

SCOMM

146:15

- **At this time we will call the House Special Committee on Economic Development, Trade, And Tourism to order.**

- **Let the record reflect the time is 11: 10 A.M.
The day is TUESDAY, March 20, 2007**

- **With us today are**

- ☐ Representative Gatto
- ☒ Representative Lynn
- ☐ Representative Kohring
- ☐ Representative Johansen
- ☒ Representative Doll
- ☒ Representative Doogan
- ☒ And myself Representative Neuman

- **Let the record reflect that we have a quorum present**
- **(Let the record also reflect that Representative _____ has been excused from the committee meeting today.)**
- **First thing on the agenda today is to finish taking testimony on HB 147 & HB 167; followed by committee discussion. It's my intention to move these two bills out of committee today.**
- **We will then be hearing a presentation from John Muleta, the CEO of M2Z. Mr. Muleta's presentation deals with Revolutionizing**

Wireless Broadband across America. The goal here is to gain some insight into what benefits could be realized in Alaska by doing so.

First the Bills

Both **HB 147 : Tourism Contract Matching Funds** by Rep. John Harris and **HB 167 an Appropriation for Tourism Marketing** by Rep. Craig Johnson, have been previously heard and where held. In light of that we will start off by taking testimony today on both bills simultaneously. Please identify to the committee which bill you are testifying for or against, before you start. That way the committee members will be clear.

- We will start by inviting testimony from those on line around the state. I will call out the LIO and your name. To assist the clerk, you will then clearly state your name for the record and begin your testimony. *and try to keep your testimony to the point.*
- **Beginning with (See the online Sheets) _____**
- (After each testimony) **Does the committee have any questions?**
(If no questions remember to thank each presenter and call for the next one)
- **We will now move back to Juneau and take testimony from those here in the room (see the list). Again before you begin, please state your name for the record.**

- **Have we missed anyone wishing to testify on ether bill?**
- **Hearing no further testimony, testimony is closed**
- **Does the committee have any questions or comments on HB 147?**
- **The Chair would entertain (any amendments) a motion to move
HB 147 Version 24-LS0560\C (as amended) and attached
fiscal notes from committee.**
- **Hearing no objections, this bill moves from committee.**
- **Does the committee have any questions or comments on HB 167?**
- **The Chair would entertain (any amendments) a motion to move
HB 167 Version 24-LS0656\C (as amended) and attached
fiscal notes from committee.**
- **Hearing no objections, this bill moves from committee.**
- **I would now like to invite Mr. John Muleta up to talk about
Revolutionizing Wireless Broadband and its potential benefits to
consumers. I think you will find Mr. Muleta and his partners
have divers and interesting back grounds and are well able to help
us understand any new direction we need to take. John, please**

come forward and state your name for the record (he will be by himself). I would ask that members of the committee hold your questions to the end of the presentation.

- **Thank you for the presentation Mr. (John) Muleta**
- **Does the committee have any questions or comments**
- **Again --Thank you for the presentation Mr. Muleta**
- **This Committee meeting, is now adjourned.**

Alaska State Legislature

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



Interim: (June-Dec)
716 West 4th Avenue, Suite 300
Anchorage, AK 99501-2133
(907) 269-0129
Fax (907) 269-0128

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's 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.

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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"

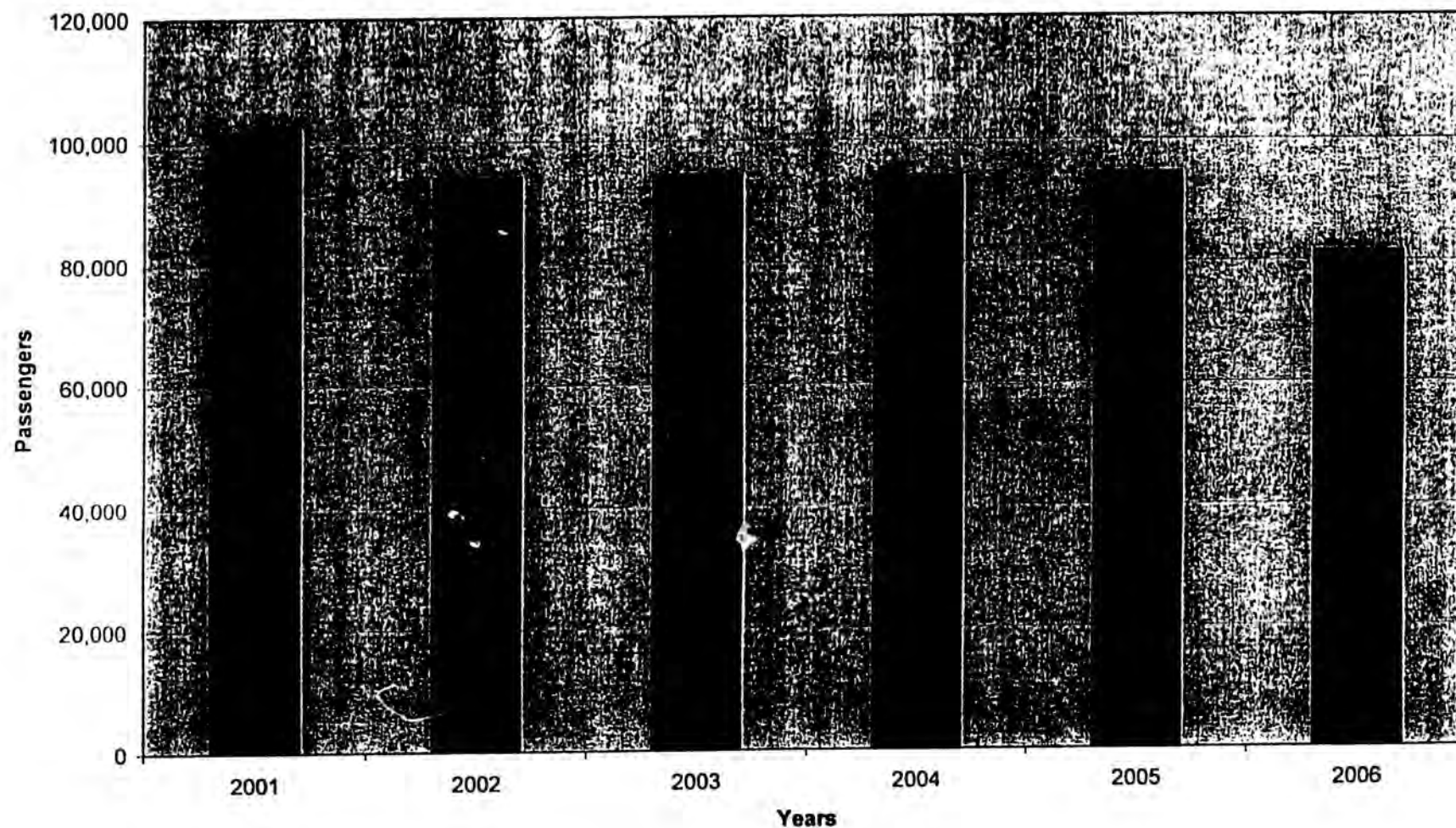
Section 1 of the bill states that by April 1 of each fiscal year, the Dept. of Commerce, Community and Economic Development may contract with a qualified trade association (*the Alaska Travel Industry Association*) to plan and execute a tourism marketing campaign during the next fiscal year.

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.

