

ALASKA LEGISLATURE

1724

HOUSE and SENATE FINANCE COMMITTEE FILES, 1997-1998

Who Really Pays the Tax?

One of the few acceptably general "laws" of economics can be stated as follows. Taxes levied on economic agents are borne by those agents only if they cannot shift the burden onto other agents via changes in prices. Said another way, taxes levied on one side of a market are borne by the participants on both sides of that market in rough proportion to the market power each possesses. Said yet another way, the real burden of a tax falls on the inflexible, not necessarily on she who pays the collector.

Prices paid to domestic processors for frozen and fresh Bristol Bay sockeye salmon are largely set by Japanese buyers in response to current and expected future prices on the Japanese wholesale market. A floor to the wholesale price which can be paid to domestic processors is determined by their processing costs. Chief among the costs which are incurred by domestic processors is the price which they pay to harvesters at dockside. If the Alaska Corporation Net Income Tax is applied to Japanese owned or leased cargo ships operating out of Bristol Bay, it will very likely be paid by the harvesters.

One reason this conclusion can be reached is that harvesters are in no position to bargain for higher prices and seldom do. The Bristol Bay harvester is a price taker for the following reasons.

(a) The salmon can be caught only during a short period of time in June and July.

(b) Once the salmon are caught they must be quickly frozen or otherwise processed. They cannot be left aboard most harvesting vessels for more than a day without beginning to deteriorate.

(c) There is no widely recognized harvesters' union that can negotiate with the domestic processors. In previous years harvester strikes have been called but have collapsed under the pressure of a fast disappearing sockeye run and the need to catch enough fish to cover expenses and capital costs.

(d) Even if a widely recognized union were to be formed, it would not have a strike fund and for that reason would not have a credible strike threat to bring to the bargaining table. Without a strike fund, the union would be unable to compensate strikers for the loss of a season's earnings.

Traditional economic analysis emphasizes that under these conditions the harvesters' supply curve in the ex-vessel market is vertical or nearly so. A game theorist would emphasize that

harvesters and domestic processors are involved in a classic "take it or leave it" strategic game. Important features of this game are that the harvesters lack both bargaining power and also much of the strategic information which is readily available to the dominant domestic processors. Given a take it or leave it price offer from domestic processors, the harvesters' best option is usually to take it. The conclusion readily reached is that any reduction in the wholesale price received by the domestic processors would translate almost penny for penny into a lower price paid to harvesters in the ex-vessel market.

In the wholesale market the domestic processors find themselves in much the same situation as that of the harvesters in the ex-vessel market. If the Alaska Corporation Net Income Tax is applied to the (imputed) income derived by foreign corporations from transporting Bristol Bay salmon to Japan, the foreign corporation will seek to pass that tax onto another player in order to avert a decline in after tax net operating income. Assuming that the nominally independent Japanese buyers are in fact members of a closely cooperating group (as suggested by the Alaska Attorney General's memorandum of June 1993), it can be shown that a substantial portion of that tax would be passed onto the domestic processors in Bristol Bay with the same ease that downward price fluctuations in the Japanese wholesale market are now passed on. (An extended argument is out of place here. One key to understanding why this is true is the previous observation that the tax may well operate as a value added tax rather than as a tax on corporate profits per se.)

Conclusion

If the Alaska Corporation Net Income Tax is applied to Japanese cargo ships operating in Bristol Bay, the dollar amount of the tax will need to be imputed. For that reason the tax may tend to act more like a value added tax than like a profit tax. Integrated Japanese trading companies are likely to be able to shift the tax backward onto the domestic processors in the form of a lower wholesale price per pound for salmon. In turn the domestic processors will be in a strong position to pass it backward onto harvesters in the form of a lower ex-vessel price.

If the tax yields the \$ 2.64 million roughly estimated above, the average tax paid by each of the 2,700 (or so) limited entry permit holders will approach \$ 1,000, with the larger volume harvesters paying more than this and the smaller volume harvesters paying less.

APPENDIX C
The Effect On The North Slope Gas Project

SUMMARY: An estimate of the annual amount of tax that would be levied on the business income derived from the fleet of LNG tankers which would transport North Slope natural gas to market is \$ 20 million per year. This is approximately 2.6 cents per MCF. Given the price-competitive nature of the Pacific Rim natural gas buyers' market the added tax would be borne primarily if not exclusively by the owners of the Alaska natural gas pipeline and by the Alaska Railroad Corporation.

A more serious concern is the indirect impact of eliminating section 883. As discussed in Appendix A, prospective investors may view the additional tax on foreign flagged vessels as a signal that the State of Alaska will seek to close its perceived budget "gap" by further raising taxes on business.

When and if Prudhoe Bay natural gas finds a market, that market will likely be on the Far Eastern Pacific Rim and it will be served by a fleet of LNG tankers operating out of an ice free port in Southcentral Alaska. For the foreseeable future, the Pacific Rim natural gas market will be one of the most price-competitive buyers markets in the world. If Alaska North Slope natural gas is to enter that market it must meet or beat the price of gas from Australia, Indonesia, Malaysia, Mexico, Vietnam and (possibly) Siberia. Under these circumstances any additional taxes levied on the LNG tanker fleet would be borne largely by the owners of the Alaska natural gas pipeline and the Alaska Railroad Corporation. (As emphasized earlier, shiftable taxes are borne by the different players in accordance with their relative market power. This is a point made in one form or another in virtually every textbook which has been written for the past fifty years.) The remainder of this appendix explains how the estimate of tax burden was obtained.

Appendix B, above, discusses the difficulty that the Alaska Department of Revenue (DOR) may encounter in obtaining accurate information on the business income which a foreign corporation would derive from shipping operations. That discussion applies here as well. The main point emerging from that discussion is that DOR may well need to compute its own estimates of net operating income attributable to LNG tanker operations in order to assess the reasonableness of the numbers submitted by the foreign corporation. Under these circumstances the amount of tax likely to be collected can be estimated (albeit with considerable uncertainty) by using procedures which are not unlike those which would be used by the Alaska Department of Revenue.

The Alaska natural gas pipeline will transport between 750 million MCF and 800 million MCF per year from Prudhoe Bay to tidewater (according to specifications verified by the Yukon Pacific Corporation). A standard 130,000 cubic meter capacity

LNG tanker transports approximately 2.8 million MCF per trip.¹ Assuming a 20 day turn around time per trip, a fleet of fifteen or sixteen LNG tankers would be needed to convey North Slope natural gas to market.

Construction cost estimates published by the International Energy Agency (an agency of the Organization for Economic Cooperation and Development) and then restated in constant 1996 dollars place the cost of a 130,000 cubic meter LNG tanker in the range of \$ 200 million to \$ 250 million.² The mid point of this range is \$ 225 million. Jeff Lowenfels of Yukon Pacific Corporation reports that their current cost estimates for a 125,000 cubic meter LNG tanker lie in the range of \$ 225 million to \$ 235 million. Here we will use an estimate of \$ 225 million for a 130,000 cubic meter tanker just to be conservative.

Assuming that the foreign corporation which owns the LNG tankers sets its shipping price at a level which would allow construction cost recovery in five to ten years, an LNG tanker costing \$ 225 million would generate between \$ 22.5 and \$ 45 million in net operating income per year. The mid point of the range is \$ 33.75 million per year.

The \$ 33.75 million in worldwide net operating income would need to be apportioned between Alaska and the rest of the world in order to determine the amount of Alaska net operating income. Given the nature of these operations an apportionment factor of 0.5 suggests itself. (In OSG Bulk Ships Inc. vs. State of Alaska the court ruled that a days-in-port ratio could be used to apportion Alaska net operating income. The tankers can reasonably be expected to spend roughly as many days in the Alaska port as in the port of destination.) A reasonable estimate of Alaska net operating income is then \$ 16.9 million per year per 130,000 cubic meter LNG tanker. For the fleet of fifteen such tankers needed for the project, the total applicable Alaska net operating income comes to roughly \$ 250 million.

At current tax rates the annual Alaska Corporation Net income Tax on \$ 225 million of net operating income would be approximately \$ 20 million. Spread over the annual volume of gas to be shipped (approximately 775 million MCF) we get an estimated tax of 2.6 cents per MCF.

Conclusion

¹ cubic meters of LNG times 600 = cubic meters dry gas
1 cubic meter dry gas = 35.3 cubic feet dry gas

² See NATURAL GAS PROSPECTS AND POLICIES, OECD Paris, 1991. On page 146 a 125,000 cubic meter LNG tanker would cost between \$ 200 million and \$ 220 million in 1991 dollars.

The direct impact of a tax of 2.6 cents per MCF can hardly be called significant. However, the potential indirect impact is of somewhat greater concern. As discussed in Appendix A, prospective investors base their decisions on the after tax returns which they anticipate. These investors may view the tax on foreign flagged vessels as a signal that the State of Alaska will seek to close its perceived budget "gap" by further raising taxes on businesses rather than by using other measures at its disposal. If so, it is not yet clear just how significant the taxation of section 883 income will ultimately be.

Of particular concern to prospective investors in the Alaska natural gas pipeline is the fact that once the pipeline is built it may present a ready target for taxation. (Recall the talk in the early 1980's about the desirability of taxing resource "rents.") Fixed, immovable capital like a pipeline will typically not be shut down as long as operating revenue exceeds the variable costs of operation or until the original investment is recouped. Knowing that they are vulnerable once the pipeline is built, investors may hesitate before building it in the first place.

APPENDIX D
Two Other Cases of Note

Coal Exports To Korea

Usibelli Coal Mine, Inc. of Healy, Alaska mined 1.7 million short tons of coal in 1995 of which approximately one-half was sold to the Suneel Corporation and shipped to Honam, Korea out of the Port of Seward, via the Alaska Railroad. Suneel's coal transports would be subject to a tax on section 883 income.

At this time estimates of the dollar amount of the tax cannot be made with any reasonable accuracy. However, it is clear that Suneel Alaska, the Alaska Railroad and Usibelli would all bear a portion of the burden because none of the three players has a ready alternative to business as usual. Suneel may be the most flexible of the three given the company's ability to eventually find an alternative source of energy elsewhere on the Pacific Rim. However, the low sulphur coal obtained from the Usibelli mine could not be replaced in a short period of time. Further comments along these lines may be forthcoming from management at Usibelli Coal Mine, Inc., the Alaska Railroad Corporation and Suneel Alaska Inc.

The difficulty encountered in attempting to estimate the dollar yield of the tax, and just who will pay it, points out one of the major problems with the taxation of section 883 income. Before the fact, one cannot know with the requisite degree of certainty just who will pay and how much. What one can know is that, in the future, Alaska coal and hard rock minerals will be even less competitive on the Pacific Rim than they are today if section 883 income comes under additional taxation. In markets which are as price competitive as international resource markets are today, the Alaska seller will necessarily need to accept a lower price for his product in order to compensate shippers for the tax on their section 883 income.

