

HB

147

HFIN

FILE

HOUSE COMMITTEE REPORT

(11)

Date Referred to Committee: March 21, 2007

FURTHER REFERRALS:

Date of Committee Action: 2/14/08

The FINANCE Committee considered:

HB 147

HOUSE BILL NO. 147

TOURISM CONTRACT MATCHING FUNDS

"An Act relating to matching funds in state tourism marketing contracts with trade associations."

Recommends it be replaced with HCS or CS for HB 147 (FIN)
 For Senate Bills with new title: Technical Title New Title: HCR _____ Same Title New Title

- attach amendments
- add new referral to _____ Committee
- Letter of Intent _____ Committee

List of
Abbrev
for
Depts.:

- ADM
- CED
- COR
- CRT
- EED
- DEC
- DFG
- GOV
- HSS
- LWF
- LAW
- LEG
- MVA
- DNR
- DPS
- REV
- DOT
- UA

<u>NEW FISCAL NOTES</u>				
*Assigned by Chief Clerk's Office				
List by Dept(s):	*FN#	Fiscal	Indet.	Zero
CED				✓

<u>PREVIOUS FISCAL NOTES</u>				
List by Dept(s):	FN#	Fiscal	Indet.	Zero

<u>Signing with recommendations</u>	Printed Last Name	DP	DNP	NR	AM
<i>Wally Bell</i>	Thomas			✓	
<i>Harvey Crawford</i>	CRAWFORD	X			
<i>Mike Kelly</i>	Kelly	X			
<i>L. Garcia</i>	Garcia				✓
<i>Ruth</i>	Joule	X			
<i>Mary Nelson</i>	NELSON	X			
Chair:					
Chair: <i>K. Meyer</i>	Meyer			X	

*Adopted
2/14/08*

25-LS0560E
Bannister
2/11/08

CS FOR HOUSE BILL NO. 147()

IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-FIFTH LEGISLATURE - SECOND SESSION

BY

Offered:
Referred:

Sponsor(s): REPRESENTATIVES HARRIS BY REQUEST, Kelly

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to matching funds and state money for state tourism marketing
2 contracts with trade associations; and providing for an effective date."

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

4 * Section 1. AS 44.33.125(a) is amended to read:

5 (a) Subject to appropriations for the purpose, the Department of Commerce,
6 Community, and Economic Development shall, on or before April 1 of each fiscal
7 year, contract with a single qualified trade association for the purpose of planning and
8 executing a destination tourism marketing campaign during the next fiscal year. The
9 contract may be awarded only if the qualified trade association provides matching
10 funds equal to at least 30 [50] percent of the state money used for [COSTS OF] the
11 marketing campaign described in the contract. Unless the appropriation that funds
12 the marketing campaign is for more than \$8,000,000, the state money used for the
13 marketing campaign may not exceed \$8,000,000. The marketing campaign may
14 promote distinct segments of tourism, such as highway tourism, seasonal tourism,

1 ecotourism, cultural tourism, regional tourism, and rural tourism. Before the contract
2 is executed, the marketing campaign plan must be approved by the department.

3 * Sec. 2. AS 44.33.125(a), as amended by sec. 1 of this Act, is amended to read:

4 (a) Subject to appropriations for the purpose, the Department of Commerce,
5 Community, and Economic Development shall, on or before April 1 of each fiscal
6 year, contract with a single qualified trade association for the purpose of planning and
7 executing a destination tourism marketing campaign during the next fiscal year. The
8 contract may be awarded only if the qualified trade association provides matching
9 funds equal to at least 50 [30] percent of the costs of [STATE MONEY USED FOR]
10 the marketing campaign described in the contract. [UNLESS THE APPROPRIATION
11 THAT FUNDS THE MARKETING CAMPAIGN IS FOR MORE THAN \$8,000,000,
12 THE STATE MONEY USED FOR THE MARKETING CAMPAIGN MAY NOT
13 EXCEED \$8,000,000.] The marketing campaign may promote distinct segments of
14 tourism, such as highway tourism, seasonal tourism, ecotourism, cultural tourism,
15 regional tourism, and rural tourism. Before the contract is executed, the marketing
16 campaign plan must be approved by the department.

17 * Sec. 3. Section 2 of this Act takes effect July 1, 2011.

18 * Sec. 4. Except as provided in sec. 3 of this Act, this Act takes effect July 1, 2008.

FISCAL NOTE

STATE OF ALASKA
2007 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: HB 147
(H) Publish Date: 3/21/07

Revision Date/Time (Note if correction): _____ Dept. Affected: Commerce
Title: Tourism Contract Matching Funds RDU: Comm Assist & Ec Dev (405)
Component: Office of Economic Development
Sponsor: Harris by Request
Requester: House EDTT Component No.: 2743

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
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						
-----------------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
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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						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2007) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2008 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This legislation reduces from 50 percent to 10 percent the minimum amount Alaska's qualified trade association must provide as match for Alaska's tourism marketing campaign. This reduction in the match will not impact the department's cost to contract with the qualified trade association.

Prepared by: Bill Allen, Development Manager
Division: Office of Economic Development
Approved by: Emil Notti, Commissioner
Agency: Commerce, Community, and Economic Development

Phone: 907.269.8112
Date/Time: 3/12/07 4:07 PM
Date: 3/12/2007

Alaska State Legislature

Session: (Jan-May)

State Capitol, Room 208

Juneau, AK 99801-1182

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John Harris
Speaker of the House

SECTIONAL ANALYSIS HOUSE BILL 147

"An Act relating to matching funds in state tourism marketing contracts with trade association"

Section 1 of the bill states that by April 1 of each fiscal year, the Dept. of Commerce, Community and Economic Development may contract with a qualified trade association (*the Alaska Travel Industry Association*) to plan and execute a tourism marketing campaign during the next fiscal year.

HB 147 changes the matching fund requirement from 50% of the costs of the marketing campaign described in the contract to 10%.

Explanation: In FY07 the total combined funds from state and private contributions was \$10 million; \$5 million in state funds matched by \$5 million voluntarily contributed from the tourism industry. With the passage of the cruise ship tax initiative, the ATIA will no longer be able to voluntarily raise \$5 million. The state's largest tourism segment, the cruise industry, will now be required to pay millions of dollars directly to the state and will no longer be able to contribute voluntarily to the state marketing program. The ATIA believes that they will be able maintain \$2 million in private industry match.

In concert with HB 167 which appropriates \$18 million to the QTA Tourism Grant Line, the total tourism marketing budget will be \$20 million; of which \$2 million is private industry funds for a 90/10 match.

TO: House Finance Committee Members
FR: Chip Thoma, Box 21884, Juneau, 99802
RE: ATIA Funding Request, HB 147
DATE: April 17, 2007

The state funding request today by the Alaska Travel Industry Association (ATIA) is a dramatic change from past agreements with the state to share equally in Alaska tourism promotion. Going from a 50-50% share to a 90-10% state-industry split is a fiscal departure that should be based on both demonstrated need and a logical advertising strategy for the future. Yet neither situation has transpired.

The ATIA has failed to make the case that its past state appropriations were well spent, or that increased 90-10 funding is the simple answer. Instead, the ATIA has chosen to blame the cruise ship initiative as the 'probable' cause of its funding woes, while ignoring the fact that private advertising for cruises to Alaska now tops \$70M a year. Market forces appear to be working naturally to make the ATIA irrelevant in the big picture of advertising for a \$2B a year Alaska tourism industry.

