

SB

350

HFIN

FILE

HOUSE COMMITTEE REPORT

(11)

Date Referred to Committee: May 5, 1998

FURTHER REFERRALS:

Date of Committee Action: 5/7/98

The FINANCE Committee considered:

CSSB 350(FIN)

CS FOR SENATE BILL NO. 350(FIN)

ABOLISH TOURISM MARKETING COUNCIL

“An Act relating to tourism and tourism marketing; eliminating the Alaska Tourism Marketing Council; and providing for an effective date.”

recommends it be replaced with the following committee substitute HCS CS SB 350(FIN) the same title a new title

additional referral to _____ Committee
 attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(s): (Dept) _____

APPROVES PREVIOUS: (Dept/Date)

fiscal note(s) _____

fiscal note(s) DCED 5/2/98

zero fiscal note(s) _____

zero fiscal note(s) _____

SIGNING WITH RECOMMENDATIONS		DP	DNP	NR	AM
<i>[Signature]</i>	Therriault	X			
<i>[Signature]</i>	Mulder	X			
<i>[Signature]</i>	Martin			X	
<i>[Signature]</i>	Kohring				X
<i>[Signature]</i>	J. Davies	X			
<i>[Signature]</i>	Grissefont			X	
<i>[Signature]</i>	Moses			X	
<i>[Signature]</i>	G. Davis	X			
<i>[Signature]</i>	Kelly	X			

CHAIR'S SIGNATURE *[Signature]*

FISCAL NOTE

No. 1
 Bill Version: CSSB350 (FIN)
 (S) Publish Date: 5/2/98

STATE OF ALASKA
1998 LEGISLATIVE SESSION

Revision Date (Note if correction) 5/1/98 Dept. Affected Commerce
 Title An Act relating to tourism and tourism marketing; BRU Tourism
eliminating the ATMC Component Tourism Development #2278
 Sponsor Senate Finance AK Tourism Market Coun #1026
 Requester Senate Finance Component Serial No. _____

Expenditures/Revenues

(Thousands of Dollars)

OPERATING EXPENDITURES	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
Personal Services		(206.4)	(206.4)	(206.4)		
Travel		(53.4)	(53.4)	(53.4)		
Contractual		(1,707.6)	(2,207.6)	(2,707.6)		
Supplies						
Equipment						
Land & Structures						
Grants & Claims		(60.0)	(60.0)	(60.0)		
Miscellaneous						
TOTAL OPERATING	0.0	(2,027.4)	(2,527.4)	(3,027.4)	0.0	0.0

CAPITAL EXPENDITURES						
CHANGE IN REVENUES ()		1,000.0				

FUND SOURCE

(Thousands of Dollars)

FUND SOURCE	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
1002 Federal Receipts						
1003 GF Match						
1004 GF		(299.3)	(799.3)	(1,299.3)		
1005 GF/Program Receipts		(355.3)	(355.3)	(355.3)		
1037 GF/Mental Health						
Other (Specify Type)		(1,372.8)	(1,372.8)	(1,372.8)		
TOTAL	0.0	(2,027.4)	(2,527.4)	(3,027.4)	0.0	0.0

Estimate of any current year (FY98) cost: _____

POSITIONS

POSITIONS	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
Full-time		(3)	(3)	(3)		
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

Assumes General Fund reduction as outlined in the Alaska Visitor's Association "New Millenium Plan".
 Changes in FY 2000 revenue is as a result of the cancellation of the current AVA contract with the Department of Commerce and Economic Development.

Prepared by Tom Garcia, Director
 Division Tourism Development
 Approved by Commissioner [Signature]
 Agency [Signature]

Phone 465-5472
 Date 5/1/98
 Date 5/1/98

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE

For further distribution information, call the Governor's Legislative Office

"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.

SECTIONAL ANALYSIS
CS FOR SENATE BILL 350 (FIN)

Section 1

provides for an exemption from the procurement code for the tourism marketing contracts entered into with a single qualified trade association under AS 44.33.125(a) and (b), enacted in Section 5.

Section 2

amends the statute that lists those public officials who must file conflict of interest statements by deleting the reference to the executive director of the Alaska Tourism Marketing Council ("ATMC").

Section 3

amends the statute that currently lists the purposes of the Division of Tourism and the Alaska Tourism Marketing Council in two ways. First, the statutory references to the ATMC are deleted. Second, the word "generic" in subsection (4) is deleted to meet the Department of Commerce and Economic Development's concern that the term "generic" might preclude regional or seasonal tourism promotions as well as promotions that target specific segments of the tourism industry such as highway marketing, ecotourism, cultural tourism and rural tourism.