Foreign Air Carriers, International Flights

Foreign airlines operating between Alaska and a foreign country would be subject to a tax on their section 883 income. These carriers would be faced with four options: (a) charge higher fares to their passengers and cargo shippers, (b) negotiate lower landing fees with the Alaska airports, (c) accept lower profits, or (d) cease using the Alaska airports. Two separate cases must be considered: airlines which simply stop over in Alaska for refueling or for other reasons and airlines for which Alaska is a departure point or a destination.

AIRLINES STOPPING OVER IN ALASKA

--- Option (a) is the least likely to be pursued given the multiplicity of airline choices and routing options available to most travellers and shippers.

--- If the Alaska section 883 income tax is large relative to the added costs associated with routing aircraft around Alaska then either option (b) or option (d) is likely to be pursued. In this situation, much of the burden of the tax will fall largely on Alaskans.

--- If the Alaska section 883 income tax is small relative to the added costs associated with routing aircraft around Alaska some combination of options (a), (b) and (c) is likely. In this situation at least some of the burden will fall on Alaskans but in a proportion which cannot be determined without considerable further study.

--- Competition among foreign carriers for Alaska passengers and cargo is not a consideration in the case of stop over flights.

ALASKA AS A DEPARTURE POINT OR DESTINATION

--- Option (a) is a plausible alternative. Alaska travellers and shippers could avoid the higher costs of direct flights by re-routing through Seattle but would encounter additional layover delays and flight changes. The threat of a discontinuation of service suggests that the airlines are unlikely to bear the majority of the burden.

--- Competition among foreign carriers for Alaska passengers and cargo is likely to force at least some of the burden onto the air carriers no matter the size of the tax.

As in the case of coal exports, it is not completely clear what is involved here in terms of dollars to be paid and who will pay them. However, an analysis of the options available to foreign air carriers does suggest that when and if the required additional research is completed it will show that the tax is likely to fall more heavily on Alaska individuals and businesses than on the foreign air carrier. The reason for this is much the same as that given repeatedly in earlier sections of the report. The air carriers have many more options than do the Alaska players.

APPENDIX E

The following letter and attachment were sent by the Italian government to the U.S. Department of State on March 19, 1980. It illustrates the opposition which may be forthcoming from foreign governments if the State of Alaska succeeds in taxing section 883 income. One key difference between section 883 income and other Alaska income earned by foreign corporations is that the other income is also taxed by the federal government. With regard to other (non section 883) income the State of Alaska can depend upon receiving the support of the federal government in obtaining detailed accounting records from foreign corporations. With regard to section 883 income such support may not be forthcoming.

Ambasciata D' Italia
Washington D.C.
March 19, 1980

To the Department of State
Washington D.C.

The Italian Embassy presents its compliments to the Department of State and, on behalf of the nine EEC Governments, of which the Italian Government has now the presidency, it has the honor to forward the attached Note on the problems of the unitary method of taxation.

The Italian Embassy welcomes the opportunity to renew to the Department of State the assurances of its highest consideration.
[Seal]

Paola Pansa Cedronio
Ambassador of Italy

ATTACHED NOTE

1. Our Governments are concerned about the application to US subsidiaries of foreign companies of the unitary basis of taxation as applied in California and in varying degrees by certain other states.

2. The unitary basis makes no attempt to examine the profits generated by the subsidiary. It looks to the total profits of the worldwide operations of the group of which the subsidiary is a part, and claims a portion of those profits on the basis of the assumption that certain specified factors, such as the fixed asset values, turnover and payroll, affect the profits of the subsidiary in the same way and to the same extent as the profits of the group as a whole, irrespective of where the corporations of the group operate. This means that, whenever the group as a whole makes a profit the subsidiary will be taxed on a portion of this profit, even if the subsidiary is actually making a

loss, or in the reverse situation, that the subsidiary may not be taxed if the group as a whole has made a loss, although the subsidiary is actually in a profit making situation.

3. This method is incompatible with the principles accepted by all OECD member states and recommended to all states as a basis for the taxation of subsidiaries or permanent establishments of foreign enterprises. These principles require that a subsidiary should be taxed only on the profits it actually has made, provided that these are based on dealing at "arm's length" between the subsidiary and related enterprises, i.e., that the transactions between the subsidiary and related corporations are on the same or on a comparable basis as transactions between wholly independent parties. This is intended to arrive at a fair measure of profit and rule out artificial pricing between members of the group for the sole purpose of minimizing tax liability.

4. Unless the same basic rules for calculating taxable profits are followed generally by the main trading nations it will be impossible to achieve the essential objective of providing a consistent and coherent international tax framework for trade and investment.

5. The unitary tax basis can give rise to obviously inequitable tax liabilities, and to a form of double taxation which often cannot be relieved, or can be relieved only if countries, which follow generally accepted practices, bear an unfair burden of relief.

6. Unitary taxation, because it requires worldwide reporting of the group's activities in the state where the subsidiary operates imposes very heavy compliance costs, in addition to the costs of compliance and reporting for non-US corporations in their "home" countries.

7. The Federal Government uses the arms-length basis for its taxation of subsidiaries of foreign corporations.

8. The problem was addressed in the US/UK Double Taxation Treaty. Article 9(4) of the Treaty, which was supported by the Administration, would have disallowed the imposition of unitary taxes on subsidiaries of UK companies. When the Senate voted on the Treaty in 1978 the majority approved the Treaty with Article 9(4) in its original form, although the necessary two-thirds majority was not achieved. Subsequently, the Senate approved the Treaty with the necessary two-thirds majority, but subject to the reservation that Article 9(4) was not to apply for the purpose of state taxation. Article 9(4) remained in the Treaty, but only for the purpose of national taxation.

9. There are currently four relevant bills in Congress, S983, S1688, HR 5093 and HR 5076, the last of which is scheduled for hearings on the 31st of March.

In view of the strong arguments against unitary taxation, our Governments urge you to support this legislation in so far as it relates to the unitary tax issues raised above, with a view to early enactment.

END OF ATTACHED NOTE

(reprinted from "State Taxation of Multinational and Multistate Corporations," by Harvey Galper, Advisory Commission On Intergovernmental Affairs, Washington D.C. no date affixed, circa 1982, copy available upon request)

HB

472

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

DATE: 4/9/98

FURTHER: REPORTED OUT OF
4/17/98

DATE TURNED
IN TO OFFICE: 4/17/98

Finance Committee considered HOUSE BILL NO. 472

"An Act relating to apportionment of business income."

and recommends:

- be replaced with 5 CS HB 472 (FIN)
- adopt previous _____ CS _____ (_____)
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to the _____ Committee

- Senate Bill: same title
- new title
- House Bill: same title
- technical title
- new: SCR# _____

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
<i>John Logem</i>	✓	<i>Roll E. Hood</i>	✓		
		<i>Frank Hamill</i>	X		
		<i>Albert P. Gar</i>		X	
Co-Chair:		Co-Chair: <i>[Signature]</i>	✓		
Co-Chair:		Co-Chair: <i>[Signature]</i>	✓		

NEW FISCAL NOTE(S):

Department Date Zero Fiscal

PREVIOUS FISCAL NOTE(S):*

Department Date Zero Fiscal

Rev./Income + Excise	3/30/98	0	

APPROPRIATION -- no fiscal note

*include fiscal notes accompanying Governor's bill

STATE OF ALASKA
1998 LEGISLATIVE SESSION

FISCAL NOTE

Bill Version: HB 472

(H) Publish Date: 3/31/98

Revision Date: _____ Dep. Affected: _____ Revenue _____
 Title: Apportionment of Business Income BRU: _____ Revenue Operations _____
 Component: _____ Income and Excise Audit 4/1/98
 Sponsor: (H) L&C
 Requestor: (H) L&C COMPONENT SERIAL NO. 113

Expenditures/Revenues: (Thousands of Dollars)

	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
OPERATING EXPENDITURES						
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 - Loss	\$3,000.0 - \$8,500.0	\$3,000.0 - \$8,500.0	\$3,000.0 - \$8,500.0	\$3,000.0 - \$8,500.0	\$3,000.0 - \$8,500.0	\$3,000.0 - \$8,500.0

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1001 CBRF						
1048 University of AK receipts						
Other						
TOTAL						

Estimate of any current year cost \$ _____

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

Please see attached analysis.

Prepared by: Brett Fried, Economist
 Division: Income and Excise Audit
 Approved by Commissioner: Wilson L. Condon
 Agency: Revenue

Phone: 465-3682
 Date: March 30, 1998
 Date: March 30, 1998

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE

For further distribution information call the Governor's Legislative Office

COMMITTEE COPY

HB 472 (L&C)
Apportionment of Business Income
Fiscal Note Analysis
March 30, 1998
Page 2

HB 472 – Apportionment of Business Income

HB 472 would amend Alaska's Corporate Income Tax to specifically incorporate Section 883 of the Internal Revenue Code. Alaska would exempt from tax the income of foreign owned aircraft and ships, under the legislation.

Overview of Section 883

The Alaska Supreme Court, on February 20, 1998, decided a case that determined that the federal corporate income tax exemption that applies to income from foreign owned ships and aircraft does not apply in Alaska. The federal provision is Section 883 of the Internal Revenue Code. The court held that, while Alaska incorporates much of the code into the Alaska Corporate Income Tax (AS 43.20), Section 883 was "excepted to or modified by" Alaska's choice of the apportionment method of determining taxable income in Alaska. The decision makes it clear that these entities are subject to tax in Alaska.

Revenue Effect

The state will collect less revenue by changing the statutes to exempt income from foreign owned ships and aircraft from Alaska income tax. We have had little time and we have very limited information available to develop projections of potential corporate tax revenue from the recent court decision on the taxation of foreign shipping corporations. Consequently, we have developed a range based on estimates of Alaska corporate income tax revenue from foreign cruise ship corporations, foreign air cargo corporations and foreign corporations shipping fish. We do not have financial information available to review the other segments of the shipping industry (mining and timber). To develop this range we used publicly available financial statements, information from taxpayer returns, and other industry specific data available from State agencies and other sources.

Based on the above paragraph our estimate of the range of potential annual revenue lost due to the passage of this bill is \$3.0 million to \$8.5 million.



Alaska Steamship Association

234 Gold Street • Juneau, Alaska 99801
(907) 586-3107 • Fax (907) 586-1001

MEMORANDUM

April 14, 1998

Sent via fax

To: Deborah Vogt, Department of Revenue
Jeff Bush, Department of Commerce and Economic Development
Representative Norm Rokeberg
Senator Bert Sharp


From: Joe Kyle
Executive Director, Alaska Steamship Association

Subj: Department of State Letter re HB - 472 & SB - 345

Attached, please find a letter from the Department of State relative to the proposed corporate tax on foreign, international air and sea carriers of commerce.

We hope this letter helps place HB - 472 and SB - 345 in context with national policy goals.

Again, we urge that the legislature and the administration act swiftly to prevent the imposition of this new, corporate tax.