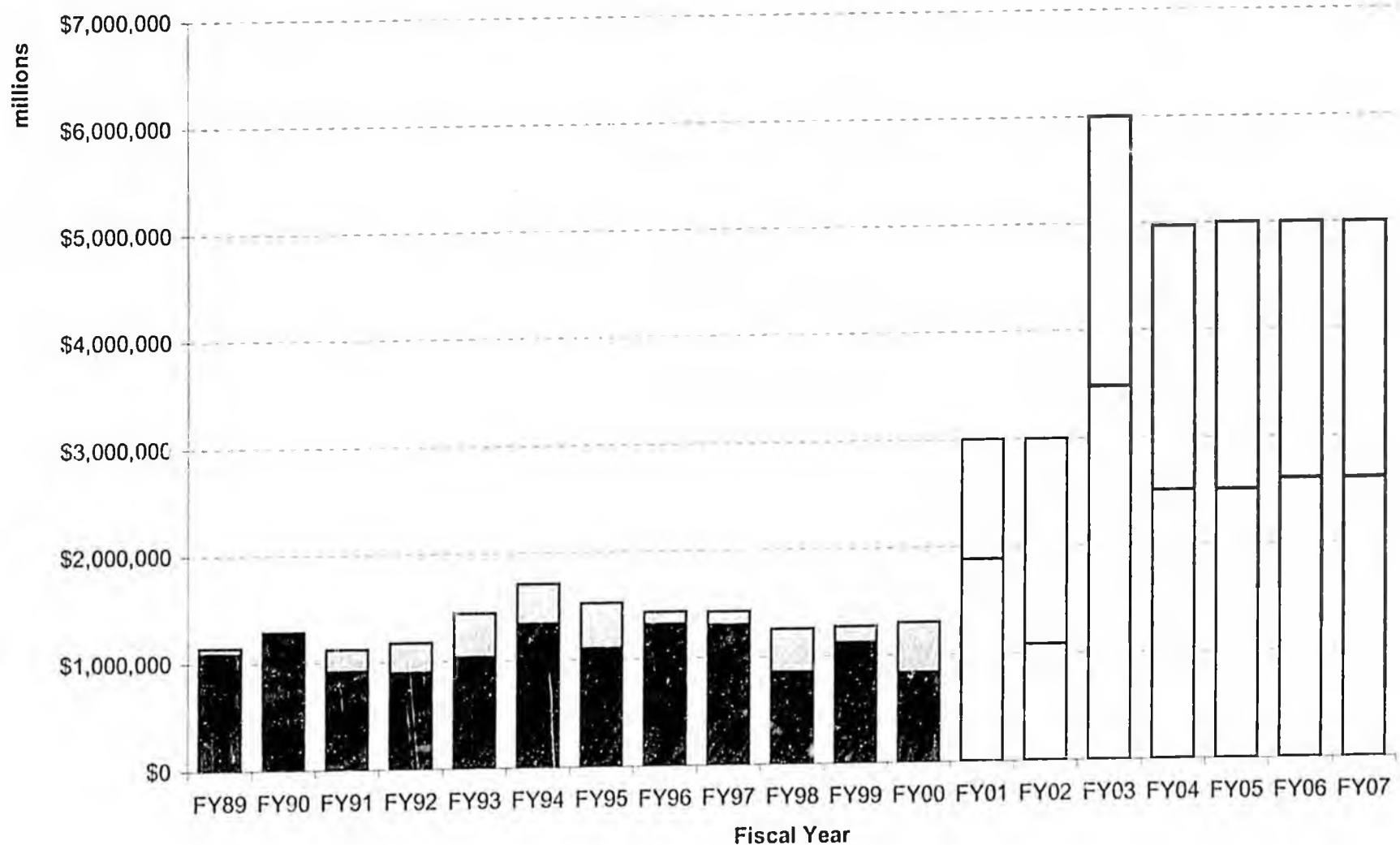
Governor Jay Hammond articulated the standard for state funding of industry years ago; no subsidies. ATIA should wake up and put its considerable marketing skills together to raise monies for the 50% share agreement they now enjoy, before it all dissolves in the wake of the wealthy cruise industry.

Please consider these points in deciding the appropriate funding levels and participation rates by the state and the private Alaska Travel Industry Association. Please reject HB 147 as an inappropriate level of state tourism funding.

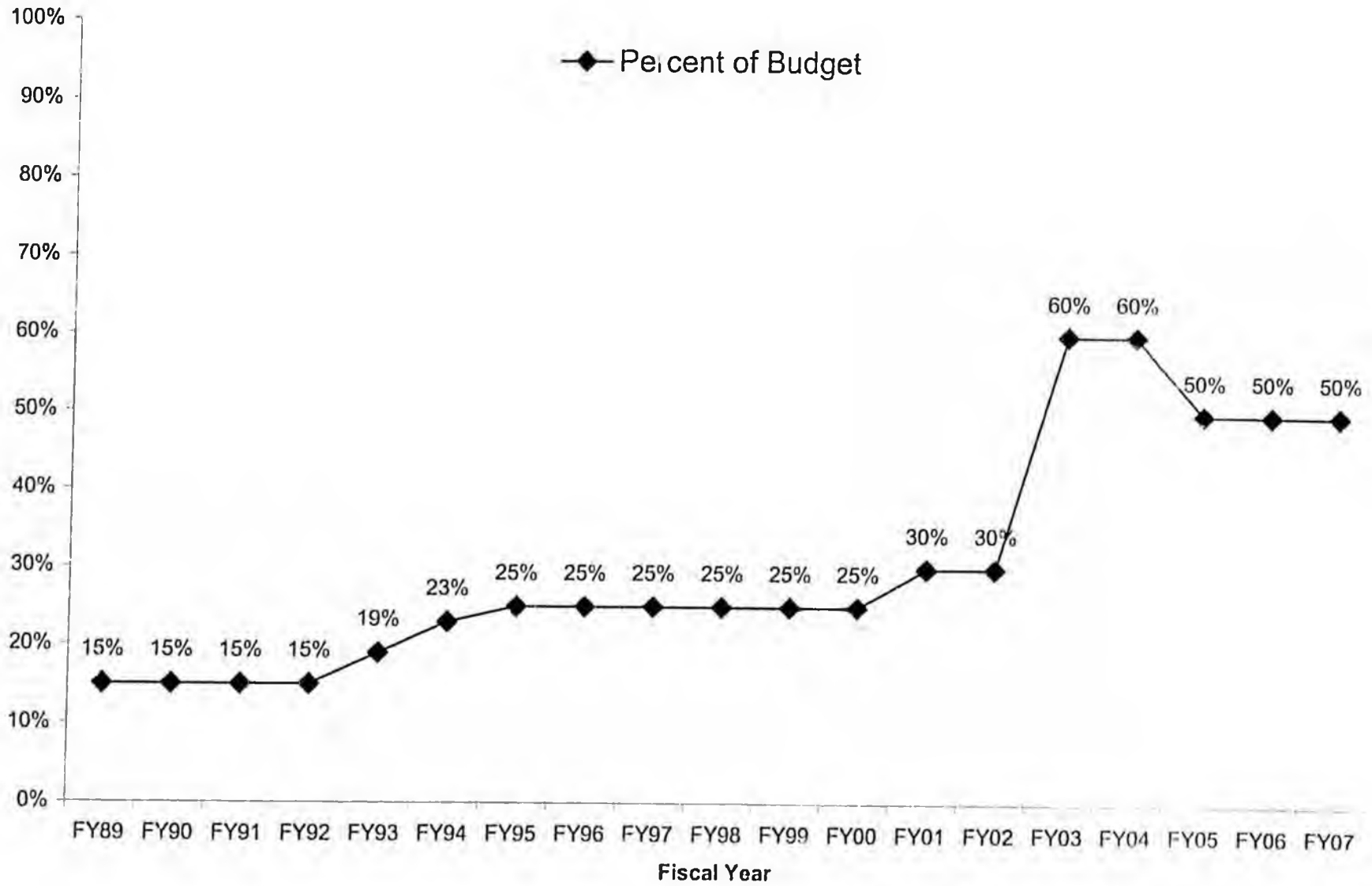
Thank you for your attention to this issue. Chip Thoma

Tourism Marketing - Industry Payment in Lieu of Taxes

■ Req. Match Dollars □ Other Dollars □ Coop Marketing □ PILT



Tourism Marketing - Industry Payment in Lieu of Taxes



FY07 Current Private Fund Sources:

\$5,000.00	Private Industry Match
-\$2,000.00	*Volunteer Cruise Contribution (no longer available)
-\$ 500.00	Cruise Industry Advertising (redirected to their own programs)
<u>-\$ 500.00</u>	*Visitor & Convention Bureau Contributions (no longer available)
\$ 2,000.0	Remaining ATIA funds available through membership dues and pay to play participant programs



Alaska Tourism Fact:

\$1.6 Billion
Contribution to Alaska's Economy

Source: Alaska Dept. of Commerce, Community & Economic Development - 2002

Alaska Tourism Fact:

40,000 Jobs
(full-time equivalent)

Source: Alaska Dept. of Commerce, Community & Economic Development - 2002

Alaska Tourism Fact:

78% Local Hire

Source: McDowell Group
1999 Visitor Industry Economic Impact Study

Alaska Tourism Fact:

\$1.15 Billion
Tourism driven salary & benefits

Source: Alaska Dept. of Commerce, Community & Economic Development - 2002

Alaska Tourism Fact:

4,600 Hotel Rooms
Constructed in the past 10 years

Source: Alaska Dept. of Labor - 2004 (updated with ATIA data)

Alaska Tourism Fact:

\$470 Million
Industry Infrastructure Investment

Source: Alaska Dept. of Commerce, Community & Economic Development - 2002

Alaska Tourism Fact:

\$284 Million
Benefit to non-tourism business

Source: Alaska Dept. of Commerce, Community & Economic Development - 2002

Alaska Tourism Fact:

\$50 Million

State revenue from tourism (FY05)

Source: Alaska Dept. of Commerce, Community & Economic Development - 2006

Alaska Tourism Fact:

\$20 Million

**Net Contribution to State General Fund (FY05)
Nearly as much as Fishing, Timber and Mining - Combined**

Source: Alaska Dept. of Commerce, Community & Economic Development - 2006

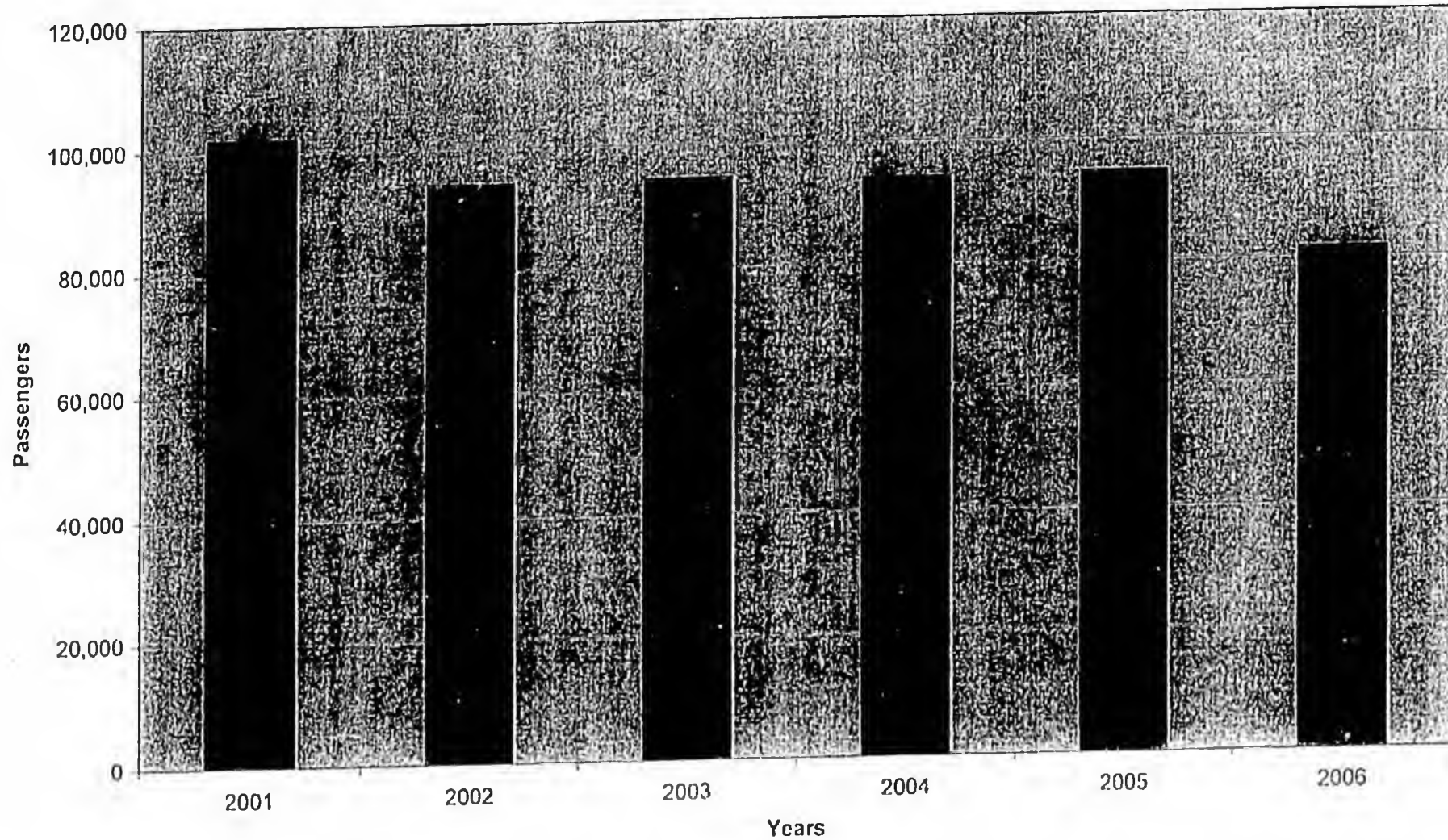


Alaska Tourism Fact:

\$21 Million
Local Government Bed Taxes

Source: Alaska Dept. of Commerce, Community & Economic Development - 2006

Alaska Canada Border Crossings 2001 - 2006



Border crossings (ALCAN and Poker Flats) exclusive of Motorcoach and Commercial Truck Traffic

Numbers Provided By Tok APLIC-Visitor's Center



Today, if you live in Alaska, you benefit from the visitor industry. From cab drivers to accountants, construction workers to florists, virtually everyone is affected by the business of travel. But because tourism is comprised of many different sectors and thousands of small businesses, its importance is often hard to discern. This report is meant to help Alaskans better understand one of our core industries – travel and tourism.

ALASKA'S VISITOR INDUSTRY: 2006 REPORT

T O U R I S M
It's everyone's business

The travel industry is a growth sector in the Alaska economy.

Did you know that travel & tourism is

One of Alaska's largest industries!

- \$1.6 billion in economic impact

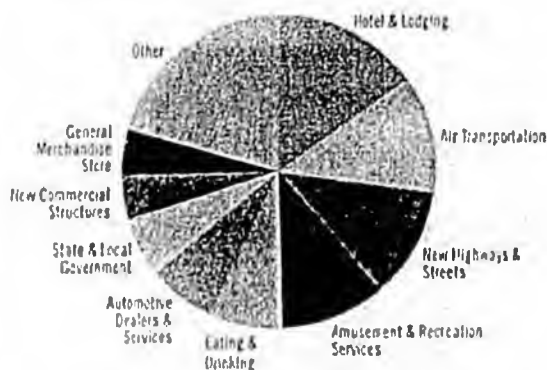
One of Alaska's largest generators of employment!

- 40,000 jobs

- 13.7% of all employment

TRAVEL & TOURISM SALES BY SPENDING CATEGORY

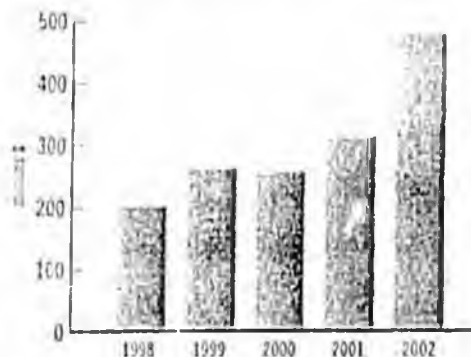
Source: The Alaska Tourism Satellite Account



Direct travel-related sales equal more than \$856 million dollars annually in Alaska. The largest single category is accommodations, which makes up 15% of sales. But spending doesn't stop there. A variety of industries seemingly unrelated to travel and tourism benefit from supporting businesses that service travelers.

TRAVEL & TOURISM CONSTRUCTION

Source: The Alaska Tourism Satellite Account



Tourism

is a renewable resource that helps diversify our economy and enhances the quality of life for Alaskans. A vibrant and growing visitor industry creates increased recreational opportunities for Alaskans, more frequent air service, lower property taxes and a wider variety of stores and restaurants to pick from. Many businesses in Alaska report that were it not for visitors, they would not be able to keep their doors open for residents.

Whether measured by jobs, economic contribution, quality of life or revenue to government, travel and tourism is one of Alaska's greatest opportunities.

ECONOMIC CONTRIBUTION

Engine of Growth

The tourism industry is one of our state's most important economic engines. Overall, travel and tourism's economic contribution in Alaska stands at more than \$1.6 billion annually, not including goods and services coming from outside the state. This represents 5.6% of Alaska's gross state product.

The travel industry is also an area of potential economic growth. Between 1998 and 2002 (the most recent year data is available), tourism's economic contribution in Alaska rose 38%.

REVENUE REALIZED BY NON-TRAVEL & TOURISM INDUSTRIES

Source: The Alaska Tourism Satellite Account

RANK	INDUSTRY	\$ VALUE
1	Real Estate	24.4 million
2	Engineering-Architectural Services	16.3 million
3	Wholesale Trade	14.9 million
4	Arrangement of Transportation	14.9 million
5	Banking	14.5 million
6	Maintenance and Repair Facilities	13.7 million
7	Natural Gas and Crude Petroleum	12.3 million
8	Motor Freight Transport/Warehousing	12.0 million
9	Communications	11.5 million
10	Accounting-Auditing and Bookkeeping	11.3 million
11	Management and Consulting Services	9.8 million
12	Other Business Services	8.8 million
13	Personnel Services	8.7 million
14	Computer and Data Processing Services	7.4 million
15	Electric Services	7.2 million
16	All Other Industries	96.5 million
	Total	\$284.1 million

The impact travel and tourism spending has on revenues is extensive. This list shows the degree to which tourism activity supports other businesses that provide services to the travel businesses in Alaska.

\$470 Million in Investments

In addition, travel-related businesses invest millions of dollars each year in capital projects that play a key role in Alaska's economy. These include construction of hotels, equipment and other infrastructure expenditures. While the amounts vary from year to year, the chart at left gives an example of construction expenditures related to travel and tourism over a five-year period.

REVENUE TO GOVERNMENT

Taxes and Fees

Visitors and visitor-related businesses are a source of revenue for state and local government in Alaska. In 2002, \$152.4 million in state and local government revenue was generated by travel and tourism in Alaska.

State taxes and fees include corporate profits tax, property tax, transportation and landing fees, licenses and an excise tax on rental vehicles, of which 85% or \$6.5 million is attributable to visitors.

Local governments collected \$58 million, primarily from property and bed taxes. In addition, cruise companies pay communities about \$14.6 million in dockage and moorage fees each year.

The Travel Industry Association of America estimates that each U.S. household would pay \$923 more in taxes without the tax revenue generated by the travel and tourism industry.

Lodging Taxes

Bed taxes are levied in many communities in Alaska. In 2005, 42 Alaska communities collected a lodging tax at a rate ranging between 3-10% and totaling \$21.5 million in tax revenues to local governments.

VISITOR STATISTICS

Visitor Spending

On average, each vacation/pleasure visitor to Alaska spends \$2,430, excluding transportation

Visitor spending has increased dramatically over the last decade. This growth is fueled by an increase in the overall number of visitors. Opportunities for visitors to spend money have also broadened with the expansion of tours and retail stores.

Most of the visitor industry growth in the last decade has been fueled by increased cruise travel. Affordable rates, capital investments and a worldwide growth in cruise travel have made this method of visiting Alaska a popular option. While many first-time visitors like the convenience of buying a prepackaged tour, almost a third (27%) of visitors who come back on their own first visited Alaska on a cruiseship.

