

**ALASKA STATE LEGISLATURE  
HOUSE SPECIAL COMMITTEE ON FISHERIES**

April 5, 2004

9:05 a.m.

**MEMBERS PRESENT**

Representative Paul Seaton, Chair  
Representative Peggy Wilson, Vice Chair  
Representative Cheryll Heinze  
Representative Dan Ogg  
Representative Ralph Samuels  
Representative Les Gara

**MEMBERS ABSENT**

Representative David Guttenberg

**COMMITTEE CALENDAR**

HOUSE BILL NO. 458

"An Act relating to a one-day commercial fishing crewmember license."

- MOVED CSHB 458(FSH) OUT OF COMMITTEE

CS FOR SENATE BILL NO. 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."

- MOVED HCS CSSB 273(FSH) OUT OF COMMITTEE

CS FOR SENATE BILL NO. 347(RES)

"An Act relating to moratoria on entry of new participants or vessels into a commercial fishery; relating to vessel permits for, and the establishment of a moratorium on entry of new vessels into, state Gulf of Alaska groundfish fisheries; and providing for an effective date."

- HEARD AND HELD

**PREVIOUS COMMITTEE ACTION**

BILL: HB 458

SHORT TITLE: SHORT-TERM COM FISHING CREWMEMBER LICENSE

SPONSOR(S): REPRESENTATIVE(S) MOSES BY REQUEST

02/16/04 (H) READ THE FIRST TIME - REFERRALS  
02/16/04 (H) L&C, FSH, RES  
03/24/04 (H) L&C REFERRAL WAIVED  
04/05/04 (H) FSH AT 9:00 AM CAPITOL 124

BILL: SB 273

SHORT TITLE: ASMI BOARD/ SEAFOOD TAXES & ASSESSMENTS

SPONSOR(S): SENATOR(S) STEVENS G BY REQUEST OF SALMON INDUSTRY  
TASK FORCE

01/23/04 (S) READ THE FIRST TIME - REFERRALS  
01/23/04 (S) L&C, FIN  
02/03/04 (S) L&C AT 1:30 PM BELTZ 211  
02/03/04 (S) Heard & Held  
02/03/04 (S) MINUTE(L&C)  
02/10/04 (S) L&C AT 1:30 PM BELTZ 211  
02/10/04 (S) Moved SB 273 Out of Committee  
02/10/04 (S) MINUTE(L&C)  
02/11/04 (S) L&C RPT 1DP 2NR  
02/11/04 (S) NR: BUNDE, FRENCH; DP: STEVENS G  
02/26/04 (S) FIN AT 9:00 AM SENATE FINANCE 532  
02/26/04 (S) Scheduled But Not Heard  
03/09/04 (S) FIN AT 9:00 AM SENATE FINANCE 532  
03/09/04 (S) Scheduled But Not Heard  
03/10/04 (S) FIN AT 9:00 AM SENATE FINANCE 532  
03/10/04 (S) Heard & Held  
03/10/04 (S) MINUTE(FIN)  
03/22/04 (S) FIN RPT CS 3DP 4NR NEW TITLE  
03/22/04 (S) DP: WILKEN, DYSON, STEVENS B;  
03/22/04 (S) NR: GREEN, HOFFMAN, OLSON, BUNDE  
03/22/04 (S) FIN AT 9:00 AM SENATE FINANCE 532  
03/22/04 (S) Moved CSSB 273(FIN) Out of Committee  
03/22/04 (S) MINUTE(FIN)  
03/24/04 (S) FIN CS ADOPTED Y14 N6  
03/29/04 (S) TRANSMITTED TO (H)  
03/29/04 (S) VERSION: CSSB 273(FIN)  
03/31/04 (H) READ THE FIRST TIME - REFERRALS  
03/31/04 (H) FSH, FIN  
04/05/04 (H) FSH AT 9:00 AM CAPITOL 124

BILL: SB 347

SHORT TITLE: COMM. FISHING MORATORIA, INCL. AK GULF

SPONSOR(S): SENATOR(S) STEVENS B BY REQUEST

02/16/04	(S)	READ THE FIRST TIME - REFERRALS
02/16/04	(S)	RES
03/03/04	(S)	RES AT 3:30 PM BUTROVICH 205
03/03/04	(S)	Heard & Held
03/03/04	(S)	MINUTE(RES)
03/05/04	(S)	RES AT 3:30 PM BUTROVICH 205
03/05/04	(S)	Moved CSSB 347(RES) Out of Committee
03/05/04	(S)	MINUTE(RES)
03/08/04	(S)	RES RPT CS 3DP 2NR NEW TITLE
03/08/04	(S)	NR: OGAN, LINCOLN; DP: WAGONER,
03/08/04	(S)	STEVENS B, ELTON
03/08/04	(S)	FIN REFERRAL ADDED
03/09/04	(S)	FIN AT 9:00 AM SENATE FINANCE 532
03/09/04	(S)	Moved CSSB 347(RES) Out of Committee
03/09/04	(S)	MINUTE(FIN)
03/10/04	(S)	FIN RPT CS(RES) 3DP 4NR
03/10/04	(S)	DP: WILKEN, BUNDE, STEVENS B;
03/10/04	(S)	NR: GREEN, HOFFMAN, OLSON, DYSON
03/22/04	(S)	TRANSMITTED TO (H)
03/22/04	(S)	VERSION: CSSB 347(RES)
03/24/04	(H)	READ THE FIRST TIME - REFERRALS
03/24/04	(H)	FSH, RES, FIN
03/29/04	(H)	FSH AT 9:00 AM CAPITOL 124
03/29/04	(H)	Heard & Held
03/29/04	(H)	MINUTE(FSH)
04/05/04	(H)	FSH AT 9:00 AM CAPITOL 124

**WITNESS REGISTER**

ADAM BERG, Staff

to Representative Carl Moses

Alaska State Legislature

Juneau, Alaska

POSITION STATEMENT: Presented HB 458 on behalf of the sponsor,  
Representative Moses.