Captain John Cox, President •  • James Fernie, Treasurer • Dan Blackmore, Secretary



United States Department of State

Washington, D.C. 20520

April 13, 1998

Honorable Tony Knowles
Governor, State of Alaska
Third Floor, State Capitol
P.O. Box 11001
Juneau, Alaska 99811-0001

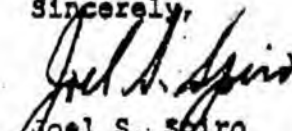
Dear Governor Knowles:

Action by the Alaska State Legislature to prevent the imposition of income taxes on foreign transportation companies has recently come to our attention. This move is consistent with United States policy. We and our international trading partners agree that such taxes are not in our mutual interests. By preventing the imposition of these taxes, Alaska will join other states, most recently, New York, New Jersey, and California, in recognizing that they work against economic growth. Currently, no States apply such taxes.

This is an active area of foreign policy. The U.S. Department of State is currently engaged in maritime and aviation income tax exemption treaty negotiations with several countries. At present, the U.S. Government exempts from federal income tax, on a reciprocal basis, maritime companies and airlines from over ninety countries that accord similar treatment to our transportation companies.

The U.S. Department of State and other government agencies will gladly provide information and other assistance to you, your tax authorities and state legislators who may wish to have more details on this important international trade issue.

Sincerely,


Joel S. Spiro
Deputy Assistant Secretary
for Transportation Affairs



Anchorage Economic Development Corporation
The Center of Opportunity

April 9, 1998

Senator Robin L. Taylor
State Capitol (MS 3100)
Juneau, AK 99801-1182

Dear Senator Taylor:

The Anchorage Economic Development Corporation supports HB 472, An Act Relating to Apportionment of Business Income. This bill will overturn the recent decision of the State Supreme Court to allow the state to tax income from ships and aircraft owned by foreign corporations doing business in Alaska. The Alaska Corporation Net Income Tax would be applied to past, present and future net operating income. The State of Alaska depends on tourism and trade as its principal economic engines. Trade includes the export of oil and gas as well as seafood, timber and air cargo. The AEDC believes the implementation of business income taxes on foreign carriers selectively will have a significant deleterious effect on trade for the State of Alaska far in excess of any direct revenue obtained by the measure.

1. The State of Alaska would be the only state in the nation to impose such a tax. This would send a negative signal to some of Alaska's most important trading partners, such as Japan. The 1972 income tax treaty between Japan and the United States would be compromised. If any American state imposes such a tax, Japan would reciprocate against all American carriers. This principle has already been tested in New Jersey and New York several years ago.
2. Imposing this tax would negate the recently secured U. S. Department of Transportation ruling for Alaskan international airports to allow expanded cargo transfer among international and domestic carriers with traffic rights in Alaska. The recently concluded bilateral aviation agreement would be compromised by this action. The promotion of the air cargo industry and related logistics and value added manufacturing would suffer a severe set back at a crucial time. The market for international cargo trade is extremely competitive, with narrow margins determining the distinctions among competing locations. The imposition of a selective tax on international carriers would have a negative effect on some of Alaska's strongest contributors to cargo trade.
3. The imposition of this tax will discourage high value job development in Alaska. For each \$50 million generated in taxes, approximately 1,000 existing jobs would be lost. Such a tax discourages investment in Alaskan projects and operations because it raises the cost of transportation to foreign destinations. Alaska depends on foreign markets for the economic value of its export products. The Alaska market is not large enough to sustain the economy here alone, and the American domestic market is not the only destination of Alaskan goods.

4. The imposition of this tax retroactively to 1992 connotes a punitive approach to international carriers. This sends the wrong message to foreign corporations and poses troubling questions for all business investors regarding the prospective taxation policies of Alaska toward business.

The growth and diversification of the Alaska economy is essential for the long term viability of the state. A prosperous future will only occur in an environment where taxation and revenue policies are fair and evenly distributed on a sound policy basis. The imposition of a tax on foreign carriers unfairly affects Alaska's most important trading partners. This measure will have a negative effect on Alaska's competitive standing in world trade. This selective foreign carrier tax must not be implemented unilaterally by Alaska.. The AEDC urges your favorable action on HB 472 to remove this impending disaster.

Please feel free to contact me at (907) 258-3700 with any questions or concerns you may have.

Sincerely,



Patricia M. DeMarco, Ph.D.
President

cc: Governor Knowles





International Air Transport Association

IATA Centre, Route de l'Aéroport 33
P. O. Box 416
CH-1215 Geneva 15 Airport
Switzerland

**Facsimile No: +1 (907) 465-2070
(2 Pages)**

Senator Bert Sharp
Co-Chair, Senate Finance Committee
Alaska State Senate
State Capitol, Room 516
Juneau, Alaska 99801-1182
United States of America

6 April 1998
Ref: 045/98

Re: Senate Bill No. 345

Dear Senator Sharp,

On behalf of the International Air Transport Association (IATA), the trade association comprised of 256 member airlines from over 150 countries, I wish to express the strongest support for Senate Bill No. 345. SB 345 would ensure that the income of non-U.S. airlines serving Alaska would be exempt from the state's income tax in accordance with U.S. Intern. l Revenue Code Section 883.

IATA is deeply concerned with the potentially far-reaching ramifications of the recent Alaska Supreme Court decision in *Alaska v. OSG Bulk Ships, Inc.* Indeed, it is our understanding that on the basis of this decision, the Department of Revenue plans to levy Alaska corporate income tax on the income derived by non-U.S. airlines from the operation of their aircraft in international traffic.

It is widely known that U.S. IRC Section 883 exempts the income of non-U.S. airlines at the federal level on the basis of reciprocity. These reciprocal exemptions are generally embodied in numerous U.S. treaties for the avoidance of double taxation. IATA firmly believes that U.S. IRC Section 883 is intended, *inter alia*, to eliminate the risk of multiple taxation of the income derived by the aircraft of both U.S. and non-U.S. airlines in international traffic.

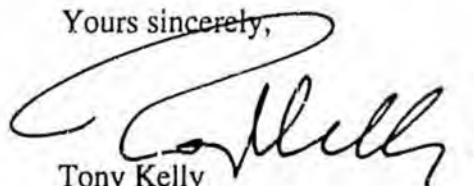
If the State of Alaska chooses not to adhere to the reciprocal tax exemption provisions of U.S. IRC Section 883, non-U.S. airlines will be exposed to double (and even multiple) taxation, as they are already subject to national (and often local) income taxes in their respective countries of domicile. Furthermore, one immediate consequence of this tax

treatment of non-U.S. airlines will be the exposure of U.S. airlines to the reciprocal imposition of similar taxes in the many foreign jurisdictions which they serve. Ultimately, the intricate worldwide network of reciprocal tax regimes will be seriously jeopardized.

IATA also believes that any imposition of an income tax on the international operations of the non-U.S. airlines serving Alaska would ignore the taxes and charges already paid by them for their local operations as well as the significant direct and indirect contributions they make to the economy of the state. We believe that SB 345 sends a strong signal to the international airline community that the State of Alaska encourages their business on the basis of long-established international tax practice.

Based upon the foregoing, IATA strongly urges you to take all necessary steps to ensure the passage of Senate Bill No. 345.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Tony Kelly', with a large, sweeping flourish above the name.

Tony Kelly

Director

Industry Monetary Affairs

AFOGNAK NATIVE CORPORATION



TIMBER MARKETING OFFICE
104 CENTER ST., SUITE 201B
KODIAK, AK 99615
907-486-5808
FAX 907-486-4262

April 6, 1998

The Honorable Bert Sharp
Alaska State Senate
State Capitol
Juneau, Alaska 99801-1182

RE: SB 345

Dear Senator Sharp:

We are extremely displeased that the Alaska Department of Revenue is poised, as a result of a recent decision by the Alaska Supreme Court, to implement a new corporation business tax on foreign, international air and sea carriers operating in the State of Alaska.

Our company depends on international shipping to move our products overseas to international markets. The tax will ultimately be passed directly back to us through the carriers we use. Aside from the new tax being passed on to businesses operating in Alaska, it will invite retaliatory taxes on domestic water borne carriers serving the Pacific Rim. Most significantly the tax is impractical to enforce because of the access it requires to the accounting records of foreign ship owners, and is in contravention of international trade practices.

Alaska would be the only state in the Union imposing such a tax if it decides to move forward. Other states have rejected this form of taxation.

Therefore, we strongly urge that you move forward with SB-345 so that the Department of Revenue will be preempted from imposing this onerous, new tax.

Sincerely,

A handwritten signature in black ink that reads "James E. Carmichael". The signature is written in a cursive, flowing style.

James E. Carmichael
Marketing Manager



Resource Development Council for Alaska, Inc.

121 West Fireweed Lane, Suite 250, Anchorage, Alaska 99503-2035
(907) 276-0700 Fax: (907) 276-3387 e-mail: rdc@aonline.com

Founded 1975

EXECUTIVE DIRECTOR
Kenneth J. Freeman

1997-98 EXECUTIVE COMMITTEE

Allen Bingham, President
John Sturgeon, Sr. Vice President
Gerald G. Booth, Vice President
Uwe L. Gross, Secretary
Michael E. Stone, Treasurer
Jacob Adams
Cynthia Bailey
Charlie Boddy
James F. Branch
Frank M. Brown
Marilyn Crockett
Dennis Egan
Mano Frey
Paul S. Glavinovich
H. Raymond Measles
David J. Pansh
Elizabeth Rensch
Jerome M. Selby
Thyes J. Shaub
Robert B. Stiles
Cliff R. Taro
Scott L. Thorson

DIRECTORS

Will Abbott
Irene A. Anderson
Don Argetsinger
James S. Arnovitz
James E. Carmichael
James R. Chatham, Ph.D.
William H. Cheek
James L. Cloud
David C. Cobb
Stephen M. Connelly
Jeffrey J. Cook
Larry Daniels
John T. Donohue
Paula P. Easley
Bill Elander
George L. Erickson
Jeffrey Y. Foley
Donald S. Follows
Stanley T. Foo
Lennie Gorsuch
Elary Gromoff, Jr.
Arvid Hall
John K. Handeland
Joseph R. Henn
Karen J. Hofstad
David W. Hughes
Jim Jansen
Charles W. Johnson
Darryl F. Jordan
John Key
James W. Konst
Pete Leathard
Brian J. Lettich
Dale R. Lindsey
Robert W. Loescher
Frank E. McQueary
Clarence "Rocky" Miller
Benjamin P. Nageak
Wesley P. Nason
John K. Norman
Wilbur O'Brien
Michael O'Connor
Gary L. Paxton
Kenneth E. Peavyhouse
William E. Pierce
John A.L. Rense
Ronald L. Ricketts
George R. Schmidt
Robert I. Shoaf
William A. Thomas, Jr.
Scott B. Thompson
Barry D. Thomson
Steve Wells
J.C. Wingfield
George P. Wuerch
Eric P. Yould

HONORARY DIRECTORS

Phil R. Holdsworth
William R. Wood

EX-OFFICIO MEMBERS

Senator Ted Stevens
Senator Frank Murkowski
Congressman Don Young
Governor Tony Knowles

April 6, 1998

Senator Loren Leman, Chairman
Senate Labor and Commerce Committee
Alaska State Legislature
State Capitol, (MS 3100)
Juneau, AK 99801-1182

Dear Senator Leman:

RE: Support for SB 345

As you are aware, the Alaska Department of Revenue is poised to implement a new tax regime on foreign air and sea carriers as a result of a recent Alaska Supreme Court decision in the OSG Bulk Ships Inc. case.

