

HB

160

<TARGET><BILL>HB 160</BILL><SUBJECT>HB
160</SUBJECT><COMM>HEDT27</COMM></TARGET>

ALASKA STATE LEGISLATURE
HOUSE SPECIAL COMMITTEE ON ECONOMIC DEVELOPMENT,
TRADE, & TOURISM



Representative Bob Herron, Chair

Rep. Neal Foster, Rep. Berta Gardner, Rep. Reggie Joule, Rep. Wes Keller,
Rep. Cathy Muñoz, Rep. Kurt Olson, Rep. Steve Thompson, Rep. Chris Tuck

Sponsor Statement

HB 160, Establishing the Alaska Visitor Industry Investment Fund

HB 160 establishes the Alaska Visitor Industry Investment Fund and statutorily identifies a funding mechanism based on revenues from the tourism industry through corporate tourism income taxes and vehicle rental car taxes. Each year, a percentage of the value of these revenues would be transferred to a fund for the implementation of an Alaska tourism marketing campaign through a Qualified Trade Association, i.e. the Alaska Travel Industry Association.

There is no question that the tourism industry is a vital component of our state's economy. The positive benefits reach every corner of our state. In a recent impact study developed through the Department of Commerce, Community and Economic Development, tourism related spending in Alaska was calculated at \$3.4 billion a year. In addition, the industry accounts for over 40,000 direct and indirect jobs in our state. Our visitors directly pay over 12 different types of taxes and fees to state and local governments. In recent years, the industry contributed 208.6 million in state and local taxes, of which \$138.8 million was directed to the State of Alaska. However, In FY 2012, the industry is projected to contribute 180 million in state and local taxes, of which 111 million will be directed to the State of Alaska. *Declining tax receipts to State and local governments is a direct result of the struggling tourism industry. Clearly, our visitors support Alaska businesses, our economy, and our state and local governments.*

However, this important industry has recently struggled nationwide and in Alaska. The number of visitors has drastically declined resulting in lost revenues to tourist-related businesses of 20% to 40%. An estimated 2000-2500 tourism industry jobs were lost in 2009 alone. The industry struggles to restore these jobs while other states aggressively target new visitors and compete with Alaska. In order to regain market share, Alaska must reinvest a portion of the industry-generated tourism tax dollars into a sustainable marketing program of at least \$20 million annually.

Last year, the Legislature funded an increase in the State's marketing program. The results have already proven successful. Statistics show that viewer retention and interest in traveling to Alaska have increased by approximately 4% while the national and international travel trend has increased by only 2%. Nearly all of the measured gains for 2011 will benefit businesses catering to independent visitors, while increased cruise capacity is seen starting in 2012.

To be effective in the long run, we must implement a mechanism to provide a sustainable and long-term investment in our state. This bill proposes to do just that by reinvesting a portion of the taxes & fees collected from the industry into a marketing campaign that will help the industry grow, strengthen our economy, create new jobs for Alaskans and result in increased revenues for both local and state governments.

For more information, please contact Terry Harvey at 465.5392.

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

February 17, 2011

SUBJECT: Sectional summary of HB 160, a bill relating to the Alaska visitor industry investment fund and to state tourism marketing contracts (Work Order No. 27-LS0509\B)

TO: Representative Cathy Muñoz
Attn: Terry Harvey

FROM:  Theresa Bannister
Legislative Counsel

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

Section 1. Establishes the Alaska visitor industry investment fund in the general fund. Identifies the money that the Department of Revenue must deposit into the fund. States that the annual estimated balance in the fund may be used to make appropriations for the tourism marketing contract awarded under AS 44.33.125. States that this section does not create a dedicated fund.

Section 2. Changes to \$2,700,000 the amount that a qualified trade association must provide as matching funds in order to be awarded a state tourism marketing contract.

Section 3. Makes bill sec. 2 effective July 1, 2011.

If I may be of further assistance, please advise.

TLB:ljw
11-116.ljw

Object for discussion
Remove objection

Available for Q's on HB 67:

- Johanna Bales – Revenue, Director of Tax Division (questions only)(offnet)
- Terry Bannister – Bill Drafter (questions only)(offnet)
- DCCED (Comm. Bell – in-person testimony)

In EDT Last MTG on HB160
3-1-11

27-LS0509\I
Bannister
2/28/11

CS FOR HOUSE BILL NO. 160()

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - FIRST SESSION

BY

Offered:
Referred:

Sponsor(s): HOUSE SPECIAL COMMITTEE ON ECONOMIC DEVELOPMENT, TRADE, AND
TOURISM

A BILL

FOR AN ACT ENTITLED

1 "An Act establishing and relating to the Alaska visitor industry investment fund;
2 relating to matching funds for state tourism marketing contracts with qualified trade
3 associations; and providing for an effective date."

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

5 * **Section 1.** AS 37.05 is amended by adding a new section to article 6 to read:

6 **Sec. 37.05.610. Alaska visitor industry investment fund.** (a) The Alaska
7 visitor industry investment fund is established as a separate fund in the general fund.
8 The fund consists of the amount deposited into the fund by the department under (b) of
9 this section.

10 (b) Except as provided by (c) of this section, each fiscal year the department
11 shall deposit into the fund 30 percent of the money the department collected from the
12 following sources during each of the three fiscal years that preceded the fiscal year of
13 the deposit and for which the department has determined the actual amount that was
14 collected:

1 department.

2 * **Sec. 3.** This Act takes effect July 1, 2011.

A M E N D M E N T

OFFERED IN THE HOUSE

TO: CSHB 160(), Draft Version "I"

- 1 Page 2, line 27:
- 2 Delete "\$2,700,000 [AT LEAST"
- 3 Insert "at least \$2,700,000 ["

STATE OF ALASKA
DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

Sean Parnell, Governor

Commercial and Fair Business Section
P.O. BOX 110300
123 4TH ST., DIMOND COURT HOUSE
JUNEAU, ALASKA 99811-0300
PHONE: (907)465-3600
FAX: (907)465-2539

March 8, 2011

Representative Bob Herron
State Capitol, Room 411
Juneau, AK 99801

Re: Legal Question Regarding HB 160

Dear Representative Herron:

It was brought to my attention the House Economic Development, Trade, and Tourism Committee has a question regarding whether the Alaska Visitor Industry Investment Fund proposed in HB 160 would create a “dedicated fund” prohibited by Section 7 of Article IX of the Alaska Constitution. This provision of the Alaska Constitution provides, “[t]he proceeds of any state tax or license shall not be dedicated to any special purpose.” Because the fund proposed in HB 160 is a fund within the general fund (in essence a subaccount), and because all of the tax proceeds deposited into the fund are available for appropriation by the Legislature, this fund does not create a constitutionally prohibited “dedicated fund.”¹

The Alaska Supreme Court upheld the constitutionality of a similar fund, the Alaska Marine Highway System Fund, in *Sonneman v. Hickel*, 836 P.2d 936 (Alaska 1992). *Sonneman* involved an account in the general fund into which all ferry system proceeds were deposited and *could be* appropriated by the Legislature to the Alaska Marine Highway System. Because the statute did not require the funds in this account to be appropriated to the agency, the Court found that the fund imposed “no legal restraint on the appropriation power of the legislature,” and did not create a constitutionally prohibited dedicated fund. *Id.* at 939.

The fund proposed in HB 160, like the fund in *Sonneman* (1) is an account within the general fund; and (2) makes clear that the Legislature “may,” but is not required to, appropriate the funds for tourism marketing under AS 44.33.125. There is, thus, little

¹ This opinion is based upon the language contained in the current version of HB 160.

Representative Bob Herron
Re: HB 160

March 8, 2011
Page 2

risk a court would find the fund proposed in HB 160 creates an impermissible “dedicated fund”. If you have any additional questions, please don’t hesitate to contact me.

Sincerely,

JOHN J. BURNS
ATTORNEY GENERAL

By:



Chris C. Poag
Assistant Attorney General

CCP/eeh

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 15, 2011

SUBJECT: Question regarding CSHB 160() relating to the Alaska visitor industry investment fund and the state tourism marketing contract (Work Order No. 27-LS0509\I)

TO: Representative Bob Herron
Chair of the House Special Committee on Economic Development,
Trade, and Tourism
Attn: Rob Earl

FROM:  Theresa Bannister
Legislative Counsel

This memo is intended to replace the memo I sent you March 9, 2011, regarding the bill described above. This memo contains another item that I would like to bring to your attention.

You have asked whether the bill described above creates a dedicated fund. Dedicated funds are generally prohibited by art. IX, sec. 7 of the state constitution.¹

Bill section 1. Proposed sec. 37.05.610 in the first section of the bill directs that certain described money be deposited into a separate fund that is to be located in the general fund. This separate fund is called the Alaska visitor industry investment fund (visitor fund). This placement of the money is an accounting tool within the general fund to hold certain revenues and allows the legislature to make appropriations from the visitor fund to the Department of Commerce, Community, and Economic Development (Department) for a contract with a qualified trade association. Although the exact language is different, a similar type of accounting arrangement (placement of money in a separate fund in the general fund and allowing the legislature to appropriate from it for a particular purpose) was upheld by the Alaska Supreme Court² as not violating the dedicated fund prohibition.

Proposed sec. 37.05.610(e) states that nothing in proposed sec. 37.05.610 creates a dedicated fund. Proposed sec. 37.05.610 does not prevent future legislatures from

¹ That section states, in part, that the "proceeds of any state tax or license shall not be dedicated to any special purpose"

² See Sonneman v. Hickel, 836 P.2d 936, 939 - 940 (1992).

Representative Bob Herron

March 15, 2011

Page 2

appropriating the fund money for other purposes. The money in the visitor fund remains available for any purpose for which the legislature wants to appropriate it.

There may be expectations by some persons that future legislatures will treat the fund as if the Department had a right to use the fund money for the tourism marketing contract awarded under AS 44.33.125.³ However, sec. 37.05.610 appears to be clear about not establishing a dedicated fund, and any legislative history of expectations to the contrary will have to be persuasive to counteract this clear meaning.⁴

Bill section 2. The contract authorized by AS 44.33.125(a) is expressly stated to be "[s]ubject to appropriations for the purpose." The contractual requirements in the rest of the section must be read in this light. The legislature is not required to appropriate money for that contract. However, saying that, the section does raise an issue that needs to be addressed.

The requirement of providing "matching funds equal to \$2,700,000" ("matching fund requirement") could raise a question whether it may limit the Department's ability to request an appropriation for the section in a way that would violate the dedicated fund prohibition. A restriction on the ability of a state agency to request an appropriation from certain revenues has been found to violate the dedicated fund prohibition.⁵

A tourism marketing contract appears to be conditioned on the contract being for an amount that is tied in some "matching" way to \$2,700,000. The term, "matching," is not defined, so it is not clear whether the state's share must equal \$2,700,000 or if the state's share may be more or less than that amount. Whatever relationship the term is interpreted to establish between the state's share and the \$2,700,000, or between the contract itself and the \$2,700,000, the \$2,700,000 sets some bar for the minimum amount of the contract and, therefore, for the amount the Department must request for appropriation in order to enter into the contract.

But this arrangement is distinguishable from the arrangement that was held to violate the dedicated fund prohibition in Sonneman. The statutory arrangement in Sonneman restricted an agency's actual ability to request an appropriation from a particular fund. That is not the case here. The matching fund requirement sets a condition for the contract itself and does not restrict the Department's ability to ask for an appropriation from any fund or other source it chooses.

³ The Sonneman court did not appear to treat expectations as being a determining factor. It stated that "the expectations created by the act are merely a "talking point" because they impose no legal restraint on the appropriation power of the legislature." See Sonneman at 939.

⁴ See Sonneman at 940.

⁵ See Sonneman at 940.

Representative Bob Herron

March 15, 2011

Page 3

Conclusion. In my opinion, it does not appear that the bill violates the dedicated fund prohibition.

If I may be of further assistance, please advise.

TLB:plm
11-147.plm

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 23, 2011

SUBJECT: CSHB 160(EDT) relating to tourism marketing contracts and the Alaska Promotion and Marketing Task Force (Work Order No. 27-LS0509\R)

TO: Representative Bob Herron
Chair of the House Special Committee on Economic Development, Trade, and Tourism
Attn: Rob Earl

FROM:  Theresa Bannister
Legislative Counsel

This memo accompanies the bill described above.

1. Conditional effect determination. It may be very difficult to determine whether this legislature passes legislation that is based on the model legislation recommended by the Task Force. If it is not obvious and clear, then it will not be clear which version of AS 44.33.125(a) is law. It also may be contested and require a court to resolve the issue.
2. Conditional effect timing. As you are aware, even if this legislature passes legislation that is based on the recommended model legislation, the legislation could be vetoed by the governor. The phrase "that is enacted and" would be added after "legislation" to cover this possibility. However, this would make the language of the condition more complicated because there would be more possibilities (e.g., passage and veto, passage and enactment) to cover.
3. Terms. Some of the examples of "in-kind contributions" are not very specific as to what they consist of and how they relate to the contract. You may want to define these examples more specifically.

If I may be of further assistance, please advise.

TLB:med
11-029.med

Enclosure

1. Shrink the marketing board overseeing the contract to 9 members
 - 3 members from the cruise lines (appointed by the Governor without legislative confirmation)
 - 4 members, one from each judicial district
 - 2 at large
 - At least 2 members from 'small tourism companies'-under 50 employees
 - At least 1 members from 'medium tourism companies'-between 51 and 250 employees
 - At least 1 members from 'large tourism companies'-over 251 employees
2. No lobbyists employed by the QTA organization, no paid lobbyist can lobby the legislature for increased funding to the QTA
3. Delete Section D.
4. Provide for a maximum of \$12 million state funds go towards the QTA, matched at a \$2 dollars for every \$1 dollar from industry (if the industry puts up \$6 million, the state will provide \$12 million, for a total budget of \$18 million)

Pass HB 160 this year with the basic concept outlined above.

Use the fiscal note from HB 160 to modify the appropriation to the QTA (otherwise will remain at \$9 million in the operating budget, at a 50/50 match rate)

Introduce legislation before the end of session that fleshes out Rep. Austerman's concept of a marketing fund that entities can compete for

If ATIA wants a marketing effort larger than \$18 million that the above legislation can provide, they can get behind Rep. Austerman's legislation and help its passage next session to get more money, ideally at a dollar for dollar match rate.

Rob -

Conceptual CS for HB 160 – Austerman

BACKGROUND

When the Alaska Legislature enacted AS 44.33.125 it adopted specific findings and intent; specifically, the Legislature found that it is “important for the state to continue to work cooperatively with the private sector visitor industry to promote Alaska as a visitor destination for the benefit of the citizens of the state.” Alan’s changes migrate away from the idea of solely funding tourism marketing, but having a mechanism in place that encourages marketing/promoting Alaska as a whole – expanding the promotion of Alaska as not only a tourism destination but also as a business, fisheries, agriculture destination (broadly covering the industries that contribute to Alaska’s primary economy.)

New Chapter under Title 44

Name: The Economy Investment Act

[DELETE QTA PROGRAM]

[PURPOSE SECTION]

To provide a means for state investment in diversification of economy, build value in Alaska’s natural resources, create jobs for Alaskans, create a funding mechanism for Alaskas industries that apprise Alaska’s primary economy.

[PROGRAM SECTION]

Create a commission to administer a grant program (Possibly Model after current AG board or CFEC Board)

- 1 by Governor, 1 by President of Senate and 1 by Speaker of the House
- 3 year terms
- Appointed without regard to political affiliation or geographical location of residence (To be modeled by Commercial Fisheries Entry Commission appointments)
- Board shall meet at least once a year – board to receive no salary but are entitled to per diem and reimbursement of travel expenses
- Function would be to stimulate, and advance the economic welfare of the state by administrating the grant program
- On or before June 1st of each year, organizations may apply for matching grant funds from a ‘promoting Alaska’ fund. (this might be best addressed in regulation)

[ESTABLISH GRANT PROGRAM]

Name: Market Promoting Alaska’s Industries

Purpose:

Eligibility Language: a 50% match

[SECTION]

Industry Self Assessment – a power of the commission – preponderance of participants in industry or economic sector that seeks to assess itself a tax for the purpose of matching funds (the industry or group would come up with a proposal to present to the commission, the commission would vet , draft legislation and present to legislative body]

There is to be a matching grant program that would offer a 50/50 match to industries that are aligned with the philosophy of promoting Alaska.

27-LS0509VT

Bannister

3/23/11

CS FOR HOUSE BILL NO. 160(EDT)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - FIRST SESSION

BY THE HOUSE SPECIAL COMMITTEE ON ECONOMIC DEVELOPMENT, TRADE, AND TOURISM

Offered:**Referred:****Sponsor(s): HOUSE SPECIAL COMMITTEE ON ECONOMIC DEVELOPMENT, TRADE, AND
TOURISM****A BILL****FOR AN ACT ENTITLED**

1 **"An Act relating to state tourism marketing contracts with qualified trade associations;**
2 **creating and relating to the Alaska Promotion and Marketing Task Force; and**
3 **providing for an effective date."**

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

5 * **Section 1.** AS 44.33.125(a), as amended by sec. 2, ch. 103, SLA 2008, is amended to
6 read:

7 (a) Subject to appropriations for the purpose, the Department of Commerce,
8 Community, and Economic Development shall, on or before **June 1** [APRIL 1] of
9 each fiscal year, contract with a single qualified trade association for the purpose of
10 planning and executing a destination tourism marketing campaign during the next
11 fiscal year. The **state shall pay two-thirds of the costs of the** contract, **and** [MAY
12 BE AWARDED ONLY IF] the qualified trade association **shall pay one-third**
13 [PROVIDES MATCHING FUNDS EQUAL TO AT LEAST 50 PERCENT] of the
14 costs of the [MARKETING CAMPAIGN DESCRIBED IN THE] contract. **The state**

1 **money used for the contract may not exceed \$12,000,000.** The marketing campaign
2 may promote distinct segments of tourism, such as highway tourism, seasonal tourism,
3 ecotourism, cultural tourism, regional tourism, and rural tourism. Before the contract
4 is executed, the marketing campaign plan must be approved by the department.

