

AK LEGISLATURE SPECIAL COMMITTEE FILES SCOMM 146 3143

FISCAL NOTE

STATE OF ALASKA
2007 LEGISLATIVE SESSION

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

Revision Date/Time (Note if correction): _____ Dept. Affected: Commerce
 Title Tourism Contract Matching Funds RDU Comm Assist & Ec Dev (405)
 Component Office of Economic Development
 Sponsor Harris by Request
 Requester House EDTT Component No. 2743

Expenditures/Revenues (Thousands of Dollars)

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

| OPERATING EXPENDITURES | FY 2008 | FY 2009 | FY 2010 | FY 2011 | FY 2012 | FY 2013 |
|------------------------|------------|------------|------------|------------|------------|------------|
| Personal Services | | | | | | |
| Travel | | | | | | |
| Contractual | | | | | | |
| Supplies | | | | | | |
| Equipment | | | | | | |
| Land & Structures | | | | | | |
| Grants & Claims | | | | | | |
| Miscellaneous | | | | | | |
| TOTAL OPERATING | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

| | | | | | | |
|-----------------------------|--|--|--|--|--|--|
| CAPITAL EXPENDITURES | | | | | | |
|-----------------------------|--|--|--|--|--|--|

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

FUND SOURCE (Thousands of Dollars)

| | | | | | | |
|--|------------|------------|------------|------------|------------|------------|
| 1002 Federal Receipts | | | | | | |
| 1003 GF Match | | | | | | |
| 1004 GF | | | | | | |
| 1005 GF/Program Receipts | | | | | | |
| 1037 GF/Mental Health | | | | | | |
| Other (Specify Type—Do not abbreviate) | | | | | | |
| TOTAL | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

Estimate of any current year (FY2007) cost: 0.0
 Mark this box (X) if funding for this bill is included in the Governor's FY 2008 budget proposal:

POSITIONS

| | | | | | | |
|-----------|--|--|--|--|--|--|
| Full-time | | | | | | |
| Part-time | | | | | | |
| Temporary | | | | | | |

ANALYSIS: (Attach a separate page if necessary)

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

Prepared by: Bill Allen, Development Manager Phone 907 269 8112
 Division Office of Economic Development Date/Time 3/12/07 4:07 PM
 Approved by: Emil Notti, Commissioner Date 3/12/2007
 Agency Commerce, Community, and Economic Development

Shosh Seligman

From: Peggy Beal/Kingsview B&B [kingsview@clearwire.net]

Sent: Saturday, April 21, 2007 12:44 AM

To: Rep. Mark Neuman

Subject: HB 147

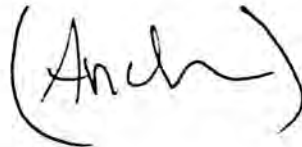
HB 147, the bill to change the industry match percentage for tourism marketing to 10%, is absolutely vital to Alaska's statewide tourism marketing program. It is essential that this bill be passed this year and that it goes into effect for FY08. The current 50% match was based on voluntary contributions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

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

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

Thank you,

Peggy Beal



2006 - 2007

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John Kreilkamp

Cruise West

Tim McDonnell

Temsco Helicopters

Bonnie Quill

Mat-Su CVB

Scott Reisland

Denali Grizzly Bear Resort

Suzanne Rust

K2 Aviation

Jerry Scholand

Alaska B & B Association

Bob Wysocki

Huna Tolem Corporation



February 7, 2007

Representative Mark Neuman,

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

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

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

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

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

Sincerely,

Patti Mackey
Board Chair

Ron Peck
President & COO

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The Net Return* to the State of Alaska from:

| | | |
|-----------|-----------|-----------|
| \$188,011 | \$250,234 | \$154,114 |
| \$110,381 | \$50,570 | \$122,67 |
| \$77,630 | \$99,664 | \$31,444 |



Timber Tourism

Minerals

Commercial Fisheries

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

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

The Net Return to the State of Alaska



State of Alaska

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

Dollars in Thousands

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

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

The Net Return to the State of Alaska



Timber

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

Timber FY05

Federal Funds

(In Thousands of Dollars)

Sources (Revenue)

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

Uses (Expenditures)

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

Net Surplus for Timber \$595.4



Timber

Sources (Revenue)

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

Timber – Sources
Permit / Fees

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

Timber – Sources
Federal Funds

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

Uses (Expenditures)

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

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

The Net Return to the State of Alaska



Tourism

Tourism FY05 (In Thousands of Dollars)

Sources (Revenue)

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

Uses (Expenditures)

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

Net Surplus for Tourism \$20,534



Tourism

Sources (Revenue)

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

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

Tourism – Sources Permits / Fees

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

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

Tourism – Sources Federal Funds

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

Uses (Expenditures)

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

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

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

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





Minerals

Minerals FY05 (In Thousands of Dollars)

Sources (Revenue)

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

Uses (Expenditures)

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

Net Surplus for Minerals \$12,058.8



Minerals



Sources (Revenue)

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

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

Minerals – Sources Royalties / Fees

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

Minerals – Sources Other Funds

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

Mineral – Sources Federal Funds

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

Uses (Expenditures)

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

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

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

The Net Return to the State of Alaska



Commercial Fisheries



| | | | |
|---------------------------|----------------------------------|--------|----|
| Dept. of Commerce | Commercial Fisheries FY05 | | |
| Alaska Farming Lease Fees | (In Thousands of Dollars) | \$200+ | 20 |

Sources (Revenue)

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

Uses (Expenditures)

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



Commercial Fisheries

Commercial Fisheries FY05

(In Thousands of Dollars)

| | | |
|--------|--------|--------|
| 22'132 | 23'883 | 28'148 |
| 2349 | | 2349 |

Sources (Revenue)

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

Uses (Expenditures)

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



Commercial Fisheries

Sources (Revenue)

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

Uses (Expenditures)

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



Commercial Fisheries

Sources (Revenue)

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

Net Surplus for Commercial Fisheries \$11



Commercial Fisheries

Sources (Revenue)

Taxes

Dept. of Revenue

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

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

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

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

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

Corporate Tax For Processors - Corporate tax from seafood processors.

Uses (Expenditures)

Dept. of Commerce

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

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

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

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

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



Commercial Fisheries



Sources (Revenue)

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

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

Permits/Fees/Revolving Loan

CFEC Related Revenues

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

Dept. of Fish & Game

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

Program Receipt - Statutory designated program receipts

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

Uses (Expenditures)

Dept. of Environmental Conservation

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

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

Dept. of Fish & Game

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

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

Commercial Fish Entry Com - Estimate for costs.

