

"An Act creating a convention centers revolving loan fund to be funded by means of a hotel occupancy tax; and providing for an effective date."

## COMMITTEE REPORT

4/12/76

HOUSE

Mr. Speaker:

Date \_\_\_\_\_

The Committee on FINANCE has had HB 869

under consideration. A Majority of the members of the Committee

recommends it DO PASS

recommends it DO NOT PASS

recommends it DO PASS WITH ATTACHED AMENDMENT(S)

recommends it BE REPLACED WITH CS FOR \_\_\_\_\_ AND THAT

CS FOR \_\_\_\_\_ DO PASS

"and" recommends it BE REFERRED TO THE \_\_\_\_\_

COMMITTEE

reports it back WITHOUT RECOMMENDATION

"other"

Members signing the Majority report:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Members NOT concurring in the Majority report:

\_\_\_\_\_ recommends:

\_\_\_\_\_ recommends:

\_\_\_\_\_ recommends:

\_\_\_\_\_ recommends:

\_\_\_\_\_ recommends:

\_\_\_\_\_  
Chairman

"An Act creating a convention centers revolving loan fund to be funded by means of a hotel occupancy tax; and providing for an effective date."

①

COMMITTEE REPORT

HOUSE

3/16/76

FINANCE

Mr. Speaker:

Date 4/9/76

The Committee on STATE AFFAIRS has had HB 869

under consideration. A Majority of the members of the Committee

( ) recommends it DO PASS

( ) recommends it DO NOT PASS

( ) recommends it DO PASS WITH ATTACHED AMENDMENT(S)

recommends it BE REPLACED WITH CS FOR HB 869 (same title) AND THAT

CS FOR HB 869 DO PASS

( ) "and" recommends it BE REFERRED TO THE \_\_\_\_\_

COMMITTEE

( ) reports it back WITHOUT RECOMMENDATION

( ) "other"

Members signing the Majority report:

Mr. Miller  
Don Pugh  
James Hall

Members NOT concurring in the Majority report:

John Beason recommends: Do Not Pass

Joe McKinnon recommends: No Rec

\_\_\_\_\_ recommends:

\_\_\_\_\_ recommends:

\_\_\_\_\_ recommends:

Mr. Miller Vice Chairman

Original sponsor: State Affairs Committee

Offered: 4/12/76  
Referred: Finance

1 IN THE HOUSE

BY THE STATE AFFAIRS COMMITTEE

2 CS FOR HOUSE BILL NO. 869

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - SECOND SESSION

5 A BILL

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12 Sec. 43.76.010. HOTEL OCCUPANCY TAX. (a) There is levied a tax  
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14 for hire by that hotel or boardinghouse is occupied by a transient  
15 guest, unless the hotel or boardinghouse is located in a general law or  
16 home rule city with outstanding obligations to the convention centers  
17 revolving loan fund.

18 (b) The legislature is authorized to annually appropriate an  
19 amount equivalent to the amount collected under this section to the  
20 convention center revolving loan fund.

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10 \* Sec. 4. This Act takes effect January 1, 1977.

2296  
Guthrie

Introduced: 3/16/76  
Referred: State Affairs and  
Finance

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COMMITTEE COPY

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THE LEGISLATURE OF THE STATE OF ALASKA  
FISCAL NOTE

Second Session - Ninth Legislature

I. REQUEST

Bill No. House Bill 869  
 Title: An Act creating a convention centers revolving loan fund to be funded by  
 Requested by: \_\_\_\_\_ Date: hotel occupancy  
 Return Date Requested: \_\_\_\_\_  
 Agency: Revenue Program: Audit

II. FISCAL DETAIL

Budget Request Unit(s) Affected: Audit

A. EXPENDITURES: (Thousands of dollars)

OBJECT	FY 76	FY 77	FY 78	FY 79	FY 80	FY 81
100 PERSONAL SERVICES	-0-	39.4	40.6	41.8	44.3	45.7
200 TRAVEL	-0-	5.0	5.0	5.0	5.0	5.0
300 CONTRACTUAL	-0-	6.0	6.0	6.0	6.0	6.0
400 COMMODITIES	-0-	.3	.3	.3	.3	.3
500 EQUIPMENT	-0-	1.2	--	--	--	--
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
<b>TOTAL</b>	<b>-0-</b>	<b>51.9</b>	<b>51.9</b>	<b>53.1</b>	<b>55.6</b>	<b>57.0</b>

B. FUNDING: (Thousands of dollars)

GENERAL FUND	-0-	51.9	51.9	53.1	55.6	57.0
FEDERAL FUNDS						
OTHER						

C. POSITIONS:

PERMANENT/TEMPORARY	0 / 0	2 / 0	2 / 0	2 / 0	2 / 0	2 / 0
MAN MONTHS (P./T.)	0 / 0	24 / 0	24 / 0	24 / 0	24 / 0	24 / 0

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

The above requested staffing would provide for a Tax Examiner to review and process the tax returns filed under this law and one full-time Auditor to perform the audit functions of the returns filed.

