

HB

222

<TARGET><BILL>HB 222</BILL><SUBJECT>HB
222</SUBJECT><COMM>HEDT27</COMM></TARGET>

HOUSE BILL NO. 222

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - FIRST SESSION

BY REPRESENTATIVES AUSTERMAN, Chenault, Johnson, Stoltze, Thomas, Peggy Wilson, Herron

Introduced: 4/1/11

Referred: House Special Committee on Economic Development, Trade, and Tourism, Finance

A BILL

FOR AN ACT ENTITLED

1 "An Act establishing and relating to the Alaska Promotion and Marketing Board and
2 the Alaska promotion and marketing fund; relating to marketing tourism contracts and
3 campaigns; and providing for an effective date."

4 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

5 * **Section 1.** AS 39.50.200(b) is amended by adding a new paragraph to read:

6 (64) the Alaska Promotion and Marketing Board.

7 * **Sec. 2.** AS 44.33 is amended by adding new sections to read:

8 **Article 15. Alaska Promotion and Marketing.**

9 **Sec. 44.33.950. Alaska promotion and marketing fund.** The Alaska
10 promotion and marketing fund is created. The department, in consultation with the
11 board, shall administer the fund.

12 **Sec. 44.33.955. Contents of fund.** (a) The fund consists of

13 (1) money appropriated to the fund by the legislature for grants for the
14 fund's purpose;

1 (2) gifts, bequests, contributions from other sources, and federal
2 money appropriated to the fund for grants for the fund's purpose; and

3 (3) interest from investments of the money in the fund that is
4 appropriated to the fund by the legislature for grants for the fund's purpose.

5 (b) The fund is not a dedicated fund.

6 **Sec. 44.33.960. Purpose of fund.** The purpose of the fund is to promote and
7 market industries that broaden the economic base of the state and that provide jobs and
8 business opportunities for the residents of the state.

9 **Sec. 44.33.965. Use of fund.** Subject to appropriation, the department shall use
10 the money in the fund to

11 (1) make grants to private entities for projects that promote the fund's
12 purpose; and

13 (2) pay the costs of administering AS 44.33.950 - 44.33.990.

14 **Sec. 44.33.970. Grant requirements.** (a) A grant recipient shall be an entity
15 that operates in or represents an industry that brings money into the state.

16 (b) A grant made to an entity that operates in an emerging industry must
17 require that the grant recipient provide matching funds of 30 percent of the grant
18 amount for the grant project.

19 (c) A grant made to an entity that operates in an established industry must
20 require that the grant recipient provide matching funds of 50 percent of the grant
21 amount for the grant project.

22 (d) Subject to appropriation, the total of the grants made in one fiscal year to
23 entities that operate in established industries may not exceed 75 percent of the
24 appropriations made to the fund for that fiscal year.

25 **Sec. 44.33.975. Alaska Promotion and Marketing Board established.** (a)
26 The Alaska Promotion and Marketing Board is established in the department.

27 (b) The board is composed of three members appointed by the governor. The
28 members of the board shall be appointed for terms of three years.

29 (c) Members of the board shall be selected without regard to political
30 affiliation or geographical location of residence.

31 (d) Members of the board shall be residents of the state. Each member shall

1 have expertise in private sector business or industry, or both, and possess
2 demonstrated leadership skills. However, a member may not, immediately before
3 being appointed or while acting as a board member, hold an executive position in a
4 business or industry entity.

5 (e) The board shall elect one member of the board to serve as chair of the
6 board.

7 (f) A vacancy on the board shall be filled by the governor. A member selected
8 to fill a vacancy shall hold office for the balance of the term for which the member's
9 predecessor on the board was appointed.

10 (g) A vacancy on the board does not impair the authority of a quorum of the
11 members to exercise the powers and perform the duties of the board.

12 (h) Members of the board do not receive compensation but are entitled to the
13 per diem and travel expenses authorized for boards and commissions under
14 AS 39.20.180.

15 (i) The board shall meet at least once each fiscal year.

