

SB

107

SFIN

FILE

4/22/99

SENATE FINANCE COMMITTEE REPORT

DATE: 4/1/99

FURTHER:

DATE TURNED IN TO OFFICE: 4/22/99

Finance Committee considered

SENATE BILL NO. 107

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

and recommends:

- be replaced with _____ CS SB 107 (FIN)
- adopt previous _____ CS _____
- attached amendment(s) forthcoming
- adopt Letter of Intent by _____ CS
- further referral to the _____

- Senate Bill:
- same title
 - new title
- House Bill:
- same title
 - technical title
 - new: SCR# _____

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
<i>[Signature]</i>	<input checked="" type="checkbox"/>	<i>[Signature]</i>	<input checked="" type="checkbox"/>		
<i>[Signature]</i>	<input checked="" type="checkbox"/>	<i>[Signature]</i>	<input checked="" type="checkbox"/>		
		<i>[Signature]</i>	<input checked="" type="checkbox"/>		
		<i>[Signature]</i>			<input checked="" type="checkbox"/>
Co-Chair: <i>[Signature]</i>	<input checked="" type="checkbox"/>	Co-Chair:			
Co-Chair: <i>[Signature]</i>		Co-Chair: <i>[Signature]</i>	<input checked="" type="checkbox"/>		

NEW FISCAL NOTE(S):

Department Date Zero Fiscal

PREVIOUS FISCAL NOTE(S):*

Department Date Zero Fiscal

APPROPRIATION -- no fiscal note

*include fiscal notes accompanying Governor's bill

FISCAL NOTE

4/22/99

STATE OF ALASKA
1999 Legislative Session

BILL NO. SB 107

Revision Date: 04/23/99
Title: Abolish Alaska Tourism Marketing Council

Dept. Affected: Commerce and Economic Dev.
BRU: Tourism
Component: ATMC

Sponsor: Senate Labor and Commerce Committee
Requestor: Senate Finance Committee

Component Serial No. _____

Expenditures/Revenues

(Thousands of Dollars)

OPERATING EXPENDITURES	FY 00	FY01	FY02	FY03	FY04	FY05
Personal Services	216.8	0.0	0.0	0.0	0.0	0.0
Travel	53.4	0.0	0.0	0.0	0.0	0.0
Contractual	4,361.1	0.0	0.0	0.0	0.0	0.0
Supplies	4.0	0.0	0.0	0.0	0.0	0.0
Equipment	0.0	0.0	0.0	0.0	0.0	0.0
Land & Structures	0.0	0.0	0.0	0.0	0.0	0.0
Grants & Claims	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	4,635.3	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
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CHANGE IN REVENUES []	0.0	0.0	0.0	0.0	0.0	0.0
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FUND SOURCE

(Thousands of Dollars)

1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0
1004 GF	3,335.4	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts	1,299.9	0.0	0.0	0.0	0.0	0.0
1037 GF/Mental Health	0.0	0.0	0.0	0.0	0.0	0.0
1091 Designated Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	4,635.3	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY99) costs: 0.0

POSITIONS

Full-time	3	0	0	0	0	0
Part-time	0	0	0	0	0	0
Temporary	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

Prepared By: SENATE FINANCE COMMITTEE

Sean Parnell
SENATOR SEAN PARNELL, CO-CHAIR

Date: 4/23/99
Phone: 465-2995

John Torgerson
SENATOR JOHN TORGERSON, CO-CHAIR

Date: 4/23/99
Phone: 465-2828

FISCAL NOTE

REPORTED OUT OF

SSC 4/22/99

STATE OF ALASKA
1999 Legislative Session

BILL NO. SB 107

Revision Date: 04/23/99
Title: Abolish the Alaska Tourism Marketing Council
Sponsor: Senate Labor and Commerce Committee
Requester: Senate Finance Committee

Dept. Affected: Commerce and Economic Dev.
BRU: Tourism
Component: Tourism Development
Component Serial No.:

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY 00	FY01	FY02	FY03	FY04	FY05
Personal Services	573.6	400.0	400.0	400.0	400.0	400.0
Travel	71.1	30.0	30.0	30.0	30.0	30.0
Contractual	1,361.2	5,200.0	4,700.0	4,200.0	4,200.0	4,200.0
Supplies	12.0	10.0	10.0	10.0	10.0	10.0
Equipment	0.0	0.0	0.0	0.0	0.0	0.0
Land & Structures	0.0	0.0	0.0	0.0	0.0	0.0
Grants & Claims	60.0	60.0	60.0	60.0	60.0	60.0
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	2,077.9	5,700.0	5,200.0	4,700.0	4,700.0	4,700.0

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
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CHANGE IN REVENUES []	0.0	0.0	0.0	0.0	0.0	0.0
------------------------	-----	-----	-----	-----	-----	-----

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts	0.0					
1003 GF Match	0.0					
1004 GF	1,983.0	5,700.0	5,200.0	4,700.0	4,700.0	4,700.0
1005 GF/Program Receipts	0.0					
1037 GF/Mental Health	0.0					
1108 Designated PR	94.9	0.0	0.0	0.0	0.0	0.0
TOTAL	2,077.9	5,700.0	5,200.0	4,700.0	4,700.0	4,700.0

Estimate of any current year (FY99) costs: 0.0

POSITIONS

Full-time	11	0	0	0	0	0
Part-time	3	0	0	0	0	0
Temporary	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

Prepared By: SENATE FINANCE COMMITTEE

Sean Parnell
SENATOR SEAN PARNELL, CO-CHAIR

Date: 4/23/99
Phone: 465-2995

John Torgerson
SENATOR JOHN TORGERSON, CO-CHAIR

Date: 4/23/99
Phone: 465-2828

SENATE FINANCE COMMITTEE
1999 COMMITTEE ACTION

Bill Number:	SB 107	
Amendment:	fiscal note	
Motion:	draft a new	
<u>Motion by:</u>	Phillips	
<u>Objection</u>		
<u>Objection by:</u>	Adams	
<u>Removed</u>		
<u>Second Objection by</u>		
<u>Committee Member</u>		<u>Vote</u>
Senator Gary Wilken		0
Senator Pete Kelly		0
Senator Lyda Green		0
Senator Randy Phillips		0
Senator Dave Donley		1
Senator Loren Leman		2
Senator Al Adams		2
Co-Chair Sean Parnell		1
Co-Chair John Torgerson		0
<u>Tally</u>		
Yea	0	5
Nay	0	2
Absent	0	2
<u>MOTION</u>	Pass	

DRAFT

FISCAL NOTE

STATE OF ALASKA
1999 LEGISLATIVE SESSION

BILL NO. HB 136

Title: "An Act relating to tourism and tourism marketing; eliminating the Alaska Tourism..."
Sponsor: REPRESENTATIVE Gene Thernhault
Requestor: House FIN Committee

Dept. Affected: Commerce and Economic Dev
BRU: Tourism
Components: Tourism Development
Serial # _____

EXPENDITURES/REVENUES: (THOUSANDS OF DOLLARS)

OPERATING	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05
Personal Services	573.6	400.0	400.0	400.0	400.0	400.0
Travel	71.1	30.0	30.0	30.0	30.0	30.0
Contractual	1361.2	5200.0	4700.0	4200.0	4200.0	4200.0
Supplies	12.0	10.0	10.0	10.0	10.0	10.0
Equipment	0.0	0.0	0.0	0.0	0.0	0.0
Land & Structures	0.0	0.0	0.0	0.0	0.0	0.0
Grants, Claims	60.0	60.0	60.0	60.0	60.0	60.0
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	2077.9	5700.0	5200.0	4700.0	4700.0	4700.0
CAPITAL	0.0	0.0	0.0	0.0	0.0	0.0
REVENUE	0.0	0.0	0.0	0.0	0.0	0.0

FUNDING: (THOUSANDS OF DOLLARS)

General Fund	2011.1	5700.0	5200.0	4700.0	4700.0	4700.0
Federal Fund	0.0	0.0	0.0	0.0	0.0	0.0
Other	94.9	0.0	0.0	0.0	0.0	0.0
TOTAL	2106.0	5700.0	5200.0	4700.0	4700.0	4700.0

POSITIONS:

Full-Time	11	0	0	0	0	0
Part-Time	3	0	0	0	0	0
Temporary	0	0	0	0	0	0

ANALYSIS: (ATTACH A SEPARATE PAGE IF NECESSARY)

See attached sheet for additional details.