Section 4

repeals and reenacts the statute that lists the duties of the Division of Tourism. All references to the ATMC have been deleted, as well as references to a number of the Division's current promotion and marketing functions. Three new duties have been added -- tourism planning and advocacy in cooperation with the private sector, municipalities, and state and federal agencies; evaluating the tourism marketing contract program enacted in Section 5 of the bill; and conducting research about Alaska's visitor industry.

Section 5

adds AS 44.33.125 to the statutes governing the Division of Tourism. Subsection (a) would require the Division to contract each year with a single qualified trade association for the purpose of planning and executing the State's primary destination tourism marketing campaign. The contract would be subject to a legislative appropriation for

that purpose, and the single qualified trade association would be required to provide matching funds of at least 30 percent of the costs of the marketing campaign. Subsection (a) also makes it clear that the marketing campaign can promote seasonal and regional tourism as well as other segments of tourism marketing.

Subsection (b) is designed to allow the Division of Tourism to enter into contracts for relatively small marketing or promotional programs that are not currently being addressed under the primary marketing contract, but the qualified trade association has a right of first refusal to undertake the program itself as part of the primary marketing contract entered into under subsection (a), provided it contributes the required percentage of matching funds.

Subsection (c) requires that the marketing campaign be conducted by a group within the qualified trade association that is composed of people who either have tourism marketing experience or are currently state or local government officials or senior staff members of state or local governments or nonprofit corporations that promote the visitor industry.

Subsection (d) is designed to address issues that have arisen in the past concerning the cooperative marketing program. This subsection makes it clear that all of the advertising materials and tourism information and data produced as part of the marketing campaign are the joint property of the qualified trade association and the Division of Tourism and that any funds generated by the association under the contract are retained by the association. The association, therefore, will be able to sell or lease materials, information or data (with appropriate legal restrictions as to its use) that are generated under the contract. This subsection also requires the trade association to make mailing lists available to non-members as well as members, but allows the association to charge an additional amount to a non-member to ensure that a non-member pays roughly the same amount for the lists that members will pay. Finally, it expressly provides that the association may restrict the right of a person to sell or give the mailing lists to other persons.

Subsection (e) requires the trade association to share the materials, information or data produced under the contract with the Division, and provides that the materials and information, which may have commercial value, are not public records. Subsection (f) would prohibit the trade association from using contract funds for lobbying. Subsection (g) defines "qualified trade association" as a

nonprofit organization whose purposes are to promote tourism to and within the state and whose membership is broadly representative of the visitor industry throughout the state.

Sections 6 and 7

increase the amount of matching funds that must be provided by the qualified trade association from 30 percent to 60 percent, beginning July 1, 2001 (Fiscal Year 2002), for both the tourism marketing contract under AS 44.33.125(a) and for other contracts that the association might enter into with the Division under AS 44.33.125(b).

Section 8

repeals all existing statutes dealing with the powers, duties, and responsibilities of the Alaska Tourism Marketing Council. AS 44.33.135, a statute that establishes a matching grant program for tourism promotion or development, is also repealed. This program has not been funded for many years. A list describing all of the repealed sections is attached.

Section 9

provides for a July 1, 1999 effective date for the all sections of the bill except sections 6 and 7. The one year delay will provide time for transition to the new program.

Section 10

provides that sections 6 and 7 take effect July 1, 2001.

CS SB 350 (FIN) Sectional Analysis

Section 1. Exempts contract to a qualified trade association awarded under AS 44.33.125(a) and .125(b) (section 5).

Section 2. Removes the executive director of the Alaska Tourism Marketing Council from the definition of public official.

Section 3. Amends the purposes of the state's tourism promotion statutes to remove "generic". This allows more flexibility for marketing of specific niche markets.

Section 4. Amends the authority of the Division of Tourism to promote the visitor industry in Alaska by removing specific examples of promotional activities.

Section 5. (a) Provides authority for the Division of Tourism to contract with a qualified trade association for the purpose of planning and executing a destination marketing campaign. The contract can only be awarded if the qualified trade association provides 30 percent of the total costs of the contract marketing campaign.

(b) Provides the qualified trade association under contract in AS 44.33.125(a) with the first right of refusal on all contracts offered by the Division of Tourism subject to meeting the match requirement.

(c) Requires that the qualified trade association conducting the contract under (a) must be broadly representative of the various sectors of the Alaska visitor industry.

