

Alaska House Finance Committee

A sustainable solution for Alaska destination marketing funding:
A tourism improvement district model

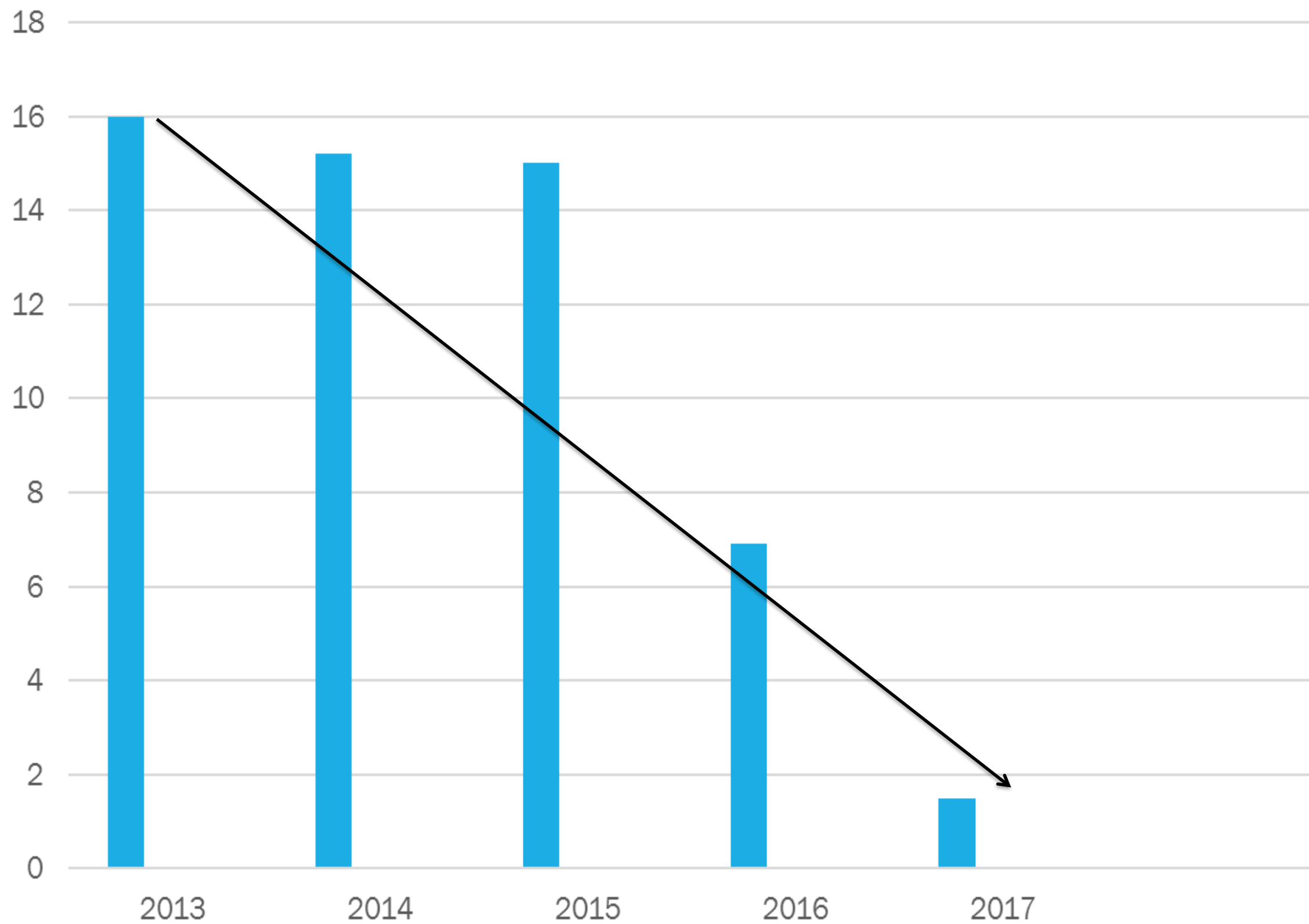
January 24, 2017



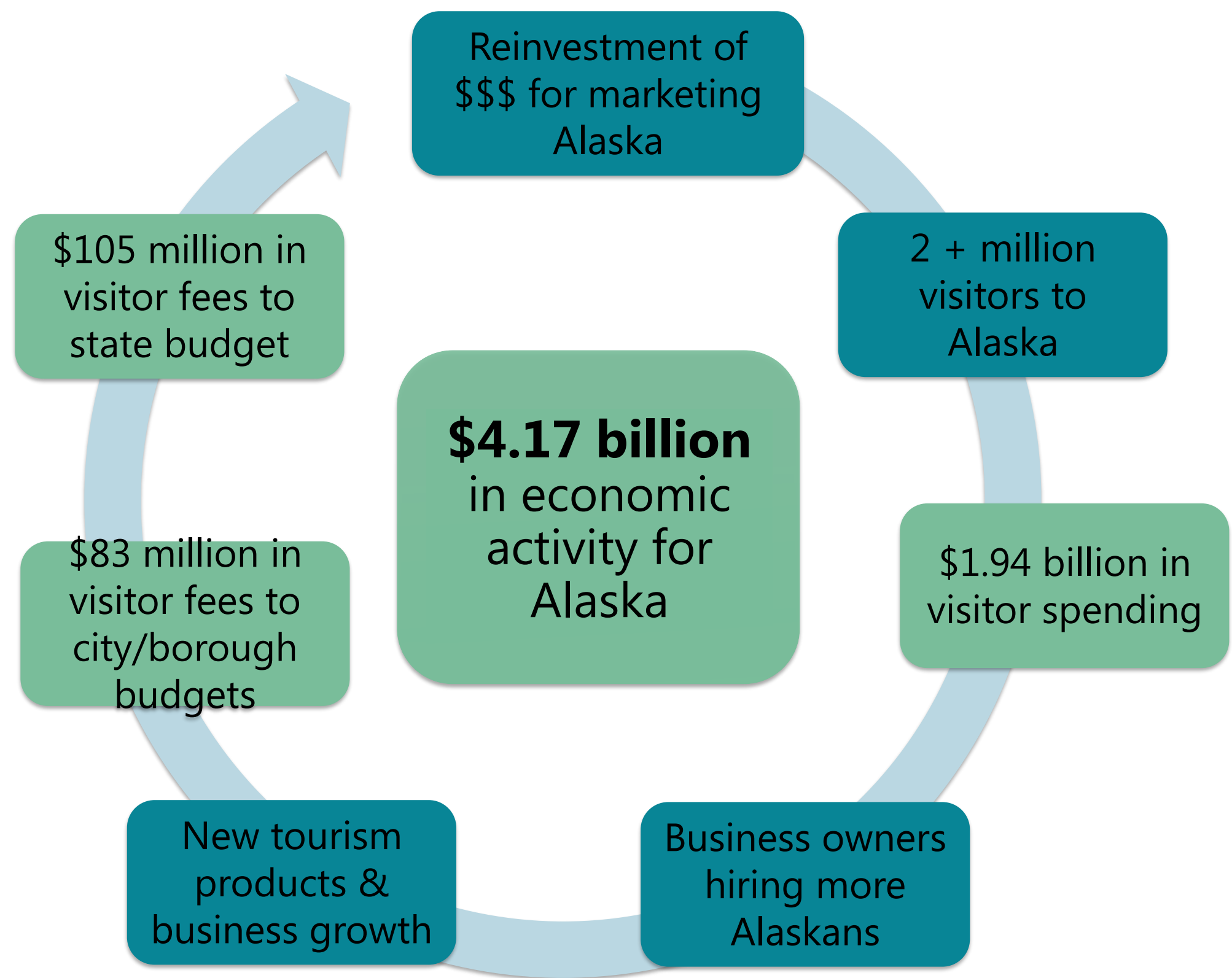
The intent language found in House Bill 256, the FY17 operating budget, Sec. 1, pg. 6, lines 18-23 is as follows:

“Tourism Marketing & Development – It is the intent of the Legislature that the Tourism Marketing Board develop a plan to phase out reliance on unrestricted general funds for marketing, moving towards a self-sustaining program funded by industry to be implemented in the FY18 budget...”