IV. ATTACHMENTS See memo to R. D. Stevenson dated March 24, 1976.

V. DATE: 3-24-76 PREPARED BY: [Signature]  
 Director, Audit Division

Original: Legislative Finance  
 cc: Budget and Management  
 Prime Sponsor (First Legislator Named)

## MEMORANDUM

State of Alaska


TO: R. D. Stevenson  
Special Assistant

DATE: March 24, 1976

FILE NO:

TELEPHONE NO:

FROM: Gary L. Jenkins  
Director  
Audit Division



SUBJECT: House Bill 869

This bill would provide for a hotel occupancy tax of \$1 per night that a bed is furnished for hire. This tax would be collected from all places of public lodging within the State. The only exception to this rule would be if a general law or home rule city elected to levy the tax themselves to pay outstanding debts to the proposed convention center revolving loan fund.

It is estimated that there are slightly more than 11,600 rooms for hire in the State. Using an estimated average figure of 60% occupancy, this tax would generate approximately \$2,550,000 per year.

The language of the proposed law could create some specific administrative problems. The draft language would levy a tax of \$1 for each night that a bed is furnished for hire. Literally interpreted this could mean that a husband and wife renting a room with twin beds would be charged \$2 tax per night, while if they rent a room with a double bed the tax would be \$1 per night. From an administrative point of view it would seem far more logical to place the tax on the rental of the room rather than the bed.

This bill goes on to create a convention center revolving loan fund, the principal of which would be used to construct convention centers within the State. In light of the fact that convention centers are most likely to be built in the larger cities of the State, there appears to be an inequity created whereby the tax is raised from all around the State but used to benefit a rather small group of cities who might be inclined to construct a convention center.

GLJ:lc

# MEMORANDUM


# State of Alaska

TO: Sterling Gallagher  
Commissioner  
Department of Revenue

DATE: March 23, 1976

FILE NO:

TELEPHONE NO:

FROM: Lawrence C. Eppenbach   
Deputy Commissioner, Treasury  
Department of Revenue

SUBJECT: House Bill No. 869, An Act  
creating a convention centers  
revolving loan fund to be funded  
by means of a hotel occupancy  
tax.

You asked for my comments with respect to the desirability of establishing a convention center revolving loan fund as provided in HB 869. Such a fund created in the Department of Commerce and Economic Development would make loans at an interest rate not to exceed 3% to assist in the construction of convention centers. I believe this is not a desirable approach for several reasons:

1. The cash flow from a hotel occupancy tax has not been determined at this time but it is reasonable to expect that it would not initially be sufficient to fund the backlog of loan requests.

2. The revolving loan fund concept does not lend itself to the long term capital financing convention centers require. The revolving funds by definition are more appropriate for shorter term loan investments with larger cash flows.

3. The Department of Commerce and Economic Development is not equipped to administer them as presently described in HB 869. Without a better description of legislative intent with respect to financing priorities there would be no way to rank various loan applications.

4. The transfer of funds from smaller communities to larger ones to finance convention centers as proposed in this bill should require a vote of the people of the State in the form of a bond authorization. By having everyone in the State support the debt service expense on these bonds smaller communities would not be subsidizing larger communities.

5. The entire proposition of building capital projects with tax dollars is uneconomic at this time because of the still remaining low cost tax exempt state debt.

For these reasons I recommend an approach other than that outlined in HB 869 should the State wish to undertake the financing of convention centers.

LCE:ge

cc: R. D. Stevenson  
Gary Jenkins

ALASKA STATE LEGISLATURE

..... Legislature ..... Session

HOUSE ..... NO. ....

By ..... COMMITTEE

..... Convention  
 ..... to  
 ..... and providing for  
 an effective date.

