

HB

24

Alaska State Legislature

Representative Jim Whitaker
House of Representatives
District 31



Session
Capitol Building, Room 411
Juneau, Alaska 99801
Phone: (907) 465-3004
Fax: (907) 465-2070

Interim
119 N. Cushman St. Suite 213
Fairbanks, AK 99701
Phone: (907) 452-1088
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SPONSOR STATEMENT

HB24 Borough Revenues for Tourism Marketing

Since the 1970's, the visitor industry in communities throughout Alaska has relied on local destination marketing organization to compete in an increasingly competitive worldwide marketplace.

The funding source for these organizations is typically local visitor industry taxes enacted with the intent that the revenues collected, fund the destination marketing efforts of the community in which such taxes are collected.

A provision in the Alaska State Municipal Code, Title 29 creates a situation wherein certain visitor industry tax collections cannot be used to fund local destination marketing efforts. This has the potential to affect eleven of Alaska's organized boroughs, even in those cases where the funding of destination marketing efforts is the express intent for which a visitor industry tax is collected.

HB24 amends Title 29 of Alaska Statutes allowing, at local option, the use of borough revenues for an on-going tourism marketing effort.



February 6, 2001

Representative Jim Whitaker
Alaska State House of Representatives
State Capitol, Room 411
Juneau, AK 99901-1182

Dear Jim:

Thank you for taking the time to meet with us on January 22 in Juneau. We appreciate your support for HB 24. HB 24 amends Title 29 of the Alaska Statutes to provide for a local option within a borough to use tax collections to fund a tourism marketing campaign.

Successful passage of HB 24 will ensure that the visitor industry continues to serve as an important economic engine that offers Alaskan communities exciting opportunities to diversify and expand their economic base and enhance their quality of life. This bill will also allow small visitor industry businesses to share in the benefits of visitor industry growth and compete in an increasingly competitive travel marketplace by providing them the ability to pool their resources to market their communities as a destination to potential Alaska travelers. HB 24, in addition, will provide Alaskan communities the ability to contribute their proportionate share towards the funding of statewide efforts to market Alaska as a destination to the rest of the world.

If you have any question or would simply like to discuss HB 24 with me further, please feel free to contact me at (907) 457-3282 extension 222 or email me at dhickok@explorefairbanks.com.

Warm regards,

Deb Hickok
Executive Director



Fairbanks North Star Borough

Office of the Mayor

809 Pioneer Road

P.O. Box 71267

Fairbanks, Alaska 99707-1267

907/459-1300

Fax 907/459-1102

Email mayor@co.fairbanks.ak.us

January 24, 2001

Via Facsimile: 907-465-2070

Representative Jim Whitaker
Capitol Room 411
Juneau, AK 99801

Dear Representative Whitaker:

Your staff has provided a copy of HB 24, An Act Relating to Use of certain Borough Revenues for a Tourism Marketing Campaign, and asked for comment.

As a second class borough, the Fairbanks North Star Borough exercises economic development powers on a non-areawide basis in accordance with AS 29.35.210(a)(8). Therefore, the borough is authorized by law (AS 29.35.110) to expend only revenues received through taxes collected on a nonareawide basis on this function.

The Fairbanks Convention and Visitors Bureau has requested a grant of marketing funds from the Borough's areawide hotel/motel bed tax. However, because the tax is levied on an areawide basis, and was approved by the voters areawide, the Borough cannot expend bed tax revenues for tourism marketing, economic development or any other nonareawide activity.

The Borough does not oppose HB 24 as it is presently submitted. This legislation will not infringe on the right of municipalities to determine the activities they choose to fund or diminish their responsibility to utilize a public process to expend public revenues. This bill will simply provide for a local option to use areawide tax revenues to fund a tourism marketing campaign.

Sincerely,

Rhonda Boyles, Mayor

Issue Statement

Alaska Visitor Industry Small Business Empowerment

Successful Passage Of HB 24 Will:

Ensure that the visitor industry continues to serve as an important economic engine that offers Alaskan communities exciting opportunities to diversify and expand their economic base, and enhance their quality of life.

