

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

February 8, 2001

5:05 p.m.

**MEMBERS PRESENT**

Representative Lesil McGuire, Chair  
Representative Joe Green  
Representative Jeannette James  
Representative Carl Morgan  
Representative Beverly Masek  
Representative Fred Dyson  
Representative Harry Crawford

**MEMBERS ABSENT**

Representative Norman Rokeberg  
Representative Gretchen Guess

**COMMITTEE CALENDAR**

HOUSE BILL NO. 24

"An Act relating to use of certain borough revenues for a tourism marketing campaign."

- MOVED CSHB 24(EDT) OUT OF COMMITTEE

**PREVIOUS ACTION**

BILL: HB 24

SHORT TITLE: BOROUGH REVENUES FOR TOURISM MARKETING

SPONSOR(S): REPRESENTATIVE(S) WHITAKER

Jrn-Date	Jrn-Page		Action
01/08/01	0030	(H)	PREFILE RELEASED 12/29/00
01/08/01	0030	(H)	READ THE FIRST TIME - REFERRALS
01/08/01	0030	(H)	EDT, CRA
02/08/01		(H)	EDT AT 5:00 PM CAPITOL 124

**WITNESS REGISTER**

REPRESENTATIVE JIM WHITAKER  
Alaska State Legislature

Capitol Building, Room 411  
Juneau, Alaska 99801  
POSITION STATEMENT: Sponsor of HB 24.

TAMARA BRANDT COOK, Director  
Legislative Affairs Agency  
Division of Legal and Research Services  
129 6th Street, Room 329  
Juneau, Alaska 99801-1182

POSITION STATEMENT: Provided a memorandum for the committee on the tourism marketing campaign conducted by the Fairbanks North Star Borough and answered questions.

BRETT CARLSON  
Northern Alaska Tour Company  
P.O. Box 84060  
Fairbanks, Alaska 99709

POSITION STATEMENT: Testified in support of HB 24.

MATT ATKINSON  
Northern Alaska Tour Company  
115 3rd Avenue  
Fairbanks, Alaska 99709

POSITION STATEMENT: Testified in support of HB 24.

DEB HICKOK, Executive Director  
Fairbanks Convention Visitors Bureau  
P.O. Box 70809  
Fairbanks, Alaska 99707

POSITION STATEMENT: Testified in support of HB 24 and said it would help their statewide efforts for marketing.

DEBBIE TILSWORTH, President  
Alaska Travel Industry Association (ATIA)  
1975 Discovery Drive  
Fairbanks, Alaska 99709

POSITION STATEMENT: Testified in favor of HB 24 and relayed that the bill has widespread support within the visitor industry.

FRANK ROSE, Chair  
Government Relations  
Alaska Travel Industry Association (ATIA)  
P.O. Box 72478  
Fairbanks, Alaska 99707

POSITION STATEMENT: Testified in favor of HB 24 and said it is a legislative priority for the ATIA.

**ACTION NARRATIVE**

TAPE 01-6, SIDE A  
Number 0001

CHAIR LESIL McGUIRE called the House Special Committee on Economic Development, Trade and Tourism meeting to order at 5:05 p.m.

HB 24-BOROUGH REVENUES FOR TOURISM MARKETING

Number 0130

CHAIR McGUIRE announced that the bill to be heard today would be HOUSE BILL NO. 24, "An Act relating to use of certain borough revenues for a tourism marketing campaign."

Number 0145

REPRESENTATIVE JIM WHITAKER, Alaska State Legislature, sponsor, explained that HB 24 allows a local option to exercise local control of finances. It allows borough revenues to be used for a tourism marketing effort, which current state law doesn't allow. He noted that there is a legal opinion in the committee packet that relates to the issue. He said it is necessary for local government entities to contribute to a tourism marketing effort.

Number 0244

REPRESENTATIVE DYSON asked for clarification of what "certain revenues" means.

REPRESENTATIVE WHITAKER explained that "certain revenues" are bed tax revenues, in this particular case. He said he thought the use of property taxes would be a stretch beyond the intention of the bill; he indicated a willingness to change the language in the title to ensure that this is not the case. He said it is specifically designed to affect the allocation of bed tax revenues collected within a particular borough.

Number 0340

REPRESENTATIVE DYSON asked about line 5, "Use of borough revenues", which he surmised was not exclusive to a particular type of borough revenues.

REPRESENTATIVE WHITAKER said he assumes that bed tax revenues would be used, but wouldn't want to preclude a local option to use other revenues for a tourism marketing effort. He reiterated that the intent of the bill is to allow boroughs to utilize revenues for tourism marketing efforts.