(d) Materials produced and marketing information and tourism data generated under the tourism marketing contract awarded under (a) is the joint property of the qualified trade association and the Alaska Division of Tourism. The qualified trade association can retain revenue generated under the contract. The sale of mailing lists can be restricted and an additional fee can be charged to non-members for the sale of the list.

(e) The qualified trade association must provide any information requested to the Alaska Division of Tourism but the information and materials generated under the contract are not public information.

(f) The qualified trade association can not use money from the contract for lobbying.

(g) Defines qualified trade association as a group whose primary purpose is the promotion of tourism within the state and has statewide membership consisting of all major sectors of the visitor industry.

Section 6. Increases the industry contribution for AS 44.33.125(a) contracts from 30 percent of the marketing contract to 60 percent of the marketing contract on July 1, 2001.

Section 7. Increases the industry contribution for AS 44.33.125(b) first-right-of-refusal contracts from 30 percent to 60 percent on July 1, 2001.

Section 8. Repeals statutes pertaining to the Alaska Tourism Marketing Council abolished by the bill.

Sections 9 and 10. Effective dates—all sections on July 1, 1999 except for the increased percentage that takes effect in three years on July 1, 2001.

Prepared by Alaska Department of Commerce and Economic Development, May 6, 1998

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

130 Seward Street, Suite 409
Juneau, Alaska 99801-2105

MEMORANDUM

May 7, 1998

SUBJECT: Tourism marketing (HCS CSSB 350(FIN))

TO: Representative Gene Therriault, Co-chair
House Finance Committee
Attn: Shar Smith

FROM: Tamara Brandt Cook
Director

*This is
the 1st
R/O
do NOT transmit.*

TBC

Here is the final bill you requested incorporating an amendment that has the effect of permitting the state to implement its marketing plan through more than one contract. With the permission of Louanne Christian, I have made the following conforming changes:

(1) Page 3, line 10 and page 5, line 9 I deleted the word "single" because under the amendment more than one trade association may be awarded a tourism marketing contract;

(2) Page 3, line 22 and page 5, line 22 I changed the reference to "A qualified trade association" to "Each qualified trade association" to reflect the fact that more than one trade association may be involved;

(3) Page 3, line 24 and page 5, line 24 I changed "the right of first refusal" to "a right of first refusal" to reflect the fact that more than one trade association with more than one right of first refusal may be involved.

The result of these changes is a little curious. Under AS 44.33.125(b) possibly more than one trade association will be granted a right of first refusal on other tourism related contracts, but how that right will apply as between the various trade associations is not clear. It may be that the division of tourism will be able to come up with a method of selecting between them.

TBC:glc
98-269.glc

Enclosure

HOUSE COMMITTEE REPORT

(11)

Date Referred to Committee: May 5, 1998

FURTHER REFERRALS:

Date of Committee Action: 5/6/98

The FINANCE Committee considered:

CSSB 350(FIN)

CS FOR SENATE BILL NO. 350(FIN)

ABOLISH TOURISM MARKETING COUNCIL

“An Act relating to tourism and tourism marketing; eliminating the Alaska Tourism Marketing Council; and providing for an effective date.”

recommends it be replaced with the following committee substitute HCS CS SB 350(FIN) the same title a new title

additional referral to _____ Committee
 attached amendment()

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) _____ APPROVES PREVIOUS: (Dept/Date) DCED 5/2/98
 fiscal note(s) _____ fiscal note(s) _____

zero fiscal note(s) _____ zero fiscal note(s) _____

SIGNING WITH RECOMMENDATIONS		DP	DNP	NR	AM
<i>Gene Therriault</i>	Therriault	X			
<i>Gordon Field</i>	Field	X			
<i>Cherry Martin</i>	Martin			X	
<i>John A. Davis</i>	J. DAVIS	X			
<i>W. R. Johns</i>	Johns				X
<i>Ben S. ...</i>	quessendat			X	
<i>Paul G. Moses</i>	Moses			X	
<i>George L. ...</i>	G. DAVIS	X			
<i>John Kelly</i>	Kelly	✓			

CO-CHAIR'S SIGNATURE *Gene Therriault*
 Therriault

0-LS1695\P
Cook
5/6/98

adopted (6-2) 5/6/98

HOUSE CS FOR CS FOR SENATE BILL NO. 350(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTIETH LEGISLATURE - SECOND SESSION

BY THE HOUSE FINANCE COMMITTEE

**Offered:
Referred:**

Sponsor(s): SENATE FINANCE COMMITTEE

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to tourism and tourism marketing; eliminating the Alaska**
2 **Tourism Marketing Council; and providing for an effective date."**

3 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

4 *** Section 1.** AS 36.30.850(b) is amended by adding a new paragraph to read:

5 (38) a tourism marketing contract awarded under AS 44.33.125(a) or
6 a tourism related contract awarded under AS 44.33.125(b) to a qualified trade
7 association with a right of first refusal.