Prepared by: _____

Date: _____
Phone: _____
Phone: _____

DRAFT

FISCAL NOTE

**STATE OF ALASKA
1999 LEGISLATIVE SESSION**

BILL NO. HB 136

Title: "An Act relating to tourism and tourism marketing; eliminating the Alaska Tourism..."
Sponsor: REPRESENTATIVE Gene Therriault
Requestor: House FIN Committee

Dept. Affected: Commerce and Economic Dev
BRU: Tourism
Components: ATMC
Serial #

EXPENDITURES/REVENUES: (THOUSANDS OF DOLLARS)

OPERATING	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05
Personal Services	216.8					
Travel	53.4					
Contractual	4361.1					
Supplies	4.0					
Equipment	0.0					
Land & Structures	0.0					
Grants, Claims	0.0					
Miscellaneous	0.0					
TOTAL OPERATING	4635.3	0.0	0.0	0.0	0.0	0.0
CAPITAL	0.0	0.0	0.0	0.0	0.0	0.0
REVENUE	0.0	0.0	0.0	0.0	0.0	0.0

FUNDING: (THOUSANDS OF DOLLARS)

General Fund	3335.4					
Federal Fund	0.0					
Other	1299.9					
TOTAL	4635.3	0.0	0.0	0.0	0.0	0.0

POSITIONS:

Full-Time	3	0	0	0	0	0
Part-Time	0	0	0	0	0	0
Temporary	0	0	0	0	0	0

ANALYSIS: (ATTACH A SEPARATE PAGE IF NECESSARY)

See attached sheet for additional details.

Prepared by: _____

Date: _____
Phone: _____
Phone: _____

DRAFT

FISCAL NOTE

STATE OF ALASKA
1999 LEGISLATIVE SESSION

BILL NO. HB 136

Title: "An Act relating to tourism and tourism marketing; eliminating the Alaska Tourism..."
Sponsor: REPRESENTATIVE Gene Therriault
Requestor: House FIN Committee

Dept. Affected: Commerce and Economic Dev
BRU: Tourism
Components: ATMC
Serial #: _____

EXPENDITURES/REVENUES: (THOUSANDS OF DOLLARS)

OPERATING	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05
Personal Services	216.8					
Travel	53.4					
Contractual	4361.1					
Supplies	4.0					
Equipment	0.0					
Land & Structures	0.0					
Grants, Claims	0.0					
Miscellaneous	0.0					
TOTAL OPERATING	4635.3	0.0	0.0	0.0	0.0	0.0
CAPITAL	0.0	0.0	0.0	0.0	0.0	0.0
REVENUE	0.0	0.0	0.0	0.0	0.0	0.0

FUNDING: (THOUSANDS OF DOLLARS)

General Fund	3335.4					
Federal Fund	0.0					
Other	1299.9					
TOTAL	4635.3	0.0	0.0	0.0	0.0	0.0

POSITIONS:

Full-Time	3	0	0	0	0	0
Part-Time	0	0	0	0	0	0
Temporary	0	0	0	0	0	0

ANALYSIS: (ATTACH A SEPARATE PAGE IF NECESSARY)

See attached sheet for additional details.

Prepared by: _____

Date: _____
Phone: _____
Phone: _____

FISCAL NOTE

STATE OF ALASKA
1999 LEGISLATIVE SESSION

BILL NO. CSSB107 (L&C) rev1

Revision Date/Time (Note if correction) _____	Dept. Affected <u>DCED</u>
Title <u>An Act relating to tourism and tourism marketing; eliminating the ATMC</u>	BRU <u>Tourism</u>
Sponsor <u>Mackie</u>	Component <u>Tourism Development</u>
Requester <u>Senate Finance</u>	Component Serial No. <u>2278</u>

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Personal Services	673.6	569.2	569.2	569.2	569.2	569.2
Travel	71.1	68.1	68.1	68.1	68.1	68.1
Contractual	1,381.2	4,634.2	4,134.2	3,634.2	3,634.2	3,634.2
Supplies	12.0	12.0	12.0	12.0	12.0	12.0
Equipment						
Land & Structures						
Grants & Claims	60.0	60.0	60.0	60.0	60.0	60.0
Miscellaneous						
TOTAL OPERATING	2,197.9	5,343.5	4,843.5	4,343.5	4,343.5	4,343.5

CAPITAL EXPENDITURES	0.0					
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	2,103.0	5,343.5	4,843.5	4,343.5	4,313.5	4,343.5
1005 GF/Program Receipts						
1037 GF/Mental Health						
1108 Stat. Designated PR	94.9	0.0	0.0	0.0	0.0	0.0
TOTAL	2,197.9	5,343.5	4,843.5	4,343.5	4,343.5	4,343.5

Estimate of any current year (FY99) cc 2,197.9

POSITIONS

Full-time	11	8	8	8	8	8
Part-time	3	3	3	3	3	3
Temporary						

ANALYSIS: (Attach a separate page if necessary)

Eliminates 3 positions in the Division of Tourism Inquiry Section in FY01.

Includes one time contractual cost of 20.0 in FY00 to conduct a feasibility study on the contracting out of the inquiry section function, "determining the potential costs and benefits which would result from contracting out the work in question," per Article 13 of the GGU Agreement.

For FY2000, there is a separate fiscal note for the ATMC.

See attached details.

Prepared by <u>Tom Lawson, Director</u>	Phone <u>465-2506</u>
Division <u>Administrative Services</u>	Date/Time <u>4/19/99 11:47 AM</u>
Approved by Commissioner <u>[Signature]</u>	Date <u>4/19/99</u>
Agency <u>Commerce and Economic Development</u>	

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**Alaska Department of Commerce and Economic Development, Division of Tourism
SB 107/HB 136 Fiscal Note Details**

	FY 2001	FY02	FY03	FY04	FY05
Personal Services	569.2 Reduction of \$321.2 from FY00 Division and ATMC.	569.2	569.2	569.2	569.2
Tok APLIC					
Admin Clerk I	13.9 Part time	13.9	13.9	13.9	13.9
Admin Clerk I	13.6 Part time	13.6	13.6	13.6	13.6
Admin Clerk I	15.3 Part time	15.3	15.3	15.3	15.3
Admin Clerk III	50.5 Full time	50.5	50.5	50.5	50.5
Juneau					
Director	98.4	98.4	98.4	98.4	98.4
Admin Manager I	48.4 Share w/ DTD	48.4	48.4	48.4	48.4
Secretary I	38.4 Share w/ DTD	38.4	38.4	38.4	38.4
Dev Spec I	72.3 See attached sheet for descriptions and activities of these four positions.	72.3	72.3	72.3	72.3
Dev Spec I	72.6	72.6	72.6	72.6	72.6
Proj. Asst.	54.7	54.7	54.7	54.7	54.7
Proj. Asst.	54.7	54.7	54.7	54.7	54.7
Pub. Specialist	36.4 More than 50% shared & funded by other divisions and independent agencies	36.4	36.4	36.4	36.4
Travel	68.1 Travel throughout Alaska for 5 professional staff to support community tourism development, meet with other state and federal counterparts; a \$56.1 reduction from FY00 for DOT & ATMC 7 professional staff.	68.1	68.1	68.1	68.1
Grants	60.0 Rural Tourism Center	60.0	60.0	60.0	60.0
Supplies	12.0 Office and data processing supplies in Juneau and Tok offices.	12.0	12.0	12.0	12.0
Contractual					
Tourism North	331.0 Alaska's contribution to the cooperative highway promotion program with the Yukon and British Columbia.	331.0	331.0	331.0	331.0
N. American Travel Trade	47.3 Work with Alaska tour operators and suppliers, destinations, and travel agents to increase Alaska travel experiences in tour offerings.	47.3	47.3	47.3	47.3
International	640.0 Contract representatives in Japan, Korea, Taiwan, Australia, United Kingdom and Western Europe.	640.0	640.0	640.0	640.0
Research	195.4 Annual conversion study and annualized Alaska Visitor Statistics Program	195.4	195.4	195.4	195.4
Fixed costs	385.1 Chargebacks, leases, phone, printing. Reduced \$153.3 from FY00.	385.1	385.1	385.1	385.1
Subtotal, all contractual*	4,634.2	4,134.2	3,634.2	3,634.2	3,634.2
Total Tourism	5,343.5	4,843.5	4,343.5	4,343.5	4,343.5

*A portion of Division contractual is transferred to the QTA assuming they agree to conduct those marketing components. The subtotal increases because research previously part of the ATMC budget is transferred to the Division. FY99 and FY00 ATMC state contribution is \$3,335.4; 25% industry contribution/PR is \$1,299.94; industry contribution is taken off budget beginning FY01. Total FY99 and FY00 state funding for tourism is \$5,533.3. Per the Millennium Plan, the State's contribution is reduced approximately \$300.0 in FY01 and \$500.0 each year in FY02 and FY03 and then stabilizes.