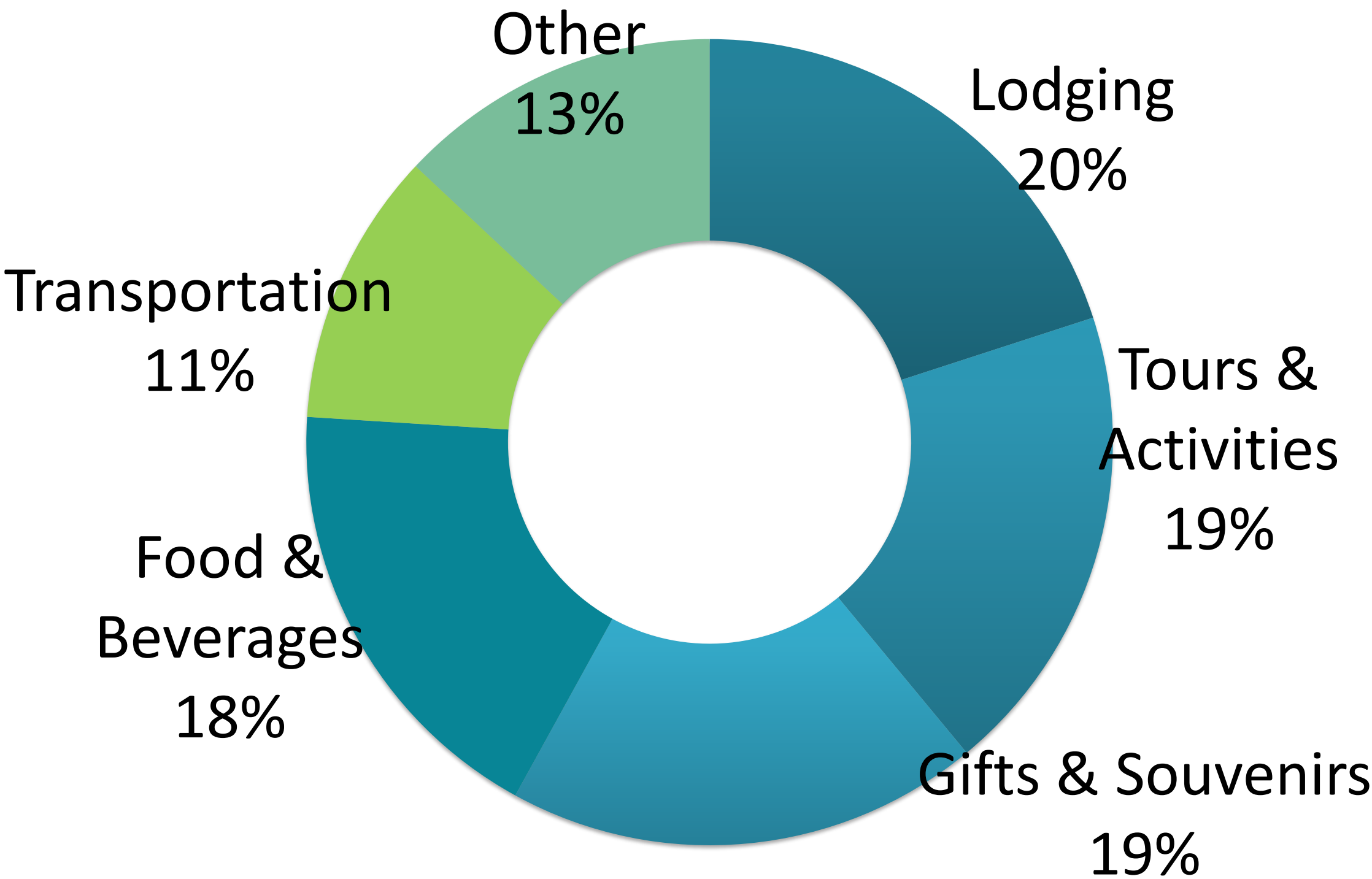
Alaska tourism marketing budget in millions