Dept. of Labor & Workforce Development

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

Employment and Training Services - Federal programs

National Emergency Grant for Fisheries - Federal programs



Commercial Fisheries

Sources (Revenue)

Taxes

Test Fishery Receipts - Commercial test fishing receipts

Dept. of Natural Resource

Aquatic Farming Lease Fee - Shellfish farming lease fees

Dept. of Commerce

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

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

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

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

Uses (Expenditures)

Dept. of Natural Resources

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

Dept. of Revenue

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



Commercial Fisheries

Sources (Revenue)

Dept. Environmental Conservation

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

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

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

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

Federal Funds

Dept. of Fish and Game

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

Dept. Environmental Conservation

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



Commercial Fisheries



Sources (Revenue)

Dept. of Commerce/ASMI

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

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

Dept. of Fish & Game

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

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

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

05/17/82 11:00
F. WAGG
J. GUEB



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8986

The Net Return to the State of Alaska



State of Alaska

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

Dollars in Thousands

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

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



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

Approx. 10 ABSK
1019N 210'082'12



1019N 210'082'12



Mining

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

Source: DCCED Alaska Taxable 2005

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

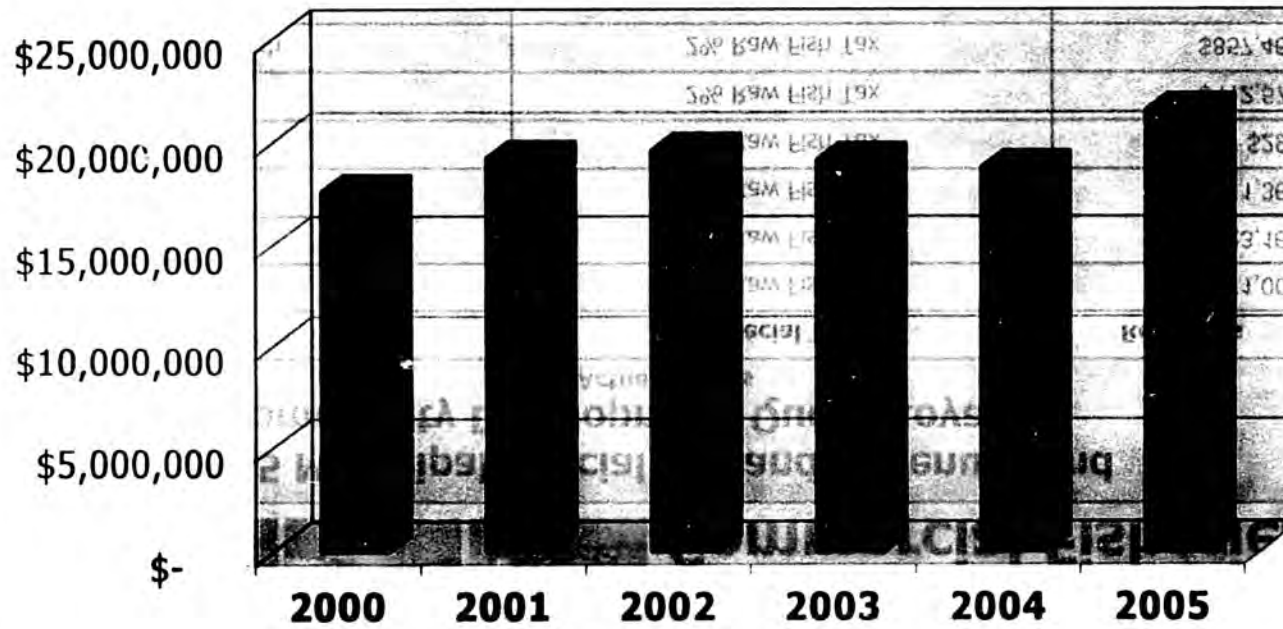
Source: Alaska Taxable 2005. 1. Actual runs \$ 5 - 6 million and changes year to year.



Tourism

Alaska Lodging Taxes, 2000 - 2005

Source: Alaska Taxable 2005 Actual dollars





Commercial Fisheries

2005 Municipal Special Tax and Revenues and Community Development Quota Royalties

In Actual Dollars

| Municipality | Special Tax | Revenues |
|--|-----------------|---------------------|
| Aleutians East Borough | 2% Raw Fish Tax | \$2,871,000 |
| Atka | 2% Raw Fish Tax | \$23,169 |
| Bristol Bay Borough | 3% Raw Fish Tax | \$311,369 |
| Chefomak | 2% Raw Fish Tax | \$293 |
| Egegik | 2% Raw Fish Tax | \$412,575 |
| Lake & Peninsula Borough | 2% Raw Fish Tax | \$857,469 |
| Saint Paul | 3% Raw Fish Tax | \$507,446 |
| Sand Point | 2% Raw Fish Tax | \$597,372 |
| Togiak | 2% Raw Fish Tax | \$25,607 |
| Unalaska | 2% Raw Fish Tax | \$3,888,475 |
| Yakutat, City & Borough of | 1% Raw Fish Tax | \$26,300 |
| Subtotal Special Tax | | \$9,521,075 |
| Estimated Commercial Seafood Property Taxes Paid to Local Communities | | \$3,671,462 |
| Total Special and Property Taxes | | \$13,192,536 |
| Shared Fish Tax¹ | | \$19,453,000 |
| Community Development Quota royalties 2004 | | \$88,600,000 |
| Combined Commercial Fisheries Revenues | | \$89,145,536 |

Source: 2005 Alaska Taxable, and CDQ Program DCCED

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



Summary Table

| Supplemental Report Summary Table Actual Dollars (See Attached Supplement) | |
|--|-----------------------|
| Estimated Taxes Collected by the State and Distributed to Local Communities or Paid in 2005 by Selected Industries to Local Governments and Private Entities ¹ | |
| Industry | Total Revenues |
| Minerals ² | \$57,000,000 |
| Tourism ³ | \$29,500,000 |
| Timber ⁴ | \$6,841,271 |
| Commercial Fisheries ⁵ | \$69,692,536 |
| Shared Fish Tax ⁶ | \$19,453,000 |
| Subtotal Commercial Fisheries | \$89,145,536 |
| Total | \$189,486,807 |