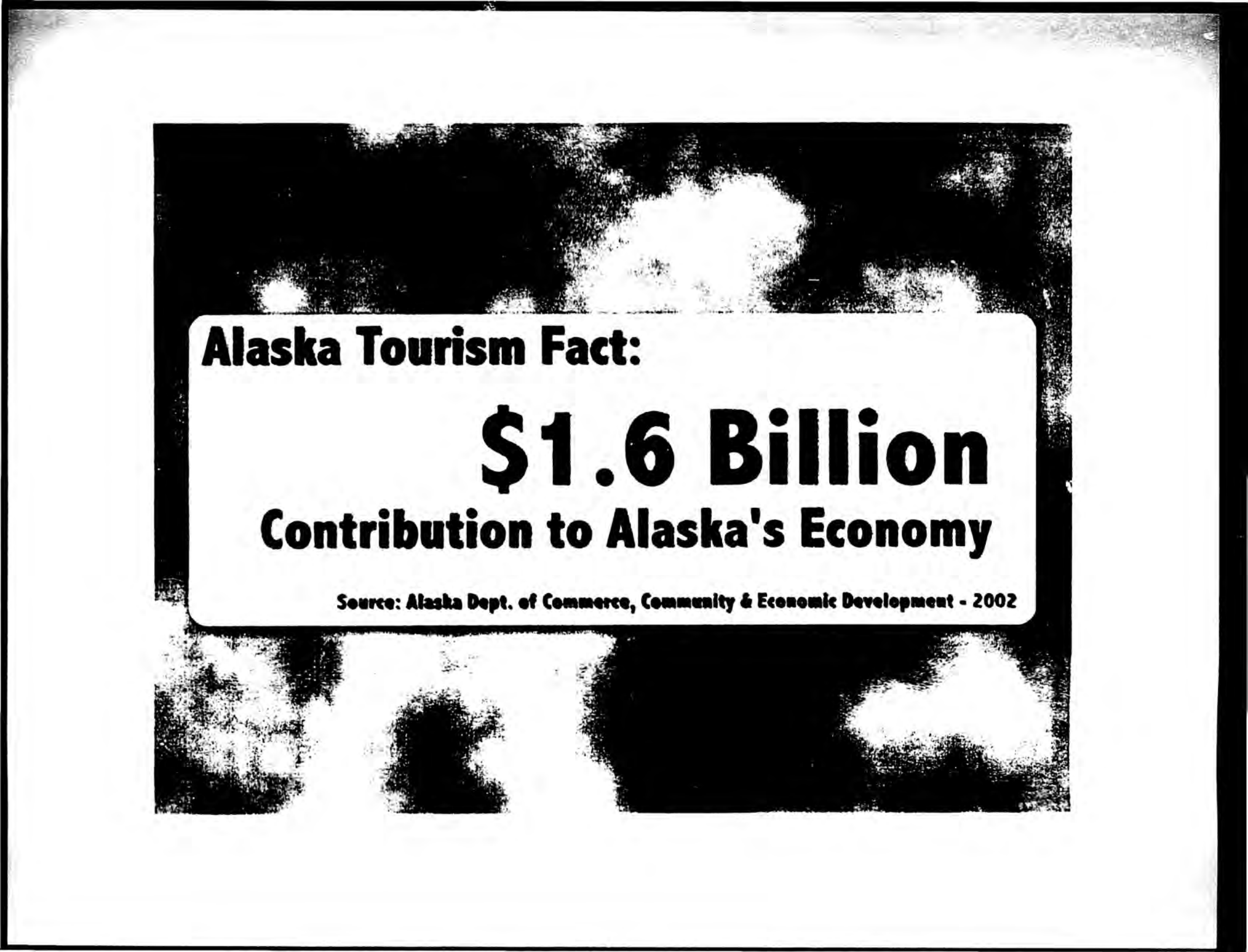
In concert with HB 167 which appropriates \$18 million to the QTA Tourism Grant Line, the total tourism marketing budget will be \$20 million; of which \$2 million is private industry funds for a 90/10 match.

Alaska Canada Border Crossings 2001 - 2006



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

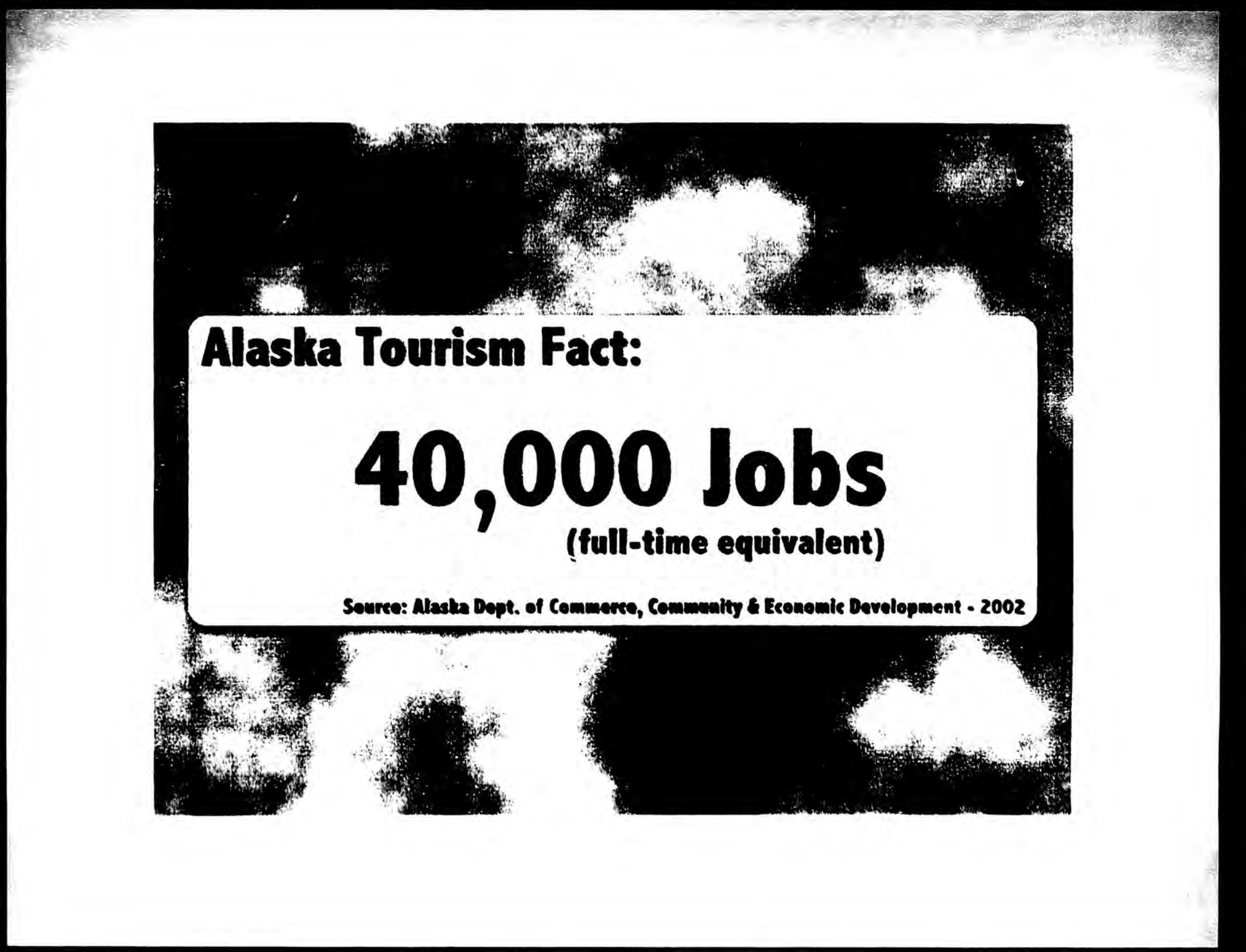
Numbers Provided By Tok APLIC-Visitor's Center



Alaska Tourism Fact:

\$1.6 Billion
Contribution to Alaska's Economy

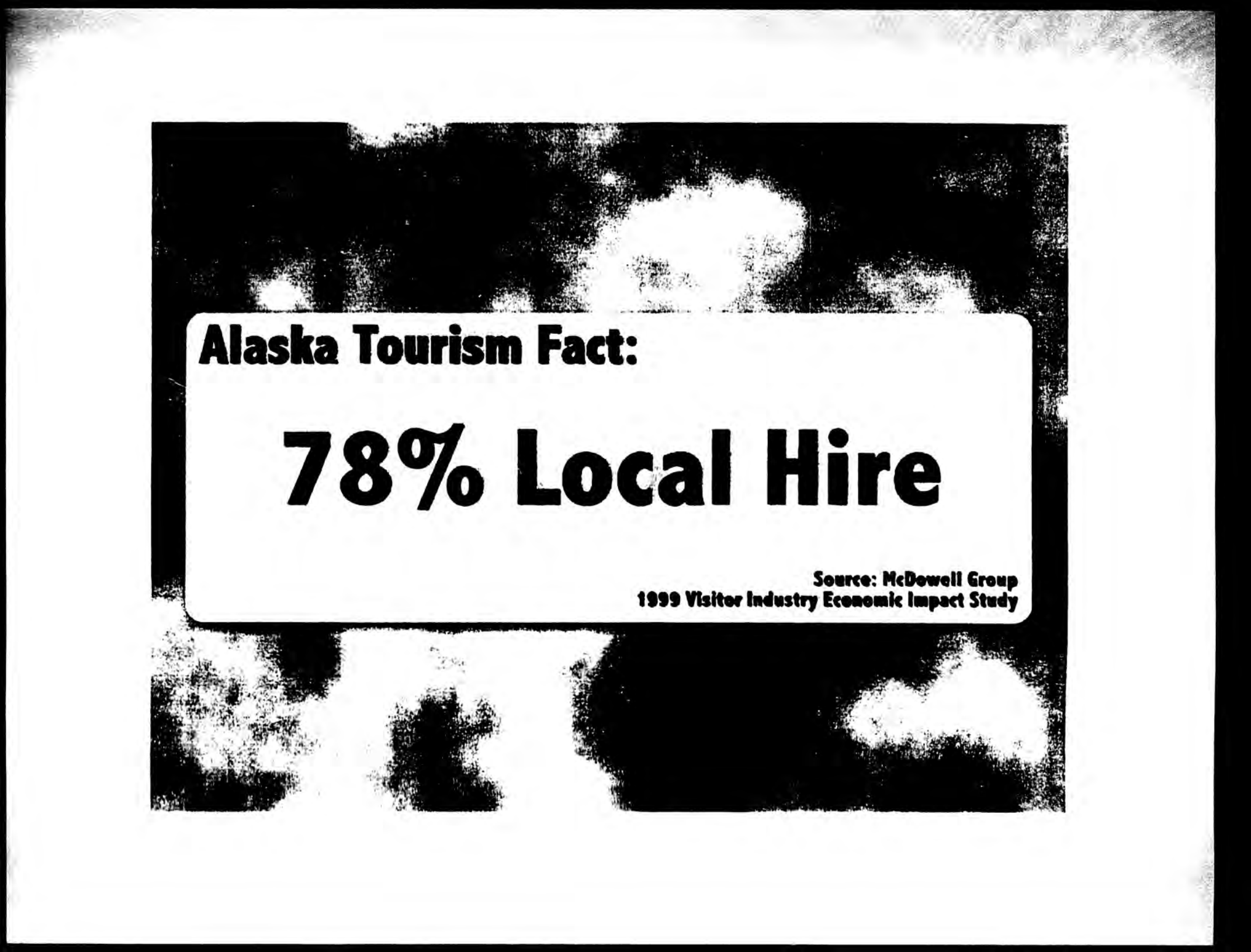
Source: Alaska Dept. of Commerce, Community & Economic Development - 2002



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



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

TOURISM

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!

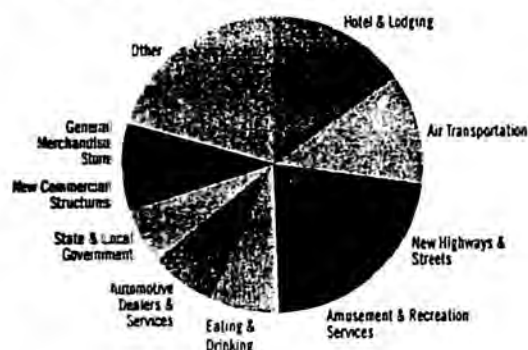
- \$1.6 billion in economic impact

One of Alaska's largest generators of employment!

- 40,000 jobs
- 13.7% of all employment

TRAVEL & TOURISM SALES BY SPENDING CATEGORY

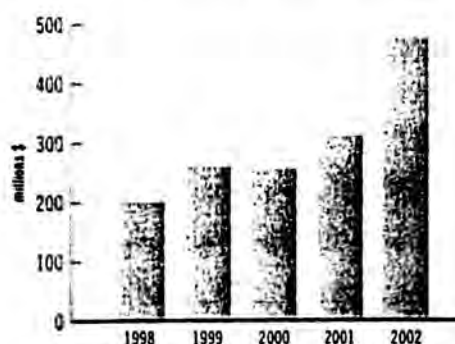
Source: The Alaska Tourism Satellite Account



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 supplying 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	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.

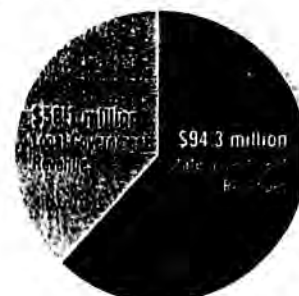
Most of the visitor industry growth in the last decade has been fueled by increased cruise travel. Affordable rates, capital investments and a worldwide growth in cruise travel have made this method of visiting Alaska a popular option. While many first-time visitors like the convenience of buying a prepackaged 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

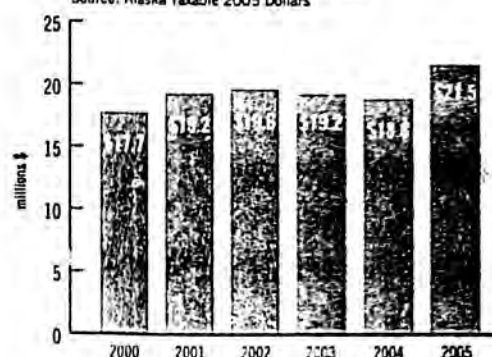
REVENUE TO STATE & LOCAL GOVERNMENT

Source: The Alaska Tourism Satellite Account



LODGING TAXES, 2001-2005

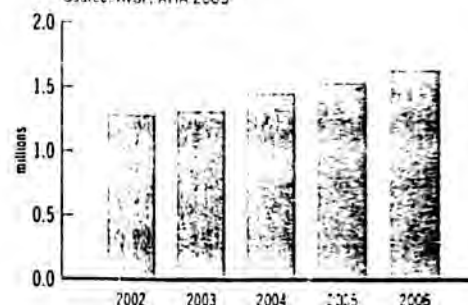
Source: Alaska Taxable 2005 Dollars



VISITOR VOLUME

2002-2005, MAY-SEPTEMBER

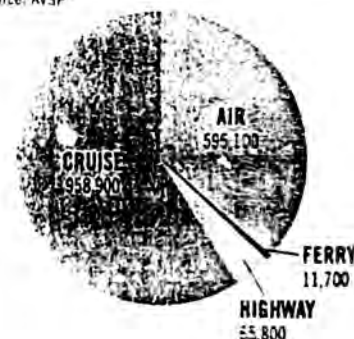
Source: AVSP, ATIA 2005



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 \$11.5 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 GMA 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 Statistic 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&A

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 war + 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

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 beleive you will find very strong support for these requests in the many members of the tourism industry in your District.

Take Care

Mark Miller
3520 North Hilltop Drive
Meadow Lakes
360-9262

Mortgage rates as low as 4.625% - Refinance \$150,000 loan for \$579 a month.
Intro*Terms

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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.