5 * **Sec. 2.** The uncodified law of the State of Alaska is amended by adding a new section to
6 read:

7 TASK FORCE. (a) The Alaska Promotion and Marketing Task Force is created in the
8 legislative branch.

9 (b) The task force consists of 11 members, as follows:

10 (1) three members appointed by the Speaker of the House of Representatives;

11 (2) three members appointed by the President of the Senate; and

12 (3) five members appointed by the governor who are involved in an industry

13 located in the state.

14 (c) The members of the task force shall select a chair from the task force's members.

15 (d) Task force members do not receive compensation but may receive travel and per
16 diem expenses authorized for boards and commissions under AS 39.20.180.

17 (e) The task force shall meet during and between legislative sessions to accomplish its
18 duties.

19 (f) The task force shall develop and recommend legislation to market and promote
20 activities to support the state's economy. The proposed legislation must include, to the extent
21 constitutionally permissible,

22 (1) a board to

23 (A) evaluate project proposals by entities, including government
24 entities, for activities to promote and market the industries and economy of the state;
25 and

26 (B) make recommendations annually to the legislature for funding of
27 the recommended proposals;

28 (2) a fund, including the endowment and contents of the fund, to fund projects
29 for marketing and promoting activities to support the state's economy; the fund may not be a
30 dedicated fund;

31 (3) a methodology for determining the order for recommending projects to

1 receive funding;

2 (4) requirements for monetary matching by entities that receive project
3 funding;

4 (5) a process for application for funding.

5 (g) The task force shall provide to the legislature, by January 30, 2012, a final report
6 with the task force's recommendations on legislation, including draft legislation for
7 consideration.

8 (h) The chair of the task force shall be available for legislative hearings on its
9 recommendations.

10 (i) The task force shall terminate on the first day of the First Regular Session of the
11 Twenty-Eighth Alaska State Legislature.

12 (j) In this section, "task force" means the Alaska Promotion and Marketing Task
13 Force.

14 * **Sec. 3.** Section 2 of this Act is repealed on the first day of the First Regular Session of the
15 Twenty-Eighth Alaska State Legislature.

16 * **Sec. 4.** Section 1 of this Act takes effect July 1, 2011.

17 * **Sec. 5.** Section 2 of this Act takes effect immediately under AS 01.10.070(c).

AMENDMENT

OFFERED IN THE HOUSE: Special Committee on Economic Development, Trade, and Tourism

BY:

TO: CSHB 160(EDT)

Page 2, line 6, following “**contributions**”

Insert “**through its members**”

Page 4, line 3 through line 12:

Delete all material.

Insert new bill sections to read:

“**Section 5.** Section 2 of this Act takes effect on July 1, 2013.

Section 6. Except as provided in sec. 5 of this Act, this Act takes effect on July 1, 2011.”

27-LS0509\R
Bannister
3/23/11

CS FOR HOUSE BILL NO. 160(EDT)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-SEVENTH LEGISLATURE - FIRST SESSION

BY THE HOUSE SPECIAL COMMITTEE ON ECONOMIC DEVELOPMENT, TRADE, AND TOURISM

**Offered:
Referred:**

**Sponsor(s): HOUSE SPECIAL COMMITTEE ON ECONOMIC DEVELOPMENT, TRADE, AND
TOURISM**

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to state tourism marketing contracts with qualified trade associations;**
2 **creating and relating to the Alaska Promotion and Marketing Task Force; and**
3 **providing for an effective date."**

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

5 * **Section 1.** AS 44.33.125(a), as amended by sec. 2, ch. 103, SLA 2008, is amended to
6 read:

7 (a) Subject to appropriations for the purpose, the Department of Commerce,
8 Community, and Economic Development shall, on or before **June 1** [APRIL 1] of
9 each fiscal year, contract with a single qualified trade association for the purpose of
10 planning and executing a destination tourism marketing campaign during the next
11 fiscal year. The **state shall pay two-thirds of the costs of the contract, and** [MAY
12 BE AWARDED ONLY IF] the qualified trade association **shall pay one-third**
13 [PROVIDES MATCHING FUNDS EQUAL TO AT LEAST 50 PERCENT] of the
14 costs of the [MARKETING CAMPAIGN DESCRIBED IN THE] contract. **The state**

1 money used for the contract may not exceed \$12,000,000. The marketing campaign
2 may promote distinct segments of tourism, such as highway tourism, seasonal tourism,
3 ecotourism, cultural tourism, regional tourism, and rural tourism. Before the contract
4 is executed, the marketing campaign plan must be approved by the department. A
5 qualified trade association may satisfy its one-third payment of the costs of the
6 contract by providing in-kind contributions. In this subsection, "in-kind
7 contributions" includes fees for services, partnership contributions, event
8 participation, research, brochure placement, cooperative advertising, loaned
9 employee value, discounted services, free services, radio airtime, television
10 airtime, print space promotions, Alaska-specific travel advertising, and items
11 contributed for use in promotions.

12 * **Sec. 2.** AS 44.33.125(a) is repealed and reenacted to read:

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

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

25 TASK FORCE. (a) The Alaska Promotion and Marketing Task Force is created in the
26 legislative branch.

27 (b) The task force consists of 11 members, as follows:

- 28 (1) three members appointed by the Speaker of the House of Representatives;
29 (2) three members appointed by the President of the Senate; and
30 (3) five members appointed by the governor who are involved in an industry
31 located in the state.

1 (c) The members of the task force shall select a chair from the task force's members.

2 (d) Task force members do not receive compensation but may receive travel and per
3 diem expenses authorized for boards and commissions under AS 39.20.180.

4 (e) The task force shall meet during and between legislative sessions to accomplish its
5 duties.

6 (f) The task force shall develop and recommend model legislation to market and
7 promote activities to support the state's economy. The proposed model legislation must
8 include, to the extent constitutionally permissible,

9 (1) a board to

10 (A) evaluate project proposals by entities, including government
11 entities, for activities to promote and market the industries and economy of the state;
12 and

13 (B) make recommendations annually to the legislature for funding of
14 the recommended proposals;

15 (2) a fund, including the endowment and contents of the fund, to fund projects
16 for marketing and promoting activities to support the state's economy; the fund may not be a
17 dedicated fund;

18 (3) a methodology for determining the order for recommending projects to
19 receive funding;

20 (4) requirements for monetary matching by entities that receive project
21 funding;

22 (5) a process for application for funding.

23 (g) The task force shall provide to the legislature, by January 30, 2012, a final report
24 with the task force's recommendations on model legislation, including draft model legislation
25 for consideration.

26 (h) The chair of the task force shall be available for legislative hearings on its
27 recommendations.

28 (i) The task force shall terminate on the first day of the First Regular Session of the
29 Twenty-Eighth Alaska State Legislature.

30 (j) In this section, "task force" means the Alaska Promotion and Marketing Task
31 Force.

1 * **Sec. 4.** Section 3 of this Act is repealed on the first day of the First Regular Session of the
2 Twenty-Eighth Alaska State Legislature.

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

5 CONDITIONAL EFFECT. Section 2 of this Act takes effect only if the Twenty-
6 Seventh Alaska State Legislature does not pass legislation that is based on the model
7 legislation recommended to the legislature by the Alaska Promotion and Marketing Task
8 Force created by sec. 3 of this Act.

9 * **Sec. 6.** Section 1 of this Act takes effect July 1, 2011.

10 * **Sec. 7.** If, under sec. 5 of this Act, sec. 2 of this Act takes effect, it takes effect on the first
11 day of the First Regular Session of the Twenty-Eighth Alaska State Legislature.

12 * **Sec. 8.** Section 3 of this Act takes effect immediately under AS 01.10.070(c).

AMENDMENT

OFFERED IN THE HOUSE: Special Committee on Economic Development, Trade, and Tourism

BY:

TO: CSHB 160(EDT)(27-LS0509/R)

Page 2, line 6, following "contributions"

Insert "through its members"

Page 4, line 3 through line 12:

Delete all material.

Insert new bill sections to read:

Section 5. Section 2 of this Act takes effect on July 1, 2013.

Section 6. Except as provided in sec. 5 of this Act, this Act takes effect on July 1, 2011."

Bill adopted

AMENDMENT

OFFERED IN THE HOUSE

BY REPRESENTATIVE HERRON

TO: CSHB 160(), Draft Version "U"

1 Page 3, following line 28:

2 Insert new bill sections to read:

3 "* **Sec. 7.** The uncodified law of the State of Alaska is amended by adding a new section to
4 read:

5 ADDITIONAL PAYMENTS. (a) Notwithstanding AS 44.33.125(a), as amended by
6 sec. 2 of this Act, if a qualified trade association satisfies its obligation to pay one-third of the
7 costs of a tourism marketing contract entered into under AS 44.33.125(a), as amended by sec.
8 2 of this Act, and if the qualified trade association offers to amend the contract for a larger
9 amount and offers to pay in addition to the one-third it has already paid, \$1,500,000 for the
10 costs of the amended contract, the state may amend the contract for an amount that is
11 \$6,000,000 greater than the original contract. Under the amended contract, the qualified trade
12 association shall pay \$1,500,000 of the \$6,000,000 by which the contract has been increased
13 by the amendment and the state shall pay \$4,500,000 of the \$6,000,000 by which the contract
14 has been increased by the amendment. However, even with the additional payment by the
15 state under this section, the state money used for the contract may not exceed \$12,000,000.
16 The provisions of this section may be used only one time. In this section, "qualified trade
17 association" has the meaning given in AS 44.33.125(j).

18 * **Sec. 8.** Section 7 of this Act is repealed July 1, 2012."

19

20 Renumber the following bill sections accordingly.

21

22 Page 3, line 30:

23 Delete "sec. 7"

1

Insert "sec. 9"



MEMORANDUM

TO: Representative Herron, Chair
House Economic Development Trade and Tourism

DATE: Friday, March 25, 2011

FROM: Susan K. Bell, Commissioner
Commerce, Community, and Economic Development

Susan K. Bell

RE: Response to questions regarding
HB 160 – Tourism Marketing Fund

The question was asked in committee yesterday “How do other states count in-kind contributions for a matching funds requirement?”

Florida and Washington have developed criteria to determine how in-kind contributions from the tourism industry can be counted toward a match requirement to access public funding. At this time, the Corporation for Travel Promotion (CTP) has not yet released criteria for counting in-kind contributions towards the national tourism marketing program established under the U.S. Travel Promotion Act. Within the CTP, a newly created Funding and Development Committee and an In-Kind Policy Subcommittee will focus on a three to five year plan around the cash vs. in-kind match.

The chart below highlights the private sector match contributions for Florida and Washington.

State	Match Requirement	Permissible as Match	In-kind Contributions Criteria
Florida	Dollar-to-dollar match of private to public contributions	<ol style="list-style-type: none"> 1. Direct cash contributions 2. Fees for services 3. Cooperative advertising 4. In-kind contributions 	<ol style="list-style-type: none"> 1. Value of strategic alliance services. 2. Value of loaned employees, discounted service fees, items contributed for use in promotions, and radio or television air time or print space for promotions. <p>The value of air time or print space is calculated by taking actual time or space and multiplying by the non-negotiated unit price for that specific time or space which is known as the media equivalency value.</p> <p>To avoid duplication in determining media equivalency value, only the value of the promotion can be included; not the value of the items contributed for the promotion.</p> <p>Documentation must be kept on file for inspection as determined necessary.</p>

State	Match Requirement	Permissible as Match	In-kind Contributions Criteria
Washington	<p>Dollar-to-dollar match required on a variable portion of state funds</p> <ol style="list-style-type: none"> 1. Match 25% of public funds (FY2009) 2. Match 50% of public funds in FY2010 3. Match 100% of public funds thereafter 	<ol style="list-style-type: none"> 1. Direct cash contributions 2. In-kind contributions 3. Cooperative Funds 4. Advertising Equivalency 	<ol style="list-style-type: none"> 1. In-Kind will be considered any product or service of determinable value contributed to support, assist or promote Washington State Tourism. 2. Advertising Equivalency will be the US dollar value (at the time of reporting) of print, digital, television, radio, or other media intended to support, assist or promote Washington State Tourism. Advertising Equivalency is defined as measuring earned media value, and will be calculated using an industry standard multiplier, based on the specific media.

- A. *Florida* is the most applicable comparison state to answer this question because of the following similarities:

Florida contracts with a direct support organization (similar to our qualified trade organization) which is a private, not-for-profit corporation (a 501(c) (6)) to execute tourism marketing and promotion services and functions. The direct support organization submits a four-year marketing plan to the state which is updated and amended on an annual basis. State funds (rental car tax) are appropriated for the purposes of tourism marketing and an industry match (one-to-one) is required to match state funding.

In-kind contributions may count as matching funds and may include the value of strategic alliance services, loaned employees, discounted service fees, items contributed for use in promotions, and radio or television air time or print space for promotions. The value of air time or print space shall be calculated by taking the actual time or space and multiplying by the non-negotiated unit price for that specific time or space which is known as the media equivalency value. In order to avoid duplication in determining media equivalency value, only the value of the promotion itself shall be included; the value of the items contributed for the promotion shall not be included.

- B. *Washington* State is another example of a state that required matching funds. However, in recent weeks the Washington governor and legislature have defunded the Washington Tourism Commission entirely of all public funding. From FY2008 through FY2011 the program had a match requirement and allowance of in-kind contributions that is relevant to the question.

In 2007, the Washington legislature created a 19-member Washington Tourism Commission to improve the tourism industry in the state. The commission was tasked to create a strategic plan for tourism development as well as a biennial marketing plan to draw more tourists to Washington. In addition to creating the commission, the legislation more than doubled state funding for tourism promotion through a public-private partnership. The legislation creating the matching requirements was broadly defined and allowed the private sector match in the form of cash contributions (direct cash or fees paid for services rendered) or in-kind contributions.

- o The Tourism Commission developed and approved a six-year strategic plan;
- o State funds were appropriated for the purposes of tourism marketing;
- o An industry match was required at an increasing rate;
- o FY2008: No match required;
- o FY2009: 25 percent of state funding (maximum of \$4 million) required an industry match of 1:1;

- FY2010: 50 percent of state funding (maximum of \$4 million) required an industry match of 1:1; and
 - FY2011 and beyond: 100 percent of state funding (maximum of \$4 million) required an industry match of 1:1.
 - The Tourism Commission was given authority to determine the criteria for the match.
 - In-Kind: any product or service of determinable value contributed to support, assist or promote Washington State Tourism.
 - Advertising Equivalency: considered the US dollar value (at the time of reporting) of print, digital, television, radio, or other media intended to support, assist or promote Washington State Tourism. Advertising equivalency is defined as measuring earned media value and will be calculated using an industry standard multiplier, based on the specific media.
- C. The U.S. Travel Promotion Act may provide useful guidance for accounting for in-kind contributions for the tourism industry in the future. At this time, those criteria are not available. The Division of Economic Development will follow the activities of the Corporation for Tourism Promotion (CTP) and report on accounting criteria as the information becomes available.

It is not unreasonable to assume that the CTP board will reference the Florida model. The following facts are what we know now:

- Visitors traveling from Visa Waiver Program countries will pay a \$10 travel promotion fee (once every two years) when submitting their information via the Electronic System for Travel Authorization (ESTA). Proceeds from this fee will be held in a special account at the Treasury Department.
- Private sector companies and organizations that would benefit from increased international travel will be asked to make in-kind or cash contributions to the Corporation for Travel Promotion (80% can be in-kind, but 20% must be cash).
- In Year One, the government will provide \$10 million to the Corporation from funds generated by the new \$10 travel promotion fee paid by visa waiver travelers who do not pay \$131 to obtain an American visa to visit the U.S.
- In Year Two, for every dollar that the private sector contributes, two dollars will be transferred from the government's travel promotion fund to the Corporation (a 2:1 match). In other words, if the private sector's total in-kind and cash contribution is valued at \$20 million; the government fund will match with \$40 million, for a total of \$60 million.
- In Year Three and beyond, for every dollar that the private sector contributes, one dollar will be added from the government fund (a 1:1 match). So, for contributions valued at \$100 million from the private sector, the government will also contribute \$100 million, for a total of \$200 million.
- The maximum amount that the government can contribute is \$100 million, provided that the in-kind and cash contributions of the private sector also equal \$100 million (to reach the total of \$200 million).

Sources:

Florida Statutes (www.leg.state.fl.us)
 Washington State Tourism Office
 U.S. Travel Industry Association

LEGAL SERVICES

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

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


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

MEMORANDUM

April 7, 2011

SUBJECT: Sectional summary of CSHB 160(FIN) relating to state tourism marketing contracts (Work Order No. 27-LS0509\S)

TO: Representative Bob Herron
Attn: Rob Earl

FROM:  Theresa Bannister
Legislative Counsel

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

Section 1. Amends AS 44.33.120(d) to remove a reference to AS 44.33.125(d), which is repealed by this bill.

Section 2. Amends AS 44.33.125(a). Changes the date by which a state tourism marketing contract is to be entered into each year. States that the qualified trade association must provide matching funds equal to 50 percent of the state money used for costs of the contract's marketing campaign. Limits the state money used for the costs of the contract's marketing campaign to \$12,000,000.

Section 3. Repeals and reenacts AS 44.33.125(e). Requires that a group within the qualified trade association direct the marketing campaign of a tourism marketing contract awarded under AS 44.33.125(a). Requires the group to have nine individuals and indicates how the individuals are to be selected. Sets the terms of the governor's appointees at three years. Allows the association to determine the terms of their appointees.

Section 4. Prohibits a qualified trade association that contracts with the state under AS 44.33.125(a) from paying a person to lobby the legislature regarding the funding of the contract.

Section 5. Repeals AS 44.33.125(d).

Section 6. Requires that the governor's appointments be made within one month after the Act's effective date and be given staggered terms.

Representative Bob Herron
April 7, 2011
Page 2

Section 7. Makes the Act effective July 1, 2011.

If I may be of further assistance, please advise.

TLB:plm
11-233.plm

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

SUBJECT: CSHB 160() relating to state tourism marketing contracts
(Work Order No. [REDACTED])

TO: [REDACTED]
[REDACTED]

FROM: *TB*
Theresa Bannister
Legislative Counsel

CSHB 160 (FIN)

This memo accompanies a draft of the bill described above.