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



Employment and Revenue Trends: 123,000

400,000, 2.30

An Industry Perspective



31
1980



Tourism

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

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

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

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

Trends

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



Commercial Fisheries

2004 Employment

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

2004 Ex-Vessel Value

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

Trends

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

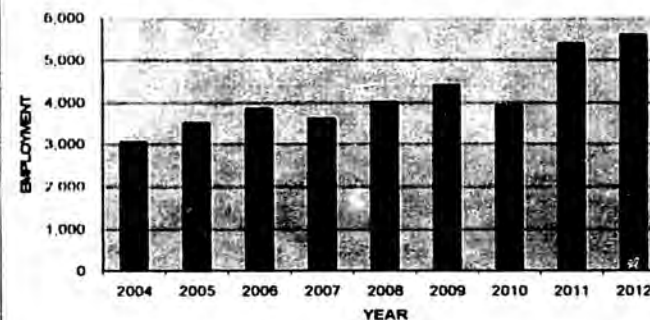


Minerals

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

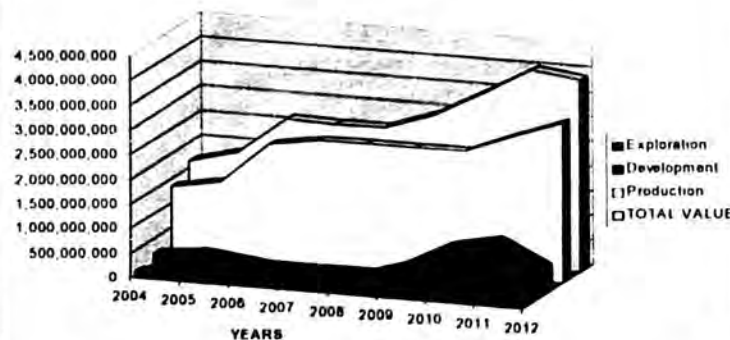
Trends

MINERALS INDUSTRY EMPLOYMENT FORECAST



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

MINERALS INDUSTRY VALUE FORECAST



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

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

*Mark
Dunn*

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

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

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

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

*Introduce this
Bill for Tourism*

| | | |
|------------------|------------------|--|
| Delete: | \$ 5.005 million | fund source 1200 VehRntITax (FY08 Gov) (transfer to QTA/ITG Grant Line) |
| Add: | \$18.000 million | fund source 1004 Gen Fund (tourism taxes) |
| State Positions: | 0 | |

John

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

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

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

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

State Positions: 0

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

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

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

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

Sec. 44.33.125. Tourism marketing contracts.

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

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

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

SCOMM

146:16

ALASKA STATE LEGISLATURE

Interim
712 West 4th Avenue, Suite 640
Anchorage, Alaska 99501
Phone (907) 269-0200
Fax (907) 269-0204
Rep_Craig_Johnson@legis.state.ak.us



Session
State Capitol Building, Room 126
Juneau, Alaska 99801-1182
Phone (907) 465-4993
Fax (907) 465-3872
Toll-free (866) 465-4993

REPRESENTATIVE CRAIG JOHNSON
HOUSE DISTRICT 28

Sponsor Statement House Bill 167

The State of Alaska needs to invest in renewable sources of revenue and employment. HB167 makes that investment by encouraging growth and development in the tourism industry.

Tourism is a proven economic engine for the state.

- Tourism is one of Alaska's largest industries, with an estimated \$2.4 billion annual economic impact.
- When compared to the industries of timber, mining, and commercial fishing, tourism generates the highest net revenue to the state: \$20.5 million in FY05; total revenues through tourism related state taxes, licenses, and fees in FY05 equaled \$49.7 million.
- Tourism is one of Alaska's largest generators of employment: In 2002, over 40,000 jobs (13.7% of all employment) were attributed to the tourism industry.

Despite being such a viable sector of the state economy, funding for tourism marketing has clearly declined.

- Over the last 15 years, Alaska has fallen from 7th to 38th in the nation for state contributions to tourism marketing.
- General fund support for tourism marketing declined from \$23 million in 1990 to \$5.7 million in 2006.

Much of the success of the tourism industry as an economic contributor to the state can be attributed to continued growth in the cruise ship industry. However, due to declined state funding for tourism marketing, the independent traveler market has remained relatively stagnant and even declined slightly over the last several years.

In light of increasing competition from other national and international destinations, Alaska needs to reverse this trend of decreased tourism marketing funding. By increasing funding for an aggressive and competitive tourism marketing campaign and by providing for an independent traveler marketing campaign, HB167 will allow the state to maintain its hold on the 1.9 million visitors that travel to Alaska every year, enable growth in the tourism industry, and safeguard an important, renewable state resource.

LEGAL SERVICES

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

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

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

MEMORANDUM

March 1, 2007

SUBJECT: Sectional Summary of HB 167 (Work Order No. 25-LS0656\C)

TO: Representative Craig Johnson
Attn: Jeanne Ostnes

FROM: Brian J. Kane *BJK*
Legislative Counsel

You have requested a sectional summary of HB 167, an Act making special appropriations for a contract with a qualified trade association and for a marketing program.

Please note that a sectional summary of a bill is not the authoritative interpretation of a bill. The bill itself is the best statement of its contents.

Section 1 of the bill lists the legislative findings regarding the decline in financial support for tourism marketing in the state and the need to reinvest tourism tax revenue into the tourism marketing industry.

Section 2 of the bill appropriates the sum of \$18,000,000 from the general fund to the Department of Commerce, Community, and Economic Development for a contract with a selected qualified trade association.

Section 3 of the bill appropriates the sum of \$8,500,000 from the vehicle rental tax account to the Department of Commerce, Community, and Economic Development for a marketing program targeted toward independent travelers.

Section 4 of this bill provides for an effective date of July 1, 2007.

BJK:med
07-137.med

①

- At this time we will call the meeting to order
- Let the record reflect the time is 11: 02 A.M.
The day is TUESDAY, March 13, 2007
- Would our Clerk - Debbie, please call the role?

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

- Let the record reflect that we have a quorum present
- (Let the record also reflect that Representative _____ has been excused from the committee meeting today.)
- Today, we will be hearing a presentation from Alaska Tourism Industry Association and some of there members then we will take up

HB 147 : Tourism Contract Matching Funds
Sponsored by Rep. John Harris

Charise Millett

HB 167 : Appropriation: Tourism Marketing

(Remember to thank each presenter and call for the next one)

- **Have we missed anyone?**

*Go to
Committee
Discussion*

Hearing no further testimony, testimony is closed and the chair would entertain amendments or a motion to move HB 147 Version 24-LS0560\C with amendments from committee.

