

ALASKA STATE LEGISLATURE
SENATE STATE AFFAIRS STANDING COMMITTEE

May 8, 2007

9:06 a.m.

MEMBERS PRESENT

Senator Lesil McGuire, Chair
Senator Gary Stevens, Vice Chair
Senator Hollis French
Senator Lyda Green
Senator Con Bunde

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

HOUSE BILL NO. 8

"An Act naming the law enforcement training facility in Fairbanks the J. Kevin Lamm Law Enforcement Training Facility."

MOVED HB 8 OUT OF COMMITTEE

SENATE BILL NO. 40

"An Act relating to reapplications for the Alaska longevity bonus program; and providing for an effective date."

MOVED CSSB 40(HES) OUT OF COMMITTEE

SENATE BILL NO. 144

"An Act relating to matching funds in state tourism marketing contracts with trade associations."

MOVED CSSB 144(STA) OUT OF COMMITTEE

SENATE BILL NO. 143

"An Act making special appropriations for a contract with a qualified trade association and for a marketing program; and providing for an effective date."

SCHEDULED BUT NOT HEARD

PREVIOUS COMMITTEE ACTION

BILL: HB 8

SHORT TITLE: J. KEVIN LAMM TRAINING FACILITY

SPONSOR(S): REPRESENTATIVE(S) RAMRAS

01/16/07 (H) PREFILE RELEASED 1/5/07

01/16/07 (H) READ THE FIRST TIME - REFERRALS
 01/16/07 (H) TRA
 02/15/07 (H) TRA AT 1:30 PM CAPITOL 17
 02/15/07 (H) Heard & Held
 02/15/07 (H) MINUTE(TRA)
 03/06/07 (H) TRA AT 1:30 PM CAPITOL 17
 03/06/07 (H) Moved Out of Committee
 03/06/07 (H) MINUTE(TRA)
 03/07/07 (H) TRA RPT 1DP 3NR
 03/07/07 (H) DP: FAIRCLOUGH
 03/07/07 (H) NR: DOOGAN, JOHNSON, JOHANSEN
 03/21/07 (H) TRANSMITTED TO (S)
 03/21/07 (H) VERSION: HB 8
 03/23/07 (S) READ THE FIRST TIME - REFERRALS
 03/23/07 (S) TRA, STA
 04/10/07 (S) TRA RPT 2DP 1NR
 04/10/07 (S) DP: KOOKESH, OLSON
 04/10/07 (S) NR: WIELECHOWSKI
 04/10/07 (S) TRA AT 1:30 PM BUTROVICH 205
 04/10/07 (S) Moved HB 8 Out of Committee
 04/10/07 (S) MINUTE(TRA)
 04/19/07 (S) STA AT 9:00 AM BELTZ 211
 04/19/07 (S) Scheduled But Not Heard
 04/26/07 (S) STA AT 9:00 AM BELTZ 211
 04/26/07 (S) Heard & Held
 04/26/07 (S) MINUTE(STA)
 05/03/07 (S) STA AT 9:00 AM BELTZ 211
 05/03/07 (S) -- MEETING CANCELED --
 05/08/07 (S) STA AT 9:00 AM BELTZ 211

BILL: SB 40

SHORT TITLE: LONGEVITY BONUS REAPPLICATIONS

SPONSOR(S): SENATOR(S) WIELECHOWSKI

01/16/07 (S) PREFILE RELEASED 1/5/07
 01/16/07 (S) READ THE FIRST TIME - REFERRALS
 01/16/07 (S) HES, STA, FIN
 02/07/07 (S) HES AT 1:30 PM BUTROVICH 205
 02/07/07 (S) Heard & Held
 02/07/07 (S) MINUTE(HES)
 02/28/07 (S) HES AT 1:30 PM BUTROVICH 205
 02/28/07 (S) Moved CSSB 40(HES) Out of Committee
 02/28/07 (S) MINUTE(HES)
 03/02/07 (S) HES RPT CS 3DP 1NR SAME TITLE
 03/02/07 (S) DP: DAVIS, THOMAS, COWDERY
 03/02/07 (S) NR: DYSON
 04/12/07 (S) STA AT 9:00 AM BELTZ 211

04/12/07 (S) Heard & Held
04/12/07 (S) MINUTE(STA)
05/08/07 (S) STA AT 9:00 AM BELTZ 211

BILL: SB 144

SHORT TITLE: TOURISM CONTRACT MATCHING FUNDS

SPONSOR(S): SENATOR(S) MCGUIRE

03/28/07 (S) READ THE FIRST TIME - REFERRALS
03/28/07 (S) STA, FIN
05/08/07 (S) STA AT 9:00 AM BELTZ 211

WITNESS REGISTER

MARIT CARLSON VAN DORT, Staff
to Senator McGuire
Juneau, Alaska

POSITION STATEMENT: Presented SB 144 on behalf of Senator McGuire, sponsor.