**Division of Tourism
State Tourism Development and Coordination**

Purpose

The purpose of these four professional positions is to assist Alaska businesses and communities in developing opportunities in the tourism industry. This is accomplished by providing a range of expertise in the fields of business and management in order to enhance, stabilize and diversify the economy, thereby creating opportunities for Alaskans. In order to address prior year budget reductions, two higher range positions were reclassified to project assistants. Pairs comprised of one development specialist and one project assistant work together to more effectively accomplish the large workload at a lower cost. One pair focuses on planning, transportation and access, and working with other state and federal agencies. The other pair focuses on assisting small businesses and communities develop products. Some of the major activities of the four professional positions are described below.

1) Development Specialist and Project Assistant

- Consult with small businesses and communities on tourism development opportunities including feasibility studies for implementation of a tourism program based on limited community resources.
- Work with convention and visitor bureaus statewide, providing technical assistance, coop-marketing opportunities cross promotion, and membership meetings/consultation.
- Provide technical assistance to communities, nonprofit organizations, and individual businesses desiring guidance in the development and implementation of economic development programs related to tourism.
- Provide technical assistance by meeting with the private sector to discuss proposals for tourism attractions and facilities on public lands
- Serve as counsel, on development issues, to public and private sectors of the visitor industry. This includes Convention and Visitors Bureaus, Chambers of Commerce, various State offices, trade associations, and the industry representatives.
- Analyze and address the potential for economic development created by tourism throughout the state, coordinate with federal and state agencies, and work with community groups and private sector organizations to expand the visitor industry.
- Participate in land use decision-making processes to insure consideration of tourism issues; serve as a liaison to other public agencies whose activities affect division functions and to discuss proposals for tourism attractions and facilities with those agencies.

- Liaison to the Rural Tourism Center.

2) Development Specialist and Project Assistant

- Work with existing businesses in developing new tourism products and new or improved offerings, and getting more exposure in key markets.
- Coordinate with the State of Alaska's overseas trade contractors in Japan, Korea and Taiwan to increase exposure of rural Alaska tourism opportunities and rural Alaska arts and crafts export products. Assist in the produce of informational materials about rural tourism and export products in the language of the host countries and promotional activities. Alaska's overseas contractors can facilitate the opening of rural Alaska to more commerce with the major Asian markets.
- Coordination of Top of the World (Alaska) travel agent training to train travel agents and wholesale packagers of Alaska travel products.
- Coordination of Alaska Travel Fair where wholesale packagers are brought to Alaska to meet with small businesses that can not afford to attend trade show or travel on trade missions. The most recent fair provided Alaska businesses access to more than 50 tour operators from Europe, North America, Asia and Australia/New Zealand.
- Primary contact for North American tour operators offering Alaska tour products; provide referrals to businesses in Alaska.
- Meet regularly with key decision makers in the international tourism markets, including tour operators, airline officials, and government agencies, regarding the development and promotion of Alaska as a visitor destination.
- Assist in developing business plans, feasibility analyses, and funding packages leading to the development of new or upgraded visitor attraction/activity/destination in Alaska.
- Oversee contracts for tourism research including the Alaska Visitor Statistics Program.
- Coordinates development efforts for direct air service, supports promotional campaigns for increased highway traffic, cruise ship capacity, Alaska Railroad and Alaska Marine Highway utilization. These are executed in coordination with Alaska's foreign offices as well as working closely and cooperatively with Alaska convention and visitor bureaus, trade associations, and other destination marketing organizations.
- Work cooperatively with airlines worldwide is required of this position to develop new and improved access to Alaska.

- Maintain resource library on domestic and international tourism data, contacts and materials.
- Serve on the Visitor Center Committee overseeing the operation of the Alaska Public Lands Information Centers (APLIC). This also involves planning exhibits, training staff, and coordinating projects that serve visitors.

Number of Staff in State Tourism Offices

State	Number of Staff
Alabama	63
Alaska*	17
Arizona	25
Arkansas	70
California	26
Colorado	4
Connecticut	26
Delaware	11
Florida	100
Georgia	125
Hawaii	74
Idaho	15
Illinois	20
Indiana	13
Iowa	25
Kansas	29
Kentucky	62
Louisiana	75
Maine	7
Maryland	62
Massachusetts	33
Michigan	20
Minnesota	110
Mississippi	86
Missouri	42
Montana	26
Nebraska	61
Nevada	34
New Hampshire	8
New Jersey	13
New Mexico	13
New York	26
North Carolina	32
North Dakota	13
Ohio	25
Oklahoma	75
Oregon	9
Pennsylvania	15
Rhode Island	27
South Carolina	97
South Dakota	23
Tennessee	150
Texas/Travel & Info	89
Texas/Economic Dev.	29
Utah	22
Vermont	14
Virginia	91
Washington	11
West Virginia	98
Wisconsin	105
Wyoming	20
Washington, DC	47
Puerto Rico Tourism**	605

*Alaska's number includes the Division of Tourism and the Alaska Tourism Marketing Council.

** Puerto Rico's number includes visitor centers and is not included in the range or average.

Range 4-150

Average 36

Source: Travel Industry Association of America, Survey of State Tourism Offices, 1998-1999. January 1999.

Tourism Development FY01

Personal Services

Tok APLIC		
Admin Clerk I	13872	
Admin Clerk I	3573	
Admin Clerk I	15334	
Admin Clerk III	<u>50457</u>	
		83236
Juneau		
Division Director	98448	
Admin Clerk II	36186	
Admin Manager I	48428	
Dev Spec I	72335	
Dev Spec I	<u>72633</u>	
		<u>328030</u>
Subtotal		411266
Vacancy Factor (4.00%)		<u>-16451</u>
Total		<u><u>394815</u></u>

Travel		30000
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Contractual		
Research	95400	
Fixed Costs	<u>104600</u>	
		200000

Supplies		10000
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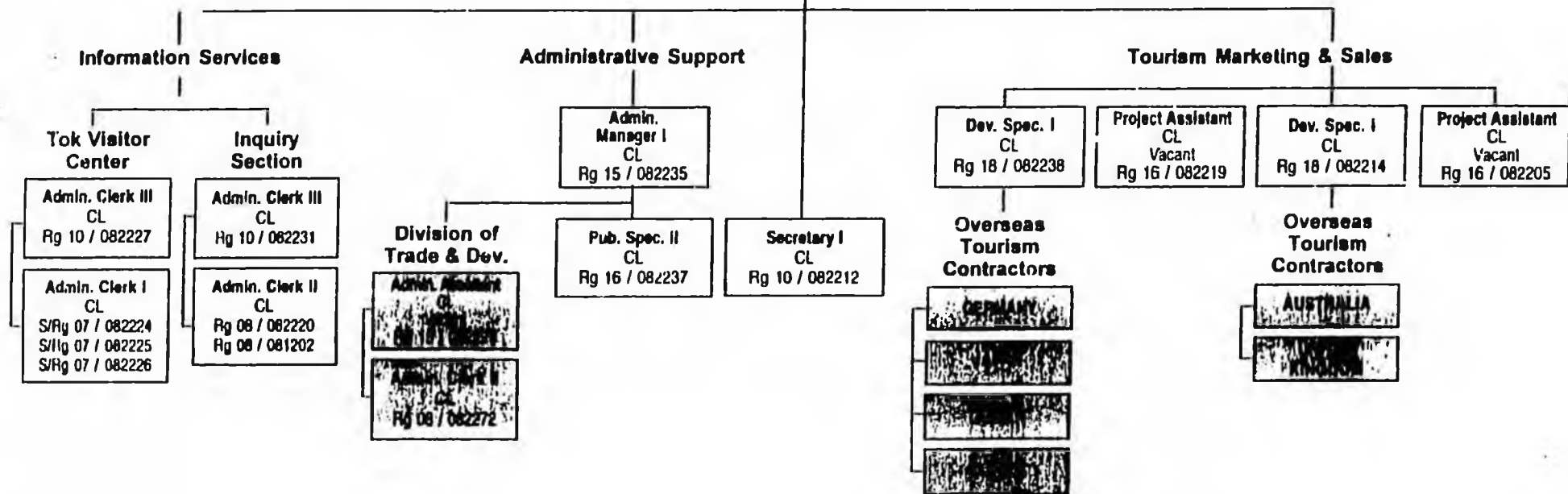
Grants		<u>60000</u>
		<u><u>694815</u></u>