The Resource Development Council (RDC) is very concerned about new taxes which could impact current and future decisions to do business in Alaska.

Foreign air and water borne carriers move Alaskan products to international markets. Local businesses and consumers also depend on these same carriers to bring our supplies to Alaska. This new tax regime on transportation could stop some carriers from doing business in Alaska and may discourage others from investing here in the future.

Even if companies currently doing business in Alaska do not leave, the additional costs associated with the tax regime will likely be passed along to Alaska industry and consumers. The net effect being an additional tax on Alaskans, not off-shore companies.

Any way you look at it, the new tax regime has an enormous direct and indirect impact on Alaska businesses, consumers and future economic growth in international markets.

It is our understanding Alaska would be the only state in the Union with such a tax. California, New York and New Jersey have recently withdrawn proposals to tax foreign carriers because of the potential impact on business and their economy.



RDC is very concerned about any new taxes on foreign carriers and we support SB 345 which looks to resolve this issue. Thank you for your initiative in introducing this legislation.

Sincerely,

RESOURCE DEVELOPMENT COUNCIL
for Alaska, Inc.

A handwritten signature in cursive script that reads "Ken Freeman".

Ken Freeman
Executive Director

cc. Senate President Mike Miller
Senate Finance Co-Chair Bert Sharp
Senate Finance Co-Chair Drue Pearce

STATE OF ALASKA

DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

TONY KNOWLES, GOVERNOR

P.O. BOX 110400
JUNEAU, ALASKA 99811-0400
TELEPHONE: (907) 465-2300
FACSIMILE: (907) 465-2389

April 7, 1998

The Honorable Dave Donley
Alaska State Legislature
Capitol, Room 508
Juneau, Alaska 99801

Dear Senator Donley,

You asked this morning about the application of the retroactivity provision of SB 345. Specifically, you asked if we could tell you how much money was at stake in cases where the Section 883 exemption was an issue, and whether, if the legislature enacts the retroactive provision, the Department of Revenue would be required to open closed cases and refund taxes.

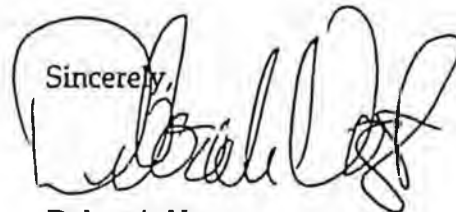
Turning to the second question first, both the Department of Law and this department agree that the retroactive repeal of the tax on foreign carriers would have no effect on closed cases. The cases in which Section 883 taxes have been paid were closed by settlement and closing agreement. They would not be reopened.

One taxpayer, Amerada Hess, has appealed its final Department of Revenue hearing decision to the superior court. The taxpayer has paid the disputed taxes. The taxes it requests refunds on include an assessment of Section 883 taxes of approximately \$1.3 million, exclusive of interest. The tax years at issue in that litigation are 1982 through 1986. The retroactive application of SB 345 will not affect that case because the tax years at issue predate 1993.

As I testified this morning, we cannot calculate the amount of taxes that have been paid on Section 883 income because cases involving collections have always been settled, and settlements necessarily include any number of issues. But, as set out above, these collections would not be disturbed by retroactive application.

I hope this answers your questions.

Sincerely,



Deborah Vogt
Deputy Commissioner

98-022

HB

473

HFIN

FILE

HOUSE COMMITTEE REPORT

(11)

Date Referred to Committee: April 17, 1998

FURTHER REFERRALS:

Date of Committee Action: 4/28/98

The FINANCE Committee considered:

HB 473

HOUSE BILL NO. 473

FIRE TRAINING AND CERTIFICATION

"An Act relating to training and certification of fire fighters, fire instructors, and certain emergency responders; and providing for an effective date."

recommends it be replaced with the following committee substitute CS HB 473 (Fin) the same title a new title

additional referral to _____ Committee
 attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) _____ APPROVES PREVIOUS: (Dept/Date) _____
 fiscal note(s) HFC 10-PS fiscal note(s) _____
 zero fiscal note(s) _____ zero fiscal note(s) _____

SIGNING WITH RECOMMENDATIONS	DP	DNP	NR	AM
<u>Eric Therrault</u> Therrault			X	
<u>Gidon Mulder</u> Mulder	X			
<u>Terry Martin</u> Martin	X		X	
<u>Phil Kohring</u> Kohring	X			
<u>J. Davis</u> J. Davis			X	
<u>Grassindorf</u> Grassindorf			X	
<u>J. Davis</u> J. Davis			X	
<u>Killy</u> Killy			✓	
<u>Foster</u> Foster			X	

CHAIR'S SIGNATURE Eric Therrault

FISCAL NOTE

STATE OF ALASKA
1998 LEGISLATIVE SESSION

BILL NO. CSHB 473 (FIN)

Revision Date: _____
 Title: An Act relating to training or certifying fire fighters...
 Sponsor: House State Affairs
 Requester: _____

Dept. Affected Public Safety
 BRU Fire Prevention
 Component Fire Service Technical Assistance
 Component Serial No. _____

Expenditures/Revenues

(Thousands of Dollars)

OPERATING EXPENDITURES	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
Personal Services	0.0	0.0	111.8	111.8	111.8	111.8
Travel			20.0	20.0	20.0	20.0
Contractual			29.2	29.2	29.2	29.2
Supplies			5.0	2.5	2.5	2.5
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	166.0	163.5	163.5	163.5

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

CHANGE IN REVENUES ()						
------------------------	--	--	--	--	--	--

FUND SOURCE

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts	0.0	0.0	166.0	163.5	163.5	163.5
1037 GF/Mental Health						
1091 Designated Program Receipts						
TOTAL	0.0	0.0	166.0	163.5	163.5	163.5

Estimate of any current year (FY97) cost: _____

POSITIONS

Full-time			2	2	2	2
Part-time						
Temporary						

ANALYSIS:

(Attach a separate page if necessary)

This fiscal note is based upon a July 1, 2000 effective date and that council operations will be funded by Statutory Designated Receipts (see AS 37.05.146 (b)(3)).

Prepared by

Mark Hanley
Rep. Mark Hanley, Co-Chair House Finance Committee

Gene Theriault
Rep. Gene Theriault, Co-Chair House Finance Committee

Phone 465-4939

Phone 465-4797

Date 4/28/98

FISCAL NOTE

No: 1

**STATE OF ALASKA
1998 LEGISLATIVE SESSION**

Bill Version: CSHB 473 (JUD)
(H) Publish Date: 4/17/98

Revision Date (Note if correction) _____ Dept. Affected Public Safety
 Title An Act relating to training or certifying fire fighters BRU Fire Prevention
 Component Fire Service Technical Assistance
 Sponsor House State Affairs Committee
 Requester _____ Component Serial No. _____

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
Personal Services	0.0	111.8	111.8	111.8	111.8	111.8
Travel		20.0	20.0	20.0	20.0	20.0
Contractual		29.2	29.2	29.2	29.2	29.2
Supplies		11.5	5.0	2.5	2.5	2.5
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	172.5	166.0	163.5	163.5	163.5

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

CHANGE IN REVENUES ()						
-------------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Statutory Designated Receipts)	0.0	172.5	166.0	163.5	163.5	163.5
TOTAL	0.0	172.5	166.0	163.5	163.5	163.5

Estimate of any current year (FY98) cost: 0.0

POSITIONS

Full-time	2	2	2	2	2	2
Part-time						
Temporary						

ANALYSIS: *Bill Analysis attached.*

This fiscal note is based upon a July 1, 2000 effective date and that council operations will be funded by Statutory Designated Receipts (see AS 37.05.146 (b)(3)).

Prepared by Kenneth Bischoff
 Division *[Signature]*
 Approved by Ronald L. Otte, Commissioner
 Agency Department of Public Safety

Phone 465-4336
 Date 4/15/98
 Date 4.15.98

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE

For further distribution information, call the Governor's Legislative Office

COMMITTEE COPY

w/d

0-LS1650H.4
I.auerbach
4/27/98

#4

A M E N D M E N T

OFFERED IN THE HOUSE

BY REPRESENTATIVE GRUSSENDORF

TO: CSHB 473(JUD)

- 1 Page 3, lines 25 - 26:
- 2 Delete "; and
- 3 (5) charge and collect fees determined by the council to be necessary"

O-LS1650\H.2
Lauterbach
4/27/98

#2

Adopted

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE GRUSSENDORF

TO: CSHB 473(JUD)

- 1 Page 2, line 4:
- 2 Delete "commissioner of public safety"
- 3 Insert "state fire marshal"

- 4 Page 2, line 5:
- 5 Delete "commissioner"
- 6 Insert "state fire marshal"

- 7 Page 2, lines 12 - 13:
- 8 Delete "commissioner of public safety"
- 9 Insert "state fire marshal"

- 10 Page 2, line 13:
- 11 Delete "commissioner's"
- 12 Insert "state fire marshal's"

no lobby
Adopt
#3

0-LS1650M.1
Lauterbach
4/27/98

AMENDMENT

OFFERED IN THE HOUSE
TO: CSHB 473(JUD)

BY REPRESENTATIVE GRUSSENDORF

- 1 Page 2, line 3, following ";;":
- 2 Insert "only one person appointed under this paragraph may be from a local
- 3 government where the department consists entirely of paid employees;"

Adopted
no/obj

AMENDMENT #1

OFFERED IN THE HOUSE

By Rep. Ben Grussendorf

TO: CSHB 473 (JUD)

Section 1, page 2, line 3 and page 2, lines 6 - 9 is amended to read:

(1) two [four] chief administrative officers or fire chiefs of local government;

(3) four [two] representatives of fire fighters, including at least one fire fighter administrative officer from the Alaska State Fire Fighters Association; a person appointed under this paragraph may not, while serving on the council, be a fire chief; and

Amended
pg 2

0-LS1650\H

CS FOR HOUSE BILL NO. 473(JUD)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTIETH LEGISLATURE - SECOND SESSION

BY THE HOUSE JUDICIARY COMMITTEE

Offered: 4/17/98

Referred: Finance

Sponsor(s): HOUSE STATE AFFAIRS COMMITTEE

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to training and certification of fire services personnel; relating
2 to certification of fire services training programs; and providing for an effective
3 date."

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

5 * **Section 1.** AS 18.70 is amended by adding new sections to read:

6 **Article 3. Alaska Fire Standards Council.**

7 **Sec. 18.70.320. Policy.** It is the policy of the state to protect its residents and
8 their property from the ravages of fire. The state recognizes the need for the state to
9 participate in providing an educational and training system that meets the needs of all
10 communities and all fire services personnel. The legislature finds that fire is a
11 constant threat and that homes, places of employment, modes of transportation, and our
12 natural resources need a system of fire protection that is based on the most current,
13 practical standards and educational principles.