Freedom of speech issue. Prohibiting a qualified trade association from paying a person to lobby the legislature about the funding of its tourism marketing contract raises a possible issue under the constitutional right of free speech and the right to petition, First Amendment rights. In general, to pass constitutional muster, "statutes attempting to restrict or burden the exercise of First Amendment rights must be narrowly drawn and represent a considered legislative judgment that a particular mode of expression has to give way to other compelling needs of society." Broadrick v. Oklahoma, 413 U.S. 601, 611 - 612 (1973) (citations omitted). While the application of this bill's prohibition is fairly narrowly drawn and does not impinge on the right of the association to lobby (without using any of the money from the contract -- see AS 44.33.125(h)), it is not evident that there is a compelling interest of the government to limit the association in this way. I do not know whether or not this provision would be considered an unconstitutional restriction of these rights, but I wanted to bring the issue to your attention.

If I may be of further assistance, please advise.

TLB:ljw
11-214.ljw

Enclosure

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number _____
 Bill Version CSHB 160 (EDT)
 () Publish Date _____

Identifier (file name) HB160-CCED-DED-03-23-11 Dept. Affected DCCED
 Title Alaska Visitor Industry Investment Fund Appropriation Economic Development
 Allocation Financing
 Sponsor House Special Committee on Economic Development, Trade and Tourism
 Requester House Special Committee on Economic Development, Trade and Tourism OMB Component Number 2743

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information						
		FY 2012	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
OPERATING EXPENDITURES								
Personal Services								
Travel								
Services	12,000.0							
Commodities								
Capital Outlay								
Grants								
Miscellaneous								
TOTAL OPERATING	12,000.0	0.0	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	12,000.0							
1005 GF/Program Receipts								
1037 GF/Mental Health								
Other (please identify)								
TOTAL	12,000.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2011) cost _____

POSITIONS

Full-time								
Part-time								
Temporary								

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

This version reflects the total cost to the state as reflected in the CS.

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

Phone 269-4048
 Date/Time 3/24/11 7:00 AM
 Date 3/24/2011

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. CSHB160 (EDT)

Analysis

The Division of Economic Development administers the contracting process to implement a destination tourism marketing program with a qualified trade association, ensures contract compliance, monitors program performance, and reviews program reports. HB 160 establishes a new funding source for the destination tourism marketing program; the change has no impact on the division's role in this process.

Subject to appropriation, this fiscal note is based on an estimated industry contribution of \$3 million with an additional \$3 million generated from in-kind contributions made by the Alaska tourism industry in support of Alaska tourism marketing. The total the cost of the contract to the state would be \$12 million.

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number _____
 Bill Version CSHB 160 (FIN)
 () Publish Date _____

Identifier (file name) HB160-CCED-DED-03-31-11
 Title Alaska Visitor Industry Investment Fund
 Sponsor House Economic Development, Trade and Tourism
 Requester House Finance
 Dept. Affected DCCED
 Appropriation Economic Development
 Allocation Qualified Trade Association
 OMB Component Number 1844

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required		Information				
	FY 2012	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
OPERATING EXPENDITURES							
Personal Services							
Travel							
Services	3,000.0	9,000.0	12,000.0	12,000.0	12,000.0	12,000.0	12,000.0
Commodities							
Capital Outlay							
Grants							
Miscellaneous							
TOTAL OPERATING	3,000.0	9,000.0	12,000.0	12,000.0	12,000.0	12,000.0	12,000.0

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

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

FUND SOURCE (Thousands of Dollars)

	FY 2012	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
1002 Federal Receipts							
1003 GF Match							
1004 GF	3,000.0	9,000.0	12,000.0	12,000.0	12,000.0	12,000.0	12,000.0
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other (please identify)							
TOTAL	3,000.0	9,000.0	12,000.0	12,000.0	12,000.0	12,000.0	12,000.0

Estimate of any current year (FY2011) cost _____

POSITIONS

Full-time							
Part-time							
Temporary							

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

This version updates the Operating Expenditures to reflect the total cost to the state. For FY12 appropriation this adds an additional \$3 million to the Governor's proposed budget of \$9 million (FY12) and then \$12 million for FY13 on to reflect the cap in the legislation.

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

Phone 269-4048
 Date/Time 3/31/11 4:00 PM
 Date 4/2/2011

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. CSHB160 (FIN)

Analysis

HB 160 establishes a new funding source of general funds for the destination tourism marketing program. In FY12, this adds an additional \$3 million to the Governor's proposed budget of \$9 million for the Qualified Trade Association. FY13 and forward reflect the \$12 million cap in the legislation.

The Division of Economic Development administers the contracting process to implement a destination tourism marketing program with a qualified trade association. The change of funding source has no impact on the division's role in this process.

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version CSHB 160 (FIN)AM
 Fiscal Note Number _____
 () Publish Date _____

Identifier (file name) HB160-DCCED-DED-12-14-11 Dept. Affected DCCED
 Title TOURISM MARKETING CONTRACTS/CAMPAIGNS Appropriation Economic Development
 Allocation Economic Development
 Sponsor House Economic Development, Trade & Tourism
 Requester Senate Finance Committee OMB Component Number 2743

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates					
			FY13	FY14	FY15	FY16	FY17	FY18
OPERATING EXPENDITURES								
Personal Services			0.0	0.0	0.0	0.0	0.0	0.0
Travel			0.0	0.0	0.0	0.0	0.0	0.0
Services	(4,000.0)	16,000.0	0.0	0.0	0.0	0.0	0.0	0.0
Commodities			0.0	0.0	0.0	0.0	0.0	0.0
Capital Outlay								
Grants, Benefits								
Miscellaneous								
TOTAL OPERATING	(4,000.0)	16,000.0	0.0	0.0	0.0	0.0	0.0	0.0

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF	(4,000.0)	16,000.0					
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		(4,000.0)	16,000.0	0.0	0.0	0.0	0.0	0.0

POSITIONS								
Full-time								
Part-time								
Temporary								

CHANGE IN REVENUES								

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

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

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

This fiscal note has been updated to reflect the \$16 million included in the operating budget for FY13.

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

Phone 269-4048
 Date/Time 12/21/11 10:45 AM
 Date 1/11/2012

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

BILL NO. CSHB 160 (FIN)AM

Analysis

HB160 redefines and limits the state's contribution to funding a state tourism marketing campaign. The total state contribution is limited to \$12,000.0 and establishes a two-tiered matching scenario whereby the first \$3,000.0 in private match generates a 1:2 state match and any increment above \$3,000.0 in private match generates a 1:3 state match up to the \$12,000.0 cap. This match scenario is repealed by Section 8 as of July 1, 2012.

The Division of Economic Development (DED) administers the contracting process to implement a destination tourism marketing program with a qualified trade association, ensures contract compliance, monitors program performance, and reviews program reports. HB 160 establishes a new funding source for the destination tourism marketing program; the change has no impact on DED's role in this process.

The governor has included \$16 million in the operating budget for tourism marketing. The impact of this bill would limit the state's contribution to \$12,000.0; therefore the appropriation amount requested for FY13 shows a \$4,000.0 reduction to the operating expenditures.



Responsible Cruising in Alaska

House Finance Committee
Room 519, Capitol Building
Juneau, Alaska 99801

April 8, 2011

**RE: Tourism Marketing Funding
CS HB 160**

Finance Members:

Today the Committee will consider CS HB 160, to fund the Alaska Travel Industry Association, (ATIA). I urge you to reject this measure for a number of reasons:

- ATIA has not demonstrated any success or a viable funding plan.
- ATIA has not increased its industry funding (\$2.7 m) for three years.
- ATIA has many advertising missions but no measures of impact.
- ATIA is cruise-centric, rather than focus on independent air travelers who rent cars, hotel rooms, buy meals and fly to Bush Alaska.
- ATIA opposes all taxes on the cruise industry, yet want 'sustainable' state funding by tapping tourism tax revenues.
- ATIA should be treated as the state does ASMI seafood marketing, which presently receives 20% state funding.
- HB 222 is far better legislation to address Alaska tourism marketing.

Thank you for your attention to the issue of state tourism funding .

Chip Thoma, RCA President

Patti Mackey	ATIA & Ketchikan Visitors Bureau
Paul Landis	Alaska Alliance for Cruise Travel and CIRI Tourism
Shanon Hamrick	Kenai Peninsula Marketing Council
Bruce Bustamante	Alaska Cruise Association and Princess Cruises
John McConnochie	Bike Alaska Juneau
Richard Benneville	Discovery Tours Nome
Dale Fox	CHARR
Fred Reeder	Sitka Resident and Former Mayor of Sitka
Terry Wanzer	Best Western/KTN , Proprietor/ AK Hotel and Lodging Association (AKHLA)

1.7 mill

2008

142



February 28, 2011

Representative Bob Herron, Chair
House Economic Development
Trade & Tourism Committee
Capitol Building
Juneau, Alaska 99801

Subject: HB 160 Establishing the Alaska Visitor Industry Investment Fund

Dear Representative Herron;

The Alaska Hotel & Lodging Association is extremely appreciative of the House EDTT Committee's introduction of legislation establishing a sustainable funding plan for Alaska's tourism marketing campaign and the goal of reaching a minimum of an annual \$20 million appropriation.

As you are well aware, the State of Alaska benefits from revenues generated by our industry. In recent years those revenues have been as much as \$140 million. It just makes sense to reinvest a percentage of those revenues to sustain a healthy economy for Alaska's tourism industry resulting in jobs for Alaskans and revenues for a variety of state funded programs and services.

Hotel bed tax revenues paid to Alaska's local governments have declined by as much as 22% in recent years. Local governments rely on these funds to keep property taxes low and to delivery other services to local residents. Without these funds, local governments will turn to the state for increased aide.

Alaska has struggled with lost market share in the increasingly competitive global travel marketplace. The additional \$7 million appropriation awarded in FY2011, through early research, has already resulted in an expected 4 increase in visitors to Alaska this summer as compared to a 2% increase in National travel trends.

The Alaska Hotel & Lodging Association appreciates the Legislatures recognition of the need for increased marketing funding by increasing the FY11 budget to 18.7 million. This action has given the industry an opportunity to vastly improve their ability to build awareness and generate more visitors to the state. It is critically important to build on this moment, and to ensure that Alaska's tourism marketing campaign does not take a step backwards.

We applaud the Committees efforts to create a new Alaska visitor industry investment fund, to replace over 2500 lost jobs, and to build a sustainable economy for Alaska's tourism businesses. On behalf of Alaska's Hotel & Lodging Industry, thank you for your leadership and introduction of HB160. We urge the Legislatures' support and quick passage of this long overdue legislation.

Sincerely,

Craig Pester
Chairman, Alaska Hotel & Lodging Association
District Manager, Lodging, Retail, Food and Beverage ARAMARK Parks and Destinations Alaska



United in a common goal to make Alaska the most hospitable place on earth!

330 E. 4th Avenue, Suite 201 • Anchorage, Alaska 99501 • (907) 272-1229 • Fax: (907) 272-1289 • E-mail: akhla@4aha.org

WHITESTONE FARMS INC.

P.O. BOX 1229
DELTA JUNCTION, ALASKA USA 99787
907-895-4201 907-895-4938
FAX 907-895-4787

February 21, 2011

Representative Eric Feige
State Capitol, Room 126
Juneau, AK 99801-1182

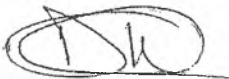
Dear Representative Feige,

My name is Dick Wenger and I am from Delta Junction. We met a few months back at the Delta LIO where we had the chance to talk a bit. Which, by the way, I am sorry that I missed you last Saturday (Feb 19th) when you were again at the LIO, but I had made previous plans and was out of town. I represent Rika's Roadhouse and as such am requesting your support for HB160. With your long standing affiliation with tourism, I know you can appreciate the value that the industry has for our state. As such, I urge you to consider co-sponsoring the bill to ensure a viable marketing program for the visitor industry. As Co-Chair of the House of Resources Committee, this may be somewhat of a departure from your normal venue. I would like to say, however, that I believe tourism to be one of our most significant resources, and with effective marketing, one that will never be depleted.

I would also like to ask that I be added to your district mailing list.

Thank you for your time and consideration.

Sincerely,



Dick Wenger

DW/w



From Eka Wallen's personal sketchbook, 1940

Concessionaire for
BIG DELTA STATE HISTORICAL PARK
at Rika's Roadhouse & Landing
MILE 275 RICHARDSON HWY.
BIG DELTA, ALASKA USA 99787
907-895-4201



KETCHIKAN

Our lifestyle, your reward

February 23, 2011

The Honorable Kyle Johansen
Alaska State Legislature
State Capitol Mail Stop #3100
Juneau, AK 99801-1182

Dear Representative Johansen,

HB160 was introduced last week, and I am writing to ask for your support for this bill that will establish a funding mechanism for marketing Alaska as a tourism destination. As you know, the Alaska Travel Industry Association has long worked to find a solution to sustainable funding. This bill, introduced by the House committee on Tourism and Economic Development is intended to replace the existing funding structure which has become outdated.

As you will recall, when the legislature approved the "millennium plan" in 2000, a matching fund component was part of the legislation, due to concerns that the industry didn't significantly contribute to state revenues. Over the past decade, that has changed. In addition to revenue sources already in existence a statewide vehicle rental tax has been enacted and the various elements of Ballot Measure 2 have substantially increased revenue to the State through cruise passenger fees, ocean ranger fees and corporate income and gambling income taxation. Today it's projected that revenues to the state will total over 111 million in FY2012.

ATIA and various other visitor industry organizations including AKHLA, CHARR, and AlaskaACT have made increased tourism marketing funding high on the list, if not the number one priority for this legislative session. Increased marketing of Alaska was one of two requests made of Governor Parnell when he met with cruise industry representatives last spring in Miami. I thank you for your support of the reduction of head taxes, now I am asking you to help pave the way for a return of cruise business to Alaska- a vital part of Ketchikan and other coastal communities' tourism economy.

You have welcomed our association representatives into your office many times these past several years and know that our message hasn't changed. We need more dollars to market Alaska. More marketing will lead to more visitors, more visitors mean more state revenues, healthier local economies and more jobs for Alaskans. I know that you understand this, but we need your help in getting your colleagues in the House to understand as well. I appreciate your consideration, and ask that you do all you can to help us get HB160 approved.

Sincerely,

Patti Mackey
President & CEO

KETCHIKAN VISITORS BUREAU • 131 Front Street Ketchikan, Alaska 99901 • 907-225-6166
E-mail: pmackey@visit-ketchikan.com • www.visit-ketchikan.com

INTERNATIONAL
LONGSHORE &
WAREHOUSE
UNION

AFL-CIO



Local 200
Unit 16
PO Box 21352
Juneau, AK 99802

March 3, 2011

To: House Representatives, State of Alaska

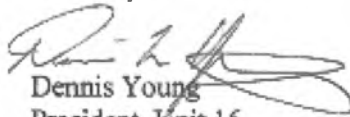
Re: HB 160 – Establishing the Alaska Visitor Industry Investment Fund

The ILWU is very supportive of this legislation introduced to establish and sustain a funding plan for Alaska's tourism marketing campaign. The goal of an annual \$20 million appropriation is a modest investment in an industry that is of vital importance to the State of Alaska's economy and one that will reap large benefits on behalf of tourism employees and small business' across the State.

We believe that Alaska should be as self-reliant, as possible, in marketing and not rely or beholden to "Outside Interests" that have their own agendas. If we market Alaska to the world than we control our own destiny and set the market whereby business (Airline, Cruise, Hotel, Tours etc.) will have an opportunity to grow with our industry. The adage "If you build it he will come!" is very true regarding Alaska it is the foundation upon which our Great State has grown upon in its short history.

The House EDTT efforts to create a new Alaska Visitor Investment Fund should not be pushed aside or tabled till next year. The time is now to re-invest in a vast renewable industry that is vital to Alaskans! As a voice for labor we see firsthand the benefits of the positive impact tourism has upon tourism employees, small business and local/borough government. We strongly encourage your support in re-establishing the Alaska Visitor Industry Investment Fund and the quick passage of this long overdue legislation.

Sincerely,


Dennis Young
President, Unit 16

"An Injury to One is an Injury to All"





Responsible Cruising in Alaska

February 14, 2011

Governor Sean Parnell

Box 110001

Juneau, Alaska 99811

Re: Funding for Tourism Marketing

Dear Governor,

In March 2010 you traveled to Miami for the Seatrade Cruise Conference and negotiated a conceptual decrease in the state passenger head tax with cruise ship executives. As a result, the Alaska Legislature adopted significant alterations to the existing cruise passenger taxation regime. Approximately one million Alaska cruise passengers will save \$28 each on their \$950 average ticket price in 2011, and the cruise industry is ecstatic their pleas for tax relief were heard. Now is the time to return to Miami to seek assistance from the cruise industry for Alaska travel marketing.

Here's why:

The current state subsidy for tourism marketing is \$16 million dollars, or 85% of the entire Alaska Travel Industry Association (ATIA) FY11 budget. ATIA is now attempting to increase the state subsidy to 90% for FY12 through efforts in the Alaska Legislature. ATIA claims an increased appropriation from the legislature is needed, although ATIA have been unable to raise more than \$2.7 million match from Alaska travel and cruise businesses. State of Alaska funding for tourism marketing was recently based on a 50/50% split, similar to the current cost-sharing match formula used by seafood processors and the state to market for Alaskan seafood.

You should lead the efforts to restore the industry share of ATIA's marketing back to a 50-50% match-partnership, and also request that the cruise industry fully participate in this partnership. But if the ATIA and the cruise industry fail to become equal partners with Alaska to market this beautiful state, consideration should be given to downsizing ATIA marketing of Alaska directly through the Department of Commerce & Community Development, with a smaller budget and much stricter performance measures than exist for the ATIA. In any event, ATIA and the marketing of Alaska tourism need your attention and assistance.

Box 21884, Juneau Alaska 99802

chipt@alaska.net

(907) 586-2117

You can help ATIA raise a sustainable \$7-10 million yearly from industry in order to receive a 50-50% state match for ATIA's marketing campaign. It is critical to resolve the yearly ATIA funding deficit, and you are in a perfect position to help ATIA market Alaska while maintaining good relations with the entire travel industry, whether based in Alaska or Miami. Your ability to facilitate substantial industry contributions to ATIA's program is enhanced by the following factors:

- ✓ The recession is over and luxury travel is booming again, worldwide.
- ✓ All cruise companies posted record profits in 2010.
- ✓ Alaska cruise ticket prices have increased 35% in 2010 & 2011, insuring a minimum of \$250 million in added industry revenues each year.
- ✓ Decreases in the Alaska cruise passenger fee save cruise lines \$25 million.
- ✓ The cruise executives you met with last year in Miami will listen to you about funding ATIA at a higher level, as their own revenues have increased so dramatically. Now is the time to propose an ATIA-industry funding partnership.

