

SB

144

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

REPORTED OUT
 MAY 11 2007
 SENATE FINANCE COMMITTEE

DATE: 5/8/07

FURTHER:

DATE TURNED IN TO OFFICE: 11 May 2007

Finance Committee considered SENATE BILL NO. 144

SB 144 TOURISM CONTRACT MATCHING FUNDS

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

and recommends:

be replaced with SCS or CS _____ (_____)

adopt previous SCS or CS SB 144 (STA)

attached amendment(s)

adopt _____ Letter of Intent

further referral to _____ Committee

SENATE BILL:

- Same Title
- New Title

HOUSE BILL:

- Same Title
- Technical Title Change
- New Title w/ SCR # _____

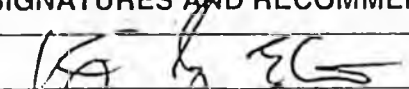
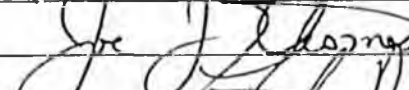
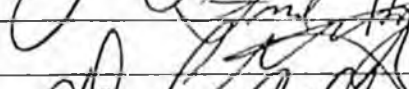
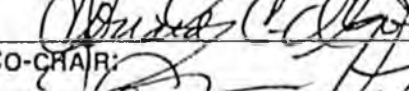
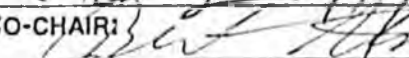


NEW FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#
Commerce	5/9/07			✓	

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	Do PASS	Do NOT PASS	No REC	AMEND
	Eiton			✓	
	Thomas	✓			
	Dyson			✓	
	Huggins	✓			
	Clison			✓	
CO-CHAIR: 	Hoffman			✓	
CO-CHAIR: 	Stedman	✓			

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	Eiton			✓	
	Thomas	✓			
	Dyson			✓	
	Huggins	✓			
	Olson			✓	
CO-CHAIR:	Hoffman			✓	
CO-CHAIR:	Stedman	✓			

REPORTED OUT
MAY 11 2007
SENATE FINANCE COMMITTEE

FISCAL NOTE

STATE OF ALASKA
2007 LEGISLATIVE SESSION

Fiscal Note Number: SBI44CS(STA) COM OED 05 09 07
 Bill Version: CSSB 144(STA)
 () 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 McGuire
 Requester Senate State Affairs 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						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

FUND SOURCE	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
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 30 percent the minimum amount Alaska's qualified trade association must provide as match for Alaska's tourism marketing campaign. The reduction in the match would not impact the department's cost to contract with the qualified trade association.

 This legislation also establishes a nine-member Alaska Tourism Marketing Funding Task Force that would operate between September 1, 2007 and December 31, 2007 to recommend long-term funding solutions for the State's tourism marketing program. This fiscal note assumes travel and participation costs for all but the two members appointed by the Governor would be covered by the respective members for up to three in person meetings and three teleconferences. The department would provide for any travel costs for the department appointee and for the appointee by the Governor. Teleconference costs, and staff support to the Task Force and to prepare the report would be covered by the department with existing resources.

Prepared by: Bill Allen, Development Manager Phone 907.269.8112
 Division Office of Economic Development Date/Time 5/9/07 1:52 PM
 Approved by: Emil Notti, Commissioner Date 5/9/2007
 Agency Commerce, Community, and Economic Development

FISCAL NOTE

STATE OF ALASKA
2007 LEGISLATIVE SESSION

Fiscal Note Number: 1
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(S) Publish Date: 5/8/07

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Sponsor: McGuire
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TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2007) cost: 0.0

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

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

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

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

Phone 907.269.8112
Date/Time 5/7/07 12:04 PM
Date 5/7/2007

TO: Senate Finance Committee
FR: Chip Thoma, Box 21884, Juneau, 99802
RE: ATIA Tourism Funding, SB 144
DATE: May 9, 2007

The state funding request by the Alaska Travel Industry Association (ATIA) is a **dramatic change** from past agreements in Alaska tourism promotion. Going from a 50-50% share to a **70-30% state-industry** split is a **fiscal departure** that should be based **both** on **demonstrated need** **and** a **logical advertising strategy** for the future. Yet neither situation has occurred; it's all speculative.

The ATIA **has failed to make the case** that its past state appropriations were well spent, or that increased 70-30 funding is the simple answer. Instead, ATIA blames the cruise ship initiative as the 'probable' cause of its funding woes, while ignoring the obvious **fact** that **private advertising** for cruises in Alaska now tops \$70M a year. **Market forces appear to be working naturally** to make the ATIA irrelevant in the big picture of advertising for a \$2B a year Alaska tourism industry. ASMI and other private, Alaska ads may total \$20M more, bringing the total, "other" spending on Alaska tourism to \$90M.

Governor Jay Hammond **defined the participation** for state funding of new industry over 3 decades ago; **no subsidies**. **ATIA should wake up**, and use its **considerable marketing skills** to raise monies for the **50% share agreement they now enjoy**, before it all dissolves in the wake of the **wealthy cruise industry**.

Please set an **appropriate** funding level and participation rate by the state and the tourism industry. Please reject SB 144 as an **inappropriate level of state tourism funding**, and return to the 50-50 share & participation rate. Thank you.

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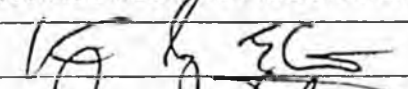

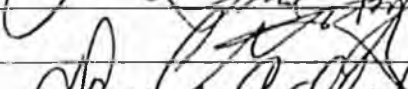
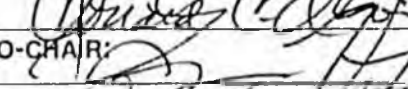



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Department	Date	Fiscal	Indet.	Zero	FN#
Commerce	5/9/07			✓	

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Eiton			✓	
	Thomas	✓			
	Dyson			✓	
	Huggins	✓			
	Olson			✓	
CO-CHAIR: 	Hoffman			✓	
CO-CHAIR: 	Stedman	✓			

ALASKA STATE LEGISLATURE

Session
State Capitol Building, Room 125
Juneau, Alaska 99801-1182
Phone (907) 465-2995
Fax (907) 465-6592

Interim
716 West Fourth Avenue, Suite 430
Anchorage, Alaska 99501
Phone (907) 269-0250
Fax (907) 269-0249



Chair
Senate State Affairs
Administrative Regulation Review

Member
Senate Judiciary Committee
Senate Resources Committee

SENATOR LESIL MCGUIRE

SPONSOR STATEMENT

SB 144

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

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

The FY07 budget for the core tourism marketing program consisted of \$5.0 million in state funds matched by 5.0 million in private sector dollars to create a \$10.0 million marketing program. In FY08, it is anticipated that \$2 million is the maximum amount that can be raised in voluntary contributions towards 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, SB 144 will allow Alaska's travel industry to continue to receive state funds by temporarily changing the statutory match required in AS 44.33.125 from 50/50 to 70/30 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. Additionally, SB 144 will create a 9 member Alaska Tourism Marketing Funding Task Force to operate from September through December, 2007 to investigate long term marketing funding solutions and submit a report to the Second Session of the 25th Alaska State Legislature.

