

## **Frequently Asked Questions**

### **Alaska Tourism Improvement District (TID)**

#### **What do you mean by a *Tourism Improvement District*?**

A tourism improvement district (TID) is like a business improvement district where businesses vote to assess themselves for the improvement of an outlined jurisdiction. Benefits go to those businesses being assessed.

A TID is created by governing law, giving industry a tool to assess itself in support of statewide tourism marketing. Legislation creating an Alaska TID would include a mechanism for industry to vote out the assessment.

#### **Isn't the assessment just a tax on business?**

A TID assessment is not a tax. Where a tax collected by government supports public services generally, assessments through a TID must specifically benefit those being assessed.

#### **What would the assessment fund?**

An Alaska TID assessment would fund statewide destination marketing. This includes advertising, public relations activities, travel trade and international marketing strategies, website efforts, and research. It would not be used for capital maintenance or infrastructure.

#### **Why do we need an assessment?**

The State's contribution to tourism marketing funding decreased from \$16 million in FY 2014 to \$1.5 million in FY 2017. Given the current fiscal climate, receiving financial support solely from the State of Alaska general fund is no longer realistic. The TID assessment is one way to contribute to a more certain and sustainable statewide destination marketing program.

#### **Which business sectors would be assessed? Are the cruise industry and retail included?**

The Alaska Travel Industry Association (ATIA), along with Alaska Tourism Marketing Board (ATMB) have focused on revenue that could be collected from visitors, with the least impact on Alaska residents. Initial industry feedback emphasized any new assessment should be broad-based and not target any one industry sector. However, initial research indicates complicated legal issues would make it very challenging and costly to assess businesses operating interstate transportation and are subject to federal commerce laws. Instead, the Alaska TID concept recognizes visitors traveling to Alaska aboard a cruise ship and/or a major airline would pay an assessment through tour activities, attractions, and accommodations, as those sectors are being considered as part of the Alaska TID. The ATIA Board of Directors also researched other various forms of revenue, including broadening any assessment to include retail and gift shops and restaurants and bars.

In reviewing examples from other communities, industry leaders are exploring broad industry sectors, from vehicle rentals, tour activities and attractions, and accommodations to retail and restaurants. Proposed language would allow industry to invite additional industry sectors to participate in the TID in future years.

### **Why do we need a statewide destination marketing program?**

Alaska will not remain competitive among other domestic or international destinations at the current funding levels for tourism promotion. Research and case studies show when other destinations have reduced and/or cut tourism marketing, they see reductions in visitation, visitor spending, and market share.

- In 1993 Colorado repealed their tourism funding legislation and within two years lost 30 percent of its U.S. visitor market share. Conversely, during a *recession*, Michigan doubled their state tourism marketing funding, launched the Pure Michigan campaign, and generated \$6.6 billion in visitor spending.
- San Diego held off allocating tourism promotion funding and, in a short time, lost \$560 million in visitor spending and saw \$24 million in reduced tax revenues.
- In 2011, The State of Washington shut down its tourism office while competing states increased their tourism promotion budgets and captured increased visitor spending.

Alaska's visitors are contributing, through various taxes and fees, to local economies and the state economy. This economic activity allows business owners to provide jobs to Alaskans and helps communities pay for local services. Without a strong tourism marketing program and reliable funding, Alaska's tourism businesses will not be able to maintain or increase market share and attract visitors—or their spending.

***Provided by the Alaska Travel Industry Association***