ROLAND MAW, Executive Director

United Cook Inlet Drift Association (UCIDA)

Soldotna, Alaska

POSITION STATEMENT: Testified in support of HB 458.

PAUL SHADURA, President

Kenai Peninsula Fishermen's Association

Soldotna, Alaska

POSITION STATEMENT: Testified in support of HB 458.

GUY BELL, Director

Division of Administrative Services

Department of Labor & Workforce Development (DLWD)

Juneau, Alaska

POSITION STATEMENT: During discussion of HB 458, explained the Fishermen's Fund and answered questions.

KRIS WRIGHT, Licensing Supervisor

Alaska Department of Fish & Game (ADF&G)

Juneau, Alaska

POSITION STATEMENT: During discussion of HB 458, answered questions.

REPRESENTATIVE CARL MOSES

Alaska State Legislature

Juneau, Alaska

POSITION STATEMENT: Spoke as the sponsor of HB 458.

SENATOR GARY STEVENS

Alaska State Legislature

Juneau, Alaska

POSITION STATEMENT: Spoke as the sponsor, by request of the Joint Legislative Salmon Industry Task Force, of SB 273.

RAY RIUTTA, Executive Director

Alaska Seafood Marketing Institute (ASMI)

Juneau, Alaska

POSITION STATEMENT: Testified that the ASMI board hasn't met to discuss the current version of SB 273.

#### **ACTION NARRATIVE**

#### **TAPE 04-19, SIDE A**

Number 0001

**CHAIR PAUL SEATON** called the House Special Committee on Fisheries meeting to order at 9:05 a.m. Representatives Seaton, Wilson, Heinze, Ogg, and Samuels were present at the call to order. Representative Gara arrived as the meeting was in progress.

HB 458-SHORT-TERM COM FISHING CREWMEMBER LICENSE

CHAIR SEATON announced that the first order of business would be HOUSE BILL NO. 458, "An Act relating to a one-day commercial fishing crewmember license."

Number 0120

ADAM BERG, Staff to Representative Carl Moses, Alaska State Legislature, presented HB 458 on behalf of the sponsor, Representative Moses. He explained that HB 458 would allow one-day commercial fishing crewmember licenses. This legislation would aid out-of-state visitors and others interested in commercial fishing. Currently, these individuals have to purchase a \$60 resident license or a \$120 nonresident license. The idea is to provide permit holders another avenue to raise money. Under this one-day license, this would allow permit holders to work as a boat for hire. Furthermore, this would allow visitors an affordable way to participate in the fishery as a crewmember.

Number 0238

REPRESENTATIVE SAMUELS moved to adopt CSHB 458, Version 23-LS159\U, Utermohle, 3/31/04, as the working document. [No objection was stated, and therefore Version U was treated as adopted and before the committee.]

MR. BERG explained the changes encompassed in Version U. Section 5 of the original legislation was deleted because that section had changed the definition of "fisherman" such that it didn't allow these one-day permit holders to qualify for the Fishermen's Fund. At the request of the Fishermen's Fund and the Department of Labor & Workforce Development (DLWD), Section 5 was deleted. The other change encompassed in Version U is the addition of the January 1, 2005, effective date. The aforementioned change was done per the request of Alaska Department of Fish & Game (ADF&G).

Number 0341

REPRESENTATIVE WILSON inquired as to the current fee for a crewmember fishing license.

MR. BERG answered that the fee is \$60 annually for a resident and \$180 for a nonresident.

REPRESENTATIVE WILSON surmised that those who have never been on a boat before would have a higher propensity of having a mishap.

Therefore, she expressed concern with the potential for these one-day crewmembers to use up the limited funds in the Fishermen's Fund if there are a lot of accidents.

MR. BERG reminded the committee that this would be an option for the permit holder. He related his experience that safety is a high priority for boat captains. Representative Wilson's concern was the thinking that resulted in the original legislation not having these one-day crewmembers qualify for the Fishermen's Fund, he noted. However, this was a big concern for DLWD because restricting the definition in such a way that it precludes holders of the shorter-period licenses from obtaining benefits could be viewed as a denial of equal protection, which could be a basis for litigation. Furthermore, DLWD felt that altering the definition of "fishermen" may leave the fund's dedication vulnerable.

Number 0611

REPRESENTATIVE WILSON surmised then that this legislation allows tourists to be a commercial fisherman for a day.

MR. BERG replied yes. Currently, a tourist could go out on a [commercial fishing] boat, but couldn't participate in any way. Moreover, the current \$180 crewmember license fee seems cost prohibitive. Although Mr. Berg said that he didn't know how many individuals would take advantage of this option for \$30, it does provide the option. He noted that this would be another extreme tourism option.

REPRESENTATIVE HEINZE questioned what these tourists would actually do and how many people might actually utilize this.

MR. BERG replied that it would be up to the boat captain. In regard to how many individuals would take advantage of this, the fiscal note estimates 100 licenses. However, he said he didn't know how that estimate was reached.

Number 0733

REPRESENTATIVE OGG inquired as to why a one-day license was chosen versus a license for a week because for most fishing one day doesn't even get the individual to the fishing spot.

MR. BERG noted that originally there were one-, two-, and seven-day licenses. However, ADF&G was concerned that it would lose receipts on the licenses [because regular crewmembers would

purchase these cheaper licenses]. Mr. Berg related that the sponsor didn't share that view because regular crewmembers aren't going to purchase a one-week license and leave; these individuals are typically here for the summer. The one-day crewmember license was introduced in order to have a piece of legislation that ADF&G wouldn't oppose.

REPRESENTATIVE OGG asked if ADF&G would be extremely upset and oppose legislation that includes a one-week license for \$150.

MR. BERG said that he couldn't speak for ADF&G.

REPRESENTATIVE OGG reiterated that it would likely take more than one day to be involved in commercial fishing. Therefore, he questioned whether the individual would have to purchase multiple licenses at the same time.

