

**ALASKA STATE LEGISLATURE  
HOUSE SPECIAL COMMITTEE ON ARCTIC POLICY,  
ECONOMIC DEVELOPMENT, AND TOURISM**

March 29, 2018

11:35 a.m.

**MEMBERS PRESENT**

Representative John Lincoln, Chair  
Representative Bryce Edgmon  
Representative David Talerico  
Representative Mark Neuman  
Representative Chris Tuck  
Representative Andy Josephson

**MEMBERS ABSENT**

Representative Gary Knopp

**COMMITTEE CALENDAR**

CONFIRMATION HEARING(S) :

Commissioner, Department of Commerce, Community & Economic  
Development

Mike Navarre - Juneau

- CONFIRMATION(S) ADVANCED

HOUSE BILL NO. 383

"An Act establishing the Travel Alaska Board; relating to a  
tourism marketing assessment; and establishing a tourism  
marketing fund."

- HEARD & HELD

**PREVIOUS COMMITTEE ACTION**

BILL: HB 383

SHORT TITLE: TOURISM MARKETING:BOARD;ASSESSMENT;FUND

SPONSOR(S) : REPRESENTATIVE(S) GRENN

02/21/18	(H)	READ THE FIRST TIME - REFERRALS
02/21/18	(H)	AET, FIN
02/27/18	(H)	AET AT 11:30 AM BARNES 124
02/27/18	(H)	Heard & Held
02/27/18	(H)	MINUTE (AET)

03/06/18	(H)	AET AT 11:30 AM BARNES 124
03/06/18	(H)	Heard & Held
03/06/18	(H)	MINUTE (AET)
03/15/18	(H)	AET AT 11:30 AM BARNES 124
03/15/18	(H)	-- MEETING CANCELED --
03/20/18	(H)	AET AT 11:30 AM BARNES 124
03/20/18	(H)	-- Meeting Postponed to 3/22/18 at 11:35 am --
03/22/18	(H)	AET AT 11:35 AM BARNES 124
03/22/18	(H)	-- MEETING CANCELED --
03/29/18	(H)	AET AT 11:35 AM BARNES 124

**WITNESS REGISTER**

MIKE NAVARRE, Commissioner Designee  
Office of the Commissioner  
Department of Commerce, Community & Economic Development  
Juneau, Alaska  
**POSITION STATEMENT:** Answered questions during his confirmation hearing to be commissioner of the department.

REPRESENTATIVE JASON GRENN  
Alaska State Legislature  
Juneau, Alaska  
**POSITION STATEMENT:** Introduced HB 383 as the sponsor of the bill.

BROOKE IVY, Staff  
Representative Jason Grenn  
Alaska State Legislature  
Juneau, Alaska  
**POSITION STATEMENT:** Answered questions and presented an overview of the changes to the proposed committee substitute, Version R.

**ACTION NARRATIVE**

11:35:05 AM

**CHAIR JOHN LINCOLN** called the House Special Committee On Arctic Policy, Economic Development, and Tourism meeting to order at 11:35 a.m. Representatives Lincoln, Edgmon, Tuck, and Josephson were present at the call to order. Representatives Talerico and Neuman arrived as the meeting was in progress.

**CONFIRMATION HEARING(S) :**

Commissioner, Department of Commerce,  
Community & Economic Development

[11:36:05 AM](#)

CHAIR LINCOLN announced that the first order of business would be the confirmation hearing for Commissioner, Department of Commerce, Community & Economic Development.

[11:36:20 AM](#)

MIKE NAVARRE, Commissioner Designee, Office of the Commissioner, Department of Commerce, Community & Economic Development, shared his "fairly diverse background in government" pointing out that he had obtained a Bachelor of Arts degree in government. He reported that, as he had been a member of the Alaska State Legislature for 12 years and the Mayor of the Kenai Peninsula Borough for 9 years, in 3 separate terms, he had both a legislative and an administrative background, as well as an educational background. He added that his role as president of the family company had given him a diverse business background. He expressed his growing concern for the Alaska economy and its preparedness for taking advantage of all the opportunities available, citing the state's natural resources and its geographic location to world markets.

[11:39:27 AM](#)

REPRESENTATIVE EDGMON lauded Mr. Navarre as a practical legislator and a problem solver, willing to work with both sides of the aisle, especially during some tough times. He asked for some background on the various dimensions of the Department of Commerce, Community & Economic Development and why Mr. Navarre was qualified to be appointed commissioner.