SECTIONAL ANALYSIS
SB 144

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

Section 1 - Amends AS 44.33.125(a) to change the matching fund requirement from 50% of the costs of the marketing campaign described in the contract to 30%.

Section 2 - Amends AS 44.33.125(a) to change the matching fund requirement from 30% of the costs of the marketing campaign described in the contract to 50%.

Section 3 - Amends the uncodified law of the State of Alaska by adding a new section creating a nine member Alaska Tourism Marketing Funding Task Force to consider long-term tourism marketing funding solutions for the state. The task force shall operate from September 1 - December 31, 2007 and make a report of their findings and recommendations to the Governor and the legislature by the 30th day of the Second Session of the 25th Alaska State Legislature.

Section 4 - Provides an effective date of July 1, 2008 for Section 2 of this Act.

Section 5 - Provides an immediate effective date for Section 3 of this Act.

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

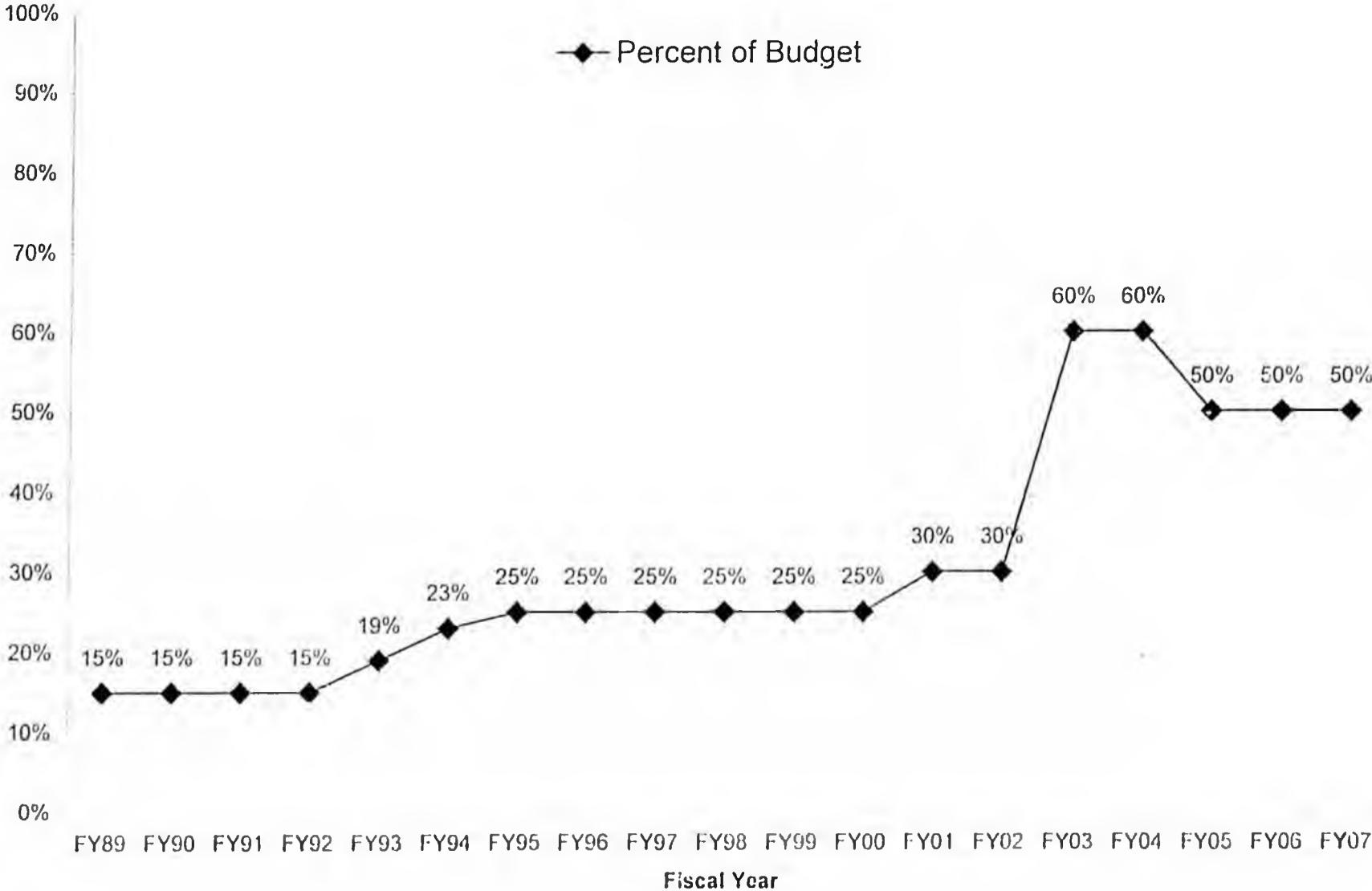
In FY07 the total combined funds from state and private contributions was \$10 million; \$5 million in state funds matched by \$5 million voluntarily contributed from the tourism industry. With the passage of the cruise ship tax initiative, the Alaska Travel Industry Association (ATIA) will no longer 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 to maintain \$2 million in private industry match.

In concert with SB 143 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.