PATTI MACKEY, Chair, Board of Directors
Alaska Travel Industry Association
Ketchikan, Alaska

POSITION STATEMENT: Supports SB 144.

LINDA ANDERSON, Lobbyist
Alaska Travel Industry Association
Fairbanks, AK

POSITION STATEMENT: Supports SB 144.

CHIP THOMA. Representing himself
Juneau, Alaska

POSITION STATEMENT: Opposes SB 144.

GERALD SHOLAND, President
B&B Association of Alaska,
Owner,
Kiana Bed and Breakfast,
Homer, Alaska

POSITION STATEMENT: Supports SB 144.

TAMARA COOK, Director
Legal Services Division, Legislative Affairs
Juneau, Alaska

POSITION STATEMENT: Commented on SB 40.

ACTION NARRATIVE

CHAIR LESLIE MCGUIRE called the Senate State Affairs Committee meeting to order [9:06:30 AM](#). Senators McGuire, Bunde, Stevens, French, and Green were present at the call to order.

HB 8 - J. KEVIN LAMM TRAINING FACILITY

[9:06:55 AM](#)

CHAIR MCGUIRE announced consideration of HB 8. Hearing no requests, public testimony was closed.

SENATOR STEVENS moved to report HB 8 from committee with individual recommendations and attached fiscal note. Hearing no objections, the motion carried.

SB 144 - TOURISM CONTRACT MATCHING FUNDS

[9:07:43 AM](#)

CHAIR MCGUIRE announced consideration of SB 144.

SENATOR STEVENS moved to adopt proposed committee substitute (CS) to SB 144, labeled 25-LS0808\C, as the working document of the committee. Hearing no objections, the motion carried, placing Version C before the committee.

[9:08:23 AM](#)

MARIT CARLSON VAN DORT, Staff, to Senator McGuire, testified that in 2001 the state privatized the functions of the tourism marketing program by contracting with the Alaska Travel Industry Association (ATIA). Previously the travel industry was promoted by a membership organization comprised of the private sector and state officials. Currently the Department of Commerce and Economic Development (DCED) has contracted with the ATIA to design and implement Alaska's tourism marketing program. Alaska statute 44.33.125(a) currently requires a 50/50 match of state general and private industry funds to finance the marketing program. The recent passage of travel industry taxes has generated significant revenue into the general fund and eliminated the viability of raising private sector dollars required to meet the 50 percent match, primarily coming from the cruise industry. Without the commitment of the cruise industry funding, ATIA's ability to successfully market Alaska is compromised, particularly to independent travelers not participating in tour packages. The independent traveler sector has been stagnant or declining the last several years. The CS to this bill would allow Alaska's travel industry to continue to receive funds by temporarily changing the statutory match from

50/50 to 70/30 (state/private). This change would be repealed on July 1, 2008. Additionally, the bill would create a nine-member tourism task force operating from September to December of 2007 to investigate long term funding solutions. The purpose of the temporary statutory change would be to insure maintenance of the ATIA marketing budget thereby stabilizing visitor numbers while allowing the state and industry to evaluate cruise industry participation in the marketing program. The tourism industry, one of the largest industries and employers in the state, has an estimated 2.4 billion dollar annual economic impact. It is essential to the state's economic well being to foster the industry's growth. SB 144 strikes a good balance allowing the industry to market itself in a time of financial uncertainty without increasing further state expenditure. Unless the 70/30 match is passed, the ATIA will not be able to match the \$5 million in the core budget.

[9:12:54 AM](#)

SENATOR BUNDE said he thought additional funds from the cruise industry were still a possibility.

MS. VAN DORT replied that is correct, but if they don't this provides funding to continue marketing for this year.

SENATOR BUNDE asked if the state increases its contribution would the cruise ship industry provide additional money.

[9:13:52 AM](#)

MS. VAN DORT replied that the cruise industry was unhappy with the passage of the cruise tax initiative and informally stated that they will only market their own cruise packages.

CHAIR MCGUIRE said she offered the bill as a way to think about this problem. Tourism is a growing, renewable industry that brings many jobs and revenues to the state. If it is true that the cruise industry won't contribute marketing dollars it will significantly impact the marketing that benefits local individuals.