COMMISSIONER NAVARRE acknowledged that, for the past ten years, this was a combination of two departments, and its mission included oversight and regulation of insurance, banking and securities, and professional licensing. He noted that the department was currently working to speed up the process for issuance of professional licenses. He spoke about the work in rural communities by the Division of Community and Regional Affairs. He pointed to the revolving loan funds administered by the Division of Economic Development which were used to generate economic activity throughout the state. He reported that his responsibility as commissioner was to offer assistance in areas identified as needing improvements. He declared that regulation

and customer service were not mutually exclusive, and that the department's responsibilities included "getting back to people quickly, addressing what their concerns are, and, at the same time, meeting out responsibilities for regulation."

[11:45:15 AM](#)

CHAIR LINCOLN asked what the best opportunity for the state regarding economic development was which was not related to oil and gas.

COMMISSIONER NAVARRE offered his belief that the best opportunities were the "tremendous, world class mining deposits around the state," an area for continued growth if energy could be brought to those project areas. He added that further global exploration for markets to the vast fisheries resources through the Alaska Seafood Marketing Institute and for increased visitor numbers in the tourism market, especially for the northern lights in the winter shoulder season, were also expanding areas.

CHAIR LINCOLN asked about administration of the municipal land trust with communities which were not incorporated.

COMMISSIONER NAVARRE relayed that there had been discussion for a strategy to distribute these lands into communities where municipalities would never form as those economies or populations were not significant enough to support them.

[11:48:44 AM](#)

REPRESENTATIVE TUCK, reflecting on the new marijuana industry and the current fiscal crisis, asked if Alaska should have a state bank.

COMMISSIONER NAVARRE, in response, pointed out that the state had the ability to charter state banks, and that there had been some inquiries with respect to the issues associated with the marijuana industry, such as the federal conflicts with state laws. He reported that the Division of Banking and Securities was exploring this.

REPRESENTATIVE TUCK asked if there were still any opportunities in the timber industry.

COMMISSIONER NAVARRE opined that, although there were statewide opportunities, these were dependent on the worldwide demand in the timber market. He addressed the federal roadless rule

regarding access to the timber resources in the Tongass National Forest in Southeast Alaska. He stated that mining, timber, agriculture, oil and gas, and tourism were all critically important, and that it was necessary to position the state to take advantage. He explained that, absent a broad-based state tax, Alaska may not be well positioned to take advantage of the opportunities for the vast natural resources. He declared that it was necessary to "spread the tax burden a little bit further in order to build an economic foundation for Alaska that will allow us to take advantage of the vast opportunities that we have." He opined that a strong economy was not a party issue and that agreement was necessary for the foundation to allow this.

[11:53:14 AM](#)

REPRESENTATIVE JOSEPHSON emphasized that Mr. Navarre was as well suited for the commissioner position "as anyone I've seen. His background is impeccable, he's experienced everything there is to experience in local and state government, and he's a great asset and he's a great choice." He expressed his confidence that Mr. Navarre would continue to do a good job.

REPRESENTATIVE TUCK expressed his agreement that Mr. Navarre could "navigate through the web of obstacles."

REPRESENTATIVE EDGMON offered his belief that "in the current times, he's the perfect guy for the job."

CHAIR LINCOLN moved to advance the confirmation of Mike Navarre, commissioner designee for the Department of Commerce, Community & Economic Development to a joint session of the House and Senate for consideration. He reminded members that signing the reports regarding appointments in no way reflects individual members' approval or disapproval of the appointee, and that the nominations are merely forwarded to the full legislature for confirmation or rejection. There being no objection, the confirmation was advanced.

[11:55:17 AM](#)

The committee took an at-ease from 11:55 a.m. to 12:00 p.m.

**HB 383 - TOURISM MARKETING: BOARD; ASSESSMENT; FUND**

[11:59:55 AM](#)

CHAIR LINCOLN announced that the next order of business would be HOUSE BILL 383, An Act establishing the Travel Alaska Board; relating to a tourism marketing assessment; and establishing a tourism marketing fund.

[12:00:52 PM](#)

The committee took a brief at-ease.

[12:01:09 PM](#)

REPRESENTATIVE TUCK moved to adopt the proposed committee substitute (CS) for HB 383, labeled 30-LS1214\R, Nauman, 3/21/18, as the working draft. There being no objection, Version R was before the committee.

