

ALASKA STATE LEGISLATURE
SENATE LABOR & COMMERCE COMMITTEE

February 26, 2002
1:40 p.m.

MEMBERS PRESENT

Senator Ben Stevens, Chair
Senator Alan Austerman
Senator Loren Leman
Senator John Torgerson
Senator Bettye Davis

MEMBERS ABSENT

All Members Present

COMMITTEE CALENDAR

SENATE BILL NO. 299

"An Act relating to the establishment of an additional Southcentral panel to the Alaska Workers' Compensation Board and to appointments to that panel; and providing for an effective date."

MOVED SB 299 OUT OF COMMITTEE

SENATE BILL NO. 282

"An Act relating to the membership of the board of directors of the Alaska Seafood Marketing Institute; extending the termination dates of certain activities and salmon marketing programs of the Alaska Seafood Marketing Institute and of the salmon marketing tax; and providing for an effective date."

MOVED CSSB 282(L&C) OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

SB 299 - No previous action to consider.

SB 282 - No previous action consider.

WITNESS REGISTER

Ms. Deborah Grundmann
Staff to Senator Stevens
State Capitol Bldg.
Juneau AK 99811

POSITION STATEMENT: Commented on SB 299 for sponsor.

Mr. Paul Grossi, Director
Division of Workers' Compensation
Department of Labor & Workforce
Development
PO Box 21149
Juneau, AK 99802-1149

POSITION STATEMENT: Supported SB 299.

Ms. Kristy Tibbles
Staff to Senator Stevens
State Capitol Bldg.
Juneau AK 999811

POSITION STATEMENT: Commented on SB 282 for sponsor.

Ms. Barbara Belknap, Director
Alaska Seafood Marketing Institute ASMI
311 N. Franklin
Juneau AK 99801

POSITION STATEMENT: Supported SB 282.

Mr. Tom Wisher
United Salmon Association

POSITION STATEMENT: Commented on SB 282.

Ms. Sue Aspelund
Cordova Fishermen United
P.O. Box 1715
Cordova AK 99574

POSITION STATEMENT: Commented on SB 282.

Ms. Sherry Tuttle
Alaska Troller's Association &
ASMI Board Member
P.O. Box 6282
Sitka AK 99835

POSITION STATEMENT: Commented on SB 282.

Mr. Jerry McCune
United Fishermen of Alaska
211 4th Street, Ste 110
Juneau AK 99801

POSITION STATEMENT: Commented on SB 282.

ACTION NARRATIVE

TAPE 02-8, SIDE A

Number 001
#SB299

SB 299-WORKERS' COMPENSATION BOARD PANELS

CHAIRMAN BEN STEVENS called the Senate Labor & Commerce Committee meeting to order at 1:40 p.m. and announced SB 299 to be up for consideration.

MS. DEBORAH GRUNDMANN, Staff to Senator Stevens, said:

SB 299 amends the Workers' Compensation Act to provide for an additional panel of the Alaska Workers' Compensation Board in the Southcentral venue. This is needed to help provide more hearings in that area of the state and will address the need to reduce the lag time between when a worker files a claim and obtaining a hearing. It will also relieve a growing caseload [In Anchorage, Mat-Su and Kenai].

MR. PAUL GROSSI, Director, Division of Workers' Compensation, supported SB 299, which provides two additional lay members to the Workers' Compensation Board in Southcentral where there is a problem with time lag in the cases going to hearing. This is a low cost attempt at resolving the issue.

SENATOR AUSTERMAN asked if the bill increases the members by two or three.

MR. GROSSI replied that it increases the Board by two lay members. The panels consist of an industry seat member, which is a management seat, and a labor member (usually from a labor union) and the Commissioner of Labor or his designee (employee of the state). This is a follow up to the additional hearing officer the legislature gave them last year. The Board members are paid a \$50 per day stipend.

SENATOR TORGERSON asked if this bill passed, did he hope to have someone nominated this year.

MR. GROSSI said the bill has an effective date of July 1.

SENATOR TORGERSON pointed out that section 2 says immediate for the terms and appointments. He asked if they are appointed and serve at the pleasure of the governor until the legislature confirms them.

MR. GROSSI answered yes.

CHAIRMAN STEVENS asked what the makeup was of existing panels if this section is not in statute now.

MR. GROSSI explained that that section was in the statute, but

the only change is to add two more panel members in Southcentral.

CHAIRMAN STEVENS asked when was the last time a panel was added.

MR. GROSSI answered around the late 80's or early 90's.