State of Alaska
 Department of Commerce and
 Economic Development

DIVISION OF TOURISM
 FY 2000

Juneau

Director
 PX
 Rg 28 / 082201



Joint Contracts and Administrative Staff with
 Division of Trade and Development

(Rev. 12/98)

CL: Classified
 PX: Partially Exempt
 EX: Exempt
 S: Seasonal
 SU: Supervisory

Approved: _____ Date: _____
 Commissioner of Department of Commerce & Economic Development



Official Business

Alaska State Legislature

SENATE LABOR & COMMERCE COMMITTEE

State Capitol
Juneau, AK 99801-1182

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SPONSOR STATEMENT

SB 107, Abolishing the Tourism Marketing Council.

Senate Bill 107 initiates a fundamental change in the manner and method of state government involvement in promoting Alaskan tourism. Under provisions of the legislation, the state's current participation in the marketing of Alaska as a tourism destination would be accomplished through a contract with a single qualified trade association to provide the planning and execution of the marketing program.

Heretofore, the state has appropriated substantial amounts of public funds to participate in a cooperative marketing effort with representatives of the tourism industry. Combined with matching funds from the industry itself, the effort is a jointly managed, coordination of public and private resources to promote the entire state as a tourism destination. The coordination of the effort is accomplished through the activities of the Alaska Tourism Marketing Council.

It is the intent of SB 107 that all of the state's tourism marketing functions are consolidated and performed under contract to achieve a more efficient and effective result. The legislation would dissolve the Alaska Tourism Marketing Council and eliminate other tourism marketing functions in the Division of Tourism. In its stead, the state would pursue its marketing goals contractually. The contractor must be a qualified trade association that initially contributes at least 30 percent of the costs of the contracted marketing campaign. In three years time, the association's contribution to the campaign increases to at least 60 percent of the cost. The Division of Tourism retains its oversight, governmental coordination, and advocacy functions for tourism development.



Official Business

Alaska State Legislature

SENATE LABOR & COMMERCE COMMITTEE

State Capitol
Juneau, AK 99801-1182

(907)465-3844

SECTIONAL FOR

CSSB 107 (L&C), Relating to Tourism and Tourism Marketing

Section 1. The section establishes the intent of the legislature to contract all tourism marketing functions of the state to achieve efficiency and more effectiveness.

Section 2. A technical section that eliminates the citation of the executive director of the Alaska Tourism Marketing Council in AS 23.20, the Alaska Employment Security Act.

Section 3. A tourism marketing contract awarded under AS 44.33.125 in section 7 of this act is exempt from the state procurement code.

Section 4. The purpose section for the Alaska division of tourism is condensed from eight goals and objectives to five.

Section 5. The duties of the Alaska division of tourism in AS 44.33.120 are re-enacted to generally define its responsibilities to advocate, cooperate and coordinate tourism development within the public and private sectors and to administer visitor information centers and a tourism marketing contract under AS 44.33.125.

Section 6. A new subsection is added to the Alaska division of tourism duties that prohibits the execution of multiple tourism marketing contracts when a contract with a qualified trade association under AS 44.33.125 is in force.

Section 7. A new section, AS 44.33.125, describes the purpose, terms, and conditions for a division of tourism contract with a qualified trade association to conduct a destination marketing campaign.

Section 8. Subsection AS 44.33.125 (a) in section 7 above is re-enacted to increase the trade association contribution toward the cost of a marketing campaign from 30 to 60 percent. This provision is effective in 2002.

Section 9. The citation of the executive director for the Alaska Tourism Marketing Council is deleted from the State Personnel Act and the conflict of interest statute. The Alaska Tourism Marketing Council statutes are repealed.

Sections 10 and 11. Effective dates.

ALASKA VISITORS ASSOCIATION

1999 STATE LEGISLATIVE PRIORITIES

The Alaska Visitors Association (AVA) is a statewide, private, non-profit trade association representing the common interests of Alaska's tourism industry. Nearly 92 percent of AVA's 650-plus members are small Alaskan businesses. Collectively, they encompass all sectors of travel and tourism and employ more than 25,000 Alaskans.

The visitor industry is one of the most significant industries in Alaska, providing one in eight private-sector jobs. AVA urges the Alaska State Legislature and Administration to demonstrate their commitment to helping tourism realize its full potential as an employer and contributor to the state's economy. The following are priorities in accomplishing this goal.

Enact legislation that will help Alaska regain its competitive position as a visitor destination and consolidate statewide tourism organizations

Last year the Legislature approved an industry-led plan to increase private-sector contributions and consolidate the Alaska Tourism Marketing Council (ATMC), the Alaska Visitors Association (AVA), and the marketing functions of the State Division of Tourism into a single non-profit entity. However, the bill failed to receive final concurrence before the session ended. This year, AVA again supports passage of legislation provided that *all* marketing functions are offered in a fee-for-service contract with the state, as called for in the plan. To do otherwise will leave the industry unable to raise the required funds.

State funding for tourism promotions in Alaska has declined by 60 percent over the last decade, dropping the state from 7th place in state spending in 1989 to 27th in 1998; this decrease in funding corresponds with a drop in Alaska's annual rate of visitor growth from 13 percent to less than 6 percent. By increasing private-sector contributions to \$6 million through pay-to-play programs and increased contributions from businesses, communities, and cruise companies, the plan will help return Alaska's tourism marketing to a more competitive position. A transition team with representatives from ATMC, AVA, AWRTA, and the Department of Commerce has already begun work to set up the new non-profit organization should legislation be enacted.

Continue to provide core funding for destination marketing

Under the New Millennium Plan, the industry proposes increasing private-sector funds while gradually decreasing state general fund participation. While the industry recognizes that overall state funding may decrease in the face of budget shortfalls, AVA believes the state has a vested interest in maintaining core funding for tourism marketing:

- The industry's direct contributions to government (more than \$124 million in taxes and fees to state and local governments) demonstrate that funds spent on tourism promotion are a long-term investment that will come back to the state in increasing amounts.
- The state will ultimately save money through lower unemployment and decreased state social services expenditures.
- The state needs to help level the playing field as Alaska competes with other states and countries who are spending millions of general fund dollars.
- Nearly everyone benefits from tourism, although not everyone pays. From gas stations and florists to construction companies and caterers, businesses that may not contribute to tourism funding still profit from the money visitors inject into Alaska's economy.

The entire state gains by being able to compete with other destinations, creating a healthier economy with greater numbers of people employed. As businesses - even those not generally viewed as tourism-related - benefit from the dollars visitors put into Alaska's economy, the industry maintains that the state has a responsibility to assist the tourism industry with the financial burden of marketing a product which benefits all Alaskans. The New Millennium Plan calls for phasing in a decrease in state funding by 25 percent over three years, reducing the state's current general fund contribution from \$5.3 million in FY00 to \$5.0 - FY01, \$4.5 - FY02, and \$4.0 thereafter. Conversely, the private sector's contribution would increase by 300 percent, with a target of \$6 million by FY03. The base-level funding would be in the form of a fee-for-service contract with the state.