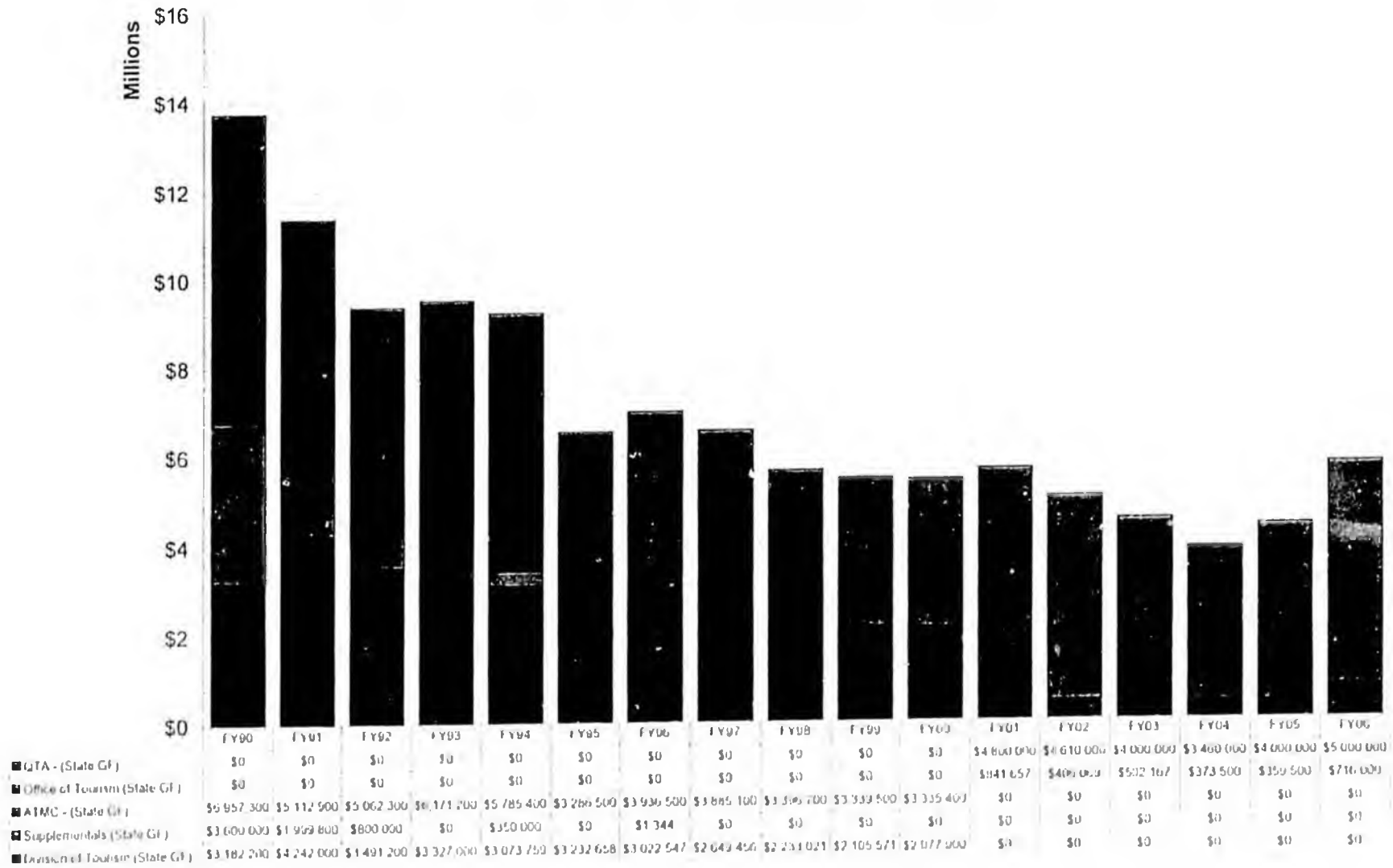
FY07 Current Private Fund Sources:

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

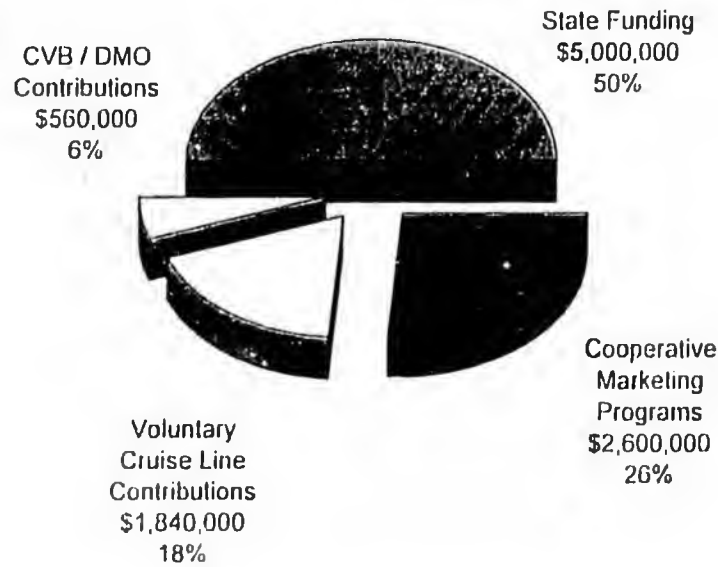
Tourism Marketing - Industry Payment in Lieu of Taxes



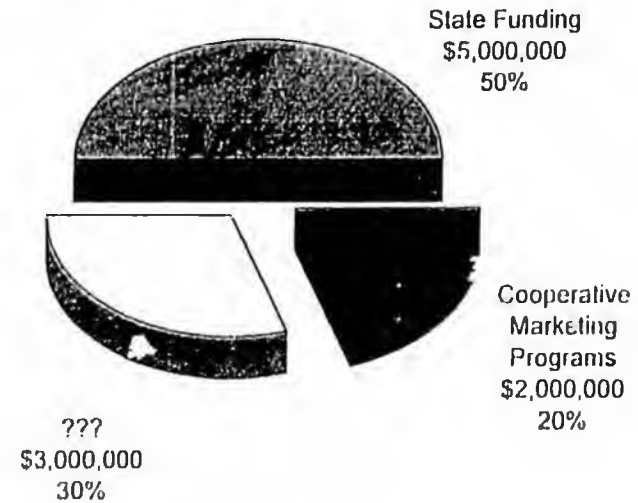
State of Alaska - Tourism Marketing Budgets