MR. BERG confirmed that under the current legislation, individuals going on a three-day trip would have to purchase three one-day crewmember licenses.

Number 0973

REPRESENTATIVE SAMUELS related his understanding that if someone had a week-long stay at a lodge, this would allow a [commercial fishing] tour operator the ability to offer a one-day trip, particularly in Bristol Bay. Therefore, the locals could create a tourism business that is in conjunction with commercial fishing. He said he didn't believe people would fly from Anchorage to commercial fish. Representative Samuels stated that he liked the legislation and didn't see a downside to it.

REPRESENTATIVE GARA commented, "I could see this working if a lot of people did it." However, he expressed disbelief that anyone would be able to obtain the liability insurance to make it cost effective to bring tourists onto a commercial fishing boat. He acknowledged that one could go without liability insurance. If one purchases liability insurance, there would have to be a lot of potential customers in order to do it.

MR. BERG noted that any [permit holder] wanting to use this option would have to do advertising in order to solicit customers. He also noted that boats for hire have to have a six-pack license and other requirements. This legislation merely provides an option for fishermen to try out.

REPRESENTATIVE GARA inquired as to how large the demand is for this legislation.

MR. BERG said that the original idea came from an individual in Naknek, and therefore it's difficult to say what the demand is. The sponsor's office has taken several calls from interested groups, and there has been no negative reaction, he related.

REPRESENTATIVE GARA surmised that under a one-day license, an individual would only be able to touch the gear that one day, but could be on board and not touch the gear other days.

MR. BERG clarified that if one wanted to be out more than one day and participate, the individual would have to purchase stacking licenses.

CHAIR SEATON informed the committee, "I think that we have to be clear that at some point if you are not a crewmember ... and you are on the boat, then you're not covered by the Fishermen's Fund, which means all the liability would be on the boat owner or they would have to be as a six-pack boat. If it's a commercial fishing boat and you only have your crew on board, you don't have to be a six-pack boat."

Number 1359

ROLAND MAW, Executive Director, United Cook Inlet Drift Association (UCIDA), informed the committee that he has been a commercial fisherman for salmon in the Upper Cook Inlet for about 30 years. Mr. Maw announced support of HB 458 for both himself and UCIDA; the \$30 fee is reasonable and could certainly be used in the Soldotna area. Mr. Maw informed the committee that [this legislation is the result] of a suggestion he and others brought forth to the Joint Salmon Industry Task Force.

MR. MAW, in light of today's testimony and questions, offered the following information. He informed the committee that he carries liability insurance for his vessel in the amount of \$500,000 per incident, as well as liability insurance for his crew in the amount of \$500,000 per crewmember per incident. He explained that he can rotate crew in and out of his policy for coverage purposes. Over the years, when he has had a guest on board the issue becomes whether the individual is crew or not for the purposes of liability insurance. "And so we've always been kind of in this no man's land between a six-pack boat or a charter boat and some kind of a commercial boat," he remarked. Mr. Maw addressed the question regarding the demand for [one-day

commercial fishing crewmember licenses]. He related that his son put a one-day commercial fishing trip on the Internet and it received 1,200 hits in 12 hours. Therefore, Mr. Maw didn't doubt that this is necessary and the public will respond. Furthermore, he felt that those who would take advantage of a one-day commercial fishing crewmember license] would have insurance, including liability insurance.

MR. MAW related that last summer he had an 18-year-old crewmember who, on his day off, took a river rafting trip during which he dislocated his shoulder. This all happened the evening before the fishing trip was to begin. Therefore, this [one-day commercial fishing license] would've been helpful in this case in which temporary crew was needed. Mr. Maw turned to the question of what these one-day crewmembers could do and related that on his boat he would envision these individuals bleeding and icing the fish. Mr. Maw said that he believes 100 licenses a year is a [conservative/small] estimate. He mentioned that he would like the option of a two-day and three-day license as well.

Number 1676

PAUL SHADURA, President, Kenai Peninsula Fishermen's Association, related the association's support of HB 458 because it provides a way in which to diversify while providing a service to those nonresidents and tourists who visit the Kenai Peninsula. He mentioned that often in a season such as that forecasted for this next summer, it's difficult to find crew who will stay for any length of time. The \$180 nonresident license is fairly cost prohibitive for many. He acknowledged that there is a liability issue that individual businesses would have to address. Mr. Shadura informed the committee that the insurance is based on the numbers of individuals fishing with each permit holder rather than the individual names. The insurance costs for crewmembers on a setnet site are fairly reasonable. Mr. Shadura reiterated his support and expressed the desire to have this be in effect as soon as possible, at least by June 1 in order to allow individual crewmembers to purchase licenses at an Alaska Department of Fish & Game (ADF&G) office because the licenses might not be available to vendors at the time.

Number 1876

GUY BELL, Director, Division of Administrative Services, Department of Labor & Workforce Development (DLWD), informed the committee that the Fishermen's Fund receives 39 percent of the

licensed revenue for commercial fishermen. The fund was established in 1951 as a payer of last resort for medical expenses associated with injuries that occur while commercial fishing. Therefore, if an individual has any other insurance, it would apply first before the Fishermen's Fund goes into effect.

CHAIR SEATON recalled testimony from last year that the Fishermen's Fund is in good shape and has money still in its account. The Fishermen's Fund is a dedicated fund that can't be rolled over to other uses. Chair Seaton asked if there is any concern that this legislation would cause any fiscal problems for the Fishermen's Fund.

MR. BELL said that the department projects a small increase in revenue as a result of this legislation. It's difficult, he said, to estimate the potential liability of the Fishermen's Fund. Currently, the Fishermen's Fund is solvent and in good financial condition. He acknowledged that untrained crew do bring forth concern for potential injuries, although he surmised that those bringing untrained crew would exercise discretion in the type of activities in which the one-day participants will be involved. Mr. Bell acknowledged the concern regarding the fund taking in money and an individual not receiving the corresponding level of coverage provided to others actively involved in the commercial fishing business.