14 **Sec. 18.70.330. Creation.** (a) There is created in the Department of Public

1 Safety the Alaska Fire Standards Council.

2 (b) The council consists of the following persons:

3 (1) four chief administrative officers or fire chiefs of local government;

4 (2) the commissioner of public safety or a designee of the
5 commissioner;

6 (3) two representatives of fire fighters, including at least one fire fighter
7 administrative officer from the Alaska State Fire Fighters Association; a person
8 appointed under this paragraph may not, while serving on the council, be a fire chief;
9 and

10 (4) four members of the public at large with at least two members from
11 communities of 2,500 population or less.

12 **Sec. 18.70.340. Appointment; meetings; expenses.** (a) The commissioner
13 of public safety or a designee shall serve on the council during each commissioner's
14 continuance in office. Other members of the council shall be appointed by the
15 governor for staggered terms of four years, except that a member may not serve
16 beyond the time the member holds the office that established eligibility for
17 appointment. Membership on the council does not disqualify a member from holding
18 another public office or employment. The council shall select its chair and vice-chair
19 annually.

20 (b) The council shall meet at least twice a year. The chair shall set the time
21 and place of the meeting, either on the chair's own motion or on written request by
22 three members of the council. *The council is encouraged to*
meet electronically.

23 (c) The members of the council do not receive a salary for service on the
24 council, but are entitled to per diem and travel expenses authorized by law for other
25 boards and commissions under AS 39.20.180.

26 **Sec. 18.70.350. Powers.** The council may

27 (1) adopt regulations for the administration of AS 18.70.320 -
28 18.70.369 including regulations

29 (A) establishing minimum training and performance standards
30 for certification of fire services personnel that are consistent with the standards
31 of the National Fire Protection Association or other applicable standards;

1 (B) establishing minimum fire training curriculum requirements
2 for certification of training programs that are designed to enable trainees to
3 meet the standards established under (A) of this paragraph;

4 (C) governing the procedure for certification of fire services
5 training programs that meet the minimum curriculum requirements adopted
6 under this section;

7 (D) governing the procedure for certification of individuals who
8 satisfy the minimum training and performance standards established under this
9 section; and

10 (E) governing the procedure for revocation of the certificate of
11 a person or program that, having been issued a certificate under this section,
12 fails at a later date to meet the standards adopted by the council under this
13 section; the procedures must be consistent with AS 44.62 (Administrative
14 Procedure Act);

15 (2) consult and cooperate with municipalities, agencies of the state,
16 other governmental agencies, universities, colleges, and other institutions concerning
17 the development of fire services training schools and programs offered in the state;

18 (3) employ an administrator and other persons necessary to carry out
19 its duties;

20 (4) investigate when there is reason to believe that a person or fire
21 services training program that is certified or claiming to be certified under this section
22 does not meet the minimum training or performance standards adopted by the council;
23 in connection with an investigation under this paragraph, the council may subpoena
24 persons, books, records, or documents related to the investigation and require answers
25 in writing under oath to questions asked by the council or the administrator; and

26 (5) charge and collect fees determined by the council to be necessary.

27 **Sec. 18.70.355. Certification optional.** Nothing in AS 18.70.320 - 18.70.369
28 may be construed to prohibit a person from performing fire services without a
29 certificate issued by the council. However, an entity for whom a person performs fire
30 services as an employee or volunteer may require that the person be certified by the
31 council or attend training programs that are certified by the council.

1 **Sec. 18.70.360. Alaska fire services personnel fund.** The Alaska fire services
2 personnel fund is created in the general fund. The fund consists of appropriations
3 made by the legislature to the fund. The council may use the money in the fund to
4 carry out its powers and duties.

5 **Sec. 18.70.369. Definitions.** In AS 18.70.320 - 18.70.369,

6 (1) "council" means the Alaska Fire Standards Council established
7 under AS 18.70.330;

8 (2) "fire services" means fire prevention services, fire suppression
9 services, fire suppression support services, or training or educational services related
10 to fire prevention or fire suppression that are performed by an employee of or
11 volunteer with an organized fire service;

12 (3) "organized fire service" means a group of persons organized and
13 trained for prevention and control of loss of life and property from fire, except that the
14 term does not include groups of persons regulated under AS 18.65 or persons regulated
15 under AS 18.08 who are performing within the scope of their certificates acquired
16 under those chapters.

17 * **Sec. 2. INITIAL TERMS.** Notwithstanding AS 18.70.340, enacted by sec. 1 of this Act,
18 the initial terms of office for persons appointed to the Alaska Fire Standards Council shall be
19 set by the governor so that

20 (1) two persons appointed under AS 18.70.330(b)(1), two persons appointed
21 under AS 18.70.330(b)(4), and one person appointed under AS 18.70.330(b)(3) will serve two-
22 year terms;

23 (2) the members not appointed under (1) of the section will serve four-year
24 terms.

25 * **Sec. 3.** This Act takes effect July 1, 2000.

no lobby

0-LS1650/H.3
Lauterbach
4/27/98

AMENDMENT

#5

OFFERED IN THE HOUSE
TO: CSHB 473(JUD)

BY REPRESENTATIVE GRUSSENDORF

- 1 Page 3, lines 20 - 25:
- 2 Delete all material.
- 3 Renumber the following paragraph accordingly.

A M E N D M E N T

6

OFFERED IN THE HOUSE

BY REPRESENTATIVE DAVIES

TO: CSHB 473 (JUD)

6A failed

Page 2, line 3 is amended to read:

Representatives of fire fighters

(1) three [FOUR] ~~chief administrative officers or fire chiefs of local-~~
~~government;~~

Page 2, following line 5, insert and renumber sections accordingly:

Public Safety

(3) the state fire marshal or a designee of the state fire
marshal;

(4) two volunteer fire fighters, one from a community with a
population of 2,500 or less and one from a community ^{with} which a population
greater than 2,500;

Page 2, line 10 is amended to read as follows:

(6) [(4)] two [FOUR] members of the public at large with at least one
[TWO] member from a community [COMMUNITY] with a population of 2,500 or less.

6B

Adopted

FISCAL NOTE

No: 1

Bill Version: CSHB 473 (JUD)

(H) Publish Date: 4/17/98

**STATE OF ALASKA
1998 LEGISLATIVE SESSION**

Revision Date (Note if correction) _____ Dept. Affected Public Safety
 Title An Act relating to training or certifying fire fighters BRU Fire Prevention
 Component Fire Service Technical Assistance
 Sponsor House State Affairs Committee
 Requester _____ Component Serial No. _____

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
Personal Services	0.0	111.8	111.8	111.8	111.8	111.8
Travel		20.0	20.0	20.0	20.0	20.0
Contractual		29.2	29.2	29.2	29.2	29.2
Supplies		11.5	5.0	2.5	2.5	2.5
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	172.5	166.0	163.5	163.5	163.5

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

CHANGE IN REVENUES ()						
------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Statutory Designated Receipts)	0.0	172.5	166.0	163.5	163.5	163.5
TOTAL	0.0	172.5	166.0	163.5	163.5	163.5

Estimate of any current year (FY98) cost: 0.0

POSITIONS

Full-time	2	2	2	2	2	2
Part-time						
Temporary						

ANALYSIS: *Bill Analysis attached.*
 This fiscal note is based upon a July 1, 2000 effective date and that council operations will be funded by Statutory Designated Receipts (see AS 37.05.146 (b)(3)).

Prepared by Kenneth Bischoff Phone 465-4336
 Division [Signature] Date 4/15/98
 Approved by Ronald L. Otte, Commissioner Date 4.15.98
 Agency Department of Public Safety

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE

For further distribution information, call the Governor's Legislative Office

COMMITTEE COPY

ALASKA STATE LEGISLATURE



Session:

State Capitol
Juneau, Alaska 99801-1182
(907) 465-3779 - Phone
(907) 465-2833 - Fax

Interim:

145 Main St. Loop Suite 221
Kenai, Alaska 99611
(907) 283-7223 - Phone
(907) 283-3075 - Fax

REPRESENTATIVE MARK D. HODGINS
House District 9

SPONSOR STATEMENT

HB-473 "An Act Relating to training and certification of fire fighters and Fire instructors; and providing for an effective date."

This legislation creates, in the Department of Public Safety, the Alaska Fire Standards Council. Provides for appointment of members, selection of officers, meetings schedule, compensation and expenses of the Council and shall adopt minimum standards for employment and curriculum requirements for fire fighters and fire instructors and their certification, and establishes and maintains fire fighter and fire instructor training programs.

HB

473

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

DATE: 5/2/98

FURTHER: 5/5/98

DATE TURNED
IN TO OFFICE: 5 May 98

Finance Committee considered

CS FOR HOUSE BILL NO. 473(FIN)

"An Act relating to training and certification of fire services personnel; relating to certification of fire services training programs; and providing for an effective date."

and recommends:

- be replaced with _____ CS _____
- adopt previous _____ CS _____
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to the _____ Committee

- Senate Bill:**
- same title
 - new title
- House Bill:**
- same title
 - technical title
 - new: SCR# _____

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
<i>Keith E. Kelly</i>	→	<i>Ul Adams</i>	X		
<i>Sean Fitzmaurice</i>	X				
<i>J. Johnson</i>	✓				
Co-Chair:		Co-Chair: <i>Deane</i>	✓		
Co-Chair:		Co-Chair: <i>Barry</i>	✓		

NEW FISCAL NOTE(S):

Department Date Zero Fiscal

PREVIOUS FISCAL NOTE(S):*

Department Date Zero Fiscal

Public Safety	4/21/98	✓	

APPROPRIATION -- no fiscal note

*include fiscal notes accompanying Governor's bill

FISCAL NOTE

Version: CSHB 473 (FIN)
(H) Publish Date: 4/29/98

STATE OF ALASKA
1998 LEGISLATIVE SESSION

5/5/98

Revision Date: _____
Title: An Act relating to training or certifying fire fighters...
Sponsor: House State Affairs
Requester: _____

Dept. Affected Public Safety
BRU Fire Prevention
Component Fire Service Technical Assistance
Component Serial No. _____

Expenditures/Revenues

(Thousands of Dollars)

OPERATING EXPENDITURES	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
Personal Services	0.0	0.0	111.8	111.8	111.8	111.8
Travel			20.0	20.0	20.0	20.0
Contractual			29.2	29.2	29.2	29.2
Supplies			5.0	2.5	2.5	2.5
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	166.0	163.5	163.5	163.5

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

CHANGE IN REVENUES []						
------------------------	--	--	--	--	--	--

FUND SOURCE

(Thousands of Dollars)

FUND SOURCE	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts	0.0	0.0	166.0	163.5	163.5	163.5
1037 GF/Mental Health						
1091 Designated Program Receipts						
TOTAL	0.0	0.0	166.0	163.5	163.5	163.5

Estimate of any current year (FY97) cost: _____

POSITIONS


POSITIONS	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
Full-time			2	2	2	2
Part-time						
Temporary						


ANALYSIS:

(Attach a separate page if necessary)

This fiscal note is based upon a July 1, 2000 effective date and that council operations will be funded by Statutory Designated Receipts (see AS 37.05.146 (b)(3)).