SENATOR DAVIS moved to pass SB 299 out of committee with individual recommendations with the attached fiscal note.

CHAIRMAN STEVENS asked Mr. Grossi to address the small fiscal note.

MR. GROSSI replied that the \$5,000 fiscal note covered the \$50 per day stipend. This money comes out of a fees system, not the general fund. In 2003, the division will be self-supporting. The fund is called Workers' Safety and Compensation Fund.

There were no further objections and SB 299 pass out of committee.

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#SB282

SB 282-ALASKA SEAFOOD MARKETING INSTITUTE/TAX

CHAIRMAN STEVENS announced SB 282 to be up for consideration.

MS. KRISTY TIBBLES, Staff to Senator Stevens, said:

SB 282 extends the termination date for the 1% domestic salmon marketing tax to 2008 and extends the termination date for Alaska Seafood Marketing Institute's (ASMI) duties and activities related to the salmon marketing tax to 2009.

In 1993, the legislature enacted the 1% tax to raise revenues to market Alaska's salmon in the United States. The tax is paid by commercial salmon harvesters at the rate of 1% of the value of salmon that is removed from the state or transferred to a buyer in the state. The tax must be reinstated every five years by the state legislature. This will be the third extension since it's enactment. In addition to extending the salmon marketing tax to 2008, SB 282 also reduces the number of ASMI board members from 25 to 13 by attrition while maintaining the ratio of membership representation. Board members are phased out as their terms expire beginning in 2003 by a reduction of two members, five members in 2004 and five members in 2005. This change has been introduced as a cost savings

effort and to improve the efficiency of the ASMI Board of Directors.

MS. BARBARA BELKNAP, Executive Director, ASMI, said it would be very helpful to their organization if this bill passed this year as opposed to when it expires in 2003 for their planning and budgeting purposes.

SENATOR LEMAN said he had been contacted by some people who wanted some of the money to be used for foreign marketing with restrictions. He asked if she had seen the proposed amendment.

MS. BELKNAP replied they thought it would be very helpful to be able to use the funding for overseas marketing as well as domestic. The Board of Directors voted to support lifting that restriction, ensuring that they would continue to market in the United States, but also be able to follow opportunities overseas as well as use the funding for various grants with a match that is required. Currently they can only match grants that can be spent in the United States on salmon.

SENATOR LEMAN asked if she had specific plans if this amendment passed.

MS. BELKNAP replied that the board decides where the split would be. Her first preference would be to look at the Japanese and European markets with a public relations program similar to the one they are doing in the United State, which educates consumers about the difference between wild and farmed salmon.

CHAIRMAN STEVENS explained that there were three main components outside of the tax, itself - one is the domestic marketing restriction, another is the board size. He asked if the board had a position on the size.

2:00 p.m.

MS. BELKNAP replied that the board voted to keep the same size, because it works efficiently with the executive committee system. They have four specific issues. They feel there is full representation of the industry in the state with 25 members and the current system works well. They thought the cost savings would be insignificant given it would be a wash as far as meetings go. The fishermen thought they were better able to communicate ASMI's activities to their constituency and it would be extremely difficult for six harvesters to talk about what ASMI is doing around the state. It is a very diverse industry. The fishermen also felt that they couldn't have more frequent meetings with a smaller board, because of the cost of being away from their work. They lose financial opportunities every time they take a three or four day trip.

CHAIRMAN STEVENS said he wanted to address the board size first.

MR. TOM WISHER, United Salmon Association, said they had talked about this quite a bit and the consensus is that they are in favor of the smaller board. "A smaller board seems to be more efficient and more cost effective. Decisions can be a little more consolidated..."

MS. SUE ASPELUND, Cordova Fishermen United, opposed a reduction in the size of the ASMI Board.

We believe that the diversity of the industry in Alaska is well served by ASMI's current board size and given that harvesters from 51 different fisheries would need representation on the ASMI board and don't feel that the current composition is extreme relative to the diversity in the industry.

MS. SHERRY TUTTLE, board member of ASMI and the Alaska Troller's Association said, "I feel it would be detrimental to some areas in the state if they weren't represented and for that reason I'm not in support of changing the composition of the board."

MR. JERRY MCCUNE, United Fishermen of Alaska, said they talked about this issue a lot and he hadn't heard anyone say they want to change the board besides Tom Wisner from the USA.

The conclusion that we came to is that there are only 2 full board meetings a year and there's only 25 members on the board. To be represented well from around the state and fit everybody in from AYK to Sitka it works well.