Enact legislation to reform recreation liability laws

AVA continues to support passage of legislation to decrease legal uncertainties for commercial recreation businesses and to acknowledge some level of inherent risk on the part of those participating in recreational activities. One of Alaska's major visitor draws is outdoor adventure, yet high liability insurance costs are prohibitive, especially for smaller businesses offering commercial recreation opportunities. Recreational liability reform legislation should also include indemnification for private landowners who allow a public trail across their property. Alaska is the only state in America that does not provide this indemnification.

Implement a two-year Alaska Marine Highway schedule

AVA supports changes that will allow the Alaska Marine Highway System to implement a two-year ferry schedule. According to the AMHS, the current legislative funding cycle prevents this. Visitor use of the ferry system is the primary revenue generator for the Alaska Marine Highway System, yet the lack of a two-year schedule significantly inhibits advance sales and bookings and prevents appreciable increases in revenues. When attracting visitors, Alaska must compete with adventure tours to places around the world in both cost and quality. Surveys show 60 percent of visitors coming to Alaska start their planning six to 12 months prior to departure. Tourism operators have to prepare business plans, make itinerary decisions, and develop and distribute brochures marketing their products in advance of client bookings. Under the current planning cycle, businesses and communities are unable to make these advance preparations.

Increase access to public lands

Alaska is largely composed of public lands, making access critical to tourism activities within the state. The public has a desire to engage in a variety of outdoor activities on these lands, although there is tremendous pressure to restrict further access to public lands for commercial use of any kind. The tourism industry provides an opportunity for people to participate in guided outdoor experiences they might not be able to enjoy on their own and in a manner that has a relatively low impact on the land. While AVA appreciates the initial efforts of the Alaska Land Managers Forum in focusing on tourism/public land issues such as permitting, the association encourages the Legislature to promote use of public lands for tourism and require public agencies to include tourism components in all government and public planning documents.

Address important capital budget projects

Adequate infrastructure is crucial to all of Alaska's basic industries. The association supports the concept of a fuel tax with revenues dedicated to a highway maintenance fund and the creation of a proposed state highway system funding category. AVA has also identified these transportation projects as top priorities:

- Petersville Road rehabilitation and extension to Tokositna and construction of a visitor facility
- Denali Highway hard surfacing
- McCarthy Road hard surfacing and wayside construction
- Alaska Marine Highway's continued Lynn Canal day boat service and fleet-wide vessel maintenance and safety improvements
- Parks Highway and Denali National Park Gateway road and pedestrian improvements
- Taylor Highway reconstruction and Top of the World Highway improvements from Tetlin Junction to Jack Wade Junction
- Implementation of the Southeast Alaska Transportation Plan
- Statewide system of rest and information stops
- Statewide system of snow machine trails utilizing snow machine registration fees for trail development
- Hatcher Pass road improvements and driving loop through Willow

Maintain State Park funding

AVA supports the governor's budget for State Parks. Although parks are utilized by 80 percent of residents, they are also important attractions to Alaska's visitors.

ALASKA VISITORS ASSOCIATION
phone: 907-561-5733 ☐ fax: 907-561-5727



Visitors &
Convention Bureau, Inc.

April 1, 1999

Senator John Torgerson
Alaska State Legislature
State Capitol
Juneau, Alaska 99801

Dear Senator Torgerson,

I want to express my personal thanks to you for the time you made available to us while we were in Juneau for the tourism industry "fly-in." We enjoyed talking with you about tourism issues.

A lot was accomplished while we were in Juneau. AVA's meetings on the "New Millennium Plan" were successful and productive. The visitor industry and the Department of Commerce have achieved full agreement on HB136 (the committee substitute) and SB107. We appreciated the hard work and commitment of Commissioner Debby Sedwick and her staff which helped to make this possible.

During our last day in Juneau, the executive director of the Alaska Wilderness Recreation & Tourism Association announced that AWRTA was also backing the restructuring plan as presented by AVA.

The visitor industry plan calls for a transition period while we begin to move toward more privatization of tourism marketing. *It is paramount that the State of Alaska maintain its core funding for tourism marketing at the current level of \$5.3 million as we begin this process.*

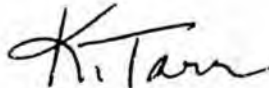
Once the New Millennium Plan is adopted by the Alaska State Legislature, we know we have our work cut out for us at the regional and local levels. The funding formula proposed for the Convention & Visitor Bureaus (or communities) is still not entirely resolved. On the Kenai Peninsula, we plan to hold several work sessions on the New Millennium Plan. We will keep your office posted about these developments and welcome any or all suggestions you may have.

Senator John Torgerson
April 1, 1999
Page 2

During the final weeks of this legislative session, please don't hesitate to call me if I can be of assistance to your office on this important tourism legislation. I am planning to testify by teleconference on SB107 on April 13.

On behalf of AVA, and your Kenai Peninsula "tourism" constituents, thank you for being such a strong supporter of the visitor industry.

Sincerely,



Kathy Tarr
Executive Director
Kenai Visitors & Convention Bureau &
Board Member, AVA

*Was great
to see you.*

The New Millennium Plan

A Concept for the Future of Tourism in Alaska

**Alaska Travel Industry Association
Organizational Outline**

Revised December 1998

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Alaska Travel Industry Association

A New Concept for the Future

A. OVERVIEW

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, the Alaska Visitors Association, and the marketing functions of the Alaska Division of Tourism – into one new, non-profit organization.

This streamlined structure is the industry's solution to several issues facing Alaska tourism: greatly reduced government funding, continued threats of industry taxes, increased competition from other destinations, and a decline in the rate of visitor growth. 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 further, the tourism industry has taken a proactive approach to deal with the problem. Under this plan, the industry would greatly increase its marketing contribution and the State would continue to provide a core level of funding through a 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.

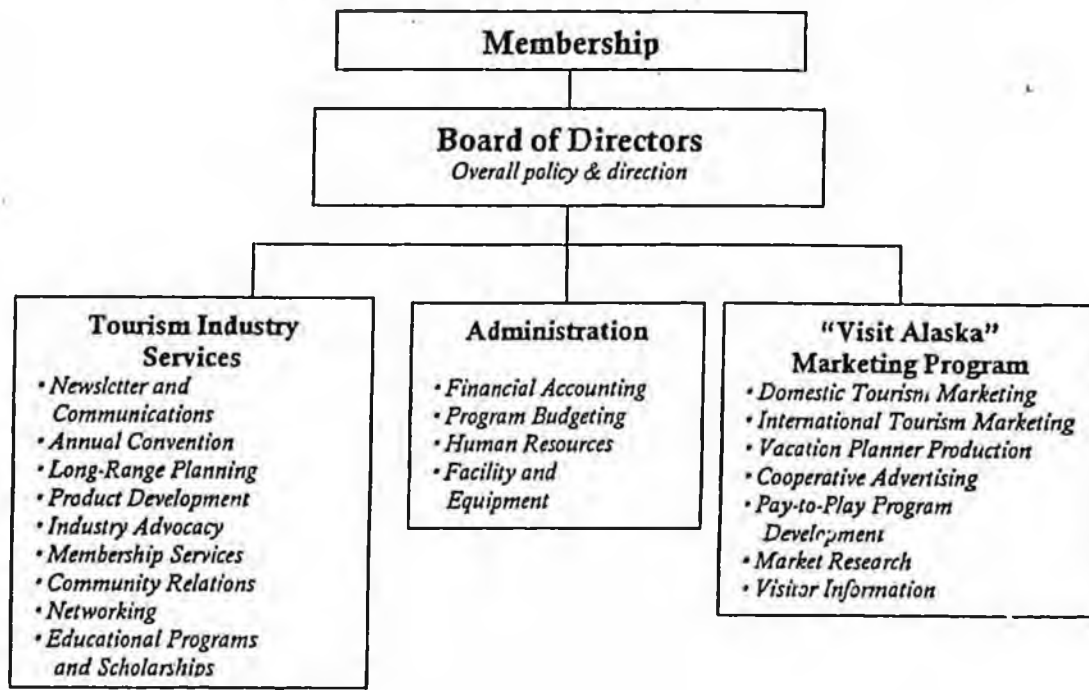
B. A NEW ORGANIZATION

Dissolve the Alaska Tourism Marketing Council, the Alaska Visitors Association, and the marketing functions of the Alaska Division of Tourism. In their place, create a new statewide organization that would accomplish much of what is being done by all three, while realizing efficiencies from streamlining. While all the marketing functions would be consolidated, the Division of Tourism (DoT) would remain a separate entity within state government for planning, government coordination and advocacy.

