

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

March 24, 2011
10:23 a.m.

MEMBERS PRESENT

Representative Bob Herron, Chair
Representative Neal Foster
Representative Wes Keller
Representative Cathy Engstrom Munoz
Representative Steve Thompson
Representative Berta Gardner
Representative Chris Tuck

MEMBERS ABSENT

Representative Kurt Olson, Vice Chair
Representative Reggie Joule

COMMITTEE CALENDAR

HOUSE BILL NO. 160

"An Act establishing and relating to the Alaska visitor industry investment fund; relating to matching funds for state tourism marketing contracts with qualified trade associations; and providing for an effective date."

- MOVED CSHB 160(EDT) OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: HB 160

SHORT TITLE: TOURISM MARKETING CONTRACTS/CAMPAIGNS

SPONSOR(s): ECON. DEV., TRADE & TOURISM

02/16/11	(H)	READ THE FIRST TIME - REFERRALS
02/16/11	(H)	EDT, FIN
03/01/11	(H)	EDT AT 10:15 AM BARNES 124
03/01/11	(H)	Heard & Held
03/01/11	(H)	MINUTE(EDT)
03/08/11	(H)	EDT AT 10:15 AM BARNES 124
03/08/11	(H)	Heard & Held
03/08/11	(H)	MINUTE(EDT)
03/24/11	(H)	EDT AT 10:15 AM BARNES 124

WITNESS REGISTER

ROB EARL, Staff
Representative Bob Herron
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented the proposed committee substitute (CS) for HB 160 on behalf of the House Special Committee on Economic Development, International Trade and Tourism.

SUSAN BELL, Commissioner
Department of Commerce, Community & Economic Development (DCCED)
Juneau, Alaska

POSITION STATEMENT: Answered questions during the hearing on HB 160.

TERRY BANNISTER, Attorney
Legislative Legal Counsel
Legislative Legal and Research Services
Legislative Affairs Agency
Juneau, Alaska

POSITION STATEMENT: Answered a question during the hearing on HB 160.

JOHANNA BALES, Deputy Director
Tax Division
Department of Revenue (DOR)
Anchorage, Alaska

POSITION STATEMENT: Answered a question during the hearing on HB 160.

CAMILLE FERGUSON, Economic Development Director
Tribal Tours
Sitka Tribe of Alaska
Sitka, Alaska

POSITION STATEMENT: Testified in support of HB 160.

DEB HICKOK, Chair
Board of Directors
Alaska Travel Industry Association (ATIA); President and CEO
Fairbanks Convention & Visitors Bureau
Fairbanks, Alaska

POSITION STATEMENT: Testified during the hearing on HB 160.

ACTION NARRATIVE

[10:23:41 AM](#)

CHAIR BOB HERRON called the House Special Committee on Economic Development, International Trade and Tourism meeting to order at 10:23 a.m. Representatives Herron, Munoz, Thompson, Gardner, Tuck, and Keller were present at the call to order. Representative Foster arrived as the meeting was in progress.

HB 160-TOURISM MARKETING CONTRACTS/CAMPAIGNS

[10:24:16 AM](#)

CHAIR HERRON announced that the only order of business would be HOUSE BILL NO. 160, "An Act establishing and relating to the Alaska visitor industry investment fund; relating to matching funds for state tourism marketing contracts with qualified trade associations; and providing for an effective date."

[10:24:30 AM](#)

The committee took an at-ease from 10:24 a.m. to 10:26 a.m. due to technical difficulties.

[10:26:42 AM](#)

REPRESENTATIVE MUNOZ moved to adopt the proposed committee (CS) for HB 160, Version 27-LS0509\R, Bannister, 3/23/11, as the working document.

CO-CHAIR HERRON objected for the purpose of discussion.

[Although there was an objection, the intent was to have Version R before the committee.]