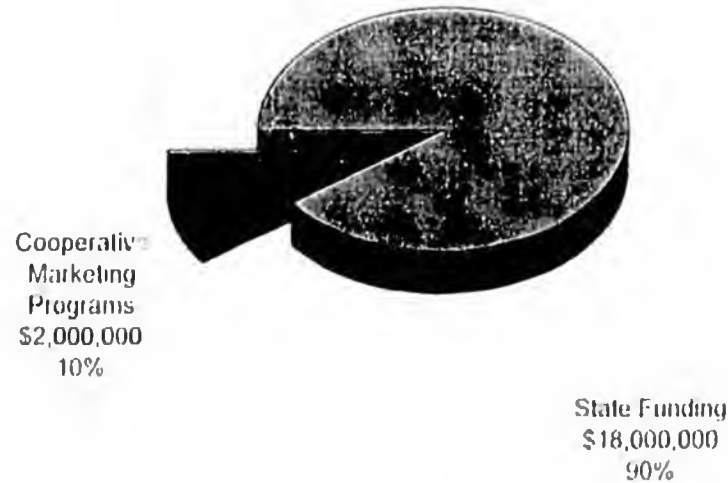
ATIA Current Funding Model - \$10m



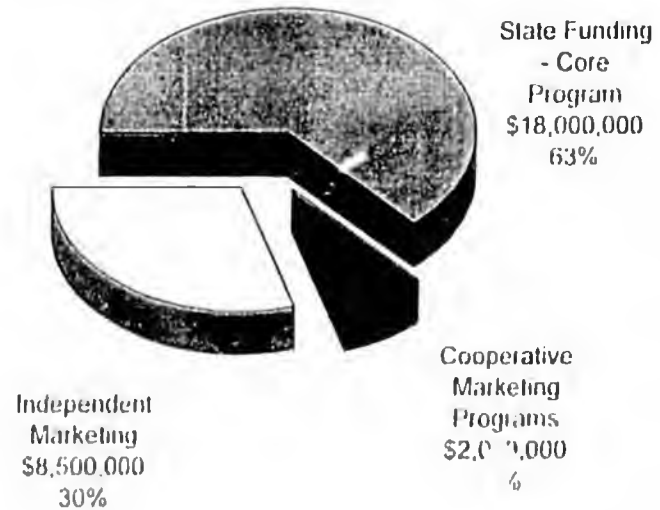
ATIA Future Funding Model - \$10m



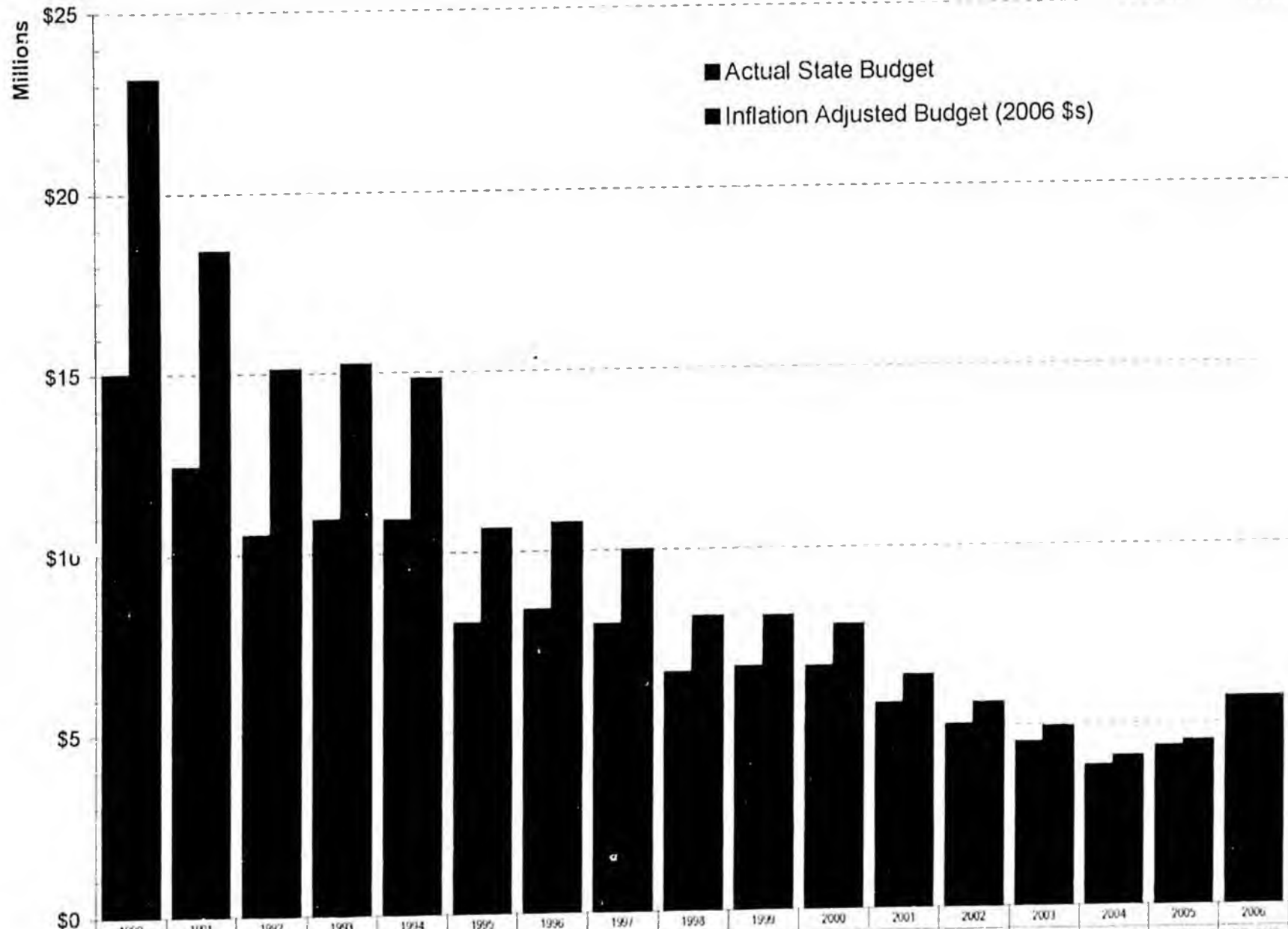
ATIA Future Funding Model - \$20m



ATIA Future Funding Model - \$28.5m

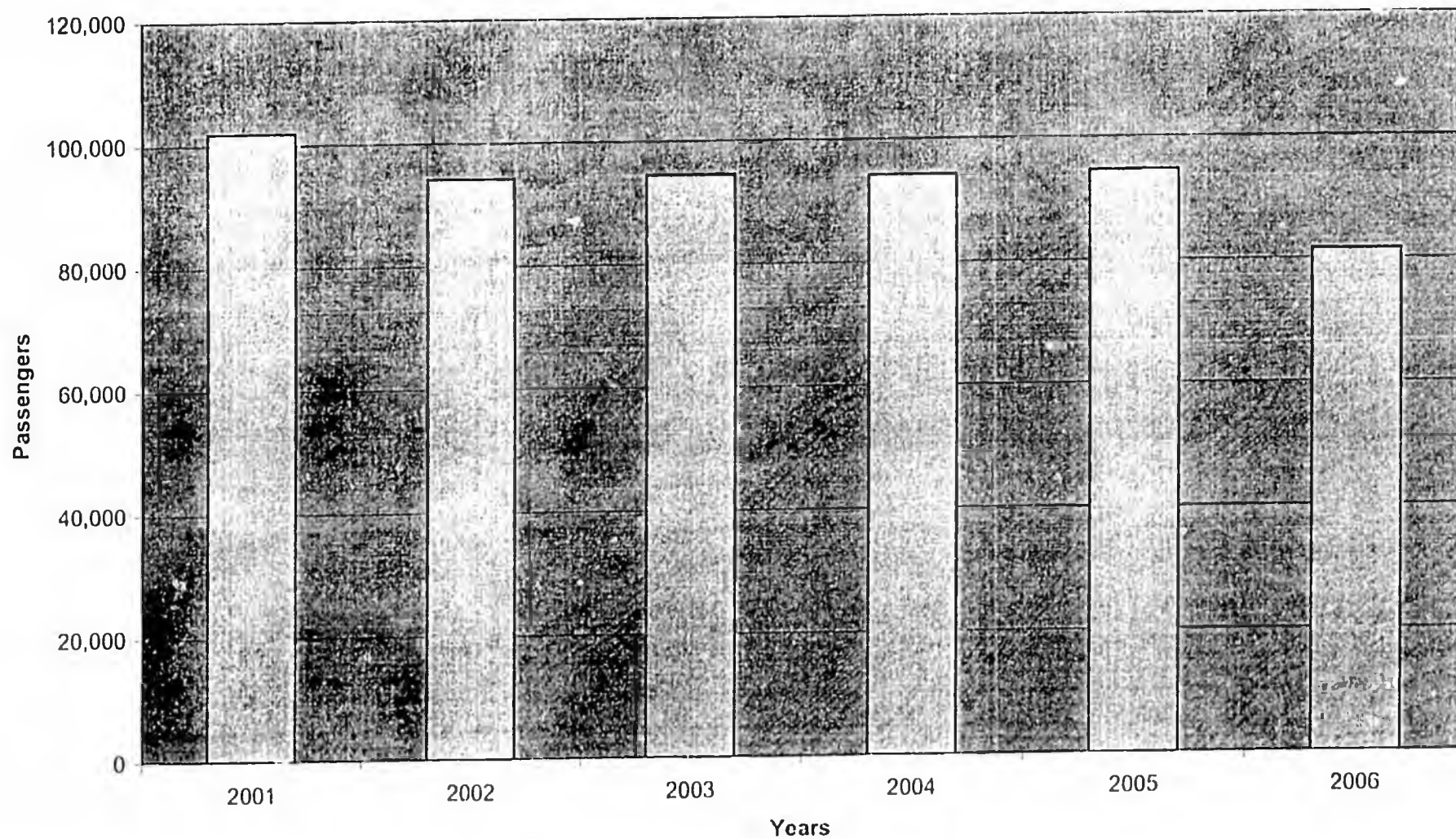


Alaska's State Government Contribution to Tourism Marketing



	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Actual State Budget	\$15,023,050	\$12,446,571	\$10,526,171	\$10,933,387	\$10,913,338	\$8,038,963	\$8,385,391	\$7,963,556	\$6,580,971	\$6,714,971	\$6,713,400	\$5,641,657	\$5,015,069	\$4,502,157	\$3,833,500	\$4,359,500	\$5,716,000
Inflation Adjusted Budget (2006 \$s)	\$23,172,000	\$18,422,270	\$15,125,000	\$15,253,000	\$14,845,000	\$10,633,000	\$10,774,000	\$10,002,000	\$8,138,000	\$8,124,500	\$7,859,120	\$6,421,380	\$5,671,040	\$4,932,809	\$4,091,231	\$4,500,129	\$5,716,000

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



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



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



Tourism

Tourism FY05

(In Thousands of Dollars)

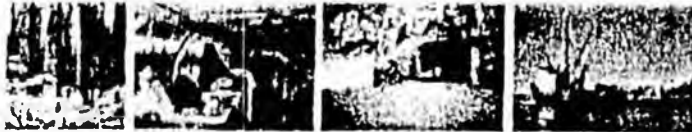
Sources (Revenue)

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)