Tourism marketing for Alaska is at a pivotal point. ATIA must work harder to solicit and secure sustainable travel industry funding rather than continually seeking dedicated funds from the State of Alaska; essentially ATIA "earmarks" to market tourism from unrestricted funds in the state treasury. Consequently, I urge you to return with the ATIA and the Alaska Cruise Association (ACA) to this year's Seatrade Cruise Conference in Miami on March 14-17, 2011. Back-to-back trips by the Governor to this important industry event sends a clear message that Alaska is serious about the cruise industry, wants their continued business, and needs to partner with them on funding ATIA travel marketing.

This year the prime address at Seatrade is "*New and Emerging Source Markets and Deployment Strategies.*" If Alaska does not maintain a presence in Miami, bolstered by your attendance, the continued drift to Australia, Europe and eastern Canada will continue. It's time to partner up and fight for Alaska's cruise market share!

One caution is the possibility of rejection. Speaking with those in the cruise industry over the years, many are not persuaded that ATIA is a viable marketing group. Since the Alaska cruise industry already spends \$70 million per year on marketing (\$70 per individual passenger, \$140 per couple) and they fill every, single ship that comes to Alaska, (over 440 trips per year), it is obvious the cruise lines are very skilled marketers.

The cruise lines may consider ATIA marketing to be extraneous or sub-standard compared to their own efforts. I hope that's not the case. But if it is, you and your administration should work to downsize ATIA administrative overhead and focus their tourism marketing efforts on independent air travelers flying to the Railbelt and to other air hubs of the state. Although not as glamorous as the "low-hanging fruit" of cruise passengers, these affluent air travelers to Alaska rent the cars and hotel rooms, buy meals, and also fly to rural Alaska, unlike most cruise passengers. ATIA should be

ready and versatile to switch to this lucrative sector of 300,000 independent Alaska air travelers if the cruise lines reject further funding of their marketing efforts.

Thank you for considering how to assist ATIA funding appeals in Miami.

A handwritten signature in black ink, appearing to read "Chip Thoma". The signature is fluid and cursive, with the first name "Chip" being more prominent than the last name "Thoma".

Chip Thoma, President

Responsible Cruising in Alaska

2011 Air Flights To ANC, Alaska – RT, 0 Stops*

SEATTLE	Alaska Air (19x daily, summer), Continental
PORTLAND	“ (3x daily in summer)
CHICAGO	“ , Continental, American, Delta
SAN FRANCISCO	“ , Continental
LAX	“ , Delta
DENVER	“ , Continental, Frontier
LONG BEACH	Jet Blue
HOUSTON	Continental
DALLAS	American
PHOENIX	US Airways
PHILADELPHIA	US Airways
MINNEAPOLIS	Sun Country
SALT LAKE	Delta
ATLANTA	“
DETROIT	“
FRANKFURT	Condor
ZURICH	Edelweiss

* These airline departure points for direct flights to Alaska are the template for independent tourism in Alaska. Most flights are summer-only, and may be daily or twice a week. These independent tourists fly to the Railbelt, rent cars and hotel rooms, eat restaurant meals, drive to Denali and Fairbanks and fly to the Bush.

Hawaii: Visitor Arrivals, Spending Continue Gains

Date: Wednesday, January 26, 2011, 12:04pm HST - Last Modified:
Wednesday, January 26, 2011, 12:49pm HST

Related:

[Travel, Economic Snapshot](#)

December visitor spending in Hawaii totaled \$1.1 billion, up 17.9 percent from the amount spent in the state in 2009, according to [statistics](#) released Wednesday by the [Hawaii Tourism Authority](#).

Visitor spending for all of 2010 reached \$11.4 billion, a 16.2 percent increase when compared to 2009.

Visitor arrivals in December totaled 633,730, an increase of 9.6 percent when compared to December of last year; total visitor arrivals for 2010 increased 8.7 percent to 7.1 million compared to 2009.

Total arrivals have not been at such high levels since 2008, when 6.8 million people visited the Islands. The state saw highs of 7.6 million visitors in 2006 and in 2007, according to the report.

Customize

Media Shop

Longs Driv

Hawaii Real Estate Sales

Cruze LS



Example based on service. See your price. Yes! used. Payments are for a 2009. Repair transactions and a 1. 00 monthly payments cost to purchase at lease and to determine if lease option applies. Not available with other restrictions apply. Available delivery by 2011.

Business > Business News >

Post Retweet

Making a splash

Visitor counts from all major markets and spending rose for an 11th straight month

By Allison Schaefer

POSTED: 01:30 a.m. HST, Feb 25, 2011

3 retweet

[Share](#)

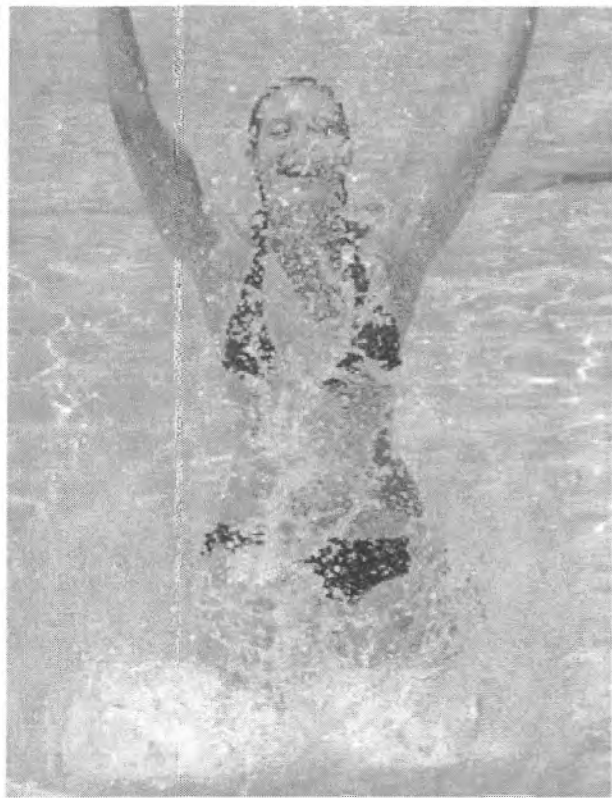
Hawaii achieved its 11th consecutive month of increased visitor spending and arrivals in January, and the outlook for a continued rebound is good as long as rising oil prices do not hurt the airline-dependent market.

Hawaii hosted 597,487 visitors last month, up 12.2 percent from a year ago, as arrivals from all major markets increased, according to preliminary statistics released yesterday by the Hawaii Tourism Authority. Arrivals from Canada grew 18.8 percent, the most of any market. Arrivals from Japan rose 18.7 percent, and they increased 12 percent from the U.S. West and 9.4 percent from the U.S. East. Cruise ship arrivals, which represent a much smaller portion of the market, saw a 22 percent rise.

Likewise, visitor spending rose 19.8 percent to \$1.2 billion. January's gain represented the ninth consecutive month of double-digit increases in overall spending.

"The sustained momentum is encouraging, but there continues to be many factors that can disrupt the recovery of Hawaii's tourism economy," said Mike McCartney, HTA president and chief executive officer.

Fuel prices, which have a direct impact on airfares and discretionary spending, are among the most critical issues facing tourism, McCartney said. Some 98 percent of January arrivals came by air, an indicator of the market's dependence on a stable airline industry and oil prices.



More Photos



VISITOR ARRIVALS

Two quarters through 2010, Hawaii's visitor arrivals are up 10.2% from the same period last year.

Month	2010	% Chg.
Jan.	1,000,000	+10.2%
Feb.	1,000,000	+10.2%
Mar.	1,000,000	+10.2%
Apr.	1,000,000	+10.2%
May	1,000,000	+10.2%
Jun.	1,000,000	+10.2%
Jul.	1,000,000	+10.2%
Aug.	1,000,000	+10.2%
Sep.	1,000,000	+10.2%
Oct.	1,000,000	+10.2%
Nov.	1,000,000	+10.2%
Dec.	1,000,000	+10.2%
Year	10,000,000	+10.2%

VISITOR SPENDING

Two quarters through 2010, Hawaii's visitor spending is up 10.2% from the same period last year.

Month	2010	% Chg.
Jan.	\$100,000,000	+10.2%
Feb.	\$100,000,000	+10.2%
Mar.	\$100,000,000	+10.2%
Apr.	\$100,000,000	+10.2%
May	\$100,000,000	+10.2%
Jun.	\$100,000,000	+10.2%
Jul.	\$100,000,000	+10.2%
Aug.	\$100,000,000	+10.2%
Sep.	\$100,000,000	+10.2%
Oct.	\$100,000,000	+10.2%
Nov.	\$100,000,000	+10.2%
Dec.	\$100,000,000	+10.2%
Year	\$1,000,000,000	+10.2%

LEADING INDICES

Two quarters through 2010, Hawaii's leading indices are up 10.2% from the same period last year.

Month	2010	% Chg.
Jan.	100,000	+10.2%
Feb.	100,000	+10.2%
Mar.	100,000	+10.2%
Apr.	100,000	+10.2%
May	100,000	+10.2%
Jun.	100,000	+10.2%
Jul.	100,000	+10.2%
Aug.	100,000	+10.2%
Sep.	100,000	+10.2%
Oct.	100,000	+10.2%
Nov.	100,000	+10.2%
Dec.	100,000	+10.2%
Year	1,000,000	+10.2%

Hawaii's dependence on air travel was further evidenced by the benefit it realized when Japan Airlines switched to larger aircraft, McCartney said. It drove domestic demand when United Airlines started direct service to Hilo from Los Angeles and San Francisco, and Alaska Airlines announced new daily service from Oakland and San Jose, Calif., to Maui, he said.

Petra and Marc Kirberg, who recently visited Oahu from San Francisco, are proof market momentum is continuing. They said that they'll return even though they have made more than 18 trips here between them and their children, 5-year-old Beck and 3-year-old Vaughn.

"This is a place where all the stars align," Petra Kirberg said. "We love Hawaii. It's safe and clean, and we don't worry about anything happening."

Still, some members of Hawaii's visitor industry have begun to worry that oil prices could dampen even Kirberg-level enthusiasm. There are signs rising oil prices and airfares have begun to change the market, said Jack E. Richards, president and CEO of Pleasant Holidays LLC, Hawaii's largest wholesaler.

The Associated Press reported that oil prices shot as high as \$103 a barrel yesterday as chaos in Libya disrupted crude supplies from the OPEC nation, and traders worried instability could spread to other oil-rich countries in the Middle East.

"We are getting to the point where prices will start to impact travel," Richards said. "Fuel surcharges from Asia are in the \$200s, and we saw domestic airfares rise by \$40 over the weekend."

January's momentum likely will continue into February and March since most of these bookings locked in rates before the oil price volatility started, he said.

"Looking further out, oil prices are the wild card," Richards said.

As a result, Pleasant Holidays has rolled out summer specials with prices more often seen during downturns rather than rebounds. The wholesaler is offering \$150 summer airfares for children accompanying adults to Hawaii. Travelers who book with the wholesaler's luxury branded Hawaii World subsidiary will get \$500 off airfare and complimentary Avis luxury rental cars in certain suite categories.

"We are greatly concerned of how oil prices will impact travel in May, June and July," Richards said.

When oil prices peaked at \$145 a barrel in 2008, Hawaii suffered, he said. Some customers put off booking long-haul trips, Richards said. Others chose to come to Hawaii for shorter stays or booked less expensive properties and fewer activities, he said.

Hoteliers also are concerned about oil's impact on booking pace, said Keith Vieira, senior vice president and director of operations for Starwood Hotels & Resorts in Hawaii and French Polynesia.

"The market is still driven by specials," Vieira said.

"We can't pull the plug on the specials or the market will dry up."

Welcome [chipt](#) | [account](#) | [newsletters](#) | [log out](#)

ALASKA'S NEWSPAPER

Anchorage Daily News
adn.com

UNCLE JOE'S Pizzeria
ORDER ONLINE
CLICK HERE
unclejoespizzeria.c
Dine-In, Take Out, & Deli

adn.com yellow pages Web Search powered by YAHOO! SEARCH

News Sports Outdoors Features Money Entertainment Opinion

Home | Alaska politics blog | Obituaries | Archives TV Listings | Movies | Music | Restaurants | Submit Event

Anchorage hotels rebound in 2010

Published: February 23rd, 2011 08:54 PM
Last Modified: February 23rd, 2011 08:54 PM

Anchorage hotel room sales grew 9 percent last year to total \$201 million, a sign of the recovering Lower 48 economy and a rebound in tourism.

More Tourism Industry stories »

- Anchorage hotels rebound in 2010
- Hotel, air, cruise ship tourism on the rise for Anchorage
- New rules may separate tour ships from Alaska seals
- Tourism promoters launch new TV ads
- Awards to aid groups that promote tourism

Story tools

- 0 Comments
- E-mail a friend
- Print
- Share on Facebook
- Digg this
- Seed Newsvine
- Send link via AIM
- Tweet this



Yahoo! Buzz

Font size : A | A | A

The **new numbers** from the Municipality of Anchorage, which collects a 12 percent tax on hotel rooms, show that last year's hotel room sales hit about the same level the city's lodging industry achieved in 2007.

But the \$201 million total was still 7 percent below the record **\$217 million reached in 2008.**

As for the actual tax collections, the room tax brought in \$19.6 million last year (not all rooms are taxed). That was up from \$18.3 million in 2008, but below the \$22.3 million peak of 2008.

ADVERTISEMENT

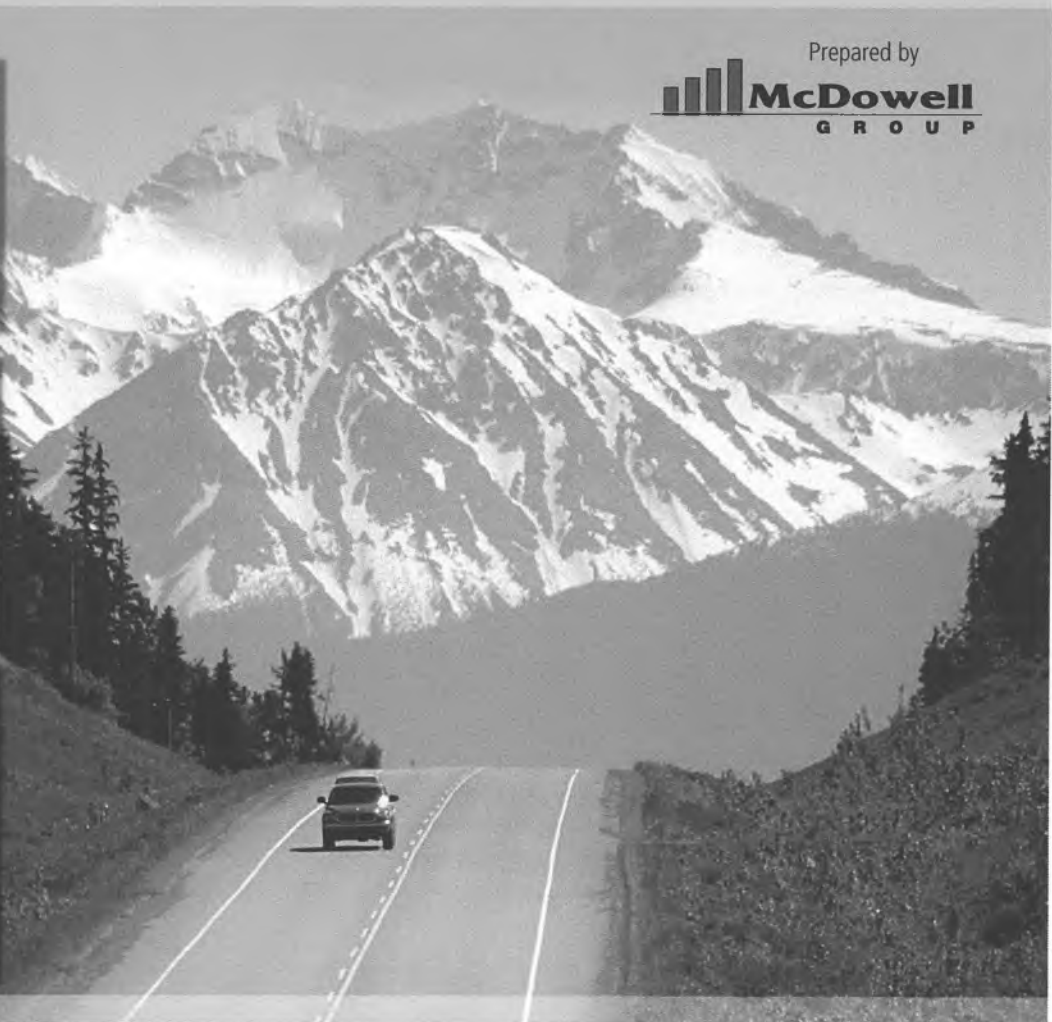
TOYOTA
New Year's Resolution
SALES EVENT
KENDALL
TOYOTA of ANCHORAGE
CLICK FOR SPECIAL OFFERS

Economic Impact of

Alaska's Visitor Industry

March 2010

Prepared by
 **McDowell**
GROUP



Prepared for

State of Alaska
Department of Commerce, Community,
& Economic Development

Office of Economic Development

Economic Impact of

Alaska's Visitor Industry

March 2010



Prepared for

State of Alaska
Department of Commerce, Community,
& Economic Development

Office of Economic Development

Table of Contents

Executive Summary	1
Introduction and Methodology	6
Introduction	6
Methodology	6
Visitor Volume	10
Visitor Volume, Summer 2009	10
Visitor Volume, Fall/Winter 2008-09	11
Visitor Industry Spending	12
Visitor Spending, Summer 2009	12
Visitor Spending, Fall/Winter 2008-09	14
Additional Visitor Industry Spending	15
Full Year Visitor Industry Spending	17
Economic Impact Analysis	18
Direct Employment and Labor Income Effects	18
Importance in Regional and Statewide Economies	20
Employment and Labor Income by Sector	20
Alaska's Visitor Industry: Recent Changes and Future Outlook	22
Decline in Visitor Industry, 2008 to 2009	22
Industry Outlook	28
Revenues to Municipal and State Governments	30
Summary	30
Municipal Tax Revenues	31
State of Alaska Revenues	33

Executive Summary

Introduction

The purpose of this study is to measure the economic impacts of Alaska's out-of-state visitors. The visitor industry is a challenging one to measure, reaching into a wide variety of economic sectors, including transportation, lodging, and retail, among others. The nationwide economic crisis of 2008-09 and accompanying drop in visitor traffic and spending added urgency to the need for up-to-date information on this critical component of Alaska's economy. The Alaska Department of Commerce, Community, and Economic Development contracted with McDowell Group to gauge the impacts of Alaska's visitor industry, including direct, indirect, and induced effects.