- **Hearing no objections, this bill from committee.**

Thank you for the presentation

Move HB 167

- **Introduce Rep Johnson who will be presenting HB 167. _____, please come forward and state your name for the record**
- **(After presentation) Does the committee have any questions?**
- **We will now take public testimony. Before you begin, please state your name for the record.**
- **We will start by inviting testimony from those on line around the state.**
- **Beginning with See the Sheet (on-line)**

3

- (LIOs -- Mat-Su, Anchorage, Fairbanks, Southeast, etc.)
- **Let's move back here to Juneau now and start with (see the list)**

(Remember to thank each presenter and call for the next one)

- **Have we missed anyone?**

Hearing no further testimony, testimony is closed and the chair would entertain amendments or a motion to move HB 167 Version 24-LS0656\C with amendments from committee.

- **Hearing no objections, this bill from committee**
- **That ends this committee meeting, we are adjourned.**

Sponsored by Rep. Craig Johnson

- **We will begin by introducing Ron Peck with ATIA who will be presenting an over view on Tourism. Ron, please come forward and state your name for the record (he will have a few folks after him to speak to the issues)**

Thank you for the presentation

Move HB 147

- **Introduce _____ who will be presenting HB 147. _____, please come forward and state your name for the record**
-
- **(After presentation) Does the committee have any questions?**

- **We will now take public testimony. Before you begin, please state your name for the record.**

- **We will start by inviting testimony from those on line around the state.**

- **Beginning with See the Sheet (on-line)**

- **(LIOs -- Mat-Su, Anchorage, Fairbanks, Southeast, etc.)**

- **Let's move back here to Juneau now and start with (see the list)**

Rex Shattuck

From: Vy Zartman [zartman6@yahoo.com]
Sent: Sunday, March 18, 2007 2:22 PM
To: Rep. Mark Neuman
Cc: zartman6@yahoo.com
Subject: Re: HB164, HB147, HB167

I would like to offer my support of HB 164, HB 147 and HB 167.

I work for a tour company during the summer months that provides a service to visitors of Alaska. I have lived in Alaska for 35 years and believe Alaska should invest in the tourism industry and increase funding to market this resource.

Thank you,
Yvonne Zartman
P.O. Box 905
Haines, AK 99827

Sucker-punch spam with award-winning protection.
Try the free Yahoo! Mail Beta.

Representative Neuman,

We own a vacation rental business, the Homer Retreat, in Homer, Alaska. We also own and operate the Chicken Gold Camp & Outpost, a tourist resort in Chicken Alaska on the Taylor Highway. We have operated businesses in the Chicken area for 28 years. Our tourism business, which incorporates a campground, restaurant, gift store, adventure tours and National Historic Site, has grown significantly over its 6 years of existence. Our businesses have provided a number of benefits to the rural local economy and the State, including increased employment, more local services, etc. But we are concerned with the continuing downturn in individual highway travelers.

The number of travelers using the Taylor Highway and Top of the World Highway has decreased from highs in the late 1990's to a decade low last summer. The number of border crossings at the Poker Creek station in July of 2006, was down 42.5% from the previous year and more than 50% from the past 10 year average. The 2006 numbers were actually worse than 2004, which was an exceptionally bad year due to the Taylor Complex fires. Border crossings at all borders were lower last year than any in this decade. This reduction corresponds with the inadequate funding to promote independent travel statewide.

The Alaska Travel Industry Association has proposed seeking \$8.5 million in State funding for independent and highway travel marketing. In our view, it is warranted and long overdue. HB 167 has been introduced and we strongly encourage you to support this bill as well as HB147. The passage of HB167 would help re-invigorate the independent travel segment of State tourism. Although the Homer market has fared rather well in comparison to other areas, it too would benefit with passage of this Bill. The independent campground owner, fishing charter operator, gift store operator, bed and breakfast owner, small tour operator, rental agencies, etc, all can benefit by marketing independent travel.

Added promotional marketing of independent travel will serve to spread the tourism economy to some of the under-served, rural areas of the State as well as encouraging visitors to see more and stay longer. Increased spending for marketing of independent and highway travel will help to develop more destinations and reduce some of the overuse of the high profile destinations. For our business and other small, rural, seasonal businesses, increased marketing can prime the pump and foster more local hire and economic growth in the areas of the State with the highest un-employment. Thanks for your consideration.

Respectfully,

Mike & Lou Busby

Chicken Gold Camp & Outpost

www.chickengold.com

Homer Retreat

www.homerretreat.com

Rex Shattuck

From: Karen Hess [riveradventures@aptalaska.net]
Sent: Sunday, March 18, 2007 10:17 AM
To: Rep. Mark Neuman
Subject: *****SPAM***** Support HB147 & HB167

I am sending this e-mail to let all of you know that I am in support of the following bills: HB 147 & HB 167

My husband and I own and operate a tour company in Haines and have been in business since 1991. During those years we have grown our company from the simple Mom & Pop (literally) operation, to a business that owns property, has infrastructure in place to accommodate our customers, feed lunches and provide a wilderness experience to our visitor's. We work with the cruise ships but also try our best to attract the independent clients that can spend more time in Alaska. I would encourage the State of Alaska to increase funding for marketing Alaska as a destination. it amazes me that we can see commercials advertising states like Idaho, Iowa, Nebraska and countries like Ireland and yet our own State of Alaska, the most beautiful State in the Union cuts funding each year for marketing. Although the cruise lines do a great job of advertising Alaska for us, that does not bring the "rubber tired" traffic that we are losing. We need it all, cruise ships, air traffic, rubber tire traffic and visitors that spend time and money. We need to grow our economy and the only way to do that is to advertise that we are "open for business".

As a business owner and a member of ATIA I am very actively involved in promoting our state but we need more funding from the State level. Please consider funding the Alaska Marketing Program as requested. When AVA and ATMC combined in 1999 it lifted employee burden from the state and reduced expenses. I believe this was a good move but continuing to reduce funding and expecting the private sector to pick up that slack is not adequate.

Thank you for your consideration.

Karen M. Hess
Chilkat River Adventures, Inc.
Haines, Ak.
(907) 766-2050



State Of Alaska
Legislative Affairs Agency
Kenai LIO
145 Main St Lp, Ste 217
Kenai, AK 99611
907-283-2030

Date: _____ 3/14/07 _____

Please accept the enclosed original(s) of written testimony for the House Special Committee on Economic Development, Trade and Tourism for a hearing scheduled for 3/13/07.

A copy of this testimony was transmitted to your committee via fax on _____ 3/14/07 _____.