Introduced in the House ..... 1976

HISTORY IN THE HOUSE

19 76

Read first time and referred to Committee on

..... and

Reported back with recommendation that

Read second time and

Read third time and

PASS Effective Date  
 Yeas Yeas  
 Nays Nays  
 Absent Absent  
 Excused Excused

Reconsideration  
 PASS Effective Date  
 Yeas Yeas  
 Nays Nays  
 Absent Absent  
 Excused Excused

Reported correctly engrossed  
 Signed by Speaker  
 Sent to Senate

CHIEF CLERK OF THE HOUSE

HISTORY IN THE SENATE

19

Read first time and referred to Committee on

Reported back with recommendation that

Read second time and

Read third time and

PASS Effective Date  
 Yeas Yeas  
 Nays Nays  
 Absent Absent  
 Excused Excused

Reconsideration  
 PASS Effective Date  
 Yeas Yeas  
 Nays Nays  
 Absent Absent  
 Excused Excused

Reported correctly engrossed  
 Signed by President  
 Returned to House

SECRETARY OF THE SENATE

HISTORY IN THE HOUSE

19

Received from Senate

Reported correctly enrolled

Sent to Governor

..... By Governor

Filed with Lt. Governor

Chapter No. ....

Original sponsor: State Affairs Committee

Offered: 4/12/76  
Referred: Finance

1 IN THE HOUSE

BY THE STATE AFFAIRS COMMITTEE

2 CS FOR HOUSE BILL NO. 869

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - SECOND SESSION

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Offered: 4/12/76  
Referred: Finance

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8 held out to the public to be an inn, motel, hotel, or public lodging  
9 house, or place where sleeping accommodations, whether with or without  
10 meals, are furnished for hire to transient guests.

11 \* Sec. 3. AS 45 is amended by adding a new chapter to read:

12 CHAPTER 87. CONVENTION CENTERS REVOLVING LOAN FUND.

13 Sec. 45.87.010. FUND ESTABLISHED. There is created in the Depart-  
14 ment of Commerce and Economic Development a convention centers revolving  
15 loan fund. Money in this fund shall be loaned to general law and home  
16 rule cities to assist them in the construction of convention centers.

17 Sec. 45.87.020. LOAN FUND SOURCE. The convention centers revolv-  
18 ing loan fund shall consist of repayments made by borrowers and those  
19 funds which may be appropriated to the fund.

20 Sec. 45.87.030. INTEREST ON LOANS. The interest rate on loans  
21 shall not exceed three per cent a year.

22 Sec. 45.87.040. ADMINISTRATION OF LOANS. (a) The convention  
23 centers revolving loan fund shall be administered by the Department of  
24 Commerce and Economic Development which is empowered to adopt procedures  
25 and promulgate regulations necessary to carry out the provisions of this  
26 chapter.

27 (b) The department shall forward all loan applications it recom-  
28 mends for approval to the Convention Centers Revolving Loan Fund Commit-  
29 tee which consists of the commissioner of community and regional affairs

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the commissioner of commerce and economic development, the commissioner of administration, and the commissioner of revenue.

(c) Priority of loans shall be established by the department and shall be subject to review by, and appeal to, the Convention Centers Revolving Loan Fund Committee.

Sec. 45.87.050. ELIGIBILITY FOR PROJECT LOANS. A general law city or a home rule city is an eligible borrower for a project loan under this chapter if the city can demonstrate in its loan application that the project is economically and technically feasible.

\* Sec. 4. This Act takes effect January 1, 1977.

#

THE LEGISLATURE OF THE STATE OF ALASKA  
FISCAL NOTE  
Second Session - Ninth Legislature

I. REQUEST

Bill No. House Bill 869  
 Title: An Act creating a convention centers revolving loan fund to be funded by  
 Requested by: \_\_\_\_\_ Date: hotel occupancy  
 Return Date Requested: \_\_\_\_\_  
 Agency: Revenue Program: Audit

II. FISCAL DETAIL

Budget Request Unit(s) Affected: Audit

A. EXPENDITURES: (Thousands of dollars)

OBJECT	FY 76	FY 77	FY 78	FY 79	FY 80	FY 81
100 PERSONAL SERVICES	-0-	39.4	40.6	41.8	44.3	45.7
200 TRAVEL	-0-	5.0	5.0	5.0	5.0	5.0
300 CONTRACTUAL	-0-	6.0	6.0	6.0	6.0	6.0
400 COMMODITIES	-0-	.3	.3	.3	.3	.3
500 EQUIPMENT	-0-	1.2	--	--	--	--
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
<b>TOTAL</b>	<b>-0-</b>	<b>51.9</b>	<b>51.9</b>	<b>53.1</b>	<b>55.6</b>	<b>57.0</b>

B. FUNDING: (Thousands of dollars)

GENERAL FUND	-0-	51.9	51.9	53.1	55.6	57.0
FEDERAL FUNDS						
OTHER						

C. POSITIONS:

PERMANENT/TEMPORARY	0 / 0	2 / 0	2 / 0	2 / 0	2 / 0	2 / 0
MAN MONTHS (P./T.)	0 / 0	24 / 0	24 / 0	24 / 0	24 / 0	24 / 0

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

The above requested staffing would provide for a Tax Examiner to review and process the tax returns filed under this law and one full-time Auditor to perform the audit functions of the returns filed.