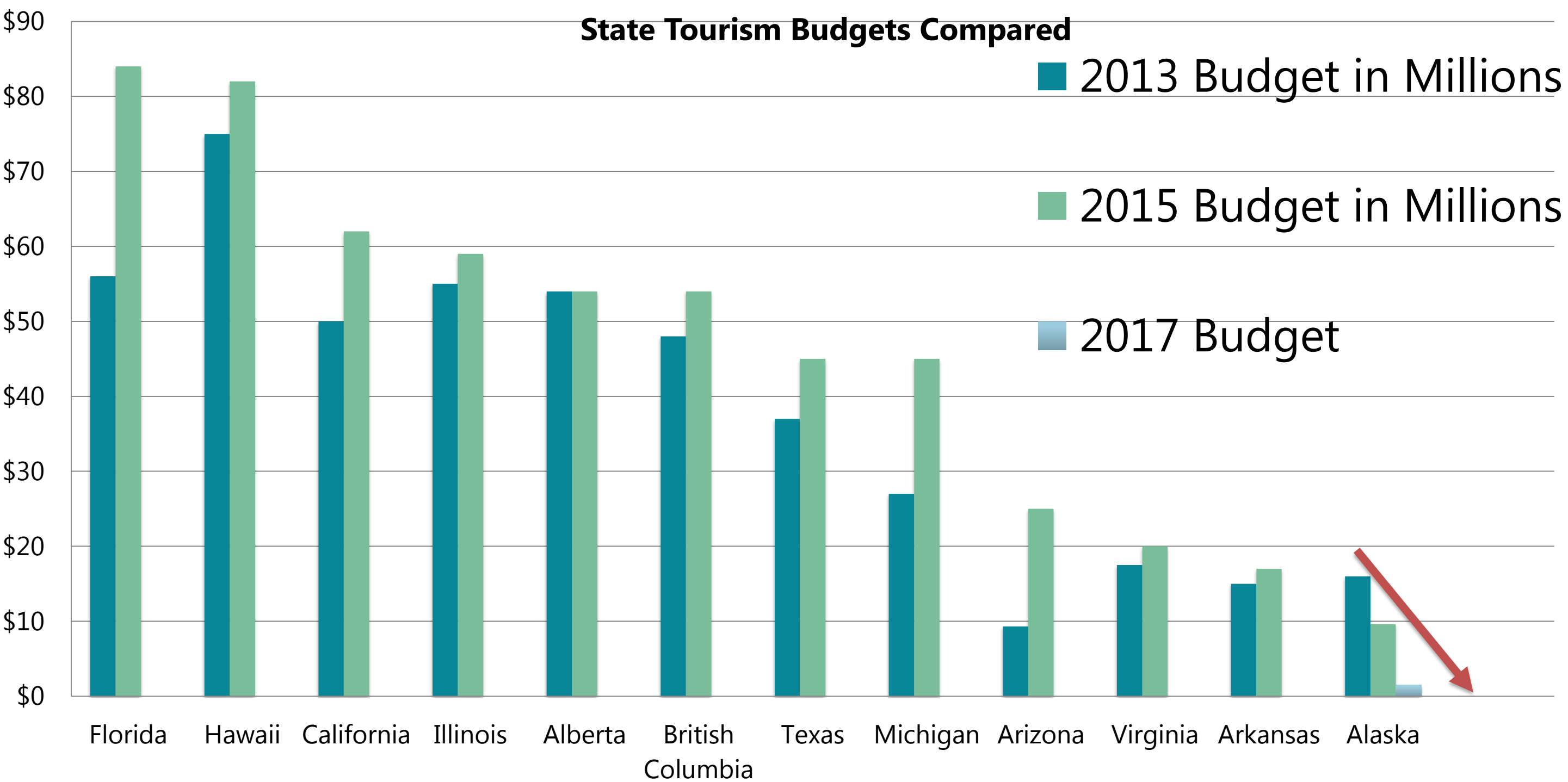
ECONOMIC IMPACTS



VISITOR SPENDING BY SECTOR



Budget comparisons



International Marketing

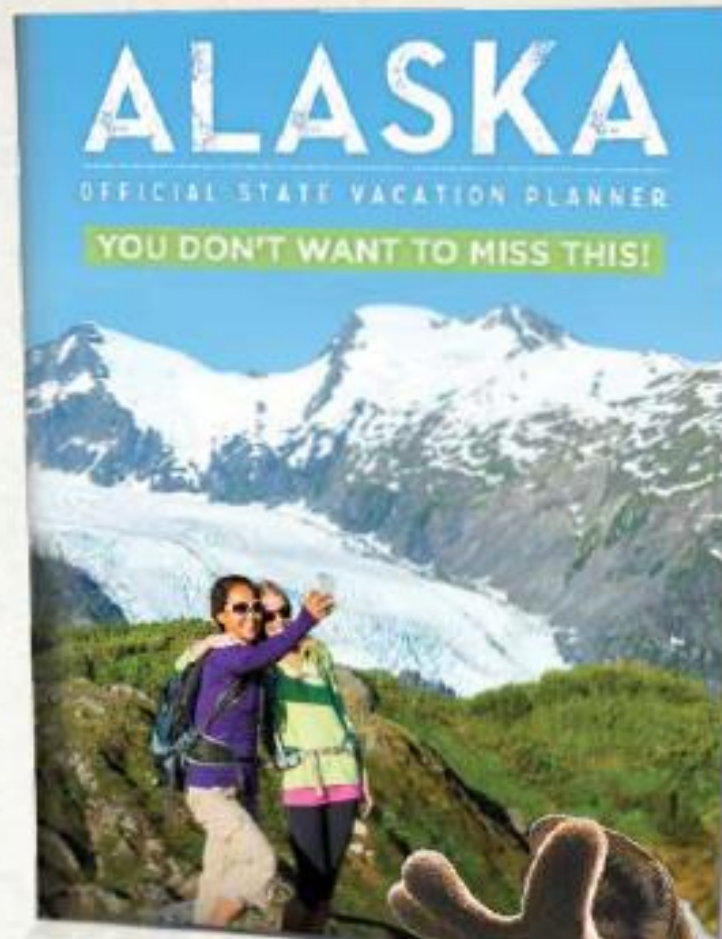
No longer have:

- Representation offices
- Trade training
- Public relations
- Trade shows
- Sales missions
- Airline development
- Foreign language planners