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 43 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 result 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

FISCAL NOTE

STATE OF ALASKA
2007 LEGISLATIVE SESSION

Fiscal Note Number: HB147-COM-OED-03-12-07
 Bill Version: HB 147
 () Publish Date: _____

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

Phone 907 269 8112

Division: Office of Economic Development

Date/Time 3/12/07 4:07 PM

Approved by: Emil Notti, Commissioner

Date 3/12/2007

Agency: Commerce, Community, and Economic Development

Shosh Seligman

From: Peggy Beal/Kingsview B&B [kingsview@clearwire.net]
Sent: Saturday, April 21, 2007 12:44 AM
To: Rep. Mark Neuman
Subject: HB 147

HB 147, the bill to change the industry match percentage for tourism marketing to 10%, is absolutely vital to Alaska's statewide tourism marketing program. It is essential that this bill be passed this year and that it goes into effect for FY08. The current 50% match was based on voluntary contributions in lieu of taxes - now that significant new taxes are in place, those voluntary contributions are no longer available. Without a change in the required match percentage, funding allocated for statewide marketing will be left on the table.

I urge you to do everything in your power to help move HB 147 through it's committee assignments and to vote in favor of it every chance you have. Statewide marketing is an essential part of insuring that visitors continue to consider Alaska an attractive destination and that they have access to the information they need to make a decision to come to our beautiful state.

My business, Kingsview B&B can't afford to market the whole state, it is only together with other businesses and a partnership with State government the we can have a program that effectively brings visitors to Alaska. Please, help insure that Alaska's Statewide destination marketing program can continue, make sure HB147 passes.

Thank you,

Peggy Beal

A handwritten signature in cursive script, appearing to read "Peggy Beal", enclosed within a large, hand-drawn oval.

4/23/2007

2006 - 2007

Executive Officers

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Patti Mackey
Ketchikan Visitors Bureau

Vice Chair
Brett Carlson
Northern Alaska Tour Company

Government Relations Chair
Stan Stephens
Stan Stephens Cruises & Wildlife Trips

Marketing Chair
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Ken Dole
Walden Resort & Promech Air

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Gary Odle
Alaska Highway Cruises

President & COO
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Homer Ocean Charters

Bruce Bustamante
Anchorage CVB

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Kodiak Island CVB

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Kirk Houssle
Alaska Wildland Adventures

John Kreilkamp
Cruise West

Tim McDonnell
Temco Helicopters

Bonnie Quill
Mat-Su CVB

Scott Reisland
Denali Grizzly Bear Resort

Suzanne Rust
K2 Aviation

Jerry Scholand
Alaska B & B Association

Bob Wysocki
Huna Totem Corporation



February 7, 2007

Representative Mark Neuman,

As a follow up to the legislative briefing presented by the Alaska Travel Industry Association on January 24, we are enclosing information that we believe you will find important as you begin making decisions about the FY08 budget. Attached for your review is a copy of The Net Return to the State of Alaska developed by DCCED last year. It shows that the tourism industry is a larger net contributor to the state's operating budget than the fishing, mining, or timber industries. Please pay particular attention to pages one and four.

Tourism in Alaska is at a critical crossroads requiring a major policy decision by our state's political leaders. The future of this vital industry depends upon a significantly strengthened tourism marketing budget. Tourism tax revenues must be reinvested now if Alaska is to have a robust industry. Increased funding will stimulate our economy through small business growth and job creation in addition to returning a net profit to the state's general fund.

Alaska's tourism marketing program is the pipeline that delivers our scenery, wildlife and culture to the marketplace and ensures that consumers choose Alaska as their vacation destination - instead of one of our competitors. It is our hope that legislature's understand and support re-investment of some of that positive net balance into maintaining the pipeline - Alaska's tourism marketing partnership.

Moving forward, you will see and hear from members of our industry detailing why it is appropriate to invest additional state revenues in Alaska destination marketing.

Once again, thanks for listening to us, and don't hesitate to call if you have questions.

Sincerely,

Patti Mackey
Board Chair

Ron Peck
President & COO

2600 Cordova Street, Suite 201
Anchorage, AK 99503-2745
Tel 907-929-ATIA (2842)
Fax 907-561-5727
ATIA@alaskatla.org
www.alaskatla.org



The Net Return* to the State of Alaska from:



Timber Tourism

Minerals

**Commercial
Fisheries**

State of Alaska
Department of Commerce, Community, and Economic Development
Prepared for Senate Labor & Commerce Committee
March 21, 2006

*Net Return is defined for this report to be the total taxes, fees, federal funds, and royalties received by the State minus expenditures by the state treasury in direct support of the specified industry.

The Net Return to the State of Alaska

Page
1



State of Alaska

Timber, Mining, Commercial Fisheries and Tourism Revenues and Expenditures in Fiscal Year 2005

Dollars in Thousands

Resource Category	Total Gross Revenues			Total Operating Expenditures	Difference Between Revenues and Expenditures
	General Funds and Other Funds	Federal Funds	Total Funds		
Timber	\$ 2,040	\$ 170	\$ 2,210	\$ 1,614	\$ 595
Minerals	\$ 13,243	\$ 625	\$ 13,868	\$ 1,809	\$12,059
Fisheries	\$ 74,457	\$16,521	\$ 90,980	\$ 79,551	\$11,427
Tourism	\$ 49,667	\$ 83	\$ 49,750	\$ 29,216	\$20,534
Total	\$137,367	\$17,230	\$156,808	\$110,381	\$44,616

Sources: Departments of Revenue, Fish & Game, Natural Resources, Labor Workforce Development, Transportation and Public Facilities, and Commerce Community and Economic Development

The Net Return to the State of Alaska

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2



Timber



Sharing Program - 28.8 million in funds comes into
Dept. of Commerce / DCA National Forest Revenue

Federal Funds

Timber FY05

(In Thousands of Dollars)

Sources (Revenue)

Corporate Income Tax	\$740.2
Subtotal Tax	\$740.2
Timber Sales Receipts	\$1,300.0
Subtotal Receipts	\$1,300.0
DCA National Forest Revenue Sharing Program	\$170.0
Subtotal Federal Funds	\$170.0
TOTAL REVENUES	\$2,210.20

Uses (Expenditures)

	General Fund	Other Funds	Total
Dept. of Commerce	\$126.1		\$126.1
Dept. of Natural Resources	\$778.4	\$710.3	\$1,488.7
Total by Category	\$907.5	\$710.3	\$1,614.8
TOTAL USES			\$1,614.8

The Net Return

Net Surplus for Timber \$595.4



Timber



Sources (Revenue)

Dept. of Revenue – Corporation Income Tax Liability for Timber – Tax liabilities reported on original corporate income tax returns during the fiscal year for timber corporations that harvest or process timber and for reasons of confidentiality also includes the Insurance sector for a combined total tax liability of \$740,200.

Timber – Sources
Permit / Fees

Dept. of Natural Resources – Timber sales receipts on the value of timber sold in fiscal year 2005 amounting to \$1.36 million.

Timber – Sources
Federal Funds

Dept. of Commerce / DCA National Forest Revenue Sharing Program – \$8.8 million in funds comes into Commerce /DCA to distribute to local communities. Approximately \$170,000 remains in DCA to implement the program.

Uses (Expenditures)

Dept. of Commerce – Office of Economic Development
Timber personnel.

Dept. of Natural Resources – General Fund program receipts and GF match totaling \$1.5 million.

