

HOUSE FINANCE COMMITTEE  
April 29, 2004  
12:27 P.M.

TAPE HFC 04 - 102, Side A

CALL TO ORDER

Co-Chair Williams called the House Finance Committee meeting to order at 12:27 P.M.

MEMBERS PRESENT

Representative John Harris, Co-Chair  
Representative Bill Williams, Co-Chair  
Representative Kevin Meyer, Vice-Chair  
Representative Mike Chenault  
Representative Eric Croft  
Representative Hugh Fate  
Representative Richard Foster  
Representative Mike Hawker  
Representative Carl Moses  
Representative Bill Stoltze

MEMBERS ABSENT

Representative Reggie Joule

ALSO PRESENT

Ian Fisk, Staff to Senator Stedman; Cheryl Sutton, Joint Legislative Industries Task Force; Joe Balash, Staff, Senator Gene Therriault; Frank Homan, Commissioner, Commercial Fisheries Entry Commission; Don Bremner, Central Council Business and Economic Development, Juneau

PRESENT VIA TELECONFERENCE

None

SUMMARY

#SB273  
CSSB 273(FIN)

An Act amending the size, membership, and powers of the board of directors of the Alaska Seafood Marketing Institute and making a corresponding change in the quorum requirement; authorizing the establishment of the seafood marketing assessment

at a rate of 0.5 percent or 0.6 percent of the value of seafood products produced; providing for an election to retain, terminate, or increase the seafood marketing assessment; providing for the repeal of the salmon marketing tax and provisions related to the salmon marketing tax; and providing for an effective date.

CS SB 273 (FIN) was SCHEDULED but not HEARD.

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CSSB 286(FIN)

An Act relating to direct marketing fisheries businesses, to the fisheries business tax, and to liability for payment of taxes and assessments on the sale or transfer of fishery resources; and providing for an effective date.

CSSB 286 (FIN) was reported out of Committee with a "do pass" recommendation and with fiscal note #1 by the Department of Revenue and zero note #2 by the Department of Fish & Game.

SB 315 An Act relating to the administration of commercial fishing entry permit buy-back programs.

SB 315 was reported out of Committee with a "do pass" recommendation and with zero note #1 by the Department of Fish & Game.

SB 322 An Act relating to the rate of the salmon enhancement tax.

SB 322 was reported out of Committee with a "do pass" recommendation and with a new zero note by the Department of Revenue.

#SB286

CS FOR SENATE BILL NO. 286(FIN)

An Act relating to direct marketing fisheries businesses, to the fisheries business tax, and to liability for payment of taxes and assessments on the sale or transfer of fishery resources; and providing for an effective date.

IAN FISK, STAFF, SENATOR STEDMAN, stated that the bill had been brought forward at the request of the Salmon Task Force.

Representative Foster MOVED to report CS SB 286 (FIN) out of Committee with individual recommendations and with the

accompanying fiscal notes. There being NO OBJECTION, it was so ordered.

CSSB 286 (FIN) was reported out of Committee with a "do pass" recommendation and with fiscal note #1 by the Department of Revenue and zero note #2 by the Department of Fish & Game.

#SB322

SENATE BILL NO. 322

An Act relating to the rate of the salmon enhancement tax.

CHERYL SUTTON, JOINT LEGISLATIVE SALMON INDUSTRIES TASK FORCE, SENATOR BEN STEVENS, stated that SB 322 would modify AS 43.76 by adding additional tax rates of 30, 20, 15, 10, 9, 8, 7, 6, 5, and 4 percent to the Salmon Enhancement Tax.

Under current law, commercial salmon interim-use and entry permit holders organized under regional aquaculture associations (AS 16.10.380) may vote to tax themselves at the rate of one, two or three percent of the value of their harvest. Those monies are collected by the Department of Revenue and deposited into the general fund. The Legislature may make appropriations based on that deposit to the Department of Community and Economic Development for financing of qualified regional aquaculture associations.

Ms. Sutton continued, the decline in the value of salmon due to changing market dynamics has led to increased costs for regional aquaculture associations. In order to meet their continuing costs, many have increased the amount of fish harvested for "cost-recovery." Fishermen would like the opportunity to raise their tax rate to avoid increased cost-recovery harvests.

Qualified regional aquaculture associations are permitted in statute (AS 43.76.015) to conduct an election to approve or terminate a Salmon Enhancement Tax. The statute requires approval by a majority vote of the eligible interim-use permit and entry permit holders voting in an election. SB 322 provides some flexibility for regional aquaculture associations to organize their operations and respond to the changing conditions in the salmon industry.

Representative Hawker understood that the aquaculture associations would give up cost recovery fishing and the funds that would be generated by that would be replaced with a self assessed tax on the members or the people benefiting from the enhancement activity. He inquired the advantage to the fishermen moving to a tax structure.

Ms. Sutton responded that during interim testimony received from fishermen, it was perceived that they felt in competition with the regional aquaculture association in terms of fish harvested and cost recovery. She stated that it was a requested tool. Because it would not mandate any change, Senator Stevens obliged them.

Representative Hawker asked if there might be a risk that the vote could eliminate cost recovery fishing at the potential expense of injuring the fishermen's own aquaculture association. Ms. Sutton did not believe there would be a risk. She noted that Senator Stevens had considered that question before he agreed to submit the legislation. She referenced the handout on the "Alaska Hatchery Commercial Common Property & Cost Recovery Return Data, 1993-2003". (Copy on File). If the program is eliminated, then ultimately, it would be coming from everyone's pocket and no one would be availed.

