

**HB**

**478**

**HFIN**

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**Problems with HB 478**  
**Alaska Department of Commerce and Economic Development**

**Summary**

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This bill eliminates the Alaska Division of Tourism and the Alaska Tourism Marketing Council (ATMC). As a result, the bill abolishes the State's direct role in tourism promotion, leaving Alaska as one of only two states in the United States without a Division of Tourism or other state agency charged with tourism promotion. Under this bill, the State's role in tourism marketing and development is limited to financing tourism efforts via a direct grant with no explicit mechanism for ensuring how funds are used.

The elimination of the Division of Tourism and Alaska Tourism Marketing Council is the only component of the New Millennium Plan as developed by the AVA that is contained in the bill. The bill does not reflect any of the details and private sector funding obligations contained in the Plan. There is no assurance that anything in the New Millennium Plan, other than the agency elimination, will be implemented via the bill.

The Administration opposes this bill as written.

Department's Goals and Objectives from any legislation making changes to the current system of tourism marketing:

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- Retain Division of Tourism as a strong planning and marketing agency.
- Require that the Division conduct marketing in the most efficient manner by providing marketing contracts, with a 30 percent match requirement increasing over time, to any qualifying marketing organization that qualifies and competes for contract funds to conduct marketing that is contained in the Division of Tourism contract specifications. Legislation should acknowledge the Department's willingness to look at alternative methods for achieving this objective.
- Require that tourism marketing contracts be based on an annual tourism marketing plan that is developed with the broad-based participation and input of industry and community representatives and the Division of Tourism.
- Allow the Division of Tourism to retain the authority to conduct direct marketing for new market development or niche markets for small businesses, communities and rural Alaska, as directed by the Administration or Legislature.
- Allow the Division of Tourism to retain the authority to evaluate marketing effectiveness and the performance of marketing contractors.

These details are consistent with the guiding principles we are requiring:

- The State of Alaska maintain a strong oversight role in tourism marketing in keeping with its status as the primary provider of funds;
- That marketing performed be beneficial to all Alaska tourism businesses and communities;
- That any changes made to the current structure have the support of the entire visitor industry in Alaska.

**Detailed concerns**

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**Title:** Do not support eliminating the Division of Tourism.

**Section 1:** Technical change to implement current practice

**Section 2:** Technical change consistent with section 5 that eliminates the Division of Tourism and ATMC.

**Section 3:** Under current law, AS 44.33.119 establishes the purposes for both the Division of Tourism and the ATMC. This section reassigns those purposes to the Department of Commerce & Economic Development. Since the Division of Tourism and ATMC are subdivisions of the Department currently, this section only states explicitly what is implicit under the current law and is unnecessary.

Section 4: Creates a new grant program.

There are substantial problems with this section. It authorizes a grant mechanism to hand-out State general funds for tourism marketing. Grants to named recipients have been the first targets of legislative and administrative budget reductions over the last ten years. Making state tourism promotion dependent on grant funding substantially jeopardizes tourism marketing.

Specific concerns:

Subsection A: The timeline for making grants is unrealistically short. The restriction of grant funds to "generic" marketing does not explicitly allow for important niches of tourism marketing, such as highway marketing, winter marketing, eco-tourism, cultural tourism and rural tourism. It is likely that projects that benefit smaller businesses and communities will not be continued.

Subsection B and C: All materials produced as a result of state funds should be public assets.

Subsection D: The lobbying restriction is too narrow and should be expanded to clearly state that public funds 1) will not be used to help raise funds for lobbying, 2) will not be used to pay overhead costs associated with any lobbying effort, and 3) will be accounted for separately from revenue and expenses associated with any lobbying effort.

Section 5: Repealer section eliminates the Division of Tourism and ATMC and technical changes to accompany the eliminations.

Section 6: Establishes an effective date allowing a one-year transition period, which would be the minimum necessary.

The following items are completely missing from the bill:

- Any intrinsic tie between the state funds and financial participation by the cruise industry, other Alaska tourism businesses and Alaska communities.
- Any discussion of how a "qualified trade association" must be organized in order to assure broad representation of the Alaska tourism industry.
- Any guarantee of any involvement by the government in the management of this marketing program.
- Any guarantee of any funds from any source outside of the government's grant into this marketing program.
- Any guarantees that all tourism businesses in Alaska will receive direct benefits from the marketing effort, without regard for their membership in the qualified trade association.