Within the organization, there would be three major program areas. A board of directors would set overall policy and budget, overseeing the Tourism Industry Services, Administration and Marketing functions. The marketing program would be implemented by a professional staff at the direction of the Alaska Travel Industry Association board of directors or a committee thereof. It is intended that developmental programs aimed at expanding fall/winter/spring, highway travel, and international markets would continue.

ALASKA TRAVEL INDUSTRY ASSOCIATION

Organizational Structure



C. MEMBERSHIPS

There would be two types of memberships: marketing partners and affiliates. The marketing partner category includes separate funding formulas for the industry at-large, cruise lines, and communities. Affiliate memberships are reserved for businesses not directly in the visitor industry. Membership categories and buy-in costs for program participants are outlined below. Each member receives one vote in the board elections.

Marketing Partner Memberships

Participating industry businesses and organizations would receive benefits such as:

- Listing ad in the Vacation Planner, or a \$200 credit toward a larger ad
- Listing on the website
- Newsletter and industry briefings
- Access to member mailing labels
- Research and other industry information
- Convention and trade show participation discounts
- Access and participation in other marketing programs offered at an additional charge

Marketing Membership Dues

Based on peak-season employee counts, as follows:

<u># of Employees</u>	<u>Amount</u>
< 5	\$200
5-15	300
16-50	500
51-100	1,000
101-300	2,000
301-500	3,000
501-1,000	4,000
1000+	5,000

Cruise Lines

In addition to the membership fees, cruise lines would pay a voluntary assessment based on their percentages of the total Alaska cruise market. The formula-based assessment would be phased in over a three-year period, with a funding goal of \$2 million in the third year.

<u>Company's Alaska passenger cruise days*</u>	x \$1.0 million in FY01
<u>Total passenger cruise days* in Alaska market</u>	x \$1.5 million in FY02
	x \$2.0 million in FY03

See Appendix for contributions beyond FY03.

Destination Marketing Organizations and Communities

Local destinations would have the opportunity to dovetail with the state program as a community partner and leverage their marketing dollars with the Visit Alaska efforts. In addition to the membership benefits, participating destinations would receive additional marketing and promotion tools for their communities, such as advertising and label discounts.

Partnering communities and destination marketing organizations (DMOs) would receive benefits such as:

- Participation in press trips coming to Alaska
- 25 percent discount on mailing labels
- Editorial coverage in marketing materials
- Convention and meeting leads
- Vacation Planner advertising*
 - Buy-ins between \$500-\$4,000 receive a narrative ad
 - Buy-ins between \$4,000-\$7,000 receive a 2" color display ad
 - Buy-ins between \$7,000-\$30,000 receive a ¼ page display ad
 - Buy-ins above \$30,000 receive a ½ page display ad
 - Opportunity to access Pay-to-Play and all other cooperative marketing programs

*Based on community buy-in at FY01 level see Appendix for further details.

- State Vacation Planner ads
- Sector Guide ads, such as highway travel, winter guide, sportfishing guide
- Mailing label and film footage access
- Trade Show participation, both international and domestic
- Newspaper cooperative ads, Internet ads and link purchase
- Brochure distribution
- Trade promotion, media events, and team participation
- Research
- Meeting and workshop registrations

E. STATE PARTICIPATION

The State's responsibility to assist Alaskan businesses with economic development and growth dictates a need to help level the playing field for Alaska's tourism industry as we compete against other destinations receiving millions of dollars from their own states' general funds. In addition, the tourism industry's direct contributions to government (over \$123 million in taxes and fees to state and local governments in 1995) demonstrate that funds spent on tourism promotion are a long-term investment which would come back to the state in increasing amounts as the industry continues to grow.

The state fee-for-service contract of \$4 million represents a 25 percent decrease from current state general fund spending on tourism programs and a 40 percent decrease in total tourism program spending. This decrease would be phased in over a three-year period as the private sector's contributions increase.

The new, non-profit Alaska Travel Industry Association would contract with the State of Alaska to provide marketing services, which may include:

- Producing and distributing a state vacation planner or other materials
- Producing and maintaining a tourism web site
- Responding to visitor inquiries received by the state
- Including state information such as border crossings, hunting/fishing licenses, and road conditions in visitor publications and on the Internet
- Support to communities just beginning tourism development

Division of Tourism

A separate Division of Tourism within the Department of Commerce and Economic Development (DCED) would be maintained for governmental coordination, state policy development, business development, advocacy, planning, and any visitor information centers. The DoT would also serve as a liaison to the new organization and enter into the marketing contract with ATIA.

F. BOARD OF DIRECTORS

Board Structure and Elections

- **Seats:** 21 total – 17 elected and 4 appointed by the Chair of the Board.
- **Representation:**
 - 17 elected seats that correspond to the regions in the State Vacation Planner:
 - 1 Far North
 - 1 Southwest
 - 3 Southcentral, with at least one outside of Municipality of Anchorage
 - 3 Interior, with at least one outside of the Fairbanks North Star Borough
 - 3 Inside Passage, with at least one outside the City and Borough of Juneau
 - 3 Outside
 - 3 At-Large
- **Elections & Terms:** Directors would be elected by the entire membership, with each business receiving one vote. Elected seats voted into staggered three-year terms. Appointments serve one year.

Travel assistance would be available so that no one is excluded from serving on the board.

- **Committees:** A seven-member Executive Committee elected by the Board would consist of the Chair of the Board, Vice Chair, Chair of Marketing, Chair of Government Relations, Secretary/Treasurer, Immediate Past Chair, and President (chief staff administrator). The succession to Chair of the Board would require one year on the Executive Committee, then one year as Vice Chair. Other standing and advisory committees would be appointed for one year on an as-needed basis.

G. FUNDING GOALS

	Transition			
	FY00	FY01	FY02	FY03
<u>Direct Contributions</u>				
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
<u>State</u>	5.3	5.0	4.5	4.0
Total	6.7	8.3	9.05	9.8
<u>Other Income</u>				
Convention & Sponsorships	0	.2	.2	.2
Reserve	1.0	.5	0	0
Total Other Income	1.0	.7	.2	.2
Total Budget	7.7	9.0	9.25	10.0

H. TIMELINE

Implementation of this proposal would require approximately one full transition year, beginning in 1999. A transition team comprising representatives from the ATMC, AVA, State of Alaska, Destination Marketing Organizations, and Alaska Wilderness Tourism & Recreation Association was formed in July 1998 to write bylaws, incorporate the new organization, and facilitate the election of the first board of directors. The directors of each of the existing organizations (AVA, ATMC, and DoT) also serve as advisors to this transition team.

To ensure a smooth transition, the three current organizations would continue to operate concurrently with the new organization for a period of 6 to 12 months. On or before July 1, 2000, the new organization would officially take over the marketing functions currently served by the existing organizations. 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	Legislation introduced
May	Legislature adjourns before enacting plan
July	Transition team formed to begin work on bylaws and articles of incorporation

1999

Winter	New legislation introduced
Spring	Transition team coordinates election of first board of directors
July 1	New organization begins initial operations

2000

Spring	Full plan takes effect: marketing duties of ATMC and DoT are transferred to new organization and AVA and ATMC are dismantled.
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Background

BUILDING ON OUR SUCCESS

History of Cooperative Marketing in Alaska

Cooperative Marketing in Alaska really began with the creation of the Alaska Visitors Association (AVA) in 1950. The major emphasis of the association was promotion, including production of the *Alaska Yukon Travel Manuals*. In fact, between 1959 and 1970, AVA was known as the Alaska Travel Promotion Association and worked on marketing projects with the Division of Tourism after it was formed in the '60s.

In 1976 the first formal cooperative tourism marketing efforts between the State of Alaska and the tourism industry began, when AVA approached the state with an innovative proposal to co-mingle private and state funds to draw visitors to Alaska. The idea was simple: combine funding from the state with money, marketing talent, and knowledge contributed by the private industry to build a program to promote the entire state as a destination. Program recommendations were provided by the Alaska Visitors Association Marketing Council and implemented by the Division of Tourism.