[9:16:03 AM](#)

SENATOR BUNDE asked if the same fiscal note applies to the CS.

MS. VAN DORT answered that she assumes there will be a new fiscal note because of the task force addition. Chair McGuire added there is a Finance Committee referral to the bill.

[9:16:54 AM](#)

PATTI MACKEY, Chair, Board of Directors, ATIA, Ketchikan, said the CS is a fair and reasonable solution to the industry's immediate need. The bill also addresses the long term issue of identifying the role of tourism economically and the amount of investment the state should make to continue to assure tourism as a viable industry. ATIA members have actively expressed their concerns about the future of tourism marketing. Since the millennium program legislation was passed the industry has changed. The proposed match change is very important in this time of uncertainty. The legislature's appropriation will be available, but if ATIA cannot make the match some money may be left on the table. She also supports the idea of the task force to bring the parties together to discuss issues affecting the industry.

[9:20:30 AM](#)

SENATOR STEVENS noted that in 2007 there was \$5 million in state funds and \$5 million in private funds. He assumed that \$3 million of the private funds contribution was from the cruise industry and the \$2 million was from everyone else.

MS. MACKEY explained the process for fund contributions. Voluntary contribution levels are provided to ATIA's marketing program through the cruise lines as well as from the visitor bureaus, chambers, and tourism offices in local municipalities. The cruise line percentage is based on a formula from the number of berths available in Alaska. Cruise lines give almost \$2 million in voluntary contributions and another half million for advertising. The visitor bureaus in the state generate roughly \$500,000. The remainder comes from advertisement revenues in the state vacation planner.

[9:22:46 AM](#)

SENATOR STEVENS asked for clarification on where the \$2 million dollars comes from.

MS. MACKEY replied that the money comes out of her budget and goes to ATIA. She does not get credit for purchasing advertising out of her budget. The money goes to ATIA to build the \$10 million dollar statewide budget. Two million dollars comes from voluntary contributions from the cruise industry.

[9:23:39 AM](#)

SENATOR STEVENS asked for further clarification on the \$2 million dollars that is left after the cruise industry contribution.

MS. MACKEY said the money comes from members who advertise or buy services offered by ATIA.

CHAIR MCGUIRE added other ATIA members include hotels or tour companies that are not connected to the cruise industry. ATIA has been able to market Alaska tourism in a way that all members have benefited. Now there is a concern that the cruise industry will decide to handle its own marketing and stop contributing to ATIA. Tourism is more than the cruise industry, but they have provided a significant portion of the marketing money. She hopes a task force can address this issue.

[9:25:43 AM](#)

CHAIR MCGUIRE said states like Hawaii spend huge amounts of their state budget on tourism. She is not suggesting that other parts of the state budget are not important, but it is fair to ask what kind of investment the state should make in an industry that contributes so much to the state's economy.

SENATOR BUNDE said last year the state share was \$5 million and the industry share \$5 million. The proposed change is 70 percent from the state and 30 percent from industry. Since the industry now has \$2 million would only one million dollars need to be raised?

[9:27:04 AM](#)

MS. MACKEY answered that \$2 million is what they expect to have.

LINDA ANDERSON, Lobbyist, Alaska Travel Industry Association, said there is a one-time funding request for \$3 million in the senate budget that has not been decided. Right now, if this bill passed, the ATIA budget would go from \$10 million to \$7 million. Industry would have \$2 million to draw the matching five, leaving a \$3 million hole. A funding problem still exists, but at least the \$5 million core budget of state funds is not left on the table.

CHAIR MCGUIRE said efforts are being made to piece the budget together.

[9:29:03 AM](#)

SENATOR BUNDE clarified that this bill would take care of \$7 million and the industry is looking to the Finance Committee for the additional \$3 million.

SENATOR GREEN asked how the 70/30 split gets ATIA to \$7 million. Her calculations show they need to raise \$2.5 million or \$2.6 million.

MS. ANDERSON said she is assuming they will raise between \$2 million and \$2.5 million, but there are no assurances.

9:30:06 AM

CHIP THOMA, resident of Juneau, said it would be a dramatic change to go from anything other than the 50/50 share which was agreed upon. This kind of change requires a demonstrated need and a logical advertising strategy for the future. He has not seen ATIA come up with a strategy with substance. ATIA numbers indicate maybe 100,000 people are affected by ATIA advertising dollars. That means approximately \$200 per couple are being spent to get those people to come to the state. He thinks the ATIA has failed to make a case that past state appropriations were well spent or that increased funding is the simple answer. Instead the ATIA blames the cruise ship initiative as the probable cause of its funding woes, while ignoring the fact that private advertising for cruises in Alaska now top \$70 million dollars a year. Market forces appear to be working naturally to make the ATIA irrelevant in advertising for a \$2 billion dollar a year Alaska tourism industry. \$100 million dollars worth of advertising is done each year in Alaska by the private sector. Governor Jay Hammond articulated the gold standard for state funding of industry three decades ago, no subsidies. ATIA should use its considerable marketing skills to raise monies for the fifty percent share agreement they now enjoy before it dissolves in the wake of the wealthy cruise industry.