Number 2016

REPRESENTATIVE GARA surmised that the Fishermen's Fund would go into effect because along the line an individual's insurance didn't [cover the incident]. He asked if the Fishermen's Fund requires that the employer of the injured individual have insurance, and therefore the Fishermen's Fund can go after the employer who didn't have the required liability insurance. He likened the aforementioned to workers' compensation.

MR. BELL answered that he didn't believe so, but offered to confirm that. In further response to Representative Gara, Mr. Bell said he didn't believe there is a requirement that [employers] must provide medical insurance in the fishing industry, but, again, he offered to confirm that.

REPRESENTATIVE WILSON posed a situation in which a fisherman has insurance, but has not met the deductible. She asked if the Fishermen's Fund would pick up the deductible.

MR. BELL said that he didn't believe the Fishermen's Fund would pick up the deductible. Furthermore, the general standard is that the maximum payment from the fund is \$2,500 unless there are some exceptional circumstances.

CHAIR SEATON informed the committee that a few years ago the Fishermen's Fund raised its [maximum payment] to \$2,500, upon which all the marine insurance carriers in Alaska raised their deductible to \$2,500. "Although it's an insurance of last resort, ... if you have a policy that has a deductible of \$2,500 you are not covered by any other insurance, and therefore Fishermen's Fund covers the first \$2,500," he explained. The way the [marine insurance] industry is structuring, one could almost refer to the Fishermen's Fund as the payer of first resort.

REPRESENTATIVE WILSON surmised then that the insurance industry has gotten around the fact that the Fishermen's Fund doesn't cover the deductible by raising the deductible, and therefore an individual isn't insured until \$2,500 has been spent.

CHAIR SEATON highlighted that 39 percent of the commercial licensing fee goes to the Fishermen's Fund, which has been growing over the years because it has been taking in more than it has paid out.

REPRESENTATIVE WILSON clarified then that the Fishermen's Fund basically pays the deductible on every fisherman's insurance.

Number 2311

REPRESENTATIVE GARA asked if the funds generated by the \$30 one-day commercial fishing license will cover the department's costs.

KRIS WRIGHT, Licensing Supervisor, Alaska Department of Fish & Game (ADF&G), said that the department took a good guess as to how many of these licenses would be sold. She explained that the January 1 start date was requested because the plan was to add this as a box on the license. Therefore, there would be no additional cost. However, the suggested date of June 1 would result in costs to the department. She opined that most vendors would probably be unhappy if they didn't receive the opportunity to sell that license from the very beginning.

REPRESENTATIVE GARA asked if the license fee was a bit more than \$30 for this year in order to cover the costs of getting a

special license to those businesses that want to sell it this summer.

MS. WRIGHT replied yes. She mentioned that the story about the number of hits an Internet site received for a one-day commercial fishing trip was surprising and thus she is a bit concerned with regard to the number of [licenses] that should be printed. Ms. Wright said that this could be worked out.

REPRESENTATIVE GARA related his intention to provide an immediate effective date so that this license could be available this summer. He surmised that the department would work with the sponsor to determine the amount of the fee for the summer.

MS. WRIGHT replied yes.

Number 2448

REPRESENTATIVE OGG asked if having a three-day license at a cost of \$50 would be problematic.

MS. WRIGHT recalled that when the department initially worked on this legislation, there was a one-day, three-day, and seven-day license. The department requested that there not be so many options available until it determines "where this fishery is." She further recalled working on a fiscal note for a seven-day license under which the department would make money. The next [version of the legislation] she saw was for a one-day license, which she understood to be at the request of the associations because there would be people who wouldn't want to go out for seven days, although one might want to go out for three days. Ms. Wright clarified that the department wasn't against a three-day or seven-day license.

REPRESENTATIVE OGG inquired as to the fee for a seven-day license.

MR. BERG answered that the fee was \$100 for a seven-day license.

CHAIR SEATON recalled that when the committee had legislation before it with a one-day [crewmember] license, it was determined that the administrative cost per license would be \$10.

MS. WRIGHT explained that if this license is just part of the license that already exists, there wouldn't be any additional printing costs or mailing costs.

Number 2693

CHAIR SEATON, upon determining no one else wished to testify, closed the public hearing on HB 458.

REPRESENTATIVE HEINZE remarked that it seems that the three-day license would be appropriate and provide some flexibility, although she said that she didn't have a problem with a one-day license. She further remarked that HB 458 is a good bill that she would like to see moved.

REPRESENTATIVE GARA recommended that the legislation be changed to have an immediate effective date and the sponsor could work with ADF&G to determine the cost of a three-day license. Therefore, perhaps an amendment could be made in the next committee of referral, the House Resources Standing Committee, to add a three-day license. He also suggested that ADF&G could determine the additional cost necessary for the department to implement this proposal this summer.

CHAIR SEATON noted that the fiscal notes would be changed by Representative Gara's recommendation.

MS. WRIGHT requested that the effective date not be immediate but rather June 1, which would provide some time for the department.

REPRESENTATIVE GARA agreed and then suggested that the changes to the effective date could be worked out in the House Resources Standing Committee as well.

REPRESENTATIVE HEINZE said that she, as a member of the House Resources Standing Committee, would be glad to offer an amendment [implementing the recommendation by Representative Gara].

Number 2811

REPRESENTATIVE CARL MOSES, Alaska State Legislature, sponsor, stated that he would prefer a three-day license. He indicated that the industry should have some advance notice in order to be able to advertise, and therefore he didn't have any problem with a January 1, 2005, effective date because much needs to be done in order to create an effective program.

Number 2840

REPRESENTATIVE OGG moved that the committee adopt the following amendment:

Page 2, line 15;  
Delete "one"  
Insert "three"

Page 2, line 15;  
Delete "\$30"  
Insert "\$50"

REPRESENTATIVE SAMUELS objected and suggested that the legislation allow for a one-day license as well as a three-day license.

