

HB

347

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FILE

FISCAL NOTE

2008 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: HB 347
 () Publish Date: _____

Identifier (file name): HB347-CED-OED-02-18-03 Dept. Affected: DCCED
 Title Regional Cruise Ship Impact Committee RDU Comm Assist & Ec Dev (405)
 Component Office of Economic Development
 Sponsor Thomas, Doll
 Requester House Finance Component Number 2743

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information					
		FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
OPERATING EXPENDITURES							
Personal Services	100.0	0.0	100.0	100.0	100.0	100.0	100.0
Travel	18.0	0.0	18.0	18.0	18.0	18.0	18.0
Contractual							
Supplies	8.5	0.0	8.5	8.5	8.5	8.5	8.5
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
TOTAL OPERATING	126.5	0.0	126.5	126.5	126.5	126.5	126.5

CAPITAL EXPENDITURES							
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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: Cruise Ship Tax	126.5	0.0	126.5	126.5	126.5	126.5	126.5
TOTAL	126.5	0.0	126.5	126.5	126.5	126.5	126.5

Estimate of any current year (FY2008) cost: 0.0

POSITIONS

Full-time	1	0	1	1	1	1	1
Part-time	0.5	0	0.5	0.5	0.5	0.5	0.5
Temporary							

ANALYSIS: (Attach a separate page if necessary)

This legislation establishes a Regional Cruise Ship Impact Fund Advisory Committee appointed by the Governor and consists of two nonvoting members of the cruise ship industry, three mayors (or designees) from communities that serve as ports of call for cruise ships, two mayors (or designees) from communities impacted by cruise related tourism but are not ports of call, and two at-large members of the public from entities representing regions impacted by cruise ship related tourism activities.

The committee shall review the needs of communities eligible to receive funding from the Regional Cruise Ship Impact Fund and submit recommendations to the legislature regarding appropriation of the money in the fund not later than the first day of each regular session of each legislature.

Prepared by: Joe Austerman, Manager
 Division: Office of Economic Development
 Approved by: Emil R. Notti, Commissioner
Commerce, Community, and Economic Development

Phone 907.269.4568
 Date/Time 2/18/08 10:00 AM
 Date 2/18/2008

FISCAL NOTE

STATE OF ALASKA
2008 LEGISLATIVE SESSION

BILL NO. HB 347

ANALYSIS CONTINUATION

The Department of Commerce, Community, and Economic Development anticipates staffing the committee with one development specialist and one-half administrative support person. These positions would organize and facilitate committee meetings; write the regulations; issue, collect, evaluate funding applications (if needed) in support of recommendations of how to spend the funds, as well as oversee the distribution of funds to appropriate municipalities or other governmental entities, and prepare the report to the legislature. They may also have to verify that funding distributions do not violate federal law, handle complaints or other disputes related to recommendations for distributing the funds.

The Department estimates that the nine member committee would meet at least once in person and additional meetings would be conducted via teleconference plus travel funds for Department staff.

Supplies would be needed to support the work outlined in this legislation including start up funds for computer, printer and phone; as well as on-going expenses.

The department assumes funding for this support would come from some aspect of the cruise ship tax.

FISCAL NOTE

STATE OF ALASKA
2008 LEGISLATIVE SESSION

Fiscal Note Number:
Bill Version: HB 347
() Publish Date: _____

Identifier (file name): HB347-DOR-TAX-2-18-08 Dept. Affected: Revenue
Title Regional Cruise Ship Impact Committee RDU Tax and Treasury
Component Tax
Sponsor Rep. Thomas
Requester House Finance Component Number 2476

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information						
		FY 2009	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
OPERATING EXPENDITURES								
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Travel	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Contractual	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Supplies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Land & Structures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Grants & Claims	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

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

	FY 2009	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1037 GF/Mental Health	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1050 PFD Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2008) cost: 0.0

POSITIONS

	FY 2009	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Full-time	0.0	0.00	0	0	0	0	0
Part-time		0					
Temporary		0					

ANALYSIS: (Attach a separate page if necessary)

HB 347 would set up a committee in the Department of Commerce Community and Economic Development to make recommendations for the expenditure of revenues in the regional cruise ship impact fund. It adds no new duties to the Department of Revenue.

