

HOUSE FINANCE COMMITTEE
April 8, 2011
3:35 p.m.

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CALL TO ORDER

Co-Chair Stoltze called the House Finance Committee meeting to order at 3:35 p.m.

MEMBERS PRESENT

Representative Bill Stoltze, Co-Chair
Representative Bill Thomas Jr., Co-Chair
Representative Anna Fairclough, Vice-Chair
Representative Mia Costello
Representative Mike Doogan
Representative Bryce Edgmon
Representative Les Gara
Representative David Guttenberg
Representative Reggie Joule
Representative Mark Neuman
Representative Tammie Wilson

MEMBERS ABSENT

None

ALSO PRESENT

Peter Ecklund, Staff, Co-Chair Thomas; Representative Bob Heron; Patty Mackey, ATIA Board; Richard Cole, Wings of Alaska; Susan Bell, the Department of Commerce, Commissioner, Community and Economic Development.

PRESENT VIA TELECONFERENCE

Julie Saupe, ATIA; Alan Lemaster, VTS; Deb Hickok, Travel Industry Association.

SUMMARY

HB 160 VISITOR INDUSTRY INVESTM'T FUND/MARKETING

CSHB 160 was REPORTED out of Committee with a "do pass" recommendation and with one new fiscal note

from the Department of Commerce, Community and Economic Development and one new zero impact note from the Department of Revenue.

#hb160

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."

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Vice-chair Fairclough proposed committee substitute, work draft #27-LS0509/S. Co-Chair Stoltze OBJECTED for the purpose of discussion.

PETER ECKLUND, STAFF, REPRESENTATIVE THOMAS, discussed the Committee Substitute (CS). He presented a sectional analysis. Mr. Ecklund explained that Section 1 would be addressed later in the presentation. Section 2 changes the date required to enter an initial contract with a Qualified Trade Association (QTA) from April 1st to June 1st. On April 1st, the legislature is typically in session. By June 1st, the legislature is typically adjourned and the appropriation for the QTA will be known. If the current law remained the same, the QTA reverts back to a 50/50 match on July 1, 2011. The legislation proposes a \$2 state contribution for every \$1 industry match.

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Mr. Ecklund stated that Section 3 condenses the board from 32 to 9 members. Three members would be selected by the governor from the cruise lines for service of three year terms. Six members would be selected by the Alaska Travel Industry Association (ATIA) membership. Two of the members are required from tourism entities that employ fewer than 50 people. One member must come from an entity employing between 51 and 250 people. One board member must come from an entity employing greater than 250 people. Two members are "at large," and all six members are selected by the membership of the QTA.

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Mr. Ecklund continued that Section 4 adds a restriction stating that an entity receiving state funds through the contract cannot employ a person to lobby the legislature regarding the funding of the contract.

Mr. Ecklund stated that Section 5 repeals 44.33.125(d) which states that an appropriation of section (d) is left up to the Commissioner of the Department of Commerce, Community and Economic Development (DCCED) to determine whether a match is required or not. Section 6 is a transition section for the members appointed by the governor. Section 7 states an effective date of July 1, 2011.

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REPRESENTATIVE BOB HERON stated that the version presented by the Economic Development Trade and Tourism (EDT) committee contained a task force provision. Since then the house majority leader introduced HB 222, which will become an interim project for the committee. He believed that the formula had good merit.

Co-Chair Stoltze appreciated the work done on the legislation. He applauded the solution and the process.

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Representative Doogan provided an example with the state contributing \$12 million and the industry contributing \$6 million. Mr. Ecklund concurred that the example was valid.

Representative Doogan asked about a provision in the event that the industry does not pay their share. Mr. Ecklund replied that if the industry contributes \$4 million, it would receive \$8 million of the \$12 appropriated by the legislature.

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Representative Gara asked about the history of state and industry contributions. He recalled that the cruise ship industry contributed \$5 million last year. Mr. Ecklund directed the question to the commissioner of DCCED.

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Representative Gara asked about a task force created to devise a plan for more stable financing. Representative Herron replied that Representative Austerman's promotion and marketing commission discussed the potential of a task force over the interim to devise a long term plan to address tourism marketing appropriations. The proposed legislation contained the perfect vehicle for the EDT committee to employ during the interim. The plan is for the committee to visit different regions of the state to invite stakeholders to review Representative Austerman's legislation, suggest changes, and revisit the issue in January. The committee would act in lieu of a task force.

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Representative Gara pointed out that the bill had no sunset date. Representative Herron replied that if the bill does not pass, the match would revert back to 50/50 despite the contribution on July 1, 2011.

Representative Gara asked if the reversion back to the 50/50 match is written in the bill. Mr. Ecklund stated that the bill is intended to provide a long term solution.

Representative Costello thanked Representative Herron for the recognition of the importance of tourism marketing. She stated that the money spent on tourism market is an investment and an important part of the state's economy. She stated that her constituents appreciate the opportunity to continue their tourism marketing.

Co-Chair Stoltze WITHDREW his OBJECTION. There being NO OBJECTION, it was so ordered.

