

HOUSE FINANCE COMMITTEE
November 4, 2009
9:11 a.m.

9:11:03 AM

CALL TO ORDER

Co-Chair Stoltze called the House Finance Committee meeting to order at 9:11 a.m.

MEMBERS PRESENT

Representative Mike Hawker, Co-Chair
Representative Bill Stoltze, Co-Chair
Representative Bill Thomas, Jr., Vice-Chair
Representative Allan Austerman
Representative Harry Crawford
Representative Les Gara
Representative Reggie Joule
Representative Mike Kelly
Representative Woodie Salmon

MEMBERS ABSENT

Representative Anna Fairclough

ALSO PRESENT

Senator John Coghill, Sponsor; Johanna Bales, Deputy Director, Tax Division, Department of Revenue; Susan Bell, Special Staff Assistant, Office of the Governor; Joe Austerman, Director of Economic Development, Department of Commerce, Community, and Economic Development (DCCED); Ron Peck, President and Chief Operating Officer, Alaska Travel Industry Association, Anchorage; Brett Carlson, Chair, Board of Directors, Alaska Travel Industry Association; Stacy Schubert, Intergovernmental Affairs Director, Municipality of Anchorage; Julia Saupe, Anchorage Convention and Visitor's Bureau (ACVB); Wade Willis, Tourism Guide, Anchorage; Al Koch, General Manager, All Alaska Tours, Eagle River; Barry Swanberg, Phillips Glacier Cruises, Anchorage; Kirk Hoessle, President, Alaska Wild & Adventures, Girdwood; Glen Hemingson, Copperwhale Inn, Anchorage; Scott Reiland, Denali Grizzly Bear, Denali; Suzanne Rust, KZ Aviation, Talkeetna/Anchorage; Duane Epson, Marketing Representative, Alaska Airlines Magazine, Anchorage; Debbie Reinwand, Bradley Recreation, Anchorage; Ruth Rosewarne, Anchorage; Dirk Whitehead, Manager, Coast International Inn, Anchorage; Peter Schadee, Knik River Lodge, Palmer; Park Kriner, Business Owner, Glennallen; Wayne Martin, ABC Motor Home Rentals, Palmer; Melissa Saunders, Alaska Native Heritage Center, Eagle River; Ethan Tyler, Alaska Wildlife Conservation Center and Alaska Sealife Center, Girdwood;

Neil Darish, McCarthy Ventures, McCarthy; Christopher Shutte, Executive Director, Downtown Business Association, Anchorage; Susan Kaer, Owner, Ramada Inn Downtown, Anchorage; Caleb Alderman, Owner, Anchorage City Trolley, Anchorage

PRESENT VIA TELECONFERENCE

Bonnie Quill, Executive Director Mat-Su Convention and Visitors Bureau; Deb Hickok, President, CEO, Fairbanks Convention and Visitors Bureau; Patti Mackie, Executive Director, Ketchikan Visitors Bureau; Shannon Hamrick, Kenai Tourism Marketing Council; Buckwheat Donahue, Skagway Convention and Visitors Bureau; Kathy Hedges, ATIA Member, Fairbanks; Ann Hopper, ATIA Member and Owner, Lodge of Black Rapids, Fairbanks; Matt Atkinson, Northern Alaska Tour Company, Fairbanks; Ryan Binkley, President, Riverboat Discovery, Fairbanks; Karen Lundquist, Vice President of Marketing, Fairbanks Convention and Visitor's Bureau; Mary Richards, Owner, All Seasons Inn and President, Fairbanks Association of Bed and Breakfast Association; Janet Buckingham, Executive Director, Kodiak Island Convention and Visitors Bureau and Board Member, Alaska Travel Industry Association, Kodiak; Richard Beneville, Nome Discovery Tours, Nome; Patricia Shaughnessy, Experience Alaska Tours, George Inlet Lodge, Ketchikan; Paul Jarvi, Owner, Julie's Fine Jewelry and Gifts, Ketchikan; Alan LeMaster, Business Owner, Glennallen; Stan Stephens, Owner, Stan Stephens Cruises, Valdez

SUMMARY

HB 167 "An Act relating to a corporation income tax credit for contributions by a person owning or operating a commercial passenger vessel to a qualified trade association that was awarded a contract by the Department of Commerce, Community, and Economic Development, and used for planning and executing a destination tourism marketing campaign."

HB 167 was heard and HELD in Committee for further consideration.

#hb167

HOUSE BILL NO. 167

"An Act relating to a corporation income tax credit for contributions by a person owning or operating a commercial passenger vessel to a qualified trade association that was awarded a contract by the Department of Commerce, Community, and Economic Development, and used for planning and executing a destination tourism marketing campaign."

[9:11:11 AM](#)

Co-Chair Stoltze made introductory comments.

[9:12:10 AM](#)

SENATOR JOHN COGHILL, SPONSOR, related that the tourism industry encouraged the development of HB 167. He credited the co-sponsors with the management of the bill. The bill attempts to find a way to get money to Alaska tourism marketing. It will take money from the cruise ship industry and give a tax credit back in order to create a sustainable source of income to allow the state to partner with the cruise ship industry and other tourism industries to market Alaska. Title 43 creates the method by which this can happen.

Senator Coghill related the history of HB 167. The original bill created the tax credit and a distribution method. It defined "commercial passenger vessel". Other iterations tried to figure out ways to include other tourism entities. The bill before the committee, the original bill, deals only with commercial passenger vessel income and a creditable passenger vessel tax. The money would go to Alaska Tourism Industry Association (ATIA) for marketing Alaska.

Co-Chair Stoltze mentioned that a companion bill was in the works. Today's hearing is to provide a broad picture.

[9:16:05 AM](#)

Representative Joule asked if there were new fiscal notes. Senator Coghill said he had not done new fiscal notes, but he thought they would change. He anticipated that the co-sponsors would manage the bill from this point on.