He said that UFA decided to meet with the ASMI Board annually to keep in touch with their issues.

CHAIRMAN STEVENS said that the committee had a CS in response from industry to the size of the board. It eliminates the section dealing with reducing the board.

SENATOR DAVIS moved to adopt the CS to SB 182.

SENATOR AUSTERMAN said after talking with the chairman of the board last year he feels that the smaller board was the way to go for efficiency and cost savings, but the chairman had changed his mind because it wouldn't save as much money as he thought. Personally, Senator Austerman thought the smaller size would be more efficient and that fewer members would allow them to have more contact with the overall board.

SENATOR TORGERSON said he objected also.

SENATOR LEMAN noted that he is a permit holder, sells a few fish and pays the tax.

CHAIRMAN STEVENS called for a roll call vote. SENATORS STEVENS, LEMAN and DAVIS voted yea; SENATORS AUSTERMAN and TORGERSON voted nay; and the amendment was adopted 3 to 2.

SENATOR LEMAN moved to adopt amendment #2 that removes the restriction on domestic marketing and allowing the ASMI board to decide. "I believe that domestic marketing is very important and I see growth domestically as being a big part of this; I did years ago...I also see opportunity to follow the market..."

SENATOR TORGERSON objected because he didn't know how it would be implemented.

SENATOR AUSTERMAN opposed the amendment also. He thought it would potentially decrease the effort in the domestic market.

SENATOR DAVIS asked if Senator Torgerson if he would support this amendment if the board had a plan.

SENATOR TORGERSON said he agreed with Senator Austerman, but it comes down to having a plan. He would have to see the plan first.

CHAIRMAN STEVENS asked where they get the match money for the MMP fund that is restricted from being spent overseas.

MS. BELKNAP replied that ASMI has two sources of funding, a .03% on all seafood processed in the state with no restrictions on where or what product. They have a grant for overseas marketing that used to be \$8 million, but now is \$2.3 million requiring a 27% match, which comes from the processing tax.

CHAIRMAN STEVENS asked for clarification if the .03% processors assessment has no restriction and the 1% from fishermen does and she wants to put them on parity.

MS. BELKNAP replied that the 1% salmon tax must be spent on salmon and in the United States.

MR. MCCUNE explained the reason they came up with this world-wide approach.

When we started out years ago to go to the domestic market - that we've done a pretty good job of developing some markets there. That's a long time ago. Things have changed. The situation in Japan

economically is getting worse; it's not that they're not a viable fish market, but the economics are getting worse since 9/11. A lot of our cohos last year went to France and Germany. They've just been splitting them into fillets and sending them to Germany. Markets are opening up in Asia that look like they can develop into some pretty good markets, which can return some funds. It's not that we're dismissing the domestic market at all. We're trying to build the world-wide market, which is opening up with the mad cow disease and organic new labeling restrictions in Europe. They're looking at pure foods in Europe and also we can secure more federal dollars by using our 1% dollars. Those are the reasons that UFA went to the world-wide.

SENATOR LEMAN asked if the second part of the amendment was current law.

MS. BELKNAP answered that this was language in the bill that changes AS 16.51, the Salmon Market Information Service, which cannot exceed 10% of the total.

CHAIRMAN STEVENS asked if the amendment said they could potentially spend all the salmon marketing tax overseas if the Board of Directors so desires.

MS. BELKNAP answered, "If there are no restrictions designated, I believe that's true."

MS. SUE ASPELUND, Executive Director, Cordova Fishermen United, said that they had the opportunity to be involved with the successful promotion of Copper River salmon. They are fully supportive of the 1% salmon assessment reauthorization this year for planning purposes and are wholly supportive of listing the domestic marketing restriction because it provides ASMI with the flexibility to adapt to changing market conditions.

It also enables them to access more marketing dollars and would have provided them the opportunity to respond recently in England when the mad cow disease occurred and they could have used our salmon assessment to do that. We have enjoyed a \$5 million boost in our domestic marketing program as a result of the Northwest [indisc] and, therefore, we've got an excellent and strong domestic marketing program in place...

As a Bristol Bay fisherman, she has not often had the opportunity to see her 1% utilized in the market place, because so many of the fish go to Japan. She doesn't advocate for a large part of the money to go there, but she would like a part of the money she

contributes to be put where the ASMI Board feels it could be best used.

2:20 p.m.

MR. TOM WISHER, United Salmon Association, supported foreign marketing efforts for all mentioned reasons, especially Mr. McCune's. He did not want to dilute the domestic marketing effort, but he wanted ASMI to be able to take advantage of conditions in the world-wide market.