Interesting Facts about Alaska Visitors

- 61% rate their trip as excellent
- 31% are repeat travelers
- 26% use frequent-flyer miles
- 81% are college educated
- The average age is 54
- The average length of stay is 10.7 days

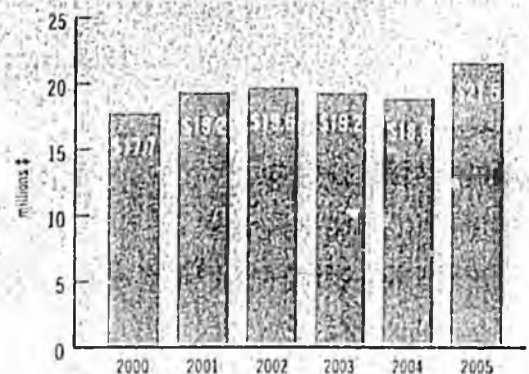
REVENUE TO STATE & LOCAL GOVERNMENT

Source: The Alaska Tourism Satellite Account



LODGING TAXES, 2001-2005

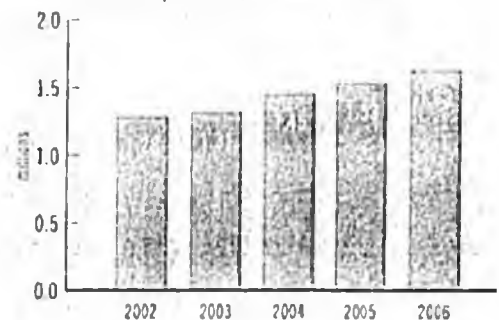
Source: Alaska Taxable 2005 Dollars



VISITOR VOLUME

2002-2006, MAY-SEPTEMBER

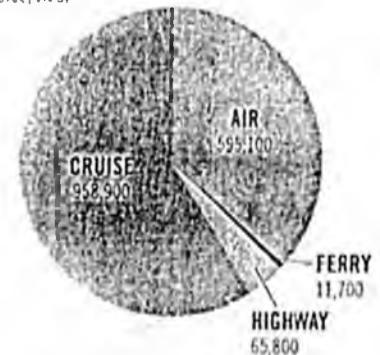
Source: AVSP, ATIA 2005



VISITORS BY TRAVEL MODE

2006 MAY - SEPTEMBER

Source: AVSP



INDUSTRY EMPLOYMENT

Tourism Generates Jobs

Travel and Tourism Economic Activity in Alaska Generates:

- 40,000 full-time equivalent jobs
- 13.7% of all employment in Alaska
- \$1.15 billion in wages and benefits to Alaska workers

These numbers show travel and tourism in Alaska to be a valuable industry in creating employment opportunities for residents. Alaska's travel industry accounts for 13.7% of all employment in Alaska. In other words, the industry directly and indirectly accounts for about one in every seven jobs.

Travel-related jobs are growing at a faster rate than overall employment in Alaska. Leisure and hospitality employment increased 10% between 2001 and 2005. This is good news for Alaskans in search of employment and a corresponding challenge to businesses that need to fill a wide variety of positions. Studies also show that the Alaska hire rate for the visitor industry (78%) is well above that of most other industries.

TOURISM MARKETING

Return on Investment

- Every \$1 spent on state tourism marketing returns an estimated \$168
- 31% of all respondents to the state's tourism marketing program travel to Alaska within four years

Instead of moving the product to the consumer, tourism is unique in that the consumer must be enticed to travel to the product. However, few businesses in Alaska are large enough to conduct a national advertising program to lure visitors north. As a result, most cities, states and even countries conduct an overall campaign to generate interest in the destination. It is then up to individual companies to attract visitors to their place of business. Alaska's state tourism marketing program in FY07 is \$115 million. This includes more than \$5 million raised and contributed by the private sector. Of the 16 states that use private sector dollars for state marketing, only Florida and California contribute more to their state's tourism marketing program. The majority of states utilize public funds. Alaska ranks 38th in public sector funding for tourism promotion.

Competition

Countries throughout the world have opened their doors to tourism as one of the most direct, low-impact areas for growth. Unfortunately, this has also led to extreme competition for visitor dollars. While Alaska has much to offer, there are many destinations in the world that are of equal interest to visitors. At the same time, research indicates that in the last six years, the percentage of U.S. adults who are high-potential Alaska travelers has declined from 11% to 9%.

SOURCES: The Alaska Tourism Satellite Account, A Comprehensive Analysis of the Economic Contribution of Travel and Tourism, prepared for the Alaska Department of Commerce, Community and Economic Development (DCCED), October, 2004 by Global Insight • Alaska Travel Industry Association 2003 & 2005 Conversion Studies, prepared by GVA Research • Alaska Economic Performance Report 2005, DCCED, June 2006 • The Net Return to the State of Alaska, Prepared for Alaska Senate Labor and Commerce Committee by the DCCED, March, 2006 • The Power of Travel 2006 and Survey of State Tourism Offices, Travel Industry Association of America

NOTE: Statements contained in this report are based on the most recent information available at the time of printing and are believed to be reliable. In Spring 2007, the Alaska Department of Commerce, Community and Economic Development will release the 2006 update to the Alaska Visitors Statistics Program.

Alaska Travel Industry Association
2600 Cordova Street, Suite 201, Anchorage, AK 99503 • (907) 929-ATIA (2842) • atia@alaskatia.org

Consumer Website: travelAlaska.com
Association Website: Alaskatia.org



Q: Who makes up the visitor industry?

A: The vast majority of travel-related businesses in Alaska are small. Most companies have less than 50 employees and a great many have less than five employees. Businesses are interdependent with small companies dependent upon the larger companies and vice versa.

Q: Where can people find out about tourism job openings?

A: In addition to applying directly with businesses, you can log on to the Alaska Travel Industry Jobs website at www.AlaskaTourismJobs.com. Job fairs are also held each year for seasonal positions. A summer job is a great way to start in the business. Many of the state's most successful travel industry CEOs started with a front line position.

Q: I've got relatives coming. Where can I get more information on travel to Alaska?

A: For more information on trip planning to and within Alaska, log on to www.TravelAlaska.com. The site gives you information on all regions of Alaska and puts you in touch with hundreds of Alaska businesses. You can also order a free State Vacation Planner for you or your visiting friends and relatives.

Q: Who is the Alaska Travel Industry Association?

A: The Alaska Travel Industry Association (ATIA) is a non-profit organization that represents the visitor industry in Alaska. ATIA is contracted by the State of Alaska to serve as its official tourism marketing organization. ATIA's mission includes promoting travel to and within the state, increasing overall awareness of the visitor industry and working cooperatively with the state on tourism development and long-range planning.





March 5, 2007

The Honorable Representative John Harris
Speaker, House of Representatives
State Capitol
Juneau, AK 99801

Dear Mr. Speaker,

Thank you so much for supporting the Alaska Travel Industry Association [ATIA] through your sponsorship of HB 147, "An Act relating to matching funds in state tourism marketing contracts with trade associations."

Seventeen years ago Harvard economist Michael Porter put forward the recipe for competitive success by establishing that winning industries or regions will be those that differentiate themselves by promoting their uniqueness. Alaska tourism has a competitive advantage by virtue of its beauty, location and natural resources, and the tourism industry has worked hard to promote the state's exceptional attractions.

But an increasingly competitive global marketplace is bearing down on us, and it is no longer enough to have a great product. As Porter said, we must have the means to compete and differentiate ourselves in a marketplace where other destinations are willing and able to spend much more to reach their markets.

The good news is that tourism, through its destination marketing efforts, offers a strong pipeline - a marketing pipeline that connects the Alaska travel experience and Alaskan businesses with consumers all over the world. The deliverable is immediate and equates to more than 1.9 million visitors every year.

Like other natural resource industries, we endeavor to reach the market, but our pipeline - built more than 50 years ago - needs refurbishing. The current destination-marketing budget combines \$5 million in private funds raised from the industry with \$5 million matched by the state, all managed by ATIA. But that amount is no longer enough for our message to penetrate the market. Increasingly, other destinations are flooding consumers with more television

commercials, travel stories, co-promotions, direct mail, brochures and Internet marketing. In fact, Alaska now ranks 38th out of the 50 states in terms of public sector funding for tourism marketing.

ATIA anticipates that its marketing effort will be further impacted when industry partners with bigger tax bills to pay are forced to abandon their voluntary contributions to the marketing program. Conservatively, ATIA stands to lose \$2.5 million in industry contributions along with the matching \$2.5 million from the state. Other state and municipal taxes, fees, transport charges, a new car rental tax, lodging tax increases and pending cruise industry taxes now account for an estimated \$140 million collected from tourism businesses and our visitors. This number increases when you add in other municipal and state assessments.

So who gets hurt when Alaska's competitiveness dwindles? Small tourism businesses, those who want jobs in the tourism industry, our economy and our economic advantage.

The decision to grow Alaska travel should be an economic development and investment decision - not a budget decision - in which the governor and the legislature participate. As the tourism industry faces an ever-competitive future with dwindling resources, the legislature has been asked to look at tourism as a renewable economic resource and to develop the economic potential of the industry by overhauling the existing pipeline to bring Alaska's travel resource to market, including:

1. Increase the funding level for the ATIA core destination-marketing program in the next state operating budget to \$20 million;
2. Increase the current funding level for a separate program to entice more independent travelers to \$8.5 million equal to the amount of the current vehicle rental tax.