Visitor Volume and Spending

- An estimated 1.58 million out-of-state visitors traveled to Alaska between May and September 2009. Two-thirds of this total (1,026,600, or 65 percent) were cruise passengers. An additional 242,500 out-of-state visitors traveled to Alaska between October 2008 and April 2009.
- Visitor traffic to Alaska dropped an estimated 7.3 percent between summer 2008 and summer 2009, the largest decline since McDowell Group started tracking visitor traffic in 1985. The decrease occurred primarily in air passenger exits, which dropped an estimated 15 percent. Ferry exits fell 16 percent, and highway exits were down 8 percent.
- Declines in the air, ferry, and highway markets were moderated by flat cruise passenger volume between 2008 and 2009. However, cruise passengers traveled less within the state, more often choosing cruise-only packages (rather than cruise-plus-land tour packages).

Visitor Volume, by Exit Mode, Summers 2008 and 2009

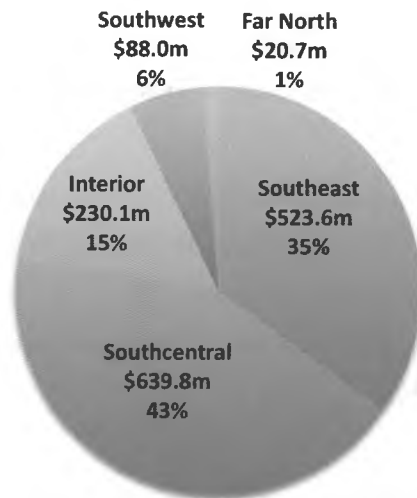
Exit Mode	2008	2009	% change
Air	800,600	684,400	-14.5%
Cruise ship ¹	836,500	835,000	-0.2%
Highway	59,900	55,200	-7.8%
Ferry	10,400	8,700	-16.3%
Total	1,707,400	1,583,300	-7.3%

¹ The total number of cruise ship visitors to Alaska in summer 2009 was 1,026,600, including passengers exiting Alaska by air after completing their cruise.

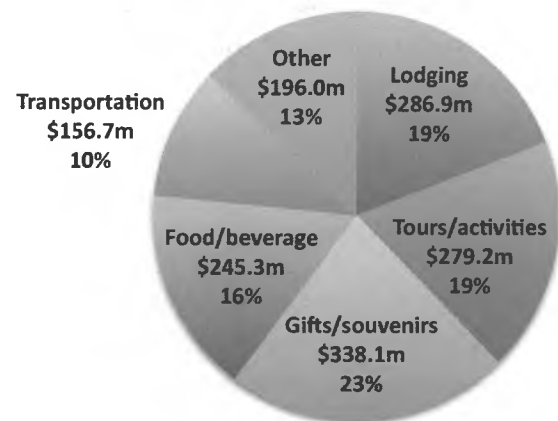
- Another impact felt by businesses throughout the state was lower spending levels. Many businesses were forced to lower their prices to compete for fewer visitors, and visitors themselves tended to spend less on everything from lodging to gifts and tours. A survey of 172 visitor industry businesses found that two-thirds of businesses experienced a decrease in gross sales to out-of-state visitors (11 percent reported an increase, 7 percent reported no change, and 14 percent didn't know). The average estimated change in gross sales among all surveyed businesses was a decline of 16 percent.

- A number of additional indicators reinforce the lower volume and spending estimates in summer 2009:
 - 13 percent decline in cruise passenger land tour volume
 - 16 percent decline in out-of-state visitors on the Alaska Marine Highway
 - Bed tax revenue declines (second and third quarter only) ranging from 10 percent in the Mat-Su, to 22 percent in Anchorage, to 30 percent in Sitka
 - 23 percent decline in Anchorage car rental tax revenues (second and third quarter only)
 - 16 percent decline in non-resident sportfishing license sales (calendar year 2008 to 2009).
- In contrast, fall/winter visitor volume was down only 2 percent from the previous fall/winter period (2007-08). However, surveyed businesses reported slightly larger declines in gross sales, an average of 8 percent. Some decreases were reported in bed tax revenues over this period, including a 6 percent decrease in Anchorage (first and fourth quarter only).
- Out-of-state visitors spent an estimated \$1.5 billion in Alaska during the study period of October 2008 through September 2009. This figure does not include spending on travel to enter and exit Alaska (such as cruise packages, ferry passage, or air tickets). Spending figures are based on visitor survey data from the 2006-07 *Alaska Visitor Statistics Program*, conducted by McDowell Group, adjusted to account for changes in overall visitor volume, volume by region, spending behavior, and inflationary factors. Spending was further adjusted to extract commissions that do not affect the Alaska economy.

**Visitor Spending, Oct. 2008-Sept. 2009
By Region**



**Visitor Spending, Oct. 2008-Sept. 2009
By Sector**



Total Visitor Spending: \$1.5 Billion

- Additional visitor industry spending that must be taken into account for the purposes of economic impact analysis includes spending by cruise lines, estimated at over \$300 million during the 2008-09 study period. The largest components of cruise line spending include employee payroll, payments to local and state government on taxes and fees, payments for transportation services, and payments to accommodations (on behalf of cruise/tour passengers traveling before or after their cruise, whose package price includes lodging).

- Crew members sailing on board cruise ships spent an estimated \$16 million while visiting Alaska ports.
- Further, the visitor spending above excludes spending to enter and exit the state. An estimated \$282 million in visitor spending on air and ferry tickets to enter and exit the state affects the Alaska economy.
- This additional \$610 million in spending by cruise lines, crew members, and visitors purchasing air and ferry tickets brings total *visitor industry* spending in 2008-09 to \$2.1 billion.

Visitor Industry Spending, October 2008-September 2009

	Expenditures
Visitor spending	\$1,502.2 million
Cruise line spending, cruise line labor income, and crew spending	\$328.4 million
Air and ferry tickets	\$282.2 million
Total spending	\$2.1 billion

Economic Impacts

- Direct visitor industry spending in Alaska of approximately \$2.1 billion in the 2008-09 study period directly generated 27,100 jobs in Alaska, and \$800 million in labor income.
- Indirect or secondary visitor-related spending totaled approximately \$1.3 billion. The statewide employment and income effects of \$1.3 billion in secondary spending are estimated at 9,100 jobs and \$346 million in labor income.
- In summary, Alaska's visitor industry accounted for a total of 36,200 full and part-time jobs in 2008-09, over \$1.1 billion in labor income, and \$3.4 billion in total spending, including all direct, indirect and induced effects.
- The visitor industry is strongly seasonal, with the vast majority of visitation occurring between May and September. Therefore, peak employment directly or indirectly connected to the industry is estimated at over 40,000 in 2009.
- Approximately half (49 percent) of visitor industry employment occurred in the Southcentral region, and slightly less than one-third (29 percent) in Southeast. About one in six (17 percent) visitor industry-related jobs were in the Interior region.

Total Visitor Industry Employment, Labor Income and Spending in Alaska, October 2008-September 2009 (including direct, indirect and induced effects)

	Employment	Labor Income	Spending
Southcentral	17,600	\$514 million	\$1,751 million
Interior	6,200	205 million	519 million
Southeast	10,600	373 million	1,004 million
Southwest	1,500	41 million	115 million
Far North	300	10 million	25 million
Total	36,200	\$1.1 billion	\$3.4 billion

- Compared to other Alaska regions, visitor industry employment is most important in the Southeast economy. The region's 10,600 visitor-related jobs represented 21 percent of the total 50,000 full and part-time jobs in Southeast. Total visitor industry-related labor income of \$373 million was 17 percent of total regional labor income of approximately \$2.2 billion.
- In Alaska's Interior region, 6,200 visitor industry-related jobs accounted for about 9 percent of employment (regional total of 65,500 jobs) and 6 percent of all labor income (regional total of \$3.4 billion).
- Visitor industry-related employment of 17,600 in Southcentral Alaska represented approximately 7 percent of total employment in the region (263,000 full and part-time jobs) and 4 percent of total labor income (approximately \$13.7 billion).
- Statewide visitor industry-related employment of 36,200 accounted for 8 percent of all employment in Alaska. Total statewide visitor industry-related labor income of \$1.1 billion represented 5 percent of all labor income in Alaska.

Impacts of Visitor Volume Changes

- The decline in visitor traffic between 2007-08 and 2008-09 was accompanied by an estimated \$270 million decline in visitor spending, a 15 percent drop.
- As a result of the decline in visitor spending in 2009, summer season visitor industry-related employment in Alaska was about 2,000 to 2,500 jobs below the 2008 level. Businesses likely addressed the decline in visitor sales with a combination of reductions in personnel and non-personnel costs. As such, the decline in employment in 2009 was less than proportional to the decline in sales.
- Alaska is facing a loss of more than 140,000 passengers in the 2010 cruise season, accompanied by a potential loss of up to \$150 million in direct and indirect spending in Alaska.

Revenues to Municipal and State Governments

- Visitor-related tax revenues to municipalities in 2008-09 totaled nearly \$70 million in sales and bed tax revenues and cruise line payments. Sales tax revenues are estimated at \$28.9 million, and bed tax revenues are estimated at \$23.5 million. In addition, cruise lines paid over \$17 million in dockage, moorage, and municipal passenger fees in 2009. Property taxes provide an additional revenue stream to municipalities.
- Visitor-related revenues to state government during the 2008-09 study period included \$139 million in cruise line fees, fishing/hunting licenses, vehicle rental taxes, revenues to Alaska Marine Highway and Alaska Railroad, and corporate income taxes. Cruise lines alone paid \$58 million in commercial passenger vessel fees, gambling taxes, Ocean Ranger Program fees, and Environmental Compliance Program fees.

**Selected Revenues to Municipal and State Governments
October 2008-September 2009**

	Revenues
Municipal Revenues	\$69.8 million
Sales tax revenues	\$28.9 million
Bed tax revenues	\$23.5 million
Dockage/moorage revenues	\$17.4 million
State of Alaska Revenues	\$138.8 million
Commercial Passenger Vessel Tax	\$46.4 million
Passenger Gambling Tax	\$6.3 million
Ocean Ranger Program	\$4.0 million
Commercial Passenger Vessel Environmental Compliance Program	\$1.0 million
Non-resident fishing/hunting/trapping licenses and tags	\$17.1 million
Alaska Marine Highway revenues	\$17.6 million
Alaska Railroad revenues	\$19.4 million
Vehicle rental tax	\$5.6 million
Corporate income tax	\$21.4 million
Total Selected Revenues	\$208.6 million

Introduction and Methodology

Introduction

The most recent comprehensive assessment of the economic impact of Alaska's non-resident visitor industry was conducted in 1999 (by McDowell Group).¹ Since then, visitor volume has increased substantially, as has visitor spending and the number of visitor industry businesses, warranting re-assessment of the economic impact of one of Alaska's most important basic industries. Recent changes in Alaska's visitor industry added urgency to the need for an up-to-date economic impact measurement. The global economic recession in late 2008 and 2009 fundamentally affected Alaska visitor traffic and spending.

The Alaska Department of Commerce, Community, and Economic Development contracted with McDowell Group to measure the regional and statewide economic impact of Alaska's visitor industry in fall 2008 through summer 2009, including direct, indirect and induced effects. In addition to measuring visitor-related spending, employment, payroll and tax payments over a one-year period, the study provides objective, quantitative information on how recent events have affected Alaska's visitor industry.

Methodology

Visitor Volume

The last primary data collection on visitor volume was conducted (by McDowell Group) in 2006-07 as part of the *Alaska Visitor Statistics Program V (AVSP)*. Visitor/resident ratios were collected at airports, onboard ferries, and at border stations as visitors exited Alaska. Since 2006-07, McDowell Group has estimated visitor volume by applying 2006-07 visitor/resident ratios, by month and location, to traffic statistics (ferry embarkations, highway exits, and airplane enplanements). Prior to this study being undertaken, this exercise was completed for the study periods (fall/winter 2008-09 and summer 2009). Sources for traffic data included: Cruise Line Agencies of Alaska, Alaska Marine Highway System, Yukon Department of Tourism and Culture, Alaska Airlines, and the Anchorage and Fairbanks airports.

Since the 2009 season was so different from previous years in terms of visitor volume, and because it has been three years since the original ratios were determined, the original summer 2009 visitor volume estimates were adjusted to more accurately reflect the latest visitor season.

In order to gather information on the 2009 season, and how it differed in terms of visitor volume and spending from previous seasons, a survey of visitor industry businesses was conducted in early 2010. A total of 172 businesses were interviewed by the study team. Specific businesses were targeted in order to obtain a representative cross-section of visitor businesses across business type and location, as well as businesses representing the largest amount of visitors (cruise lines, Alaska Railroad, Alaska Airlines, etc.). Most businesses

¹ The Office of Economic Development commissioned a Tourism Satellite Account in 2004 that measured the economic impact of all travel and tourism activity in the state; however, the data from that study is not comparable with this study or previous studies.

were selected from the mailing list of the Alaska Travel Industry Association. Other sources included the websites of Convention and Visitors Bureaus and *The Milepost* guidebook.

Businesses were asked about their visitor markets (cruise, air, highway/ferry), seasonality, and percentage increase or decrease from 2008 to 2009 in both visitor volume and gross sales, among other questions. Nearly all businesses contacted were willing to participate, and often offered additional perspectives on the 2009 season, and/or described factors affecting their particular business.

Additional sources considered in the volume adjustments included:

- Information provided by Alaska Airlines and Alaska Marine Highway on resident travel.
- Land tour passenger volume data provided by cruise lines.
- Bed tax revenues collected from the following municipalities and boroughs: Anchorage, Fairbanks, Denali, Juneau, Mat-Su, Sitka, and Valdez. (Other communities either did not have a bed tax or were unable to provide 2009 data.)
- Vehicle rental tax revenues collected from the Municipality of Anchorage.
- Fishing and hunting license sales data from the Alaska Department of Fish and Game.
- Previous studies conducted by McDowell Group, including economic impact studies for the Juneau Convention and Visitors Bureau, Ketchikan Visitors Bureau, and the Alaska Cruise Association.
- Employment data from the Alaska Department of Labor and Workforce Development.

Fall/winter visitor volume was not adjusted, reflecting the flat traffic trends and little change reported in the business survey.

Visitor Spending

As with visitor volume, the last primary data collection on visitor spending was conducted for AVSP V in 2006-07. The survey of visitor businesses conducted for this study provided valuable data on how visitor spending changed in 2009 compared to previous seasons. Another important source of information was shore excursion sales data provided by cruise lines, showing changes in cruise passenger spending patterns over the last several years.

All of the sources cited above (bed tax revenues, vehicle rental tax revenues, and previous economic impact studies) were taken into consideration in determining the spending adjustments. Inflation was also accounted for, by economic sector, based on the Anchorage Consumer Price Index.

Additional Visitor Industry Spending

Additional visitor industry spending includes cruise line spending, crew member spending, and spending on air and ferry tickets to enter and exit Alaska.

- Cruise line spending was derived from expenditure and payroll data provided by cruise lines for a study of the 2007 season, prepared for Alaska Cruise Association (ACA granted permission to use this data for the current study). Spending was adjusted to account for inflation as well as the drop in land tour volume between 2007 and 2009. (Overall passenger volume was flat between the two years.)
- Crew member spending was based on previous surveys of crew members conducted by McDowell Group, modified to account for changes in crew member volume by port.
- Spending on air tickets was based on average Seattle-Alaska airfares, estimated volume by location, and an assumption that roughly half of spending on air tickets to enter and exit Alaska actually stays in Alaska.
- Spending on ferry tickets was based on reported spending in AVSP V, adjusted for inflation, and estimated visitor volume entering and exiting Alaska via ferry. All spending on ferry tickets was assumed to stay in Alaska.

Economic Impact Analysis

McDowell Group maintains an Excel-based visitor industry economic impact model for assessing the effects of visitor industry-related spending in Alaska. Estimates of direct visitor industry employment and payroll are derived from visitor industry spending estimates, and verified using employment and payroll data from the Alaska Department of Labor and Workforce Development and U.S. Bureau of Economic Analysis. The model incorporates IMPLAN multipliers to estimate indirect and induced impacts. IMPLAN is a predictive input-output model of local and state economies, and is widely used to measure the economic impact of industries and industrial/commercial development. Indirect effects include those jobs and income created as a result of visitor industry businesses purchasing goods and services in support of their business operations. Induced effects include jobs and income created as a result of employees of the visitor industry spending their payroll dollars in support of their households. Together, indirect and induced impacts are often termed “multiplier effects.”

Visitor Industry Tax Revenues

The report includes estimates of tax revenues to municipalities and state government from out-of-state visitors, to the extent possible.

Regional sales tax revenue estimates were calculated based on visitor industry spending and visitor volume at the community and regional level. Bed tax revenues were based on data from the business survey (where accommodations reported the percentage of their business from out-of-state visitors) as well as previous visitor volume and survey research. For both bed and sales tax estimates, tax rates and total taxes collected by community (from the *Alaska Taxable* report, 2009) were taken into account in the analysis. Total calendar year 2009 taxes were assumed as a proxy for the study period of October 2008 through September 2009. Cruise ship dockage/moorage revenues were collected from municipalities.

Cruise line payments to the State of Alaska were reported by the Departments of Revenue and Environmental Conservation. Fishing and hunting licenses and tag revenues were reported by the Department of Fish and

Game. Vehicle rental taxes were reported by the Department of Revenue, adjusted to account for out-of-state visitors (using business survey results). The Department of Revenue also reported corporate income taxes associated with the visitor industry. An Alaska Railroad official reported passenger-related revenues and the percentage attributable to out-of-state visitors.