16 **Sec. 44.33.980. Board duties.** The board shall

17 (1) develop a methodology for determining the priority for proposed
18 projects to receive grants;

19 (2) identify the criteria for evaluating the degree to which proposed
20 projects achieve the fund's purpose; the board shall give more value to

21 (A) projects that add to the state's primary sector economy or
22 reduce reliance on imported goods or services; and

23 (B) grant applicants who have established a self-assessment to
24 support their projects;

25 (3) determine the eligibility criteria for grant applicants;

26 (4) develop a methodology for the department to use in determining
27 which industries are emerging industries and which are established industries;

28 (5) make recommendations to the department on the selection of
29 projects for grants;

30 (6) describe how self-assessments by grant applicants will be evaluated
31 when the projects are being reviewed;

1 (7) define "emerging industry," "established industry," and "industry
2 that brings money into the state"; and

3 (8) provide a report to the legislature not later than 10 days after the
4 first day of each regular legislative session; the report must provide the
5 recommendations that the board

6 (A) has made to the department for making grants from the
7 money already appropriated to the fund, including a description, an evaluation,
8 and the priority of the proposed projects for grants; and

9 (B) is making to the legislature regarding appropriations to the
10 fund, including a description, an evaluation, and the priority of the proposed
11 projects for grants.

12 **Sec. 44.33.985. Regulations.** The board shall adopt regulations under
13 AS 44.62 (Administrative Procedure Act) to carry out its duties under AS 44.33.950 -
14 44.33.990. The department shall adopt regulations under AS 44.62 (Administrative
15 Procedure Act) to carry out its duties under AS 44.33.950 - 44.33.990.

16 **Sec. 44.33.990. Definitions.** In AS 44.33.950 - 44.33.990,

17 (1) "board" means the Alaska Promotion and Marketing Board;

18 (2) "department" means the Department of Commerce, Community,
19 and Economic Development;

20 (3) "fund" means the Alaska promotion and marketing fund;

21 (4) "fund's purpose" means the purpose of the fund identified in
22 AS 44.33.960;

23 (5) "grant" means a grant made from the fund.

24 * **Sec. 3.** AS 36.30.850(b)(41); AS 44.33.120(b)(4), 44.33.120(b)(7), 44.33.120(d), and
25 44.33.125 are repealed.

26 * **Sec. 4.** AS 39.50.200(b)(64); AS 44.33.950, 44.33.955, 44.33.960, 44.33.965, 44.33.970,
27 44.33.975, 44.33.980, 44.33.985, and 44.33.990 are repealed July 1, 2019.

28 * **Sec. 5.** The uncodified law of the State of Alaska is amended by adding a new section to
29 read:

30 **TRANSITION: INITIAL BOARD.** (a) The governor shall appoint the members of the
31 Alaska Promotion and Marketing Board, established by AS 44.33.975, enacted by sec. 2 of

1 this Act, within one month following the effective date of this section.

2 (b) Notwithstanding AS 44.33.975, enacted by sec. 2 of this Act, the governor shall
3 appoint the first three members of the Alaska Promotion and Marketing Board, established by
4 AS 44.33.975, enacted by sec. 2 of this Act, to staggered terms as follows:

5 (1) one member shall serve a one-year term;

6 (2) one member shall serve a two-year term; and

7 (3) one member shall serve a three-year term.

8 * **Sec. 6.** This Act takes effect January 1, 2012.



Representative Alan Austerman

House Majority Leader

Alaska State Legislature

Sponsor Statement for House Bill 222: Promoting Alaska Marketing Fund and Marketing Board

Economic development is of vital importance to the economy of the state and a top priority of the legislature. Promoting business opportunities that contribute to Alaska's primary economy is a timely matter as oil production in Alaska continues to decline, putting future state revenues at risk. This bill is a high level, long term solution to the challenges of increased demand for matching funds for programs that market and promote Alaska's industries. The program established under House Bill 222 is intended to recognize and promote Alaska's key industries like tourism, seafood, agriculture, mining, and other emerging industries that can form the base for a future economy.

House Bill 222 aims to restructure the state's contributions to public and private marketing efforts by establishing a long-term funding source and an apolitical mechanism to evaluate funding requests and make recommendations for state matching funds. Under this bill, an Alaska Promotion and Marketing Fund would be created, as would a board to provide annual recommendations on award of matching monies to funding applicants. The program would be managed by the Department of Commerce, Community and Economic Development (DCCED), in consultation with the Alaska Promotion and Marketing Board. The purpose of the fund is to promote and market industries that broaden the economic base of the state and that provide jobs and business opportunities for the residents of the state. The fund would require a 50 percent match from a recipient operating in an established industry and 30 percent from a recipient operating in an emerging industry.

The Alaska Promotion and Marketing Board is envisioned as a three member board with broad business experience but without ties to applicant industries. Under House Bill 222, the board would develop a methodology and identify criteria for evaluating and determining the priority for applicants for matching funds. The board would also be responsible for determining the eligibility criteria for the grant applicants.