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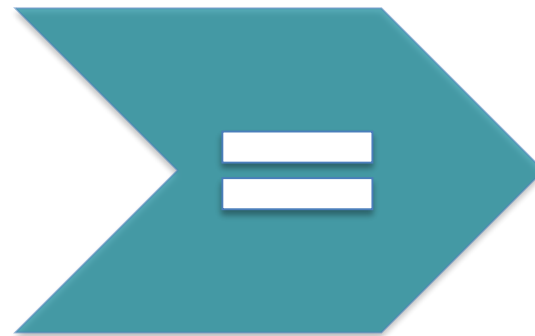


Brand Awareness

Lead Generation

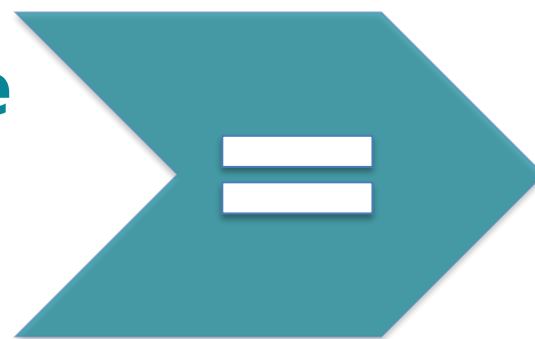
WHAT IF?

In 1993, Colorado repealed tourism funding



Within 2 years, **lost 30% of its U.S. visitor market share**

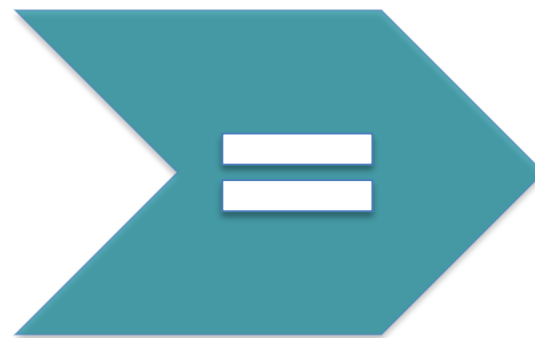
During a *recession*, Michigan doubled state tourism marketing funding