Prepared by: Johanna Bales, Deputy Director
Division: Tax Division
Approved by: Jerry Burnett
Department of Revenue

Phone 907 465 2312
Date/Time 2/18/08 12:00 AM
Date 2/18/2008



REPRESENTATIVE BILL THOMAS

ALASKA STATE LEGISLATURE DISTRICT 5

e-mail: Representative.Bill.Thomas@legis.state.ak.us

webpage: www.akrepublicans.org/thomas/

State Capitol

Juneau AK, 99801-1182

907-465-3732

888-461-3732

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Sponsor Statement for HB 347

"An Act relating to the regional cruise ship impact fund; and establishing the Regional Cruise Ship Impact Fund Advisory Committee and prescribing its duties."

In 2006 Alaska voters passed Ballot Measure 2: "The Cruise Ship Initiative." One section of this initiative requires the legislature to appropriate money from the "Regional Cruise Ship Impact Fund" for "projects that provide services directly related to passenger or watercraft visits or to enhance the safety and efficiency of interstate and foreign commerce related to vessel and watercraft activities."

HB 347 establishes a Regional Cruise Ship Impact Fund Advisory Committee which will identify projects in impacted communities and advise the legislature on what projects should be funded. This is an effort to streamline this grant process and to give the impacted regions a direct voice in the projects that they would like to see funded. Similar committees have been set up in communities that already have assessed head taxes on cruise ships and they have worked out well.

Further, HB 347 also requires the Department of Revenue to calculate the funds collected from the cruise ships at the end of each calendar year. This coincides with the cruise ship season and will allow the advisory committee and the legislature to have a full and accurate picture of the revenues for each cruise ship season.

HB 347 fixes some of the problems in the current law and establishes an advisory committee which will allow for thoughtful and lengthy consideration of all of the possible projects that should be funded by the "Regional Cruise Ship Impact Fund." I strongly urge your support for HB 347.



REPRESENTATIVE BILL THOMAS

ALASKA STATE LEGISLATURE DISTRICT 5

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Sectional for HB 347

"An Act relating to the regional cruise ship impact fund; and establishing the Regional Cruise Ship Impact Fund Advisory Committee and prescribing its duties."

Section 1:

Establishes the "Commercial Vessel Tax Account" (already in law).

Adds a provision directing the Department of Revenue to calculate the funds collected at the end of each calendar year instead of each fiscal year.

Section 2:

Establishes the "Regional Cruise Ship Impact Fund" (already in law).

Directs the legislature to work with the Regional Cruise Ship Impact Fund Advisory Committee.

Section 3:

- (d) Allows a municipality that only receives infrequent cruise ship calls to be eligible for funding from the Regional Cruise Ship Impact Fund if it also sees high cruise ship passenger traffic from neighboring communities. This allows for municipalities who are in this situation to receive adequate funding for the real impacts that cruise ship passengers have in their area.
- (e) Outlines the Regional Cruise Ship Impact Fund Advisory Committee:
- a. Members are all appointed by the Governor
 - b. Committee is staffed by the Department of Commerce Community and Economic Development
 - c. The Committee consists of:
 - i. Two nonvoting members of the cruise ship industry
 - ii. Three mayors from communities that serve as ports of call
 - iii. Two mayors from communities that are impacted by cruise ship related tourism activities but do not serve as ports of call
 - iv. Two at-large members of the public from entities representing regions impacted by cruise ship tourism activities.



MUNICIPALITY OF SKAGWAY

GATEWAY TO THE GOLD RUSH OF "98"

POST OFFICE BOX 415

SKAGWAY, ALASKA 99840

(907) 983-2297 (PHONE)

(907) 983-2151 (FAX)

7 February 2008

Senator Albert Kookesh
Alaska State Capitol, Room 11
Juneau, Alaska 99801-1182

Representative Bill Thomas
Alaska State Capitol, Room 434
Juneau, Alaska 99801-1182

Subject: Cruise Ship Impact Fund Advisory Committee

Dear Senator Kookesh and Representative Thomas:

The Municipality of Skagway supports the intent of House Bill No. 347 as sponsored by Representatives Thomas and Doll. Recent adoption of the cruise ship initiative provides communities affected by the cruise industry with funds to lessen the impact of visitors to local economies. Funds collected and held in the Regional Cruise Ship Impact Fund by the Department of Revenue are available for this purpose.