The Net Return to the State of Alaska



Tourism



Tourism FY05

(In Thousands of Dollars)

Sources (Revenue)

Vehicle Rental Tax	\$6,417.9
Corporate Tax	\$1,248.4
Subtotal Taxes	\$7,666.3
Licenses Sold	\$17,728.0
AMHS Passenger Fees	\$24,273
Subtotal Receipts	\$42,001
Federal Funds	\$83.4
Subtotal Federal Funds	\$83.4
TOTAL REVENUES	\$49,750

Uses (Expenditures)

	General Fund	Federal	Other Agency	Total
Dept. of Commerce	\$2,321	\$83	\$50	\$2,454
Dept. of Revenue	\$22			\$22
Dept. of Fish & Game			\$1,151	\$1,151
Dept. of Transportation	\$25,589			\$25,589
Total by Category	\$2,343	\$83	\$1,201	\$29,216
TOTAL USES				\$29,216

Net Surplus for Tourism \$20,534



Tourism



Sources (Revenue)

Dept. of Revenue – Vehicle Rental Tax – An excise tax on the charge for the lease or rental of a passenger or recreational vehicle in Alaska. The final vehicle rental tax total of \$6.4 million reported here represents 85 percent of total reported vehicle taxes collected in 2005 and is based on a three year average of the number of people renting vehicles in one of the following three categories: 1. Vacation & Pleasure; 2. Visiting Relatives; or 3. Business & Pleasure. *Source: Alaska Visitor Statistics Program AVSP).*

Dept. of Revenue – Corporation Income Tax Liability for Tourism – Tax liabilities reported on original corporate income tax returns during the fiscal year covering hotels, lodges, guided tour operations and totaling \$1.3 million.

Tourism – Sources Permits / Fees

Dept. of Fish and Game Related Revenues – All non-resident fishing, hunting, and trapping licenses sold during fiscal year 2005 totaling \$17.7 million.

Dept. of Transportation / AMHS – Non-resident passenger fees - Revenues cover months of May - September 2005 and include passenger, car deck, staterooms and on board sales adjusted to reflect Commerce's 2004 AVSP Summer Visitor Arrival report showing 71 percent of ferry travelers between the months of May-September are non-resident. Adjusted total is \$24 million.

Tourism – Sources Federal Funds

Dept. of Commerce – Federal Economic Development Administration to Commerce for rural tourism development initiatives.

Uses (Expenditures)

Dept. of Fish and Game – data entry and licensing accounting personnel to implement the hunting and sport fishing licensing receipts.

Dept. of Commerce – estimated costs for tourism staff, rural tourism development and ATIA contract match.

Dept. of Revenue – estimated staff costs to implement income tax liability activities.

Dept. of Transportation / AMHS - Expenditures reflect costs for the months of May-September while vessels are in revenue status, and do not include overhaul, lay-up or other overhead costs.



Minerals

Minerals FY05

(In Thousands of Dollars)

Sources (Revenue)

Corporate Income Tax	\$120.9
Mining License	\$10,317.2
Subtotal Taxes	\$10,438.1
Production Royalties	\$2,710.6
Subtotal Royalties	\$2,710.6
School Fund	\$21.3
Perm Fund	\$72.8
Subtotal Other Funds	\$94.1
Admin. & Enforce., Abandoned Mine Lands	\$624.8
Subtotal Federal Funds	\$624.8
TOTAL REVENUES	\$13,868

Uses (Expenditures)

	General Fund	Federal	Other Agency	Total
Dept. of Commerce	\$111.6			\$111.6
Dept. of Revenue	\$24.0			\$24
Dept. of Natural Resources	\$994.2	\$624.8	\$54.2	\$1,673.2
Total by Category	\$1,129.8	\$624.8	\$54.2	\$1,808.8
TOTAL USES				\$1,808.8

Net Surplus for Minerals \$12,058.8



Minerals



Sources (Revenue)

Dept. of Revenue – Corporate Income Tax Liability for Minerals – Tax liabilities reported on original corporate income tax returns during the fiscal year covering corporations primarily involved in the extractions of minerals other than oil, such as gold, silver, coal, or sand and gravel. In 2005 tax totaled \$120,000.00.

Dept. of Revenue – Mining license tax collected from the industry - tax is on the net income of all mining property in the state, capped at seven percent, less exploration and other credits. Except for sand and gravel, new mining operations are exempt from the mining license tax for a period of three and one half years after production startup. In 2005 this tax collected \$10.3 million dollars in state revenues.

Minerals – Sources Royalties / Fees

Dept. of Revenue – Minerals Annual claims rentals – mineral locators and holders of State mining locations are required to pay an annual cash rental to the State that in 2005 totaled \$2.7 million.

Minerals – Sources Other Funds

Dept. of Natural Resources – DNR receives approximately \$94,000.00 in other funds in the form of school fund and permanent fund revenues that pass through the department. An additional \$54,000.00 is reported as interagency funds.

Mineral – Sources Federal Funds

Dept. of Natural Resources – Federal funds for Administration and Enforcement and Abandoned Mine Lands are transferred to DNR totaling \$625,000.00 in 2005.

Uses (Expenditures)

Dept. of Commerce / Office of Economic Development, costs of minerals program oversight.

Dept. of Revenue – Tax Division oversight of mineral revenue collection.

Dept. of Natural Resources – Oversight of active mineral operations around the state.

The Net Return to the State of Alaska



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Commercial Fisheries

Commercial Fisheries FY05

(In Thousands of Dollars)

Sources (Revenue)

Taxes	
Dept. of Revenue	
Fishery Business Tax	\$28,309
Salmon Enhancement Tax	\$3,812
Seafood Marketing Assessment	\$3,523
Salmon Marketing Tax	\$2,455
Fishery Resource Landing Tax	\$9,928
Corporate Tax for Processors	\$2,943
Motor Tax Revenue	
Dive Fishery Management	\$411
Subtotal Dept. of Revenue Taxes	\$51,381
Permits / Fees	
Permits/Fees/Revolving Loan CFEC Related Revenues	\$3,857

Uses (Expenditures)

	General Fund	Federal	Total
Dept. of Commerce			
Division of Investments	\$7,227		\$7,227
Return to CFRL	\$5,967		\$5,967
Office of Economic Development	\$100		\$100
Division of Banking and Securities	\$348		\$348
Alaska Seafood Marketing Institute	\$5,735	\$3,983	\$9,719
Dept. of Environmental Conservation			
Food Safety & Sanitation	\$805	\$335	\$1,140
Laboratory Services	\$241	\$200	\$441

The Net Return to the State of Alaska



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Commercial Fisheries

Commercial Fisheries FY05

(In Thousands of Dollars)

22'132	23'083	20'118
2349		2349

Sources (Revenue)

Dept. of Fish & Game	
Crewmember License Fees	\$1,782
Program Receipts	\$1,309
Exxon Valdez Oil Spill Funds	\$170
Test Fishery Receipts	\$1,906
Dept. of Natural Resources	
Aquatic Farming Lease Fees	\$45
Dept. of Commerce	
CDQ Management Fee	\$307
Fisheries Enhancement Revolving Loan Fund Earnings	\$1,826
Commercial Fisheries Revolving Loan Fund (CFRLF) Earnings	\$6,253
Draws from CFRLF	\$5,200

Uses (Expenditures)

	General Fund	Federal	Total
Dept. of Fish & Game			
Division of Commercial Fisheries	\$33,652	\$7,919	\$41,571
Board of Fish	\$408		\$408
Commercial Fish Entry Com	\$2,774		\$2,774
Dept. of Labor and Workforce Development			
Fishermen's Fund	\$904		\$904
Employment and Training Services		\$219	\$219
National Emergency Grant for Fisheries		\$3,865	\$3,865
Department of Natural Resources			
Claims, Permits & Leases	\$100		\$100



Commercial Fisheries



Sources (Revenue)

Dept. of Environmental Conservation	
Shellfish Testing	\$23
Processing Permits	\$400
Subtotal Permit / Fees	\$23,077
Federal Funds	
Dept. of Fish and Game	
U.S. Dept. of Interior	\$1,432
U.S. Dept. of Commerce	\$6,268
U.S. Dept. of Agriculture	\$219
Dept. of Environmental Conservation	
FDA HACCP Seafood Inspections	\$318
USDC/NMFS Inspections	\$17
EPA Tissue Testing	\$200
Dept. of Commerce	
ASMI Alaska Fishermen's Marketing Board	\$1,395
ASMI USDA/FSA	\$2,588

Uses (Expenditures)

	General Fund	Federal	Total
Dept. of Revenue			
Tax Division	\$738		\$738
Fisheries Credits	\$4,032		\$4,032
TOTAL EXPENDITURES			\$79,551

The Net Return to the State of Alaska



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Commercial Fisheries

Sources (Revenue)

Dept. of Labor and Workforce	
Employment Training Services	\$ 219
National Emergency Grant for Fisheries	\$3,865
Subtotal Federal Funds	\$16,522
TOTAL REVENUES	\$90,980

Net Surplus for Commercial Fisheries \$11,111

10
1986



Commercial Fisheries

Sources (Revenue)

Taxes

Dept. of Revenue

Fishery Business Tax - Tax collected by shore side seafood plants for fish deliveries. Half is paid to communities through Revenue and Commerce/DCA.