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JULIE SAUPE, ATIA (via teleconference), stated that she was available for questions.

ALAN LEMASTER, VTS (via teleconference), testified in opposition to the CS. He spoke about his many times testifying on this issue. He discussed the variety of proposals made to build long term marketing programs and grow sustained visitation to Alaska. Many efforts were denied. He commented on the CS before the committee, in particular the condensation of the 30 member marketing council. He mentioned that the current council is made up of dedicated volunteers from across the state. The

dedicated volunteers meet often to develop programs. He requested approval of the original legislation as proposed by Governor Parnell, which would allow the legislature and the industry to develop a permanent perennial solution to serve all of Alaskans.

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PATTY MACKEY, ATIA BOARD wished to work with the legislature and the administration to earn support for sustained funding to market Alaska. The tangible benefits of the tourism industry include jobs for Alaskans and opportunities for independent business ownership. She highlighted the increased understanding of Alaska provided by tourism efforts. She spoke about the value of magazine and internet advertising.

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Representative Gara asked about declining state revenue from tourism taxes. He understood that most ATIA members do not pay state taxes. Ms. Mackey clarified that some tourism entities pay corporate tax, but not local municipality taxes.

Representative Gara asked about the history of the state and industry match. Ms. Mackey stated that the spending history was erratic. She stated that the most recent match is 70/30. She mentioned a 50/50 and a 60/40 match in the past. Representative Gara asked about the 70/30 match. Ms. Mackey responded that the 30 percent was the industry contribution.

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RICHARD COLE, WINGS OF ALASKA, testified in support of any sustained investment in marketing for tourism in Alaska. He spoke about his business. He believed that an investment in Alaskan tourism is an investment in all Alaskan businesses as well as infrastructure. He added that his business offers flight service to many small communities.

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SUSAN BELL, THE DEPARTMENT OF COMMERCE, COMMISSIONER, COMMUNITY AND ECONOMIC DEVELOPMENT, commented that the department and governor are committed to the tourism industry. She provided a brief history of the marketing

efforts and state support. The governor would like maintenance of the \$16 million investment in an effort for further economic recovery.

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Commissioner Bell responded to Representative Gara's questions. She pointed out that the industry previously contributed via voluntary contributions from the cruise lines, destination marketing organizations, and the businesses that participate in the state's programs. She noted significant changes on the visitor industry such as the vehicle rental tax and the ballot initiative passed in 2006. Over the last decade, the former \$5 million in industry contributions was reduced to \$2.7 million.

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Representative Gara asked if last year's state contribution was 50 percent. Commissioner Bell responded that the legislature made a change after the ballot initiative in 2006 to reinstate a 70/30 match with the 30 being the industry contributions. That provision would expire July 1, 2011.

Representative Gara asked when the last time the match was 50/50. Commissioner Bell responded that the last time was in 2004. He added that the industry paid increased fees and taxes during that time.

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Representative Gara asked for a historical state share of the contribution. He understood that the state share is estimated to be approximately \$12 million this year. He asked about the state share in dollar contribution for the past two years. Commissioner Bell responded that the state's contribution for the current fiscal year was \$16 million. The prior fiscal year's contribution was \$9 million. She offered to follow up with the committee to confirm the numbers.

Co-Chair Thomas asked if HB 160 was the governor's bill. Commissioner Bell responded that the bill was a committee bill. The appreciation is more appropriately directed to Representative Heron and the EDT committee.

Co-Chair Thomas pointed out that if the bill does not pass, the marketing plan for the industry would be \$5.4 million versus the requested \$2.7 million.

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Co-Chair Thomas commented on the creation of a plan that eliminates the 50/50 match. Co-Chair Stoltze added that the alternative approach was agreed upon. He believed that the compromise allowed for improvement of cooperation between the state and the industry in this legislative body.

Representative Costello noted that the tourism industry contributed \$138 million to the state budget and \$69.8 million in municipal revenues. She viewed the state contribution as an investment.

Representative Doogan understood that the bill would contribute \$12 million to the industry if the industry comes up with \$6 million. If the industry contributes less money, then the state will pay the two to one ratio of the contributed amount. Commissioner Bell agreed that Representative Doogan understood the mechanism.

Representative Doogan asked if the amount that the industry agrees to contribute is \$2.7 million, then the state contributes twice the amount. Commissioner Bell concurred and cited a total contribution of \$8.1 million in the event of an industry contribution of \$2.7 million.

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Mr. Ecklund discussed the fiscal note. He mentioned one minor technical improvement needed for the fiscal note. He commented that the department affected was DCCED but the appropriation should state "qualified trade association" as opposed to "economic development."

Vice-chair Fairclough MOVED to report CSHB 160 out of committee with individual recommendations and the accompanying fiscal note(s). There being NO OBJECTION, it was so ordered.

CSHB 160 was REPORTED out of Committee with a "do pass" recommendation and with one new fiscal note from the Department of Commerce, Community and Economic Development and one new zero impact note from the Department of Revenue.

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ADJOURNMENT

The meeting was adjourned at 4:13 PM