Representative Kelly thanked the sponsor for coming before the committee. He asked if there would be any constraints on ATIA's use of the monies. He wondered if this legislation would also be good for others not in the tourism industry.

Senator Coghill discussed whether the focus should be broadened. He wondered how to define those who participate. He observed that all areas of the state should be considered even though the cruise ship industry brings in the most tourists. He maintained that the health of hub areas is important. He stated, "We're all in this together." The goal is to find ways to spread the money equitably. Senator Coghill encouraged ATIA to market Alaska as a destination.

[9:22:15 AM](#)

Senator Coghill reported that Title 44.33.125 defines how marketing is to be done. Both private and state dollars are used. He used Nome as an example of how the state is involved with the industry. He concluded that he intended a broad approach in this piece of legislation.

Representative Kelly asked what the governor's point of view is. Co-Chair Stoltze said the administration would testify later.

[9:23:54 AM](#)

Representative Austerman spoke of tourism marketing credits for the Seafood Marketing Industry. He raised a concern about taking money from one pot of money to give to another. He used roads and docks as examples, which he did not want to see shortchanged.

Senator Coghill acknowledged that the legislature must be very deliberate. He agreed that there is an expectation that roads are safe. He emphasized that visitors must be safe and able to receive safety services, but that first they must be interested in visiting Alaska.

Representative Austerman referred to fiscal note #1 and spoke of the corporate income tax of 2008 which contributed \$15.8 million to marketing. He stressed the need for a balance in how the money is spent. Co-Chair Stoltze added that "these are ultimately general funds."

[9:27:30 AM](#)

Representative Crawford pointed out that the funds received from the cruise ship head tax are restricted. The money appropriated for marketing would come from the general fund, which also has other requests. He preferred a more direct link between the funds received and dispersed. He thought that marketing was necessary, but should be funded by head tax funds.

[9:29:37 AM](#)

Senator Coghill pointed out that constitutional requirements define the funding method. This legislation creates a formula that provides an expectation that some of the money can be used for marketing. He thought there were times that the cash flow potential of Alaska has to be considered. If there are no tourists, there is no cash flow, and business potential goes down. The concept is for the state to work together with the tourism industry. He pointed out that tourism has declined recently and marketing is important. He believed that the legislature should be involved in marketing.

[9:32:00 AM](#)

Vice-Chair Thomas suggested adding an amendment if the head tax is repealed. Senator Coghill believed that could happen and the legislature should be prepared to deal with it. However, he thought the marketing of Alaska should continue.

[9:34:23 AM](#)

JOHANNA BALES, DEPUTY DIRECTOR, TAX DIVISION, DEPARTMENT OF REVENUE, introduced herself.

SUSAN BELL, SPECIAL STAFF ASSISTANT, OFFICE OF THE GOVERNOR, introduced herself.

JOE AUSTERMAN, DIRECTOR OF ECONOMIC DEVELOPMENT, DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT (DCCED), related that DCCED plays a critical role in fostering the development opportunities such as minerals, fisheries, and many other industries, including tourism. He noted a close, professional relationship with ATIA. He related that DCEED administers the existing contract with ATIA for marketing. He listed the benefits of tourism as they relate to the state's economy. Tourism contributes about \$2 billion annually and provides critical opportunities for small business development. He was of the opinion that tourism remains one of the most underdeveloped industries in the state. He described recent declines in the industry.

[9:38:54 AM](#)

Mr. Austerman described the department's relationship with ATIA. The current marketing level is about \$11.7 million a year, with the state contributing about \$9 million. The state's contribution has remained relatively stable. The Office of Economic Development believes that at that level of contribution, diminishing levels of returns are expected. He listed ways to bolster the tourism industry through marketing and incentivizing. The administration supports bolstering the state's contribution to about \$20 million. It also believes in the concept of incentivizing companies to contribute to an increased marketing effort.

Co-Chair Stoltze requested clarification about the use of the term "initiative". Mr. Austerman clarified that the state is at a point where it needs to bolster its marketing efforts. Both the administration and DCCED have concerns about focusing on one single segment of taxpayers.

[9:41:20 AM](#)

Vice-Chair Thomas reported that as a commercial fisherman he has not seen more money for the Alaska Seafood Marketing Institute (ASMI). He reported that ASMI receives \$1.5

million from the state. He wondered if there would be more money for seafood marketing. He supported funding of broad marketing statewide. Mr. Austerman agreed and stated DCEED's support for ASMI. He spoke in favor of ASMI's efforts, such as an increase in the value of the harvest.

[9:43:03 AM](#)

Representative Kelly asked how much of the \$11.7 million was for overhead costs. Mr. Austerman replied that those costs are managed through existing program funding. He gave examples such as the ATIA contract. The Office of Economic Development administers a number of programs and services geared toward tourism such as the Alaska Visitors Statistics Report and Developing Alaska Rural Tourism. The department works close with ATIA to make sure that its marketing efforts meet the intent of current criteria established by statute.

Ms. Bell shared the governor's perspective. The governor supports an increase in funds for tourism marketing through an initiative like the proposed legislation. She quoted a few of the governor's comments from when he was at ATIA's conference in Fairbanks in October. Governor Parnell stated, "My administration has focused on taking steps to improve our economy, and we are proactively seeking ways to position Alaska for economic growth. I am pleased that I will put the full support and backing of my administration behind this type of policy with speaking to the House and Senate bills and a concept similar to that."

Ms. Bell related the governor's support for increasing ATIA's total annual budget up to \$22 million. The governor sees the legislation as critical as a constitutional test and recognizes the need to incentivize companies to contribute to tourism marketing.