REPRESENTATIVE WILSON suggested that the amendment stand because if one wants to go out bad enough, he or she will pay the \$50 for a three-day license. Therefore, she suggested that if one wants to go out for six days the license fee could be \$100.

REPRESENTATIVE HEINZE agreed with Representative Wilson because she suggested that it would be easier in regard to printing and distribution to offer just the three-day.

REPRESENTATIVE SAMUELS suggested that the license could merely have another box [option].

REPRESENTATIVE MOSES related that his preference would be for a one-day and a three-day license.

**TAPE 04-19, SIDE B**

REPRESENTATIVE SAMUELS commented that "we" don't want commercial fishermen to purchase these licenses.

Number 2909

REPRESENTATIVE OGG withdrew his amendment and moved that the committee adopt the following amendment:

Page 2, line 15, after "\$30"  
Insert "or a three-day crewmember fishing license for  
a fee of \$50"

There being no objection, it was so ordered.

REPRESENTATIVE SAMUELS asked if there are any wage issues if one were to go out fishing for a one-day trip.

REPRESENTATIVE OGG said that it's a contractual issue between the boat captain and the fisherman.

CHAIR SEATON related that there is a law that states before [a fisherman] leaves port, he or she must have a contractual agreement stating the fisherman's percentage.

Number 2833

REPRESENTATIVE WILSON moved that the committee adopt the following amendment:

Page 5, line 9;  
Delete "January 1, 2005"  
Insert "July 1, 2004"

REPRESENTATIVE GARA objected for discussion purposes, and inquired as to Representative Moses' preference with regard to the effective date.

REPRESENTATIVE MOSES said that he would like for this legislation to take effect as soon as is practical. He reiterated that he didn't mind the January 1, 2005, effective date.

REPRESENTATIVE WILSON withdrew the above amendment and offered the following amendment:

Page 5, line 9;  
Delete "January 1, 2005"  
Insert "June 1, 2004"

REPRESENTATIVE WILSON recalled that ADF&G had said it could do this by June 1, 2004, which would allow some operators the opportunity to receive revenue they haven't in the past.

REPRESENTATIVE GARA agreed, but asked if ADF&G should be given the authority to [include in the license fee] the printing costs for this summer.

REPRESENTATIVE SAMUELS mentioned that if this legislation picks up a fiscal note, then it faces a longer process.

REPRESENTATIVE MOSES reiterated that practically, January 1, 2005, would probably be best.

CHAIR SEATON pointed out that this is a House bill, which still needs to go through the Senate and the governor for signing. However, the department has to have everything in order for the vendors to sell the licenses rather than just have it restricted to a few locales. Chair Seaton announced that for practical purposes he objected to Representative Wilson's amendment.

REPRESENTATIVE HEINZE stated her agreement with Representative Wilson and her desire to help [fishermen] as much as possible.

REPRESENTATIVE WILSON inquired as to what date the department believes it can implement this license.

MS. WRIGHT surmised that she could implement the proposed license within a month of the governor signing the legislation.

REPRESENTATIVE WILSON surmised that July 1, 2004, would be a good date.

Number 2580

REPRESENTATIVE WILSON withdrew her previous amendment and moved that the committee adopt the following amendment:

Page 5, line 9;  
Delete "January 1, 2005"  
Insert "July 1, 2004"

CHAIR SEATON reminded the committee that there was an objection.

A roll call vote was taken. Representatives Heinze, Ogg, Gara, and Wilson voted in favor of Representative Wilson's amendment. Representatives Samuels and Seaton voted against it. Therefore, the amendment was adopted by a vote of 4-2.

Number 2503

REPRESENTATIVE GARA pointed out that with the adoption of the above amendment, there will now be a fiscal note because the department will have to develop extra forms. Therefore, Representative Gara expressed his desire to add to the legislation a section authorizing the department to charge an additional preparation and mailing fee to cover the applications for 2004.

MS. WRIGHT replied yes, adding that the department is always looking for cost savings. Therefore, it would be beneficial to charge a fee for that first year of the proposed license. In response to Representative Wilson, Ms. Wright said that the additional fee for this year only wouldn't be very much, and therefore she suggested that \$1-\$2 would be plenty. She said she is thinking of mailing.

CHAIR SEATON suggested that no fee has to be established in the legislation now, it could be left to be determined in the House Resources Standing Committee. Therefore, the administrative fee could be based on more than guess work.

REPRESENTATIVE GARA clarified that his intention is to provide the department the authority to set a cost-reimbursement fee for the summer. He indicated that he would agree to letting the House Resources Standing Committee address it.

MS. WRIGHT informed the committee that if the department is given this authority, it would require an administrative regulation. The aforementioned would take time that would result in her inability to make the July 1 date, "it would have to be in the statute."

Number 2357

REPRESENTATIVE OGG moved that the committee adopt the following conceptual amendment, which would say: "there will be an administrative fee charged in excess of the cost of the license 'X' that will be filled in now and the Resources Committee meeting for the year 2004."

CHAIR SEATON objected for discussion purposes. He asked if the intent is to specify that it only applies to 2004.

REPRESENTATIVE OGG replied yes.

REPRESENTATIVE OGG clarified that his conceptual amendment should specify "only the year 2004."

CHAIR SEATON removed his objection. There being no other objections, the conceptual amendment [as amended] was adopted.

Number 2281

REPRESENTATIVE HEINZE moved to report CSHB 458, Version 23-LS1591\U, Utermohle, 3/31/03, as amended, out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, CSHB 458(FSH) was reported from the House Special Committee on Fisheries.

SB 273-ASMI BOARD/ SEAFOOD TAXES & ASSESSMENTS

CHAIR SEATON announced that the next order of business would be CS FOR SENATE BILL NO. 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."