Number 0483

REPRESENTATIVE MASEK said the title was pretty "wide open" and she would like to see it be more specific, such as changing the word "certain" to "bed tax". She said the way it is written allows leeway to use property taxes, personal private taxes, and so forth. She suggested a similar change on line 5, subsection (b), to reflect back to the bed tax. She asked Representative Whitaker whether he knew the number of second class boroughs in the state that are currently not in compliance with the law that allows for municipalities or boroughs to use their bed tax to fund tourism marketing campaigns or conventions.

Number 0654

REPRESENTATIVE WHITAKER said he would have no objection to changing the title from "certain borough revenues" to "bed tax revenues"; nor would he object to amending line 5 to clarify that the use of borough revenues would only be from bed tax revenues. He said the changes would be improvements and thanked the committee for bringing them forward.

Number 0664

REPRESENTATIVE JAMES asked Representative Whitaker to explain the contents of a letter received from Rhonda [Boyles], Mayor, Fairbanks North Star Borough. She read:

The borough is authorized by law to expend only revenues received through taxes collected on a nonareawide basis, on the function. I'm talking about economic development powers, collected on a nonareawide basis.

Explain to me [about] the money that we pay ... [for an area's] economic development fund, ... the whole world pays that, don't they? That comes out of my taxes?

Number 0746

REPRESENTATIVE WHITAKER said the Fairbanks North Star Borough [pays for] economic development powers, as all second class boroughs do. He said he was under the impression that there is a tax collected in the Fairbanks North Star Borough related to that, which is separate from bed taxes. He said those economic development taxes are not utilized for tourism development and don't assist in a local marketing effort.

Number 0786

REPRESENTATIVE JAMES said her letter [from Rhonda Boyles] goes on to say:

Because the taxes [are] levied on an areawide basis, and are approved by the voters areawide, the borough cannot extend the bed tax revenue for ... tourism marketing economic development, or any other nonareawide activity.

REPRESENTATIVE JAMES asked Representative Whitaker to explain why tourism marketing is a nonareawide activity.

REPRESENTATIVE WHITAKER said he couldn't [explain], but Tamara Cook had in her letter, which was in committee packets.

Number 0851

REPRESENTATIVE JAMES said she is not sure that changing the language would fix her concern [about the bill].

REPRESENTATIVE WHITAKER pointed to the legal opinion from Tamara Cook.

CHAIR McGUIRE said it was just received. She called an at-ease at 5:15 p.m. so that her staff could contact Ms. Cook. Chair McGuire called the meeting back to order at 5:23 p.m.

Number 0927

TAMARA BRANDT COOK, Director, Legislative Affairs Agency, Division of Legal and Research Services, said both "areawide" and "nonareawide" are defined in statute; when they appear in AS 29.35.110, the definition is in the back of Title 29. Essentially, "area" means all of the territory within a borough, assuming that a borough is either collecting a tax or exercising a power such as providing a service. She said depending on the

classification and types of powers that a borough may have, it might be exercising a power on an areawide basis. For police protection services, for example, the borough would provide services inside and outside of cities located in the borough.

MS. COOK explained that "nonareawide" is used to describe the territory within a borough, outside of cities that are also within the borough. In this situation, a statute is modified in the bill by adding a subsection that says if a borough collects taxes on an areawide basis, then the borough is obligated to use the money on an areawide basis. If the borough is collecting money from people who reside in cities, then the borough is obligated to use the money for the benefit of those people.

MS. COOK said the opposite is also true. If a borough is imposing a nonareawide tax, then it is obligated to provide the benefit of that tax dollar to nonareawide functions. Furthermore, the borough is not supposed to use nonareawide money to benefit the cities within the borough because those people have not paid towards that expense. Ms. Cook said AS 29.35.110 has this requirement in it. The bill adds a subsection which says that the use of borough revenues for tourism marketing is not subject to the requirements of (a). If a borough is going to use tourism marketing, it is not bound by the question of areawide-versus-nonareawide [funding] source or areawide-versus-nonareawide benefit.

Number 1104

MS. COOK explained that this is because it is difficult for a borough to come up with tourism marketing that doesn't benefit the cities. It is hard to say, "'Come and visit a little tiny borough,' when many of them only have, perhaps, one or two major urban areas, and the tourist are indeed going to go to the cities," she noted. The concern for the borough is that if money is raised on a nonareawide basis to get tourists to visit, how does that happen without their going to Fairbanks? It just doesn't work. There is concern about whether a marketing campaign that would attract people to the area might not be viewed as conferring a benefit on a city that hasn't helped to pay for the campaign.