Salmon Enhancement Tax - Tax collected by tax on hatchery production. Returned to hatcheries through Div. Of Investments.

Seafood Marketing Assessment - Tax collected for Alaska Seafood Marketing Activities.

Salmon Marketing Tax - Tax collected for Alaska Seafood Marketing Activities. The tax was revoked and may be replaced by regional seafood development association taxes.

Fishery Resource Landing Tax - Tax collected by catcher/processor and floating processors. Half paid to communities through Revenue and Commerce/DCA.

Corporate Tax For Processors - Corporate tax from seafood processors.

Uses (Expenditures)

Dept. of Commerce

Division of Investments - Administrative funds by Division of Investments pulled directly from Fund and shows salmon enhancement tax paid directly to the hatcheries at \$3,811,500.

Return to Fish. Enhance & Commercial Fisheries Revolving Loan - Return to loan fund is the difference between loan fund earnings and the return to the general fund of approximately \$2.1 million.

Office of Economic Development - Estimation of fisheries related activities by Office not covered by federal funds. Primarily includes work on gaining greater access into the USDA.

Division of Banking & Security - CDQ Program - Costs of CDQ oversight.

Alaska Seafood Marketing Institute - Includes two sources of federal funds and seafood and salmon marketing taxes.



Commercial Fisheries

Sources (Revenue)

Motor Tax Revenue - Marine motor Tax Revenue, \$4.3 million in FY05, is split between commercial fishing, tourism, charter fishers, and general transportation.

Dive Fishery Management Assessment - Tax collected by the dive fishery and put through Fish & Game, Div. Of Commercial Fisheries for management.

Permits/Fees/Revolving Loan

CFEC Related Revenues

All CFEC funds collected for permits, vessels and other. \$3.4 million used for CFEC and Com Fish. An additional \$388,567 goes to the Fishermen Fund per Labor.

Dept. of Fish & Game

Crewmember License Fees - Crewmember license fees with \$643,713 going to Labor's Fishermen's Fund

Program Receipt - Statutory designated program receipts

Exxon Valdez Oil Spill Funds - Funding from Exxon Valdez Oil Spill for research

Uses (Expenditures)

Dept. of Environmental Conservation

Food Safety & Sanitation - Estimated cost of Division of Environmental Health's seafood processing unit.

Laboratory Services - Estimated cost of Division of Environmental Health's laboratory unit.

Dept. of Fish & Game

Division of Commercial Fisheries - Estimated costs for the Division of Com Fish. Many sources.

Board of Fish - Half of Board of Fish and Game enacted Operating Budget for FY05.

Commercial Fish Entry Com - Estimate for costs.

Dept. of Labor & Workforce Development

Fishermen's Fund - Use of Fishermen's fund for FY05

Employment and Training Services - Federal programs

National Emergency Grant for Fisheries - Federal programs



Commercial Fisheries



Sources (Revenue)

Taxes

Test Fishery Receipts - Commercial test fishing receipts

Dept. of Natural Resource

Aquatic Farming Lease Fee - Shellfish farming lease fees

Dept. of Commerce

CDQ Management Fee - Cash received from CDQ groups to cover state CDQ oversight.

Fisheries Enhancement Revolving Loan Fund Earnings - Interest, payments to principal, loan fees earned by loan fund. Fund managed by Revenue with a portion going directly into general fund.

Commercial Fisheries Revolving Loan Fund (CFRLF) Earnings - Interest, payments to principal, loan fees earned by loan fund. Fund managed by Revenue with a portion going directly into general fund.

Draws from CFRLF - Direct legislative draws from the Commercial Fisheries Revolving Loan Fund to pay for Commerce/Division of Investments and a portion for Fish & Game, Division of Commercial Fisheries.

Uses (Expenditures)

Dept. of Natural Resources

Claims, Permits, & Leases - Cost to run the shellfish mariculture program.

Dept. of Revenue

Tax Division - Cost to implement all fisheries related tax programs.



Commercial Fisheries

Sources (Revenue)

Dept. Environmental Conservation

Shellfish Testing - Revenues from shellfish testing for farming and dive fisheries.

Processing Permits - Fees from seafood processing permits. Federal Funds.

FDA HACCP Seafood Inspections - FDA to DEC for seafood inspection services.

USDC/NMFS Inspections - U.S. Dept. of Commerce/NMFS to DEC for seafood inspection services.

Federal Funds

Dept. of Fish and Game

U.S. Dept. of Interior
U.S. Dept. of Commerce
U.S. Dept. of Agriculture

Dept. Environmental Conservation

EPA Tissue Testing - EPA to DEC for fish flesh testing activities.



Commercial Fisheries



Sources (Revenue)

Dept. of Commerce/ASMI

Alaska Fisheries Marketing Board - Federal funds from Alaska Fisheries Marketing Board to ASMI for promotional activity.

USDA/Foreign Service Agency - Federal funds from USDA/Market Access Program to ASMI for export promotions.

Dept. of Fish & Game

Several Agencies - Includes funds from U.S. departments of Interior, Commerce, and Agriculture.

Employment and Training Services - U.S. Dept. of Labor funds for fisheries related employment services.

National Emergency Grant for Fisheries - U.S. Dept. of Labor funds for fisheries related employment services.

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State of Alaska

Timber, Mining, Commercial Fisheries and Tourism Revenues and Expenditures in Fiscal Year 2005

Dollars in Thousands

Resource Category	Total Gross Revenues			Total Operating Expenditures	Difference Between Revenues and Expenditures
	General Funds and Other Funds	Federal Funds	Total Funds		
Timber	\$ 2,040	\$ 170	\$ 2,210	\$ 1,614	\$ 595
Minerals	\$ 13,243	\$ 625	\$ 13,868	\$ 1,809	\$12,059
Fisheries	\$ 74,457	\$16,521	\$ 90,980	\$ 79,551	\$11,427
Tourism	\$ 49,667	\$ 83	\$ 49,750	\$ 29,216	\$20,534
Total	\$137,367	\$17,230	\$156,808	\$110,381	\$44,616

Sources: Departments of Revenue, Fish & Game, Natural Resources, Labor Workforce Development, Transportation and Public Facilities, and Commerce Community and Economic Development



Community Taxes, Fees and Royalty Revenues: A Local Government Perspective



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Mining

Alaska Mineral Industry Payments to Local Governments	
Tax or Payment	Description
Property Tax	Direct payment by the mine operations to local government.
Payment in lieu of Taxes (PILT)	Payments treated as tax dollars and converted back to a true total of all taxable property within a borough. In FY 2005, Teck Cominco's PILT payment to the NW Arctic Borough exceeded \$ 6 million.
Severance Tax	A tax on "the privilege of severing natural resources from the earth." Boroughs in Alaska have the legal authority to levy severance taxes. Presently, two boroughs, Denali and Kodiak Island levy severance taxes against the activity of harvesting or extracting natural resources within their jurisdictions.
Sales Tax	A common source of municipal revenue, this tax is more easily focused on specific activities than a property tax. An example is a tax on local services. In 2003 Juneau's Greens Creek mine paid approximately \$350,000 in sales tax on services.

