

**ALASKA STATE LEGISLATURE
HOUSE SPECIAL COMMITTEE ON ECONOMIC DEVELOPMENT,
INTERNATIONAL TRADE AND TOURISM**

February 10, 2004
10:15 a.m.

MEMBERS PRESENT

Representative Cheryll Heinze, Chair
Representative Lesil McGuire, Vice Chair
Representative Pete Kott
Representative Nancy Dahlstrom
Representative Harry Crawford

MEMBERS ABSENT

Representative Vic Kohring
Representative Sharon Cissna

COMMITTEE CALENDAR

HOUSE BILL NO. 419

"An Act relating to regional seafood development associations and to regional seafood development taxes."

- HEARD AND HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 419

SHORT TITLE: REGIONAL SEAFOOD DEVELOPMENT ASS'NS./TAX

SPONSOR(S): REPRESENTATIVE(S) OGG BY REQUEST OF SALMON INDUSTRY
TASK FORCE

02/02/04	(H)	READ THE FIRST TIME - REFERRALS
02/02/04	(H)	EDT, RES, FIN
02/10/04	(H)	EDT AT 10:00 AM CAPITOL 120

WITNESS REGISTER

REPRESENTATIVE DAN OGG
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Spoke as sponsor of HB 419.

MELISSA DOVER, Staff
to Representative Dan Ogg

Juneau, Alaska

POSITION STATEMENT: Answered questions regarding HB 419.

CHUCK HARLAMERT, Juneau Section Chief

Tax Division

Department of Revenue

Juneau, Alaska

POSITION STATEMENT: Explained why the fiscal note for HB 419 hadn't been generated yet.

GLENN HAIGHT, Fisheries Development Specialist

Division of Community Advocacy

Department of Community and Economic Development

Juneau, Alaska

POSITION STATEMENT: Testified on the status of the fiscal note being prepared by the Department of Community and Economic Development for HB 419.

ACTION NARRATIVE

TAPE 04-07, SIDE A

Number 0001

CHAIR CHERYLL HEINZE called the House Special Committee on Economic Development, International Trade and Tourism meeting to order at 10:15 a.m. Representatives Heinze, Kott, Dahlstrom, and Crawford were present at the call to order. Representative McGuire arrived as the meeting was in progress.

HB 419-REGIONAL SEAFOOD DEVELOPMENT ASS'NS./TAX

CHAIR HEINZE announced that the only order of business would be HB 419, "An Act relating to regional seafood development associations and to regional seafood development taxes."

[A motion was made to adopt the original bill version, but it was already before the committee.]

Number 0086

REPRESENTATIVE DAN OGG, Alaska State Legislature, sponsor, first introduced his staff, Melissa Dover. He explained that HB 419 came out of the Joint Legislative Salmon Industry Task Force ("Task Force") in recognition of the thought process within Alaska, where regions are developing their own marketing. He said the Aleutia, Copper River, and Kodiak brands [for salmon], along with a couple of others, have already begun to develop a

marketing strategy through the utilization of grants. Representative Ogg said this bill was developed during Task Force meetings to move towards regional marketing and a self-assessed tax. It would allow regional marketing development associations, and through statute, if a region voted it in, the region could tax at a rate from 0.5 percent to 2.5 percent.

REPRESENTATIVE OGG explained the thought process behind HB 419. He said although it isn't clearly articulated in the bill but is being worked on, there'd be a minimum of regional organizations. The groups in each region would have the ability to self-assess. First, a group would have to create itself as a [501(c)(6) or 501(c)(7) entity]. The group would have to approach the commissioner of the Department of Community and Economic Development (DCED) for an election of either its gear type, fishery, or a particular (indisc.). Should the group elect in, it could impose a tax to develop seafood products from its area. He said everyone on the Task Force seemed to support this bill.

Number 0273

CHAIR HEINZE asked if the Alaska Seafood Marketing Institute (ASMI) promotes regional advertising such as for the Copper River salmon.

REPRESENTATIVE OGG said ASMI markets the Alaska seafood industry, not any specific brand.

Number 0309

REPRESENTATIVE CRAWFORD asked how the different groups would assign the tax percentage that they'd assess themselves.

REPRESENTATIVE OGG reiterated the process, pointing out that at the stage where the group approaches the commissioner of DCED, it needs signatures from 25 percent of the group's total permit holders, and presents the tax to the commissioner. The commissioner then sets up an election; if 51 percent of those voting approve it, it becomes a recognized group within the region and can then market and sell its seafood products.

Number 0412

CHAIR HEINZE asked if the Board of Fisheries had already created the 12 regions.

REPRESENTATIVE OGG answered in the affirmative, saying that's

what HB 419 followed. However, as the [Task Force] went through the process, it learned that some regions in Western Alaska, namely, Chignik and the Aleutian Islands, felt the original region covering their area was too broad and wanted it broken down further; those changes are reflected in the bill. In addition, people in the Yukon-Kuskokwim delta felt including the 900 miles of river in their region was too much and asked for their region to be broken down further. Representative Ogg said he believes HB 419 recognizes those breakdowns.

Number 0458

CHAIR HEINZE asked who would administer and collect the taxes proposed by HB 419.

REPRESENTATIVE OGG replied that it would be the Department of Revenue.