The potential for the travel industry to further strengthen Alaska's economy and enhance its residents' quality of life is tremendous -- each vacationer spends about \$1,260 to enjoy flightseeing trips, fishing charters, museums, glaciers, Native culture and state and national parks. But developing it further will not happen by accident. If Alaska is to stay competitive for the good of future generations, it will be important to remember tourism is not just ATIA's business or the state's business or the legislature's business. Tourism is everyone's business.



Ron Peck, COO
Alaska Travel Industry Association

Rex Shattuck

From: Lori Stepansky [lstepansky@haines.ak.us]
 Sent: Thursday, March 08, 2007 1:42 PM
 To: Rep. Mark Neuman
 Subject: *****SPAM***** Please Support Tourism
 Follow Up Flag: Follow up
 Flag Status: Purple

Representative Neuman,

You are probably being inundated with the ATIA member emails to support tourism funding. I'll add my personal note that it is a no-brainer to see that promotion of Alaska as a destination will provide employment for people as well as bringing people here to spend money means more tax dollars for the state to work with. I know there are many issues to consider and no industry wants to deal with decreases in funding. I don't profess to be the most knowledgeable of all the realms of politics, but it has never made sense to me to cut back and add taxes in the areas which provide the sources of funding for many other areas.

I trust you will consider all the facts in making your decision.

Sincerely,

Lori Stepansky

WHERE DOES ALASKA RANK IN PUBLIC SECTOR TOURISM FUNDING?

- In 2005 we ranked 39th in public sector funding for Tourism Marketing. That year, 25 states spent more than double Alaska's public sector funding.

The Alaska Travel Industry Association (ATIA) has consistently argued that the State's Tourism Marketing programs are essential to insure the visitor industry remains a strong, vibrant and growing sector of Alaska's economy. ATIA was established in 1999 and has accomplished a great deal in marketing Alaska as a destination for both domestic and international travelers.

Alaska now ranks 38th among the 50 states in public sector funding for tourism. We have rapidly lost much of our voice in the marketplace, while other states (and even many cities) as well as competing international destinations continually increase their investments in promotion. With current levels of funding for visitor marketing, Alaska's visibility in our extremely competitive industry will continue to decline.

Alaska has not only lost ground against competing destinations, but in the costs associated with our marketing efforts. Postage, TV airtime, Magazine ad space and even the simple cost of the paper have more than doubled since 1990 - in that same timespan the State's contribution to marketing has dropped from over \$14 million (over 22 million in 2006 dollars) to only \$5 million last year. Simply put, Alaska's marketing budget (a combined \$10 million last year) buys only a fraction of what it used to.

Since starting up in 1999, ATIA's financial participation in Alaska's tourism marketing program has grown from \$2 million to over \$5 million. The state's participation has dropped from over \$15 million in the early 90s to \$5 million in FY06. No other state has been as successful in raising marketing funds through voluntary private-sector contributions.

3/10/2007

ATIA raised over \$5 million in marketing funds in FY07. The State's operating budget reached parity with the industry at \$5 million each. However, taxes targeted at the industry will increase again this year and it is unrealistic to expect the same level of voluntary participation by heavily taxed sectors of the industry - therefore ATIA expects to reach only \$2 million in funds from our cooperative marketing programs. Some of the additional taxes received by the State in the next fiscal year should be re-invested to replace lost voluntary marketing contributions.

Tourism is not a drain on the State's resources. In fact, a 2006 report by the State's Department of Commerce, Community & Economic Development showed that Tourism had a net benefit to the State's coffers of \$20 million in FY05 - nearly as much as the combined net benefit of the Timber, Mining and Commercial Fishing industries.

Alaska's visitor industry continues to be one of the state's largest employers and one of the bright spots in Alaska's economy during the past decade. The latest statistics from the Alaska Department of Labor show almost 40,000 annual jobs in the leisure and hospitality industry, more than 13% of the state's total job force. The industry represents \$1.15 Billion in wages & benefits to Alaskan workers.

Alaska's visitor industry is also an important economic engine that reaches out to many other industries and creates even more jobs for Alaskans. When you add in retail trade, transportation and service jobs, anyone can see why the tourism industry is so important to Alaska's economy.

For those who complain that tourism marketing is only for big business, they should look at ATIA's membership list. The majority of ATIA members have five or fewer employees. Over 90% have fewer than 50 employees. If it wasn't for ATIA's cooperative marketing programs, most wouldn't be able to afford to reach national and international audiences.

We understand the hard decisions facing the legislature as they plan each year's budget. However, as legislators consider the budget for Alaska's Tourism Marketing program we hope they'll keep in mind that this is an investment in Alaska's most vibrant and growing economic sector - and unlike many other sectors, one that is matched by the industry itself.

ATIA strongly believes that the \$18 million funding requested from State (matched by a private sector contribution of \$2 million) toward the ATIA administered Alaska Tourism marketing campaign should come from funding source(s) other than the State's vehicle rental tax.

ATIA urges the legislature to follow through on the original intent of the legislation that established the statewide vehicle rental tax, by depositing vehicle rental tax collections into a separate account and reinvesting 100% of the revenues (estimated at \$8.5 million in FY08) toward the funding of an Independent Traveler Marketing Campaign.

Lori Stepansky
Executive Director, Haines CVB
PO Box 530
Haines, AK 99827
907-766-2234
Fax 907-766-3155
Cell 907-314-0067
www.haines.ak.us
lstepansky@haines.ak.us

Haines...everything you dreamed Alaska would be.

Beth Schneider

From: Mark Miller [tourpl@hotmail.com]
Sent: Tuesday, February 27, 2007 10:10 AM
To: Rep. Mark Neuman
Subject: Legislative Request

Dear Representative Neuman:

It was a pleasure to meet you at the Big Lake forum the other Saturday and talking to you and your staff member about issues important to the tourism industry in Alaska. As a resident of Meadow Lakes, I appreciate the leadership you and Senator Huggins have exhibited in the early part of this session and look forward to working with you both throughout this session and future sessions.

As the State's Tourism Planner working at the Alaska Travel Industry Association (ATIA), I have the opportunity to work next to those that market the State. Their \$10 million annual budget is funded from membership contributions and some money from the State as a qualified trade association within the Department of Community, Commerce and Economic Development,

In years past the split between state and membership funds has been 50-50 and the total allocation has been about \$5.0 million.

This year you have the opportunity to forge a lasting and positive impact on tourism marketing in Alaska, and its your participation in making that happen that brings me to you today.

In your position as Chairman of the House Committee for Commerce, Trade and Economic Development, I am asking for your support of recently submitted legislation by request of representative Harris, HB 147, that changes the State-ATIA split from 50-50 to 90 (State)-10 (ATIA).

This change is needed to maximize the funding that ATIA will receive from membership with State funds in light of potential decreased contributions from the Cruise Ship sector. As you know, once the Cruise Ship Initiative was passed last year by the electorate in a very close vote, the Cruise Ship contribution directly to the state went to possibly over \$100 million. It is my own opinion that the Cruise Ship industry, who has been a leading contributor to ATIA, will limit their contributions to ATIA in the future, therefore the 50-50 split is no longer valid and failure to change it may jeopardize the excellent marketing program conducted by ATIA.

Please support HB 147.

Additionally, ATIA is requesting that the marketing budget contribution from the State be increased from \$5.0 million to \$28.5 million.

Some \$8.5 million should come from the rental car tax passed in 2005, whose legislation states clearly that the tax collected was to be allocated to tourism marketing. Unfortunately, that has not yet happened.

Another \$20 million could come from part of the Cruise Ship allocation that will start flowing into the state general fund starting this spring. As a member of the Commerce, Community and Economic Development House Finance Sub-committee, you have the opportunity to make this happen. Based on the CPI increases between the Alaska tourism marketing budget in 1990 compared to 2006, the State contribution in 2006 should have been \$23 million, just to keep pace. The move to \$28.5 million for the total State contribution for the coming year is more than justified if the State wants to continue one of its strongest economic engine called tourism.

Thank you for considering my request. I believe you will find very strong support for these requests in the many members of the tourism industry in your District.

Take Care

Rex Shattuck

From: Bruce Bustamante [bbustamante@anchorage.net]
Sent: Friday, March 09, 2007 2:32 PM
To: Rep. Mark Neuman
Subject: HB 147 and HB 167

Dear Representative Neuman:

Alaska's visitor industry is also an important economic engine that reaches out to many other industries and creates even more jobs for Alaskans. When you add in retail trade, transportation and service jobs, anyone can see why the tourism industry is so important to Alaska's economy.

The Alaska Travel Industry Association (ATIA) also urges the legislature to follow through on the original intent of the legislation that established the statewide vehicle rental tax, by depositing vehicle rental tax collections into a separate account and reinvesting 100% of the revenues (estimated at \$8.5 million in FY08) toward the funding of a separate marketing campaign targeting independent travelers most affected by this tax.

ATIA's request for the State to appropriate \$18 million to fund a Statewide Tourism Marketing program will be matched by \$2 million generated from the industry in cooperative marketing programs to achieve a \$20 million marketing campaign. The state's re-investment, even at \$18 million, will be a fraction of the conservatively estimated \$130 million the State will receive in revenues.

We understand the hard decisions facing the legislature as they plan each year's budget. As legislators consider the budget for Alaska's Tourism Marketing program we hope they'll keep in mind that this is an investment in Alaska's most vibrant and growing economy. With that, I ask for your support of HB 147 and HB 167.