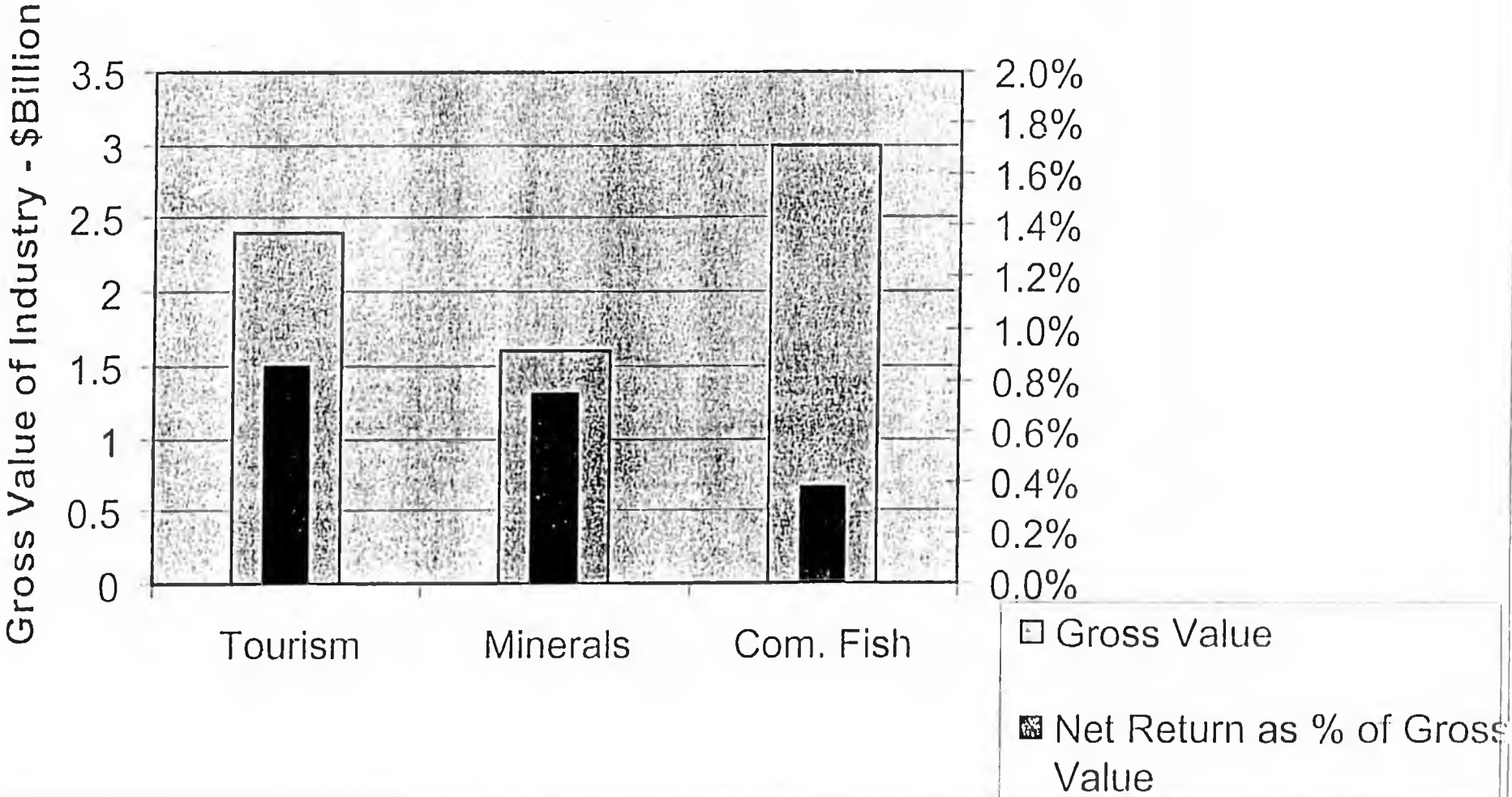
Dept. of Fish and Game – data entry and licensing accounting personnel to implement the hunting and sport fishing licensing receipts.

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.

Net Return as % of Gross Value - FY05



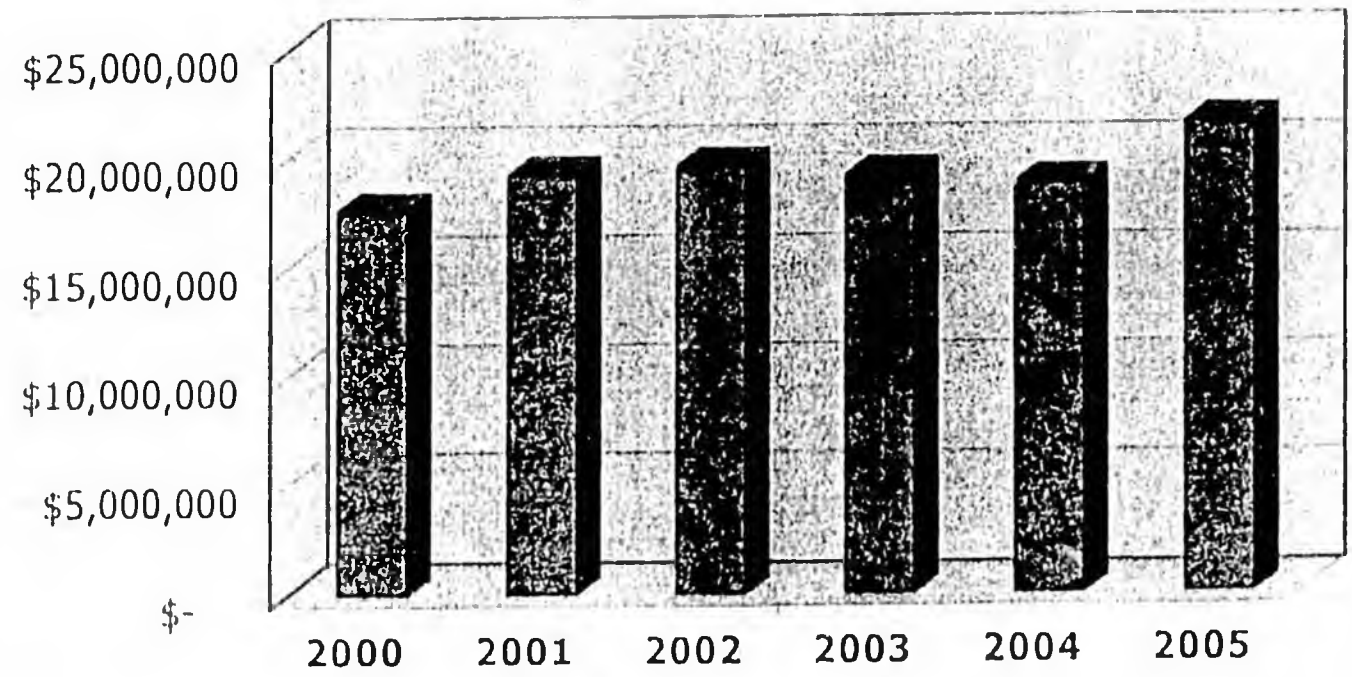
Source: State of Alaska DCCED March 21, 2006



Tourism

Alaska Lodging Taxes, 2000 - 2005

Source: Alaska Taxable 2005 Actual dollars





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 Entities ¹	
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 AIDIA 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 COQ 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.



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.