CHAIR HEINZE asked for a general idea, relating to location, of the 12 regions that would be designated in HB 419.

REPRESENTATIVE OGG, reading from page 9 of HB 419, listed the Southeast Alaska region, covering up to the Yakutat area; Prince William Sound region, including Cordova; Cook Inlet region; Kodiak Island, which has some of the Alaska Peninsula included in it; Alaska Peninsula region, which is farther down the peninsula than the previously mentioned area; Aleutian Islands region; Atka-Amlia Islands region; the Bristol Bay region; Kuskokwim region, where the Kuskokwim river region was broken up because of the request mentioned earlier; the Yukon Northern region; and last, the [Norton] Sound-Port [Clarence] region that includes Barrow.

REPRESENTATIVE McGUIRE asked what, if any, effect HB 419 would have on ASMI.

REPRESENTATIVE OGG answered that HB 419 would have no financial impact on ASMI; the taxes involved are separate taxing mechanisms. He added that the bill may assist ASMI by allowing the regions to develop seafood on a regional basis, something ASMI cannot do at this time.

Number 0618

REPRESENTATIVE McGUIRE asked if there would be any instances of someone paying both a salmon marketing tax and a regional tax.

REPRESENTATIVE OGG said if a business is in the salmon industry, then yes, but if it is in the whitefish industry, then probably no; he mentioned that there are bills coming through during this legislative session in which those issues are addressed. He added that wording in HB 419 requires each region to work with ASMI and with other regions, citing that the [Task Force] didn't want a situation in which regions were competing with each other because there was an instance already where there was some competition.

Number 0695

REPRESENTATIVE McGUIRE commented that she had experience with a bill that taxed fishermen through ASMI, and the complaints she received dealt with these fishermen who felt they were forced by [ASMI] to pay a tax and received no benefit from it. She said she could see similar incidents happening with this bill, especially since some of the fishermen would be taxed twice.

REPRESENTATIVE OGG pointed out that during the Task Force meetings there were 24 different people present that each had his or her own agenda, so the representation became Balkanized. He said the tax that Representative McGuire referred to had an additional tax of 1 percent for salmon fishermen, so some of those fishermen would contact him and ask what else ASMI is doing for them, since they are paying more taxes. He said those people were the ones who voiced concern over the bill she'd mentioned. He clarified the difference between that bill and HB 419 by stating that there is no large organization that decides the tax imposed, since the individual groups decide for themselves.

Number 0869

REPRESENTATIVE McGUIRE asked for any other legal implications that might arise from setting the regions proposed by HB 419.

REPRESENTATIVE OGG responded that the only legal ramifications that the Task Force recognized dealt with the taxation of grant programs; that is why the bill is written the way it is. He said HB 419 allows these different groups to be taxed by the state, and thus avoids the legal shortcomings of the current system. He cited lawsuits that break up similar groups, and added that by tying the groups into the state, it adds legitimacy. He said the bill does tie these groups into the state, very minimally, and allows the groups to be flexible, and that eliminates those legal issues. He said the bill was set up

to include existing groups, like the Copper River group, and opened it up further to allow more fishermen to be a part of that group.

CHAIR HEINZE asked about the Arctic Keta brand.

Number 1000

MELISSA DOVER, Staff to Representative Dan Ogg, Alaska State Legislature, answered that the Arctic Keta brand was marketing chum salmon and that it was a fairly new group.

CHAIR HEINZE asked if Representative Ogg recognizes that the 12 regions would be competing against each other.

REPRESENTATIVE OGG responded that wording in the bill promotes cooperation with the other regions as well as ASMI.

CHAIR HEINZE asked if the fiscal note for HB 419 was not able to be completed at this date, or if Mr. Harlamert was going to speak about the taxes relating to the fiscal note.

Number 1110

CHUCK HARLAMERT, Juneau Section Chief, Tax Division, Department of Revenue, explained that HB 419 is the type of bill in which participants will elect the tax at a later date; therefore, the Tax Division cannot guess how much tax the groups will impose or how many groups will elect for the tax at all. He said [the Tax Division] could probably work with the Alaska Department of Fish & Game (ADF&G) to come up with some figures, but his office doesn't have data on revenue collected by each fishery because it isn't relevant to the taxes currently collected.

CHAIR HEINZE asked if Mr. Harlamert could give the committee a specific date that a [revised] fiscal note would be available.

MR. HARLAMERT answered that the Tax Division couldn't give the committee a specific date because it doesn't know the scope of the program. He said he'd made an attempt in the fiscal note provided to the committee to guesstimate what levels the division would be able to tax without additional resources within the department, and offered a rough guess that there are six simple levies that fisheries could possibly have.

Number 1229

GLENN HAIGHT, Fisheries Development Specialist, Division of Community Advocacy, Department of Community and Economic Development, said DCED hasn't drafted a fiscal note but will get something to the committee by the end of the week. He said DCED has just started to analyze HB 419 and hasn't established a formal position on it, but he looks forward to working with Representative Ogg's office to learn more.

CHAIR HEINZE announced that HB 419 would be held over.

ADJOURNMENT

There being no further business before the committee, the House Special Committee on Economic Development, International Trade and Tourism meeting was adjourned at 10:37 a.m.