Thank you.

Bruce Bustamante
President/CEO
Anchorage Convention & Visitors Bureau
524 W Fourth Avenue
Anchorage, Alaska 99501-2212
Ph: (907) 276-4118
Fax: (907) 278-5559

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Rex Shattuck

From: director@sitka.org
Sent: Thursday, March 08, 2007 2:17 PM
To: Rep. Mark Neuman
Subject: Bills HB147 and HB167

Follow Up Flag: Follow up
Flag Status: Purple

March 7, 2007

Representative Mark Neuman,
Chair of the House Special Committee on Economic Development, Trade and Tourism State
Capitol, Room 432 Juneau, Alaska 99801

Dear Representative Neuman:

I urge you to realize the importance of Bills HB147 and HB167, which will affect the State's tourism marketing formula and core marketing program.

Our agency relies heavily upon the Alaska Travel Industry Association's marketing efforts to assist in reaching world-wide audiences. By their programs that offer co-operative efforts, we have been able to participate within our budget means for much needed additional exposure. Cuts to any of ATIA's marketing programs would strongly affect our promotion.

The decisions facing the legislature are difficult and I hope you will realize the state's marketing budget is an investment in Alaska's most vibrant and growing economic sector, tourism! ATIA members and partners have all invested in this worthwhile industry which has almost 40,000 annual jobs in leisure and hospitality, representing 1.15 billion in wages and benefits to Alaskan workers (according to the latest statistics from the AK Dept. of Labor)!

Out of the 50 U.S. States, Alaska ranks 38th in public sector funding for tourism. The state has lost much of its momentum in the extremely competitive marketplace. With current levels of funding for visitor marketing, Alaska's visibility in our extremely competitive industry will continue to decline. I thank you in advance for looking seriously at the importance of the bills HB147 and HB167.

Respectfully,
Sandy Lorrigan
Sitka Convention and Visitors Bureau
(907) 747-5940
PO Box 1226, Sitka, AK 99835
Sitka, Alaska - The Natural Place to Visit!



KETCHIKAN

Our lifestyle, your reward

March 9, 2007

The Honorable Mark Neuman
State Capitol, Room 432
Juneau, AK 99801
Rep_Mark_Neuman@legis.state.ak.us

Dear Representative Neuman,

The Ketchikan Visitors Bureau represents 300 businesses, organizations and individuals who support our efforts to market Ketchikan and the southern southeast region of the state as a visitor destination. Approximately 81% of our members employ 20 or fewer people. The visitor industry is vitally important to Ketchikan and to our members located in Saxman, on Prince of Wales Island, Hyder, Wrangell and Metlakatla. While the Ketchikan Visitors Bureau prides itself on executing and delivering a cost effective and results based marketing program, we cannot do it alone. That's why I am writing you to let you know how important the Alaska Travel Industry Association's marketing programs are to our organization and our membership.

The KVB simply doesn't have the resources to launch a full scale national and international marketing program. Television, national and international magazine ads, direct mail and public relations campaigns are critical to promoting a destination- which is why you will see so many states and large cities using these techniques to attract visitors. The fact that ATIA has a presence in the national media to promote Alaska, gives the Ketchikan Visitors Bureau a place there too. A percentage of my annual budget is contributed to ATIA each year towards the match required by the legislature. I participate in many ATIA advertising and marketing programs at additional cost because they are effective in my efforts to promote Ketchikan.

The tourism industry is a critical component of the economy in my community, generating \$152,000,000 in local spending and revenue to city and borough governments annually and accounting for 1,500 FTE jobs (*The Economic and Employment Impacts of the Visitor Industry in Ketchikan, 2004*: McDowell Group). The request before you and other legislators this year to increase funding of and lessen the match requirements for ATIA destination marketing dollars really does matter and must be viewed as an investment that returns many times over revenues to the state and local communities. We have already lost ground in the competition with other states to attract visitors but you have the opportunity now to grow the industry by increasing ATIA's ability to market Alaska to the world. I urge your support of HB147 and HB167. It's vital to Ketchikan, it's vital to Alaska.

Sincerely,

Patti Mackey
Executive Director

C: Representative Kyle Johansen
Representative Bill Thomas
Representative Peggy Wilson

KETCHIKAN VISITORS BUREAU • 131 Front Street Ketchikan, Alaska 99901 • 907-225-6166
E-mail: pmackey@visit-ketchikan.com • www.visit-ketchikan.com

Mar 29 07 06:08p

p. 1

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March 23, 2007

Attention: Finance Committee & Economic Development Trade and Tourism
 Committee

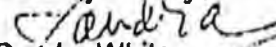
I firmly believe that tourism is one of the biggest brightest spots for the future economical health of our State of Alaska. My family has been earning a healthy living in tourism since 1968 and now my daughter is being trained in the essential real world skills of business, customer service and professionalism thanks to tourism. I have trained many young people in the upper Su-Valley and showed them a viable future in tourism enabling them to live and thrive in Alaska.

It is imperative that our State stand by the original intent of the Vehicle Rental Tax. House Bill #167 will remedy this oversight and fund the marketing of Alaska and benefit all the small mom and pop businesses that rely on the tourism season to sustain their families.

Also, House Bill #147 is vital to the tourism industry. Having been a member and past president of the Mat-Su Convention and Visitors Bureau as well as a lifetime resident of the Upper Susitna Valley I have watched the rural businesses fade and struggle. It seems that the beginning of the struggle matched the beginning of the steady decline in the State's contribution towards tourism marketing, while at the same time other "destinations" have increased their funding. The cruise ship industry has marketed our state very well and the numbers show it, they are the only reason the number of visitors to our state haven't bottomed out. My small company does not have a contract with a cruise company, however we know our clients and my estimate is that 45-70% of our clientele are the "disappearing cruiser" (pre or post cruisers who travel the interior on their own). Without their marketing efforts we would be almost out of business. With the new "head tax" we are in danger of losing those marketing dollars as the world market place becomes more and more competitive. Other "destinations" have been much quicker on the up-take in seeing the economic value of tourism dollars... or money flowing into state coffers (licences, fees, jobs, construction, infrastructure, taxes).

We have gone from being in the top ten to the 38th in rank for tourism marketing funds. Twenty five states spent more than double. Please support small business; have the vision to bring the benefits of this renewable industry home and add to the economic stability of our State.

Thank you for your time.


 Sandra White
 Talkeetna Air Taxi
 PO Box 73
 Talkeetna AK 99676
 (907)733-1881

Valdez

CONVENTION & VISITORS BUREAU

P.O. Box 1603 • Valdez, Alaska 99686 • Ph: (907) 835-2984 • Fax: (907) 835-4845 • www.valdezalaska.org

EVEN MOTHER NATURE HAS FAVORITES! SEE WHY, VISIT VALDEZ.

Representative Mark Neuman
State Capitol, Room 432
Juneau, AK 99801

RE: HB 147 and HB 167

Dear Representative Neuman:

On behalf of the 175 members of the Valdez Convention and Visitors Bureau we are writing you this letter to urge you to support HB 147 and HB 167.

The community of Valdez is often known in the State as an oil town; however we are also a tourism town with the ability to host over 2500 guests in a given night. Our community and member businesses are directly dependent on the travelers coming to Alaska and therefore dependent on the generic marketing program of the Alaska Travel Industry Association.

In the last year the programs of the Alaska Travel Industry Association have produced major results for Valdez such as:

- 6 travel related features in national newspapers, magazines, and on radio stations,
- 5 new itineraries in brochures from international tour operators, and
- Thousands of leads from cooperative advertising and marketing programs.

These amazing results are created from the current budget; imagine the results that could be realized if the increase in the funding equations and levels outlined in HB 147 and HB167 were a reality.

Currently Alaska ranks 38th among the 50 States in the amount of public funds used for tourism marketing. The public funding in other states and even cities has continued to grow larger than that of the State of Alaska, causing Alaska to quickly lose its ability to properly compete in the marketplace both nationally and internationally. Additional funding is necessary to stop the loss and allow Alaska to make the necessary gain in the marketplace. The communities that stand to benefit the most from increased generic marketing for Alaska are those like Valdez – the smaller towns of the State.

The Valdez Convention and Visitors Bureau urges you to support HB 147 and HB 167 because by supporting these pieces of legislation you are supporting the health of the tourism industry in Alaska

Sincerely,

Colleen Stephens

Colleen Stephens
President of the Board of Directors
Valdez Convention and Visitors Bureau
PO Box 1603
Valdez, AK 99686
info@valdezalaska.org

CC: Representative John Harris
Alaska Travel Industry Association

Representative Neuman,

We own a vacation rental business, the Homer Retreat, in Homer, Alaska. We also own and operate the Chicken Gold Camp & Outpost, a tourist resort in Chicken Alaska on the Taylor Highway. We have operated businesses in the Chicken area for 28 years. Our tourism business, which incorporates a campground, restaurant, gift store, adventure tours and National Historic Site, has grown significantly over its 6 years of existence. Our businesses have provided a number of benefits to the rural local economy and the State, including increased employment, more local services, etc. But we are concerned with the continuing downturn in individual highway travelers.

The number of travelers using the Taylor Highway and Top of the World Highway has decreased from highs in the late 1990's to a decade low last summer. The number of border crossings at the Poker Creek station in July of 2006, was down 42.5% from the previous year and more than 50% from the past 10 year average. The 2006 numbers were actually worse than 2004, which was an exceptionally bad year due to the Taylor Complex fires. Border crossings at all borders were lower last year than any in this decade. This reduction corresponds with the inadequate funding to promote independent travel statewide.