[9:47:06 AM](#)

JOHANNA BALES, DEPUTY DIRECTOR, TAX DIVISION, DEPARTMENT OF REVENUE, noted that DOE is working as part of a team with the Office of Economic Development and the Office of the Governor to ensure that the legislation provides sustainable funding for the qualified trades associations. She hoped to work with the sponsors on the legislation.

Representative Austerman asked if Ms. Bales knew of any projections on 2009 tourism corporate income taxes. Ms. Bell reported that it is difficult to calculate corporate income tax in Alaska. There is a current report that shows an increase from \$3 million in 2006 to \$15.8 million in 2007. The current projection is for \$20 million in tourism corporate income tax. She cautioned that the number may be

misleading. The department is looking at ways to ensure that that number is sustainable.

Ms. Bales pointed out that cruise ships operate outside of Alaska in the off season. Losses there also impact the industry's corporate income tax.

[9:49:53 AM](#)

Representative Austerman asked about the recession's impact on Alaskan tourism.

Mr. Austerman emphasized the impact that world-wide economics and competition has on the market.

[9:51:49 AM](#)

Vice-Chair Thomas asked at which point marketing is discontinued due to oversaturation. He listed economic reasons why people do not travel and wondered how an increase in marketing would target those tourists. Mr. Austerman acknowledged that there would be challenges, but stressed that tourism is a business and is a part of the state's economy. He noticed that a lot of states are pulling back on their marketing efforts, while Alaska is still behind marketing efforts compared to other states. This could be an opportunity for Alaska. The challenge is how to get new visitors to come.

Vice-Chair Thomas commented that he has lost 56 percent of his income because of competition within the fishing industry caused by the economy. Mr. Austerman said the Office of Economic Development (OED) - Fisheries - was aware of the conflicting interests over Alaska's resources.

[9:55:49 AM](#)

Ms. Bell, in response to Vice-Chair Thomas's comment, pointed out that ATIA monitors the market potential nationally. She shared information about a trend that shows many tourists choosing to return to Alaska for another visit.

Representative Crawford pointed out that New Orleans dealt with tourism losses by increasing investment in tourism marketing.

[9:57:57 AM](#)

Representative Joule shared his experience as a tour guide. He spoke of the changes in the demographics of the market. He wondered about current marketing tools and international marketing. He related concerns about declining tourism in rural Alaska.

Mr. Austerman requested that ATIA respond to the question about strategies to identify specific target markets. He observed that OED and ATIA work together on marketing rural tourism. He gave an example of a polar bear tourist venue in Kaktovik, which brought new money to the area. He concluded that the value of tourism is to bring new dollars to businesses and to the state by using existing assets.

[10:04:13 AM](#)

Representative Joule related that the cruise industry is looking at Western and Northwest Alaska as a new market. He requested more information about how the department is responding to that. Mr. Austerman reported on efforts by DOT and OED to enable this new market and to prepare infrastructure needs in the communities. A number of workshops and programs focus on establishing rural Alaska as a new tourist market.

[10:06:56 AM](#)

Vice-Chair Thomas questioned who was on the tourism marketing board and suggested that they meet with the legislature.

Representative Kelly suggested keeping the current system used between ATIA and the legislature. He needed convincing in order to support implementing a tax credit.

[10:09:34 AM](#)

Co-Chair Stoltze requested interaction between the cruise ship industry and the administration.

Ms. Bell reported that the governor recognizes that the cruise industry is a big part of the visitor industry market, but also an integrated piece of the visitor industry market.

[10:10:48 AM](#)

JOHN BINKLEY, PRESIDENT, ALASKA CRUISE ASSOCIATION, (via teleconference) thanked the committee for its concern regarding the downturn in the visitor industry. He provided background on the Alaska Cruise Association, which brings about 1 million passengers to Alaska who represent about \$1.35 billion of economic activity. He spoke in support of the part of HB 167 that would allow businesses to invest in marketing Alaska through a corporate tax credit. His association feels it should be a broad-based approach that would allow more Alaska tourism businesses to participate. As written, HB 167 targets only one sector of a broad industry.

Mr. Binkley shared his family's long involvement in the tourism industry. He commented on the effectiveness of tourism marketing in Alaska. From the viewpoint of a private company, Mr. Binkley spoke in favor of allowing private sector businesses to be involved in a tax credit method, as well.

[10:15:20 AM](#)

Representative Austerman drew attention to the limited season of tourism - 120 days. He asked if there was a need to expand the season beyond that time period.

Mr. Binkley replied that the bulk of his family's tourism revenue is gained during the 120-day time period. Sixty percent of visitors come to Alaska on cruise ships. He compared tourism to the pipeline industry.

[10:17:52 AM](#)

Vice-Chair Thomas asked whether the cruise ship association would expect to have more seats on the marketing board if they participate in the tax credit. Mr. Binkley explained that the association currently has two representatives on the general board. He did not know the makeup of the marketing committee, but assumed the association would have an interest.

[10:20:14 AM](#)

RON PECK, PRESIDENT AND CHIEF OPERATING OFFICER, ALASKA TRAVEL INDUSTRY ASSOCIATION (ATIA), ANCHORAGE, reported that his organization is the largest state travel industry association. He clarified that there are 1.7 million visitors during the peak season; there are about one-quarter of a million visitors in the off-season. There has been limited success in improving the winter season. He acknowledged more funding would help.

Mr. Peck stated that the marketing committee is made up of 31 small and large businesses from throughout the state. Two of them are with the large cruise industry and one is with a smaller cruise industry. He pointed out that there is an annual report available on line. He described a target group that is focused on additional markets. Some funding has been allocated for improving the web site.

[10:24:24 AM](#)

Representative Austerman referred to the importance of the independent traveler and expressed concern regarding the emphasis on the cruise ship industry. He requested the numbers in each category.

