

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

March 10, 2003
5:10 p.m.

MEMBERS PRESENT

Representative Cheryll Heinze, Chair
Representative Lesil McGuire, Vice Chair
Representative Nancy Dahlstrom
Representative Vic Kohring
Representative Harry Crawford

MEMBERS ABSENT

Representative Pete Kott
Representative Sharon Cissna

COMMITTEE CALENDAR

HOUSE BILL NO. 126

"An Act authorizing municipalities to provide for economic development and authorizing boroughs to expend revenue collected on an areawide or nonareawide basis to provide for economic development."

- MOVED HB 126 OUT OF COMMITTEE

OVERVIEW: INSTITUTE OF THE NORTH, BY DR. JOHN TICHOTSKY

- HEARD [See 5:36 p.m. minutes for this date]

HOUSE BILL NO. 95

"An Act relating to permits for aquatic farming of geoducks."

- BILL HEARING POSTPONED

PREVIOUS ACTION

BILL: HB 126

SHORT TITLE: MUNICIPAL ECONOMIC DEVELOPMENT

SPONSOR(S): REPRESENTATIVE(S) HOLM

Jrn-Date	Jrn-Page		Action
02/26/03	0304	(H)	READ THE FIRST TIME - REFERRALS

02/26/03 0304 (H) EDT, CRA
03/10/03 (H) EDT AT 5:00 PM CAPITOL 120

WITNESS REGISTER

REPRESENTATIVE JIM HOLM
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Testified as the sponsor of HB 126.

DAVID LEONE, Special Assistant to the Mayor
Fairbanks North Star Borough
Fairbanks, Alaska

POSITION STATEMENT: Testified on reasons the borough wants
HB 126.

PATRICK COLE, Administrative Services Director
City of Fairbanks
Fairbanks, Alaska

POSITION STATEMENT: Testified in support of HB 126, noting that
the city council also endorses this change.

CHICK WALLACE, Member
Executive Committee
Fairbanks Economic Development Corporation
Fairbanks, Alaska

POSITION STATEMENT: Testified in support of HB 126.

SARAH GILBERTSON
Alaska Municipal League (AML)
Juneau, Alaska

POSITION STATEMENT: Offered the belief that the appropriate
legislative committee of AML would support HB 126.

ACTION NARRATIVE

TAPE 03-3, SIDE A

Number 0001

CHAIR CHERYLL HEINZE called the House Special Committee on
Economic Development, International Trade and Tourism meeting to
order at 5:10 p.m. Representatives Heinze, McGuire, Kohring,
and Crawford were present at the call to order. Representative
Dahlstrom arrived as the meeting was in progress.

HB 126-MUNICIPAL ECONOMIC DEVELOPMENT

CHAIR HEINZE announced that the committee would hear HOUSE BILL NO. 126, "An Act authorizing municipalities to provide for economic development and authorizing boroughs to expend revenue collected on an areawide or nonareawide basis to provide for economic development."

Number 0069

REPRESENTATIVE JIM HOLM, Alaska State Legislature, sponsor, indicated the idea behind HB 126 was brought forth by the assembly for the Fairbanks North Star Borough (FNSB) when he served on the assembly. When he became a legislator, he'd had the bill drafted to resolve this particular situation. The problem is that current state law places a difficult limitation on second class boroughs with regard to spending funds for economic development. Presently, second class boroughs may only use funds for economic development on a nonareawide basis. Thus FNSB may only expend economic development funds outside the city limits of Fairbanks and North Pole.

REPRESENTATIVE HOLM explained, however, that the borough must be able to provide for nonareawide economic development, because development in any part of the community will ultimately benefit the rest of the community. He suggested that this legislation, requested by the city and borough of Fairbanks, will expand economic development for all of Interior Alaska. He pointed out that HB 126 also affects the following boroughs, allowing them to do areawide economic development without an encumbrance from having two entities that aren't able to work together: Aleutians East Borough, Bristol Bay Borough, Kenai Peninsula Borough, Ketchikan Gateway Borough, Kodiak Island Borough, and Matanuska-Susitna Borough.