Prepared by


Rep. Mark Hanley, Co-Chair House Finance Committee


Rep. Gene Therriault, Co-Chair House Finance Committee

Phone 465-4939
Phone 465-4797
Date 4/28/98

SENATE FINANCE COMMITTEE REPORT

DATE: 5/2/98

FURTHER: 5/5/98

DATE TURNED
IN TO OFFICE: 5 May 98

Finance Committee considered CS FOR HOUSE BILL NO. 473(FIN)

"An Act relating to training and certification of fire services personnel; relating to certification of fire services training programs; and providing for an effective date."

and recommends:

- be replaced with _____ CS _____ (_____)
- adopt previous _____ CS _____ (_____)
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to the _____ Committee

- Senate Bill:**
- same title
 - new title
- House Bill:**
- same title
 - technical title
 - new: SCR# _____

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
<i>[Signature]</i>	✓	<i>[Signature]</i>	X		
<i>[Signature]</i>	X				
<i>[Signature]</i>	✓				
Co-Chair:		Co-Chair: <i>[Signature]</i>	✓		
Co-Chair:		Co-Chair: <i>[Signature]</i>	✓		

NEW FISCAL NOTE(S):

Department	Date	Zero	Fiscal

PREVIOUS FISCAL NOTE(S):*

Department	Date	Zero	Fiscal
Public Safety	4/21/98	✓	

APPROPRIATION -- no fiscal note

*include fiscal notes accompanying Governor's bill

FISCAL NOTE

Version: CSHB 473 (FIN)
 (H) Publish Date: 4/29/98

STATE OF ALASKA
 1998 LEGISLATIVE SESSION

SFC 5/5/98

Revision Date: _____
 Title: An Act relating to training or certifying fire fighters...
 Sponsor: House State Affairs
 Requester: _____

Dep't. Affected Public Safety
 BRU Fire Prevention
 Component Fire Service Technical Assistance
 Component Serial No. _____

Expenditures/Revenues

(Thousands of Dollars)

OPERATING EXPENDITURES	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
Personal Services	0.0	0.0	111.8	111.8	111.8	111.8
Travel			20.0	20.0	20.0	20.0
Contractual			29.2	29.2	29.2	29.2
Supplies			5.0	2.5	2.5	2.5
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	166.0	163.5	163.5	163.5

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

CHANGE IN REVENUES []						
-------------------------------	--	--	--	--	--	--

FUND SOURCE

(Thousands of Dollars)

FUND SOURCE	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts	0.0	0.0	166.0	163.5	163.5	163.5
1037 GF/Mental Health						
1091 Designated Program Receipts						
TOTAL	0.0	0.0	166.0	163.5	163.5	163.5

Estimate of any current year (FY97) cost: _____

POSITIONS

POSITIONS	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
Full-time			2	2	2	2
Part-time						
Temporary						

ANALYSIS:

(Attach a separate page if necessary)

This fiscal note is based upon a July 1, 2000 effective date and that council operations will be funded by Statutory Designated Receipts (see AS 37.05.146 (b)(3)).

Prepared by Mark Hanley
 Rep. Mark Hanley, Co-Chair House Finance Committee
Gene Therriault
 Rep. Gene Therriault, Co-Chair House Finance Committee

Phone 465-4939
 Phone 465-4797
 Date 4/28/98

HB

478

HFIN

FILE

Problems with HB 478
Alaska Department of Commerce and Economic Development

Summary

This bill eliminates the Alaska Division of Tourism and the Alaska Tourism Marketing Council (ATMC). As a result, the bill abolishes the State's direct role in tourism promotion, leaving Alaska as one of only two states in the United States without a Division of Tourism or other state agency charged with tourism promotion. Under this bill, the State's role in tourism marketing and development is limited to financing tourism efforts via a direct grant with no explicit mechanism for ensuring how funds are used.

The elimination of the Division of Tourism and Alaska Tourism Marketing Council is the only component of the New Millennium Plan as developed by the AVA that is contained in the bill. The bill does not reflect any of the details and private sector funding obligations contained in the Plan. There is no assurance that anything in the New Millennium Plan, other than the agency elimination, will be implemented via the bill.

The Administration opposes this bill as written.

Department's Goals and Objectives from any legislation making changes to the current system of tourism marketing:

- Retain Division of Tourism as a strong planning and marketing agency.
- Require that the Division conduct marketing in the most efficient manner by providing marketing contracts, with a 30 percent match requirement increasing over time, to any qualifying marketing organization that qualifies and competes for contract funds to conduct marketing that is contained in the Division of Tourism contract specifications. Legislation should acknowledge the Department's willingness to look at alternative methods for achieving this objective.
- Require that tourism marketing contracts be based on an annual tourism marketing plan that is developed with the broad-based participation and input of industry and community representatives and the Division of Tourism.
- Allow the Division of Tourism to retain the authority to conduct direct marketing for new market development or niche markets for small businesses, communities and rural Alaska, as directed by the Administration or Legislature.
- Allow the Division of Tourism to retain the authority to evaluate marketing effectiveness and the performance of marketing contractors.

These details are consistent with the guiding principles we are requiring:

- The State of Alaska maintain a strong oversight role in tourism marketing in keeping with its status as the primary provider of funds;
- That marketing performed be beneficial to all Alaska tourism businesses and communities;
- That any changes made to the current structure have the support of the entire visitor industry in Alaska.

Detailed concerns

Title: Do not support eliminating the Division of Tourism.

Section 1: Technical change to implement current practice

Section 2: Technical change consistent with section 5 that eliminates the Division of Tourism and ATMC.

Section 3: Under current law, AS 44.33.119 establishes the purposes for both the Division of Tourism and the ATMC. This section reassigns those purposes to the Department of Commerce & Economic Development. Since the Division of Tourism and ATMC are subdivisions of the Department currently, this section only states explicitly what is implicit under the current law and is unnecessary.

Section 4: Creates a new grant program.

There are substantial problems with this section. It authorizes a grant mechanism to hand-out State general funds for tourism marketing. Grants to named recipients have been the first targets of legislative and administrative budget reductions over the last ten years. Making state tourism promotion dependent on grant funding substantially jeopardizes tourism marketing.

Specific concerns:

Subsection A: The timeline for making grants is unrealistically short. The restriction of grant funds to "generic" marketing does not explicitly allow for important niches of tourism marketing, such as highway marketing, winter marketing, eco-tourism, cultural tourism and rural tourism. It is likely that projects that benefit smaller businesses and communities will not be continued.

Subsection B and C: All materials produced as a result of state funds should be public assets.

Subsection D: The lobbying restriction is too narrow and should be expanded to clearly state that public funds 1) will not be used to help raise funds for lobbying, 2) will not be used to pay overhead costs associated with any lobbying effort, and 3) will be accounted for separately from revenue and expenses associated with any lobbying effort.

Section 5: Repealer section eliminates the Division of Tourism and ATMC and technical changes to accompany the eliminations.

Section 6: Establishes an effective date allowing a one-year transition period, which would be the minimum necessary.

The following items are completely missing from the bill:

- Any intrinsic tie between the state funds and financial participation by the cruise industry, other Alaska tourism businesses and Alaska communities.
- Any discussion of how a "qualified trade association" must be organized in order to assure broad representation of the Alaska tourism industry.
- Any guarantee of any involvement by the government in the management of this marketing program.
- Any guarantee of any funds from any source outside of the government's grant into this marketing program.
- Any guarantees that all tourism businesses in Alaska will receive direct benefits from the marketing effort, without regard for their membership in the qualified trade association.

FY98 Tourism North Program budget & funding sources

Item	Budget	Non Division of Tourism Funding Sources								Total
		General Funds	Interagency Receipts		Program Receipts		Off Budget	Direct Expenditures		
		SOA/Division of Tourism	SOA/Governor's Office	SOA/DOT	Yukon Govt.	City of Prince Rupert	Private company funds from Ad Sales	Yukon Wilderness Tourism Association	Microsoft	
North to Alaska printing & production	\$ 336,082.31	\$ 6,273.31				\$ 31,500.00	\$ 298,309.00			\$ 336,082.31
North to Alaska fulfillment	\$ 200,400.00	\$ 105,370.00		\$ 35,400.00	\$ 29,630.00	\$ 30,000.00				\$ 200,400.00
Internet Development	\$ 62,400.00				\$ 23,900.00	\$ 38,500.00				\$ 62,400.00
New map development	\$ 12,470.00				\$ 12,470.00					\$ 12,470.00
Misc. Collateral & PR	\$ 59,600.00	\$ 30,100.00			\$ 29,500.00					\$ 59,600.00
Letterhead	\$ 5,509.21	\$ 5,509.21								\$ 5,509.21
FY97 program wrap-up	\$ 63,405.00	\$ 33,405.00			\$ 30,000.00					\$ 63,405.00
Program management	\$ 77,350.00	\$ 77,350.00								\$ 77,350.00
MS Expedia /On-line advertising blitz	\$ 200,000.00			\$ 100,000.00				\$ 25,000.00	\$ 75,000.00	\$ 200,000.00
Zonkl Productions: North to Alaska sponsor	\$ 123,500.00		\$ 50,000.00	\$ 63,000.00	\$ 10,500.00					\$ 123,500.00
8 Targeted RV Shows	\$ 20,000.00	\$ 10,000.00			\$ 10,000.00					\$ 20,000.00
RV Caravan Leaders/RVIA show	\$ 15,623.45	\$ 3,623.45		\$ 12,000.00						\$ 15,623.45
MV Kennicott Roll-out PR	\$ 50,000.00			\$ 50,000.00						\$ 50,000.00
Travelscope Co-promotion	\$ 3,424.87	\$ 3,424.87								\$ 3,424.87
Totals	\$ 1,229,764.84	\$ 275,055.84	\$ 50,000.00	\$ 260,400.00	\$ 146,000.00	\$ 100,000.00	\$ 298,309.00	\$ 25,000.00	\$ 75,000.00	\$ 1,229,764.84

Notes

- 1) The total figure here represents the total value of the marketing effort, not the amount of money being accounted for in AKSYS
- 2) The FY98 Budget anticipated spending \$427,400 for Tourism North: \$196,000 Division GF; \$96,000 Yukon PR; \$100,000 BC PR; \$35,400 AMHS IA
- 3) Revenue from ad sales was directed by Legislative Intent to be taken off the budget and accounted for outside the state system
- 4) Funding from the Yukon Wilderness Tourism Association and Microsoft will be expended directly and not pass through the State.
- 5) Additional interagency funding from RSAs totals \$275,000
- 6) Additional funding from reallocated GF contractual funds within the Division of Tourism totals \$79,055
- 7) Additional program receipt funding from Tourism Yukon totals \$50,000
- 8) Funds from Prince Rupert were received as program receipts originally anticipated to be received from Tourism BC

Does the New Millenium Plan really mean more money for tourism marketing?
(thousands of dollars)

	FY98 Actuals	FY00 Proposed	Percent Change (1)	FY01 Proposed	Percent Change (1)	FY02 Proposed	Percent Change (1)
State of Alaska	5,299.7	5,000.0	-6%	4,500.0	-15%	4,000.0	-25%
Pay to Play	2,601.0	1,700.0	-35%	2,000.0	-23%	2,400.0	-8%
Interagency (2)	401.8	0.0	-100%	0.0	-100%	0.0	-100%
Other funding (3)	75.0	0.0	-100%	0.0	-100%	0.0	-100%
Cruise Line Donation	0.0	1,000.0	n/a	1,500.0	n/a	2,000.0	n/a
Community Donation	0.0	300.0	n/a	700.0	n/a	1,000.0	n/a
Memberships	0.0	300.0	n/a	350.0	n/a	400.0	n/a
Convention	0.0	200.0	n/a	200.0	n/a	200.0	n/a
Reserve	0.0	500.0	n/a	200.0	n/a	0.0	n/a
FY97 AVA Budget (4)	1,047.3	0.0	-100%	0.0	-100%	0.0	-100%
Total	9,424.8	9,000.0	-5%	9,450.0	0%	10,000.0	6%

Notes:

(1) From FY98 Actuals

(2) Interagency receipts are primarily Alaska Marine Highway funds for the Tok Reservation Center and Tourism North, RSA'ed to the Division of Tourism, for targeted highway marketing and other state agencies for publication assistance.