[12:01:36 PM](#)

REPRESENTATIVE JASON GRENN, Alaska State Legislature, expressed his appreciation for the committee work on this "new, innovative idea that's come before our legislature" and "to really clean up and make it a better bill." He acknowledged that more work was still necessary.

[12:03:07 PM](#)

BROOKE IVY, Staff, Representative Jason Grenn, Alaska State Legislature, said that she would describe the changes from Version O to Version R of proposed HB 383. She paraphrased from the "Explanation of Changes" [Included in members' packets], which read [original punctuation provided]:

Throughout the bill: The term "Department of Revenue" is changed to "department." The terms "tourism segments" and "business segments" have been abbreviated to "segments" for clarity and consistency. Additional changes were adopted as recommended by Legislative Legal to conform to amendments made to the bill, as well as legislative drafting standards.

MS. IVY continued her paraphrase of the changes, which read:

**Page 1, Line 1:** Amends the bill title to include reference to a Vehicle Rental Tax credit.

**Page 1, Lines 5-12:** Deletes Sections 1-4 and replaces with a new Section 1. Replaces the Vehicle Rental Tax

(VRT) mechanism in the original bill with a VRT credit, addressing structural concerns raised by the Department of Revenue and Legislative Legal. Renumbers remaining bill sections accordingly.

MS. IVY explained that there had been some issues with the Department of Revenue for the deposit of revenues from the Vehicle Rental Tax (VRT) into the Tourism Marketing Fund as there was not a precedent in statute for this mechanism, and there were concerns by the Legislative Legal Services that this "could trigger some federal tax code issues for those entities." She declared that this would now be like other tax credits existing in statute.

MS. IVY continued to paraphrase the changes, which read:

**Page 2, Lines 25-26:** New language permits the Travel Alaska Board to remove ex officio nonvoting members in 44.25.205(d), which previously only allowed them to elect nonvoting members.

**Page 2, Lines 28-29:** Amends 44.25.205(d) to add electing a chair or vice-chair to the list of actions for which nonvoting members may not be counted.

**Page 3, Lines 1-6:** New subsection 44.25.205(f) clarifies that if an assessment is terminated, the Travel Alaska Board can remain active through June 30 of the following year to performing its remaining duties. A new assessment may be proposed and voted on during this time.

**Page 9, Lines 14-30:** Adds new subsection 44.25.270(c) clarifying procedures for board member elections:

(c)(1) requires notice to be provided, either by mail or electronically, to voters in advance of a board member election. This subsection also clarifies that in the case of a board member election in which an assessment is also being voted on, voters will consist of all tourism businesses who would be subject to the proposed assessment, should it pass. In the case that no assessment is being voted on (only board members), voters will consist of tourism businesses currently subject to an existing assessment.

(c)(2) clarifies that ballots for board member elections will also be mailed by the Director of Elections 45 days before the required postmark date. Outlines required elements to be included on board election ballots, and that the Director of Elections will count ballots.

Renumbers following subsections accordingly.

MS. IVY explained that this would allow the board to remain active through June 30 of the following year to spend any remaining funds and fulfill the remaining marketing plan in order to resolve any issues resulting from the termination of assessments. She added that an additional assessment could be proposed during this time.

[12:07:47 PM](#)

MS. IVY returned to the changes, which read:

**Page 9, Lines 22-27:** Adds new subsection 44.25.270(d) clarifying that assessment election ballots must list proposed and existing assessments for all segments, and be approved or rejected in total, as a single vote. If an existing assessment is up for renewal and the vote fails, the assessment terminates. If an existing assessment is up for amendment and the vote to change the assessment fails, the existing assessment remains. If an assessment is up for termination and the vote passes, the assessment terminates.

Renumbers following subsections accordingly.

MS. IVY explained that an assessment would terminate automatically after six years, but that these changes clarified three possible scenarios: a reauthorization vote, an election to amend the assessment, or a vote to terminate the assessment.

[12:09:26 PM](#)

MS. IVY, in response to Representative Tuck, acknowledged that although it was not clarified in the proposed bill, an assessment was good for six years; if it was amended prior to this, it was good for another six years.

REPRESENTATIVE TUCK asked whether a new assessment was required should there be a sunset to the proposed bill.

MS. IVY explained that it would be necessary to vote for reauthorization of the assessment, which could include changes to the assessment.