From 2006-2014, “Pure Michigan” **generated \$6.6 billion in visitor spending**

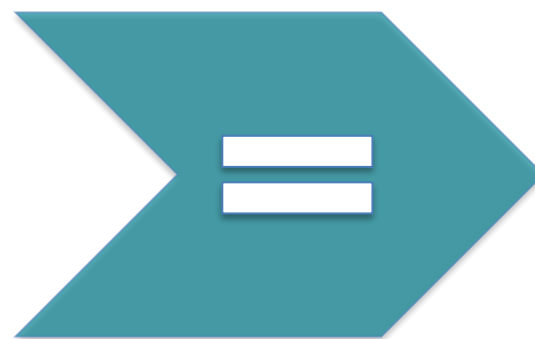
WHAT IF?

In 2010, Connecticut eliminated entire tourism marketing budget



Travel-related **tax revenue growth slowed** to half the pace during slow economic times of 2009-2010

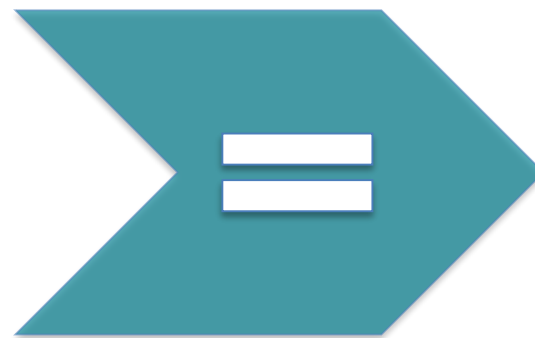
In 2011, Washington shut down tourism office



Saw competing states increase tourism promotion budget and capture increased visitor spending

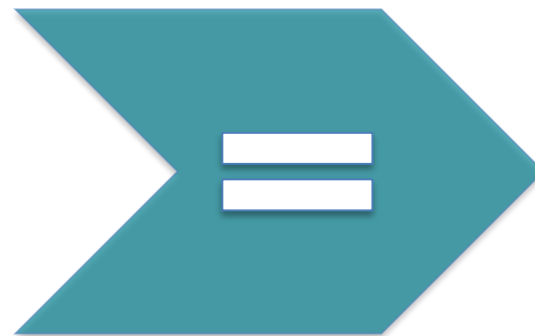
WHAT IF?

Pennsylvania's tourism funding declined 77% from 2008-2015



Projected **loss of \$600 million in state and local tax revenue** that travelers would have generated

In 2013, San Diego held off on tourism promotion funding



\$560 million in lost visitor spending and \$24 million in reduced tax revenues

- ▶ Broad based, reaches different industry sectors
- ▶ Visitor activity vs impacts to Alaskans
- ▶ A mix of current and new revenue