Visitor Volume

Visitor Volume, Summer 2009

An estimated 1.58 million out-of-state visitors came to Alaska between May and September, 2009. Over half of these visitors (53 percent) exited the state via cruise ship; 43 percent exited via air; 3 percent exited via highway; and 1 percent exited via ferry.

Because some cruise ship visitors exit the state by air after completing their cruise, it is also useful to consider volume in terms of cruise and non-cruise visitors. As the chart below shows, 65 percent of all summer visitors spent at least one night on a cruise ship while in Alaska.

Chart 1
Alaska Visitor Volume, Summer 2009
By Exit Mode

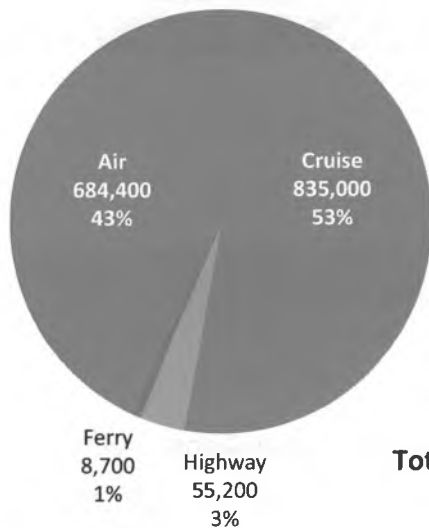
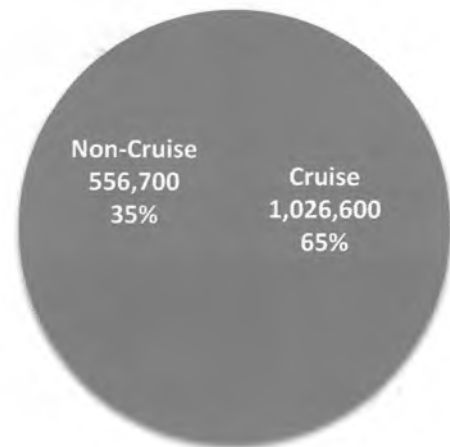


Chart 2
Cruise Market Share, Summer 2009



Total Visitors: 1.58 million

Visitor Volume Decline, 2008 to 2009

Visitation to Alaska dropped an estimated 7.3 percent between summer 2008 and 2009. While cruise passenger volume remained essentially the same, air visitor traffic decreased by 15 percent (from 800,600 to 684,400). Highway exits were down by 8 percent, while ferry exits decreased by 16 percent. (See table, next page.)

The visitor volume figures for air, ferry, and highway are based on visitor/resident ratios collected in summer 2006.² Additional information was taken into account to adjust the 2006 ratios, including: a survey of 172 visitor businesses on their 2009 season; reports from air carriers and the Alaska Marine Highway on resident travel; reports from cruise lines on in-state travel; and changes in bed tax revenues reported by municipalities.

² Because cruise passengers are assumed to be 100 percent visitors, and cruise passenger data is more measurable, there is less uncertainty in the cruise volume figures.

The overall decline of 7.3 percent may appear low in light of the larger decreases felt by many businesses in the state. It is important to keep several factors in mind when considering the overall decrease:

- Total cruise passenger traffic was flat; because cruise visitors represent two-thirds of overall visitation, this moderated the significant declines in the other modes.
- While total cruise passenger volume to Alaska did not change, there was a significant decrease in the number of passengers who purchased land tours, translating to less in-state travel, particularly to Fairbanks and Denali. These decreases are not reflected in total traffic volume.
- Because visitors were reportedly spending less money while in Alaska, their impact in terms of dollars spent was more dramatic than their decrease in volume.

Please see the chapter in this report on "Recent Changes" for a more detailed discussion on the summer 2009 visitor season, along with survey data and other indicators.

Table 1
Visitor Volume, by Exit Mode, Summers 2008 and 2009

Exit Mode	2008	2009	% change
Air	800,600	684,400	-14.5%
Cruise ship ¹	836,500	835,000	-0.2%
Highway	59,900	55,200	-7.8%
Ferry	10,400	8,700	-16.3%
Total	1,707,400	1,583,300	-7.3%

¹ The total number of cruise ship visitors to Alaska in Summer 2009 was 1,026,600, including passengers exiting Alaska by air after completing their cruise.

Visitor Volume, Fall/Winter 2008-09

An estimated 242,500 out-of-state visitors came to Alaska between October 2008 and April 2009. Nearly all of these visitors (95 percent) exited the state via airplane, while 5 percent exited via highway or ferry. Fall/winter 2008-09 saw a slight (2.0 percent) decrease in visitor volume from fall/winter 2007-08. Air visitor exits were down by 1.9 percent, and highway visitor exits were down by 4.0 percent. While ferry volume increased, it had little impact on overall volume, as ferry exits represent less than 1 percent of all fall/winter visitors.

(These estimates are unchanged from the previously published report on fall/winter visitor volume 2008-09. The survey of visitor businesses revealed no significant changes in visitation between 2007-08 and 2008-09. Please see the chapter on "Recent Changes" for more detailed survey results.)

Table 2
Visitor Volume, by Exit Mode, Fall/Winter 2008-09

Exit Mode	Number of Visitors
Air	231,300
Highway	9,700
Ferry	1,500
Total	242,500

Visitor Industry Spending

The spending figures presented below are based on survey data from the 2006-07 *Alaska Visitor Statistics Program V*, conducted by McDowell Group for the Alaska Department of Commerce, Community, and Economic Development. To update these spending figures to 2008-09, the study team took into account changes in the visitor market since 2006-07 in terms of visitor volume, visitor type, and spending behavior. Information sources for estimating the effects of these changes included:

- Survey of 172 visitor businesses on changes in their business in terms of both volume and sales from previous seasons. (For detailed survey results, please see the chapter on "Recent Changes.")
- Traffic data including air passenger data from airports and Alaska Airlines; ferry passenger data from the Alaska Marine Highway; cruise passenger data from Cruise Line Agencies of Alaska; and highway border traffic from the Yukon Department of Tourism and Culture and U.S. Customs.
- Data on cruise passenger spending on shore excursions provided by cruise lines.
- Land tour passenger volume data provided by cruise lines.
- Bed tax revenues collected from the following municipalities and boroughs: Anchorage, Fairbanks, Denali, Juneau, Mat-Su, Sitka, and Valdez. (Other communities either did not have a bed tax or were unable to provide 2009 data.)
- Vehicle rental tax revenues collected from the Municipality of Anchorage.
- Inflation factors, by economic sector, based on the Anchorage Consumer Price Index.
- Employment data from the Alaska Department of Labor and Workforce Development.

Visitor Spending, Summer 2009

Out-of-state visitors to Alaska spent an estimated \$1.31 billion in Alaska between May and September 2009. This figure includes instate spending only, excluding the cost of transportation to and from the state, such as air tickets, cruise or cruise/tour packages, and ferry tickets.

While cruise visitor spending on cruises and cruise/tour packages is excluded in this figure, cruise line spending in Alaska is accounted for in the economic impact analysis, and is addressed further, below. This spending includes payments to hotels, motorcoach companies, the Alaska Railroad, and other components of land tours that are included in the cruise package price.

For the purposes of this study, tour commissions were extracted from passenger spending data because they accrue directly to travel agents, tour operators, and cruise lines at the time of the sale.

Spending by Region

In the 2006 AVSP survey, respondents were asked to estimate how much they spent in each community they visited. This spending was updated to reflect 2009 visitation by region and changes in spending behavior, among other factors. The chart below shows how summer visitor spending is distributed throughout the state. Southeast and Southcentral account for the bulk of visitor spending at 39 percent each, followed by the Interior at 15 percent, Southwest at 6 percent, and Far North at 1 percent.

Spending by Sector

In the 2006 AVSP survey, respondents were asked to estimate how much they spent by spending category (lodging, tours/activities/entertainment, gifts/souvenirs/clothing, food/beverage, cars/fuel/ transportation, and other). Spending estimates were updated to reflect changes in visitor volume and spending behavior in 2009. Total spending by sector is presented in the chart below.

Visitor spending is widely distributed, with no one category accounting for more than one-quarter of spending. The largest sectors were gifts/souvenirs/clothing at 23 percent, tours/activities/entertainment at 21 percent, and lodging at 17 percent. Readers are reminded that all tour commissions have been excluded from the tours/activities category. The "other" category is primarily spending on lodge packages within one community.

Chart 3
Visitor Spending, Summer 2009, by Region

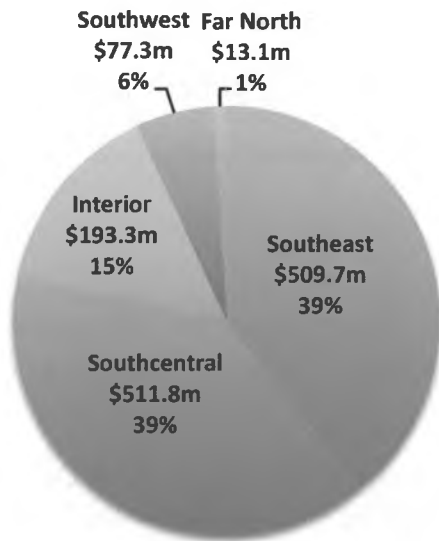
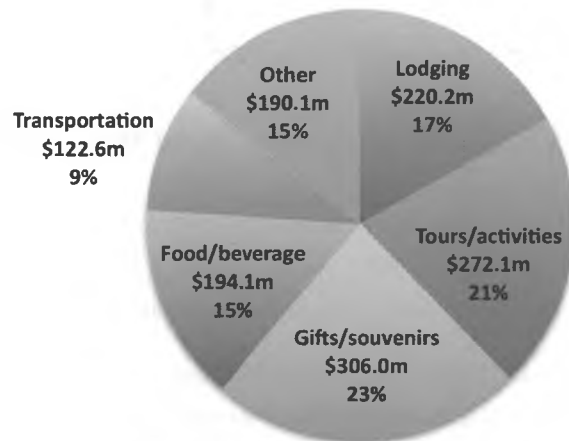


Chart 4
Visitor Spending, Summer 2009, by Sector



Total Summer Visitor Spending: \$1.3 Billion

Visitor Spending, Fall/Winter 2008-09

Out-of-state visitors spent an estimated \$197 million in Alaska between October 2008 and April 2009. This figure excludes spending on air and ferry travel to enter and exit the state. Like the summer spending figures, the basis for the fall/winter spending estimates is survey results from 2006-07. However, fewer adjustments were necessary to update these figures: volume only dropped by 2 percent between 2007-08 and 2008-09 (3 percent since 2006-07), in contrast to summer traffic. The data was updated to reflect a small decrease reported in the business survey and corroborated in other data such as bed and vehicle tax revenues. It was also adjusted to reflect the effects of inflation, by sector.

Spending by Region

In contrast to summer season spending, fall/winter visitor spending is much more focused in the Southcentral region, which accounts for two-thirds of all fall/winter spending. This reflects the much higher visitor traffic to the Southcentral region, nearly all of it to Anchorage. One-fifth of spending occurs in the Interior region, while Southeast, Southwest, and Far North each account for less than 10 percent of fall/winter spending.

Spending by Sector

Fall/winter visitor spending is more focused in the lodging and food/beverage categories when compared to the summer season, when gifts/souvenirs and tours/activities are the top two spending categories. This different spending pattern reflects the very different make-up of the fall/winter market: few visitors are shopping for vacation/pleasure purposes, and instead are much more likely to be traveling for business or to visit friends or relatives. They are therefore much less likely to participate in tours or purchase souvenirs.

Chart 5
Visitor Spending, Fall/Winter 2008-09
By Region

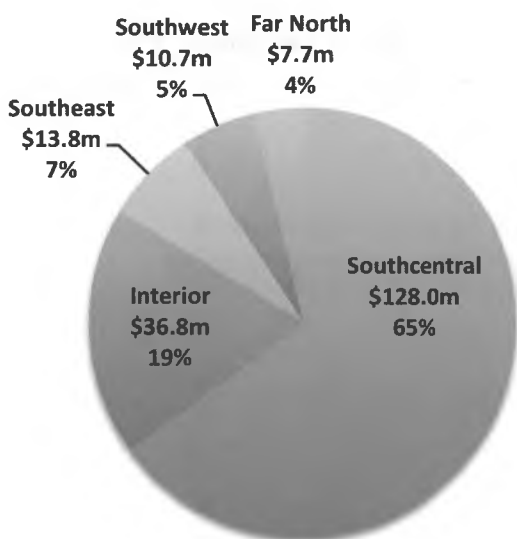
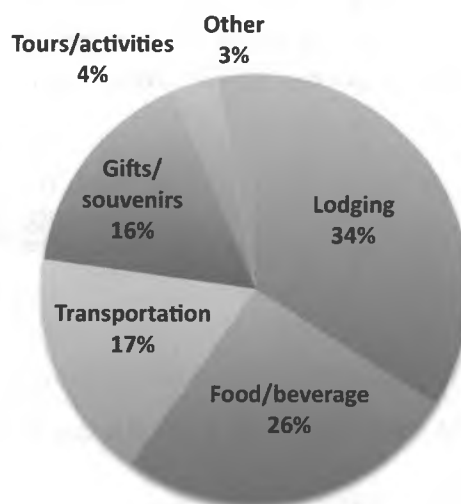


Chart 6
Visitor Spending, Fall/Winter 2008-09
By Sector



Total Fall/Winter Visitor Spending: \$197 Million

Additional Visitor Industry Spending

Cruise Line Spending and Payroll

Cruise lines and their subsidiaries spent approximately \$250 million on goods and services from Alaska businesses during the 2008-09 study period. This estimate is derived from detailed 2007 purchasing information provided by six major cruise lines for a report conducted by McDowell Group on cruise industry impacts for the Alaska Cruise Association. (Permission was granted by ACA to use the cruise line data for the purposes of this study.) The data was sorted to eliminate spending outside of Alaska, as well as payments to tour vendors accounted for under passenger spending.

To develop an estimate of 2009 cruise line spending, the 2007 spending data was adjusted to account for differences in the cruise market between 2007 and 2009, including a drop in land tour participation. (Total passenger volume was essentially the same between the two years.) The 2007 data was also adjusted to account for the effects of inflation.

One-third of all cruise line spending accrues to government in the form of taxes and fees. Transportation spending accounts for over one-fifth of all cruise line spending, while the accommodations sector receives 17 percent of all spending.

In addition to spending in Alaska on goods and services, cruise lines also paid their Alaska employees a total of approximately \$62 million in payroll and benefits. Cruise lines directly employed approximately 1,800 workers in Alaska in 2009, including motorcoach drivers, hotel employees, and other shoreside personnel. This does not include any shipboard personnel.

Crew Spending

Approximately 25,000 crew members visited Alaska in 2009, each crew member generally sailing on 10 to 20 individual voyages, visiting multiple communities on each voyage. Crew members make a wide variety of purchases while in port: they visit restaurants and bars; they purchase communication-related items such as phone cards, Internet, and postage; and they visit retail outlets such as Fred Meyers, Costco, and Wal-Mart. Spending data for crew is primarily based on surveys of crew members previously conducted by McDowell Group, updated to reflect 2009 crew member visitation.

Table 3
Crew Member Spending, By Region, Summer 2009

	Total Spending
Southeast	\$16.1 million
Southcentral	\$0.3 million
Total	\$16.4 million

Visitor Spending on Air and Ferry Travel

AIR TRAVEL

Although visitors did not report their spending on airplane tickets to enter and exit the state in the 2006-07 AVSP, a rough estimate is necessary to complete the picture of visitor spending in 2008-09. Visitor spending

on air travel impacts the state's economy in the form of landing fees, fuel purchases, airline employee wages, and other purchases in support of airline operations.

To estimate visitor spending on air travel, the estimated number of air visitors was multiplied by average Seattle-Alaska round-trip fares, for both summer (\$600) and fall/winter (\$500). One-half of the total ticket spending was assumed to stay in-state. Spending was distributed by region based on exiting air traffic. This methodology is inexact: passengers fly to and from various destinations with various pricing, and many passengers fly to or from points other than Seattle. In the absence of more specific data, this provides a reasonable and conservative estimate of impacts from visitor spending on airfare in and out of the state. (See table, below.)

FERRY TRAVEL

Similar to airplane tickets, spending on ferry tickets to enter and exit Alaska are not included in the initial visitor spending estimates because the expenditures are not "out-of-pocket." To estimate this spending, the total number of visitors estimated to have entered or entered Alaska by ferry from fall 2008 through summer 2009 was multiplied by the average spending on ferry tickets reported in AVSP, with adjustments for inflation. This results in a total spending estimate of \$11.4 million. This does not include spending on in-state ferry travel by visitors, which is captured elsewhere in the expenditure data. For the purposes of economic impact analysis, all ferry spending is attributed to Southeast because all ferries entering and exiting Alaska sail between Southeast ports and Bellingham or Prince Rupert (though visitors sailing to Southcentral and Southwest ports clearly have economic benefit to those regions).

Table 4
Visitor Spending on Air and Ferry Travel to Enter/Exit Alaska
October 2008-September 2009

	Air Travel	Ferry Travel
Southcentral	\$209.0 million	n/a
Southeast	\$25.5 million	\$11.4 million
Interior	\$36.3 million	n/a
Total	\$270.8 million	\$11.4 million

Full Year Visitor Industry Spending

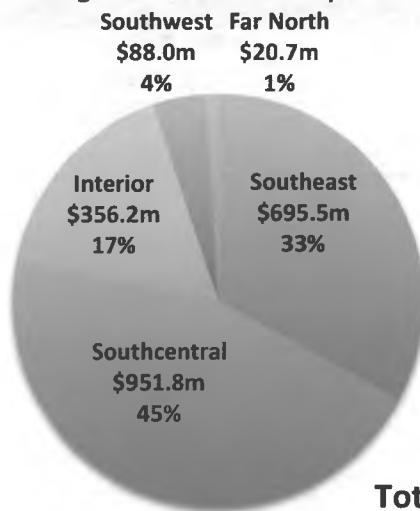
The table below shows full year (October 2008 through September 2009) visitor industry spending, combining the spending by visitors, cruise lines, and crew members, along with spending on air and ferry tickets to enter/exit Alaska. The total figure of \$2.1 billion is primarily focused on visitor spending, which accounts for 71 percent of total spending.

