

ALASKA STATE LEGISLATURE
HOUSE SPECIAL COMMITTEE ON ECONOMIC DEVELOPMENT,
TRADE, & TOURISM



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Sponsor Statement

HB 160, Establishing the Alaska Visitor Industry Investment Fund

HB 160 establishes the Alaska Visitor Industry Investment Fund and statutorily identifies a funding mechanism based on revenues from the tourism industry through corporate tourism income taxes and vehicle rental car taxes. Each year, a percentage of the value of these revenues would be transferred to a fund for the implementation of an Alaska tourism marketing campaign through a Qualified Trade Association, i.e. the Alaska Travel Industry Association.

There is no question that the tourism industry is a vital component of our state's economy. The positive benefits reach every corner of our state. In a recent impact study developed through the Department of Commerce, Community and Economic Development, tourism related spending in Alaska was calculated at \$3.4 billion a year. In addition, the industry accounts for over 40,000 direct and indirect jobs in our state. Our visitors directly pay over 12 different types of taxes and fees to state and local governments. In recent years, the industry contributed 208.6 million in state and local taxes, of which \$138.8 million was directed to the State of Alaska. However, In FY 2012, the industry is projected to contribute 180 million in state and local taxes, of which 111 million will be directed to the State of Alaska. *Declining tax receipts to State and local governments is a direct result of the struggling tourism industry. Clearly, our visitors support Alaska businesses, our economy, and our state and local governments.*

However, this important industry has recently struggled nationwide and in Alaska. The number of visitors has drastically declined resulting in lost revenues to tourist-related businesses of 20% to 40%. An estimated 2000-2500 tourism industry jobs were lost in 2009 alone. The industry struggles to restore these jobs while other states aggressively target new visitors and compete with Alaska. In order to regain market share, Alaska must reinvest a portion of the industry-generated tourism tax dollars into a sustainable marketing program of at least \$20 million annually.

Last year, the Legislature funded an increase in the State's marketing program. The results have already proven successful. Statistics show that viewer retention and interest in traveling to Alaska have increased by approximately 4% while the national and international travel trend has increased by only 2%. Nearly all of the measured gains for 2011 will benefit businesses catering to independent visitors, while increased cruise capacity is seen starting in 2012.

To be effective in the long run, we must implement a mechanism to provide a sustainable and long-term investment in our state. This bill proposes to do just that by reinvesting a portion of the taxes & fees collected from the industry into a marketing campaign that will help the industry grow, strengthen our economy, create new jobs for Alaskans and result in increased revenues for both local and state governments.

For more information, please contact Terry Harvey at 465.5392.