A Model Program

This melding of industry and state tourism efforts went a step further with legislation passed in 1988 to form the Alaska Tourism Marketing Council (ATMC). Jointly managed by the state and AVA, the ATMC oversees promotion of Alaska to the domestic and Canadian markets, while the State Division of Tourism (DoT) manages the international marketing efforts for Alaska.

This unique program has created a consistent, high-quality marketing plan that has bolstered industry expansion efforts, as evidenced by the phenomenal growth in the number of visitors to the state. For many years, Alaska's sophisticated marketing techniques and public/private structure served as a model for other destinations. The marketing materials produced were award-winning.

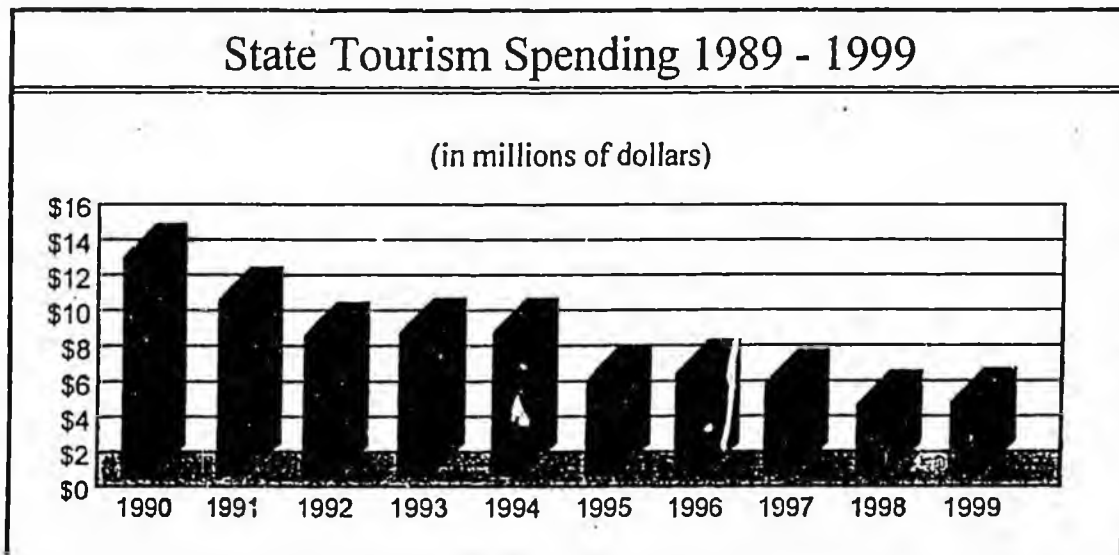
TOURISM IN TRANSITION

Alaska is Losing Ground

Since 1989, state funding for tourism programs has declined nearly 60 percent, from \$15 million in FY90 to under \$6.7 million in FY99. At the same time, other states have *increased* their tourism promotion by 26 percent in the last five years.

Alaska State Tourism Spending: (ATMC and DoT combined)

FY90	\$15,029,050
FY91	\$12,446,571
FY92	\$10,526,171
FY93	\$10,933,387
FY94	\$10,913,338
FY95	\$8,038,963
FY96	\$8,384,047
FY97	\$7,990,100
FY98	\$6,728,950
FY99	\$6,696,950

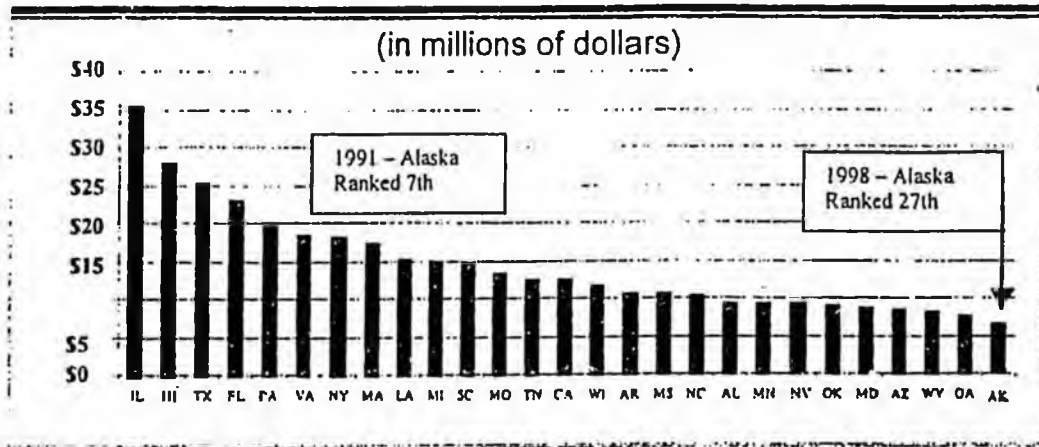


Further, we see support for tourism declining as the legislature becomes increasingly focused on cuts. The 1997 budget process was a roller-coaster ride for tourism. One version of the budget eliminated the Division of Tourism; another version restructured all tourism programs and combined the ATMC and DoT; and yet another reduced the Division of Tourism into an "Office of Tourism." It became apparent that tourism restructuring is happening through the budget process, rather than through a thoughtful discussion with the industry. The time and effort expended in Juneau by industry leaders and visitor businesses throughout the state has been enormous just to retain the current levels of funding for promotion. Given this sentiment, in the future we can realistically expect the state's tourism program to remain a target for further reductions.

Competition is Increasing

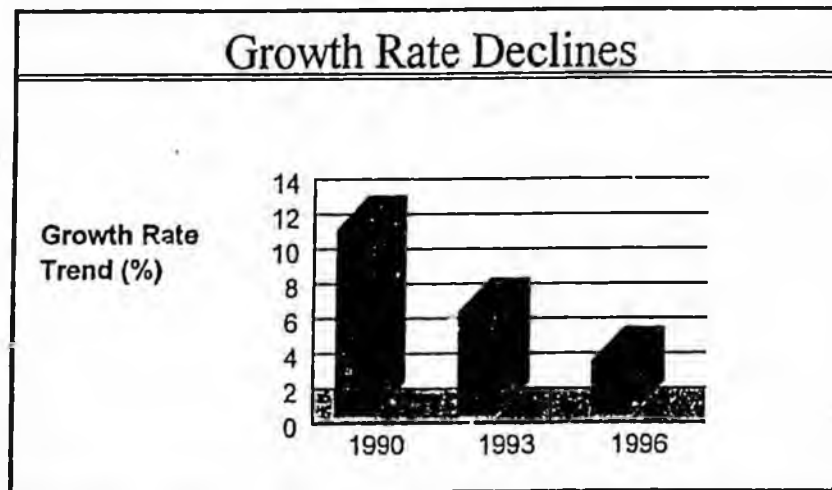
Alaska is also losing ground due to increasing competition from other states, countries and new destinations. While Alaska's most direct competitors are foreign countries, we are also being out spent in promotion by other states and even cities. This lack of advertising dollars has placed the visitor industry at a competitive disadvantage.

Top 27 State Tourism Budgets, 1998



Growth Rate is Declining

Alaska's relative decline in marketing competitiveness is being felt within the industry. While overall visitor numbers have continued to rise, the rate of growth has slowed. Some segments of the industry, most notably highway-dependent businesses, have felt the first effects of decline.



Visitor Industry Taxes and Fees Increase

Between 1992 and 1995, state taxes paid by visitors and visitor industry businesses increased by 99 percent, fees by 62 percent, and other revenue assessments by 6 percent. Despite these increases, general fund dollars going back to the industry *decreased* by over \$2 million – the equivalent of a 24 percent decrease during the same period of time.

State and local governments are increasingly targeting the visitor industry when looking for ways to fund general government. Taxation of the visitor industry is particularly appealing to some since visitors are not voting constituents. In 1997, two tax bills were introduced in the Senate that targeted tourism as a revenue source: SB23 proposed a 2 percent excise tax on statewide lodging facilities, and SB5 sought to levy a \$25 per-passenger fee for each port of call within Alaska. Although neither bill passed, they are one more indication of the interest to increase taxes on the industry.