Table 5
Visitor Industry Spending, October 2008-September 2009

	Expenditures
Visitor spending	\$1,502.2 million
Cruise line spending	\$250.0 million
Cruise line payroll spending	\$62.0 million
Crew member spending	\$16.4 million
Air tickets	\$270.8 million
Ferry tickets	\$11.4 million
Total spending	\$2.1 billion

The chart below shows how visitor industry spending is distributed by region. Regionally, Southcentral captures the largest share at 45 percent, followed by Southeast at 33 percent, Interior at 17 percent, Southwest at 4 percent, and Far North at 1 percent.

Chart 7
Visitor Industry Spending, October 2008-September 2009, By Region



Total Spending: \$2.1 Billion

Economic Impact Analysis

Spending in Alaska by visitors and visitor industry businesses creates jobs, income, and business activity throughout the Alaska economy. Visitor spending creates jobs and payroll with tour companies, hotels and lodges, retail establishments, transportation providers, and a range of other business. Visitor industry businesses and their employees in turn re-spend a portion of that money with other Alaska businesses (some is spent outside Alaska).

For most industries in Alaska, it is possible to rely on government agencies to routinely report employment and payroll. However, because visitor activity directly affects a blend of numerous other industries (retail, transportation, services, and others) there are no regularly published data on visitor industry employment and payroll, either in Alaska or elsewhere in the U.S. Tourism "satellite accounts" have been developed for the purpose of isolating and measuring tourism economic activity; however, these efforts still fail to provide a true measure on tourism activity in Alaska because resident travel is included in the analysis. Therefore, for a pure analysis of the economic impact of non-resident visitor travel to Alaska, custom research and modeling is required. McDowell Group maintains an Excel-based visitor industry economic impact model for assessing the effects of visitor industry-related spending in Alaska.

All impact analysis refers to the October 2008 through September 2009 study period, abbreviated to "2009."

Direct Employment and Labor Income Effects

The visitor industry's direct economic impacts include the jobs and income created by:

- Non-resident visitor spending on all goods and services purchased while in Alaska.
- Half of visitor spending on air travel to Alaska (based on fares for travel from Seattle to Alaska destinations) and all visitor spending on Alaska Marine Highway tickets. None of the expenditures made by cruise passengers on their cruise package is included, though some of that money flows through the state in the form of cruise line purchases of goods and services.
- Spending in Alaska by cruise lines in support of their operations, including payroll for their shoreside employees in Alaska and all taxes and fees paid to state and local governments.
- Spending by cruise ship crew while in Alaska.

As described in the previous chapter, all these components of direct visitor industry spending totaled approximately \$2.1 billion in the 12-month study period. This spending directly generated 27,100 full- and part-time jobs in Alaska, and \$800 million in labor income, based on McDowell Group's economic impact modeling. Approximately half (46 percent) of direct visitor industry employment is in the Southcentral region, and approximately one-third (31 percent) is in Southeast.

Table 6
Visitor Industry Employment and Labor Income in Alaska, 2009
(direct effects only)

	Employment	Labor Income
Southcentral	12,600	\$349 million
Interior	4,900	154 million
Southeast	8,300	256 million
Southwest	1,100	30 million
Far North	200	8 million
Total	27,100	\$797 million

These employment and labor income estimates do not include multiplier effects, i.e., those jobs and income created in Alaska as the visitor dollar is re-spent by visitor industry businesses and their employees. In fact, modeling indicates that this secondary spending totaled approximately \$1.3 billion. That amount, added to the initial direct spending of \$2.1 billion, indicates total direct, indirect and induced spending of approximately \$3.4 billion in 2009. The statewide employment and income effects of \$1.3 billion in secondary spending are estimated at 9,100 jobs and \$346 million in labor income. Regional direct and indirect employment and labor income totals are presented in the following tables.

Table 7
Direct, Indirect, and Total Visitor Industry Employment in Alaska, 2009

	Direct	Indirect	Total
Southcentral	12,600	5,000	17,600
Interior	4,900	1,300	6,200
Southeast	8,300	2,300	10,600
Southwest	1,100	400	1,500
Far North	200	100	300
Total	27,100	9,100	36,200

Table 8
Direct, Indirect, and Total Visitor Industry Labor Income in Alaska, 2009

	Direct	Indirect	Total
Southcentral	\$349 million	\$165 million	\$514 million
Interior	154 million	51 million	205 million
Southeast	256 million	117 million	373 million
Southwest	30 million	11 million	41 million
Far North	8 million	2 million	10 million
Total	\$797 million	\$346 million	\$1,143 million

In summary, Alaska's visitor industry accounted for a total of 36,200 jobs in 2009, and over \$1.1 billion in labor income, including all direct, indirect and induced effects. It should be noted that this estimate of visitor industry-related employment is a tally of the total number of full and part-time jobs linked to non-resident visitor travel to Alaska in 2009. This tally includes annual average wage and salary employment, and total proprietors' employment (the total number of sole proprietorships or partnerships active at any time during the year). Though non-resident travel to Alaska occurs year-round, the visitor industry is strongly seasonal, with the vast majority of visitation occurring between May and September. Because of the seasonal nature of

the industry, estimates of annual average employment understate the total number of people directly employed in the industry during the peak of the travel season. In the accommodations sector, for example, wage and salary employment averaged about 7,700 jobs in 2009. Peak employment that year, in July, totaled 11,000 jobs. Alaska's "scenic & sightseeing transportation" sector is even more seasonal, with annual average employment of about 1,800 and peak employment of about 3,800, according to Alaska Department of Labor and Workforce Development data. Therefore, while this study measured 36,200 full and part-time jobs related to Alaska's visitor industry, the total number of workers whose jobs are directly or indirectly connected to the industry was over 40,000 in 2009.

Table 9
Total Visitor Industry Employment, Labor Income, and Spending in Alaska, 2009
(including direct, indirect, and induced effects)

	Employment	Labor Income	Spending
Southcentral	17,600	\$514 million	\$1,751 million
Interior	6,200	205 million	519 million
Southeast	10,600	373 million	1,004 million
Southwest	1,500	41 million	115 million
Far North	300	10 million	25 million
Total	36,200	\$1.1 billion	\$3.4 billion

Importance in Regional and Statewide Economies

Proportionately, visitor industry employment is most important in Southeast Alaska. Visitor industry-related employment of approximately 10,600 represented 21 percent of the region's 50,000 full and part-time jobs. Total visitor industry-related labor income of \$373 million was 17 percent of total Southeast region labor income of approximately \$2.2 billion.³ In the Interior region the visitor industry accounted for about 9 percent of employment (out of a regional total of 65,500 jobs) and 6 percent of labor income (out of a regional total of \$3.4 billion).

Total Southcentral employment of 17,600, represented approximately 7 percent of total employment in the region (about 263,000 full and part-time jobs) and 4 percent of total labor income (approximately \$13.7 billion).

Statewide, visitor industry-related employment of 36,200 accounted for 8 percent of all employment. Total statewide visitor industry-related labor income of \$1.1 billion represented 5 percent of all labor income in Alaska.⁴

Employment and Labor Income by Sector

Jobs created as a direct result of visitor spending are concentrated in five sectors of Alaska's economy. Visitor spending directly accounted for 4,200 accommodations jobs in 2009, 3,500 jobs with firms providing tours and other visitor activities, and 4,500 retail jobs. Visitor spending also directly generated 4,400 jobs with

³ Based on Bureau of Economic Analysis employment and labor income data for the Southeast region in 2007.

⁴ Based on BEA employment and labor income data for the Alaska in 2008.

restaurants/bars and 2,700 jobs with transportation providers. Another 2,600 jobs were scattered among a number of other sectors of the Alaska economy, as a direct result of visitor spending.

Spending by cruise lines was also broadly distributed throughout the Alaska economy, creating jobs in the same sectors as those affected by visitor spending, plus jobs in professional and business services, wholesale businesses, and construction, among others, and in the government sector as a result of tax payments to state and local governments.

Indirect and induced jobs linked with the visitor industry are the most broadly distributed throughout the Alaska economy and includes all of the sectors that provide goods and services to Alaska businesses and households – virtually the entire service and support sector.

Table 10
Visitor Industry Employment and Labor Income, with Sector Detail, 2009

	Employment	Labor Income
Direct jobs from visitor spending		
Accommodations	4,200	\$101 million
Tours & Activities	3,500	140 million
Retail	4,500	102 million
Food/Drink Services	4,400	91 million
Transportation	2,700	116 million
Other	2,600	70 million
Total	21,900	\$620 million
All other direct jobs	5,200	\$177 million
All indirect and induced jobs	9,100	\$346 million
Total visitor industry-related employment and labor income	36,200	\$1.1 billion

Alaska's Visitor Industry: Recent Changes and Future Outlook

Decline in Visitor Industry, 2008 to 2009

As described in the Visitor Volume chapter of this report, Alaska's out-of-state visitor market declined considerably (by an estimated 7 percent) in summer 2009 when compared to summer 2008. In fact, the visitor market has not seen this significant a decline since McDowell Group began tracking visitor volume in 1985. While the cruise market was basically flat, the air market dropped an estimated 15 percent; the ferry market 16 percent; and the highway market 8 percent. In addition, the cruise passengers that did visit Alaska were less likely to travel within the state, making the declines in the Southcentral and Interior regions more dramatic. Following is a more detailed description of the 2008-09 visitor season, and how it differed from previous years.

Business Survey Results

A major source for this study was a survey of 172 visitor industry businesses, specifically targeted in order to obtain a representative cross-section of visitor businesses across business type and location, as well as businesses representing the largest amount of visitors (cruise lines, Alaska Railroad, Alaska Airlines, etc.). Businesses were asked about their visitor markets (cruise, air, highway/ferry), seasonality, and percentage increase or decrease in 2008-09 in both visitor volume and gross sales, among other questions.

Results from the survey should be viewed in light of the fact that responses are not weighted by size or type of business. It should also be noted that the survey sample included only a few Southeast tour operators catering exclusively to cruise ship passengers, because the study team had access to shore excursion sales data provided by cruise lines. This data was taken into consideration along with survey data when making adjustments to passenger spending data.

Table 11
Visitor Business Survey Sample Definition

	% of Total
Location	
Southcentral	39%
Southeast	24
Interior	18
Statewide	8
Southwest	6
Far North	5
Business Type	
Accommodations	32%
Activities and attractions	25
Retail	20
Transportation	10
Dining	6
Package tours	6
Average # of years in business	25 years
Average # of employees	35 employees

CHANGE IN GROSS SALES AND VISITOR VOLUME, SUMMER 2008 TO SUMMER 2009

Two-thirds of businesses surveyed said their volume and their sales decreased in summer 2009 compared to 2008. One in ten saw an increase, and about the same said there was no change year-to-year.

Businesses that saw an increase, as well as those that saw a less-than-average decrease, often explained their results. They were a growing business, for example, or they anticipated the decline by offering lower rates or special promotions. Respondents also commented that visitors were buying lower-priced tours and lodging – if a business was in the right price range, they may have had a better year than those in the higher price range.

Retail businesses were asked a follow-up question: whether per-visitor spending changed (as opposed to overall gross sales). In response, 6 percent said that per-visitor spending increased, 58 percent said decreased, 26 percent said it stayed the same, and 10 percent didn't know. These results correspond with comments that visitors were buying lower-price retail items (as well as lower-price tours and lodging).

Table 12
Changes in Sales and Visitor Volume, Summer 2008 to Summer 2009

	% of Total
Change in number of visitors served	
Increase	11%
Decrease	67
No change	7
Don't know	14
Average % change	14% decrease
Change in gross sales	
Increase	9%
Decrease	65
No change	10
Don't know	16
Average % change	16% decrease

CHANGE IN GROSS SALES AND VISITOR VOLUME, FALL/WINTER 2007-08 TO FALL/WINTER 2008-09

Businesses who reported operating in the fall/winter were asked about their last fall/winter season (October 2008-April 2009) compared to the previous season (October 2007-April 2008).

There was much less change reported in the fall/winter season compared to the summer season – not surprising, considering that fall/winter visitors tend to be traveling to visit friends and relatives or for business, and these markets were not as affected by the economic crisis. In addition, traffic data reflected only a 2 percent decrease in visitation between the two periods.

A little less than one-quarter reported an increase in visitors, a little more than one-quarter reported a decrease, but the most popular answer was “no change.” There were a few more reports of decreases in terms of sales, probably reflecting lower prices. The reports of lower sales were reinforced by bed tax and vehicle rental tax declines.

Table 13
Changes in Sales and Visitor Volume, Fall/Winter 2007-08 to Fall/Winter 2008-09

	% of Total
Change in number of visitors served	
Increase	23%
Decrease	28
No change	41
Don't know	8
Average % change	1% decrease
Change in gross sales	
Increase	20%
Decrease	31
No change	42
Don't know	7
Average % change	8% decrease

SUMMARY OF BUSINESS SURVEY COMMENTS

Additional comments were offered by respondents on their 2009 season, summarized below.

- Although cruise lines filled their ships, it required heavily discounting prices. According to some contacts, this led to passengers with lower incomes and higher price sensitivity.
- Although a couple of contacts reported a decrease in international visitors, most of those who commented on this market said they held steady or increased. Several noted increases in the European and Japanese markets.
- The group tour and incentive markets were reported to be down.
- The excellent weather experienced statewide in 2009 not only tempted more visitors to purchase outdoor tours, it allowed for fewer flightseeing cancellations.
- Businesses selling all-inclusive package tours that included a cruise component were especially hard hit because they were competing heavily with cruise lines, which were offering unprecedented prices.
- Businesses selling add-on packages to cruise passengers (such as two-day tours to Nome) were also affected. One contact pointed out that with cruise packages priced so low, it became hard for visitors to justify paying as much or more for add-on packages as they had paid for their cruise.
- The sportfishing market reported heavy losses in both the charter and lodge sectors. Owners cited new sportfishing regulations as a factor in the downturn, in addition to the economic recession.
- A few contacts reported more travel by Canadians.
- There were several comments on the in-state market, that Alaskans were traveling in-state as much or more than before. (This report measures impacts from out-of-state visitors only.)

- Retail vendors commented on how sales have fluctuated over the last several years. For many, the trend towards lower-priced items began in 2008 and continued in 2009.

Additional Visitor Industry Indicators

The table below presents additional indicators that help describe the 2009 season. They tend to reinforce what was reported in the survey, and were taken into account in the adjustments made to spending and volume for the 2009 season.

- Domestic air passenger traffic exiting Alaska was down in every market, ranging from 7 percent in Fairbanks to 20 percent in Sitka, for a total decline of 10 percent. While resident travel is included in these figures, resident air travel was reported to have held fairly steady in summer 2009. International air traffic was likewise down, by 8 percent.
- Cruise passenger traffic was down only 1 percent between 2008 and 2009; however, as reported previously, cruise passengers were traveling less within the state. Based on information provided by cruise lines on 2008-to-2009 shifts in the land tour market (passengers that purchase overnight tours, generally to Denali and Fairbanks, in addition to their cruise), it is estimated that land tour volume dropped 13 percent between 2008 and 2009.
- Some of the more striking declines can be seen in bed tax revenues, with declines ranging from 14 percent in Denali to 30 percent in Sitka. The increase in Valdez' bed tax revenues likely reflects their relative dependence on the in-state market. (In viewing these figures, it is important to keep in mind that these declines reflect decreases in prices as well as room nights.)
- Anchorage showed a 23 percent decrease in vehicle rental tax revenues, and a 26 percent in RV rental tax revenues. As with bed tax revenues, these figures likely reflect decreases in prices as well as rentals.
- Department of Fish and Game license sales show a 16 percent decline in non-resident fishing license sales between 2008 and 2009, reinforcing reports from lodge and charter operators. While hunting licenses were down only 2 percent, big game tags were down 18 percent.
- While sales tax revenues are not direct indicators of visitor spending as they reflect both resident and non-resident spending, it is interesting to note that sales tax revenues were down 16 percent in Sitka, 12 percent in Juneau, and 9 percent in Skagway. The Skagway figure is particularly indicative of the visitor market, as visitor spending represents the vast majority of spending on goods and services in Skagway during the 2nd and 3rd quarters.

Table 14
Summer 2009 Visitor Industry Indicators

	Change 2008 to 2009
Domestic airplane passengers exiting Alaska, May-September	
Anchorage	-10%
Fairbanks	-7%
Juneau	-15%
Ketchikan	-12%
Sitka	-20%
Other	-6%
Total	-10%
International airplane passengers exiting Alaska, May-September	
Anchorage	-9%
Fairbanks	-8%
Total	-8%
Cruise passenger traffic	
Total passenger volume	-1%
Land tour volume	-13%
Out-of-state ferry passenger volume	
Total	-16%
Bed Tax Revenues, April-September	
Anchorage	-22%
Fairbanks	-18%
Denali	-14%
Juneau	-28%
Mat-Su	-10%
Sitka	-30%
Valdez	+7%
Vehicle Rental Tax Revenues, April-September	
Anchorage car rental	-23%
Anchorage RV rental	-26%
Department of Fish and Game License Sales (calendar years 2008 and 2009)	
Nonresident sport fishing licenses	-16%
Nonresident King Salmon tags	-18%
Nonresident hunting licenses	-2%
Nonresident big game tags	-18%
Sales Tax Revenues, April-September	
Juneau	-12%
Skagway	-9%
Sitka	-16%

Sources: Alaska Airlines, Ted Stevens Anchorage International Airport, Fairbanks International Airport, Cruise Line Agencies of Alaska, cruise lines, Alaska Marine Highway, Alaska Department of Fish and Game, and the municipalities/boroughs of Anchorage, Fairbanks, Denali, Juneau, Mat-Su, Sitka, Valdez, Skagway, and Sitka.

Economic Impact of 2009 Decline

While within the scope of this project it is not possible to measure precisely the economic impact of the decline in visitor spending in 2009, available data provides an indication of the significance of the decline. Alaska Department of Labor and Workforce Development employment data indicates that statewide annual average employment in the accommodations sector (hotels, lodges and B&Bs) was down by 600 jobs in 2009. Accommodations employment in July 2009, at the peak of the visitor season, was 1,100 jobs below the July 2008 level. Other visitor-affected sectors of the Alaska economy also experienced employment declines in 2009, as illustrated in the following table. Not all of the job loss in these sectors can be attributed to a decline in visitor spending; Alaska residents account for a significant portion of spending in these sectors. Nevertheless, it is clear from the long list of declining visitor industry indicators (reported above) that lower visitor spending was a key contributing factor.