FY98 Tourism North Program budget & funding sources

Item	Budget	Non Division of Tourism Funding Sources								Total
		General Funds	Interagency Receipts		Program Receipts		Off Budget	Direct Expenditures		
		SOA/Division of Tourism	SOA/Governor's Office	SOA/DOT	Yukon Govt.	City of Prince Rupert	Private company funds from Ad Sales	Yukon Wilderness Tourism Association	Microsoft	
North to Alaska printing & production	\$ 336,082.31	\$ 6,273.31				\$ 31,500.00	\$ 298,309.00			\$ 336,082.31
North to Alaska fulfillment	\$ 200,400.00	\$ 105,370.00		\$ 35,400.00	\$ 29,630.00	\$ 30,000.00				\$ 200,400.00
Internet Development	\$ 62,400.00				\$ 23,900.00	\$ 38,500.00				\$ 62,400.00
New map development	\$ 12,470.00				\$ 12,470.00					\$ 12,470.00
Misc. Collateral & PR	\$ 59,600.00	\$ 30,100.00			\$ 29,500.00					\$ 59,600.00
Letterhead	\$ 5,509.21	\$ 5,509.21								\$ 5,509.21
FY97 program wrap-up	\$ 63,405.00	\$ 33,405.00			\$ 30,000.00					\$ 63,405.00
Program management	\$ 77,350.00	\$ 77,350.00								\$ 77,350.00
MS Expedia /On-line advertising blitz	\$ 200,000.00			\$ 100,000.00				\$ 25,000.00	\$ 75,000.00	\$ 200,000.00
Zonkl Productions: North to Alaska sponsor	\$ 123,500.00		\$ 50,000.00	\$ 63,000.00	\$ 10,500.00					\$ 123,500.00
8 Targeted RV Shows	\$ 20,000.00	\$ 10,000.00			\$ 10,000.00					\$ 20,000.00
RV Caravan Leaders/RVIA show	\$ 15,623.45	\$ 3,623.45		\$ 12,000.00						\$ 15,623.45
MV Kennicott Roll-out PR	\$ 50,000.00			\$ 50,000.00						\$ 50,000.00
Travelscope Co-promotion	\$ 3,424.87	\$ 3,424.87								\$ 3,424.87
<b>Totals</b>	<b>\$ 1,229,764.84</b>	<b>\$ 275,055.84</b>	<b>\$ 50,000.00</b>	<b>\$ 260,400.00</b>	<b>\$ 146,000.00</b>	<b>\$ 100,000.00</b>	<b>\$ 298,309.00</b>	<b>\$ 25,000.00</b>	<b>\$ 75,000.00</b>	<b>\$ 1,229,764.84</b>

Notes

- 1) The total figure here represents the total value of the marketing effort, not the amount of money being accounted for in AKSYS
- 2) The FY98 Budget anticipated spending \$427,400 for Tourism North: \$196,000 Division GF; \$96,000 Yukon PR; \$100,000 BC PR; \$35,400 AMHS IA
- 3) Revenue from ad sales was directed by Legislative Intent to be taken off the budget and accounted for outside the state system
- 4) Funding from the Yukon Wilderness Tourism Association and Microsoft will be expended directly and not pass through the State.
- 5) Additional interagency funding from RSAs totals \$275,000
- 6) Additional funding from reallocated GF contractual funds within the Division of Tourism totals \$79,055
- 7) Additional program receipt funding from Tourism Yukon totals \$50,000
- 8) Funds from Prince Rupert were received as program receipts originally anticipated to be received from Tourism BC

Does the New Millenium Plan really mean more money for tourism marketing?

(thousands of dollars)

	FY98 Actuals	FY00 Proposed	Percent Change (1)	FY01 Proposed	Percent Change (1)	FY02 Proposed	Percent Change (1)
State of Alaska	5,299.7	5,000.0	-6%	4,500.0	-15%	4,000.0	-25%
Pay to Play	2,601.0	1,700.0	-35%	2,000.0	-23%	2,400.0	-8%
Interagency (2)	401.8	0.0	-100%	0.0	-100%	0.0	-100%
Other funding (3)	75.0	0.0	-100%	0.0	-100%	0.0	-100%
Cruise Line Donation	0.0	1,000.0	n/a	1,500.0	n/a	2,000.0	n/a
Community Donation	0.0	300.0	n/a	700.0	n/a	1,000.0	n/a
Memberships	0.0	300.0	n/a	350.0	n/a	400.0	n/a
Convention	0.0	200.0	n/a	200.0	n/a	200.0	n/a
Reserve	0.0	500.0	n/a	200.0	n/a	0.0	n/a
FY97 AVA Budget (4)	1,047.3	0.0	-100%	0.0	-100%	0.0	-100%
<b>Total</b>	<b>9,424.8</b>	<b>9,000.0</b>	<b>-5%</b>	<b>9,450.0</b>	<b>0%</b>	<b>10,000.0</b>	<b>6%</b>

Notes:

(1) From FY98 Actuals

(2) Interagency receipts are primarily Alaska Marine Highway funds for the Tok Reservation Center and Tourism North, RSA'ed to the Division of Tourism, for targeted highway marketing and other state agencies for publication assistance.

(3) Received from Microsoft by Division of Tourism, for Internet tourism marketing program.

(4) AVA Budget figures were taking by accumulating Management & General (\$651,829) and AVA Fundraising (\$395,451) for the fiscal year ended June 30, 1997. Not included were Cooperative marketing, travel pac, education and "other".