Number 2196

REPRESENTATIVE OGG moved to adopt HCS CSSB 273, Version 23-LS1366\J, Utermohle, 4/2/04, as the working document.

CHAIR SEATON objected for discussion purposes.

Number 2159

SENATOR GARY STEVENS, Alaska State Legislature, sponsor by request of the Joint Legislative Salmon Industry Task Force, highlighted that Version J includes two simple changes located on page 7, lines 15 and 30. After discussing this legislation with the director of the Division of Elections, it was discovered that there are a couple of small errors in the current statutes regarding the seafood marketing assessment election. He explained that an election is made by the processors with regard to what they want to tax themselves. The current statute specifies that the Alaska Seafood Marketing Institute (ASMI) would mail out and receive the ballots. However, the director of the Division of Elections preferred that the division mail out and receive the ballots if the division is ultimately responsible for them. The aforementioned led to the changes on page 7, lines 15 and 30.

SENATOR GARY STEVENS turned to the legislation as a whole. He began by relating that the Joint Legislative Salmon Industry

Task Force, from the beginning, realized the importance of ASMI, the need to fund it properly, and have a reasonable size board of directors. Therefore, the Joint Legislative Salmon Industry Task Force proposed this legislation, which would change the size of the ASMI board from 25, an unmanageable size, to seven or nine members. This legislation also attempts to establish a sounder financial basis for ASMI. Senator Gary Stevens pointed out that the committee packet should include a copy of a chart that compares the current tax structure, the tax structure if the .5 percent is approved, the tax structure if the .5 percent isn't approved, and the tax structure if the processors vote to eliminate the assessment.

SENATOR GARY STEVENS reviewed the current tax structure, and explained that ASMI is funded with \$1.5 million from the salmon marketing tax paid by the fishermen and almost a \$3 million tax paid by the processors and \$2 million from the federal Fisheries Marketing Board. Therefore, the total funding for ASMI today is \$6.5 million. This legislation would require a vote of the processors in March to decide whether to eliminate the ASMI assessment, which is illustrated in the last column of the chart. The members/processors of ASMI have the right to decide whether to continue ASMI, and over the past 20 years there has never been a vote to not fund ASMI. However, if processors voted not to fund ASMI, the processors assessment would no longer exist and thus the total funding for ASMI, with a nine-member board, would be \$3.5 million. Another choice would be to maintain the current tax with the .3 percent the processors are paying, which is illustrated in the third column of the chart. Under the aforementioned, the funding would remain the same and ASMI would receive about \$6.5 million. The final choice the processors would be allowed in this March election is to increase the tax on themselves, which is illustrated in the second column. If the processors choose a .5 percent tax on themselves, the salmon marketing tax would be eliminated, or could become regional, while the processors assessment would increase to about \$5 million and the federal funds from the Fisheries Marketing Board would remain at about \$2 million. Therefore, the ASMI board, consisting of seven members, would receive approximately \$7 million.

CHAIR SEATON passed the gavel to Vice Chair Wilson.

REPRESENTATIVE SAMUELS turned attention to the second column of the chart, which illustrates the funding if the .5 percent processor tax is approved and the board decreases in size to seven. Therefore, he inquired as to who the seven are.

SENATOR GARY STEVENS answered that the seven-member ASMI board would consist of four large processors, one small processor, and two fishermen. The idea is that if the processors are paying for the entire [tax], then they should have control.

REPRESENTATIVE SAMUELS surmised then that the options with the nine-member ASMI board would merely add two fishermen while the processor membership would stay the same.

SENATOR GARY STEVENS commented that he wanted to be sure that any changes didn't make it less likely that the processors would move to the .5 percent, which he viewed as the best solution.

Number 1695

REPRESENTATIVE OGG turned to the last column, which addresses the option of the processors eliminating their assessment. If the aforementioned were to happen, would the processors remain on the board, he asked.

SENATOR GARY STEVENS replied yes. He reminded the committee that the salmon marketing tax is repealed December 31, 2005. If that happens, he assumed that ASMI would begin a shut down phase.

REPRESENTATIVE OGG surmised then that if the processors eliminate their assessment, the salmon marketing tax would go to zero.

SENATOR GARY STEVENS reiterated that the salmon marketing tax sunsets on December 31, 2005. In further response to Representative Ogg, Senator Gary Stevens explained that annually the Fisheries Marketing Board decides whether the federal funds will be provided. He further explained that under the option of the processors eliminating their assessment, he assumed that the Fisheries Marketing Board wouldn't fund ASMI either.

REPRESENTATIVE OGG highlighted that the Fisheries Marketing Board could choose or not choose to fund ASMI under any of the options presented today.

SENATOR GARY STEVENS replied yes.

REPRESENTATIVE OGG surmised then that the funding from the Fisheries Marketing Board can't really be counted on definitely.

SENATOR GARY STEVENS agreed, and interjected his assumption that should the funding from the Fisheries Marketing Board not be provided, there should be an entire review of the entire funding of ASMI. However, he noted that the federal funds seem to be secure for now.

VICE CHAIR WILSON returned the gavel to Chair Seaton.

Number 1543

REPRESENTATIVE HEINZE recalled that the sponsor mentioned, under the scenario of the .5 percent tax being approved, the possibility of the salmon marketing tax becoming regional. Therefore, she requested that the sponsor elaborate on that.

SENATOR GARY STEVENS informed the committee that Representative Ogg is the sponsor of legislation on regional marketing. "It's always been our thought that ... if this 1 percent salmon marketing tax would be eliminated that it might be a very good time to move those funds into regional marketing organizations," he explained. This legislation, SB 273, can't really be tied to Representative Ogg's legislation, he noted.

Number 1488

REPRESENTATIVE GARA inquired as to who pays the salmon marketing tax.

SENATOR GARY STEVENS answered that it's a 1 percent tax on fishermen when the catch is delivered. In further response to Representative Gara, he confirmed that none of the salmon marketing tax is paid by processors. He also clarified that the current ASMI board consists of 12 [fishermen], 12 [processors] and one lay person.