Thank You,

_____ Kenai LIO _____



Alaska State Legislature

Please enter into the record my testimony to the **House Special Committee on Economic Development, Trade and Tourism**, dated 3/13/07.

We would like to add our voice to the chorus asking that the funding for Alaska Tourism be maintained at the highest level possible. We have had the advantage of true wilderness authenticity for 50 years but as new worldwide adventure destinations multiply Alaska will be forced to compete---via elevated advertising and promotion---for the traveler dollars.

Without aggressive financial support from our government, our industry can possibly hold our own---- for awhile. But the state needs, not status quo, but a growth industry that benefits all Alaskans.

Thanks you for maximum financial support of an important economic engine.

Laurence

Laurence John
Great Alaska Adventure lodge
www.greatalaska.com

800 544 2261

20 March 2007

House Economic Development, Tourism, and Trade Committee
Public Hearing: HB147 & HB167

PUBLIC TESTIMONY

Brett Carlson
Northern Alaska Tour Company
Coldfoot, Alaska
ATIA, Vice-Chair

Thank you for choosing to serve on the Economic Development, Trade, and Tourism Committee --- and by doing so implicitly communicating that you believe the private sector economy in Alaska does matter.

In a State where state and federal government play such a significant role in the economy --- it is probably too easy to forget that private industry still exists as an economic engine that on a daily basis injects critical new dollars into Alaska's economy --- and in doing so --- balances the budget for thousands of Alaskan families --- plays a large role in balancing budgets for local governments across Alaska --- and plays a small but growing role in helping state government balance its budget.

Sooooo --- A big thank to each of you for your service on this committee and for not forgetting the importance of the private sector economy.

I am guessing that your service on this committee has given each of you a 30,000 foot view of Alaska's private sector economy --- a view I would assume comes with the somewhat uneasy and discomforting realization that Alaska's private sector economy, like private sector economies worldwide, is dependent, an increasingly so, on forces that are much larger than, and beyond the direct influence of any state or local government ----

Sure --- local and state governments --- can work to create the right "investment climate" --- and government leaders can declare themselves "open for business" ---

But there is no escaping the truth that the global economy is for real --- and it is the global consumer that now runs the show --- this global economic reality dictates that the global consumer's relentless pursuit of those goods and services that provide the greatest value at the lowest cost --- drives global capital markets that logically allocate investments to those locales that offer the greatest relative competitive advantages --- and, end of day --- dictate whether or not

Brett Carlson has a private sector economic future in Coldfoot, Alaska --- or any other Alaskan has a private sector economic future in Anywhere, Alaska.

Yet ---

There are times when state government does have an opportunity to positively influence the future of Alaska's private sector economy ---

I would respectfully submit that the two bills before this committee today --- HB147 and HB 167 --- represent exactly such an opportunity ---

I encourage this committee to view these two bills as an economic development proposal --- you are the investment committee for Alaska, Inc. --- we, the proposers, are Alaska Travel Industry Inc. --- over 1,100 primarily small Alaska travel industry businesses, that together, are a big business --- this year our big business will take in over 1.6 billion in annual revenues and employ over 40,000 Alaskans.

I further encourage this committee to carefully scrutinize our economic development proposal carefully to ensure that it provides an adequate return on investment for Alaska and Alaskans ---

And --- this committee, and all legislators --- have a commitment from Alaska's travel industry to spare no effort in rolling-up our sleeves and making a case for the reinvestment of travel industry tax dollars into destination marketing that is grounded in solid facts and hard evidence.

Five quick points related to this investment proposal:

- 1) Travel is a natural resource industry --- fortunately, the Alaska travel product brings significant competitive advantages to the global marketplace --- natural beauty and cultural heritage that cannot be manufactured by other destinations --- and, that will become more scarce in the global travel marketplace over time.
- 2) Great product means nothing if it can't be brought to market --- in the global travel marketplace ALASKA is a brand --- brand is a very real asset, a little bit of a consumer's mindshare that is built upon firsthand experience, word-of-mouth, unpaid media, and paid advertising --- Alaskans are very fortunate to collectively own a strong and powerful brand --- but we cannot take its existence for granted --- destination marketing plays an important role in keeping brand ALASKA strong and vibrant --- the decreased funding for Alaska's destination marketing efforts since 1990 has begun to have a negative effect --- a new marketing study indicates that the number of high potential Alaska travelers in the United States has recently declined for the first time in twenty years.

- 3) A strong brand creates a strong market but we still have to make the sale --- if we do not ask people to visit, they will NOT come anyway --- each of us have destinations on our personal B4UDIE lists – none of us will make it to each of the places on our list --- we are most likely to visit those destination that invite us --- the 70 million dollars cruise companies spend inviting people to Alaska each year certainly has shown us that which we already knew --- MARKETING WORKS
- 4) The dollars proposed for reinvestment back into destination marketing are dollars coming into state government from the travel industry --- they represent a sustainable funding source --- the state receives a net return of over 20 million from the travel industry ---- that money can either be spent on growing state government or reinvested into growing the private sector.
- 5) Our proposal's ROI --- IF you choose to reinvest travel industry tax dollars into destination marketing --- the return will be a substantial dividend for Alaska --- for the private sector economy --- for the quality of life --- for local governments --- AND for state government --- the term reinvestment is not used as a euphemism for "spending" --- the difference between a budget increment for destination marketing and thousands of other competing priorities is that reinvesting in destination marketing today will bring more travel industry tax dollars into state government tomorrow --- our investment proposal will help not hurt the state's future ability to balance its budget.

Having a great Alaska travel industry is not a matter of chance, it is a matter of choice --- but for good or for bad, it must be realized that it is not a choice that the thousands of Alaskan small business entrepreneurs can make on their own - --- the laws of economics and the global marketplace dictate that it is a choice that must be made in partnership with you, the elected representatives of the State's public sector --- Alaska's entrepreneurs CAN provide the great ideas and the 24/7 energy required to produce great travel product --- but it will require private industry, the Legislature, and the Governor all working together if we are to find a way to overhaul and upgrade the destination marketing pipeline that must exist if Alaska's travel resource is to continue to be brought to market --- the reward for success in this effort will be great --- a balanced, sustainable, and growing Alaska travel industry that will continue to deliver its significant economic and quality of life benefits to Alaskan's for decades to come.