DIRECT



GLOBAL INSIGHT

- ◆ The *induced* effect—also called the multiplier or income effect—increases travel and tourism's economic contribution to \$2.0 billion.
- ◆ Using the most narrow, *Core Industry* definition, travel and tourism is the third-largest private sector employer, fourth overall in the state with 26,158 direct full-time equivalency jobs in 2002.

Rank	NAICS Code	Industry	Employment
1		Local Government	36,804
2	44-45	Retail trade	33,904
3	62	Health care and social assistance	27,327
4	72	Accommodation and foodservices	24,940
5		State Government	21,764
6	48-49	Transportation and warehousing	19,086
7		Federal Government	16,761
8	23	Construction	15,924
9	31-33	Manufacturing	11,152
10	54	Professional, scientific, and technical services	10,732

Tourism Industry
26,158
Jobs

Comparative Data: Bureau of Labor Statistics, 2-digit NAICS detail

- ◆ The travel and tourism *Core Industry* generated 9.1% of Alaska's total employment in 2002.
- ◆ Travel and tourism-generated jobs provided \$579 million in *core labor income* (benefits and salaries) to Alaska.
- ◆ Travel and tourism's *Economic Contribution* to employment reached 39,420 full-time equivalent jobs. Those jobs provided Alaska workers with \$1.15 billion in income.
- ◆ Including the *induced effects*, travel and tourism-related employment totals 46,935 with labor income of \$1.36 billion accruing to the workers of Alaska.



Composition of Total Economy Travel & Tourism Employment, 2002

Rank	Industry	Employment	% Distribution
1	Amusement and Recreation Services- N.E.C	8,017	20.3%
2	Hotels and Lodging Places	7,072	17.9%
3	Eating & Drinking	4,283	10.8%
4	Air Transportation	2,643	6.7%
5	State & Local Government - Non-Education	2,278	5.8%
6	New Highways and Streets	2,190	5.6%
7	Federal Government - Non-Military	1,372	4.7%
8	Transportation Services	1,209	3.1%
9	New Industrial and Commercial Buildings	888	2.3%
10	General Merchandise Stores	727	1.8%
11	Automotive Dealers & Service Stations	531	1.3%
12	Water Transportation	525	1.3%
13	Apparel & Accessory Stores	407	1.0%
14	Arrangement Of Passenger Transportation	377	1.0%
15	Engineering- Architectural Services	376	1.0%
16	Furniture & Home Furnishings Stores	362	0.9%
17	Accounting- Auditing and Bookkeeping	349	0.9%
18	Membership Sports and Recreation Clubs	313	0.8%
19	Personnel Supply Services	308	0.8%
20	Management and Consulting Services	306	0.8%
21	Real Estate	253	0.7%
22	New Government Facilities	288	0.7%
23	Miscellaneous Retail	272	0.7%
24	Credit Agencies	267	0.7%
25	Maintenance and Repair Other Facilities	242	0.6%
26	Motor Freight Transport and Warehousing	232	0.6%
27	Wholesale Trade	230	0.6%
28	Other Business Services	213	0.5%
29	Automobile Repair and Services	179	0.5%
30	Automobile Rental and Leasing	160	0.4%
	All Other	2,030	5.2%
	Total	39,418	100.0%

When the direct and indirect effects of travel and tourism on all industries is factored in, the employment impact in Alaska of Water Transportation increases from the core impact of 447 to 525. However, the percentage of jobs in that industry compared to the total dropped. With the added indirect effect, there is a wider distribution of jobs. Many more industries are indirectly impacted by travel and tourism than just the industries that tourists patronize. The Eating and Drinking industry drops from 16% of direct core jobs to 10.8%. Travel and tourism spending benefits so many industries that any increase in travel and tourism will be widely felt in the Alaskan economy.

Total economy travel & tourism includes spending not in the core. Investment and government spending is not included in the core travel & tourism spending, another reason for the greater spread of employment across industries.

INDIRECT AS OF 2002



Composition of Total Economy Travel & Tourism Gross State Product, 2002

Rank	Industry	Value	Percentage
1	Hotels and Lodging Places	226,901,131	14.2%
2	Air Transportation	139,296,052	11.8%
3	Amusement and Recreation Services- N.E.C	138,063,956	10.5%
4	State & Local Government - Non-Education	145,837,664	9.1%
5	New Highways and Streets	128,441,734	3.0%
6	Eating & Drinking	107,180,342	6.7%
7	Federal Government - Non-Military	105,657,456	6.6%
8	New Industrial and Commercial Buildings	51,403,824	3.2%
9	Transaction Services	45,441,348	2.3%
10	Water Transportation	35,100,550	2.2%
11	Automotive Dealers & Service Stations	30,923,279	1.9%
12	General Merchandise Stores	25,773,521	1.6%
13	Real Estate	24,386,350	1.5%
14	New Government Facilities	23,364,262	1.5%
15	Engineering- Architectural Services	16,253,428	1.0%
16	Wholesale Trade	14,942,215	0.9%
17	Arrangement Of Passenger Transportation	14,889,105	0.9%
18	Banking	14,482,812	0.9%
19	Maintenance and Repair Other Facilities	13,729,329	0.9%
20	Furniture & Home Furnishings Stores	12,639,956	0.8%
21	Natural Gas & Crude Petroleum	12,296,754	0.8%
22	Motor Freight Transport and Warehousing	11,973,685	0.7%
23	Apparel & Accessory Stores	11,491,193	0.7%
24	Communications- Except Radio and TV	11,460,673	0.7%
25	Accounting- Auditing and Bookkeeping	11,317,252	0.7%
26	Management and Consulting Services	9,754,071	0.6%
27	Automobile Repair and Services	9,359,259	0.6%
28	Other Business Services	3,812,202	0.6%
29	Personnel Supply Services	3,675,430	0.5%
30	Automobile Rental and Leasing	3,113,467	0.5%
	All Other	99,762,736	6.2%
	Total	1,597,743,833	100.0%

This table includes both the direct and indirect effects of travel and tourism on all industries from all types of travel and tourism demand (visitors, investment, and government). The table reflects the wide-ranging impact of travel and tourism spending in Alaska on industries in the state. The table is led by industries that are expected to benefit from travel and tourism spending—hotels, restaurants, and transportation—but also points out unexpected industries that benefit from travel and tourism spending. Industries like Accounting—Auditing and Bookkeeping in Alaska gained over \$11 million dollars in economic impact from tourists. Alaska's Personnel Supply Services industry is \$3.7 million richer from travel and tourism spending in Alaska.



