

**ALASKA STATE LEGISLATURE
HOUSE RESOURCES STANDING COMMITTEE**

March 30, 2001

1:58 p.m.

MEMBERS PRESENT

Representative Beverly Masek, Co-Chair
Representative Drew Scalzi, Co-Chair
Representative Hugh Fate, Vice Chair
Representative Mike Chenault
Representative Beth Kerttula
Representative Gary Stevens
Representative Mary Kapsner

MEMBERS ABSENT

Representative Joe Green
Representative Lesil McGuire

COMMITTEE CALENDAR

HOUSE JOINT RESOLUTION NO. 20

Opposing Arctic marine shipment of nuclear waste between Russia and Japan.

- MOVED HJR 20 OUT OF COMMITTEE

HOUSE BILL NO. 154

"An Act relating to security for the payment of fishery business taxes and to payment of estimated fisheries resource landing taxes and penalties."

- MOVED CSHB 154(FSH) OUT OF COMMITTEE

PREVIOUS ACTION

BILL: HJR 20

SHORT TITLE: OPPOSING ARCTIC SHIPMENT OF NUCLEAR WASTE

SPONSOR(S): REPRESENTATIVE(S) JOULE

Jrn-Date	Jrn-Page		Action
03/12/01	0542	(H)	READ THE FIRST TIME - REFERRALS
03/12/01	0542	(H)	RES
03/13/01	0578	(H)	COSPONSOR(S): SCALZI

03/26/01 (H) RES AT 1:00 PM CAPITOL 124
 03/26/01 (H) Scheduled But Not Heard
 03/30/01 (H) RES AT 1:00 PM CAPITOL 124

BILL: HB 154

SHORT TITLE:COLLECTION OF FISHERY BUSINESS TAXES

SPONSOR(S): REPRESENTATIVE(S)SCALZI

Jrn-Date	Jrn-Page		Action
02/28/01	0462	(H)	READ THE FIRST TIME - REFERRALS
02/28/01	0462	(H)	FSH, RES, FIN
03/12/01		(H)	FSH AT 5:00 PM CAPITOL 124
03/12/01		(H)	Heard & Held MINUTE(FSH)
03/19/01		(H)	FSH AT 5:00 PM CAPITOL 124
03/19/01		(H)	Moved CSHB 154(FSH) Out of Committee MINUTE(FSH)
03/22/01	0686	(H)	FSH RPT CS(FSH) NT 4DP 3NR
03/22/01	0686	(H)	DP: SCALZI, KAPSNER, KERTTULA, WILSON;
03/22/01	0686	(H)	NR: DYSON, COGHILL, STEVENS
03/22/01	0686	(H)	FN1: ZERO(REV)
03/30/01		(H)	RES AT 1:00 PM CAPITOL 124

WITNESS REGISTER

REPRESENTATIVE REGGIE JOULE

Alaska State Legislature
 Capitol Building, Room 405
 Juneau, Alaska 99801

POSITION STATEMENT: Spoke as sponsor of HJR 20.

NEIL SLOTNIK, Deputy Commissioner

Treasury Division
 Department of Revenue
 PO Box 110405
 Juneau, Alaska 99811-0405

POSITION STATEMENT: Testified on HB 154.

KEVIN HOGAN, President

Auction Block Company (ABC)
 PO Box 2228
 Homer, Alaska 99603

POSITION STATEMENT: Discussed issues related to HB 154.

ACTION NARRATIVE

TAPE 01-27, SIDE A
Number 0001

CO-CHAIR BEVERLY MASEK called the House Resources Standing Committee meeting to order at 1:58 p.m. Representatives Fate, Chenault, Kerttula, Scalzi, and Masek were present at the call to order.

HJR 20-OPPOSING ARCTIC SHIPMENT OF NUCLEAR WASTE

CO-CHAIR MASEK announced that the first order of business was HOUSE JOINT RESOLUTION NO. 20, Opposing Arctic marine shipment of nuclear waste between Russia and Japan.

Number 0048

REPRESENTATIVE REGGIE JOULE, Alaska State Legislature, spoke as the sponsor of HJR 20. He said that people are concerned about the current routes that are being used to transport nuclear waste, and the potential risk involved. Representative Joule explained that the particular type of nuclear waste in question is "vitrified, high-level nuclear waste," adding that there is only one other type of nuclear waste that is more toxic. He mentioned that France and Japan are dealing with toxic nuclear waste. Representative Joule stated that [Alaska] has some of the "richest" and "most fragile" waters in the world, that "house its fishing" and [supply] its food source for subsistence users.