[12:11:09 PM](#)

MS. IVY returned attention to the changes, which read:

**Page 10, Line 18:** Amends the vote threshold in 44.25.275 from "at least 50 percent" to "more than 50 percent" of the weighted votes received in an election.

**Page 10, Line 24:** Inserts language in 44.25.275 to ensure the weight of a tourism business's vote remains confidential.

**Page 10, Lines 25-28:** Adds new subsection 44.25.275(b) giving the Department of Revenue the authority to establish a method for weighting votes of tourism businesses when gross revenue information is not provided to the Department.

[12:12:57 PM](#)

REPRESENTATIVE TUCK asked for clarification whether the first vote was for qualification or for self-assessment.

MS. IVY replied that the first assessment would require more work to acquire gross revenue information for the weighting of the vote. She said that it would be necessary to reach out to new businesses in the first year to acquire gross revenue information to determine estimates for future payment, and after that, the payments in the previous calendar year would be used for determination.

[12:14:04 PM](#)

REPRESENTATIVE NEUMAN requested additional information for ways the department would structure the tourism business to provide the information necessary to weigh their vote.

MS. IVY offered her understanding that the department had a method to reach out to businesses to establish a tax payer relationship.

REPRESENTATIVE NEUMAN said that this was "pretty critical information."

[12:16:08 PM](#)

REPRESENTATIVE TUCK offered his understanding that, as the Department of Revenue would have the information, it would determine the weight of the business in order to ascertain its number of votes. He asked how the weight would be defined.

MS. IVY replied that the weight would first be determined on the estimated payment in the upcoming calendar year, based on gross revenues and the proposed assessment rate. After that, the weight would be based on the actual payments.

REPRESENTATIVE TUCK asked how this was determined.

MS. IVY replied that the proposed bill did not yet determine a specific level.

REPRESENTATIVE NEUMAN shared his concern that there was not any specific information.

[12:18:56 PM](#)

REPRESENTATIVE TUCK asked about the recourse should someone refuse to report revenue.

[12:19:20 PM](#)

MS. IVY shared that this concern had been raised by the Department of Revenue. She offered her understanding that currently the department did not have the authority to require any gross revenue information for payment until an assessment was in place; hence, the inclusion of amended language in the proposed bill to ensure the authority to "come up with a method to address" the lack of access to the information. She noted that AS 44.25.260 did address the confidentiality requirements related to the information collected by the Department of Revenue.

MS. IVY returned to paraphrasing the "Explanation of Changes," which read:

**Page 11, Lines 17-21:** Amends 44.25.295 to ensure the Legislature is not appropriating both into, and out of, the Alaska tourism marketing fund established in this section, addressing a drafting concern raised by Legislative Legal. This section now clarifies the Department of Revenue will deposit collected assessment revenue and donations into the fund.

**Page 11, Lines 22-24:** Adds language in 44.25.295 allowing money to be appropriated out of the Alaska tourism marketing fund to cover costs of administering the assessment, as well as executing a marketing plan.

**Page 11, Line 30 - Page 12, Line 3:** Adds definitions in 44.25.300 for "department," "fund," and "gross revenue." Renumbers following subsections accordingly.

**Page 12, Lines 10-27:** Amends Section 3(a)-(c) to ensure a Governor-appointed transition board is established before any Travel Alaska Board member/assessment election takes place. Under this structure, the "leading statewide nonprofit tourism marketing association" forwards a list of names to the Governor for the appointment of a 24-member transition board. At the recommendation of Legislative Legal, this would ensure the entity working with the Department of Revenue to define tourism "segments" and holding an initial assessment election would be a Governor-appointed board, versus an industry association independent of state government. Renumbers following subsections accordingly.

**Page 12, Line 28 - Page 13, Line 6:** Amends Section 3(d) and (e), and deletes previous Section 3(f), renumbering accordingly. Adds clarifying language that the Director of Elections and Department of Revenue are involved in the first election process, just as they would be in all future elections. Ratification of the first approved assessment by the Travel Alaska Board is no longer required, as payers will have voted on its approval. Finally, this section now also clarifies that the transition board will dissolve upon the appointment of the first Travel Alaska Board.

[12:24:38 PM](#)

REPRESENTATIVE NEUMAN asked about the [VRT] credit.

MS. IVY offered her understanding that this credit was like the education tax credit. She said that an entity subject to the VRT could donate funds to the Alaska Tourism Marketing Fund established in the proposed bill and then apply for a credit against their VRT tax liability.

