ALASKA STATE LEGISLATURE

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Chairman

Dept. of Administration
Finance Subcommittee
Chairman

REPRESENTATIVE JASON GRENN

March 5, 2018

Alyeska Resort
P.O. Box 249
1000 Arlberg Avenue
Girdwood, Alaska 99587

Mr. Fullerton and Mr. Weakland:

In a letter dated February 26, 2018, the Alyeska Resort expressed opposition to House Bill 383: the Travel Alaska Act. I very much appreciate you reaching out and sharing your perspective on this legislation, and look forward to continued discussion as we work towards a sustainable path for tourism marketing in Alaska. In that spirit of discussion and collaboration, I would like to take this opportunity to address some of the points raised in your letter and perhaps clarify any misunderstandings of the bill.

1. **Funds are already ear-marked and have been collected for statewide tourism marketing from the Vehicle Rental Car Tax (VRT).**
   Given the designation language outlined in AS 43.52.080(c), there is agreement that VRT funds collected by the State are intended for statewide tourism marketing. House Bill 383 includes language that would allow businesses subject to the VRT the opportunity to remit funds into the Alaska tourism marketing fund established in the bill, to combine with assessment revenues. Through conversations with the Alaska Travel Industry Association (ATIA), tourism industry leaders have made it clear that use of the VRT is a priority as part of any new funding package.

2. **Additional statewide tourism marketing funds are not needed.**
   While both recognizing and celebrating the cruise industry's recent successes in growing visitors to Alaska, local industry leaders have started to report stagnate numbers in the non-cruise segments of the industry. In tracking our state's overall competitiveness in the marketplace as compared to other domestic destinations, research has shown that Alaska is, in fact, not keeping up with the national rate of marketing promotion dollars. As a "long-haul" destination, adequate funding levels to keep tourism healthy across all sectors in Alaska is even more critical than for shorter-haul locations. The effects of diminished statewide marketing are often delayed by at least two years, and we are starting to see the impacts.

For additional information on this topic can be found in the [Analysis of Tourism Marketing Program Funding: Alaska, Key Findings] commissioned by ATIA in October 2017 (Tourism Economics).

3. **The assessment cannot be dedicated to statewide tourism marketing.**
It is true that Alaska's constitution prohibits the dedication of funds and binding of future Legislatures. Recognizing that funds intended for tourism marketing have not consistently been appropriated to that purpose by past Legislatures, House Bill 383 includes language mirroring the Alaska Seafood Marketing Institute (ASMI) statue (AS 16.51) allowing industry to vote to terminate an assessment. Therefore, if the Legislature or Governor chose not to appropriate assessment revenue for tourism promotion, the industry would have the ability to stop the assessment, thus adding some control over ensuring this revenue is used for its intended purpose.

4. **The bill lacks performance metrics.**
ATIA is currently guided by the Governor-appointed Alaska Tourism Marketing Board (ATMB) to evaluate the destination marketing program. Industry participants serving on the ATMB are directly involved in evaluating the effectiveness of the program. ATIA's marketing budget, which is received via a grant from the State of Alaska, includes limitations determined by the State on how much can be spent on overhead and administrative costs. ATIA consistently reports on Alaska's marketing program return on investment (including metrics) to the ATMB. And as a nonvoting legislative member, I have had the opportunity to see these metrics first-hand.

   That said, ensuring marketing funds are effectively and efficiently utilized for the maximum benefit of the State's economy and health of local business is of upmost importance. Attempting to legislate metrics could create logistical challenges. However, House Bill 383 does allow for some State oversight, while still avoiding government overregulation. Under the current version, the Travel Alaska Board would be required to provide annual reports to the Governor, Legislature, and members of the tourism industry participating in the assessment.

5. **It is impossible to know which tourism businesses will be assessed.**
House Bill 383 does not define tourism segments, with the intention of ensuring maximum collaboration by members of the tourism industry to reach definitions that will result in a successful assessment election. As pointed out in your letter, the attempt to define "tourism businesses" in the initial draft of Senate Bill 110 was too narrow for some, and too broad for others. While there is certainly more work to be done on this matter, House Bill 383 offers enabling legislation for the industry to collaborate on creating these new definitions, as part of an effort to agree on an assessment. As the process is designed such that industry payers can vote an assessment up or down, if there is strong disagreement on the segment definitions that move forward for ratification by the Department of Revenue, that disagreement can be expressed through a "no" vote by industry. Additionally, the legislation includes checks and balances for the Department of Revenue to approve the definitions as forwarded by industry, in conjunction with the transition board and then subsequently the Travel Alaska Board.

   To the point raised about weighted votes, AS 44.25.275 clarifies that "votes will be weighted in proportion to the assessment that each voting tourism business is estimated to pay for the calendar year immediately following the election," meaning this would be a projection determined by the Department of Revenue in advance of any assessment election.

6. **The assessment will hit certain Alaskan residents the hardest.**
House Bill 383 recognizes resident travel will be impacted. However, ATIA, who would serve as the transition board, has stated on the record they will be taking this impact into consideration when working with industry stakeholders to define segments in the initial proposed assessment. For example, activities that receive higher visitation by residents, such as state sporting/athletic events and ski lifts, would likely not be considered for inclusion in an assessment. Should an issue with an assessment arise, House Bill 383 still provides a path through which industry members may vote to terminate that assessment.

ATIA Structure and Funding

ATIA's board is a 23-member board with 19 industry-elected seats and up to four appointed directors, all representing various regions and tourism sectors in Alaska. To my understanding, four board members currently represent visitor bureaus, and were elected by ATIA membership.

To clarify ATIA's marketing budget, the current State of Alaska grant limits administrative expenses to 10 percent of the grant amount. While ATIA does service the grant through internal staffing, these expenses do not total half of the grant award. ATIA is required to comply with State of Alaska audit requirements and has successfully done so each year they have received state funding.

Thank you again for engaging in the legislative process, and for taking the time to consider the information provided above. Please do not hesitate to contact me with any questions you may have, or to continue the discussion on these issues so important to Alaska's economic growth. I look forward to working with Alyeska Resort and other members of the tourism industry as we continue to discuss solutions for effectively marketing Alaska as a world class destination, for years to come.

Warm regards,

Representative Jason Grenn
House District 22
Proudly serving Sand Lake, Jewel Lake, West Dimond & Kincaid

CC: Senator Mia Costello
Representative John Lincoln
Representative Bryce Edgmon
Representative Andy Josephson
Representative Gary Knopp
Representative Mark Neuman
Representative David Talerico
Representative Chris Tuck