This bill deletes the Qualified Trade Association program in anticipation that the Alaska Promotion and Marketing Board would create new criteria for trade associations across all industries who want to promote or market Alaska's industries and products. House Bill 222 is intended to be the starting point for discussion and I look forward to interim hearings and testimony from all interested industries that would make necessary adjustments to the legislation.

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number _____
Bill Version HB 222
() Publish Date _____

Identifier (file name) HB222-CCED-DED-04-01-11 Dept. Affected DCCED
Title Alaska Promotional & Marketing Fund/Board Appropriation Economic Development
Allocation Financing
Sponsor Representative Austerman
Requester House Economic Development, Trade, and Tourism OMB Component Number 2743

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information						
		FY 2012	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
OPERATING EXPENDITURES								
Personal Services	106.9	0.0	106.9	106.9	106.9	106.9	106.9	106.9
Travel	12.0	0.0	6.0	6.0	6.0	6.0	6.0	6.0
Services	9.4	0.0	9.4	9.4	9.4	9.4	9.4	9.4
Commodities	6.5	0.0	0.5	0.5	0.5	0.5	0.5	0.5
Capital Outlay								
Grants								
Miscellaneous								
TOTAL OPERATING	134.8	0.0	122.8	122.8	122.8	122.8	122.8	122.8

CAPITAL EXPENDITURES								
-----------------------------	--	--	--	--	--	--	--	--

CHANGE IN REVENUES								
---------------------------	--	--	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts								
1003 GF Match								
1004 GF	134.8							
1005 GF/Program Receipts								
1037 GF/Mental Health								
1178 Other (APMF)			122.8	122.8	122.8	122.8	122.8	122.8
TOTAL	134.8	0.0	122.8	122.8	122.8	122.8	122.8	122.8

Estimate of any current year (FY2011) cost _____

POSITIONS

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

Why this fiscal note differs from previous version (if initial version, please note as such)

This is the initial fiscal note.

Prepared by Wanetta Ayers, Division Director
Division Economic Development
Approved by Susan K. Bell, Commissioner
Commerce, Community & Economic Development

Phone 269-4048
Date/Time 4/3/11 12:30 PM
Date 4/4/2011

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. HB 222

HB222 Analysis

This bill establishes the Alaska Promotional and Marketing Fund (APMF) to promote and market industries that broaden the economic base of Alaska. The Alaska Promotional and Marketing Board is established to administer the fund in conjunction with the Department of Commerce, Community, and Economic Development (DCCED). HB 222 also calls for the board to develop a grant program; recommend projects for grants; and report to the Legislature on the recommendations made for grants and providing recommendations on appropriations to the fund.

Under the provisions of HB 222, the Division of Economic Development (DED) projects the need for a Development Specialist II, Option A to staff the board, assist in regulation development, administer the grant program, and provide on-going analytical, programmatic and administrative support.

Travel costs are projected to be higher during the first year under the assumption that the board will need to meet three to four times to establish its policies, develop and review grant processes, develop recommendations, and prepare and present its report to the Legislature. Travel in subsequent years is projected to be baseline operating cost for one face-to-face meeting each year.

The cost projections include personal services for the Development Specialist II, Option A, supplies, equipment and a projected per employee annual contractual service cost. Commodity costs in the first year are based on providing the new position with furniture, a computer, software and other necessary equipment – these are one-time costs only.

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version HB222
 Fiscal Note Number _____
 () Publish Date _____

Identifier (file name) HB222-DCCED-DED-12-14-11 Dept. Affected DCCED
 Title AK PROMOTION & MARKETING FUND/BOARD Appropriation Economic Development
 Allocation Economic Development
 Sponsor Representative Austerman
 Requester House Economic Development, Trade, and Tourism OMB Component Number 2743

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates					
			FY13	FY14	FY15	FY16	FY17	FY18
OPERATING EXPENDITURES								
Personal Services	106.9		106.9	106.9	106.9	106.9	106.9	106.9
Travel	12.0		6.0	6.0	6.0	6.0	6.0	6.0
Services	10.0		10.0	10.0	10.0	10.0	10.0	10.0
Commodities	6.5		0.5	0.5	0.5	0.5	0.5	0.5
Capital Outlay								
Grants, Benefits								
Miscellaneous								
TOTAL OPERATING	135.4	0.0	123.4	123.4	123.4	123.4	123.4	123.4

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF	135.4						
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)		123.4	123.4	123.4	123.4	123.4	123.4
TOTAL		135.4	0.0	123.4	123.4	123.4	123.4	123.4

POSITIONS							
Full-time	1		1	1	1	1	1
Part-time							
Temporary							

CHANGE IN REVENUES							
--------------------	--	--	--	--	--	--	--

Estimated SUPPLEMENTAL (FY12) operating costs 0.0 (separate supplemental appropriation required;
 (discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs 0.0 (separate capital appropriation required)
 (discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

This is the initial fiscal note to HB 222 updated on new form for the 2012 Legislative Session. The expenditure figures have been updated to FY13 costs.