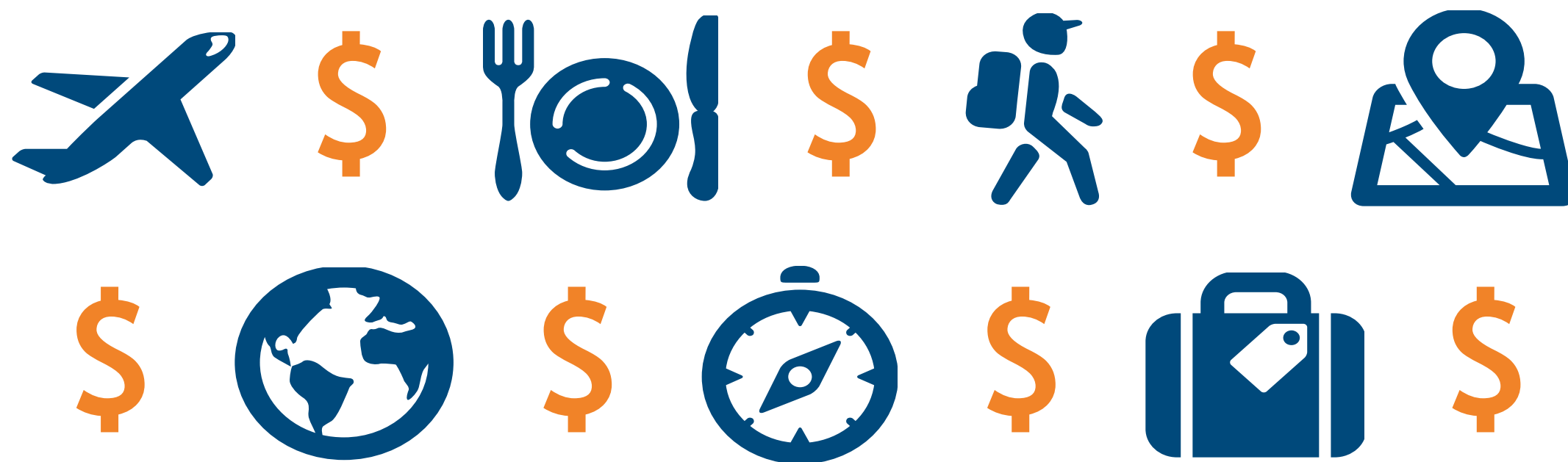
Alaska Travel & Tourism Marketing Act

House Finance Committee

January 24, 2017



Supporting 1 in 9 U.S. jobs and contributing
\$2.1T to our economy



The travel and tourism industry fuels economic growth in the U.S.

The Future is Built with Travel Promotion





The Vital Role of Destination Promotion

CHALLENGE

- 1 The primary motivator of a trip is usually the experience of a destination, beyond a single business
- 2 Effective marketing requires scale to reach potential visitors



SOLUTION: DESTINATION PROMOTION

Articulates the brand message that is consistent with consumer motivations

Pools sustained resources to provide the economies of scale and marketing infrastructure required to generate impact

What is a TID?

- 1 TIDs are an evolution of the traditional Special Assessment District concept
- 2 Special Assessment Districts (BIDs) assess property owners in a specific geographic area to provide additional desired services and improvements
- 3

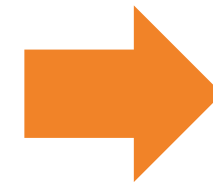
TIDs assess tourism-related businesses to provide additional promotion and marketing activities

How it Works

Hotels & other
tourism
businesses pay
an assessment...



Collected by
the state
government...



And managed
by the DMO.

History of TIDs

- 1 The TID concept began in 1989 in West Hollywood, California
- 2 In the last decade TIDs have experienced rapid expansion with over 160 TIDs in 11 states
- 3 TIDs are raising over \$300 million per year to pay for destination promotion activities



National District Statistics

160 TIDS

Most Recent: Buena Park TMD (October 2016)

54%
Gross
Revenue %



Assessment
Structure

46%
Fixed \$ Amount

AMOUNT RAISED	
Low	\$30,000 Murrieta TBID
Median	\$750,000
High	\$120,000,000 Visit CA

11 STATES

Case Study: Visit California

4x

The statewide TID has been approved to continue by assessed businesses four times since 1997

#2

Over the last three years, California moved from 28th to 2nd among state tourism marketing budgets



California has achieved overwhelming success without the need to raise taxes or appropriate any money from the state's general fund

Approach to New Proposed Legislation

- 1 Modeled after the Alaska Seafood Marketing Institute statute
- 2 Utilized the best concepts in laws from other states
- 3 Customized to the unique Alaska travel and tourism industry



How Much Could Industry Generate? *Based on a 1 % Assessment as Example*

Total Visitor Spending	Assessment Sector	Assessment Rate of 1.0%
\$392 million	*Accommodations	\$3.9 M
\$360 million	*Tour Activities & Attractions	\$3.6 M
	SUBTOTAL	\$7.5 M
\$107 million	**Vehicle Rental Tax (100%)	\$9.7 M
\$859 Million	TOTAL	\$17.2 M

Total Visitor Spending equals \$1.94 Billion *Economic Impact of Alaska's Visitor Industry, 2014-15 Update*

*Estimates are based on spending by non-Alaska residents ONLY, not spending by Alaskans traveling in-state

**VRT = 10% statewide

Thank you

Sarah Leonard
President & CEO
ATIA

John Lambeth
President & CEO
CIVITAS

Colleen Stephens
Government Relations Co-Chair
ATIA

Deborah Hansen
Government Relations Co-Chair
ATIA