

# FISCAL NOTE

Bill Version: HB 217  
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**STATE OF ALASKA  
 1999 LEGISLATIVE SESSION**

Revision Date/Time (Note if correction) \_\_\_\_\_ Dept. Affected Revenue  
 Title Fishery Cooperative Contracts BRU Revenue Operations  
 Component Income and Excise Audit  
 Sponsor (H) FIN  
 Requester (H) FIN Component Serial No. 113

**Expenditures/Revenues (Thousands of Dollars)**

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

OPERATING EXPENDITURES	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES** (increase)</b>	<b>256.2-512.5</b>	<b>256.2-512.5</b>	<b>256.2-512.5</b>	<b>256.2-512.5</b>	<b>256.2-512.5</b>	<b>256.2-512.5</b>
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**FUND SOURCE (Thousands of Dollars)**

FUND SOURCE	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
1002 Federal Receipts						
1003 GF Match						
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of current year (FY99) cost: 0.0

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:**

\*\* The estimated revenue increase is due to provisions of the American Fisheries Act. The bill provides for how these payments will be remitted to the State. Because there is no precise data on the amount of BSAI pollock that is landed outside of the State, we have provided a range instead of a point estimate. Please see attached for further analysis.

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 Agency Department of Revenue

Phone 465.3682  
 Date/Time April 30, 1999  
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**SECTIONAL ANALYSIS BY THE DEPARTMENT OF REVENUE OF HB 217 –  
FISHERY COOPERTIVE CONTRACTS**

**SECTION ANALYSIS**

**Section 1** amends AS 43.77 by adding AS 43.77.015 to categorize payments made to the state under federal fishery cooperative contracts. Pursuant to recently enacted federal law, the American Fisheries Act, cooperatives are required to execute contracts with its members who must agree to make payments to Alaska for pollock harvested in the Alaska pollock fishery that is not landed in Alaska. The payments are to be equal to the amount that would have been due had the product been landed in Alaska and subject to the Landing Tax. The bill provides that these payments are to be deposited by the department in the separate account maintained in the general fund for landing taxes, and treated as tax revenue collected for revenue sharing purposes. This allows for the payments to be shared with municipalities in the routine manner upon appropriation.

The amount of the obligation imposed by contract is treated as if it were a tax for purposes of AS 43.77.020. This imposes the obligation upon the cooperative members to file necessary state "as if" Landing Tax returns and to remit the proper payment. However, the payments are not taxes for other intents, such as for assessment, interest, penalty, and collection purposes.

**Section 2** provides that the bill has an immediate effective date.

**OPERATION EXPENSES**

The Department of Revenue does not anticipate increases in cost due to the provisions of this bill.

**REVENUES**

The American Fisheries Act changed the structure of the Bering Sea and Aleutian Islands (BSAI) pollock fishery. Catcher processors fishing in the BSAI have signed a fishery cooperative contract that was authorized by the American Fisheries Act. Consequently, they must also make payments to the State for any BSAI pollock harvested in the pollock fishery but not landed in the State. Prior to passage of the American Fisheries Act this pollock was not subject to Alaska fish taxes.

In order to estimated the amount of pounds of pollock harvested in the BSAI but not landed in the State, we compared historical Department of Revenue BSAI pollock data to National Pacific Management council data. DOR pounds of pollock were 16% to 18% less than those identified by the National Pacific Marine Council. Although these differences could be due to different factors (including how unprocessed pounds are calculated), we used this historical information to estimate two scenarios: (1) pollock landed outside the State accounts for 10% of total pollock landed and (2) pollock landed outside the State

Fishery Cooperative Contracts

HB 217

April 30, 1999

Page 3 of 4

accounts for 20% of pollock landed. Using these two scenarios the amount of new revenue coming into the State as a result of the American Fisheries Act would be from \$256,000 to \$512,000. There is, however, no method for adjusting these historically based numbers to reflect the new reality of the cooperative fishery. The pace of fishing has been altered by the fact that the catcher processors no longer compete with each other to maximize their share of the pollock. This could result in changes to the amount of pollock landed in Alaska. Additionally if motherships sign a fishery cooperative contract then payments should increase.

**Alaska Department of Revenue**  
*Income and Excise Audit Division*

Fishery Cooperative Contracts

HB 217

April 30, 1999

Page 4 of 4

Assumptions

Total Allowable Catch in the BSAI for pollock in metric tons  
 Metric Tons to Pounds conversion factor  
 Total Allowable Catch in the BSAI for 1999 in pounds  
 CDQ Allocation (10% of TAC)  
 Total Non-CDQ allowable catch  
 Bering Sea Catcher-Proc. Percent Discards Pollock 1998  
 Percentage of CDQ to Catcher Processors  
 Percentage to Motherships  
 Percentage to Catcher Processors  
 Percentage to Inshore Processors  
 Price Pollock per pound  
 Tax rate  
 Scenario 1: Last Load Percentage  
 Scenario 2: Last Load Percentage

	<u>1999</u>
	992,000
	2,205
	2,187,360,000
	218,736,000
	1,968,624,000
	2.5%
	85.0%
	10.0%
	40.0%
	50.0%
	0.09
	3.0%
	10.0%
	20.0%

<u>BSAI POLLOCK "LAST LOAD" - ANNUAL REVENUE FY 2000-FY2005</u>			
Pounds of Pollock	Value	Tax Revenue	Last Load
	(@ \$.09/lb.)	(@ 3% tax rate)	Scenario 1
	\$85,413,674	\$2,562,410	\$256,241
	949,040,820		Scenario 2
			\$512,482

Sources: North Pacific Fishery Management  
 Council, National Marine Fisheries Service and  
 Department of Revenue Fishery Resource Landing  
 Tax and Fisheries Business Tax Returns.