Prepared by Wanetta Ayers, Director
 Division Economic Development
 Approved by Susan K. Bell, Commissioner
Commerce, Community, and Economic Development

Phone 269-4048
 Date/Time 12/14/11 10:00AM
 Date 12/28/2011

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. HB222

Analysis

This bill establishes the Alaska Promotional and Marketing Fund (APMF) to promote and market industries that broaden the economic base of Alaska. The Alaska Promotional and Marketing Board is established to administer the fund in conjunction with the Department of Commerce, Community, and Economic Development (DCCED). HB 222 also calls for the board to develop a grant program; recommend projects for grants; and report to the Legislature on the recommendations made for grants and providing recommendations on appropriations to the fund.

Under the provisions of HB 222, the Division of Economic Development (DED) projects the need for a Development Specialist II, Option A to staff the board, assist in regulation development, administer the grant program, and provide on-going analytical, programmatic and administrative support.

Travel costs are projected to be higher during the first year under the assumption that the board will need to meet three to four times to establish its policies, develop and review grant processes, develop recommendations, and prepare and present its report to the Legislature. Travel in subsequent years is projected to be baseline operating cost for one face-to-face meeting each year.

The cost projections include personal services for the Development Specialist II, Option A, supplies, equipment and projected support service costs. Commodity costs in the first year are based on providing the new position with furniture, a computer, software and other necessary equipment – these are one-time costs only.

Austerman bill draft to Terri Bannister

BACKGROUND

Rep. Austerman wants to establish a fund and a board to administer the fund that provides money to market/promote Alaska's primary economic sector, and promotes business opportunities that expand Alaska's economic base. Components of the primary economic sector include extractive industries such as fisheries, timber, mining, petroleum, and other resources, as well tourism and agriculture.

New Chapter under Title 44

Name: The Economic Diversification Act

[PURPOSE SECTION]

The purpose of this act is to provide state support for the marketing and promotion of industries that broaden Alaska's economic base and provide jobs and business opportunities for Alaskans.

[...]

[CREATE BOARD]

Alaska Promotion and Marketing Board

- 3 year terms, staggered appointment in initial round of appointments, service until a successor is appointed
- The board shall elect a member to serve as chair
- The board shall consist of three members with a broad range of professional experience; appointed without regard to political affiliation or geographical location of residence.
- Board shall meet at least once a year – board to receive no salary but are entitled to per diem and reimbursement of travel expenses
- Appointed by Governor

[PROGRAM SECTION]

- An Alaska Promotion and Economic Investment Fund is created to fund certain marketing and promotion activities to support Alaska's economy
- DCCED shall administer the fund as a fund distinct from other funds. The fund consists of
 - money appropriated to the fund by the legislature to provide grants for certain marketing and promotion projects advanced by the Board;
 - gifts, bequests, contributions from other sources, and federal money;
 - interest earned on the fund balance; and

- Investments to be managed by the Department of Revenue, which shall be the fiduciary of the fund under AS 37.10.071.
- The fund is not a dedicated fund.
- Board shall
 - develop a methodology for determining the order of projects that may receive matching grant funds, and adopt regulations identifying criteria to evaluate the benefit of projects for which an applicant applies for support from the legislature, with weight being given to projects that add to Alaska's primary sector economy or reduce reliance on imported goods; and to organizations that have established a self-assessment to support marketing or promotion activities, except where grants are awarded to departments.
 - Determine eligibility criteria
 - Eligible entities restricted to trade organizations that represent a significant sector or subsector of an Alaska industry
 - Or a state agency or public corporation with a role in marketing or promoting an industry that matches criteria outlined above
 - Develop methodology for determining which proposals or industries are to be considered "emerging industries" and those that are "established industries."
 - Emerging industries can receive a match up to 70/30.
 - Established industries receive maximum match of 50/50.
 - Established industries should not exceed 75% of recommended appropriation in a given year
 - Develop process for application
 - make recommendations to the legislature for marketing and promotion matching grants; and
 - not later than 10 days after the first day of each regular legislative session, submit to the legislature a report summarizing and reviewing each grant application submitted under this section and a recommended priority for awarding grants.
 - Review proposals for self-assessments by industry sectors that would provide industry match under the grant program
 - Where proposals are determined to be broad and suitable, prepare recommendations to the legislature
 - Draft legislation implementing such assessments
- A qualified trade association receiving marketing funds under 44.33.125 may not receive any additional state funds except those awarded through this new statute.
- Transition
 - For organizations that have received funding through state government in any of previous three years their highest industry contribution in any of those three previous years will be considered the minimum match for purposes of this program for first two fiscal years