Mr. Peck responded that ATIA wants to promote all aspects of travel, not just the coastal industry. The association is reaching out to the independent travelers, which he believes brings in about \$20 million. He shared that 33 percent of all visitors are repeat visitors. He pointed out that 27 percent of return travelers came to Alaska for the first time on a cruise ship.

[10:28:13 AM](#)

Representative Austerman did not want Kodiak to turn into a ghost town after the 120-day tourist season. He expressed concerns about focusing on the cruise ship industry. Mr. Peck agreed and suggested broadening the scope of the type of year-round visitor to Alaska. Each community should have input.

Vice-Chair Thomas observed that visitors may not spend money once they get off the cruise ships. He asked how to get them to spend money. Mr. Peck related that the Alaska Visitor's Survey Program researched how much people expend. He acknowledged that people were more careful with their money this year; historically, people will spend an average of \$650-\$700 off the ship. The average total expenditure is almost \$1000, exclusive of getting to Alaska.

[10:32:10 AM](#)

Mr. Peck introduced a presentation "Alaska Travel Industry Association, House Finance Tourism Report" (copy on file). He noted that every year the state conducts an arrival report, and ATIA also compiles a report which closely matches the state report.

Mr. Peck shared statistics estimated for the 2009 season. The Anchorage rental revenue tax (January-August 2009) will be down by 21.5 percent from the previous year. The Anchorage hotel tax (January-June 2009) will decrease by about 19 percent.

Co-Chair Stoltze inquired if that data reflects the amount hotels might have to discount rather than a decrease in the number of visitors. Mr. Peck said that was correct. Co-Chair Stoltze asked how that was apportioned. Mr. Peck offered to provide that data.

Mr. Peck pointed out that Alaska Highway arrivals (May-June) show an increase; however, campers during August and September were down. He termed the trend "not a good indicator".

Mr. Peck turned to Fairbanks and Anchorage airport arrivals (May-August), which were down by 15 percent. He predicted

that the numbers of long haul travelers would decrease slightly.

[10:36:55 AM](#)

Mr. Peck discussed summer visitor air arrivals, which are predicted to have decreased. He said that non-cruise visitors are estimated to be reduced by approximately 100,000 overall.

Mr. Peck expected a flat number of cruise visitors for 2009 and a reduction in 2010.

Vice-Chair Thomas inquired about a new ship coming to Alaska. Mr. Peck clarified that the new vessel from Disney Cruise line will arrive in 2011. Vice-Chair Thomas asked if a Holland American ship was renamed. Mr. Peck did not know,

[10:39:00 AM](#)

Mr. Peck reiterated that the numbers of cruise visitors would be down in 2010. Representative Austerman asked if that was based on a decreased schedule. Mr. Peck said it was.

Co-Chair Stoltze asked if fewer ships meant fewer visitors. Mr. Peck said yes.

Mr. Peck reported that for the Inside Passage round trip cruise, it is expected that there were 600,000 visitors in 2009 and 580,000 are expected in 2010. For Gulf cruises, the number will change from 400,000 in 2009, to 280,000 in 2010.

[10:41:48 AM](#)

Mr. Peck summarized that the total number of summer visitors estimated for 2009, assuming no decrease in independent and highway travelers, will be down by 100,000 visitors. The overall estimation by the end of 2010 is less than 1.5 million summer visitors, which is lower than it was in 2004.

Representative Austerman observed that this was a trend. He asked what was in store for the future. Mr. Peck could not predict and was encouraged by the 2011 new ship's planned arrival. He thought that ATIA could generate additional visitors with more funding.

Mr. Peck concluded by sharing national trends in the tourism industry. Alaska tourism was down more than United States tourism because of its long-haul destination. Hawaii "stemmed the tide" of the downward trend by allocating more dollars for marketing.

BRETT CARLSON, CHAIR, BOARD OF DIRECTORS, ALASKA TRAVEL INDUSTRY ASSOCIATION, acknowledged the Alaska travel industry has had its worst year in over fifty years. The crisis in the industry adds urgency to come up with a long-term solution. He termed HB 167 great public policy for Alaskans. Mr. Carlson thought travel to be a resource development issue, as it is one of Alaska's most important resources. He pointed out a study performed in Hawaii to determine preferred destinations.

[10:48:08 AM](#)

Mr. Carlson noted that in the study 62 percent of the responders in the western United States named Alaska as their preferred destination. He reiterated that economic potential does not translate into money unless the correct marketing is utilized.

Mr. Carlson described the challenges in convincing people to make the long trip to places such as Alaska. He noted that partnering with the cruise industry has been a successful strategy for bringing visitors to Alaska, but it should not be the only model. He spoke in favor of destination marketing. The tourism marketing tax credit is a source of funding to achieve a \$20 million marketing budget.

[10:52:46 AM](#)

Mr. Carlson noted that in FY 2010 the travel industry will contribute over \$120 million to state government. This model will send one in six of the dollars to tourism marketing to help continue to grow the industry.

Representative Joule asked what the anticipated yield in additional visitors and revenue would be if the travel industry receives this money.

[10:56:15 AM](#)

Mr. Carlson replied that research has shown that marketing works for Alaska. He noted that 45 percent of individuals contacted through marketing come to Alaska within the next four years. He thought more money would bring more people to the state.

Representative Austerman asked if the 62 percent who indicated an interest in coming to Alaska had been defined. Mr. Peck revealed that Alaska tourism primarily targets from several western states, the 45-65 year old, well-educated traveler, with no children, and with preponderance for travel.

Representative Austerman noted that the \$80 million spent by Hawaii is for a year-round economy unlike Alaska's 120 day season.

Mr. Carlson responded that Hawaii's total year-round number of visitors is 7 million, while Alaska's 120-day season yields 2 million visitors. His agency has launched an initiative to assess winter travel possibilities.