Allow small visitor industry businesses to share in the benefits of visitor industry growth and compete in an increasingly competitive travel marketplace by providing them the ability to pool their resources to market their communities as a destination to potential Alaska travelers.

Provide Alaskan communities with the ability to contribute their proportionate share towards the funding of statewide efforts to market Alaska as a destination to the rest of the world.

Executive Summary

Since the 1970's, small visitor industry businesses in communities throughout the state of Alaska have relied on their local destination marketing organizations [Convention & Visitors Bureaus and/or Chambers of Commerce] to help them compete in an increasingly competitive worldwide travel marketplace.

The funding source for local destination marketing organizations is typically local visitor industry taxes enacted with the intent that the taxes collected be used to fund the destination marketing efforts of the community or region in which the visitor industry taxes are collected.

An anomaly in the Alaska State Municipal Code [Title 29 of the Alaska Statutes] has the potential to create a situation in eleven of Alaska's organized boroughs where visitor industry tax collections cannot legally be used to fund local destination marketing efforts, even in those cases where the funding of destination marketing efforts is the express intent for which a visitor industry tax is collected.

HB 24 amends Title 29 of the Alaska Statutes to provide for a local option within a borough to use tax collections to fund a tourism marketing campaign.

The Mind-Numbing Details:

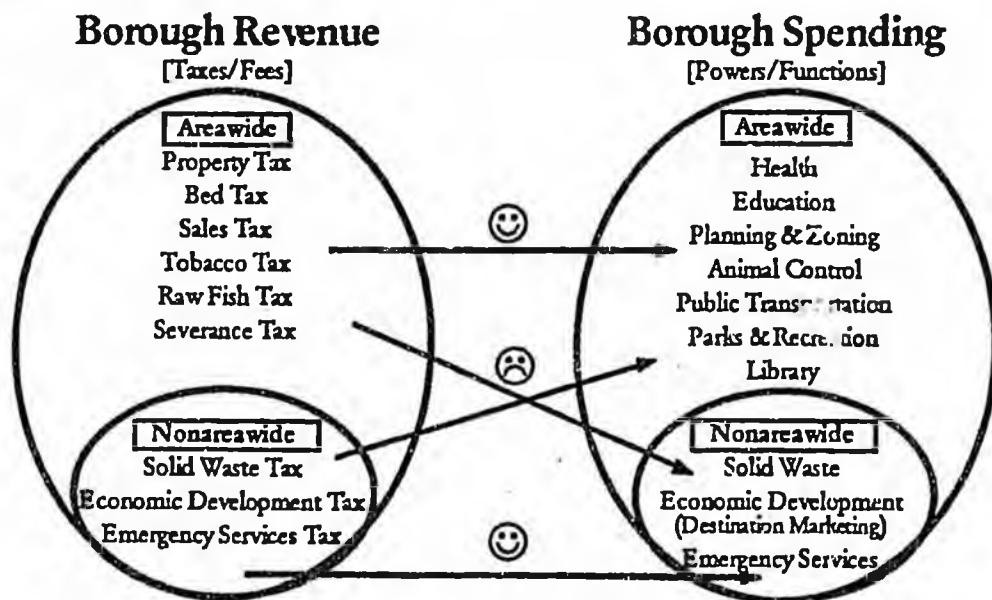
Fact: Sixteen organized boroughs and unified home rule municipalities exist in Alaska. Of these, six are second class boroughs containing incorporated cities within their boundaries, resulting in a division of powers between borough and city governments.