The Alaska Travel Industry Association has proposed seeking \$8.5 million in State funding for independent and highway travel marketing. In our view, it is warranted and long overdue. HB 167 has been introduced and we strongly encourage you to support this bill as well as HB147. The passage of HB167 would help re-invigorate the independent travel segment of State tourism. Although the Homer market has fared rather well in comparison to other areas, it too would benefit with passage of this Bill. The independent campground owner, fishing charter operator, gift store operator, bed and breakfast owner, small tour operator, rental agencies, etc, all can benefit by marketing independent travel.

Added promotional marketing of independent travel will serve to spread the tourism economy to some of the under-served, rural areas of the State as well as encouraging visitors to see more and stay longer. Increased spending for marketing of independent and highway travel will help to develop more destinations and reduce some of the overuse of the high profile destinations. For our business and other small, rural, seasonal businesses, increased marketing can prime the pump and foster more local hire and economic growth in the areas of the State with the highest un-employment. Thanks for your consideration.

Respectfully,

Mike & Lou Busby

Chicken Gold Camp & Outpost

www.chickengold.com

Homer Retreat

www.homerretreat.com

Rex Shattuck

From: Karen Hess [riveradventures@aptalaska.net]
Sent: Sunday, March 18, 2007 10:17 AM
To: Rep. Mark Neuman
Subject: *****SPAM***** Support HB147 & HB167

I am sending this e-mail to let all of you know that I am in support of the following bills: HB 147 & HB 167

My husband and I own and operate a tour company in Haines and have been in business since 1991. During those years we have grown our company from the simple Mom & Pop (literally) operation, to a business that owns property, has infrastructure in place to accommodate our customers, feed lunches and provide a wilderness experience to our visitor's. We work with the cruise ships but also try our best to attract the independent clients that can spend more time in Alaska. I would encourage the State of Alaska to increase funding for marketing Alaska as a destination. It amazes me that we can see commercials advertising states like Idaho, Iowa, Nebraska and countries like Ireland and yet our own State of Alaska, the most beautiful State in the Union cuts funding each year for marketing. Although the cruise lines do a great job of advertising Alaska for us, that does not bring the "rubber tired" traffic that we are losing. We need it all, cruise ships, air traffic, rubber tire traffic and visitors that spend time and money. We need to grow our economy and the only way to do that is to advertise that we are "open for business".

As a business owner and a member of ATIA I am very actively involved in promoting our state but we need more funding from the State level. Please consider funding the Alaska Marketing Program as requested. When AVA and ATMC combined in 1999 it lifted employee burden from the state and reduced expenses. I believe this was a good move but continuing to reduce funding and expecting the private sector to pick up that slack is not adequate.

Thank you for your consideration.

Karen M. Hess
Chilkat River Adventures, Inc.
Haines, Ak.
(907) 766-2050

3/18/2007



Alaska State Legislature

Please enter into the record my testimony to the House Special Committee on Economic Development, Trade and Tourism, dated 3/13/07.

We would like to add our voice to the chorus asking that the funding for Alaska Tourism be maintained at the highest level possible. We have had the advantage of true wilderness authenticity for 50 years but as new worldwide adventure destinations multiply Alaska will be forced to compete---via elevated advertising and promotion---for the traveler dollars.

Without aggressive financial support from our government, our industry can possibly hold our own---- for awhile. But the state needs, not status quo, but a growth industry that benefits all Alaskans.

Thanks you for maximum financial support of an important economic engine.

Laurence

Laurence John
Great Alaska Adventure lodge
www.greatalaska.com

800 544 2261

20 March 2007

House Economic Development, Tourism, and Trade Committee
Public Hearing: HB147 & HB167

PUBLIC TESTIMONY

Brett Carlson
Northern Alaska Tour Company
Coldfoot, Alaska
ATIA, Vice-Chair

Thank you for choosing to serve on the Economic Development, Trade, and Tourism Committee --- and by doing so implicitly communicating that you believe the private sector economy in Alaska does matter.

In a State where state and federal government play such a significant role in the economy --- it is probably too easy to forget that private industry still exists as an economic engine that on a daily basis injects critical new dollars into Alaska's economy --- and in doing so --- balances the budget for thousands of Alaskan families --- plays a large role in balancing budgets for local governments across Alaska --- and plays a small but growing role in helping state government balance its budget.

Sooooo --- A big thank to each of you for your service on this committee and for not forgetting the importance of the private sector economy.

I am guessing that your service on this committee has given each of you a 30,000 foot view of Alaska's private sector economy --- a view I would assume comes with the somewhat uneasy and discomfoting realization that Alaska's private sector economy, like private sector economies worldwide, is dependent, an increasingly so, on forces that are much larger than, and beyond the direct influence of any state or local government ----

Sure --- local and state governments --- can work to create the right "investment climate" --- and government leaders can declare themselves "open for business" ---

But there is no escaping the truth that the global economy is for real --- and it is the global consumer that now runs the show --- this global economic reality dictates that the global consumer's relentless pursuit of those goods and services that provide the greatest value at the lowest cost --- drives global capital markets that logically allocate investments to those locales that offer the greatest relative competitive advantages --- and, end of day --- dictate whether or not

Brett Carlson has a private sector economic future in Coldfoot, Alaska --- or any other Alaskan has a private sector economic future in Anywhere, Alaska.

Yet ---

There are times when state government does have an opportunity to positively influence the future of Alaska's private sector economy ---

I would respectfully submit that the two bills before this committee today --- HB147 and HB 167 --- represent exactly such an opportunity ---

I encourage this committee to view these two bills as an economic development proposal --- you are the investment committee for Alaska, Inc. --- we, the proposers, are Alaska Travel Industry Inc. --- over 1,100 primarily small Alaska travel industry businesses, that together, are a big business --- this year our big business will take in over 1.6 billion in annual revenues and employ over 40,000 Alaskans.

I further encourage this committee to carefully scrutinize our economic development proposal carefully to ensure that it provides an adequate return on investment for Alaska and Alaskans ---

And --- this committee, and all legislators --- have a commitment from Alaska's travel industry to spare no effort in rolling-up our sleeves and making a case for the reinvestment of travel industry tax dollars into destination marketing that is grounded in solid facts and hard evidence.

Five quick points related to this investment proposal:

- 1) Travel is a natural resource industry --- fortunately, the Alaska travel product brings significant competitive advantages to the global marketplace --- natural beauty and cultural heritage that cannot be manufactured by other destinations --- and, that will become more scarce in the global travel marketplace over time.
- 2) Great product means nothing if it can't be brought to market --- in the global travel marketplace ALASKA is a brand --- brand is a very real asset, a little bit of a consumer's mindshare that is built upon firsthand experience, word-of-mouth, unpaid media, and paid advertising --- Alaskans are very fortunate to collectively own a strong and powerful brand --- but we cannot take its existence for granted --- destination marketing plays an important role in keeping brand ALASKA strong and vibrant --- the decreased funding for Alaska's destination marketing efforts since 1990 has begun to have a negative effect --- a new marketing study indicates that the number of high potential Alaska travelers in the United States has recently declined for the first time in twenty years.

- 3) A strong brand creates a strong market but we still have to make the sale --- if we do not ask people to visit, they will NOT come anyway --- each of us have destinations on our personal B4UDIE lists -- none of us will make it to each of the places on our list --- we are most likely to visit those destination that invite us --- the 70 million dollars cruise companies spend inviting people to Alaska each year certainly has shown us that which we already knew --- MARKETING WORKS
- 4) The dollars proposed for reinvestment back into destination marketing are dollars coming into state government from the travel industry --- they represent a sustainable funding source --- the state receives a net return of over 20 million from the travel industry ---- that money can either be spent on growing state government or reinvested into growing the private sector.
- 5) Our proposal's ROI --- IF you choose to reinvest travel industry tax dollars into destination marketing --- the return will be a substantial dividend for Alaska --- for the private sector economy --- for the quality of life --- for local governments --- AND for state government --- the term reinvestment is not used as a euphemism for "spending" --- the difference between a budget increment for destination marketing and thousands of other competing priorities is that reinvesting in destination marketing today will bring more travel industry tax dollars into state government tomorrow --- our investment proposal will help not hurt the state's future ability to balance its budget.

Having a great Alaska travel industry is not a matter of chance, it is a matter of choice --- but for good or for bad, it must be realized that it is not a choice that the thousands of Alaskan small business entrepreneurs can make on their own - --- the laws of economics and the global marketplace dictate that it is a choice that must be made in partnership with you, the elected representatives of the State's public sector --- Alaska's entrepreneurs CAN provide the great ideas and the 24/7 energy required to produce great travel product --- but it will require private industry, the Legislature, and the Governor all working together if we are to find a way to overhaul and upgrade the destination marketing pipeline that must exist if Alaska's travel resource is to continue to be brought to market --- the reward for success in this effort will be great --- a balanced, sustainable, and growing Alaska travel industry that will continue to deliver its significant economic and quality of life benefits to Alaskan's for decades to come.

17 April 2007

Presentation Notes
House Finance Committee

Good Afternoon - Thank you chairs ←

Brett Carlson, --- reside in Coldfoot Alaska --- work with a small Alaska tour operator called Northern Alaska Tour Company --- currently the volunteer Vice Chair of the Alaska Travel Industry Association --- long-time volunteer member of ATIA's marketing committee.