- Subsequently the actuals from two years prior will be considered the match, with up to 30% forward funding based on board's assessment of likely increases in matching funds
- Delayed repealer: Repeals June 30, 2019.

Amend 44.33.120—delete section (d)

Amend 44.33.125—

section (a)—after “purpose of planning and executing” insert “statewide”; after “before the contract is executed, the” insert “statewide”

Section (b) — delete “but only if the terms are not materially....the qualified trade association”

Section (c)—delete all material. Add: “The department may awarded tourism marketing contracts, in addition to the contract awarded in (a), to person or entities other than the qualified trade association for the purpose of promoting distinct tourism segments, geographical areas, or the general purposes described in AS 44.33.119. Persons or entities awarded tourism marketing contracts under this subsections must provide matching funds equal to at least 50 percent of the marketing campaign described in the contract unless waived in whole or in part at the discretion of the department”

A M E N D M E N T

OFFERED IN THE HOUSE

BY REPRESENTATIVE AUSTERMAN

TO: Work Draft 27-LS0724\B

1 Page 5, following line 7:

2 Insert a new bill section to read:

3 "* **Sec. 6.** The uncodified law of the State of Alaska is amended by adding a new section to
4 read:

5 TRANSITION: MATCHING REQUIREMENTS. (a) Notwithstanding
6 AS 44.33.970(b) and (c), enacted by sec. 2 of this Act, if a person received money from the
7 state under an agreement for a purpose similar to a fund's purpose in any of the three years
8 before the effective date of sec. 2 of this Act, if the receipt of the money required a matching
9 amount to be paid by the person, and if the person receives a grant under AS 44.33.950 -
10 44.33.990 during the first year following the effective date of sec. 2 of this Act, the matching
11 requirement for the

12 (1) first two years of the grant must equal the person's highest matching
13 contribution for a year during the agreement for the earlier receipt of state money;

14 (2) third year of the grant must be an amount that equals the matching
15 requirement for the year, if any, that occurred

16 (A) during the agreement for the earlier receipt of state money; and

17 (B) two years before the effective date of sec. 2 of this Act.

18 (b) In this section, "fund's purpose" and "grant" have the meanings given in
19 AS 44.33.990, enacted by sec. 2 of this Act."

20

21 Renumber the following bill section accordingly.

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101


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

MEMORANDUM

April 1, 2011

SUBJECT: HB 222 relating to the Alaska Promotion and Marketing Board, to the Alaska promotion and marketing fund, and to marketing tourism contracts and campaigns (Work Order No. 27-LS0724\B)

TO: Representative Alan Austerman
Attn: Astrid Lievano

FROM:  Theresa Bannister
Legislative Counsel

You have requested a sectional summary of the above-described bill. As a preliminary matter, note that a sectional summary of a bill should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents.

Section 1. Amends AS 39.50.200(b) to add the new Alaska Promotion and Marketing Board to the list of boards and commissions that are subject to the public official financial disclosure chapter.

Section 2. Adds new sections to create the Alaska Promotion and Marketing Fund (fund) and the Alaska Promotion and Marketing Board (board).

Sec. 44.33.950. Creates the fund and directs the Department of Commerce, Community, and Economic Development (DCCED) to administer the fund in consultation with the board.

Sec. 44.33.955. Identifies the money that is to be in the fund. States that the Fund is not a dedicated fund.

Sec. 44.33.960. States the purpose of the fund.

Sec. 44.33.965. States that the fund money shall be used, subject to appropriation, to make grants to private entities for projects that promote the fund purpose and to pay administration costs for the new sections.

Sec. 44.33.970. Establishes certain requirements for grants from the fund. Addresses the type of entity that may be a grant recipient. Addresses matching requirements. Sets a maximum amount per fiscal year for grants to entities in established industries.

Representative Alan Austerman
April 1, 2011
Page 2

Sec. 44.33.975. Establishes the board, including the number of members, appointment of members, selection of members, qualifications of members, election of a chair, vacancies on the board, compensation of members, and meetings.