8 *** Sec. 2.** AS 39.50.200(a)(8) is amended to read:

9 (8) "public official" means a judicial officer, the governor, the
10 lieutenant governor, a person hired or appointed as the head or deputy head of, or
11 director of a division, a department in the executive branch, an assistant to the
12 governor, chair or member of a state commission or board, state investment officers
13 and the state comptroller in the Department of Revenue, [THE EXECUTIVE
14 DIRECTOR OF THE ALASKA TOURISM MARKETING COUNCIL,] and each

1 appointed or elected municipal officer;

2 * Sec. 3. AS 44.33.119 is amended to read:

3 **Sec. 44.33.119. Purposes.** The purposes of AS 44.33.119 - 44.33.125
4 [AS 44.33.119 - 44.33.135 AND AS 44.33.700 - 44.33.735] are to

5 (1) encourage the expansion and growth of the state's visitor industry
6 for the benefit of the citizens of the state;

7 (2) ensure that the economic benefits to be derived from tourism in the
8 state are retained in the state, to the greatest extent possible;

9 (3) ensure that a maximum number of residents of the state are
10 employed in the tourism industry;

11 (4) promote cooperation between the state and private sector in the
12 planning and execution of a [GENERIC] visitor marketing campaign in the public
13 interest;

14 (5) promote the development of visitor industry facilities, both in the
15 public sector and the private sector, through the use of state resources, as appropriate;

16 (6) ensure that the visitors' experience in the state is and continues to
17 be satisfactory and leads to word-of-mouth advertising and return visits to the state;

18 (7) ensure that consideration is given in the development and
19 implementation of the tourism program to local community goals and objectives, to
20 impacts on existing private enterprises, and to impacts on recreational and subsistence
21 opportunities for the residents of the state;

22 (8) promote the development of tourism opportunities along the
23 highway system of the state, including the marine highway, and in rural areas of the
24 state.

25 * Sec. 4. AS 44.33.120(b) is repealed and reenacted to read:

26 (b) The Alaska division of tourism shall

27 (1) cooperate with organizations in the private sector for the promotion
28 and development of tourism into and within the state;

29 (2) coordinate with municipal, state, and federal agencies for the
30 development of tourism resources in the state;

31 (3) promote and develop the state's tourist industry;

1 (4) plan and advocate for tourism and tourism development in
2 coordination with the private sector, municipalities, state, and federal agencies;

3 (5) administer and evaluate the tourism marketing contract program
4 under AS 44.33.125;

5 (6) administer visitor information centers; and

6 (7) conduct research about the state's visitor industry.

7 * **Sec. 5.** AS 44.33 is amended by adding a new section to read:

8 **Sec. 44.33.125. Tourism marketing contracts and other tourism related**
9 **contracts.** (a) Subject to appropriations for the purpose, the Alaska division of
10 tourism shall, on or before August 1 of each year, contract with a single qualified trade
11 association for the purpose of planning and executing a destination tourism marketing
12 campaign. The contract may be awarded only if the qualified trade association
13 provides matching funds equal to at least 30 percent of the costs of the marketing
14 campaign described in the contract. The marketing campaign may include media
15 advertising, establishing and operating a system for responding to visitor inquiries,
16 publishing and distributing information regarding vacation planning, establishing and
17 maintaining Internet sites that provide tourist information, and other activities related
18 to tourism that the division may designate in the contract. The marketing campaign
19 may promote distinct segments of tourism, such as highway tourism, seasonal tourism,
20 ecotourism, cultural tourism, regional tourism, and rural tourism.

21 (b) A qualified trade association that has been awarded a tourism marketing
22 contract under (a) of this section has, while the contract is in effect, the right of first
23 refusal for every other tourism related contract offered by the Alaska division of
24 tourism if the trade association provides matching funds equal to at least 30 percent
25 of the amount of the other tourism related contract.