But most importantly, I come before you today as an Alaskan representing the 1,100 primarily small business members of ATIA, and the 40,000 Alaskans who earn a living working in Alaska's travel industry --- each whom is a firm believer in the deep promise Alaska's travel industry holds for our state --- ~~and whose primary message today is to respectfully communicate~~ ---

That HB147 is a MUST HAVE bill that is critical to the future of our industry : ~~because:~~

~~1) The ability of Alaska's small businesses to fully participate in a growing Alaska visitor industry is dependent on a robust ATIA destination marketing program.~~

2) Alaska's destination marketing program is facing a ^{60%} ~~2/3rd~~ funding cut unless legislation passes this session that changes the current 50/50 match requirement to an alternative that allows Alaska's travel industry to fully access those funds appropriated by the legislature in the FY08 budget.

Thank you Chairs Meyer and Chenault for your willingness to hear HB147, the destination marketing match bill today --- Alaska's travel industry fully realizes that this legislature and this committee are in the stretch run of the legislative session --- and committee time is precious --- our presentation today will be brief and to-the-point.

What HB147 is not, is an appropriations bill --- each of you know better than I that it is the state legislature who has the power to appropriate --- each and every year it is the responsibility of Alaska's travel industry to make the case for the reinvestment of state travel industry tax dollars back into destination marketing --- it is the legislature who will judge the merits of the case ---

HB147's sole focus is on determining the specific language that will govern ATIA's ability to access those dollars the legislature chooses to appropriate. ~~What HB 147 does do, is one simple but very important thing~~ --- it changes the level at which the private sector is required to match dollars appropriated by the legislature to ATIA's core destination marketing program from 50/50 to 90/10

To better understand the urgent need to transition from the current 50/50 match requirement to a more workable match structure --- it is helpful to look at the history of the match ----

[LOOK AT BOTTOM CHART]

FY89 --- 1st match requirement - *match comprised of pay-to-play programs*

In 2001 ATIA reached a destination marketing crossroads:

- state budgets were tight
- Alaska's travel industry had two options:

1) Tax themselves, and given the constitutional prohibition against the dedication of funds, trust that wise future legislatures would choose to reinvest new travel industry tax dollars back into destination marketing

2) Attempt to raise destination marketing funds through voluntary payments in lieu of taxes --- from cruise ship companies and DMO's.

I am sure you can imagine getting 1,100 Alaska small businesses together in the same room to decide first on a fair method of taxation and second to develop a level of confidence that the funds raised would indeed be reinvested back into destination marketing.

Alaska's travel industry chose the second option --- raising voluntary funds through payments in lieu of taxes.

Our industry essentially attempted to prove that the term "voluntary tax" is not an oxymoron.

How did it work
[LOOK AT TOP CHART]

During seven years of a "payment in lieu of taxes" scenario --- destination marketing did survive ---- but certainly did not thrive --- or grow to the level

needed to support a growing Alaska travel industry that is also balanced and diversified.

ATIA met match through payments in lieu of taxes.

Why the need for change now???

The funding landscape has changed

In recent years --- legislators with the vehicle rental tax, and voters with cruise taxes have --- made the tax vs. payment in lieu of taxes decision for the industry --- and enacted taxes that significantly increase the Alaska travel industry's direct contribution to the state general fund ---

→ the dollars that were ~~voluntarily~~ going to fund destination marketing are now going into state coffers as mandatory taxes
→ payments in lieu
as mandatory taxes

Changes in the tax landscape call out for a return to a more traditional destination funding model:

Travelers come to Alaska with 1.6 billion dollars stuffed in their pockets and leave all of it behind.

Alaska small businesses, cruise companies, local governments, and the state government each get their slice of the travel dollar pie.

- State & private sector
- Local & private sector
- Private sector
- Cruise ship

If successful, visitors come, bring new dollars, cycle repeats itself.

HB 147 proposes a return to normal --- a return to a private sector dollars generated by pay-to-play programs matching state tourism tax dollars reinvested back into destination marketing.

Why 90/10?

ATIA believes that \$2.0 million dollars is the level of non-cruise, pay-to-play dollars that can be generated by the ATIA's 1,100 primarily small business members.

ATIA believes that a \$20.0 million dollar core destination marketing program is that funding level required to grow a balance and diversified Alaska travel

industry --- 18.0 from a state reinvestment of travel industry tax dollars matched by 2.0 - 90/10

What if the state's reinvestment is \$8.0 million vs. 18.0 million in FY08?

Hard to imagine

But, yes a 10 percent match would only equal \$1.0 million

ATIA's private sector match would still absolutely be at least \$2.0 million

If there were not match requirement, ATIA's match would still be 2.0 million.

ATIA's goal is to have a match that will work this year and in the future without additional legislative changes

ATIA believes that 90/10 is the answer --- legislator wants greater assurance of ATIA's skin in the game --- 90/10 with min. of 2 million.

On behalf of ATIA and its 1100 primarily small business members
- I, earnestly urge the committee to pass HB147 on
to the full House

Alaska State Legislature

Session: (Jan-May)
State Capitol, Room 208
Juneau, AK 99801-1182
(907) 465-4859
Fax (907) 465-3799



Interim: (June-Dec)
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John Harris **Speaker of the House** **SPONSOR STATEMENT** **HOUSE BILL 147**

"An Act relating to matching funds in state tourism marketing contracts with trade associations"

In 2001, the State of Alaska privatized the functions of the tourism marketing program by contracting with the Alaska Travel Industry Association. Prior to the current structure, Alaska's travel industry was promoted by a membership organization comprised of both private sector and state officials at significant cost to the State of Alaska.

Since that time, the Department of Commerce, Community & Economic Development contracts with the Alaska Travel Industry Association (referred to in AS 44.33.125 as the Qualified Trade Association) to design and implement Alaska's tourism marketing program. Utilizing professional contractors and a multitude of marketing experts, thirty private sector representatives from large and small businesses volunteer hundreds of hours and contribute thousands of private sector dollars each year to develop and oversee this program.

State statutes currently require 50/50 matching funds; state general funds matched by private industry dollars. The recent passage of travel industry taxes has had the dual effect of generating significant involuntary revenues to the state's general fund and eliminating the viability of voluntarily raising the private sector' dollars required to meet the 50% match.

The FY07 budget for the core tourism marketing program consisted of \$5.0 million in state funds matched by \$5.0 million in private sector dollars to create a \$10.0 million marketing program. In FY08, it is anticipated that \$2 million is the maximum amount that can be raised in voluntary contributions toward the private sector match from Alaska travel industry businesses participating in marketing pay-to-play programs.

Further jeopardizing the travel industry's ability to successfully market Alaska and compete for travelers in the national and worldwide marketplace is the fact that inflation-adjusted data indicates that the State of Alaska's general fund support for tourism marketing has declined from \$23 million to \$5.7 million from 1990 to 2006.

In addition, the travel industry has historically identified a \$20 million core tourism marketing budget as the minimum necessary to regain Alaska's market share and retain the ability of the travel industry to grow Alaska's private sector economy.

Therefore, HB 147 will allow Alaska's travel industry to continue to receive state funds by changing the statutory match required in AS 44.33.125 from 50/50 to 90/10 reflecting the reality of the travel industry's ability to raise \$2.0 million in voluntarily private sector dollars to fund the core tourism marketing program.

Thank you for allowing me to testify today in support of HB 147. I am Stan Stephens from Stan Stephens Cruises & Wildlife Tours located in Valdez. All of my business is from Alaskans and relatives or independent travelers to Alaska. I have no direct business connection with the cruise ship industry.

The changes that took place last fall with the new cruise ship tax initiative changed the financial structure of the ATIA marketing program. Two-thirds of the ATIA Board represents small businesses in Alaska reflecting the make-up of our membership.

Additionally, even though the cruise industry represents the smaller number of board members, they still voluntarily contributed 60% of our state required match.

Because there are so many unknowns about the cruise ship initiative, ATIA's mission was to find a way to save the marketing program. That is the reason we are here today asking for your support of HB 147.

In FY07 the total combined funds from State and private contributions was \$10million; \$5million state matched by \$5million voluntarily contributed by the travel industry. with the passage of the cruise ship initiative, the cruise industry will now be required to pay millions of dollars directly to the state and is not likely to continue their voluntary contribution to Alaska's travel marketing campaign targeted at non- cruise travelers.

It will be more important for them to use their national marketing dollars to overcome the negative impression created by the initiative on future Alaska travelers.

HB 147 DOES NOT deal with appropriations. Every year we will have to be here asking for needed marketing dollars which will affect the statutory match.

HB 147 will provide for a 90/10 match allowing the State to finance Alaska's travel industry marketing campaign while maximizing the industry's financial participation without having to change state law year after year. ATIA knows that they CAN raise a sustainable \$2million per year through our pay to participate programs.

In summary, with the recent passage of tourism industry taxes, ATIA could justifiably be here before you asking for ZERO match – or payment in lieu of taxes. No other industry in Alaska is required to provide a 'payment in lieu of taxes' in addition to the taxes it pays to the state.

However, we've heard your message that many of you believe we need to continue to have 'skin in the game' and I guarantee you that ALL of our 1100 small business have their own 'skin in the game' – their balance sheets and the success or failure of their businesses.

Thank you for your time today and your commitment to Alaska's travel industry.