Number 1207

REPRESENTATIVE JAMES commented on the bed tax situation between Fairbanks and North Pole, saying she is worried about the

economic development money and believes it is on everyone's taxes, no matter where one lives in the borough.

REPRESENTATIVE MASEK said she doesn't think it exists in the Matanuska Susitna ("Mat-Su") Borough.

Number 1261

REPRESENTATIVE JAMES asked why it couldn't be spent on tourism marketing if it was collected and used areawide.

MS. COOK answered that if the funding source was from an areawide tax, then she believes it could be used without a problem. She said the money "they" are trying to use for this purpose is collected on a nonareawide basis.

REPRESENTATIVE JAMES asked what would happen if "they" wanted to use money from a nonspecific source for tourism marketing on a nonareawide basis. She said there was something mentioned about whether it could even be spent on tourism marketing.

MS. COOK said there is a question as to whether a borough has the power to do tourism marketing, but she didn't think it was an issue with respect to this particular borough. She said municipalities have funding from other sources, such as the state. Some of the funding is designated for use, and it depends a lot on the source of the funding as to whether there are restrictions on how it can be used. Some state programs do not restrict a borough at all, and certainly that type of state money could be used for this purpose.

Number 1370

REPRESENTATIVE DYSON said Representative Masek had suggested that the title be changed to say "bed tax revenues in the borough" instead of "certain borough revenues". He said a similar change on line 5 would make it clear, but he wanted to know whether it would create unintended consequences if it is made that narrow.

MS. COOK replied that the only consequence would be a narrower bill. To the extent to which there was another source of taxation that became an issue, either in Fairbanks or some other borough, it wouldn't be covered anymore.

Number 1430

REPRESENTATIVE DYSON said he assumed that what was being said was that bed tax is, by definition, from visitors; expending bed tax revenues to attract visitors isn't a consistent use of the money - not consistent with the sources - and, therefore, doesn't get cross-threaded with the concept of using general tax revenues to benefit a very specific small group in the area. He suggested that the wording changes suggested by Representative Masek stay on focus with that.

Number 1484

MS. COOK said there is no reason why the committee couldn't decide that it wants a more narrowly focused bill. She said she [as a bill drafter] can certainly do that, and there is no legal requirement that bed taxes be used for a particular municipal purpose; that has to do with the source of the taxation.

REPRESENTATIVE DYSON said in his town the money gets dumped into the general fund; that money could be used to benefit a specific group if so desired.

MS. COOK pointed out that the issue before the committee is whether to craft a narrow exception for the benefit of tourism marketing, specifically keyed to just one revenue source, or, when tourism marketing is talked about, "we" just don't care whether the revenue is generated on an area or nonareawide basis because at that point, with respect to the inherent quality of tourism marketing, it benefits cities as well as boroughs. From that point of view, the committee might want to go with the bill as drafted. She told members that there are no legal problems that she is aware of, with either approach.

Number 1690

REPRESENTATIVE MASEK said she wanted to make sure that any law passed is for all boroughs statewide; right now, she doesn't think the Mat-Su Borough could impose taxes on personal property and use it for the visitor borough convention center, to staff the center and help them develop a tourism packet to market the area. Road maintenance and education funding are issues in her area, she said, and she doesn't think her constituents would like to see their taxes going to fund a tourism tax.

REPRESENTATIVE MASEK asked about changing the title to say, "An Act relating to the use of borough revenues derived from bed taxes or other borough taxes, specifically levied for tourism marketing for a tourism marketing campaign." She suggested that

adding this language would leave other areas open to be used for tourism marketing.

Number 1713

MS. COOK surmised that Representative Masek's problem [with the bill] seems to be the use of property taxes. She said a bed tax is a sales tax. Limiting [the bill] to apply only to sales taxes might alleviate some of the concerns. It wouldn't necessarily have to be limited to a bed tax, since a number of boroughs may not have a bed tax, but Section 1 could be changed to say "borough revenues derived from sales taxes" so that property taxes are always protected. [The monies] would still have to be used on an areawide or a nonareawide basis, depending on the source of the property tax. She said bed taxes are precise and would make the bill very narrow. A middle ground would be to allow any sales taxes a borough may choose to collect to be used in this fashion.

REPRESENTATIVE MASEK replied that she doesn't know how many areas in the state have sales taxes and how it would impact their budgets.