Fact: Second class boroughs are authorized to expend money for a community purpose or service to the extent the borough is authorized to exercise the power to accomplish the purpose. [Alaska Statutes, Section 29.35.010(9)]

Fact: "Borough revenues received through taxes collected on an areawide basis by the borough may be expended on general administrative costs and on areawide functions only. Borough revenues received through taxes collected on a nonareawide basis may be expended on general administrative costs and functions that render service only to the area outside all cities in the borough." [Alaska Statutes, Section 29.35.110]

Fact: Second class boroughs are authorized to exercise the power to provide for economic development on a nonareawide basis. [Alaska Statutes, Section 29.35.210(a)(8)]

The Dilemma: The four facts outlined above result in a situation where a visitor industry tax [typically a bed tax] logically collected by a second class borough on an areawide basis cannot be used for the taxes' intended areawide purpose, the funding of destination marketing. [see figure below]



The Solution: The challenge outlined above is solved to the benefit of small visitor industry businesses and Alaskan communities by amending AS 29.35.110 to add a new subsection to read: "(b) Use of borough revenues for a tourism marketing campaign is not subject to (a) of this section."



ANCHORAGE
Convention &
Visitors Bureau

**ANCHORAGE CONVENTION & VISITORS BUREAU
BOARD OF DIRECTORS**

RESOLUTION 2001-01

Alaska Visitor Industry Small Business Empowerment

WHEREAS, the visitor industry is an extremely important engine of economic growth for Alaska's Southcentral area, injecting more than \$142.4 million dollars¹ into the regional economy on an annual basis, and creating more than 10,100 regional full-time equivalent jobs¹; and

WHEREAS, the visitor industry contributes tremendously to the quality of life of all residents in Alaska's Southcentral area; and

WHEREAS, the visitor industry provides the Southcentral area economy with sustainable economic benefits that help provide a buffer against the booms and busts associated with the other basic industry sectors of the regional economy; and

WHEREAS, the visitor industry provides unparalleled opportunities for local entrepreneurs and small businesses to participate in the economic success of the visitor industry at the ownership level; and

WHEREAS, if visitor industry small businesses are to continue to share in the benefits of visitor industry growth and compete in an increasingly competitive travel marketplace they must have the ability to pool their resources to market their communities as a destination for potential Alaska travelers; and

WHEREAS, since the 1970s, small visitor industry businesses in communities throughout the state of Alaska have relied on their local destination marketing organizations (Convention & Visitors Bureaus and/or Chambers of Commerce) to help them compete in an increasingly competitive worldwide travel marketplace; and

¹ *Comprehensive Overview of the Alaska Visitor Industry*
Alaska Visitors Association, August 1998

324 W. Fourth Avenue
Anchorage, Alaska
99501-2212

907-278-4110
Fax: 907-278-5559
Email:acvb@alaska.net

ACVB Resolution 2001-01

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WHEREAS, the funding source for local destination marketing organizations is typically local visitor industry taxes enacted with the intent that the taxes collected be used to fund the destination marketing efforts of the community or region in which the visitor industry taxes are collected; and

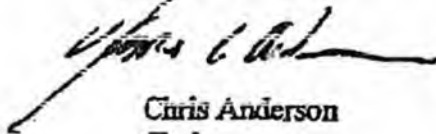
WHEREAS, an anomaly in the Alaska State Municipal Code (Title 29 of the Alaska Statutes) has the potential to create a situation in eleven of Alaska's organized boroughs where visitor industry tax collections cannot legally be used to fund local destination marketing efforts, even in those cases where the funding of destination marketing efforts is the express intent for which a visitor industry tax is collected; and

WHEREAS, HB 24 amends Title 29 of the Alaska Statutes to provide for a local option within a borough to use tax collections to fund a tourism marketing campaign.

NOW, THEREFORE BE IT RESOLVED that the Anchorage Convention & Visitors Bureau (ACVB) strongly supports swift and overwhelming passage of HB 24.

Adopted by the ACVB Board of Directors on the 8th day of February 2001.

