest by not reviewing their hometown expenditure reports and excusing themselves from votes that deal with matters affecting their hometowns and other areas of interest to them.

QUESTIONS/PRESENTATION BY HOWARD DUVALL AND TOM ELLENBURG:

Mr. Howard Duvall of the Municipal Association of S.C. then discussed some concerns with the Committee regarding a form they sent out requesting more information from municipalities. The form also included a definition of a tourist as being one that travels 50 miles. Mr. Duvall said he thought the Committee has gotten too far tilted "towards hospitality" and it is requesting items that are not within the realm of its authority. Committee members said that originally the law defined tourists as those traveling overnight. The legislature changed the law to say "outside of their communities for reasons other than working." The Committee wanted a more precise definition and was told by legal staff that they could use what the national parks, recreation and tourism industry, the Travel Institute of America as well as the S.C. PRT uses – the "50 mile" definition.

The Committee clarified that they asked for the overall attendance, percentage of tourism, and overall budget as a way to obtain more information from entities. Mr. Mustert said that many times, the information given to the Committee was insufficient to make a proper determination regarding the expenditures. He said the Committee realized it was not law and encouraged entities to provide as much information as possible. Mr. Duvall said he was concerned many entities did not have the information to give them. Committee members said they felt as though municipalities could provide the information if needed. Mr. Duvall was also told that in the future, the reporting form would be expanded and the language would be changed to say, "explain expenditures" instead of "list expenditures." He agreed that would probably help to give more sufficient information for the Committee.

Mr. Duvall also said the statute was originally created to give municipalities an additional source of income. Mr. Curry objected, and said he was involved with the original legislation, and the statute was created to “provide a reasonable tourism bill since it was a hospitality tax.” Mr. Curry said the industry worked with the legislature to create a bill that would promote tourism since it was a tax upon the industry.

Mr. Duvall stated that the Mayor of Pawley’s Island, Mayor William Otis, was asked to resign from the Committee. Various Committee members said that statement was untrue. Mayor Otis had dual office holdings according to the Governor’s Office and resigned because of that reason. Committee members also reminded Mr. Duvall that the Municipal Association is delinquent in proposing an appointment to fill the vacant seat. In addition, the appointee of the S.C. Association of Counties has only attended one of seven meetings, which also may appear as a lack of representation of non tourism-related Committee members.

Mr. Duvall told the Committee he thought they scrutinized expenditures too closely. The Committee said they had a responsibility to question certain expenditures they did not understand. Committee members said that many of the smaller municipalities collected more than \$50,000 in accommodations taxes, but were not “tourism driven” towns and cities. The Committee was put in place by state law to oversee and determine if all applicable entities in the state were using these funds to promote tourists.

Mr. Ellenburg then joined the conversation and said the Committee, according to the law, did not have the right to ask for such things as percentages. They could ask for minutes and guidelines of local accommodations tax committees and county councils. He said that the Committee was trying to “micromanage” and he invited Mr. Duvall and his association to join in a lawsuit against the Committee. Mr. Ellenburg also stated that the Tourism Expenditure Review Committee should trust the local accommodations tax committees who have already approved certain expenditures. Committee members said that the law states what their responsibility is and encouraged both Mr. Ellenburg and Mr. Duvall to continue dialogue with the Committee and offer suggestions in order to reach a solution in the matter of disagreement. The Committee agreed to draft a letter to both Mr. Duvall and Mr. Ellenburg to encourage them to state their specific concerns with the Committee and offer specific suggestions.

Chairman Mustert asked Mr. Ellenburg if he would like to discuss a matter in private concerning the City of Myrtle Beach. Mr. Ellenburg said he preferred to discuss it openly. Mr. Mustert said the City of Myrtle Beach uses part of its 65% funds for city services. It is not running it through the advisory committee, and, in addition, the Committee has never approved minutes from its meetings.

The Committee then voted to approve Mr. Ellenburg and the City of Myrtle Beach’s request regarding an FOI to review all documents housed at its office in the SC Department of Revenue, provided Mr. Ellenburg worked within Mrs. Jeter’s scheduled office hours and pay for staff time, copies and other expenses. Chairman Mustert excused himself from voting. Vice Chairman Lanneau Siegling was previously asked by Mr. Ellenburg to recuse himself from any dealings with the City of Myrtle Beach based on a newspaper article that ran in the Sun News. Mr. Siegling said the statements he made to the reporter were taken out of context, and he would not recuse himself from voting on matters that dealt with Myrtle Beach.

REVIEW OF QUESTIONABLE EXPENDITURES:

- **City of Anderson, City of Beaufort, City of Columbia, City of Folly Beach, Greenville County and Town of Edisto Beach:** The Committee reviewed their explanation of questionable expenditures and approved their original request. Letters will be drafted telling them such.
- **City of Greenville:** An explanation regarding the city's out of balance carry forward amount will be forthcoming; therefore, the issue will be tabled until the June 2 meeting.
- **City of Aiken:** A review of their questionable expenditures would take place at the June 2 meeting. After a personal appearance by Mr. Glenn Parker, who explained that bid fees were used to attract "little league" tournaments and, therefore, tourists to the city, the Committee reversed its decision and deemed bid park fees to be acceptable.
- **Beaufort County:** Mrs. Jeter said she has spoken with Mr. Tom Henrickson who said information would be forthcoming. A review will take place on June 2.
- **City of Myrtle Beach and City of Rock Hill:** The Committee reviewed their explanation of questionable expenditures and approved their original request. Letters will be drafted telling them such. Mr. Mustert excused himself from voting on the Myrtle Beach expenditures.
- **Orangeburg County:** After a personal appearance by Mr. Austin Cunningham and Mr. Bill Clark, the Committee reversed its decision regarding lighting on U.S. 1 and deemed it an acceptable expenditure. It also approved the expenditure for the SC State Philharmonic. The Committee encouraged the County to get the hotels and tourism industry involved in helping to promote an improved countywide image of Orangeburg.
- **Oconee County:** The Committee partially reviewed information supplied by this county regarding several questionable expenditures. The Committee voted that beauty pageants could not be funded out of accommodations taxes. However, the review of other expenditures will be carried over to the June 2 meeting, after which a letter will be drafted telling them the Committee's opinion.
- **Kershaw County, Colleton County, Georgetown County:** The Committee reviewed their explanation of questionable expenditures and approved their original request. Letters will be drafted telling them such.
- **City of Georgetown:** After a personal appearance by Ms. Jean Askew, the Committee reversed its decision regarding Operation Backstop and deemed this expenditure to be acceptable use of a-tax funds. It also approved various other questionable expenditures. Ms. Askew expressed to the Committee her concern regarding the "50-mile" guideline and the request of percentages. She said this was difficult information to obtain and asked that the Committee trust the local accommodations tax committees that were in place.
- **City of Gaffney, City of Greenwood and Jasper County:** Carried over until June 2 meeting.
- **Town of Duncan:** The Committee approved the expenditures concerning the James F. Byrnes Tournament of Bands, and the YSSC Long Course Invitational. However, the Committee will ask the Town to keep better attendance records of the swim meet in order to justify that the event is tourism-related. It deemed the expenditures of the S.C. Links, the Concoctions Cornerstone Theater and the MTCC Challenge Golf Tournament to be unacceptable. A letter will be drafted telling them such and ask them to reimburse their a-tax funds for these expenditures. Chairman Mustert did not vote on the YSSC Long Course Invitational.
- **Dillon County:** The Committee reviewed the explanation of questionable expenditures and approved their original request. A letter will be drafted telling them such.
- **Spartanburg County:** The Committee received information regarding the expenditure to the Diamond Jubilee Celebration, whose organization is the Miss South Carolina Pageant. The County responded that it acted within the guidelines at the time, which did not cover beauty pageants and a-tax funds. The Committee approved their request based on that fact, but also will draft a letter saying that in the future an expenditure of this kind will be deemed unacceptable.

OTHER BUSINESS:

Committee Notebooks:

Mrs. Jeter reviewed the notebooks she had prepared for each committee member, which contained all reporting forms, the law, expenditure reports for every entity, the revenue ruling and minutes from each meeting. The Committee agreed it was a useful tool and commended Mrs. Jeter for a job well done.

City of Hartsville, Hardeeville and Clarendon:

Mrs. Jeter informed the Committee that the City of Hartsville's reporting form had been misplaced in the office. A copy of the form was faxed, which Mr. Siegling and Mr. Curry will review and discuss at the June 2 meeting.

It was also discovered that the City of Hardeeville and Clarendon County never had funds withheld this year due to a clerical error. The Committee has since sent letters to the Treasurer's Office requesting that funds be withheld. Both have since returned their accommodations tax reporting forms. Ms. Cruse and Mr. Warren reviewed the City of Hardeeville and questioned several expenditures. The City responded with explanations, which will be discussed at the June 2 meeting. Mr. Swaim will review Clarendon County's form and discuss with the Committee on June 2.

Paul Jarvis's Question/Recommendation:

Paul Jarvis has asked what to do with the a-tax funds once a county or municipality has forfeited its rights to the funds. Mr. Jarvis suggests the Committee look into a change in statute that would provide specific direction on distributing the withheld funds. Mr. Sponseller is working with Burnie Maybank, SCDOR's Director, on the issue.

New Committee Members:

Mr. Sponseller informed the Committee that legislation passed this session, which would expand the Committee to include two new committee members from the cultural community – one appointed by the S.C. Arts Commission and one appointed by the Governor's Office.

SCDOR Clean – Up Bill and A-Tax Education:

Mr. Sponseller told the Committee that the SCDOR has introduced language in the statehouse that will excuse them from educational responsibilities with accommodations taxes. The Committee discussed conducting annual seminars and putting educational material in its newsletters. The Committee approved a motion to draft a letter to Burnie Maybank asking the Department to continue with education or provide the Committee with the resources to conduct education seminars.

Tourism Marketing Partnership Program Form (TMPP):

This discussion will be carried over to the June 2 meeting.

Isle of Palms:

Mr. Siegling brought to the attention of the Committee the Isle of Palms expenditures in relation to the 50-mile guideline. The Committee decided it will review each case on its merits and may make exceptions to the 50-mile guideline where municipalities have proven in a different fashion that the funds were used to attract and provide for tourism where the tourists originated within the 50 mile radius.

The Committee thanked Mr. Ron Carter, who is retiring from SCPRT, for his service. They also welcomed Ms. Isabell Hill as his replacement.

The next meeting scheduled of the TERC is scheduled for June 2 2003 at 11 a.m. at the SCDOR, Room 2E21.

There being no other business, the Committee adjourned.

Respectfully Submitted,

Damita S. Jeter

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TERC Staff