REPRESENTATIVE HOLM noted that in committee packets were letters [or resolutions] in support from the City of North Pole; the City of Fairbanks; the Alaska Municipal League; the Fairbanks North Star Borough assembly, with his own name listed; the Greater Fairbanks Chamber of Commerce; and the Fairbanks Economic Development Corporation.

Number 0313

REPRESENTATIVE CRAWFORD requested an example of how this would work. He asked whether taxes from Ester, for example, would be spent in another part of the borough.

REPRESENTATIVE HOLM said the Fairbanks North Star Borough, for instance, sets the taxing for all the area: "the City of North Pole, the City of Fairbanks, and all of the areas that are not within an established city environment." State law says taxes taken within the City of Fairbanks cannot be used for areawide services for the borough as a whole, to his understanding. This bill gives the ability to use taxes from the City of Fairbanks in that way to improve economic development [nonareawide].

REPRESENTATIVE CRAWFORD surmised that the reverse wouldn't be true, and that taxes wouldn't be taken outside the city [for use in the city].

REPRESENTATIVE HOLM answered, "You could. In this case, you could do both ways." He suggested that David Leone from FNSB might be able to speak to that.

Number 0449

CHAIR HEINZE asked whether Representative Holm knew the reasoning behind the inability to use such money for economic development within the borough in the first place.

REPRESENTATIVE HOLM said he didn't know and suggested others could better address that. He surmised, however, that it was so people wouldn't be taxed and then have those taxes be used outside the service area. He noted that people choose to tax themselves in service areas for snow removal, for example, and normally there isn't the ability to tax one service area for use in another area. In his borough, for example, every service area has a different mill rate; because [residents of different areas] choose to have different mill rates, there is a need to be careful about using that money inappropriately.

Number 0536

REPRESENTATIVE McGUIRE asked whether this is only for second class boroughs.

REPRESENTATIVE HOLM answered in the affirmative.

REPRESENTATIVE McGUIRE asked whether a first class borough may do this already.

REPRESENTATIVE HOLM said yes, to his understanding.

Number 0574

DAVID LEONE, Special Assistant to the Mayor, Fairbanks North Star Borough, expressed appreciation to Representative Holm for sponsoring the bill. He noted the difficulty of using money received from a nonareawide tax - outside the city limits of the City of Fairbanks or the City of North Pole - in a nonareawide capacity without "touching areawide economic development." He suggested the goal is to clean up [previous] legislation that didn't have the intention of creating such a problem with regard to economic development, and he proposed that this bill does an excellent job of doing so. Thus the source of funding for economic development that crosses the boundaries of "areawide and nonareawide" won't be as important as the outcome of the use of those funds - for the entire borough, including the municipalities within the borough.

Number 0667

REPRESENTATIVE CRAWFORD requested an example of economic development for which taxes would be taken from one area for use in another.

MR. LEONE cited tourism as an example. He said there is nonareawide tax that the borough charges that it would like to see used for tourism, which affects more than the nonareawide portion of the borough, since it has impacts on the City of Fairbanks and the City of North Pole. He mentioned the ability to [commingle] the dollars from a bed tax within the city limits and the dollars coming from an economic development tax or bed tax within the borough to provide "an areawide impact for tourism." With this bill, the borough no longer would have to worry about where any particular dollar was being used for tourism impacts; it removes that complexity.

Number 0789

REPRESENTATIVE CRAWFORD asked whether Mr. Leone was talking about advertisement, for example.

MR. LEONE replied:

Last fiscal year - and, I believe, upcoming this fiscal year - the Fairbanks North Star Borough has granted funding to the Fairbanks Convention and Visitors Bureau in their efforts to promote not just the City of Fairbanks and the City of North Pole, but also the entire borough, as well as even the Interior

of Alaska. And, of course, that money was used for advertising: pamphlets, brochures, television ads, radio ads. It was used to kind of entice folks ... from Europe to come here - special airline package deals, those kind of things. ...