- Trade promotion participation and fairs
- Research
- Brochure distribution
- Meeting and workshop registrations
- Film footage access

### E. FUNDING GOALS

Direct Contributions	Transition			
	FY99	FY00	FY01	FY02
General Memberships	0	.3	.35	.4
DMOs/Communities	0	.3	.7	1.0
Cruise Companies	0	1.0	1.5	2.0
Pay-to-Play Programs	1.4	1.7	2.0	2.4
State	5.3	5.0	4.5	4.0
<b>Total</b>	<b>6.7</b>	<b>8.3</b>	<b>9.05</b>	<b>9.8</b>
<u>Other Income</u>				
Convention & Sponsorships	0	.2	.2	.2
Reserve	.8	.5	.2	0
<b>Total Other income</b>	<b>.8</b>	<b>.7</b>	<b>.4</b>	<b>.2</b>
<b>Total Budget</b>	<b>7.5</b>	<b>9.0</b>	<b>9.45</b>	<b>10.0</b>

### F. TIMELINE

Implementation of this proposal would require one full transition year, beginning July 1, 1998. During this time, a transition team comprised of two representatives each from the ATMC, AVA, State of Alaska, and DMOs would form to incorporate the new organization, write bylaws and facilitate the election of the first Board of Directors. The directors of each of the existing organizations would also serve as advisors to this transition team.

To ensure a smooth transition, between July 1, 1998 and June 30, 1999, the three current organizations would continue to operate concurrently with the new organization. On July 1, 1999, the new organization would officially take over the marketing and development functions currently served by the existing organizations. The current ATMC board would automatically serve as Visit Alaska marketing directors for the first year. Once seated, the Alaska Tourism Industry Association Board of Directors would hire the Chief Staff Executive. Staff of the current organizations would be given first priority for positions with the new organization.

#### **1998**

January Revised plan distributed to travel and tourism businesses statewide for approval  
 March Final proposal presented to legislature  
 July Transition team begins work on bylaws and articles of incorporation  
 September Elections held for new organization's first Board of Directors

#### **1999**

July 1 New organization begins full operation

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Interagency (2)	401.8	0.0	-100%	0.0	-100%	0.0	-100%
Other funding (3)	75.0	0.0	-100%	0.0	-100%	0.0	-100%
Cruise Line Donation	0.0	1,000.0	n/a	1,500.0	n/a	2,000.0	n/a
Community Donation <small>local bus</small>	0.0	300.0	n/a	700.0	n/a	1,000.0	n/a
Memberships	0.0	300.0	n/a	350.0	n/a	400.0	n/a
Convention	0.0	200.0	n/a	200.0	n/a	200.0	n/a
Reserve	0.0	500.0	n/a	200.0	n/a	0.0	n/a
1997 AVA Budget (4)	1,047.3	0.0	-100%	0.0	-100%	0.0	-100%
<b>Total</b>	<b>9,424.8</b>	<b>9,000.0</b>	<b>-5%</b>	<b>9,450.0</b>	<b>0%</b>	<b>10,000.0</b>	<b>6%</b>

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way AVA set up your votes depend on how much you pay!

# **“The New Millennium Plan”**

## ***A Concept for Shaping the Future of Tourism Promotion in Alaska***

**March 9, 1998**

### **INTRODUCTION**

Presented in this document is an industry-led initiative to regain Alaska's competitive position as a visitor destination and to consolidate Alaska's statewide tourism organizations – the Alaska Tourism Marketing Council, Alaska Division of Tourism and the Alaska Visitors Association – into one new, non-profit organization.

These changes are being proposed because Alaska is losing ground compared to other destinations worldwide. The State of Alaska's budget for tourism marketing has declined by 60 percent since 1990 and the growth rate for tourism has declined from 13 percent to 3 percent. At the same time many more Alaskans are looking to the visitor industry for their livelihood. Without a renewed effort to regain our position in the marketplace, the downward trends will continue.

Rather than continue to watch Alaska's marketing decline, the tourism industry has taken a proactive approach in dealing with the problem. Under this proposal, the industry would greatly increase its marketing contribution and the State would continue to provide a core level of funding through an accountable fee-for-services contract with the new non-profit organization. After a phase-in period, the goal is to raise a minimum of \$10 million, with \$6 million coming from the private sector and \$4 million coming from the state. This represents a 25 percent reduction in state general funds and a more than 300 percent increase in private sector funds.

If adopted, this plan would:

- Shift marketing efforts to a private entity that combines the activities of the Alaska Tourism Marketing Council, Alaska Visitors Association and the marketing functions of the Division of Tourism.
- Decrease confusion and eliminate any duplication of efforts among agencies.
- Return Alaska's marketing efforts to a more competitive position.
- Increase private sector funding while decreasing state funding.
- Allow communities the ability to leverage their own marketing dollars with a statewide marketing program.
- Place greater emphasis on funding from cruise companies while reducing the cost of participation for Alaska's smallest businesses.

If the state joins the industry in support of this plan, a transition team with representatives of each existing organization would work to finalize details of the new organization and conduct the election of the first board of directors during FY99. This would begin a three-year funding phase-in period as outlined on page 14 of the plan. If there are questions regarding this plan, please contact the Alaska Visitors Association at 907-561-5733.