Table 15
Annual Average and Peak Month Employment Declines in Visitor-Affected Sectors,
2009 versus 2008

	Annual Average Change, 2008 to 2009	Change, July 2008 to July 2009
Retail	-600	-500
Air transportation	-300	-500
Accommodations	-600	-1,100
Food and drink	-400	-1,200

Source: Alaska Department of Labor and Workforce Development.

Detailed sector employment data for the third quarter of 2009 further illustrates job losses during the peak of the visitor season. In these selected visitor-affected categories, statewide employment during the third quarter of 2009 was about 2,300 jobs below the third quarter of 2008, a decline of about 7 percent. Payroll was down \$14 million for the quarter, a decline of 6 percent. Two sectors that are most heavily affected by non-resident visitor travel, scenic/sightseeing transportation and tour companies, saw employment declines of 9 percent and 25 percent, respectively.

Table 16
Changes in 3rd Quarter Employment in Selected Visitor-Affected Sectors, 2008 to 2009

	3rd Qtr 09 Employment	Change from 3rd Qtr 08	Percent Change	Total Change in Payroll	Percent Change
Jewelry stores	598	-17	-3%	-\$507,708	-10%
Gift, novelty, and souvenir stores	1,276	-65	-5%	-566,046	-9%
Nonscheduled air transportation	1,718	-140	-8%	-224,008	-1%
Scenic and sightseeing transportation	3,106	-310	-9%	-3,161,303	-11%
Support activities for transportation	2,848	-243	-8%	-1,386,541	-4%
Passenger car rental	425	-27	-6%	-84,549	-3%
Tour operators	674	-224	-25%	-974,955	-15%
Amusements and recreation	4,333	-112	-3%	-1,084,540	-6%
Traveler accommodation	8,885	-665	-7%	-4,672,572	-8%
Full-service restaurants	8,455	-465	-5%	-1,541,174	-4%
Total All Categories	32,318	-2,268	-7%	-\$14,203,396	-6%

Source: Alaska Department of Labor and Workforce Development.

Based on the modeling conducted for this study, total visitor spending in Alaska declined by approximately \$270 million between 2007-08 and 2008-09, a 15 percent drop. A 15 percent drop in visitor spending could translate in to loss of 5,000 direct and indirect jobs if it were to persist for several years. In the near term, however, the direct employment loss during the summer of 2009 was significantly less than that amount.

In 2009, on average, \$82,000 in visitor spending created one direct job. At that rate, a spending decline of \$270 million would suggest a loss of approximately 3,300 jobs. However, employers are often more inclined (at least initially) to reduce non-personnel costs and/or earn reduced profits before resorting to job cuts. As such it is likely that statewide the decline in visitor spending resulted in the loss of perhaps 2,000 to 2,500 mostly seasonal jobs.

Industry Outlook

One aspect of the 2010 visitor market that is currently measurable is a forecasted decline in cruise passenger capacity. Overall, capacity is expected to be down 14 percent from 2009, based on several changes. The following ships will be re-deployed to other markets: 1,270-passenger Ryndam (Holland America Line), 2,600-passenger Star Princess (Princess Cruises), 2,002-passenger Norwegian Sun (Norwegian Cruise Line), 2,100-passenger Serenade of the Seas (Royal Caribbean International), and 114-passenger Spirit of Oceanus (Cruise West). Holland America's Amsterdam will make 11 Alaska voyages (of 14 nights each) instead of 20 seven-night voyages. There have also been changes from cross-gulf to round trip itineraries for two ships (the 1,950-passenger Coral Princess and the 2,124-passenger Carnival Spirit), which eliminates the option for passengers to travel additionally in-state (either independently or on land tour packages).

Different ports will feel the drop to different degrees, as seen in the following table.

Table 17
Anticipated Changes in Cruise Passenger Volume, 2009 to 2010

	% Change
Juneau	-14%
Ketchikan	-12
Skagway	-12
Sitka	-36
Whittier	-40
Seward	-16
Icy Strait Point	-11
Haines	-26
Statewide	-14%

Source: Cruise Line Agencies of Alaska.

A decline in cruise passenger travel to Alaska of approximately 14 percent (140,000 passengers overall) in 2010 could reasonably be expected to result in a 14 percent decline in cruise passenger spending, compared to 2009. If a decline of 140,000 passengers is accompanied by a proportional decline in spending, \$90 million in direct spending would be lost, and as much as \$150 million in total direct and indirect spending. This spending decline, plus the decline experienced in 2009, could bring the total employment loss from the 2008 peak to near 5,000 jobs, including all the direct and indirect effects.

However, 2009 was an unusual year in the Alaska cruise market. The result of a severe national recession, deep discounting was required to fill berths on cruise ships. The discounting fulfilled its objective; cruise traffic was down only about 1 percent. However, cruise passengers that did travel to Alaska in 2009 proved to be reluctant spenders, purchasing fewer excursions and spending less on gifts and souvenirs. Early indications for the 2010 season suggest that Alaska can expect a return of the more traditional (less frugal) cruise passenger. Anecdotal information indicates discounting is not being required to fill berths, meaning the typical cruiser in 2010 will spend at a higher rate than the typical 2009 cruiser. To the extent that 2010 cruisers do spend more, the spending and employment losses potentially stemming from the decline in cruise traffic will be mitigated.

Looking ahead to 2011, Cruise Line Agencies of Alaska predicts that overall passenger volume will be about the same as in 2010, with additional losses being balanced out by new arrivals.

Further decline in the independent (non-cruise) travel market is not expected in 2010, and the outlook is for a modest rebound from 2009. Several factors point to this outcome.

- The reduction in cruise capacity – and stronger early cruise bookings despite lack of significant discounting – indicate better overall demand for Alaska and increased consumer economic capability. Cruise capacity limitations likely mean some visitors will choose a non-cruise Alaska trip.
- National retail spending and consumer confidence show some modest promise in early 2010. Since Alaska visitors tend to be well above average in income and education, they are less affected by an economic downturn.
- Past research in the Alaska market indicates that potential visitors may postpone their Alaska trip during uncertain times but not cancel their Alaska ambitions altogether. Some pent-up demand from the recent independent visitor downturn is expected.
- Most independent visitors enter and exit by air, and Alaska's dominant carrier – Alaska Airlines – is doing much better financially in 2010 than the aviation industry overall, so is likely to maintain sufficient summer frequency to service independent Alaska demand.
- Independents will be looking for value, as opposed to low price, and travel offerings throughout the state are more modestly priced as a result of the recession. The perceived (and true) value of an independent Alaska experience has improved since 2008.
- While the U.S. dollar may be strengthening somewhat in 2010, Alaska travel is still a good value for overseas visitors, and some additional independent traffic might be expected.

While all of these factors point to modest improvement in Alaska independent visitor volume and spending for 2010, the nation's recent economic troubles are indicators of much more comprehensive and long-term systemic issues with the U.S. economy that will continue to be of concern for all travel markets.

Revenues to Municipal and State Governments

The visitor industry generates significant revenues for state and local governments in Alaska. User fees, sales taxes, bed taxes, property taxes, income taxes and other payments all flow to state and local governments in Alaska directly or indirectly from the visitor industry. This chapter details, to the extent possible, state and local government revenues that can be attributed to out-of-state visitors.

Summary

Visitor-related tax revenues to municipalities in 2008-09 totaled nearly \$70 million in sales and bed tax revenues and cruise line payments. Sales tax revenues are estimated at \$28.9 million, and bed tax revenues are estimated at \$23.5 million. In addition, cruise lines paid over \$17 million in dockage, moorage, and municipal passenger fees in 2009. Property taxes provide an additional revenue stream to municipalities.

Visitor-related revenues to state government during the 2008-09 study period included \$139 million in cruise line fees, fishing/hunting licenses, vehicle rental taxes, corporate income taxes, and revenues to the Alaska Marine Highway System and the Alaska Railroad. Cruise lines alone paid \$58 million in commercial passenger vessel fees, gambling taxes, Ocean Ranger Program fees, and Environmental Compliance Program fees. Additional revenues to the State of Alaska from the visitor industry not included in this total are airport fees, State Parks user fees, and State Museum revenues, among others.

Please see the following pages for more details on these revenues.

Table 18
Selected Revenues to Municipal and State Governments
October 2008-September 2009

	Revenues
Municipal Revenues	\$69.8 million
Sales tax revenues	\$28.9 million
Bed tax revenues	\$23.5 million
Dockage/moorage revenues	\$17.4 million
State of Alaska Revenues	\$138.8 million
Commercial Passenger Vessel Tax	\$46.4 million
Passenger Gambling Tax	\$6.3 million
Ocean Ranger Program	\$4.0 million
Commercial Passenger Vessel Environmental Compliance Program	\$1.0 million
Non-resident fishing/hunting/trapping licenses and tags	\$17.1 million
Alaska Marine Highway revenues	\$17.6 million
Alaska Railroad revenues	\$19.4 million
Vehicle rental tax	\$5.6 million
Corporate income tax	\$21.4 million
Total Selected Revenues	\$208.6 million

Municipal Tax Revenues

Sales Tax Revenues

Total sales tax revenues associated with visitor industry spending are estimated at \$28.9 million for the October 2008 to September 2009 study period. Visitor-related sales tax revenues are particularly important in communities such as Juneau, Ketchikan, and Skagway, where spending by visitors provides a significant portion of total spending in each community.

Regional sales tax totals were calculated based on visitor industry spending and visitor volume at the community and regional level. Tax rates and total taxes collected by community were taken into account in the analysis (total calendar year 2009 taxes were assumed as a proxy for the study period of October 2008 through September 2009). Taxable spending rates were also considered in the analysis. Not all visitor-related spending is taxable; for example, spending on flights is exempt, and some communities have sales tax caps.

Table 19
Sales Tax Revenues from Out-of-State Visitors
By Region, October 2008-September 2009

Region	Sales Tax Revenues
Southeast	\$18.3 million
Southcentral	\$9.8 million
Other regions combined	\$0.8 million
Total	\$28.9 million

Sources: McDowell Group estimates based on sales tax rates and revenues from Alaska Taxable 2009 (Alaska Department of Commerce, Community and Economic Development); and AVSP visitor survey and volume data.

Bed Tax Revenues

Out-of-state visitors paid an estimated \$23.5 million in bed tax revenues in the one-year study period. The bulk of the revenues accrue to Southcentral, where Anchorage has the highest bed tax rate in the state (12 percent) and attracts the highest number of overnight visitors. The Interior, with Fairbanks at 8 percent and Denali at 7 percent, accounted for about one-fifth of all bed tax revenues. While most Southeast communities charge bed taxes, revenues are not as high as in other regions because they have fewer overnight visitors (cruise ship visitors rarely overnight in Southeast). Both Southwest and Far North regions are estimated to receive less than \$1 million each in bed tax revenues from out-of-state visitors.

Over 30 different communities with bed taxes were considered in this analysis. Total calendar year 2009 taxes were assumed as a proxy for the study period of October 2008 through September 2009. Each community's tax revenues were assigned a different "percentage out-of-state visitors" rate, based on data from the business survey (where accommodations reported the percentage of their business from out-of-state visitors) as well as previous visitor volume and survey research.

Table 20
Bed Tax Revenues from Out-of-State Visitors
By Region, October 2008-September 2009

Region	Bed Tax Revenues
Southcentral	\$15.6 million
Interior	\$5.6 million
Southeast	\$1.7 million
Southwest	\$0.5 million
Far North	\$0.1 million
Total	\$23.5 million

Sources: McDowell Group estimates based on bed tax rates and revenues from Alaska Taxable 2009 (Alaska Department of Commerce, Community and Economic Development); AVSP visitor survey and volume data; and business survey data.

Property Tax Revenues

It is beyond the scope of this study to measure property tax revenues in each Alaska community affected by visitor traffic. The analysis would be very complex; most property tax revenues are indirect, that is, paid by businesses that provide goods and services to visitors. Many visitor-affected businesses also provide goods and services to Alaska residents. Therefore, not all of the property taxes paid by these businesses could be attributed to the visitor industry.

A previous study estimated property tax revenues associated with the cruise industry at \$3.5 million for 2007. This figure was based on data provided by cruise lines on property tax payments, a review of property tax payments on cruise industry-related businesses in Ketchikan and Juneau, and previous estimates. This is only a relatively small portion of property tax revenues accruing to local governments from visitor industry-related sources. It does not include the lodging, tour operators, and other businesses serving the non-cruise market; nor does it include property taxes paid by businesses less dependent on visitor activity (but still deriving income from visitors) or taxes paid by households of employees of visitor-related businesses.

Cruise Ship Revenues

Some municipal governments in Alaska's cruise port communities receive revenues from cruise lines in the form of moorage and docking fees, primarily Juneau, Ketchikan, Sitka, and Haines. (The docks in Skagway, Whittier, and Icy Strait Point are privately owned. Seward's dock is owned by the Alaska Railroad.) Juneau has both private and public docks. Sitka does not have a deep-water dock, but charges lightering fees.

Each community has its own system of charging cruise lines for using port facilities. Dock charges are generally assessed on a per foot/per day basis. Additional charges may include tonnage fees, passenger fees, lightering fees, and water fees, depending on the community.

Total revenues for 2009 were \$17.4 million, most of it collected in Southeast. Juneau and Ketchikan account for the vast majority of this figure, with \$8.6 million and \$8.5 million, respectively.

**Table 21
Cruise Ship Dockage/Moorage Revenues to Municipalities, Summer 2009**

Port	Revenues
Juneau	\$8,587,000
Ketchikan	\$8,478,000
Sitka	\$115,000
Haines	\$99,000
All other ports	\$75,000
Total	\$17,354,000

Sources: City and Borough of Juneau; City of Ketchikan; City and Borough of Sitka; City and Borough of Haines.

Note: Docks in Skagway, Whittier, and Icy Strait Point are privately owned. Seward's dock is owned by Alaska Railroad.

State of Alaska Revenues

Direct Payments from Cruise Lines

The State of Alaska receives several forms of direct payments from cruise lines: the head tax (Departments of Revenue and Environmental Conservation), the gambling tax (Department of Revenue), the Commercial Passenger Vessel Environmental Compliance Program (Department of Environmental Conservation) and state corporate income tax (Department of Revenue).

HEAD TAX

At the end of December 2006, a new head tax was established for passengers on large vessels. The tax is \$50 per passenger, with \$46 dedicated to the Department of Revenue for redistribution, and \$4 dedicated to the Alaska Department of Environmental Conservation to operate the Ocean Ranger Program.

According to the Alaska Department of Revenue, the State received \$46.4 million for the \$46 portion of the tax in 2007. These revenues are deposited in a special "commercial vessel passenger tax account" in the General Fund. For each voyage of a commercial passenger vessel providing overnight accommodations, the Commissioner of the Department of Revenue must identify the first five ports of call and the number of passengers on board the vessel at each port of call. Subject to appropriation by the legislature, the commissioner distributes \$5 per passenger of the tax revenue to each port of call. Each port of call must use the funds to improve port and harbor facilities and other services to properly provide for vessel or watercraft visits and to improve the safety and efficiency of interstate and foreign commerce.

Head tax revenue for Department of Environmental Conservation amounted to \$4.0 million in 2009. This revenue is used to operate the Ocean Ranger program, which requires U.S. Coast Guard licensed marine engineers on board vessels to act as independent observers monitoring State environmental and marine discharge requirements, and to ensure that passengers and crew are protected from improper sanitation, health, and safety practices.

The large passenger vessel gambling tax was also introduced in December 2006. This tax applies to the use of playing cards, dice, roulette wheels, and coin-operated instruments or machines designed for gaming or gambling activities aboard cruise ships operating in Alaska waters. The tax is 33 percent of the adjusted gross income from these gambling activities.⁵ Gambling taxes are payable to the Department of Revenue and deposited in a special "commercial vessel passenger tax account" in the General Fund. The Department of Revenue reports gambling tax revenues of \$6.3 million in 2009.

COMMERCIAL PASSENGER VESSEL ENVIRONMENTAL COMPLIANCE PROGRAM

The Commercial Passenger Vessel Environmental Compliance (CPVEC) Program was established in July of 2001. This program requires all large passenger vessels to register and comply with quality control regulations. The program is operated with fees collected from large and small passenger vessels (\$1 per berth). In 2009, \$1.0 million was collected for the Commercial Passenger Vessel Environmental Compliance Program.

Corporate Income Tax

Alaska's corporate income tax rates are graduated from 1 percent to 9.4 percent in increments of \$10,000 of taxable income. The 9.4 percent maximum rate applies to taxable income of \$90,000 and over. Multistate corporations apportion income on a water's edge basis using the standard apportionment formula of property, payroll, and sales.

Tax payments by individual corporations are confidential; however, the Department of Revenue reports total corporate income taxes in the "tourism" category, including payments by cruise lines and other visitor industry businesses, of \$21.4 million in Fiscal Year 2009.

Vehicle Rental Tax

Alaska levies a 10 percent passenger vehicle tax as well as a 3 percent recreational vehicle tax. In Fiscal Year 2009, the Department of Revenue collected a total of \$8.0 million in vehicle tax revenues. Survey results indicate that approximately 70 percent of rental vehicle revenues are attributable to out-of-state visitors. Visitor-related tax revenues from vehicle rental are therefore estimated at \$5.6 million.

Revenues to Alaska Marine Highway and Alaska Railroad Corporation

While not in the category of fees or taxes, out-of-state visitors account for significant revenues to two transportation providers operated by the State of Alaska: the Alaska Marine Highway and the Alaska Railroad.

The Alaska Marine Highway reports that in calendar year 2009, out-of-state residents accounted for \$17.6 million in revenues to AMHS. For purposes of this report, this figure is assumed to represent the study period of October 2008 through September 2009. (This figure does not resemble the \$11.4 million reported in the Visitor Spending section because it is *total* spending, rather than spending only on passage to and from Alaska.)

The Alaska Railroad Corporation reports total passenger-related revenues of \$21.5 million in 2009, \$19.4 million of which is attributable to out-of-state visitors.

⁵ "Adjusted gross income" refers to gross income, minus prizes awarded and federal and municipal taxes paid or owed on the income.