Under current law, if the borough gave Fairbanks Convention and Visitors Bureau a thousand dollars towards its effort, that money theoretically would have to be spent only on their advertising and promotion that only impacted outside of the city limits of Fairbanks and North Pole. And that becomes so difficult. When a brochure is handed to a tourist in Chicago, ... it's advertising and promoting the Fairbanks North Star Borough-Interior Alaska site ... for tourism. So that's how this legislative change would allow us to not have to worry about that mingling of dollars, but, rather, look at the positive impact of whatever economic development effort we're after.

Number 0893

REPRESENTATIVE CRAWFORD said it sounds as if the desire is to use these tax dollars to promote tourism. He asked whether this [bill] should be limited to that specific purpose or should be left broad.

MR. LEONE strongly recommended leaving it broad. He offered other examples: marketing for the airport to be able to bring additional airlines in, whether for tourism or cargo; expansion of the petroleum industry; and cold-weather testing. He said the funds would be used for anything that helps develop the economy. Limiting this to tourism would be detrimental to the economic efforts and "wouldn't solve our problems," he added.

Number 0958

REPRESENTATIVE McGUIRE pointed out that this would provide a local option because it says "may". There still will have to be debate among community members and a vote, she suggested.

MR. LEONE concurred, saying "may" is fine, and that local discussions need to occur on an ongoing basis. He reiterated the desire of Fairbanks to do this.

Number 1038

PATRICK COLE, Administrative Services Director, City of Fairbanks, testified in support of HB 126, noting that Mayor Steve Thompson was unavailable and that he was speaking in his place. Reporting that the city council also endorses [HB 126], he referred to talks over the past year between the borough and the city about how the borough can have more flexibility with regard to economic development. He said [AS 29.35.210(a)(8), repealed by the bill] provides that a second class borough can only provide for economic development on a nonareawide basis - that is, outside of North Pole and Fairbanks.

MR. COLE noted that powers can be provided nonareawide for ambulance service, trash collection, and street cleaning, for example. He then told members that anything done to help the economy helps the entire economy. He offered his belief that HB 126 will fix the problem, since it amends AS 29.35.010 to provide that all boroughs have this power, if they wish, to promote economic development. He said it cleans up AS 29.35.010 and AS 29.35.210 to reflect the change.

MR. COLE recalled that [AS 29.35.]210 was amended about two years ago to allow bed-tax revenues to be used for promoting tourism marketing. He said that was only part of the problem, though, and that this bill fixes the problem, and would allow both the city and borough to spend money for airport marketing and industry, regardless of where in the borough or city the activity occurred. He thanked Representative Holm for sponsoring the bill.

Number 1144

CHICK WALLACE, Member, Executive Committee, Fairbanks Economic Development Corporation, testified in support of HB 126, saying it cleans up the way money is allocated for economic development. As it stands now, funds cannot be [commingled]: those funds collected in the borough cannot be used in the city, and vice versa.

CHAIR HEINZE asked whether Mr. Wallace knew of anyone who was opposed to this bill.

MR. WALLACE said he thought everyone was 100 percent for it.

Number 1214

SARAH GILBERTSON, Alaska Municipal League (AML), noting that Kevin Ritchie [executive director] was out of town, informed members that she was speaking in his place. She explained that typically AML would hand this legislation to one of its legislative committees for review, but that the appropriate legislative committee wouldn't be able to meet until March 24. She said the following:

But having looked at this legislation and heard the testimony, I believe that this is something that that committee would definitely support, for a number of reasons. One, the AML policy statement supports economic development and anything that would drive economic development in the state of Alaska. Second of all, we support anything that would give municipalities and local governments more optional powers, more authority to local governments. And so, for those reasons, I think this is something that that committee - and definitely AML - would support.

REPRESENTATIVE KOHRING lauded the concept in the bill of placing the authority at the local level. He questioned why the state had that authority to begin with.

Number 1290

REPRESENTATIVE KOHRING moved to report HB 126 out of committee with individual recommendations and the accompanying zero fiscal note.

CHAIR HEINZE announced that HB 126 was reported from the House Special Committee on Economic Development, International Trade and Tourism.

ADJOURNMENT

Number 1310

CHAIR HEINZE called an at-ease at 5:31 in order to prepare for the overview on the Institute of the North by Dr. John Tichotsky. [For minutes on the overview, see the 5:36 p.m. minutes for this date.]