[11:02:33 AM](#)

Vice-Chair Thomas asked who the members of the Alaska Tourism Industry Association were. Mr. Peck responded that memberships have grown to 1,180 members.

Vice-Chair Thomas clarified that he resented the number of tourism-related individuals and companies benefiting from advertising dollars without making a contribution. He requested the number of non-resident ATIA members and board members. Vice-Chair Thomas also requested information on the ATIA marketing structure.

Mr. Peck agreed to provide the information at a later date.

[11:05:36 AM](#)

Representative Austerman requested that the information be sent to the entire Finance Committee. He noted that legislators had to look at all groups across the state, not just the travel industry, when allocating funding.

Mr. Peck shared information on how the tourism industry has tried to work with the Alaska Seafood Marketing Institute (ASMI).

[11:08:04 AM](#)

STACY SCHUBERT, INTERGOVERNMENTAL AFFAIRS DIRECTOR, MUNICIPALITY OF ANCHORAGE, testified on behalf of Mayor Dan Sullivan regarding the impact of tourism on the Anchorage economy. She reviewed Anchorage's 2010 budget and noted a pie graph forecasting 2010 revenues. She listed non-property tax sources of revenue, of which the hotel room tax contributed the greatest amount. Also related to tourism is the motor vehicle rental tax.

[11:12:05 AM](#)

Ms. Schubert continued to detail the funds received outside of the property tax fund in the context of tourism revenue taxes. She noted projections for the 2010 budget, anticipating a downturn in tourism of 17 percent from 2009. She commented on the financial impacts of tourism.

Ms. Schubert stated that the mayor was in favor of the concept of a corporate income tax benefiting a qualified trade association for a tourism marketing campaign; however, he declined to make a definitive statement in support or opposition of HB 167. She summarized the focus of Anchorage's budget.

Co-Chair Stoltze asked for elaboration on concerns regarding the bed tax. Ms. Schubert responded that the municipality realizes that fewer tourists would result in fewer bed tax dollars collected.

Representative Austerman asked if the decline in tourism was 17 percent. Ms. Schubert clarified that the forecast for 2010 is a 17 percent decline from 2009.

Representative Austerman wondered if the decline was for summertime only. Ms. Schubert suspected that the decline would extend to winter.

[11:16:51 AM](#)

Vice-Chair Thomas inquired if the decline includes the loss of the Alaska Federation of Natives Conference, which amounts to about 5,000 people. Ms. Schubert replied that it did. The conference is included in the bed tax total number.

Co-Chair Stoltze commented on the scheduling of an Off-Broadway show. Ms. Schubert responded that the Lion King was marketed well, and the economic situation played little part in its success.

[11:19:07 AM](#)

Vice-Chair Thomas commented that marketing should be used for the Great Alaska Shoot Out. He opined that the week of basketball could provide a statewide benefit. Ms. Schubert did not feel qualified to comment. Vice-Chair Thomas suggested that the event could be watched by millions of people.

[11:21:07 AM](#)

JULIA SAUPE, ANCHORAGE CONVENTION AND VISITOR'S BUREAU (ACVB), testified in favor of supporting tourism marketing funding. She reported a 17.5 percent decline in the Anchorage bed tax, which represents a 10 percent decline in visitors. She imagined that testimony at today's meeting would provide an accurate sense of the challenges faced by the industry.

Ms. Saupe related that Southcentral will host fewer summer cruise visitors in the coming year. The 2010 ACVB budget is 30 percent lower than that spent in 2008. She stated that

outreach to new markets is in progress. A collaborative marketing effort benefits all communities. Tourism contributes significantly to the state's general fund. Funding tourism has a history of proven results.

[11:26:10 AM](#)

Ms. Saupe shared a story about others experiencing the same situation in the current economic situation. A tourism marketing tax credit would tie funding to the tourism industry. She spoke strongly in favor of HB 167.

Vice-Chair Thomas requested the total number of dollars communities contribute toward tourism marketing. Ms. Saupe did not know, but offered to find out.

Vice-Chair Thomas commented that those dollars are in addition to ATIA's contributions. Ms. Saupe announced that ACVB's contribution for 2010 will be \$5.8 million. In the past that figure has been about \$7.2 million. The ATIA model generates interest in the state and is split amongst the various convention and visitors bureaus.

[11:28:45 AM](#)

BONNIE QUILL, EXECUTIVE DIRECTOR, MAT-SU CONVENTION AND VISITORS BUREAU (MCVB), gave an overview of her vast experience in the Alaska Visitor Industry. She spoke of a decrease this year in the MCVB budget for the first time in 25 years. A change in the grant process allowed for additional revenues. As of June 30, bed tax revenues were down 22 percent from last year. Tourism is vital to the economic health of the Valley. She understood the value of the research-based campaigns in the ATIA marketing program. She spoke in favor of the tourism marketing tax credit and the benefit to small businesses worried about the continuing decline of visitors.

[11:32:47 AM](#)

Co-Chair Stoltze mentioned fishing as important to tourism economy.

DEB HICKOK, PRESIDENT, CEO, FAIRBANKS CONVENTION AND VISITORS BUREAU, testified via teleconference. She thanked the committee for holding the meeting prior to the session.

Co-Chair Stoltze requested information regarding the impact of declining tourism on the Interior. Ms. Hickok commented on the variables of the bed tax noting that it was down 16 percent in September.

Co-Chair Stoltze requested further information on the reasons for that decline. Ms. Hickok could not provide

specific data regarding the loss of revenue. She pointed out that room rates had dropped dramatically and the number and availability of rooms had increased. She discussed the impacts of the budget reduction.

[11:35:29 AM](#)

Ms. Hickok stated that 50 percent of visitors were from land tours and 50 percent were independent travelers. She mentioned that 80 percent of ATIA members are small businesses. She discussed winter travel marketing. The market demand is present for flights to Japan, but Japan Airlines is facing developmental difficulties. There is an ongoing effort to recruit more airlines for Asian travel.