REPRESENTATIVE GARA turned to the federal funds from the Fisheries Marketing Board, which he considered to be state funds because it comes to the state which decides how to distribute it.

SENATOR GARY STEVENS related his understanding that the Fisheries Marketing Board funds go directly to ASMI.

REPRESENTATIVE GARA expressed concern with regard to eliminating the fishermen's voice from how ASMI money is spent in one of the options and making the fishermen's voice a minority voice in the other options.

SENATOR GARY STEVENS opined that if the processors fund the majority of ASMI, then they would probably want control of the ASMI board. Although the tax structure can be left as it is, he felt that a 25-member board that meets once or twice a year is inadequate and ineffective.

Number 1324

REPRESENTATIVE HEINZE related her understanding that the processors took the lead in marketing and the fishermen have been content with fishing.

SENATOR GARY STEVENS disagreed. He noted the importance of having the input of fishermen on the ASMI board, but highlighted that the processing industry really has the marketing staff.

REPRESENTATIVE GARA related that from some commercial fishermen he has the understanding that they have more of an interest in direct marketing of fresh fish rather than the processor's marketing [strategies].

SENATOR GARY STEVENS explained that ASMI does generic marketing because its job isn't to market for specific processors or fishermen. With regard to who pays what, Senator Gary Stevens related that virtually every step of the way there has been an objection from everyone who would potentially be taxed. This legislation provides options to the industry regarding whether it wants to be taxed and by how much.

Number 1111

REPRESENTATIVE OGG turned to the option in the second column of the chart, if the .5 percent is approved. He pointed out that the salmon marketing tax is merely zeroed out because it ends.

SENATOR GARY STEVENS agreed, and reiterated that the salmon marketing tax is repealed on December 31, 2005.

REPRESENTATIVE OGG clarified that the salmon marketing tax would merely end and the money is no longer paid. There will be no connection between this legislation and his regional [tax] legislation.

Number 1010

RAY RIUTTA, Executive Director, Alaska Seafood Marketing Institute (ASMI), began by thanking Senator Gary Stevens for his efforts in putting together SB 273 and Senator Ben Stevens for his leadership with the Joint Legislative Salmon Industry Task Force, and all the work of the Joint Legislative Salmon Industry Task Force. Mr. Riutta stated that the ASMI board hasn't met to discuss the current version of SB 273. However, he felt comfortable relating support for the technical amendment [explained by Senator Gary Stevens earlier].

MR. RIUTTA related that the original legislation, SB 273, was unanimously supported by the ASMI board with two points. First, there is the need for a stable funding base for ASMI. As was noted earlier, ASMI is highly dependent on federal funding. In fact, federal funding amounts to about 60 percent of ASMI's budget. However, it's unlikely that such federal funding will continue. This original legislation and Version J both address the need for a stable funding base for ASMI. Mr. Riutta also related that the ASMI board's recommendation to reduce the size of the board to 15 occurred quite some time ago. He reiterated that the ASMI board hasn't met to discuss the current version of SB 273.

Number 0833

REPRESENTATIVE WILSON remarked that it would be a shame if the processors decided to eliminate their assessment. However, she said she wasn't exactly happy with a nine-member board because a larger board is necessary to gather the feelings of the various fishermen and processors. She mentioned that some fishermen are doing small processing in order to add value and obtain more revenue. Representative Wilson related that she likes a 15-member board best.

REPRESENTATIVE SAMUELS recalled that the processors vote every year regarding whether to continue their tax.

MR. RIUTTA said that under current statute the processors could vote to eliminate their assessment, although they have never voted to do so.

REPRESENTATIVE SAMUELS offered his belief that the smaller the board, the more can be accomplished.

Number 0624

REPRESENTATIVE HEINZE noted that there has been lots of talk about the proposed Alaska Travel Industry Association (ATIA) tourism tax that is modeled after ASMI. However, the concerns with the tourism tax have been that although it could be collected, it couldn't be dedicated like the ASMI tax can. "In light of all this process, is this jeopardizing in any way ASMI's funding," she asked.

MR. RIUTTA said that he wasn't sure of the arguments on the tourism tax because he hasn't followed it. However, there are some concerns with collecting money through the state and having an organization such as ASMI use that money to promote products. There have been court challenges to similar commissions in the Lower 48, and some have even been successful. He noted that ASMI reviewed this last year and determined that the way ASMI is structured, as a state agency with the voluntary assessment from the processors, somewhat shields ASMI from potential law suits. The State of Washington is moving to adopt some of the same procedures that ASMI currently follows in order to protect their own commodity's commissions.

REPRESENTATIVE HEINZE said that [the concern] was more in regard to the collection of taxes that are designated to [a specific entity].

MR. RIUTTA recalled that it was an issue of free speech, in that people are forced to pay taxes to an organization that speaks on behalf of all those in the organization, although all those in the organization may not agree.

Number 0370

REPRESENTATIVE OGG inquired as to how the appointment process would take place were this legislation to become law.

MR. RIUTTA related his understanding that if the legislation becomes law, the current board would end its tenure and the governor would select a new board. However, he mentioned that some of the same members may be appointed to the new board.

CHAIR SEATON, upon determining that there was no one else who wished to testify, closed the public hearing.

Number 0233

CHAIR SEATON expressed concern if the processors choose a seven-member board, which is outlined in Section 4 of Version J.

Having four of the members being processors with a payroll of more than \$2.5 million could potentially be seen as privatizing within one sector the entire board. Therefore, he said he was considering an amendment that would change the makeup to three large processors and one small processor and one lay member. He inquired as to the sponsor's thoughts.

SENATOR GARY STEVENS said that such was discussed some time ago and the language was in an earlier version. He said that he personally didn't object, but noted his concern [tape changes midspeech].