REPRESENTATIVE JOULE mentioned a letter from North Slope Borough Mayor George Ahmaogak, who first brought attention to this issue. He also indicated a letter [in the committee packet] from Secretary of State Colin Powell to Governor [Tony Knowles]. Representative Joule told the committee that discussions about this issue were in the early stages. Subsequently, he recommended that the resolution be moved forward as quickly as possible.

Number 0290

CO-CHAIR MASEK asked if [a nuclear waste spill] would affect only coastal areas or would expand to inland areas, as well.

REPRESENTATIVE JOULE mentioned the currents in the ocean. He said that although the Russians use special icebreakers to carry

the nuclear waste from one point to the next and all precautions are taken, he couldn't help but speculate what kind of catastrophe would occur if any of the waste were to leach out. He quoted from an article that read, "[The] waste is so deadly that a person within a meter of an unshielded block would receive a fatal dose of radiation in less than one minute."

CO-CHAIR MASEK read from the resolution:

Page 1, line 8,

Alaska has not been invited to participate or consult
in any way during these negotiations

She asked Representative Joule when negotiation teams began meeting.

REPRESENTATIVE JOULE answered that there have been informal, preliminary discussions at the international level. [Secretary of State Colin Powell's letter stated that he understood the discussions were between private industry representatives rather than between governments.] Representative Joule remarked that it was fortunate that consideration was being given [to the transportation of radioactive waste] through waters that Alaska and Russia share and that Alaska was able to obtain information regarding these discussions.

Number 0555

REPRESENTATIVE FATE mentioned his concern that the currents could carry radioactive waste into the northern Bering Sea, an area in which salmon have recently been found circulating. He inquired about the name of the port in Russia out of which the toxic waste originates.

REPRESENTATIVE JOULE replied he did not know. He mentioned that the letter from Secretary of State Colin Powell informed [Governor Tony Knowles], among other things, not to worry; the discussions taking place were preliminary. Representative Joule pointed out that there are huge commercial fisheries throughout Western Alaska and that Alaska's ecosystems are very fragile; consequently, HJR 20 is very important.

Number 0745

REPRESENTATIVE FATE moved to report HJR 20 out of committee with individual recommendations. There being no objection, HJR 20 was moved out of the House Resources Standing Committee.

[Co-Chair Masek handed the gavel over to Co-Chair Scalzi.]

HB 154-COLLECTION OF FISHERY BUSINESS TAXES

CO-CHAIR SCALZI announced that the next order of business was HOUSE BILL NO. 154, "An Act relating to security for the payment of fishery business taxes and to payment of estimated fisheries resource landing taxes and penalties." [Before the committee was CSHB 154(FSH), version 22-LS0638\J.]

[There was a motion to adopt HB 154 for discussion purposes, but it was already before the committee.]

CO-CHAIR SCALZI, speaking as the sponsor, gave an overview on HB 154. He indicated that since statehood, the State of Alaska has "offered up" a raw fish tax to collect money for fisheries resources. He explained that currently fish processors are allowed to hold that money until April 1 of the following year. Furthermore, to secure the state's interest in this, the state and the Department of Revenue allows the fish processor to hold that money, provided the processor puts up a bond in the amount of money equal to the estimated tax, based on the previous year, or to post a real property bond three times the amount of the raw fish tax from the previous year.

CO-CHAIR SCALZI continued:

When we went to [an] IFQ fishery for halibut - "individual fishing quota" - what we ended up doing was creating a new business, and it was a fresh-fish business. In moving fresh fish, a buyer may buy and sell a lot of product in the year. But because they do not have a processing facility, they do not have a lot of assets. So, therefore, there was a problem here with these fresh-fish buyers actually collecting quite a bit of fish tax, say, in the hundreds of thousands of dollars, and under our current law they would be subject to having to bond for the amount that they collected the previous year, or have "lienable" property three times ... the amount.