REPRESENTATIVE DYSON suggested that Representative Whitaker should ascertain what his constituents want.

Number 1911

BRETT CARLSON, Northern Alaska Tour Company, testified via teleconference. He told members that since the 1970s, the small visitor-industry businesses in communities throughout Alaska have relied heavily on local destination marketing organizations; in larger communities, it is the visitor's bureau and in the smaller communities, the chamber of commerce helps [businesses] compete in an increasingly competitive worldwide travel marketplace.

MR. CARLSON said the funding source for most of the local destination marketing organizations is typically a local visitor industry tax - often a bed tax that is collected to be used to market that area to the rest of the world.

MR. CARLSON said in Title 29, the Alaska State Municipal Code has created an awkward situation, especially in some of the second class boroughs in the state. Title 29 grants second class boroughs a nonareawide economic development power. Most of the bed taxes enacted have been areawide because of a desire

to not create pockets without taxes within a borough, thus creating an unequal economic playing field. Because of that, there is a nonareawide power as well as an areawide tax - the two don't match in Title 29. He said the bed tax couldn't be used for its intended purpose if the local residents chose to use it in another way.

MR. CARLSON noted that the result in Fairbanks, where this cropped up first, puts small businesses at a huge disadvantage when they try to share in the benefits of a growing visitor industry and compete with larger companies in the state. He expressed appreciation that Representative Whitaker had brought forth this bill.

Number 2041

CHAIR McGUIRE summarized. She said committee members aren't sure about the degree to which to narrow the type of taxes that go into the power. She asked Mr. Carlson whether he had any comment on Representative Masek's proposal to limit "certain borough revenues" to "bed taxes" specifically.

MR. CARLSON responded that he thought Representatives Masek and Dyson were eloquent in pointing it out. He said it makes sense to narrow the focus of the bill to either sales or bed taxes, which would ensure that only those taxes are used for a marketing program. In reality, he pointed out, this bill doesn't tell local villages or communities how to spend the money; a borough would only take property taxes and use it towards a marketing campaign if it was the political will of the local residents.

MR. CARLSON said that even without changing the language, there may be a natural barrier against using taxes on a marketing campaign if people didn't want to. Ms. Cook had a relevant point, he said, that in some areas of the state, in order for a small business to compete in a global marketplace, there may be a desire to use a different type of tax for marketing [purposes]. Mr. Carlson suggested that if it were the will of the committee to narrow the bill to just bed or sales tax, it would solve the challenge in most boroughs in the state.

Number 2173

MATT ATKINSON, Northern Alaska Tour Company, testified via teleconference. He said the Fairbanks area has a city bed tax, which funds tourism marketing, and a borough bed tax, which has

funded the Carlson Community Center. As taxes have grown, the industry would like an opportunity to have a dialog with the borough to use some of those borough bed taxes for destination marketing. The problem is compounded because of continued growth of hotels in the borough; while borough bed taxes are growing, relative to the city's, the result has been (indisc.) dollars. In entering into a dialog with the borough, they realized that the situation has statewide ramifications - which is why they are in support of it.

MR. ATKINSON said the proposed amendment to the bill would probably work, and he doesn't see it getting into property and other taxes. He said a bed tax limitation would solve the situation in Fairbanks.

Number 2273

DEB HICKOK, Executive Director, Fairbanks Convention Visitors Bureau, testified via teleconference. She said this is very important in terms of statewide destination marketing and would enable them to have the discussion locally if the borough assembly and citizens allow them to use some of the bed taxes for marketing. She said it would help their statewide efforts for marketing. May 2000 to June 2001 is a critical juncture for Fairbanks because there will be a 20 percent increase in room inventories, a total of 542 new rooms; 140 are in the city of Fairbanks, and the remainder are in the borough. There are rooms to fill, and the gateway to the Interior and the Arctic to promote, along with Fairbanks itself.

Number 2247

DEBBIE TILSWORTH, President, Alaska Travel Industry Association (ATIA), testified via teleconference. She said the bill has widespread support within the visitor industry, and she is very comfortable with the wording "certain borough revenues", which provided a little more flexibility within a borough. Although her organization could probably work with the proposed language, in her opinion, the original language was probably the best.

MS. TILSWORTH expressed appreciation that the committee is considering this in a timely manner. [Her organization] is working hard with the borough to development the FY 2002 budget; this would provide tools to build money into the FY 2002 budget, within their borough, for tourism marketing. She said this is very important [legislation] for Fairbanks.