Sec. 44.33.990. Lists the board's duties. Includes developing a methodology for prioritizing proposed projects; identifying criteria for evaluating achievement of the fund purpose by proposed projects; determining grant applicant eligibility criteria; making grant selection recommendations to DCCED; and reporting to the legislature.

Sec. 44.33.985. Authorizes the board and DCCED to adopt regulations for the new sections.

Sec. 44.33.990. Defines terms for the new sections.

Section 3. Repeals certain sections relating to marketing tourism contracts and campaigns.

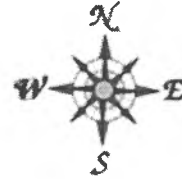
Section 4. Repeals the new sections (the board and the fund) July 1, 2019.

Section 5. Provides for the appointment of the first members of the board within one month of the effective date and with staggered terms.

Section 6. Makes this Act effective January 1, 2012.

If I may be of further assistance, please advise.

TLB:plm
11-208.plm



Responsible Cruising in Alaska

House Finance and Commerce Sub-Committee

Juneau, Alaska 99801

February 23, 2012

RE: Tourism Marketing Funding

Finance and Commerce Sub-Committee Members:

The recent upheaval in state tourism funding evidenced by the MOU between the Department of Commerce and the Alaska Travel Industry Association (ATIA) should be a warning to Finance and Commerce sub-committee members that major changes are necessary for tourism promotion. Instead, the 2011 Commerce MOU adopts the ATIA tourism marketing plan in total, without any objective scrutiny of missions, measures, previous monies spent, and the actual return on investment.

Rather than focus on independent air travelers to Alaska, the ATIA and the Commerce MOU are cruise-centric, chasing the same passengers the ship companies spend \$70 million a year to entice to Alaska. This cruise obsession by ATIA was misplaced and had no viable measures showing how state tourism monies produce more passengers or ships.

In fact, air travelers to Alaska produce far more revenue for the state and local businesses by renting cars and hotel rooms, shopping and eating locally, while cruise passengers do the opposite. Cruise passengers spend their money on the ships, purchase land excursions on-board without local taxes, and rarely return to Alaska.

In Bermuda this week their Parliament is discussing this exact issue -- the monetary worth of air visitors versus cruise passengers. One MP stated that air travelers spend 12 times more than cruise passengers while visiting Bermuda; \$1200 for air visitors, \$100 for cruise passengers. This disparity is also true in Alaska. Independent air travelers spend far more on their visit to Alaska than cruise passengers. This is where the real opportunity exists in Alaska tourism; increasing the numbers of affluent air travelers who spend at least 10 times more in Alaska during their week visit.

Many airlines have seasonal, round-trip fares to Alaska. It would be very productive for the Department of Commerce to enter into advertising agreements with the airlines that have chosen to fly seasonally to Alaska. Here are those that fly to Anchorage and Fairbanks:

<u>Airline</u>	<u>Round Trip From</u>
Alaska	Seattle, LAX, Denver
Air Canada	Vancouver
American	Chicago, Dallas, Fort Worth, DC, Newark, Atlanta
Continental	Dallas, Houston
Delta	Minneapolis, Salt Lake, Long Beach, LAX
Frontier	Denver
Jet Blue	Long Beach, Sacramento
United	Chicago, Denver, Houston, San Francisco
US Air	Phoenix
Condor	Frankfurt, Germany

Thank you for any changes you can bring to the present tourism marketing in Alaska, which is now misplaced.



Chip Thoma, RCA President

MEMORANDUM OF UNDERSTANDING

This document constitutes an understanding between the State of Alaska Department of Commerce, Community and Economic Development (DCCED) and the Alaska Travel Industry Association (ATIA) to collaborate on a \$14.7 million Destination Tourism Marketing Campaign for a one-year period commencing on July 1, 2011 (FY 2012). It is the intent of this Memorandum of Understanding (MOU) to articulate the collaborative approach toward implementing the FY 2012 Destination Tourism Marketing Campaign that will: enhance the economic opportunity for large and small businesses to participate in marketing programs; and create awareness of Alaska as a tourism destination.

Except, and only to the extent provided by applicable law, no creditor or third party shall have any rights under this MOU or any agreement between the parties. This MOU is effective when signed by both parties and expires on June 30, 2012. Nothing in this MOU shall be construed to limit or modify the authority or legal responsibility of any participating agency.