[10:27:00 AM](#)

ROB EARL, Staff, Representative Bob Herron, Alaska State Legislature, presented the proposed committee substitute (CS) for HB 160 on behalf of the House Special Committee on Economic Development, International Trade and Tourism. Mr. Earl stated that the proposed committee substitute (CS) for HB 160, labeled 27-LS0509\R, has four major changes in Section 1: 1. The date the contract must be signed is June 1 instead of April 1 to allow the Department of Commerce, Community & Economic Development (DCCED) time to develop its budget; 2. The state is responsible for two-thirds of the marketing contract and the qualifying trade organization (QTA) is responsible for one-

third; 3. A maximum of \$12 million of state money can be allocated to the marketing contract; 4. The QTA can satisfy its one-third contribution with in-kind contributions. He then addressed Section 3, which is a new section creating the Alaska Promotion and Marketing Task Force consisting of 11 members.

[10:28:41 AM](#)

CHAIR HERRON suggested that the committee propose an amendment adding alternates to the House membership of the task force.

MR. EARL explained that the task force shall develop and recommend model legislation to market and promote activities to support the state's economy. The model legislation will include a board to evaluate proposals to promote and market the industries and economies of the state, and to make recommendations to the legislature for funding of proposals. Finally, the task force will report to the legislature by 1/30/12.

CO-CHAIR HERRON advised that the House majority leader urged this task force concept.

[10:30:19 AM](#)

MR. EARL continued to Section 5, which directs that Section 2 will only take effect if the legislature does not pass legislation based on the model legislation recommended by the task force; however, if Section 2 does take effect, the state and QTA contributions return to a one-to-one match for the costs of the marketing campaign.

REPRESENTATIVE GARDNER expressed her preference for the CS.

REPRESENTATIVE TUCK asked for an explanation of the change of date from April 1 to June 1.

MR. EARL said, "Basically now [DCCED is] signing the contract during session; we think this will make it a little easier on them."

[10:31:48 AM](#)

REPRESENTATIVE GARDNER asked why there is a limit of \$12 million on the state contribution.

CO-CHAIR HERRON explained that this is part of a formula that fits within the ability of the QTA to match the state contribution. In further response to Representative Gardner, he said the formula concept would be discussed during testimony by DCCED.

REPRESENTATIVE THOMPSON agreed the CS is better than inaction, but there is still a reduction in marketing funds that are available to market Alaska for tourism. Furthermore, this funding is a small amount compared to the competition from other states. He also cautioned that the legislation is confusing.

CHAIR HERRON clarified that the funding is not a 50 percent match, but for every dollar contributed by the QTA, the state will contribute two dollars. In further response to Representative Thompson, he pointed out that without a change, "On July 1, we are under 50/50, under current law."

[10:34:41 AM](#)

MR. EARL restated that - as directed by Section 5 - Section 2 only goes into effect if the legislature does not pass legislation based on the model legislation.

CHAIR HERRON pointed out that the model legislation expected from the task force will be debated next session; however, there are two caveats: the legislature may not pass the model legislation, or the governor may veto the model legislation. Either of those events would cause the funding to revert to a 50 percent state and 50 percent QTA match.

[10:35:27 AM](#)

REPRESENTATIVE TUCK asked for examples of "in-kind contributions."

CO-CHAIR HERRON deferred to DCCED.

[10:35:47 AM](#)

SUSAN BELL, Commissioner, Department of Commerce, Community & Economic Development (DCCED), informed the committee the governor is consistent in his intent that tourism marketing maintains last year's level of funding at \$16 million; in fact, rather than offering amendments to HB 160, he has stated his interest in working with the legislature on legislation, or in appropriations through the operating or capital budgets. She

pointed out that the state is furthering its support of the tourism industry by increased marketing, competitive taxes and regulatory procedures, and by reaching out to the industry in order to help recover from recent losses of visitors and related jobs. Current signs of recovery include an increase in visitors and in the deployment of cruise ships. Commissioner Bell opined marketing is a key piece of the recovery. She called attention to Section 1 on page 2, beginning on line 4, and explained that in-kind contributions include products such as air transportation, tour products, meals, hotels, and hosting tour operators and travel writers. Commissioner Bell suggested an amendment which read [original punctuation provided]:

Page 2, line 6, following "contributions"

Insert "through its members"

Page 4, line 3 through line 12:

Delete all material.