[11:39:11 AM](#)

Ms. Hickock expected an expansion of tourism marketing to include cultural aspects of Alaska's communities. More highway research is needed, but additional funding is necessary. She spoke of networking online to build Alaska tourism.

[11:41:16 AM](#)

Representative Austerman commented about the global economic crisis and how it relates to the tourism infrastructure. He stressed the need also for the necessary infrastructure across the state to support economic development for the rest of the state's industry. He wrestled with the concept of aiding only one aspect of the state's industry. He wondered about the direction the tourism industry is headed.

Ms. Hickock referred to a marketing study to explain that visitors with easier access to Alaska must receive marketing efforts first. The tourism campaign must be very generic during these hard economic times.

Co-Chair Stoltze commented on strategies for marketing the fish industry.

[11:46:12 AM](#)

PATTI MACKIE, EXECUTIVE DIRECTOR, KETCHIKAN VISITORS BUREAU, testified via teleconference. She provided a history of Ketchikan's economy. She noted that tourism-related businesses represent the largest percentage of dollars spent in Ketchikan. Tourism provides 14 percent of local employment. She detailed the various percentages of contributions by the visitor market. She listed the companies directly linked to tourism and how they contribute to the community.

[11:50:23 AM](#)

Ms. Mackie expressed concern about tourism declines. She expected the economy to reverse, but predicted that issues for Alaska tourism will continue. She spoke about unreasonable regulations and taxation which compromise tourism in Alaska.

Ms. Mackie anticipated a loss of \$17.7 million in cruise passenger spending in 2010. She suggested ways the state could stave off anticipated losses. She believed that state leaders do recognize the value of tourism. She hoped for a funding mechanism to attract new visitors and the benefits they bring.

[11:54:24 AM](#)

Representative Austerman asked what percentage of Ketchikan's economy is from tourism. Ms. Mackie did not have an exact number, but stated that tourism businesses are not tracked in the same way that other industries are. Representative Austerman wished to know the percentage. Ms. Mackie replied that the \$162 million that tourism brings in is a significant part of the economy. Ms. Mackie guessed that 30 percent could be directly attributed to tourism.

Vice-Chair Thomas commented that the seafood plant in Craig was taking some of the seafood processing business out of Ketchikan.

[11:57:10 AM](#)

SHANNON HAMRICK, KENAI PENINSULA TOURISM MARKETING COUNCIL, testified via teleconference. She stated that her organization represents the Borough and over 400 businesses on the Kenai Peninsula. She urged support of HB 167 as tourism in the Kenai has been dire. She mentioned the volcano's affect on the amount of visitors. Tourism sales are down 29 percent in the Kenai region. She shared a personal story indicating a downturn in the tourism industry.

Ms. Hamrick requested adoption of the tax credit for the tourism program. She mentioned a study showing the conversion of 28 percent. She stressed the importance of ATIA. She mentioned the various levels of aid provided by ATIA.

[12:03:37 PM](#)

Co-Chair Stoltze requested evidentiary material. Ms. Hamrick agreed to comply.

BUCKWHEAT DONAHUE, SKAGWAY CONVENTION AND VISITORS BUREAU (CVB), testified via teleconference. He stated that both the

ATIA and the increase in marketing programs encourage independent travelers to visit Alaska. The marketing efforts lure tourists to the entire Southeast Alaskan region. He noted that Skagway experienced an increase of 14 thousand cruise ship travelers in 2009 due to the cruise line's marketing efforts. He maintained that Skagway relies heavily on tourism. He spoke in support of HB 167.

[12:11:25 PM](#)

AT EASE

[1:40:57 PM](#)

RECONVENED

WADE WILLIS, TOURISM GUIDE, ANCHORAGE, testified in support of HB 176. He pointed out that the tourism industry is self-sustaining. Long-range funding remains essential. Tourism relies on renewable resources. He opined that the Alaska Department of Fish and Game (ADF&G) is severely underfunded. Co-Chair Hawker noted that ADF&G maintains that the requested funding is ample to meet their mission.

[1:43:58 PM](#)

AL KOCH, GENERAL MANAGER, ALL ALASKA TOURS, EAGLE RIVER, described his business in Eagle River. He testified in favor of the legislation. He stressed that a strong marketing program will reach potential visitors on a global scale. Representative Austerman asked Mr. Koch about future industry improvement. Mr. Koch responded that a strong marketing program in 2010 will bring improvement in 2011 and 2012. Representative Austerman asked if an economic rebound would itself encourage travelers to visit Alaska. Mr. Koch replied that the strong momentum for tourism in 2009 was due to the strong euro and other currencies versus the United States dollar.

[1:50:58 PM](#)

BARRY SWANBERG, PHILLIPS GALCIER CRUISES, WHITTIER, described his past season as disastrous. He pointed out that Whittier is losing nine cruise ship arrivals this year, which equates to a loss of cruise ship advertising. He testified in favor of the legislation. He requested an increase in the ATIA budget to a minimum of \$20 million. He spoke in favor of HB 176.

KIRK HOESSLE, PRESIDENT, ALASKA WILD & ADVENTURES, GIRWOOD, relayed the poor season his company experienced with sales down 25 percent in 2009. He found it difficult to project an optimistic viewpoint for 2010. He believed the marketing program must improve in order to widen the pool of potential travelers to Alaska.

[1:57:03 PM](#)

GLEN HEMINGSON, COPPERWHALE INN, ANCHORAGE, reported that his business experienced a 15 percent loss in 2009. He noted staff cuts due to low bookings. He stated that Alaska is a bounty of natural beauty and a wonderful destination point providing a growing source of income for Alaskans. He testified in favor of HB 167.