(3) Received from Microsoft by Division of Tourism, for Internet tourism marketing program.

(4) AVA Budget figures were taking by accumulating Management & General (\$651,829) and AVA Fundraising (\$395,451) for the fiscal year ended June 30, 1997. Not included were Cooperative marketing, travel pac, education and "other".

- Trade promotion participation and fairs
- Research
- Brochure distribution
- Meeting and workshop registrations
- Film footage access

E. FUNDING GOALS

Direct Contributions	Transition			
	FY99	FY00	FY01	FY02
General Memberships	0	.3	.35	.4
DMOs/Communities	0	.3	.7	1.0
Cruise Companies	0	1.0	1.5	2.0
Pay-to-Play Programs	1.4	1.7	2.0	2.4
State	5.3	5.0	4.5	4.0
Total	6.7	8.3	9.05	9.8
<u>Other Income</u>				
Convention & Sponsorships	0	.2	.2	.2
Reserve	.8	.5	.2	0
Total Other income	.8	.7	.4	.2
Total Budget	7.5	9.0	9.45	10.0

F. TIMELINE

Implementation of this proposal would require one full transition year, beginning July 1, 1998. During this time, a transition team comprised of two representatives each from the ATMC, AVA, State of Alaska, and DMOs would form to incorporate the new organization, write bylaws and facilitate the election of the first Board of Directors. The directors of each of the existing organizations would also serve as advisors to this transition team.

To ensure a smooth transition, between July 1, 1998 and June 30, 1999, the three current organizations would continue to operate concurrently with the new organization. On July 1, 1999, the new organization would officially take over the marketing and development functions currently served by the existing organizations. The current ATMC board would automatically serve as Visit Alaska marketing directors for the first year. Once seated, the Alaska Tourism Industry Association Board of Directors would hire the Chief Staff Executive. Staff of the current organizations would be given first priority for positions with the new organization.

1998

January Revised plan distributed to travel and tourism businesses statewide for approval
 March Final proposal presented to legislature
 July Transition team begins work on bylaws and articles of incorporation
 September Elections held for new organization's first Board of Directors

1999

July 1 New organization begins full operation

Does the New Millenium Plan really mean more money for tourism marketing?

(thousands of dollars)

	FY98 Actuals	FY00 Proposed	Percent Change (1)	FY01 Proposed	Percent Change (1)	FY02 Proposed	Percent Change (1)
State of Alaska	5,299.7	5,000.0	-8%	4,500.0	-15%	4,000.0	-25%
Pay to Play	2,601.0	1,700.0	-35%	2,000.0	-23%	2,400.0	-8%
Interagency (2)	401.8	0.0	-100%	0.0	-100%	0.0	-100%
Other funding (3)	75.0	0.0	-100%	0.0	-100%	0.0	-100%
Cruise Line Donation	0.0	1,000.0	n/a	1,500.0	n/a	2,000.0	n/a
Community Donation <small>local bus</small>	0.0	300.0	n/a	700.0	n/a	1,000.0	n/a
Memberships	0.0	300.0	n/a	350.0	n/a	400.0	n/a
Convention	0.0	200.0	n/a	200.0	n/a	200.0	n/a
Reserve	0.0	500.0	n/a	200.0	n/a	0.0	n/a
1997 AVA Budget (4)	1,047.3	0.0	-100%	0.0	-100%	0.0	-100%
Total	9,424.8	9,000.0	-5%	9,450.0	0%	10,000.0	6%

Notes:

(1) From F. Actuals

(2) Interagency receipts are primarily Alaska Marine Highway funds for the Tok Reservation Center and Tourism North, RSA'ed to the Division of Tourism, for targeted highway marketing and other state agencies for publication assistance.

(3) Received from Microsoft by Division of Tourism, for Internet tourism marketing program.

(4) AVA Budget figures were taken by accumulating Management & General (\$651,829) and AVA Fundraising (\$395,451) for the fiscal year ended June 30, 1997. Not included were Cooperative marketing, travel pac, education and "other".

Giving Fay 2503

way AVA set up your votes depend on how much you pay!

“The New Millennium Plan”

A Concept for Shaping the Future of Tourism Promotion in Alaska

March 9, 1998

INTRODUCTION

Presented in this document is an industry-led initiative to regain Alaska's competitive position as a visitor destination and to consolidate Alaska's statewide tourism organizations – the Alaska Tourism Marketing Council, Alaska Division of Tourism and the Alaska Visitors Association – into one new, non-profit organization.

These changes are being proposed because Alaska is losing ground compared to other destinations worldwide. The State of Alaska's budget for tourism marketing has declined by 60 percent since 1990 and the growth rate for tourism has declined from 13 percent to 3 percent. At the same time many more Alaskans are looking to the visitor industry for their livelihood. Without a renewed effort to regain our position in the marketplace, the downward trends will continue.

Rather than continue to watch Alaska's marketing decline, the tourism industry has taken a proactive approach in dealing with the problem. Under this proposal, the industry would greatly increase its marketing contribution and the State would continue to provide a core level of funding through an accountable fee-for-services contract with the new non-profit organization. After a phase-in period, the goal is to raise a minimum of \$10 million, with \$6 million coming from the private sector and \$4 million coming from the state. This represents a 25 percent reduction in state general funds and a more than 300 percent increase in private sector funds.

If adopted, this plan would:

- Shift marketing efforts to a private entity that combines the activities of the Alaska Tourism Marketing Council, Alaska Visitors Association and the marketing functions of the Division of Tourism.
- Decrease confusion and eliminate any duplication of efforts among agencies.
- Return Alaska's marketing efforts to a more competitive position.
- Increase private sector funding while decreasing state funding.
- Allow communities the ability to leverage their own marketing dollars with a statewide marketing program.
- Place greater emphasis on funding from cruise companies while reducing the cost of participation for Alaska's smallest businesses.

If the state joins the industry in support of this plan, a transition team with representatives of each existing organization would work to finalize details of the new organization and conduct the election of the first board of directors during FY99. This would begin a three-year funding phase-in period as outlined on page 14 of the plan. If there are questions regarding this plan, please contact the Alaska Visitors Association at 907-561-5733.

HB

479

HFIN

FILE

CS FOR HOUSE BILL NO. 479(L&C)
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTIETH LEGISLATURE - SECOND SESSION

BY THE HOUSE LABOR AND COMMERCE COMMITTEE

Offered: 4/24/98
Referred: Rules

Sponsor(s): HOUSE LABOR AND COMMERCE COMMITTEE

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to recognition of employers who hire Alaskans."

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

3 * Section 1. AS 23.05 is amended by adding a new section to read:

4 Article 6. Recognition of Employers Who Hire Alaskans.

5 Sec. 23.05.400. Certificates and identification seals in recognition of
6 employers who hire Alaskans. (a) The department shall issue an Alaska hire
7 certificate and identification seal to an employer who

8 ~~(1) applies to the department for the certificate and seal;~~

9 ~~(2) pays the application fee established under (d) of this section; and~~

10 ~~(2)~~ meets the employment standard established under (b) of this section.

11 (b) An employer is entitled to a certificate and seal under this section if the
12 employer's work force consists of at least 80 percent state residents as determined by
13 the department. The department may consider an employee to be a state resident for
14 purposes of this subsection only if the employee is included in both the most recent
15 permanent fund dividend file maintained by the Department of Revenue and the most

1 recent wage file maintained by the Department of Labor.

2 (c) An employer who does not meet standards established by this section may
3 not display the certificate or use the identification seal.

4 (d) The application fee for an Alaska hire certificate and identification seal is
5 \$30. The department shall periodically review the amount of the fee to ensure that the
6 cost of operating the program to the state is offset by the amount received in applicant
7 fees. If the amount received by the state is substantially different from the cost of
8 operating the program, the department shall adjust the fee by regulation so that the
9 amount anticipated to be received will approximately equal the anticipated cost.
10 Money collected under this section shall be deposited into the general fund and
11 separately accounted for under AS 37.05.142. The annual estimated balance in the
12 account maintained under AS 37.05.142 for fees collected under this section may be
13 appropriated by the legislature for the department's cost in operating this program or
14 for any other lawful purpose. Nothing in this subsection creates a dedicated fund.

15 (e) The department shall, by regulation, establish the design of the Alaska hire
16 certificate and identification seal. A certificate or seal awarded under this section shall
17 state the year for which it is awarded.

18 (f) The department shall adopt regulations under AS 44.62 (Administrative
19 Procedure Act) to implement this section.