REPRESENTATIVE NEUMAN asked if this would be "back-filled by UGF dollars."

MS. IVY opined that the appropriations would be dependent on the Alaska State Legislature.

REPRESENTATIVE NEUMAN offered current examples of the supplemental use of UGF (unrestricted general fund) dollars with taxes. He declared that the State of Alaska did not have the ability to continue to give away money. He shared that there were a lot of questions.

REPRESENTATIVE GRENN offered his belief that these were valid questions requiring answers. He reiterated that the intent of the proposed bill would be a focus for the House Finance Committee.

REPRESENTATIVE NEUMAN shared his belief that, as there were already a lot of proposed bills in the House Finance Committee, the committee was not the place for solutions.

[12:28:36 PM](#)

REPRESENTATIVE TALERICO observed that, because of geographical location, gross revenues were not always equal. He shared his concerns that, as this approach did not consider the operational costs, the assessment process would be more complicated and would require a better definition. He offered his belief that this needed a careful approach.

REPRESENTATIVE GRENN replied that he "was more than happy to dig into that more."

[12:31:56 PM](#)

MS. IVY, in response to Representative Talerico, explained that the specific definition was in statute, although the concept for use of gross revenues was commonly used in other tourism improvement districts.

REPRESENTATIVE TALERICO said it was difficult for him to compare other transportation corridors to the geographical challenges that created the cost differentials for goods and services in Alaska.

[12:33:21 PM](#)

REPRESENTATIVE JOSEPHSON shared that he was not receiving a lot of communications for the grievances alluded by Representative Talerico. He said that the TID (tourism improvement districts) formula had worked in other states. Although he expressed support for the proposed legislation, he shared his concern that the House Finance Committee would find another solution to the VRT which Department of Transportation & Public Facilities and Department of Natural Resources had relied. He acknowledged the need for a fiscal plan.

[12:34:59 PM](#)

REPRESENTATIVE TUCK stated that it was his understanding that there were two reasons for necessitating the financial records of a company. First, it was necessary to weight the vote and second, it was necessary to determine the assessment. He asked if there was an appeal process for either. He suggested that there should also be an appeal process if a business was being assessed even though they were not doing any tourism business.

MS. IVY, in response, said that currently there was not any appeal process in the proposed bill. She offered her belief that there was not an appeal process in the Alaska Seafood Marketing Institute statute, either. She explained that there was a termination mechanism included in the proposed bill, which was intended to allow industry to terminate or amend an assessment.

REPRESENTATIVE TUCK asked if a new business was immediately assessed, whether or not it was initially profitable.

MS. IVY deferred to the Department of Revenue, although she surmised that a business would be subject to assessment as soon as gross revenues were available.

REPRESENTATIVE TUCK offered an example of a bicycle shop which added bicycle rentals and asked if the entire business would then be assessed.

MS. IVY explained that the transition board would work with Department of Revenue to determine and identify exactly what those segments included based on those definitions outlined in the bill. She reported that the industry had requested to "let us figure that out as a group and come up with definitions and come up with proposed rates for segments." She pointed out that the proposed bill was enabling legislation "to allow that conversation to happen."

[12:39:09 PM](#)

The committee took an at-ease from 12:39 p.m. to 12:42 p.m.

[12:43:04 PM](#)

REPRESENTATIVE GRENN acknowledged that this was a complex bill offering a new, innovative path for the industry to work toward a solution. He pointed out that tourism marketing was the second largest private sector in the state, and that it was vital to the economy. He pointed out that this assessment was passed on to customers and would not directly impact the businesses.

[12:44:49 PM](#)

REPRESENTATIVE TUCK pointed out that he was a sponsor of the bill, and that he supported the idea. However, he questioned whether the legislature could "give away its taxing authority" other than to municipalities and sub-governments. He expressed concern that, although the Alaska Seafood Marketing Institute worked, it had not been challenged in the courts. He expressed the desire to better prepare and develop a clear, clean cut bill that would not incur litigation and jeopardize similar systems. He said that he was not comfortable in moving the bill forward at this point.

[12:48:04 PM](#)

CHAIR LINCOLN announced that proposed HB 383 would be held over.

[12:48:46 PM](#)

#### **ADJOURNMENT**

There being no further business before the committee, the House Special Committee On Arctic Policy, Economic Development, and Tourism meeting was adjourned at 12:48 p.m.