Number 2389

CHAIR MCGUIRE asked Ms. Tilsworth if she can think of a circumstance, beyond a bed tax, where one would want to use those revenues.

MS. TILSWORTH said she didn't know how other boroughs are set up, but if there were other areas that wanted to use some property, general government, or other funds, and direct them towards tourism marketing, maybe it would leave more flexibility.

Number 2428

FRANK ROSE, Chair, Government Relations, Alaska Travel Industry Association (ATIA), testified via teleconference. He told the committee the bill is a legislative priority for ATIA because it solves a problem relating to Title 29 and provides a legitimate way to solve it; he hopes the committee will support it. Mr. Rose said he concurs with the other opinions that were expressed. He said the way the bill was written solves the problem [for them], but if the committee thinks it should be narrowed, then he doesn't see a large problem with it.

Number 2500

REPRESENTATIVE MASEK requested clarification about Ms. Cook's suggestion for a sales tax in the title of the bill and in Section 1.

MS. COOK said if limited to bed taxes, the bill would say "the use of bed taxes". If the desire is to enable boroughs to use money from any type of sales tax, however, it would say "sales taxes". She suggested that it could be accomplished with a conceptual amendment.

Number 2578

REPRESENTATIVE WHITAKER said either approach works for him. He said it is a local option, and he pointed out that the decision will be made at the local level and is the will of the local governmental entity, which it is assumed represents the will of the people within that community. He said he doesn't have a problem with the current title but recognizes the concerns that have been expressed. He said the proposed solution doesn't gut the bill, and he is not adamantly apposed to it.

Number 2612

REPRESENTATIVE DYSON said he doesn't have Representative Whitaker's confidence that what comes out [of the committee] will be the will of the people. He said that because this one is particularly aimed at helping a segment of the economy that he supports, that group would exercise influence to have the funds directed in a way that benefits its industry. He said Representative Masek's area [Mat-Su Borough] has an urban concentration as well as rural people who are not disenfranchised; they don't have good access to controlling and influencing the political process, and he thinks the concern represented by Representative Masek is legitimate. He said Alaskans are in danger of having the urban areas overwhelm the political decision process in a way that is not in the interest of the less densely populated areas. He asked to hear from Representative James about her concern that [the state] not put itself in too restrictive of a position.

Number 2695

REPRESENTATIVE JAMES noted that the committee members come from only three boroughs. She said in speaking for Fairbanks, she would prefer to use "sales tax" instead of "bed tax", but bed tax in her borough would work. It narrows down what money can be used, meaning that more money couldn't be used other than that which came in with the bed tax.

REPRESENTATIVE JAMES said she doesn't know what the borough would think about that, but she disagrees with Representative Dyson that the Mat-Su Borough is different from Fairbanks, which also has people who don't always agree on how money should be spent. She said many don't feel they are represented at the borough assembly, but they are not here to complain.

REPRESENTATIVE JAMES said she would support the committee's decision but would have been more comfortable leaving it as it was written. However, narrowing it to the bed tax actually meets the conditions that are hoped to be achieved. She noted that if the amount that can be used for tourism marketing has to be expanded, the process will have to be gone through again.

Number 2794

REPRESENTATIVE CRAWFORD said generally speaking, he likes to defer to people in the local area to make their own decisions. If the bill is limited to simply a bed tax, it precludes the

people in the local area from making their own decision. He said he would prefer the broader language from the original bill.

Number 2826

REPRESENTATIVE DYSON moved to conceptually amend the bill to say "bed tax". He explained that it sounded as if people in Fairbanks have an immediate concern. If the committee proceeds with the amendment, it would take them where they need to be - and keep the bill moving through the process. He said there could be arguments down the way, and he would be glad to support an amendment that might broaden the bill again. He said he wants to get it moving along, with the target being the people that the committee represents. He said it protects what he and Representative Masek are concerned about but keeps the process moving without doing irreparable damage.

CHAIR McGUIRE reminded members that the motion on the table was for a conceptual amendment that would limit the title and line 5 to the use of bed taxes. There being no objection, the conceptual amendment was adopted.

Number 2895

REPRESENTATIVE DYSON made a motion to move HB 24, as amended, from committee with individual recommendations and zero fiscal note. There being no objection, CSHB 24(EDT) moved out of the House Special Committee on Economic Development, Trade and Tourism.

#### **ADJOURNMENT**

There being no further business before the committee, the House Special Committee on Economic Development, Trade and Tourism meeting was adjourned at 5:59 p.m.