During the normal process of tax related legislation, the Department of Revenue would be provided with guidance on the distribution of tax proceeds. Since the passenger excise tax was created by an initiative, the Department lacks necessary direction to effectively distribute tax funds as intended.

Creation of a Cruise Ship Impact Fund Advisory Committee and shifting tax fund calculations to a calendar year basis would benefit communities and the department.

Thank you and we stand ready to help in any way we are able.

Sincerely,

Tom Cochran - Mayor

Sec. ~~43.52.230~~. Disposition of receipts.

(a) The proceeds from the tax on travel on commercial passenger vessels providing overnight accommodations in the state's marine water shall be deposited in a special "commercial vessel passenger tax account" in the general fund. The legislature may appropriate money from this account for the purposes described in (b) and (c) of this section, for state-owned port and harbor facilities, other services to properly provide for vessel or watercraft visits, to enhance the safety and efficiency of interstate and foreign commerce, and such other lawful purposes as determined by the legislature.

(b) For each voyage of a commercial passenger vessel providing overnight accommodations, the commissioner shall identify the first five ports of call in the state and the number of passengers on board the vessel at each port of call. Subject to appropriation by the legislature, the commissioner shall distribute to each port of call \$5 per passenger of the tax revenue collected from the tax levied under AS 43.52.200 - 43.52.295. If the port of call is a city located within a borough not otherwise unified with the borough, the commissioner shall, subject to appropriation by the legislature, distribute \$2.50 per passenger to the city and \$2.50 to the borough. Each port of call receiving funds under this section shall use the funds in a manner calculated to improve port and harbor facilities and other services to properly provide for vessel or watercraft visits and to enhance the safety and efficiency of interstate and foreign commerce.

(c) A "regional cruise ship impact fund" consisting of 25 percent of the proceeds from the tax on travel aboard commercial passenger vessels providing overnight accommodations in the state's marine water shall be established as a sub-account of the funds established in (a) of this section and deposited in the general fund. Subject to appropriation by the legislature and regulations adopted by the Department of Revenue, the commissioner shall distribute funds to municipalities or other governmental entities within the Prince William Sound Region, Southeast Alaska, or any other distinctive region impacted by cruise ship related tourism activities but not entitled to receive funds based on port of call visitation as allowed by (b) of this section, provided that any funds used from this account shall be used to provide services and infrastructure directly related to passenger vessel or watercraft visits or to enhance the safety and efficiency of interstate and foreign commerce related to vessel or watercraft activities.

Kaci Schroeder

From: Rod Swope [Rod_Swope@ci.juneau.ak.us]
Sent: Tuesday, February 05, 2008 9:52 AM
To: Kaci Schroeder
Subject: RE: Cruiso Ship Head Tax

Ms. Schroeder/Hotch,

We have a committee comprised of 3 members from the cruise ship industry, 2 members from our docks and harbors board, and 2 members from the public at large. Each member is appointed by the Assembly for a 2-3 year staggered term. I'm responsible for preparing a list of recommendations for use of the fee proceeds and presenting it to the committee in a public meeting. They each provide their recommendations. We also accept comments from the public. The committee is advisory only and I have the discretion to accept or reject their comments. I then forward a final list of recommendations, accompanied by all public and committee comments, to the Assembly for final approval.

Let me know if you need any additional information.

Regards,

Rod Swope
City Manager

From: Kaci Schroeder [mailto:Kaci_Schroeder@legis.state.ak.us]
Sent: Monday, February 04, 2008 3:41 PM
To: Rod Swope
Subject: Cruise Ship Head Tax

Mr. Swope,

I am working on establishing a "Cruise Ship Impact Fund Advisory Committee" and heard that Juneau has a committee whose job it is to determine how Juneau's head tax should be spent. Is there a way that I can find out what the make up of that committee is? Is their decision final or do they make recommendations to the Assembly?

Thanks!