BACKGROUND

In 1999, the Alaska Legislature consolidated tourism marketing functions performed by the Alaska Tourism Marketing Council, the Alaska Visitors Association and the Alaska Division of Tourism with intent that they be performed under contract with a qualified trade association. For 11 years, from FY 2001 through FY 2011, ATIA has functioned as the State of Alaska's qualified trade association and the official tourism marketing organization. The Destination Tourism Marketing Campaigns were funded by appropriations through the DCCED qualified trade association budget component and by named recipient appropriations to ATIA. In addition, private sector tourism businesses matched state funds at varying levels.

For FY 2012, the Alaska Legislature appropriated money to DCCED to carry out a tourism marketing campaign. Under AS 44.33.120(b)(1), (3), (5), (6), and (9), DCCED is authorized to cooperate and coordinate with the private sector to plan, implement and promote the development of tourism into and within Alaska. This MOU represents DCCED's plan to collaborate with ATIA on a Destination Tourism Marketing Campaign to maximize public and private sector investment in tourism marketing and leverage the \$12 million appropriation to DCCED into a \$14.7 million FY 2012 Destination Tourism Marketing Campaign.

GUIDING PRINCIPLES

Continuity. Prior to the Legislative appropriation to DCCED for FY 2012, significant time and public/private resources were expended on the development of the FY 2012 Destination Tourism Marketing Campaign. It is the intention of DCCED and ATIA to build from this framework and implement a Destination Tourism Marketing Campaign as outlined herein. Each party agrees to work with the other to cooperate in the implementation of this \$14.7 million Destination Tourism Marketing Campaign for FY 2012.

Economic Development. Strategic investment of public and private sector resources is essential to further development of Alaska's visitor industry. DCCED and ATIA will endeavor to coordinate activities and resources in order to stimulate economic growth.

Tourism Marketing Revenue. DCCED has been appropriated \$12 million towards a Destination Tourism Marketing Campaign. Additionally, it is anticipated that ATIA will generate \$2.7 million in funds in the execution of the FY 2012 Destination Tourism Marketing Campaign from: (1) the sale of ad space in the travel planner and consumer websites; (2) the collection of attendance fees for the Alaska Media Road Show and the New York Media Event; and, (3) the Tourism North and

other Destination Tourism Marketing Campaign cooperative marketing and contribution programs. This revenue may be collected by ATIA conditioned upon ATIA's use of these funds to execute the \$2.7 million portion of the Destination Tourism Marketing Campaign associated with the program costs for implementation, travel trade and international components as described in Appendix B. Any revenue generated in the execution of the FY 2012 Destination Tourism Marketing Campaign and collected by ATIA that is not used as described in this section shall be returned to DCCED, or with the written approval of DCCED, may be used for another purpose consistent with the Destination Tourism Marketing Campaign. All revenues generated by ATIA from sources, not part of the Destination Tourism Marketing Campaign, include without limitation, from ATIA's: member dues, convention, ATIA's organizational website, and other products/tourism programs/tourism events, shall remain the property of ATIA.

Communication and Consultation. Shared information is important for the successful implementation of the FY 2012 Destination Tourism Marketing Campaign. To the extent allowed by law, the parties agree to share information. The operative management description for implementing the Destination Tourism Marketing Campaign shall be "*advise-consult-direct*." Under "*advise-consult-direct*," ATIA and DCCED shall *advise* and *consult* on matters related to implementing the FY 2012 Destination Tourism Marketing Campaign, but each party will retain responsibility and authority for *directing* the program elements and professional services contracts assigned to it through this MOU.

Involving Other Partners. The Alaska tourism industry and community organizations are valuable resources for furthering the goals of tourism marketing. DCCED and ATIA will venture to identify additional partnering opportunities where practicable.

IMPLEMENTATION

ATIA agrees to act in good faith to accomplish the purpose of this MOU, including without limitation the following:

- Work with DCCED to implement the FY 2012 Destination Tourism Marketing Campaign including providing support and documents to facilitate timely implementation of the campaign such as marketing program and other materials or documents as mutually agreed to by the parties.
- Direct Destination Tourism Marketing Campaign revenue-generating activities and projected cash flow for implementing a \$2.7 million portion of the Destination Tourism Marketing Campaign.
- Provide a seat on the ATIA Marketing Committee and the Marketing Planning Committee for a DCCED representative as assigned by the DCCED Commissioner.
- Direct the international components identified in Appendix B of the MOU including the international marketing contracts with ESTM Tourismus Marketing [German-speaking Europe], AVIAREPS Marketing Garden [Japan], AVIAREPS Oceania [Australia], MGA Communications [United Kingdom] and AVIAREPS Marketing Garden Korea.
- Direct travel trade projects as identified in Appendix B including the contract with Forget-Me-Not Communications.