Insert new bill sections to read:

"**Section 5.** Section 2 of this Act takes effect on July 1, 2013.

Section 6. Except as provided in sec. 5 of this Act, this Act takes effect on July 1, 2011."

[10:41:04 AM](#)

REPRESENTATIVE TUCK asked for an example of an "event participation" that would apply to the in-kind contribution.

COMMISSIONER BELL deferred to the Alaska Travel Industry Association (ATIA).

CO-CHAIR HERRON restated part of the amendment and requested an opinion from Legislative Legal and Research Services, Legislative Affairs Agency.

TERRY BANNISTER, Attorney, Legislative Legal Counsel, Legislative Legal and Research Services, Legislative Affairs Agency, advised that she was unable to judge the amendment immediately.

CHAIR HERRON labeled the amendment Conceptual Amendment 1.

[10:43:45 AM](#)

REPRESENTATIVE MUNOZ moved to adopt Conceptual Amendment 1. There being no objection, it was so ordered.

COMMISSIONER BELL called attention to the fiscal note that reflects \$12 million from the general fund in anticipation of a combination of cash and in-kind contributions from the industry. She said the tourism industry is highly motivated to achieve the maximum benefit from the state.

[10:45:14 AM](#)

REPRESENTATIVE TUCK returned to the issue of in-kind contributions and noted the value of the aforementioned is unknown, and may approach the amount of \$4 million, which would take the state to its limit of \$12 million.

[10:46:16 AM](#)

CHAIR HERRON provided an example of a QTA contribution of \$3 million - that would equal \$6 million. Thus, adding in-kind contributions to that amount could generate two additional dollars for each one dollar.

REPRESENTATIVE TUCK surmised that the unknown value of in-kind contributions also makes the relationship to the state's obligation unknown. He cautioned about adding a variable figure with the \$12 million and said, "I just want to make sure that everything is going to be covered that needs to be covered, and how much we are going to be ... how much of a change from \$3 million is this going to create."

CHAIR HERRON acknowledged the legislation would allow the QTA to get more state match based upon legitimate contributions.

REPRESENTATIVE GARDNER asked who would determine the values of event participation, research, or services.

[10:48:20 AM](#)

COMMISSIONER BELL responded that there are industry standards on the values of television airtime and print advertising presently used by DCCED. She advised that the department would look for guidance from other states, in addition to negotiating those items with the QTA.

CHAIR HERRON assumed this would involve a regulatory process.

COMMISSIONER BELL, upon advice from the Department of Law, indicated regulations would be needed.

REPRESENTATIVE MUNOZ clarified that the maximum amount of the contract could be \$18 million, with the state's share of \$12 million and the "local" share a combination of cash and in-kind contributions of up to \$6 million.

[10:50:17 AM](#)

COMMISSIONER BELL concurred, and pointed out the intention to have tourism marketing funding come through the operating budget.

REPRESENTATIVE MUNOZ referred to page 2 of the CS, and noted that the language only mentions in-kind contributions. She asked whether "cash" should be added.

COMMISSIONER BELL observed the language on page 1, Subsection (a), describes cash payment.

CHAIR HERRON asked the Department of Revenue to comment on whether a new fiscal note is needed.

JOHANNA BALES, Deputy Director, Tax Division, Department of Revenue (DOR), said no, the CS has no effect on DOR.

[10:52:04 AM](#)

REPRESENTATIVE GARDNER asked - based on the experiences of other states - whether DCCED has an idea of what the proportion of in-kind contributions to cash contributions is anticipated.

COMMISSIONER BELL said she did not, but will share what she finds out.

REPRESENTATIVE TUCK asked who will be developing the regulations on in-kind contributions.

COMMISSIONER BELL answered DCCED.