"THE HOMESTEAD"

R.V. PARK

Bill & Kathy Utecht

P.O. Box 2415

Palmer, Alaska 99645

Phone/Fax (907) 745-6005

1-800-478-3570

E-Mail: homesteadrvpark@att.net

URL: homesteadrvpark.com

January 22, 2007

To Whom It May Concern:

We own the Homestead RV Park in Palmer, Alaska. We are located on the Glenn Highway, one-half mile East of the Parks Highway Interchange. We consider ourselves at "the crossroads of Alaska". We have a full service campground that provides travelers with a lot of amenities. People stay with us on an average of two to three days. They spend their time traveling to attractions and shopping at stores and groceries in the Mat-Su Valley. These people pump a considerable amount of money into the local business economy.

Since we are a seasonal business any increase in marketing dollars to help increase occupancy in our business would greatly benefit us and the businesses in the area. We have had a huge increase in property taxes over the last three years that has made it very hard to keep a float, so if marketing dollars were spent in the right place to increase our occupancy, it would be a big financial lift.

Since we are a small business, we need your support in the tourism industry for increased marketing. Thank you for your consideration in this matter.

Sincerely,

Bill Utecht
Kathy Utecht

Bill & Kathy Utecht





Amenities

- Water & Electric
- Dump Station and Mobile Service
- Wi-Fi and Modem Hookup
- 70' Pull Thrus
- Immaculate Restrooms with Music and Non-Metered Showers
- Laundry Room
- Pavilion
- Hiking Trails and Fishing nearby
- Square Dancing every Thursday Evening
- Commuting Distance to Anchorage
- Tent Sites

Make The Homestead your base for exploring the Mat-Su Valley! Let us book your tour to make your Alaska experience even more special!



Area Attractions:

- Musk Ox Farm
- Hatcher Pass (Independence Mine)
- Reindeer Farm
- Iditarod Headquarters
- Historical Farming Colony



Mile 36.2 Glenn Highway
P.O. Box 2415
Palmer, AK 99645

e-mail: homesteadrvpark@att.net
(907) 745-6005



1/2 Mile East of Parks and Glenn Highway Junction



Your Hosts. Bill & Kathy Utecht



Military Discounts



Near Denali National Park, Alaska

Winter
c/o Eileen McGurk
P.O. Box 337
Melbourne, FL 32902
(800) 940-2210

Summer
P.O. Box 210
Cantwell, Alaska 99729
(800) 940-2210
(907) 768-2210

1/21/07

To Whom It May Concern:

My name is Eileen McGurk and my husband and I own the Cantwell RV Park in Cantwell, Alaska, 27 miles south of the entrance to Denali National Park. We have sites with water and electric, a central dump station and a service building with a small store and gift shop, a laundromat, showers and bathrooms, all of which are handicapped accessible. We also book reservations to near-by attractions, and we provide information as to the national park activities and as to local conveniences, such as restaurants, locations to purchase fishing licenses and where to purchase gas and propane. Many people arrive late and prefer to eat out rather than cook in the RV, so that we send many people to the area's local restaurants. Many people are also not aware as to the many near-by attractions, and when they are given the information, they decide to experience what the area has to offer.

Though we advertise and have road signs posted, our park has not been filled to capacity at any time during our first 2 seasons. We think that an increase in highway marketing dollars of 8.5 million would boost the amount of campers staying with us. And the more visitors we have increases the amount of visits to the other establishments and attractions in the area. At various times during the season, we notice RV's parked for the night at rest stops and other unauthorized overnight areas, so that no revenue is being generated for us or any other establishment. An increase in marketing may decrease this trend, in that it will help to increase awareness of what is available.

We request the support from the Senate and the House of Representatives in increasing the highway marketing budget to 8.5 million dollars.



Eileen McGurk, owner, Cantwell RV Park



OUR BUILDING



BEARS



VIEW FROM OUR



MT. DENALI
RO. P.
CANTWELL



FEATURES:

- DUMP SITE
- 68 LONG PULL THROUGHES
- GOOD WATER
- 30 AMP ELECTRIC
- LEVEL SITES
- LAUNDRY
- HANDICAPPED ACCESSIBLE
- SHOWERS
- 1/2 HOUR DRIVE TO DENALI NATIONAL PARK ENTRANCE
- DENALI NATIONAL PARK INFORMATION
- RAFTING, HIKING, FISHING, SIGHTSEEING, ANIMAL VIEWING AND BERRY PICKING.
- TOURS
- DOG SITTING SERVICES

Nightly Rate: \$26.00 plus tax, for 2 persons.

Includes site with water & electric, use of dump station, showers & WiFi. \$2.00 for each additional person.

Stay 6 nights, 7th night free.

Valdez

ALASKA

FACSIMILE TRANSMITTAL SHEET

TO: Rep. Mark Neuman FROM: Valdez Convention's Visitors Bureau

COMPANY:

FAX NUMBER:

907-465-4822.

PHONE NUMBER:

DATE:

March 12, 2007

RE:

TOTAL NO. OF PAGES INCLUDING COVER:

2.

URGENT FOR REVIEW PLEASE COMMENT PLEASE REPLY PLEASE RECYCLE

NOTES/COMMENTS:

Valdez

CONVENTION & VISITORS BUREAU

P.O. Box 1603 • Valdez, Alaska 99686 • Ph: (907) 835-2984 • Fax: (907) 835-4845 • www.valdezalaska.org

EVEN MOTHER NATURE HAS FAVORITES! SEE WHY, VISIT VALDEZ.

Representative Mark Neuman
State Capitol, Room 432
Juneau, AK 99801

RE: HB 147 and HB 167

Dear Representative Neuman:

On behalf of the 175 members of the Valdez Convention and Visitors Bureau we are writing you this letter to urge you to support HB 147 and HB 167.

The community of Valdez is often known in the State as an oil town; however we are also a tourism town with the ability to host over 2500 guests in a given night. Our community and member businesses are directly dependent on the travelers coming to Alaska and therefore dependent on the generic marketing program of the Alaska Travel Industry Association.

In the last year the programs of the Alaska Travel Industry Association have produced major results for Valdez such as:

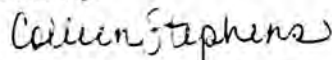
- 6 travel related features in national newspapers, magazines, and on radio stations,
- 5 new itineraries in brochures from international tour operators, and
- Thousands of leads from cooperative advertising and marketing programs.

These amazing results are created from the current budget; imagine the results that could be realized if the increase in the funding equations and levels outlined in HB 147 and HB 167 were a reality.

Currently Alaska ranks 38th among the 50 States in the amount of public funds used for tourism marketing. The public funding in other states and even cities has continued to grow larger than that of the State of Alaska, causing Alaska to quickly lose its ability to properly compete in the marketplace both nationally and internationally. Additional funding is necessary to stop the loss and allow Alaska to make the necessary gain in the marketplace. The communities that stand to benefit the most from increased generic marketing for Alaska are those like Valdez – the smaller towns of the State.