SCOTT REISLAND, DENALI GRIZZLY BEAR, DENALI, described the history of his fourth generation family business. The 2009 tourism season was down 44 percent. He thought that tourism marketing dollars appropriated to ATIA would aid in recovery for his business.

[2:04:57 PM](#)

Vice-Chair Thomas related to Mr. Reisland's situation as his fishing business also showed a loss this summer. Mr. Reisland shared that his father once had a fishing permit on the Yukon River. He thought there was potential for tourism growth with this legislation.

[2:06:52 PM](#)

SUZANNE RUST, KZ AVIATION, TALKEETNA/ANCHORAGE, spoke of the value of marketing dollars. She spoke of concerns regarding the sustainability of her business. She anticipated a difficult year ahead with cruise ship decreases. She requested that the legislature reinvest funds into the tourism industry which affects all aspects of society. She testified in support of the bill.

DUANE EPSON, MARKETING REPRESENTATIVE, ALASKA AIRLINES MAGAZINE, ANCHORAGE, spoke in support of the legislation. He relayed the downside of small businesses marketing themselves. He believed that small businesses in Alaska would benefit from the increase in marketing funding. He was pleased to represent small businesses in Alaska.

[2:13:26 PM](#)

DEBBIE REINWAND, BRADLEY RECREATION, ANCHORAGE, spoke of her involvement with ATIA and the lack of dollars available to target tourists. She spoke about the science and strategy of marketing programs. Of people responding to the currently available marketing, 45 percent convert and visit Alaska within four years of responding to the state's marketing.

Vice-Chair Thomas reported that he asked about the marketing structure for ATIA. He asked to know exactly how the funds are spent. He asked about future plans to contract with community convention bureaus. Ms. Reinwand replied that she occasionally contracts with some of the smaller companies with ATIA's approval. She spoke in support of the qualified structure of ATIA's marketing committee and the board

overseeing the vendors. She stated that all vendor requests are rigorously tested prior to approval.

[2:18:23 PM](#)

Representative Austerman asked if Ms. Reinwand contracts with ATIA. Ms. Reinwand said she has contracted with ATIA for 20 years. Representative Austerman asked if the contracting occurred in state or out. Ms. Reinwand replied that the majority of the contracts were in state.

RUTH ROSEWARNE, ANCHORAGE, related that she came close to losing her job with the Alaska Railroad. She suggested that the state increase funding for tourism marketing to levels comparable to other destination points across the globe. She testified in support of HB 167. She spoke to the responsible stewardship of ATIA. Co-Chair Stoltze suggested that Alaska Railroad take responsibility by participating in the discussion and arriving at a solution.

[2:21:41 PM](#)

DIRK WHITEHEAD, MANAGER, COAST INTERNATIONAL INN, ANCHORAGE, spoke about the loss of income this summer due to the economic recession. He testified in favor of the legislation. He noted that many hotels earn the majority of their money between May and September. He explained that his hotel sales were down 25 percent this past summer, which made it the most difficult summer on record for the Coast International Inn.

PETER SCHADEE, KNIK RIVER LODGE, PALMER, testified in support of ATIA and the passage of HB 167. He credited marketing from ATIA for the growth of his business in the past four years. He understood the dilemma facing the legislature and opined that money spent on tourism will only benefit the state.

KATHY HEDGES, ATIA MEMBER, FAIRBANKS, testified via teleconference. She requested the committee support HB 167. She stated that she is a lifelong Alaskan who supports herself through the visitor industry. She elaborated that smart consistent marketing benefits communities and regions.

[2:31:29 PM](#)

ANN HOPPER, ATIA MEMBER AND OWNER, LODGE OF BLACK RAPIDS, FAIRBANKS, testified via teleconference. She spoke in support of the legislation as a new small business owner. She stressed the high expense of marketing. She explained that her business opened just this summer and was supported almost entirely by construction crews as very little tourists were traveling in her area. She stressed the high cost of marketing.

MATT ATKINSON, NORTHERN ALASKA TOUR COMPANY, FAIRBANKS testified via teleconference in support of HB 167. His company specializes in the independent traveler. He described the difficulties of the past year in which sales were down 30 percent. He believed that the marketing efforts would improve his situation.

[2:37:30 PM](#)

RYAN BINKLEY, PRESIDENT, RIVERBOAT DISCOVERY, FAIRBANKS, testified via teleconference. He expressed support for the legislation. He noted that he was unable to hire 48 positions, which typically fill with college students who rely on the money. He noted that he will begin this year's season 25 percent down. He pointed out the connection between the cruise ship industry and central Alaska, and argued that businesses at the "end of the line" feel the effects of the poor economy.

[2:43:17 PM](#)

KAREN LUNDQUIST, VICE PRESIDENT OF MARKETING, FAIRBANKS CONVENTION AND VISITOR'S BUREAU, testified via teleconference. She noted the decline of bed tax receipts. She encouraged support of HB 167 and emphasized the critical importance of strong marketing for the tourism industry in Alaska.

MARY RICHARDS, OWNER, ALL SEASONS INN AND PRESIDENT, FAIRBANKS ASSOCIATION OF BED AND BREAKFAST ASSOCIATION, testified via teleconference. She spoke in support of HB 167. She informed about the difficulties faced by her business in the past year.

STAN STEPHENS, OWNER, STAN STEPHENS CRUISES, VALDEZ, testified via teleconference. He supported the legislation. He stressed the need for marketing Alaska. He elaborated that all the citizens of Alaska benefit from that travel industry. He shared a story about surviving tough economic situations in the 1980s because of a strong marketing program. He asserted that he has experienced the connection between increased tourism and strong marketing.