**TAPE 04-10, SIDE A**

SENATOR GARY STEVENS reiterated his earlier statements that he didn't want the processors to find reasons not to choose the .5 percent tax. He said he saw the logic in having a lay person. However, he said he didn't see the danger in leaving [the seven-member board] as it is. He said that he wouldn't object if it was changed.

Number 0116

SENATOR GARY STEVENS turned to Representative Wilson's earlier concern with regard to the size of the board. If one follows the logic that every element needs to be represented on the board, every region, fishery, and gear type would be represented and result in a board of 125. Senator Gary Stevens recalled his experience in working on other statewide organizations with large boards, and related that large boards generally don't work very well. He expressed the need for the board to consist of statesmen who are present to do what's best for the industry and not what's best for that individual's own piece of the industry. Senator Gary Stevens said that he didn't know what's the best size for the board, although he viewed a seven-member or nine-member board as better than a board consisting of twenty-five members. He related his experience that the larger the board, the more difficult it is to work together. He further related that all the data he has read suggests that an effective board consists of seven to nine members. Furthermore, the board should take on the responsibility of the entire industry.

SENATOR GARY STEVENS clarified that when this legislation is signed into law, the old board would cease to exist and the governor would appoint new members. He noted that it won't be an easy job to find seven to nine members to fill the board. In response to Representative Ogg, Senator Gary Stevens specified

that the language on page 6, line 5, specifies that the old board will cease to exist.

Number 0605

CHAIR SEATON offered Conceptual Amendment 1 to Sections 4 and 5, which read as follows [original punctuation provided]:

In the advent that a seven-member board is chosen, **[four] three** members shall be from large processors, two are fishermen, one is a small processor, **and one is a layperson with marketing expertise outside of the seafood business.**

In the advent that a nine-member board is chosen, **[four] three** members shall represent large processors, four fishermen, one small processor, **and one is a layperson with marketing expertise outside of the seafood business.**

REPRESENTATIVE SAMUELS objected for discussion purposes.

CHAIR SEATON, in response to Representative Samuels, explained that the first paragraph of Conceptual Amendment 1 would occur under the scenario presented in column 2 of the chart in the committee packet. The second paragraph of Conceptual Amendment 1 would occur under the scenario presented in column 3 of the chart.

REPRESENTATIVE SAMUELS inquired as to what would happen if the processors eliminate their assessment as specified in the last column of the chart.

CHAIR SEATON said that he didn't address that.

SENATOR GARY STEVENS clarified that under Conceptual Amendment 1 if the processors eliminate their assessment, the nine-member board would consist of three large processors, one small processor, four fishermen, and one lay person. He noted that in the aforementioned case, it would be a very short-lived board.

REPRESENTATIVE OGG asked if Senator Gary Stevens supported Conceptual Amendment 1.

SENATOR GARY STEVENS answered that he prefers the current language in Version J, although he said he wouldn't object to Conceptual Amendment 1. He opined that Conceptual Amendment 1

seems to make it less advantageous for the processors to go to a .5 percent tax or to pay the entire tax.

Number 0994

REPRESENTATIVE HEINZE said that she could see where more marketing input could be obtained. However, she expressed the need to be careful not to introduce someone without the expertise and thus waste the position.

REPRESENTATIVE WILSON said she could see the sponsor's concern because if the desire is for the processors to put in more, then they will need to have a little more than half the seats or they won't put in more. Therefore, if the goal is to get the processors to put in more, then the way in which the membership is allocated within the industry shouldn't be changed.

REPRESENTATIVE OGG questioned why an individual without any background in the seafood business would be placed on the ASMI board.

CHAIR SEATON pointed out that marketing is a business itself and is more than marketing a particular product. Therefore, the requirement is that the layperson have expertise in marketing rather than an individual who deals with a specific process or product.

REPRESENTATIVE HEINZE opined that ASMI performs marketing.

CHAIR SEATON agreed, and explained that the executive director of ASMI presents proposals and the board has to make decisions on the proposals. When making the decisions, the marketing expertise would come into play.

Number 1334

REPRESENTATIVE WILSON asked if Mr. Riutta believes that Conceptual Amendment 1 would jeopardize what is trying to be accomplished.

MR. RIUTTA answered that he couldn't speculate, and reminded the committee that he would need to discuss it with the ASMI board.

REPRESENTATIVE HEINZE asked whether it would be valuable to have a layperson with marketing expertise as a member of the ASMI board.

MR. RIUTTA, speaking as the executive director, specified that he would rather have individuals from the industry.

CHAIR SEATON withdrew Conceptual Amendment 1.

Number 1468

REPRESENTATIVE OGG moved to report HCS CSSB 273, Version 23-LS1366\J, Utermohle, 4/2/04, out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, HCS CSSB 273(FSH) was reported from the House Special Committee on Fisheries.

SB 347-COMM. FISHING MORATORIA, INCL. AK GULF

CHAIR SEATON announced that the final order of business would be CS FOR SENATE BILL NO. 347(RES), "An Act relating to moratoria on entry of new participants or vessels into a commercial fishery; relating to vessel permits for, and the establishment of a moratorium on entry of new vessels into, state Gulf of Alaska groundfish fisheries; and providing for an effective date."

CHAIR SEATON reviewed the history of this legislation in this committee, and requested that by the next meeting everything is available in order that a decision could be made.

Number 1573

REPRESENTATIVE OGG noted that the information from Alaska Department of Fish & Game (ADF&G) and Commercial Fisheries Entry Commission (CFEC) has been helpful. However, information regarding how many vessel owners aren't interim-use permit (IUP) owners is necessary. Therefore, he requested that data be available.

CHAIR SEATON said that data has been requested and should hopefully be available by the next hearing. He directed the committee to look through the back page of the data where it outlines the unique number of permit holders and the unique number of vessels.

[SB 347 was held over.]

**ADJOURNMENT**

There being no further business before the committee, the House Special Committee on Fisheries meeting was adjourned at 11:02 a.m.