The Valdez Convention and Visitors Bureau urges you to support HB 147 and HB 167 because by supporting these pieces of legislation you are supporting the health of the tourism industry in Alaska.

Sincerely,



Colleen Stephens
President of the Board of Directors
Valdez Convention and Visitors Bureau
PO Box 1603
Valdez, AK 99686
info@valdezalaska.org

CC: Representative John Harris
Alaska Travel Industry Association



SUSITNA RECREATIONAL CAMPS, INC.
MONTANA CREEK CAMPGROUND
MILE 96.5 PARKS HWY.

816 OCEANVIEW DRIVE

ANCHORAGE, ALASKA

99515

(907) 345-5764

March 9, 2007

Subject: HB 167 and HB 147

Representative Mark Neuman:
FAX 907-465-4822

I was born in Anchorage and raised on a homestead at Montana Creek. My husband, Joe Mathis, and I have owned our seasonal business, Montana Creek Campground, located on the Parks Highway between Willow and Talkeetna in the Matanuska-Susitna Borough, since 1985. We have seven employees and have always hired locally. Over the years we have added some electric hookups and built a nice general store outfitted with groceries and tackle to accommodate all the campers and fishermen who frequent the area. Our customers also frequent other area businesses: cafes, gift shops, video rentals, service stations, and flight seeing service providers. We know that our business contributes to the local economy.

A lot of our business is repeat business from Anchorage, the Matanuska Valley, Fairbanks, and the Parks Highway. However, the segment of our business that we need to grow is that provided by the tourists visiting Alaska in their own or rented vehicles. As a small family-owned seasonal business, we are unable to market our campground outside of Alaska. As members of the Alaska Travel Industry Association, we depend on ATIA to market Alaska on our behalf; we know that we will benefit from others' increased awareness of Alaska as a destination. It is unfortunate that Alaska has consistently failed to adequately fund marketing of this magnificent State to national and international visitors. Frankly, I think we have arrogantly assumed that Alaska's beauty and mystique alone will bring visitors. The reality is that we need to show people Alaska is easily accessible, open for business, and can compete with the wonders and pleasures of other destinations. We need to keep Alaska "out there" to fire the imaginations of people planning their next Adventure to Somewhere. Let's do all we can to ensure that they decide to make it an Adventure in Alaska!

Please support HB 167 and HB 147. Alaska must stop "wishin' and hopin' " to grow its tourism industry; it must nourish it.

Sincerely,

Sheila Lankford

Shosh Seligman

From: chris jenness [jenness@gci.net]
Sent: Tuesday, March 13, 2007 9:40 AM
To: Rep. Carl Gatto; Rep. Kyle Johansen; Rep. Vic Kohring; Rep. Bob Lynn; Rep. Mark Neuman;
Rep. Andrea Doll; Rep. Mike Doogan
Cc: Rep. Mike Chenault; rpeck@alaskatla.org
Subject: HB 147, HB 167

To whom it may concern,
My name is Chris Jenness and I run Jenness Graphic Design and the Triumvirate Theatre here on the Peninsula. Recently I had the honor of speaking to the legislature in Juneau. I am writing to express my support for HB 147 and HB 167. An enthusiastic marketing program is vital for the future of Alaska's tourism industry, which impacts the entire state. Thank you for your time,

Chris Jenness
Jenness Graphic Design
Triumvirate Theatre
www.triumviratetheatre.org

P.O. 7303
Nikiski, Alaska 99635
(907) 776-8669
jgraphicdesign@acsalaska.net
jenness@gci.net

Representative Mark Neuman
State Capitol, Room 432
Juneau, AK 99801

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Sincerely,

Colleen Stephens
President of the Board of Directors
Valdez Convention and Visitors Bureau
PO Box 1603
Valdez, AK 99686
info@valdezalaska.org

CC: Representative John Harris
Alaska Travel Industry Association



Alaska State Legislature

Please enter into the record my testimony to the House EDT
(committee name)
 committee on HB 147 / HB 167, dated 3/13/07
(bill # / subject)