SEARCHING FOR SOLUTIONS

The time has come for a change. The visitor industry cannot afford to watch as the state's tourism contributions continue to erode the effectiveness of our marketing. This, combined with the increasing competitiveness of other destinations, dictates the need for a proactive approach. AVA has undertaken exhaustive research to see what alternatives exist to move the industry forward.

Visitor-Oriented Taxes Studied

To develop a concept for discussion, AVA researched a number of funding alternatives. These included an analysis of revenue that could be generated from different versions of a statewide sales tax designed to target retail and service expenditures by visitors. Alaska faces a challenge in implementing many of these due to the state's relatively small number of businesses and state prohibition on some types of taxes. So long as the state constitution precludes dedication of funds, there is also no guarantee that money generated by tourism taxes would continue to be used for tourism promotion. Moreover, the lack of any statewide taxing mechanisms means a significant amount of revenue would be consumed in administering a new system.

Other Destinations Researched

Funding methods employed in other states were studied to see how each approach might work in Alaska. The most prevalent source for tourism promotion is state general funds, which were reported as the *sole* funding mechanism in 23 states. Of the remaining states, 17 have a dedicated portion of state lodging taxes, plus a variety of levies including: taxes on gross sales, admissions and amusements, car rentals, camping, recreation equipment rentals, lift tickets, tours and meals; membership fees; lottery funds; and highway and motor vehicle funds. Only a few states currently have a privately operating tourism office, including Colorado, Florida, and Virginia; several others are currently looking at this possibility. A few states, like Oregon and California, are in the process of trying to implement a levy on gross receipts, while Florida's privatized program raises funds through a surcharge on car rentals. In order to generate the funds necessary, assessments in Alaska would need to be substantially higher than other states due to the smaller number of businesses. In addition, most of these scenarios incorporate some form of dedicated funding to tourism marketing and most all include state general fund support, including those states that have privatized tourism marketing.

Tourism staff sizes in other states vary from 5 to 158 full-time employees, with an average of 37 (ATMC, DoT, and AVA combined have 23).

Industry Attitudes Surveyed

The AVA surveyed its members in July 1997 to gauge the opinions and attitudes toward various funding and organization scenarios. As a result of this survey, four general points of agreement were clear:

- Members strongly believe a statewide tourism marketing program is needed.
- Members strongly believe the state has a role to play in providing funds for tourism promotion.
- Members oppose additional taxes focused on the visitor industry for the purpose of funding general government.
- Two out of three members believe some sort of assessment or fee should be used to support tourism marketing, although there is no consensus about what specific option should be implemented.

Developing A Concept

After researching funding alternatives and studying the survey results, the AVA board of directors contacted convention & visitors bureaus, government officials, and other industry leaders for input and ideas. When all of this information was taken into account, an outline of what was desired emerged. A plan was designed to accomplish the following:

- Shift marketing efforts to a private entity that combines the activities of the Division of Tourism and Alaska Tourism Marketing Council
- Return Alaska's marketing efforts to a competitive position
- Reach a goal of \$10 million for marketing
- Utilize pay-to-play programs
- Increase private sector funding while state general funds decrease under a phased-in approach
- Increase participation from businesses

New Millennium Plan Takes Shape

This concept was first presented to 650 industry members during the October 1997 AVA convention. There was general consensus for the proposal as outlined, both during the meeting and in follow-up questionnaires. Convention & visitors bureaus, tourism associations, chambers of commerce, and other organizations arranged meetings to distribute and debate the proposal. The administration and members of the Legislature were briefed and the details of the proposal were published in AVA's newsletter and other print media statewide. A number of changes were made to the draft based on feedback.

In January 1998 a revised plan was mailed to 3,000 tourism businesses statewide in order for them to determine if the plan should be further developed for presentation to the Legislature. Eighty-five percent of respondents recommended moving forward with the plan.

Legislation to implement much of the plan was introduced in 1998 and was passed by both the House and Senate, but failed to reach a final concurrence vote. The industry continued to actively support the legislation, communicating support to their legislators and AVA. A transition team formed in July 1998 to begin working on the details of implementing the plan. The team presented proposed changes to the 1998 AVA convention delegation and, based on their feedback, revised the plan to this present form for increased industry distribution and comment throughout the fall/early winter of 1998/1999.

APPENDIX

APPENDIX

Cruise Line Memberships

<u>Company's Alaska passenger cruise days*</u>	x \$1.0 million in FY01
Total passenger cruise days* in Alaska market	x \$1.5 million in FY02
	x \$2.0 million in FY03

*A passenger cruise day is the number of available berths multiplied by the number of days deployed.

In 2003, a passenger-day fee would be established based on that year's formula. Subsequent years' assessments would be the established per-passenger fee multiplied by the company's number of cruise days in the market.

APPENDIX

Destination Marketing Organizations and Communities Memberships

Community's % of Visitor Expenditures	x \$.50 million in FY01
	x \$.75 million in FY02
	x \$1.25 million in FY03

In 2003, a funding goal would be established using a fixed percentage of total visitor expenditures (such as ¼ of 1 percent). Subsequent years' assessments would be the community's percentage of visitor expenditures multiplied by the fixed percentage amount. Thus, a community's contribution would be directly related to the economic benefit received. Those communities that do participate will not be expected to pay more to make up for communities that do not.

This formula would require more frequent visitor expenditure studies, including one at the outset to determine each community's relative ranking. While this is an additional expense, this research is needed by visitor industry businesses throughout the state. As a baseline reference, the most current research (1993-94) indicates visitor expenditures were distributed as follows, suggesting the estimated buy-in for years 2001, 2002, and 2003. *Please note that this is intended only as a rough guideline and new research would be needed to determine the actual amounts.*

Community	%	Estimated Contribution FY01	Estimated Contribution FY02	Estimated Contribution FY03
Anchorage	32%	\$160,000	\$240,000	\$400,000
Fairbanks	9%	45,000	67,500	112,500
Juneau	8%	40,000	60,000	100,000
Denali	6%	30,000	45,000	75,000
Ketchikan	5%	25,000	37,500	62,500
Skagway	5%	25,000	37,500	62,500
Kenai / Soldotna	3%	15,000	22,500	37,500
Sitka	2%	10,000	15,000	25,000
Homer	2%	10,000	15,000	25,000
Seward	2%	10,000	15,000	25,000
Valdez	2%	10,000	15,000	25,000
Other Communities*	24% combined			

*Individual community percentages not available, but each receives less than 2 percent of total visitor expenditures

P.O. Box 756
Homer, AK 9960

Re: HB 136 - opposed
SB 107 - opposed

3/29/99

Dear Senator Torgerson,

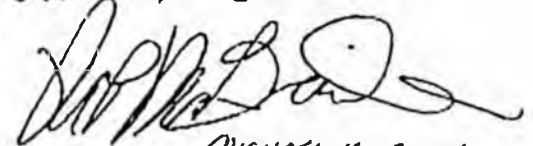
It is unfortunate that AVA (AK Visitors Assoc.) is attempting to take away any state role in tourism planning & marketing. We support the efforts of the Dept. of Commerce to maintain the role of the tourism division.

AVA is going to grab the power, and this is not in the best interest of Alaska's small businesses.

We support SB 350, and oppose HB 136, SB 107.
(from last year)

Thank you,

Diane McBride



MICHAEL MCBRIDE

SENATE FINANCE COMMITTEE

SIGN-IN

SB 107-ABOLISH TOURISM MARKETING COUNCIL

NAME: KEN DOLE Sub./Bill No: 107(LHC)
Co./Dept./Title: ALASKA VISITORS ASSOC Phone: 907-225-3461
Address: 220 North St, Kotzebue AK Zip: 99901

Do you wish to testify? Yes No Respond to Questions

NAME: Steve Behndt Sub./Bill No: 107 Doc
Co./Dept./Title: Alaska Wilderness Recreation Tourism Assoc Phone: 468-303A
Address: 522027, Juneau AK Zip: _____

Do you wish to testify? Yes No Respond to Questions

NAME: Ginny Fay Sub./Bill No: SB107
Co./Dept./Title: DCFB Phone: 2503
Address: SOB Zip: _____

Do you wish to testify? Yes No Respond to Questions

NAME: _____ Sub./Bill No: _____
Co./Dept./Title: _____ Phone: _____
Address: _____ Zip: _____

Do you wish to testify? Yes No Respond to Questions