DCCED agrees to act in good faith to accomplish the purpose of this MOU, including without limitation the following:

- To the extent possible, maintain continuity in the Destination Tourism Marketing Campaign as outlined in Appendix A of this MOU, and direct the following marketing contracts:
 - Bradley Reid & Associates / for a national advertising also called a "direct response campaign," a "consumer marketing campaign," or an

"image campaign," including collateral development and other marketing materials. Management includes all work done for the North to Alaska and Joint Alaska-Yukon marketing programs and as well as specific international programs;

- Thompson & Co. / for a national public relations, special event and social media campaign including working with domestic travel writers, broadcasters and social media journalists to produce positive editorial coverage about Alaska, and as well as specific international programs;
 - Dawley & Associate / to provide technical assistance, security and consulting regarding changes or improvements to the www.travelalaska.com website, including web strategy and hosting, and with work associated with the North to Alaska program and as well as specific international programs;
 - GMA Research / for a conversion study to determine how inquiries generated by the consumer direct response campaign translated into actual visitors and research reports, and for work associated with the North to Alaska campaign;
 - AKA Direct / for fulfillment services related to receiving all inquiries generated by the advertising "direct response" campaign and for inputting all source data, mailing the State Vacation Planner and maintaining a warehouse to store the vacation planner and other tourism collateral material including fulfillment of the North to Alaska guide.
- Provide a DCCED appointment to the ATIA Marketing Committee, Marketing Planning Committee and the North to Alaska working group. DCCED will attend and participate in committees and working groups as well as ATIA board meetings.

DCCED and ATIA agree to work together in good faith to accomplish the following:

- Develop a draft Destination Tourism Marketing Campaign and budget for FY 2013.
- Facilitate communications and successful implementation of the FY 2012 campaign and maintain ongoing communication on marketing issues and opportunities under the following framework:
 - The DCCED Commissioner will designate a project director to oversee and direct all marketing tasks done by all contractors assigned to DCCED.
 - The project director will work with each contractor on the implementation of the Destination Tourism Marketing Campaign. Contractors will advise DCCED on all pending tourism marketing issues. DCCED will inform the ATIA President or that officer's designee who shall make recommendations to DCCED about such pending tourism marketing issues.
 - The DCCED Commissioner and project director will be the liaison to the ATIA President or that officer's designee on all issues that arise during FY 2012.
 - As outlined in Appendix B and noted above, ATIA will direct and oversee trade and international projects and manage the international contractors. However, for tasks associated with DCCED contractors for which DCCED assumes budgetary responsibility, ATIA will consult with and provide recommendations to DCCED on marketing plan, contractor billing, and all associated project work including approving project work and media assistance.

- o Invoices from contractors managed by DCCED must be sent to both the DCCED project director and the ATIA President or that officer's designee. Within 10 days of the receipt of invoices, the project director and the ATIA President or that officer's designee will meet to review invoices. After joint review and DCCED approval, DCCED will process the invoices for payment and within the required state time frame.
- o When budget savings or overruns are identified by contractors managed by DCCED, the amount will be reported to the project director with a recommendation for reallocation. Then, DCCED's project director and ATIA's President or that officer's designee will evaluate marketing program costs and adjustments at least quarterly with the ATIA Marketing Committee who will make recommendations to DCCED.
- o ATIA and DCCED will keep an up-to-date budget tracking report for each contractor billing that shows the ongoing budget status of the Destination Tourism Marketing Campaign. These reports must be forwarded to the DCCED Commissioner, the ATIA President or that officer's designee, and the ATIA Marketing Committee on a quarterly basis.

APPENDICES

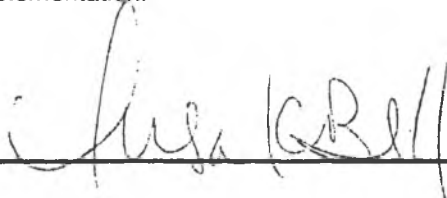
The following identified Appendices are attached to this MOU and incorporated herein by this reference:

Appendix A – DCCED Campaign Elements

Appendix B – ATIA Campaign Elements

SIGNATORIES

By the signature of their representatives, each party recognizes the intent, the guiding principles and implementation responsibilities outlined in this MOU and will work toward its full and timely implementation.



Susan K. Bell
Commissioner
Department of Commerce, Community & Economic Development

Ron Peck
President & Chief Operating Officer
Alaska Travel Industry Association