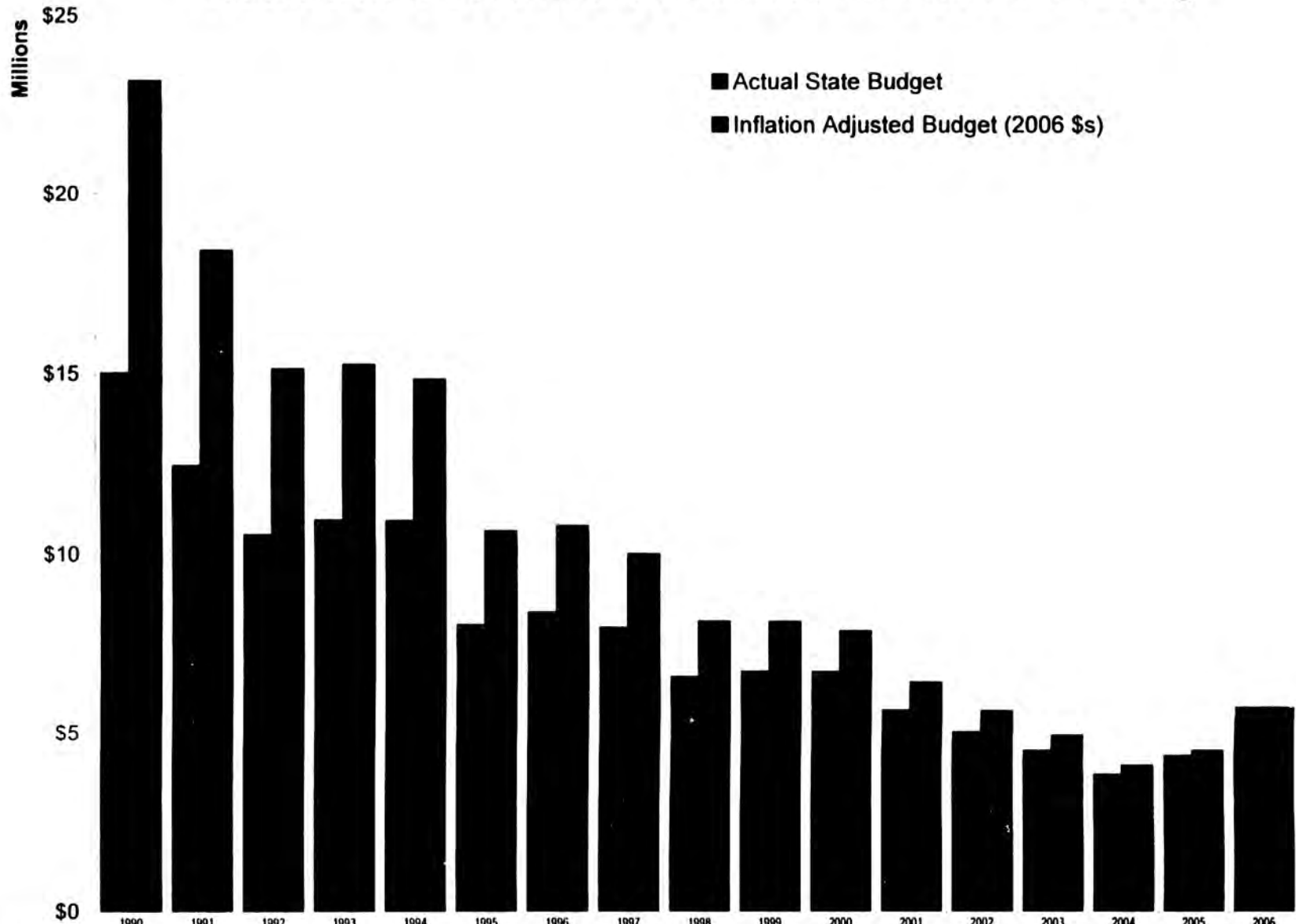
Signed: Coleen Stevens
Testifier

Representing (optional)

Address

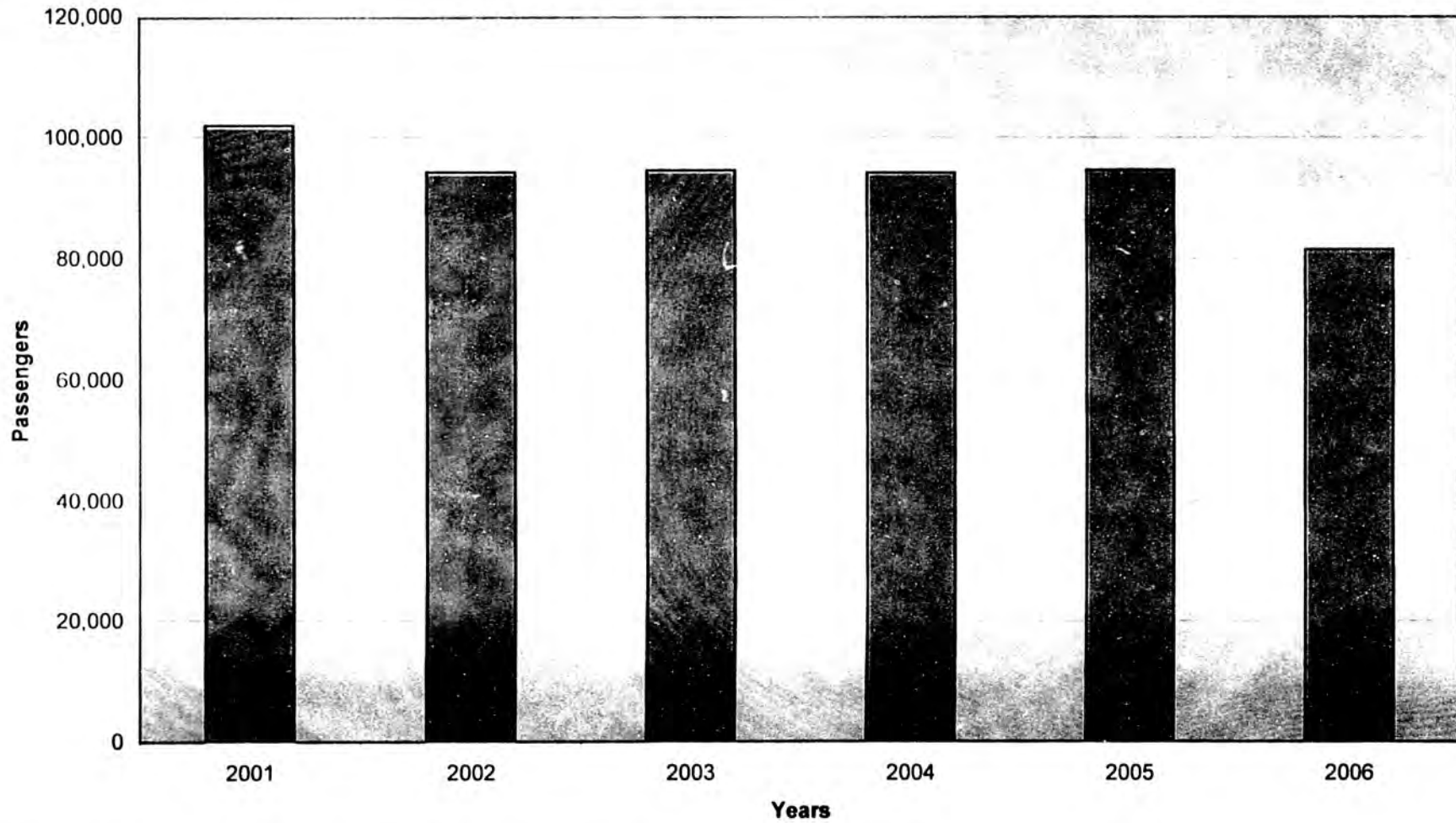
Telephone

Alaska's State Government Contribution to Tourism Marketing



| | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|--------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Actual State Budget | \$15,023,050 | \$12,446,571 | \$10,526,171 | \$10,933,387 | \$10,913,338 | \$8,038,963 | \$8,385,391 | \$7,963,556 | \$6,580,971 | \$6,714,971 | \$6,713,400 | \$5,641,657 | \$5,016,069 | \$4,502,167 | \$3,833,500 | \$4,359,500 | \$5,716,000 |
| Inflation Adjusted Budget (2006 \$s) | \$23,172,000 | \$18,422,270 | \$15,125,000 | \$15,253,000 | \$14,845,000 | \$10,633,000 | \$10,774,000 | \$10,002,000 | \$8,138,000 | \$8,124,500 | \$7,859,120 | \$6,421,380 | \$5,621,040 | \$4,932,809 | \$4,091,231 | \$4,500,129 | \$5,716,000 |

Alaska Canada Border Crossings 2001 - 2006



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

Numbers Provided By Tok APLIC-Visitor's Center