Source: DCCED Alaska Taxable 2005

Property Taxes Paid by Selected Mine Operators, 2005 Value in Actual Dollars		
Borough	Mining Operation	Tax Revenue Paid
City and Borough of Juneau	Greens Creek-Juneau	\$728,128
Fairbanks North Star	Ft Knox-Fairbanks	\$3,507,610
Northwest Arctic	Red Dog Mine PILT - Negotiated	\$5,850,000
Total		\$10,085,738

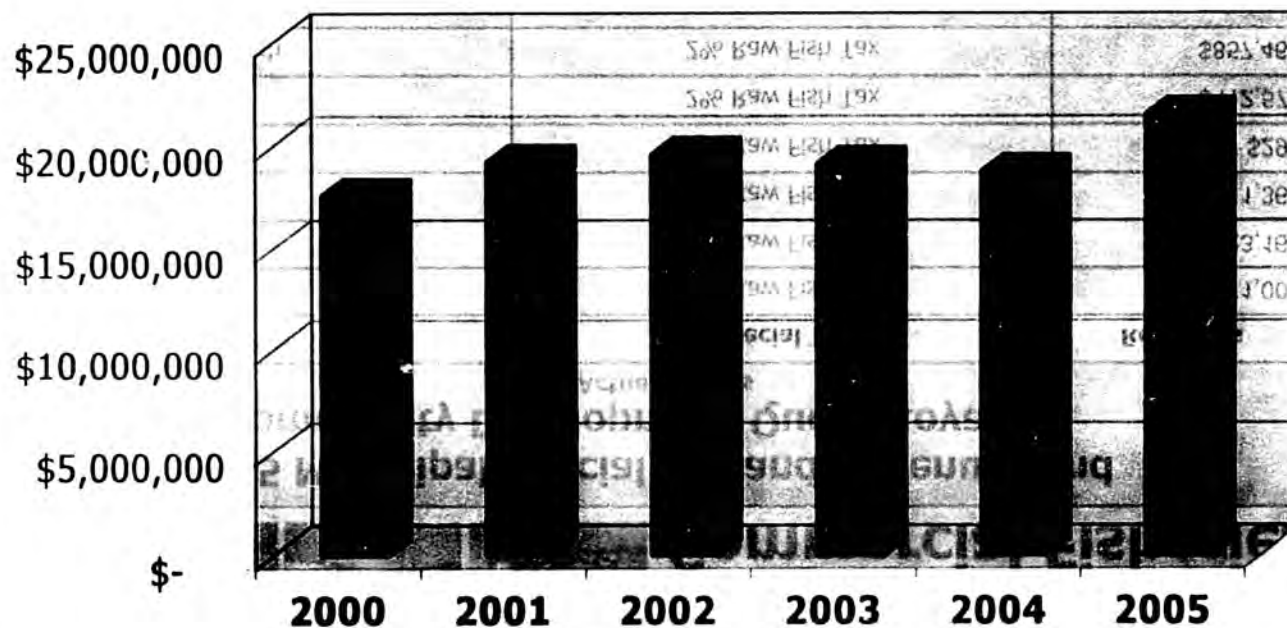
Source: Alaska Taxable 2005. 1. Actual runs \$ 5 - 6 million and changes year to year.



Tourism

Alaska Lodging Taxes, 2000 - 2005

Source: Alaska Taxable 2005 Actual dollars



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Commercial Fisheries

2005 Municipal Special Tax and Revenues and Community Development Quota Royalties

In Actual Dollars

Municipality	Special Tax	Revenues
Aleutians East Borough	2% Raw Fish Tax	\$2,871,000
Atka	2% Raw Fish Tax	\$23,169
Bristol Bay Borough	3% Raw Fish Tax	\$311,369
Chefomak	2% Raw Fish Tax	\$293
Egegik	2% Raw Fish Tax	\$412,575
Lake & Peninsula Borough	2% Raw Fish Tax	\$857,469
Saint Paul	3% Raw Fish Tax	\$507,446
Sand Point	2% Raw Fish Tax	\$597,372
Togiak	2% Raw Fish Tax	\$25,607
Unalaska	2% Raw Fish Tax	\$3,888,475
Yakutat, City & Borough of	1% Raw Fish Tax	\$26,300
Subtotal Special Tax		\$9,521,075
Estimated Commercial Seafood Property Taxes Paid to Local Communities		\$3,671,462
Total Special and Property Taxes		\$13,192,536
Shared Fish Tax¹		\$19,453,000
Community Development Quota royalties 2004		\$46,600,000
Combined Commercial Fisheries Revenues		\$89,145,536

Source: 2005 Alaska Taxable, and
CDQ Program DCCED

(1). The shared fish tax is collected at the state level and then shared among Alaska's communities. They include business tax and landing tax paid to organized and unorganized governments.



Summary Table

Supplemental Report Summary Table Actual Dollars (See Attached Supplement)

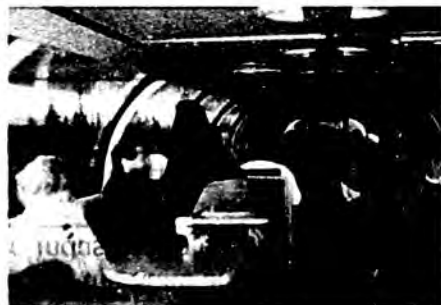
Estimated Taxes Collected by the State and Distributed to Local Communities or Paid in 2005
by Selected Industries to Local Governments and Private Entities¹

Industry	Total Revenues
Minerals ²	\$57,000,000
Tourism ³	\$29,500,000
Timber ⁴	\$6,841,271
Commercial Fisheries ⁵	\$69,692,536
Shared Fish Tax ⁶	\$19,453,000
Subtotal Commercial Fisheries	\$89,145,536
Total	\$189,486,807

Footnotes: (1). Includes all taxes described in the supplemental including property taxes paid by businesses. (2). Includes Teck Cominco's payments to AIDEA and royalties to NANA, payments to local governments, and AK Railroad. (3). Includes bed tax revenues and estimated cruise ship fees in 2005. (4). Every effort was made to collect timber mill property tax revenue. Four of the seven cities contacted replied in time to be included in this report. The figure reported above is the combined total of property taxes paid in the four reporting communities. (5). Includes CDQ royalties, estimated property taxes paid at local level, and local raw fish taxes. (6). The shared fish tax is collected at the state level and then shared among Alaska's communities. They include business tax and landing tax paid to unorganized and organized governments.



Employment and Revenue Trends: An Industry Perspective





Tourism

The travel and tourism industry has helped the Alaskan economy diversify, helping lower Alaska's dependence on the oil and gas industry.

- In 2002, travel and tourism sales produced \$2.4 billion in Alaska.
- That same year, tourism accounted for 5.6 % of Alaska's Gross State Product.
- Travel and tourism's economic contribution to the state increased 38% from 1998 – 2002.
- In 2002, core travel and tourism employment totaled 26,000 direct jobs ranking this sector fourth in overall statewide employment.
- Anchorage reports an estimated one million visitors passed through the city in 2005 compared with 900,000 the previous year.

Additionally, travel and tourism has had a positive impact by helping to stabilize those economies of communities affected by a downturn in timber and seafood harvesting. For example, a 2005 study undertaken for the Ketchikan Visitors Bureau reports:

- Cruise passenger spending exceeded \$111 million in 2004
- 1150 direct jobs generated by the tourism industry locally accounted for \$36 million in payroll.

Trends

- During the past five years, cruise ship passenger traffic has grown by around 9% annually. This will slow down in the coming years.
- 2004 state-wide cruise ship visitors totaled 876,000 and are expected to increase only slightly more in 2005 to 900,000.
- Between May and September of 2005, 1.5 million visitors came to Alaska; about seven percent more than arrived in 2004. Industry analysts expect this trend to continue but project three to four percent annual growth in the years ahead.