26 (c) The marketing campaign conducted under a tourism marketing contract
27 awarded under (a) of this section must be directed by a group within the qualified
28 trade association that is broadly representative of the various sectors of the visitor
29 industry in the state and whose members are

30 (1) involved in a visitor industry business and have training in tourism
31 marketing; or

1 (2) officers or senior staff members of a state agency, a local
2 government, or a nonprofit enterprise established to promote the visitor industry.

3 (d) Materials produced and marketing information and tourism related data
4 generated by the qualified trade association under a contract awarded under (a) or (b)
5 of this section are the joint property of the qualified trade association and the Alaska
6 division of tourism. However, the qualified trade association may only use or permit
7 the use of the materials, information, or data to promote Alaska tourism. The qualified
8 trade association retains all revenue generated by the association under the contract.
9 If a qualified trade association provides the right to use a mailing list generated under
10 the contract, the list must be made available to every person at the same price except
11 that a person who is not a participant in the qualified trade association's marketing
12 program may be charged an additional amount based on the amount of the qualified
13 trade association's participation fee attributable to a participant's right of access to
14 mailing lists. The qualified trade association may restrict the right of a person to sell,
15 lease, or give the mailing list to other persons.

16 (e) A qualified trade association shall provide, on request, to the Alaska
17 division of tourism materials produced and marketing information and tourism related
18 data generated by the qualified trade association under a contract awarded under (a)
19 or (b) of this section, but the materials, information, and data provided to the division
20 are not public records under AS 09.25.100 - 09.25.220.

21 (f) A qualified trade association may not use money from a contract awarded
22 under (a) or (b) of this section

23 (1) to lobby a municipality or an agency of a municipality or to lobby
24 the state or an agency of the state as defined in AS 44.99.030(b);

25 (2) to raise funds that will be used to lobby a municipality or an agency
26 of a municipality or to lobby the state or an agency of the state as defined in
27 AS 44.99.030(b); or

28 (3) for administrative or overhead costs associated with any effort to
29 lobby a municipality or an agency of a municipality or to lobby the state or an agency
30 of the state as defined in AS 44.99.030(b).

31 (g) In this section, "qualified trade association" means a private, nonprofit

1 organization whose primary purposes include the promotion of tourism within the state
2 and encouraging tourists to visit the state and that has a statewide membership
3 consisting of representatives of all major sectors of the visitor industry, including
4 hotels, airlines, cruise lines, wholesale and retail travel agencies, visitor attractions, and
5 convention and visitors bureaus.

6 * Sec. 6. AS 44.33.125(a) is amended to read:

7 (a) Subject to appropriations for the purpose, the Alaska division of tourism
8 shall [MAY], on or before August 1 of each year, contract with a single qualified trade
9 association for the purpose of planning and executing a destination tourism marketing
10 campaign. The contract may be awarded only if the qualified trade association
11 provides matching funds equal to at least 60 [30] percent of the costs of the marketing
12 campaign described in the contract. The marketing campaign may include media
13 advertising, establishing and operating a system for responding to visitor inquiries,
14 publishing and distributing information regarding vacation planning, establishing and
15 maintaining Internet sites that provide tourist information, and other activities related
16 to tourism that the division may designate in the contract. The marketing campaign
17 may promote distinct segments of tourism, such as highway tourism, seasonal tourism,
18 ecotourism, cultural tourism, regional tourism, and rural tourism.

19 * Sec. 7. AS 44.33.125(b) is amended to read:

20 (b) A qualified trade association that has been awarded a tourism marketing
21 contract under (a) of this section has, while the contract is in effect, the right of first
22 refusal for every [ANY] other tourism related contract offered by the Alaska division
23 of tourism if the trade association provides matching funds equal to at least 60 [30]
24 percent of the amount of the other tourism related contract.

25 * Sec. 8. AS 39.25.110(27); AS 39.50.200(b)(49); AS 44.33.135, 44.33.700, 44.33.705,
26 44.33.710, 44.33.715, 44.33.720, 44.33.723, 44.33.725, 44.33.727, 44.33.730, 44.33.733,
27 44.33.735; AS 44.66.010(a)(15); and AS 44.99.030(a)(14) are repealed.

28 * Sec. 9. Sections 1 - 5 and 8 of this Act take effect July 1, 1999.

29 * Sec. 10. Sections 6 and 7 of this Act take effect July 1, 2001.

5-6-98

adopted
John Daves #1

p. 3 l 2' after (b)

Notwithstanding (a) of this section, the state
may implement its marketing plan via
~~two or more than one contracts, provided~~
~~that each contract be matched by 30%~~
~~by the successful applicant.~~