Adopted

AMENDMENT

Offered in the House

To: CSHB 479 (L&C)

Page 1, lines 8-10:

Delete "(1) applies to the department for a certificate and seal;
(2) pays the application fee established under (d) of
this section; and
(3)"

Page 2, lines 4-14:

Delete all text [subsection (d)]

Renumber subsections (e) [line 15] and (f) [line 18] as (d) and (e)

ATT: Peggy
from LouAnne
HFC
6814

HOUSE COMMITTEE REPORT

(11)

Date Referred to Committee: April 29, 1998

FURTHER REFERRALS:

Date of Committee Action: 5/2/98 am

The FINANCE Committee considered:

HB 479

HOUSE BILL NO. 479

RECOGNITION FOR EMPLOYERS OF ALASKANS

“An Act relating to recognition of employers who hire Alaskans.”

recommends it be replaced with the following committee substitute CS HB 479 (FIN) the same title a new title

additional referral to _____ Committee
 attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) _____

APPROVES PREVIOUS: (Dept/Date) _____

fiscal note(s) labor

fiscal note(s) _____

zero fiscal note(s) _____

zero fiscal note(s) AK St leg. 4/24/98

SIGNING WITH RECOMMENDATIONS		DP	DNP	NR	AM
<i>Gene Theriault</i>	Theriault	X			
<i>Mark Hanky</i>	Hanky			X	
<i>Glenn Mulder</i>	Mulder			X	
<i>Chris Martin</i>	Martin			X	
<i>Jim Kohns</i>	Kohns			X	
<i>John Davis</i>	J. Davis	X			
<i>Ben Grussendorf</i>	Grussendorf	X			
<i>Mike Smith</i>	Smith			X	
<i>John Kelly</i>	J. Davis			X	
<i>John Kelly</i>	Kelly			✓	

CO CHAIR'S SIGNATURE *Gene Theriault* *Mark Hanky*

FISCAL NOTE

STATE OF ALASKA
1998 LEGISLATIVE SESSION

BILL NO. HB 479

Revision Date: _____
 Title: Recognition for Employers
of Alaskans
 Sponsor: House L&C
 Requestor: House Finance

Department Affected: Labor
 BRU: Administrative Services
 Component: _____
Labor Market Information
COMPONENT SERIAL NO. 336

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
PERSONAL SERVICES	1.0	1.0	1.0	1.0	1.0	1.0
TRAVEL						
CONTRACTUAL	11.5	11.5	11.5	11.5	11.5	11.5
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	12.5	12.5	12.5	12.5	12.5	12.5
CAPITAL						
CHANGE IN REVENUE						
FUND SOURCE #						

FUNDING: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	12.5	12.5	12.5	12.5	12.5	12.5
1005 GF Program Receipt						
1006 GF MHTIA						
Other						
TOTAL	12.5	12.5	12.5	12.5	12.5	12.5

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year (FY98) impact: \$ none

ANALYSIS: (Attach a separate page if necessary)

Assume employers do not pay for award. After eligible list is created, all eligible employers are mailed an award. With an 80% Alaska hire criteria, approximately 11,000 employers would be mailed the award. Cost of printing and bulk mailing award is estimated to be \$11.5. The cost to create a cover letter to accompany the award is \$1.0

Prepared by: Arbe Williams, Director Phone: 465-2720
 Division: Administrative Services Division Date: 4/27/98
 Approved by Commissioner: Tom Cashen, Commissioner
 Agency: Department of Labor Date: 4/27/98

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE
 For further distribution information call the Governor's Legislative Office

FISCAL NOTE

No: 1

STATE OF ALASKA
1998 LEGISLATIVE SESSION

NO. _____ Bill Version: CSHB 479 (L&C)
BILL VER (H) Publish Date: 4/24/98
PUBLISH _____

Revision Date: _____
Title: Recognition For Employers of Alaskans
Sponsor: House Labor & Commerce
Requestor: _____

Department Affected: Labor
BRU: _____
Component: _____

COMPONENT SERIAL NO:

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
---------	---	---	---	---	---	---

REVENUE FUND SOURCE	0	0	0	0	0	0
---------------------	---	---	---	---	---	---

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS						
OTHER FUND SOURCE						
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

Estimate of current year impact: NONE

ANALYSIS: (Attach a separate page if necessary)

Zero fiscal impact.

Prepared By: Shirley Armstrong, Legislative Assistant
Division: House Labor & Commerce Committee

Phone: 465-4968
Date: 4/22/98

Approved By: Rep. Norman Rokeberg, Chairman
Agency: Alaska State Legislature

Date: 4/22/98

Distribution (by preparer):

COMMITTEE COPY



House Finance Committee

SUBJECT OF MEETING

DATE:

PLACE:

NAME	REPRESENTING	BUSINESS/PERSONAL MAILING ADDRESS	ZIP	(H) PHONE	(W) PHONE	DO YOU WANT TO TESTIFY?	
① ED FLAVAGAN	DEPT OF LAB	HB 479			465 2705	<input checked="" type="radio"/> Y	N
Lauree Hagon	ANDVSA	130 Seward (msd) Junction	99801	HB 375	586-3650	<input checked="" type="radio"/> Y	N
						Y	N
						Y	N
						Y	N
						Y	N
						Y	N
						Y	N
						Y	N
						Y	N

FISCAL NOTE

STATE OF ALASKA
1998 LEGISLATIVE SESSION

BILL NO. HB 479

Revision Date: _____
 Title: Recognition for Employers
of Alaskans
 Sponsor: House L&C
 Requestor: House Finance

Department Affected: Labor
 BRU: Administrative Services
 Component: Labor Market Information
COMPONENT SERIAL NO. 336

EXPENDITURES/REVENUES:

(Thousands of Dollars)

OPERATING	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
PERSONAL SERVICES	1.0	1.0	1.0	1.0	1.0	1.0
TRAVEL						
CONTRACTUAL	11.5	11.5	11.5	11.5	11.5	11.5
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	12.5	12.5	12.5	12.5	12.5	12.5

CAPITAL						
----------------	--	--	--	--	--	--

CHANGE IN REVENUE						
FUND SOURCE #						

FUNDING:

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	12.5	12.5	12.5	12.5	12.5	12.5
1005 GF/Program Receipt						
1006 GF/MHTIA						
Other						
TOTAL	12.5	12.5	12.5	12.5	12.5	12.5

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year (FY98) impact: \$ none

ANALYSIS: (Attach a separate page if necessary)

Assume employers do not pay for award. After eligible list is created, all eligible employers are mailed an award. With an 80% Alaska hire criteria, approximately 11,000 employers would be mailed the award. Cost of printing and bulk mailing award is estimated to be \$11.5. The cost to create a cover letter to accompany the award is \$1.0.

Prepared by: Arbe Williams, Director Phone: 465-2720
 Division: Administrative Services Division Date: 4/27/98
 Approved by Commissioner: Tom Cashan, Commissioner
 Agency: Department of Labor Date: 4/27/98

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE
 For further distribution information call the Governor's Legislative Office

No Obj adopted 5/2/98

AMENDMENT

Needs NW
FIN!

Offered in the House

To: CSHB 479 (L&C)

Page 1, lines 8-10:

Delete "(1) applies to the department for a certificate and seal;
(2) pays the application fee established under (d) of
this section; and
(3) "

Page 2, lines 4-14:

Delete all text [subsection (d)]

Renumber subsections (e) [line 15] and (f) [line 18] as (d) and (e)

ALASKA STATE LEGISLATURE

House of Representatives

COMMITTEE MEMBERS

REPRESENTATIVE NORMAN ROKEBERG, CHAIRMAN
REPRESENTATIVE JOHN COWDERY, VICE CHAIRMAN
REPRESENTATIVE BILL HUDSON
REPRESENTATIVE JOE RYAN
REPRESENTATIVE JERRY SANDERS
REPRESENTATIVE TOM BRICE
REPRESENTATIVE GENE KUBINA
COMMITTEE AIDE, SHIRLEY ARMSTRONG
COMMITTEE SECRETARY, CATHY WOOD
COMMITTEE HEARING ROOM 17 STATE CAPITOL



INTERIM:
716 WEST 4TH AVENUE, SUITE 640
ANCHORAGE, AK 99501
PHONE: (907) 258-8191
FAX: (907) 258-2916

SESSION:
STATE CAPITOL, ROOM 24
JUNEAU, AK 99801-1122
PHONE: (907) 465-4954
FAX: (907) 465-2040

Labor and Commerce Committee

Sponsor Statement HB 479

Alaska Department of Labor statistics show that about one third of job openings went to out-of-state workers in 1996 and companies in Alaska paid total wages topping \$900 million to nonresidents.

Between 20,000 and 30,000 Alaskans were unemployed in any given month in 1996 while 52,000 nonresidents gained employment in the state.

House Bill 479 is intended to induce companies to hire within the state by awarding those who meet Alaska Department of Labor's criteria with an "Alaska Hire" seal, modeled after the highly noticeable "Made in Alaska" logo.

HB 479 will help state initiatives to curb out-of-state hire, such as the State Training and Employment Program which trains workers with an emphasis on occupations with high nonresident hire, by giving companies an incentive to hire Alaskan workers.

Nonresidents often spend portions of their wages in their home state, decreasing the multiplier effect and depriving Alaska of the full economic benefits of the employment created in the Alaska economy.

An Alaska Department of Labor analysis shows that nonresidents who spend even one quarter of their earnings outside Alaska, take away \$100 - \$200 million from the state economy—over and above the direct income loss to Alaska.

Display of the "Alaska Hire" seal by Alaskan businesses will confirm their commitment to the employment of the citizens of this state and the economic health of Alaska.

ALASKA STATE LEGISLATURE

House of Representatives

COMMITTEE MEMBERS

REPRESENTATIVE NORMAN ROKEBERG, CHAIRMAN
REPRESENTATIVE JOHN COWDERY, VICE CHAIRMAN
REPRESENTATIVE BILL HUDSON
REPRESENTATIVE JOE RYAN
REPRESENTATIVE JERRY SANDERS
REPRESENTATIVE TOM BRICE
REPRESENTATIVE GENE KUBINA
COMMITTEE AIDE, SHIRLEY AFJ. STRONG
COMMITTEE SECRETARY, CATHY WOOD
COMMITTEE HEARING ROOM 17 STATE CAPITOL



INTERIM:
716 WEST 4TH AVENUE, SUITE 640
ANCHORAGE, AK 99501
PHONE: (907) 258-8191
FAX: (907) 258-2916

SESSION:
STATE CAPITOL, ROOM 24
JUNEAU, AK 99801-1182
PHONE: (907) 465-4954
FAX: (907) 465-2040

Labor and Commerce Committee

Sectional Analysis for HB 479

By House Labor and Commerce Committee

Title: An Act relating to recognition of employers who hire Alaskans

Section 1: Amends section 23.05 by adding a new section (23.05.400), which allows for the recognition of employers who hire Alaskans. A certificate and a seal can be applied for if the employer meets the requirements established by the Department of Labor. The employers are entitled to use the Alaska Hire Seal on items made by Alaska employees.

Section 2: Establishes that the Commissioner of Labor shall request the State Arts Council to sponsor a contest for the design of the Alaska Hire Seal. Once a winning entry has been selected, the commissioner shall by regulation designate the winning entry as the official Alaska Hire seal.

FISCAL NOTE

STATE OF ALASKA
1998 LEGISLATIVE SESSION

NO. _____
BILL VERSION: HB 479
PUBLISH DATE: 4/22/98

Revision Date: _____
Title: Recognition For Employers of Alaskans
Sponsor: House Labor & Commerce
Requestor: _____

Department Affected: Labor
BRU: _____
Component: _____
COMPONENT SERIAL NO:

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
----------------	---	---	---	---	---	---

REVENUE FUND SOURCE	0	0	0	0	0	0
----------------------------	---	---	---	---	---	---

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS						
OTHER FUND SOURCE						
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

Estimate of current year impact: NONE

ANALYSIS: (Attach a separate page if necessary)

Zero fiscal impact.

Shirley P. Armstrong

Prepared By: Shirley Armstrong, Legislative Assistant
Division: House Labor & Commerce Committee

Phone: 465-4968
Date: 4/22/98

Approved By: Rep. Norman Rokeberg, Chairman
Agency: Alaska State Legislature

Date: 4/22/98

Distribution (by preparer):