CO-CHAIR SCALZI said HB 154 was drafted by the Department of Revenue to make sure that the State of Alaska's interests are

secure. He highlighted that the bill allows a fresh-fish buyer - not a processor - to be able to pay the raw-fish tax "as they go." Although Co-Chair Scalzi used the term "monthly" payments, he explained that they would actually be made on a 45-day cycle. He added that, under this plan, the participant would have to post a \$50,000 bond, or \$100,000 in "lienable" property, to secure the monthly collection of that tax.

NEIL SLOTNIK, Deputy Commissioner, Treasury Division, Department of Revenue, pointed out that Section [3] of the bill addresses the landing tax, which is different from the fisheries business tax that is addressed in Section 1 of the bill. He specified that the only change being made to the landing tax was to provide for quarterly estimated payments. Mr. Slotnik defined the landing tax as the tax that "is incurred by the factory trawlers [who] catch and process fish outside of Alaska's jurisdiction, but then bring it in and actually land it in our waters." He added that unlike the situation under the fisheries business tax whereby a license is issued, there is no license and no security for the landing-tax taxpayers. He continued:

We have always provided by regulation for quarterly estimated payments, but there was no corresponding provision in statute. And ... we thought since we're making a change here, in the fisheries business tax, for monthly payments for certain taxpayers, ... we ought to make sure that our regulations and statutes are in line on the fisheries landing-tax provision, as well.

Number 1181

REPRESENTATIVE FATE referred to the \$50,000 bonding and inquired how much it would cost the individual.

MR. SLOTNIK said, as he understood it, the amount would be 10 percent, which equals \$5,000.

REPRESENTATIVE FATE commented that some fishermen on the Yukon River "don't make \$200."

MR. SLOTNIK answered that the change being made through the language of HB 154 actually lessens the security requirement, but will most likely only apply to brokers "who move fish out of state." He said he understood that the fish processors, to whom Representative Fate referred, usually post a CD [certificate of deposit] and keep the interest earned on that. He added, "They

... don't necessarily incur the cost of bonding that they have to pay to the bank if they post a CD instead, as security." In response to a follow-up question from Representative Fate, Mr. Slotnik stated that HB 154 would not change "our relationship with the small processors that are in the Yukon Flats area." He added, "They may be bonding - under current law I already require them to bond. If so, they are incurring that cost."

REPRESENTATIVE FATE asked for clarification that this [bill] would not change whatever the current situation was.

MR. SLOTNIK concurred.

CO-CHAIR SCALZI interjected that the bill adds "one more tool" to the Department of Revenue and the benefit of "one more option for small buyers." Regarding the landing tax for the catcher/processors previously discussed, Co-Chair Scalzi asked Mr. Slotnik if he wanted to discuss the issue of date changes.

Number 1301

MR. SLOTNIK replied that he understood the current draft did not change dates, but was the same as the current regulation. He said there was a "little bit of a mix-up in some of the earlier drafts that didn't conform dates with current payment.

CO-CHAIR SCALZI mentioned that there have been requests for a lot of other changes in the processing fees and Alaska's present business tax [code]. He said that his response to those requests has been to tell people that the House Resources Standing Committee cannot address all those things in one bill, but would be willing to work with the Department of Revenue on a comprehensive plan for other changes in the course of the next year. He added that the Department of Revenue has indicated changes it would like to effect and has expressed willingness to work with the House Resources Standing Committee.

Number 1397

KEVIN HOGAN, President, Auction Block Company (ABC), testified via teleconference to endorse [HB 154]. He explained that his company is an Internet fish auction company formed in 1997, which had become the largest buyer of halibut in Alaska in 1998-99. Mr. Hogan said ABC's function is to elevate the (indisc.) prices statewide and, as a consequence of that, he thinks "we" have elevated the raw-fish tax that's been collected by the state. He pointed out that a problem for ABC is that it

generates a large volume, but operates at a very small margin; consequently, all of its profits go to securing its fisheries business license. Mr. Hogan discussed methods other companies use to get around the system and keep their businesses alive, stating that ABC's preference would be to "pay as we go." He concluded, "Although this is a first step, there's more that can be done in the future, and I endorse that notion there."

Number 1482

REPRESENTATIVE FATE moved to report CSHB 154(FSH) out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, CSHB 154(FSH) was moved out of the House Resources Standing Committee.

ADJOURNMENT

There being no further business before the committee, the House Resources Standing Committee meeting was adjourned at 2:22 p.m.