9:33:27 AM

GERALD SHOLAND, President, B&B Association of Alaska, and Owner, Kiana Bed and Breakfast, Homer, said many bed and breakfasts are very small businesses that cannot afford to advertise worldwide, therefore they support ATIA. His contribution to ATIA is part of the \$2 million that is raised from private industry. He noted that Alaska is one of four or five states in the country whose tourism marketing support is not funded completely by taxpayer money. Competition for tourism is increasing worldwide. Of the 50 states, Alaska is in the bottom third of advertising dollars spent with some states spending seven and eight times as much. He believes the matching ratio for ATIA must be increased, if not 100 percent taxpayer supported. If funding is not increased, especially the matching ratio, some of the smaller tourism businesses such as the bed and breakfasts may decrease in numbers and revenues. He urges approval of the bill and the

enactment of the task force to address the issues addressed today.

CHAIR MCGUIRE closed public testimony on SB 144.

[9:36:30 AM](#)

SENATOR BUNDE said the appropriate place for debating the supplemental appropriation is in finance committee. Tourism is a viable, important Alaskan industry. The question is how much the state can afford. When the state is facing deficits, future appropriations like this subsidy will have to be paid by taking money from other state services. He questioned the long-term outlook of the program under current financial projections. Precedent will be set if a program is established where the state picks up more of the costs. It would be unrealistic to say the long-term future of this program is secure.

[9:38:53 AM](#)

SENATOR STEVENS moved to report CSSB 144(STA), from committee with individual recommendations and accompanying fiscal note. Hearing no objections, the motion carried.

SB 40 - LONGEVITY BONUS REAPPLICATIONS

[9:39:42 AM](#)

CHAIR MCGUIRE announced consideration of SB 40.

SENATOR BILL WIELECHOWSKI, bill sponsor, was available to respond to any questions from the committee.

CHAIR MCGUIRE closed public testimony on SB 40.

[9:40:29 AM](#)

CHAIR MCGUIRE asked for an opinion whether a needs-based program could be offered as an amendment.

TAMARA COOK, Director, Legal Services Division, Legislative Affairs, said a needs-based amendment could replace the longevity bonus program but it would be problematic if it was limited to former applicants because of equal protection. The committee would have to consider a program that was open to new applicants under a needs-based scenario. Also, the residency issue would need to be considered. Most needs-based programs cannot have a durational residency as long as a year, which is the current longevity bonus program. Essentially, the committee would be faced with creating a new needs-based program available to all who qualify under whatever criteria are established.

[9:42:01 AM](#)

SENATOR FRENCH said the policy choice is to embrace this model or embrace the senior care model which is essentially the needs-based program being discussed. He supports both.

SENATOR BUNDE said he has no interest in amending the bill to a needs-based plan. He believes the reinstatement of the longevity bonus is highly unlikely and he does not support it. He prefers the senior care program. Moving this bill forward provides false hope. The policy statement should clearly state that there will be some type of senior care, but the longevity bonus will not reappear.

CHAIR MCGUIRE said her concern is that the senior care package is stalled. A case has been made that seniors need help and the senator believes that elders in a society should be taken care of. Discussion of what the state will do for its seniors needs to continue.

[9:45:26 AM](#)

SENATOR FRENCH said he wants to see the legislature do something. He supports the bill moving on to the Finance Committee where discussion will continue.

SENATOR FRENCH moved to report CSSB 40(HES), from committee with individual recommendations and accompanying fiscal note.

SENATOR BUNDE objected. He said he believes the longevity program is not viable, but he will support a senior care program when it comes forward. He expects a solution at the end of the session but this bill is not it.

[9:46:34 AM](#)

A roll call vote was taken on the motion of passing CSSB 40(HES) out of committee. Senators Green, French, Stevens, and McGuire voted in favor and Senator Bunde voted against. Therefore CSSB 40(HES) and the attached fiscal notes moved from committee with individual recommendations.

There being no further business to come before the committee, Chair McGuire adjourned the meeting at [9:47:08 AM](#).