[2:53:02 PM](#)

JANET BUCKINGHAM, EXECUTIVE DIRECTOR, KODIAK ISLAND CONVENTION AND VISITORS' BUREAU, BOARD MEMBER, ALASKA TRAVEL INDUSTRY ASSOCIATION, KODIAK, testified via teleconference. She voiced support for the legislation. She described difficulties for Alaskan tourism businesses and asked for more money spent on marketing. She expounded on the fact that Alaska is competing with destination points around the world. She noted that Hawaii spends \$80 million each year on

marketing. She suggested the solution is the support of a tourism tax credit.

[2:55:52 PM](#)

RICHARD BENEVILLE, NOME DISCOVERY TOURS, NOME, testified via teleconference. He supported the legislation. He spoke of the effect of decreased tourism in his region. He shared that Ohio spends twice as much as Alaska does on marketing. He opined that the late Representative Foster would have supported the legislation as he was a forward thinking statesman. Co-Chair Hawker agreed that the committee will greatly miss the wisdom and guidance of Representative Foster.

PATRICIA SHAUGHNESSY, EXPERIENCE ALASKA TOURS, GEORGE INLET LODGE, KETCHIKAN, testified via teleconference. She expressed support for HB 167 and described the challenges of decreased tourism. She described the many ways that tourism supports other Alaskan industries.

[3:03:01 PM](#)

PAUL JARVI, OWNER, JULIE'S FINE JEWELRY AND GIFTS, KETCHIKAN, testified via teleconference. He spoke in favor of the legislation. He explained that his business was down 20 percent in 2009. He urged the support of tourism and HB 167.

ALAN LEMASTER, BUSINESS OWNER, GLENNALLEN, testified via teleconference. He voiced support for HB 167. He described business difficulties due to a downturn of tourism business and the necessity of additional state marketing dollars. He believed the legislation would create growth in the industry and benefit the state greatly. He expressed a direct connection between the amount of dollars spent on marketing and the number of visitors to Alaska. He noted that while 2009 was a disastrous year, 2010 will prove even more difficult as less cruise ship travelers are predicted. He urged a \$30 million budget for tourism instead of the current \$12 million budget. He reminded that the budget in the 1980s was much greater than it is today. He elucidated that this legislation will provide a budget and an opportunity to increase the budget to the necessary \$30 million.

[3:08:24 PM](#)

PARK KRINER, BUSINESS OWNER, GLENNALLEN, urged support of the legislation. He emphasized the importance of effective marketing in these difficult economic times. He lamented about the employees that he was forced to lay off this summer and their families who were understandably affected. He urged funding of the third largest industry in Alaska.

WAYNE MARTIN, ABC MOTOR HOME RENTALS, PALMER, supported the legislation. He explained that his business was down approximately 30 percent and bookings have also decreased for the upcoming summer. He noted that promotions have not increased business.

[3:14:43 PM](#)

MELISSA SAUNDERS, ALASKA NATIVE HERITAGE CENTER, EAGLE RIVER, spoke in support of HB 167. She detailed the effect of tourism on the center and stressed the importance of marketing funds.

ETHAN TYLER, ALASKA WILDLIFE CONSERVATION CENTER AND ALASKA SEALIFE CENTER, GIRWOOD, voiced support of the legislation. He noted that his employment with the tourism industry allows him to support his family. He added that ATIA's efforts are proven successful.

[3:18:26 PM](#)

NEIL DARISH, MCCARTHY VENTURES, MCCARTHY, urged support of marketing in Alaska. He spoke in support of HB 167. He explained that five percent of gross projected revenue is a typical marketing budget for most tourism businesses. He pointed out that ATIA promotes marketing partners that funnel tourists allowing sustainable business.

CHRISTOPHER SCHUTTE, EXECUTIVE DIRECTOR, DOWNTOWN BUSINESS ASSOCIATION, ANCHORAGE, supported the legislation. He commended the bill's sponsors and the committee for the recognition of the importance of tourism marketing. He recommended marketing Alaska's geography, beauty, and location. He lamented that outdoor magazines lack Alaskan advertising. He spoke in favor of the tax credit as an important first step in capitalizing on a great asset. He urged the finance committee to support the initiative.

[3:24:29 PM](#)

SUSAN KAER, OWNER, RAMADA INN DOWNTOWN, ANCHORAGE, spoke in support of the legislation and stressed the need for additional marketing dollars. She understood the trickledown effect of tourism on other Alaskan industries. She stressed that this year has been the most difficult of her 20 years in business. She believed that the additional marketing dollars for ATIA would improve the situation.

KALEB ALDERMAN, OWNER, ANCHORAGE CITY TROLLEY, ANCHORAGE, spoke strongly in favor of HB 167. He stated that his business affects all of the citizens of Anchorage. He opined that ATIA does a fine job with the state funds. He urged the committee to consider other venues as well such as the

downtown partnerships and the film industry. He elaborated that the legislature does not adequately support the tourism industry. He requested a sustainable amount of funding.

[3:30:29 PM](#)

Representative Austerman requested clarification regarding the claim that the state does not contribute to the tourism industry. Mr. Alderman clarified that he requested increased funding for marketing. He did not believe that enough funding was approved for tourism. Representative Austerman replied that he did not want to leave the impression that the state did not fund the marketing efforts of tourism. Mr. Alderman emphasized the need for financial help in marketing for small business owners in Alaska. He stressed the fact that he does vote. Co-Chair Hawker noted an earlier statement "if the committee did not provide the funds, he would find someone who will." He requested clarification of the statement. Mr. Alderman replied that he votes and the success of his business depends on the funding.

Vice-Chair Thomas stated that he represents a fishing district and he contributes seven percent of his gross income along with a sales tax of five to six percent. He noted that he did not like threats. Mr. Alderman apologized and thanked the committee for their difficult work.

[3:37:16 PM](#)

Co-Chair Stoltze welcomed written commentary and apologized to everyone who did not get to testify.

#

ADJOURNMENT

The meeting was adjourned at 3:39 PM