ATTESTED BY:



Chris Anderson
Chair



Bruce Bustamante
President & CEO

FISCAL NOTE

**STATE OF ALASKA
2001 LEGISLATIVE SESSION**

Fiscal Note Number: 1
 Bill Version: CSHB 24(EDT)
 (H) Publish Date: 2/12/01

Revision Date/Time (Note if correction): 2/05/2001 4:05p.m. Dept. Affected: DCED
 Title: BOROUGH REVENUES FOR TOURISM BRU: Comm Asst&Econ.Dev
MARKETING Component: Community &
 Sponsor: Representative Whitaker Business Development
 Requester: House Special Committee EDTT Component Number: 2486

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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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						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
1156 RSS						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2001) cost: 0.0

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This legislation provides for the expenditure of borough revenues for tourism marketing. This legislation would have no fiscal impact on the department.

Prepared by: Pat Poland Phone 269-4580
 Division: Community and Business Development Date/Time 2/05/2001 4:05p.m.
 Approved by: Commissioner Deborah B. Sedwick Date 2/5/2001
 Agency: Department of Community & Economic Development

For distribution information, call the Governor's Legislative Office

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
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Mail Stop 3101

State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

MEMORANDUM

March 17, 2000

SUBJECT: Tourism marketing campaign conducted by the Fairbanks North Star Borough (Work Order No. 21-LS1553)

TO: Representative Jim Whitaker
Attn: Ryan Colgan

FROM: Tamara Brandt Cook
Director *TBC*

You ask whether the Fairbanks North Star Borough may use proceeds from a bed tax for a tourism marketing campaign. I have been informed that the bed tax is levied on an areawide basis, that is both inside and outside of cities within the borough, and that part of the issue involves whether an areawide tax may be used for a nonareawide function. It may not. Under AS 29.35.110 "Borough revenues received through taxes collected on an areawide basis by the borough may be expended on general administrative costs and on areawide functions only." Unlike AS 29.45.010(a) which applies only to property taxes, this provision applies to all types of taxes, including a bed tax which is normally a sales tax. (City of Homer v. Gangl, 650 P.2d 396 (Alaska 1982))

Aside of the question of the funding to be used to conduct the tourism marketing campaign, perhaps the most significant problem is determining whether the Fairbanks North Star Borough, a second class borough, has the power to conduct the campaign at all. A second class borough may only exercise those powers that are authorized by law or that have been acquired by the borough in accordance with law. Conducting a tourism marketing campaign is not encompassed within the mandatory areawide powers, nor within the list of optional areawide powers. (AS 29.35.210(b)) A second class borough may by ordinance provide for economic development, but only on a nonareawide basis. (AS 29.35.210(a)(8)) While a tourism marketing campaign is, arguably, a form of economic development, I, frankly, cannot imagine how the campaign could operate on a nonareawide basis. In any case, the areawide bed tax revenues could not be used to fund a nonareawide campaign.

It appears that, unless the Fairbanks North Star Borough has already acquired the power to conduct a tourism marketing campaign, it will have to acquire that power under AS 29.35.210(d). That subsection states: "...a second class borough may, on an areawide basis, exercise a power not otherwise prohibited by law if the power has been acquired in accordance with AS 29.35.300." The acquisition of a power by a borough is addressed in AS 29.35.300 - 29.35.350. It might also be possible for the borough and all the cities in the borough to enter into an agreement under which the borough and the cities jointly conduct

Representative Jim Whitaker

March 17, 2000

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a tourism marketing campaign using borough and city resources, perhaps, including the areawide bed tax revenues. (AS 29.35.010(13))

TBC:glc

00-134.glc

CITY OF FAIRBANKS FAIRBANKS NORTH STAR BOROUGH

REGULAR ELECTION
TUESDAY, OCTOBER 6, 1992

CITY OF FAIRBANKS Regular Election — October 6, 1992	
CITY MAYOR — (3) Year Term (Vote For No More Than One)	
JIM HAYES	<input checked="" type="checkbox"/>
	+
CITY COUNCIL SEAT C — (3) Year Term (Vote For No More Than One)	
MARY HAJDUKOVICH	+
DENNIS HEDGECOCK	+
RANDALL B. WALLACE	<input checked="" type="checkbox"/>
	+
CITY COUNCIL SEAT D — (3) Year Term (Vote For No More Than One)	
BOB ELEY	<input checked="" type="checkbox"/>
FRANK W. TURNEY	+
LYNN HOUSE	+
	+
A-001	A