VII. OTHER SECTORS BENEFITING FROM TRAVEL & TOURISM

One of the powerful results of the TSA analysis is the ability to examine how industries seemingly unrelated to travel and tourism benefit from it. These industries are the suppliers to the travel and tourism sector. Certainly, they are suppliers to many industries, but this analysis shows *the degree* to which travel and tourism activity supports their businesses. Some of this support has been pointed out in the previous section in talking about travel and tourism spending impact. Here, the indirect effect of travel and tourism spending is examined on its own.

In Alaska, Real Estate, Engineering-Architectural Services, and Wholesale Trade hold the top-three spots of travel and tourism's indirect benefits with a combined \$55.6 million of indirect benefit last year. Many of these industries are familiar but the realization of how much of an impact travel and tourism spending has on their revenues can be astonishing.

Indirect Benefits Realized by "Non-Travel & Tourism" Industries – Value Added by Industry, 2002

Rank	Industry	Value	Percentage
1	Real Estate	24,396,350	8.6%
2	Engineering-Architectural Services	16,253,428	5.7%
3	Wholesale Trade	14,942,215	5.3%
4	Arrangement Of Passenger Transportation	14,669,105	5.2%
5	Banking	14,432,812	5.1%
6	Maintenance and Repair Other Facilities	13,729,329	4.8%
7	Natural Gas & Crude Petroleum	12,296,754	4.3%
8	Motor Freight Transport and Warehousing	11,973,685	4.2%
9	Communications- Except Radio and TV	11,460,673	4.0%
10	Accounting- Auditing and Bookkeeping	11,317,262	4.0%
11	Management and Consulting Services	9,754,071	3.4%
12	Other Business Services	8,812,202	3.1%
13	Personnel Supply Services	8,675,430	3.1%
14	Computer and Data Processing Services	7,370,404	2.6%
15	Electric Services	7,248,575	2.6%
	All Other Industries	96,612,742	34.0%
	Total	284,120,036	100.0%

Note: that the table measures only the indirect effects of *ongoing* travel and tourism operations – not capital investment. Real Estate gains almost \$24.4 million in indirect benefits from travel and tourism expenditure. Banking services related to travel & tourism spending – currency exchange, services to hotel/restaurant/airline workers – adds \$14.5 million to Alaska's Gross State Product.

Travel and tourism-related capital investment also plays a key role in the economic contribution of the sector. This capital investment includes construction of hotels, beach preservation, transportation equipment and other travel and tourism infrastructure.



March 5, 2007

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

Dear Mr. Speaker,

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

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

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

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

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

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

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

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

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

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

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



Ron Peck, COO
Alaska Travel Industry Association



Alaska Campground Owners Association

P.O. Box 111005 Anchorage, Alaska 99511

Toll Free (866) 339-9082 / Fax (907) 334-9082

info@alaskacampgrounds.net

RESOLUTION NO. 2007-03

A RESOLUTION SUPPORTING SB 143 and SB 144

WHEREAS, the Alaska Campground Owners' Association (ACOA) represents an association of small family operated camper park businesses; and

WHEREAS, the independent traveler to Alaska has been in decline for the past six years; and

WHEREAS, the private campground industry has realized a decline in camping occupancy of approximately 10% for each consecutive year; and

WHEREAS, the success of the private campground industry depends heavily on the marketing efforts of the Alaska Travel Industry Association (ATIA) in domestic and Foreign arenas; and

WHEREAS, Alaska's public sector tourism marketing budget ranks 36th when compared with other states competing for the same visitor pool; and

WHEREAS, ATIA studies have shown that small independent business along Alaska's highway system are impacted the greatest with the decline in statewide tourism marketing dollars.

WHEREAS, previous private sector matching fund formula for tourism marketing may no longer be valid with the initiation of the cruise ship head tax; and

WHEREAS, the state's general fund support for tourism marketing has declined from \$23,000,000 in 1990 to \$5,700,000 in 2006.

NOW, THEREFORE, BE IT RESOLVED that the Alaska Campground Owner's Association supports SB 143 and SB 144

BE IT FURTHER RESOLVED that a portion of funds raised from the Cruise Ship Head Tax and Corporate Tax (\$18 Million for core tourism marketing) and the Vehicle Car/RV Rental Tax (\$8.5 Million for Independent and Highway traveler marketing) be

incorporated into a \$28.5 Million marketing program for the Alaska Travel Industry Marketing Plan 2007.

PASSED and APPROVED by the ALASKA CAMPGROUND OWNERS' ASSOCIATION this 2nd day of April, 2007.

Chairman of the Board- Scott Reiland

ATTEST: Executive Director-Heidi Boyd

SENATE COMMITTEE REPORT
First Committee of Referral

DATE: 3/28/07

FURTHER: Finance

Date of 5-Day Notice: 5/3/07
 (in accordance with Uniform Rule 23)

DATE TURNED
 IN TO OFFICE: 5/8/07

State Affairs Committee considered SENATE BILL NO. 144

SB 144 TOURISM CONTRACT MATCHING FUNDS

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

and recommends:

- be replaced with SCS or CS SB 144 (STA)
- adopt previous SCS or CS _____ (_____)
- attached amendment(s)
- adopt _____ Letter of Intent
- further referral to _____ Committee

SENATE BILL:
<input type="checkbox"/> Same Title
<input checked="" type="checkbox"/> New Title
<hr/>
HOUSE BILL:
<input type="checkbox"/> Same Title
<input type="checkbox"/> Technical Title Change
<input type="checkbox"/> New Title w/ SCR # _____



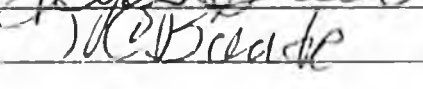
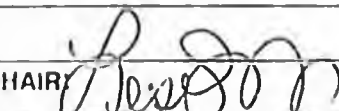
NEW FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#
CCED	05/07			<input checked="" type="checkbox"/>	1

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	Do PASS	Do NOT PASS	No REC	AMEND
	French			<input checked="" type="checkbox"/>	
	STEVEN Green			<input checked="" type="checkbox"/>	
	Blende			<input checked="" type="checkbox"/>	
	Chair	<input checked="" type="checkbox"/>			