Commercial Fisheries

2004 Employment

- Total seafood harvesting full time employment: 6,740
- Total shore side seafood processing full time employment: 8,500 (Does not include factory trawl processing information)

2004 Ex-Vessel Value

- Ground fish harvests off Alaska totaled \$565 million
- Shellfish totaled \$155 million
- Halibut totaled \$195 million
- Herring totaled \$15 million
- Salmon totaled \$300 million
- Combined fisheries totaled more than \$1 billion
- Generated sales from Alaska seafood harvesting, processing and distribution exceeded \$3 billion in 2004
- Alaska's 2004 international exports of seafood totaled \$1.7 billion, a 21% increase over the previous year

Trends

- Salmon is rebounding. Up to \$300 million in ex-vessel value in 2005 from \$140 million in 2002. Outlook is positive.
- Certain species, sablefish, halibut, & Pacific cod – may face challenges over the next 5 to 10 years from direct competition from aquaculture species.
- Stocks remain abundant across the board. Alaska maintains its unique cache in the global seafood market.

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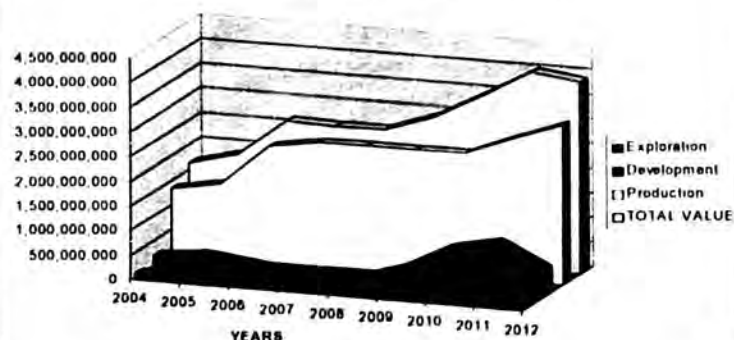


Minerals

- Mining's total economic value to the state in 2004: \$1.6 billion
- Employment in 2004: 3,048

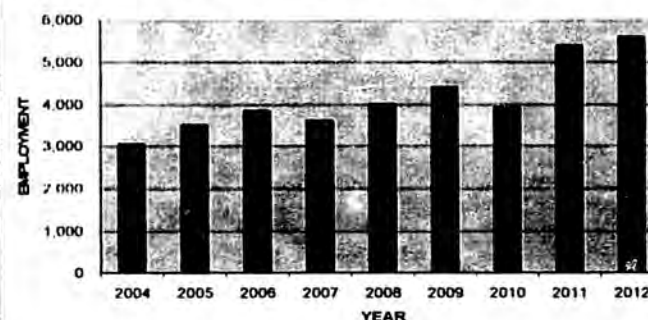
Trends

MINERALS INDUSTRY VALUE FORECAST



- In the graph above, expenditures and values are calculated in 2006 metal prices and dollars. The forecast is conservative since no growth is included for what is expected to be significant gains in the non-metallic's sector (rock, sand and gravel), natural gas pipeline, and support of other major infrastructure projects (bridges, roads, other).
- In 2012, the value of the Alaska mining industry (in current dollars) is forecasted at approximately \$4 billion.

MINERALS INDUSTRY EMPLOYMENT FORECAST



The chart above illustrates forecasted employment through 2012. Employment is expected to peak in 2012 at approximately 5,600 and continue at that rate through Pebble Copper construction. It is expected to go down by about 1000 employees in 2013 as construction slows. Such rapid growth will place a considerable strain on current manpower resources, both professional and skilled.

** The current projects and general operations include Ft Knox, Usibelli Coal, Greens Creek and Red Dog as well as a number of non-metal projects (rock, sand, gravel, peat and limestone) and placer gold mines. Projects now in advanced exploration to late development stages include Pogo, Kensington, Rock Creek/Big Hurrah, Chitna Coal, Donlin Creek, Pebble Copper and Nixon Fork. Pebble Copper construction is included beginning in 2011, but no production value is included - the schedule for this project is a little uncertain at this time. No growth is projected for non-metallic and placer gold mining.

Alaska Travel Industry Association
Request for Legislation
January 28, 2007

Tourism in Alaska is at a critical crossroads requiring a major policy decision by our state's political leaders. The future of this vital industry depends upon a significantly strengthened tourism marketing budget. Tourism tax revenues must be reinvested now if Alaska is to have a robust industry. Increased funding will stimulate our economy through small business growth and job creation in addition to returning a net profit to the state's general fund. The Alaska Travel Industry Association requests your support of the following legislative action.

1). Introduce and pass an appropriation bill to increase tourism marketing funding for the State of Alaska as follows:

Goal: Reinvest tourism taxes and increase funding of the generic Tourism Marketing program in Alaska from \$ 5 million to \$18 million

Component: Qualified Trade Association Contract (1844)
RDU: Qualified Trade Association contract (431)

Delete: \$ 5.005 million fund source 1200 VehRntITax (FY08 Gov)
(transfer to QTA/ITG Grant Line)
Add: \$18.000 million fund source 1004 Gen Fund (tourism taxes)

State Positions: 0

This funding will be matched by \$2 million in private industry matching funds for a total of \$20 million to fund Alaska's core tourism marketing program. This has been the recognized goal of the Alaska Travel industry for the past 15 years as the amount necessary to reclaim and grow Alaska's presence in the market place and increase the economic growth of this vital Alaskan industry.

Goal: Reinvest all vehicle rental tax receipts and increase funding of the QTA Independent Traveler Grants by \$7.9 million from \$600,000 for a total of \$8.5 million.

Component: QTA Independent Traveler Grants (2838)
RDU: QTA Independent Traveler Grants (540)

Retain: \$.6 million fund source 1200 VehRntITax (FY07 CC & Gov FY08)
Transfer: \$ 5.05 million VehRntITax from QTA Grant RDU to Independent Traveler Grants RDU
Add: \$ 2.95 million fund source 1200 VehRntITax (FY07 est)
Total \$ 8.5 million fund source 1200 VehRntITax FY08

State Positions: 0

The March 2006 DCCED report to Senate Labor & Commerce Committee reported that 85% of the VRT is generated from independent summer visitors. As directed by AS 43.52, the state VRT tax is 10% and may be appropriated for tourism marketing. This reinvestment of taxes generated from

independent travelers will ensure the growth in Alaska's small businesses sector creating jobs in Alaska's unique communities.

2) Introduce Legislation to change existing Qualified Trade Association statutes from the current 50/50 to 90/10 state-private match requirement.

Goal: Ameliorate the impact of the passage of the cruise ship tax initiative to Alaska's voluntary tourism marketing effort while strengthening Alaska's tourism marketing program.

Sec. 44.33.125. Tourism marketing contracts.

(a) Subject to appropriations for the purpose, the Department of Commerce, Community, and Economic Development shall, on or before April 1 of each fiscal year, contract with a single qualified trade association for the purpose of planning and executing a destination tourism marketing campaign during the next fiscal year. The contract may be awarded only if the qualified trade association provides matching funds equal to at least [50] 10 percent of the costs of the marketing campaign described in the contract. The marketing campaign may promote distinct segments of tourism, such as highway tourism, seasonal tourism, ecotourism, cultural tourism, regional tourism, and rural tourism. Before the contract is executed, the marketing campaign plan must be approved by the department.

The current funding of Alaska's tourism marketing budget is \$10 million. This amount is funded by \$5million state funds (vehicle rental car tax receipts) currently matched by \$5 million private funds raised by the tourism industry.

Of the \$5million in private sector match, 2.5 - \$3 million is contributed voluntarily by the cruise ship industry. With the passage of the cruise ship tax initiative and millions of dollars now being paid directly to the State of Alaska, it is unrealistic to believe that the industry will be able to continue this voluntary contribution. The \$2 million in remaining funds are contributed by smaller Alaska tourism businesses; too small to make up the shortfall.