IV. ATTACHMENTS See memo to R. D. Stevenson dated March 14, 1976.

V. DATE: 3-24-76 PREPARED BY: [Signature]  
 Director, Audit Division

Original: Legislative Finance  
 cc: Budget and Management  
 Prime Sponsor (First Legislator Named)

# MEMORANDUM

# State of Alaska

TO: R. D. Stevenson  
Special Assistant

DATE: March 24, 1976

FILE NO:

TELEPHONE NO:

FROM: Gary L. Jenkins  
Director  
Audit Division

SUBJECT: House Bill 869

This bill would provide for a hotel occupancy tax of \$1 per night that a bed is furnished for hire. This tax would be collected from all places of public lodging within the State. The only exception to this rule would be if a general law or home rule city elected to levy the tax themselves to pay outstanding debts to the proposed convention center revolving loan fund.

It is estimated that there are slightly more than 11,600 rooms for hire in the State. Using an estimated average figure of 60% occupancy, this tax would generate approximately \$2,550,000 per year.

The language of the proposed law could create some specific administrative problems. The draft language would levy a tax of \$1 for each night that a bed is furnished for hire. Literally interpreted this could mean that a husband and wife renting a room with twin beds would be charged \$2 tax per night, while if they rent a room with a double bed the tax would be \$1 per night. From an administrative point of view it would seem far more logical to place the tax on the rental of the room rather than the bed.

This bill goes on to create a convention center revolving loan fund, the principal of which would be used to construct convention centers within the State. In light of the fact that convention centers are most likely to be built in the larger cities of the State, there appears to be an inequity created whereby the tax is raised from all around the State but used to benefit a rather small group of cities who might be inclined to construct a convention center.

GLJ:lc

# MEMORANDUM


State of Alaska

TO: Sterling Gallagher  
Commissioner  
Department of Revenue

DATE: March 23, 1976

FILE NO:

TELEPHONE NO:

FROM: Lawrence C. Eppenbach   
Deputy Commissioner, Treasury  
Department of Revenue

SUBJECT: House Bill No. 869, An Act  
creating a convention centers  
revolving loan fund to be funded  
by means of a hotel occupancy  
tax.

You asked for my comments with respect to the desirability of establishing a convention center revolving loan fund as provided in HB 869. Such a fund created in the Department of Commerce and Economic Development would make loans at an interest rate not to exceed 3% to assist in the construction of convention centers. I believe this is not a desirable approach for several reasons:

1. The cash flow from a hotel occupancy tax has not been determined at this time but it is reasonable to expect that it would not initially be sufficient to fund the backlog of loan requests.

2. The revolving loan fund concept does not lend itself to the long term capital financing convention centers require. The revolving funds by definition are more appropriate for shorter term loan investments with larger cash flows.

3. The Department of Commerce and Economic Development is not equipped to administer them as presently described in HB 869. Without a better description of legislative intent with respect to financing priorities there would be no way to rank various loan applications.

4. The transfer of funds from smaller communities to larger ones to finance convention centers as proposed in this bill should require a vote of the people of the State in the form of a bond authorization. By having everyone in the State support the debt service expense on these bonds smaller communities would not be subsidizing larger communities.

5. The entire proposition of building capital projects with tax dollars is uneconomic at this time because of the still remaining low cost tax exempt state debt.

For these reasons I recommend an approach other than that outlined in HB 869 should the State wish to undertake the financing of convention centers.

LCE:ge

cc: R. D. Stevenson  
Gary Jenkins

THE LEGISLATURE OF THE STATE OF ALASKA  
FISCAL NOTE  
Second Session - Ninth Legislature

I. REQUEST  
 Bill No. House Bill 869  
 Title: An Act creating a convention centers revolving loan fund to be funded by  
 Requested by: \_\_\_\_\_ Date: total occupancy  
 Return Date Requested: \_\_\_\_\_  
 Agency: Revenue Program: Audit

II. FISCAL DETAIL  
 Budget Request Unit(s) Affected: Audit  
 A. EXPENDITURES: (Thousands of dollars)

OBJECT	FY 76	FY 77	FY 78	FY 79	FY 80	FY 81
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FEDERAL FUNDS						
OTHER						

C. POSITIONS:

PERMANENT/TEMPORARY	0 / 0	2 / 0	2 / 0	2 / 0	2 / 0	2 / 0
MAN MONTHS (P./T.)	0 / 0	24 / 0	24 / 0	24 / 0	24 / 0	24 / 0

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

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V. DATE: 3-24-76 PREPARED BY: [Signature]  
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Commissioner  
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