Representative Hawker commented that with cost recovery fishing in a harvest area, there are many dynamics involved. He asked if the legislation would disadvantage any particular group. Ms. Sutton responded that it would not, and that everything else would remain in place. The language removes nothing from law or regulation.

Representative Chenault asked about the fiscal note analysis on Page 2: "Individual regions can significantly increase compliance risk". He asked why that could potentially occur with a percentage change and how that would then increase costs to the Department. Ms. Sutton commented that the sponsor agrees with that point, not viewing the costs as something that should affect the Department's note. If the tax rate changes, Ms. Sutton stated it would be immaterial to the structure. Representative Chenault recommended that the note be zeroed out. Ms. Sutton commented that the note is a zero and is a non-issue for the bill. The structure exists and the compliance view remains the same.

Representative Chenault stated that he did not want to negatively affect the bill, however, he did not want the Department to have the ability to gather more funds.

Representative Fate identified the 30% enhancement tax contingent upon the commissioner designating a region. Ms. Sutton disagreed. The only thing that the bill does is add additional tax rates to a law and structure something that already exists. It does not change anything else.

Representative Fate pointed out that there are areas not included in law. Ms. Sutton stated that the only people with the ability to vote to tax are those that are qualified regional aquaculture association members established by criteria in law. She added that there is nothing else

pending that would broaden it. There are six qualified regional aquaculture associations. The other hatcheries do not qualify and do not have taxation powers.

Representative Fate did not know what an Alaskan commercial common property hatchery was. Ms. Sutton pointed out that a table had been included in the files, which indicates commercial comp property and cost recovery return data. All fish are common property. The chart indicates the rates of harvest. (Copy on File).

Representative Foster MOVED to report SB 322 out of Committee with individual recommendations and with the accompanying zero fiscal note. There being NO OBJECTION, it was so ordered.

SB 322 was reported out of Committee with a "do pass" recommendation and with a new zero note by the Department of Revenue.

#SB315  
SENATE BILL NO. 315

An Act relating to the administration of commercial fishing entry permit buy-back programs.

CHERYL SUTTON, JOINT LEGISLATIVE SALMON INDUSTRIES TASK FORCE, SENATOR BEN STEVENS, stated that SB 315 was the Senate companion to HB 410. It is precisely the same bill as HB 410. There have been no amendments on the Senate side and it passed the Senate unanimously. SB 315 modifies existing law governing buy-back programs. It would allow the Commercial Fisheries Entry Commission to "front fund" a buy-back program if an appropriation were received. The commission would then continue to collect funds through the designated rate of assessment in the buy-back program to "pay back" the indebtedness. She added that when the optimum number of permits is reached in a buy-back and the reasonable costs of the program have been met, the Commission would terminate the assessment in the affected fishery. SB 31 will make the administration of a buy-back program more workable.

Representative Chenault asked about current law buy-backs contained in the bill analysis.

FRANK HOMAN, COMMISSIONER, COMMERCIAL FISHERIES ENTRY COMMISSION, explained that current law is that the Commercial Fisheries Limited Entry Commission, after the determination of the outcome number and when that number indicates too many permits in the fishery, a buy-back program could be established. That language is already in the fish law. It could increase to 7%, up to 1 through 7

depending on how much money is needed for the buy back program.

Representative Chenault asked if it would be voluntary, or would the commission make the determination regarding the optimum number. Mr. Homan responded that it would come about through the interaction with the fishing community.

Representative Chenault pointed out that was a concern with commercial fishermen in his area whether or not they were interested in a buy-back. These fishermen want to be "heavily involved in that process". Mr. Homan responded that there would be a public hearing process.

DON BREMNER, CENTRAL COUNCIL BUSINESS AND ECONOMIC DEVELOPMENT, JUNEAU, voiced opposition to the proposed legislation. He noted handouts that support his position. (Copy on File). Mr. Bremner pointed out that there is no justification or complete analysis for the legislation and how the buy backs would affect the fishermen. He spoke to finding solutions experienced by the fishermen. The fishermen want to find options. Mr. Bremner recommended that the State should be looking at adding back permits for the rural communities, as it is the only resource for many of them. He reiterated that strong enough reasons have not been addressed.

Mr. Bremner noted that the Central Council sent out a proposal to Senator Elton and Senator Stevens requesting a further look at the proposal. The proposal suggests that a complete analysis be performed of the buy back and limited entry systems. He did not know how the legislation would affect the prices to the fishermen. He reiterated that special attention needs to be given to rural communities.

Mr. Bremner suggested that the permit banks would be a better idea for taking care of future generations and then they would not have to come back to the Legislature to address these concerns. Ms. Sutton commented that the bill does not establish or promote any buy back.

Representative Chenault noted that he had no fiscal note in his file. Ms. Sutton said that was correct.

Representative Foster MOVED to report SB 315 out of Committee with individual recommendations and with the fiscal note.

Mr. Homan pointed out that there was a zero note and that there would be no buy back and that could be used if the State ever got to that point. The only thing the bill does at this time, is indicate that there could be a buy back program if there was an opportunity to get up-front funding from some source, then the legislation would allow that to

happen rather than waiting for years to accumulate an assessment.

Representative Stoltze commented that there are options and that when the bill gets to the House floor, discussions should be made regarding these concerns.

There being NO OBJECTION, SB 315 was reported out of Committee with a "do pass" recommendation and with zero note #1 by the Department of Fish & Game.

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ADJOURNMENT

The meeting was adjourned at 12:57 P.M.