END OF BALLOT

FAIRBANKS NORTH STAR BOROUGH Regular Election — October 6, 1992	
ASSEMBLY SEAT B — (3) Year Term (Vote For Not More Than One)	
HAROLD GILLAM	<input checked="" type="checkbox"/>
LYNN LASHBROOK	+
	+
ASSEMBLY SEAT C — (3) Year Term (Vote For Not More Than One)	
ROBERT H. ADAIR	+
NANCI A. JONES	<input checked="" type="checkbox"/>
GENE REDDEN	+
	+
ASSEMBLY SEAT H — (3) Year Term (Vote For Not More Than One)	
HANK BARTOS	<input checked="" type="checkbox"/>
DAE MILES	+
JOHN D. SKILBRED	+
BONNIE WILLIAMS	+
	+
ASSEMBLY SEAT I — (3) Year Term (Vote For Not More Than One)	
DONNA GILBERT	+
DAN LaSOTA	+
VALERIE M. THERRIEN	<input checked="" type="checkbox"/>
ROBERT D. WARD	+
	+
SCHOOL BOARD SEAT C — (3) Year Term (Vote For Not More Than One)	
ROBERT G. (BOB) BOKO	+
JIM GENGLER	+
JERRY McBEATH	<input checked="" type="checkbox"/>
PHILIP D. PATTON	+
	+
SCHOOL BOARD SEAT D — (3) Year Term (Vote For Not More Than One)	
AMY GRAU	+
JANE G. HAIGH	<input checked="" type="checkbox"/>
ROBERT B. SAWYER JR.	+
DAVID S. TONEY	+
	+
B-001	B

VOTE BOTH SIDES

PROPOSITION A	
'Shall the Fairbanks North Star Borough levy an 8% tax on the rental of hotel and motel rooms in the Fairbanks North Star Borough?'	
A 'Yes' vote will pass the Proposition. A 'No' vote will defeat the Proposition.	
YES	<input checked="" type="checkbox"/>
NO	+
B-006	B

END OF BALLOT

Alaska State Legislature

Representative Jim Whitaker

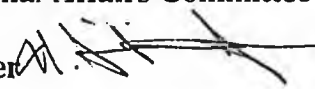
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Fax: (907) 452-1146

Memorandum

To: Senator John Torgerson, Chair,
Senate Community & Regional Affairs Committee

From: Representative Jim Whitaker 

Re: Hearing Request, CSHB 24 & HB 118

Date: 2/27/01

House bills 24 and 118 have been referred to the Senate Committee on Community & Regional Affairs.

Due to the upcoming legislative break for Energy Council and subsequent House Finance Committee hearings on the budget, I respectfully request a hearing of both these bills at your earliest convenience after the 12th of March.

Alaska State Legislature

Representative Jim Whitaker

Session

Capitol Building, Room 411
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**Interim**

119 N. Cushman St., Suite 213
Fairbanks, AK 99701
Phone: (907) 452-1088
Fax: (907) 452-1146

Memorandum

To: Mary Jackson, Committee Aide, Senate C&RA

From: Lori Backes, Aide to Rep. Whitaker

Re: CSHB 24, list of interested parties

Date: 2/28/01

Parties expressing an interest in the passage of CSHB24 include:

Brett Carlson - Northern Alaska Tour Company, 474-8600
Matt Atkinson - Northern Alaska Tour Company, 474-8600
Deb Hickok - Fairbanks Convention and Visitor's Bureau, 456-5774
Frank Rose - Alaska Tourism Industry Association, 474-8555 (Ak. Lodging Management)
Debbie Tillsworth - Alaska Tourism Industry Association, 479-6673 (Riverboat Discovery)