Kaci Schroeder Hotch
Legislative Aide to Rep. Thomas
465-3732

Commercial Passenger Vessel Excise Tax



Presented by
Johanna Bales
Deputy Director, Tax Division
Alaska Department of Revenue

Initiative Overview (Revenue Provisions)

Effective 12/17/2006

- Imposes a \$46 commercial passenger vessel excise tax on large cruise ships (over 250 berths)
- Levies a tax at the rate of 33% of adjusted gross income on cruise ship gambling activities in state waters
- Subjects cruise ship companies to Alaska's corporate net income tax
- Assesses a \$4 per passenger berth fee to cover the cost of state-employed marine engineers (Ocean Rangers) to observe health, safety and wastewater treatment and discharge operations

Initiative Overview (Other Provisions)

- Requires cruise ship operators to gather and report more information and get a new type of permit for sewage, graywater or other wastewater before discharging in state marine waters
- Authorizes citizen lawsuits against an owner or operator of a large cruise ship for an alleged violation of any permit condition
- Enables a person who provides information leading to enforcement of a law to receive 25 to 50 percent of fines imposed
- Imposes additional requirements on disclosures about on-ship promotions of shore-side businesses

CPV Revenues

- Commercial Passenger Vessel Excise Tax
- \$46 per person traveling on a vessel providing overnight accommodations in state marine waters.
- Ocean Ranger Fee - \$4 per person
- Total cost per passenger - \$50

Department of Revenue Responsibilities

- Administer & collect the corporate net income tax
- Administer & collect the 33% cruise ship gambling tax
- Administer & collect the \$46 commercial passenger vessel excise tax (commonly referred to as the cruise ship "head tax")
- Account for and disburse proceeds of the tax as directed by the legislature
- Draft regulations for all tax types

Administer & collect the corporate net income tax

- Cruise ship owners are subject to the corporate income tax just like all other corporations in Alaska
- Money collected is deposited in general fund (no current estimate of revenues)
- First tax returns due April 15, 2008
- There is no revenue sharing to municipalities from this tax type
- Regulations effective October 2007

Administer & collect the 33% cruise ship gambling tax

- Regulations out to public comment
- Comment period ends February 7, 2008
- Currently developing tax return form
- Tax is imposed on adjusted gross income received from gambling activities conducted in state waters
- Adjusted gross income is gross gambling proceeds less prizes paid out and federal and municipal taxes imposed on the income
- Expected to be an annual return
- First returns due April 15, 2008
- Revenue deposited in Commercial Vessel Passenger Tax Account

Administer & collect the \$46 commercial passenger vessel excise tax (“head tax”)

- Levied on the cruise ship passenger per voyage
- Paid by cruise ship owner or operator
- Due by the end of the month following the month in which the voyage ended
- Due for each voyage lasting longer than 72 hours
- Must report the number of passengers at each Alaska port of call

Account for and disburse proceeds of the “head tax” as directed by the legislature

- Commercial passenger vessel excise tax is deposited into a sub account of the general fund as follows:
 - Commercial Vessel Passenger Tax Account – 75% of proceeds or \$34.50 per person
 - Regional Cruise Ship Impact Fund – 25% of proceeds or \$11.50 per person

Receipts from the Commercial Passenger Vessel Excise Tax

Account	2007 Cruise Ship Season Revenue ⁽¹⁾
Commercial Vessel Passenger Tax Account	\$34,853,452.50
Regional Cruise Ship Impact Fund	\$11,617,817.50
Total Receipts ⁽²⁾	\$46,471,270.00

⁽¹⁾ 1,010,245 passengers

⁽²⁾ Does not include gambling tax revenue

Commercial Vessel Passenger Tax Account

(estimated amount available for appropriation - \$34.8 million annually + cruise ship gambling tax proceeds)

- Revenue disbursed to communities under “first 5 ports of call” rule come from this account
- Gambling tax revenue deposited in this account
- Legislature may appropriate money from this fund “for state-owned port and harbor facilities, other services to properly provide for vessel or watercraft visit, to enhance the safety and efficiency of interstate and foreign commerce and such other lawful purposes”

First 5 Ports of Call

(estimated disbursement - \$10 million annually)

- \$5 per passenger shared with first 5 ports of call
- Port of Call
 - Must be a municipality or borough
 - Must be location where passengers embark or disembark (includes lightering of passengers)
 - Cannot have its own passenger tax
 - Boroughs not unified with a municipality may receive \$2.50 per passenger
 - Cannot also receive funds from “Regional Cruise Ship Impact Fund.”