SENATOR TORGERSON asked him how they would not dilute the domestic marketing if you take money away from it and put it into the foreign marketing effort.

MR. WISHER replied that he understood the question, but the industry is in crisis at this point and fishermen are concerned that they at least have a market. "Whether it's in France, England or Kansas City is not of particular concern right now."

CHAIRMAN STEVENS called for a vote on the proposed amendment.

SENATOR LEMAN said he intended that the amendment cover the lifting of the restriction to whatever extent is necessary for drafting to pick up the technical changes, he wanted those to be included in the amendment. SENATORS STEVENS, LEMAN and DAVIS voted yea; SENATORS AUSTERMEN and TORGERSON voted nay; and the amendment was adopted by a vote of 3 - 2.

SENATOR AUSTERMAN moved an amendment allowing the Board and the UFA to work on getting more funds from the federal government using some of the 1% for lobbying in Washington D.C.

SENATOR TORGERSON objected saying, "They don't have the money now much less to split the baby around."

SENATOR LEMAN said he would be concerned about how much money is used to lobby Congress, although it's probably not the intent to peel off a substantial amount.

CHAIRMAN STEVENS commented that he wasn't sure there was a restriction preventing them from doing that now.

MS. BELKNAP explained that this idea was discussed between the UFA fishermen and the ASMI fishermen. The Board did not address this and therefore has no position.

CHAIRMAN STEVENS asked her if it wasn't true that they could hold a board meeting in Washington D.C. and promote the program right now.

MS. BELKNAP said they could do that.

MR. MCCUNE, UFA, explained further that:

Our idea was to try to get \$25 or \$30 million out of the farm bill to have an endowment, so we could live off an endowment and get this marketing going - because as Senator Torgerson is talking, we really don't have any money. I know we're talking about a lot of different options that we can do, but basically we're not going to be able to do too much, but UFA has some lawyers in Washington D.C. for a small retainer. That was the thinking behind it, but it would be entirely up to the ASMI Board whether they made that decision or not.

TAPE 02-8, SIDE B

MR. MCCUNE said after reading the statute, he didn't think the 1% money could be used to hire anyone.

CHAIRMAN STEVENS asked if he poled his membership or did the Board adopt this initiative.

MR. MCCUNE replied:

This is a long laundry list of different things we learned to look at as changes and the Board of the UFA supported it and we did meet with just the harvesters of the ASMI Board, not the full board.

SENATOR AUSTERMAN said this could cut into the amount of money that is being spent for domestic marketing.

MR. MRCCUNE replied that it could if the Board decided to use some of that to go after federal funds in the farm bill or other funds.

SENATOR AUSTERMAN clarified that federal money cannot be used to lobby to get more federal dollars, so they are talking about domestic funds.

MR. MCCUNE said that was right.

SENATOR TORGERSON suggested creating a legal defense fund to fight against the Endangered Species Act and the Canadian intercept and all the other things that affect marketing. He was afraid that they didn't have enough money to do everything.

CHAIRMAN STEVENS pointed out that the 3% money doesn't have any

restriction on it. He asked again, "Is there anything that prevents you from doing this now?"

MR. MCCUNE responded that he wasn't pushing real hard.

MS. BELKNAP said they didn't ask for this.

MR. WISHER said that a lot of the foundation for rescuing the salmon fishery is going to have to come from Washington D.C. They would support the ability to be able to lobby in Washington D.C. and would like the ASMI Board to know that whether it's in the bill or not.

SENATOR AUSTERMAN withdrew his amendment saying he would look for further support for it in the Finance Committee.

SENATOR TOGERSON said if the ASMI Board was going to expand its duties, they should bump the assessment up to 2%.

Then you can afford to do it. I don't think you can afford to do it right now. There's a lot of people who are wondering what you are doing now in marketing and how effective that is. If it all comes down to money, you don't have enough...

CHAIRMAN STEVENS said he was on the ASMI Board and he agrees with Senator Torgerson. He also commented that the farm bill's money is marked before it gets in. It takes a lot of effort and a lot of time for less than \$1.5 million from this year's 1% tax. "In Washington D.C., you're talking of a several hundred thousand dollar contract to make it a success."

SENATOR LEMAN moved to pass CSSB 282(L&C) from committee with individual recommendations. There were no objections and it was so ordered.

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CHAIRMAN STEVENS adjourned the meeting at 2:35 p.m.