[10:53:40 AM](#)

CAMILLE FERGUSON, Economic Development Director, Tribal Tours, Sitka Tribe of Alaska, expressed her support for ATIA marketing ventures, and said she was testifying on behalf of the Sitka Tribe and its efforts to market cultural tourism throughout Alaska. She said it is essential that ATIA marketing funding is as high as possible to help her company compete with tribes in other states that are entering the tourism market. Her company is a member of ATIA, and she cautioned that if ATIA marketing is not funded, its fees to those members in small communities will be increased. Ms. Ferguson agreed with the recommendations of the commissioner and stated that in-kind contributions will be a demonstration of each community's investment in the tourism industry.

[10:56:57 AM](#)

DEB HICKOK, Chair, Board of Directors, Alaska Travel Industry Association (ATIA); President and CEO, Fairbanks Convention & Visitors Bureau, explained that she could not speak for the ATIA board on the CS for HB 160, as the board had not discussed this issue. Regarding in-kind contributions, she noted that the Fairbanks Convention & Visitors Bureau (FCVB) currently pays \$32,000 to ATIA in cash and approximately \$170,000 in cooperative marketing programs; for example, FCVB may pay staff to attend an international travel event in addition to their airfare, hotel, other travel expenses, and sales calls.

[11:00:23 AM](#)

REPRESENTATIVE TUCK asked whether staff time is "loaned employee value."

MS. HICKOK indicated yes. In further response to Representative Tuck, she said free services may include familiarization tours for international tour operators - often with donated hotel rooms. There are also giveaways and tokens provided by the industry for distribution at trade shows.

REPRESENTATIVE TUCK reviewed the cash and in-kind contributions made by FCVB of \$170,000 and \$32,000, and concluded that the total value may be higher.

MS. HICKOK clarified that \$200,000 is part of the current match, and the other is in addition.

[11:02:12 AM](#)

CHAIR HERRON reminded the committee that a regulatory process will define the value, using "a common sense approach."

CHAIR HERRON closed public testimony.

[11:03:00 AM](#)

CHAIR HERRON returned attention to Section 3 on page 2. He endorsed the House majority leader's idea for the Alaska Promotion and Marketing Task Force; however, he urged the addition of alternate members to ensure full attendance at all meetings. Chair Herron suggested the addition of three alternates for the House and one for the Senate.

[11:04:02 AM](#)

REPRESENTATIVE KELLER moved to adopt Conceptual Amendment 2, adding three alternate members representing the House, and one alternate member representing the Senate. There being no objection, it was so ordered.

REPRESENTATIVE GARDNER expressed her concern about the possible unintended consequences of the in-kind contributions; for example, a small tourism business can participate in trade shows independently, or as a member of ATIA, but ATIA members earn credit from the state. The state's efforts in a marketing program should encourage others - and thereby increase participation - not just benefit those who are already participants. She said, "I'm just not certain that we're getting there with this, we may be changing behaviors in ways that don't necessarily create any more impact toward our real goal."

CHAIR HERRON concurred. He recalled that DCCED has been requested to "watch it during regulation closely," and suggested the committee work with the commissioner to establish parameters in the legislation. Returning attention to Conceptual Amendment 2, he clarified that the intent of the amendment is that the three members appointed by the Speaker of the House to the task force will represent both caucuses of the House.

[11:07:14 AM](#)

REPRESENTATIVE MUNOZ referred to page 3, line 13, which directs that the recommendations of the task force are to be made annually, and asked whether the task force is an ongoing effort, or only continues to a date certain.

CHAIR HERRON pointed out that on page 3, line 28, the bill directs that the task force will terminate with the end of the 27th Legislative Session. During the interim and next session, the task force will help with model legislation, perhaps through the second interim.

11:08:21 AM

REPRESENTATIVE GARDNER moved to report the proposed CS for HB 160, Version 27-LS0509\R, Bannister, 3/23/11, as amended, from committee with individual recommendations and the accompanying fiscal note. There being no objection, CSHB 160(EDT) was reported from the House Special Committee on Economic Development, International Trade and Tourism.

11:09:11 AM

ADJOURNMENT

There being no further business before the committee, the House Special Committee on Economic Development, International Trade and Tourism meeting was adjourned at 11:09 a.m.