Total Revenue Collections by Month (2007 Cruise Ship Season)

Month	# of Passengers	Total Tax
May ⁽¹⁾	107,504	\$4,945,184
June	240,943	11,083,378
July	234,862	10,803,652
August	235,971	10,854,666
September ⁽²⁾	190,965	<u>8,784,390</u>
Total	1,010,245	\$46,471,270

(1) \$3,845,140 of tax due for May sailings was collected in FY 2007

(2) Includes one sailing in October

Revenue Sharing

- Commercial Vessel Passenger Tax Account
 - First 5 ports of call
 - Legislature appropriated all proceeds collected in FY 2007 (collected through June 30, 2007)
 - Collected \$3,845,140 in FY 2007
 - Funds disbursed to qualifying municipalities and boroughs in December 2007
 - Collected \$42,626,130 to date in FY 2008 (since July 2007).
 - Future disbursements must be appropriated by Legislature

FY 2008 Disbursements

(first 5 ports of call)

City/Borough	Number of Passengers	Total Revenue Disbursed
Ketchikan Borough	81,524	\$203,810.00
Hoonah	2,803	14,015.00
Kenai Peninsula Borough	6,489	16,222.50
Seward	6,489	16,222.50
Skagway	67,971	339,855.00
Whittier	8,968	44,840.00
Sitka	20,665	103,325.00
Haines	1,258	<u>6,290.00</u>
Total Disbursements		\$744,580.00

FY 2009 Estimated Disbursements (first 5 ports of call)

City/Borough	Number of Passengers ⁽¹⁾	Estimated Revenue Sharing
Ketchikan Borough	814,262	\$2,035,655.00
Hoonah	107,202	536,010.00
Kenai Peninsula Borough	154,174	385,435.00
Seward	154,174	385,435.00
Skagway	742,993	3,714,965.00
Whittier	211,994	1,059,970.00
Sitka	200,079	1,000,395.00
Haines	21,586	107,930.00
Kodiak	2,041	<u>10,205.00</u>
Total Disbursements		\$9,236,000.00

(1) Based on 2007 cruise ship season. Doesn't include May 2008 receipts collected in FY 2008.

Account Balances (2007 Cruise Ship Season)

Account	Total Actual Revenue Disbursed or Available
Commercial Vessel Passenger (CVP) Tax Account – Total amount collected	\$34,853,452.50
Amount disbursed to first 5 ports of call in December 2007	\$744,580.00
Amount available to disburse to first 5 ports of call in FY 2009	<u>\$9,236,000.00</u>
Amount remaining for other projects	\$24,872,872.50
Regional Cruise Ship Impact Fund – Total amount collected	<u>\$11,617,817.50</u>
Total available for other projects and impacted regions	\$36,490,690.00

CPV Tax Account (\$24.8 million)

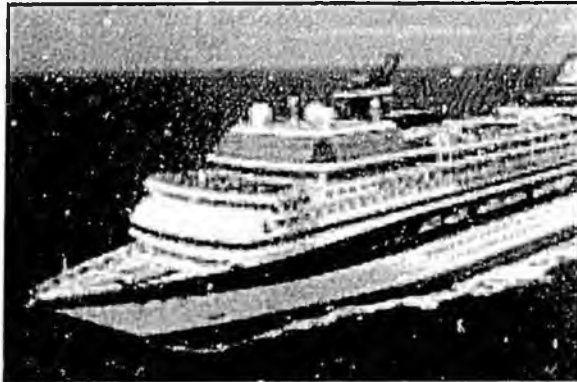
- Commercial Vessel Passenger Tax Account
 - Remaining revenue (after sharing with first 5 ports of call) is **not** shared with communities
 - Funds can be used to “for state-owned port and harbor facilities, other services to properly provide for vessel or watercraft visit, to enhance the safety and efficiency of interstate and foreign commerce and such other lawful purposes”
 - Funds can be used for state projects in specific communities
 - Dept. of Revenue is not tasked with drafting regulations to determine how this fund is spent
 - Appropriation is required by the Legislature
 - No appropriation made by Legislature in FY 2007 or FY 2008

Regional Cruise Ship Impact Fund

(estimated amount available for appropriation - \$11.6 million annually)

- Disbursements from this fund must be appropriated by Legislature
- Funds can only go to municipalities and other governmental entities “impacted” by cruise ship activity
- Funds cannot go to communities receiving revenue under “first 5 ports of call” rule

Questions



Contact:

Johanna Bales, Deputy Director

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Tax Division

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