

**MINUTES**  
**SENATE FINANCE COMMITTEE**  
**March 09, 2004**  
**9:03 AM**

**TAPES**

SFC-04 # 34, Side A  
SFC 04 # 34, Side B

**CALL TO ORDER**

Co-Chair Gary Wilken convened the meeting at approximately 9:03 AM.

**PRESENT**

Senator Lyda Green, Co-Chair  
Senator Gary Wilken, Co-Chair  
Senator Con Bunde, Vice Chair  
Senator Fred Dyson  
Senator Ben Stevens  
Senator Donny Olson  
Senator Lyman Hoffman

**Also Attending:** JACQUELINE TUPOU, Staff to Senator Lyda Green; FRANK HOMAN, Commissioner, Commercial Fisheries Entry Commission, Department of Fish and Game; SUE ASPELUND, Federal Management Research Coordinator, Office of the Commissioner, Department of Fish and Game; MARY MCDOWELL, Commissioner, Commercial Fisheries Entry Commission, Department of Fish and Game; SUE STANCLIFF, Staff to Representative Pete Kott; LANDA BAILY, Special Assistant, Office of the Commissioner, Department of Revenue

**Attending via Teleconference:** From Homer: ED DERSHAM, Chairman, Alaska Board of Fisheries; From Offnet Sites: BRUCE SCHACTLER; JOHN NORRIS, President, U-Haul Company of Alaska; MICHAEL BELL, Representative, Alaska Trucking Association

**SUMMARY INFORMATION**

SB 288-EMERGENCY CHILD CUSTODY PLACEMENT

The Committee heard from the sponsor and the bill reported from Committee.

SB 315-ENTRY PERMIT BUY-BACK PROGRAM

The Committee heard from the sponsor, the Department of Fish and Game, and took public testimony. The bill reported from Committee.

SB 347-GULF OF ALASKA GROUND FISH MORATORIUM

The Committee heard from the sponsor, the Commercial Fisheries Entry Commission, and the Alaska Board of Fisheries. The bill reported from Committee.

HB 347-EXEMPT TAXIS FROM VEHICLE RENTAL TAX

The Committee heard from the bill's sponsor and took public testimony. One amendment was adopted and the bill was held in Committee.

SB 273-ASMI BOARD/ SEAFOOD TAXES & ASSESSMENTS

This bill was scheduled but not heard.

#sb288

CS FOR SENATE BILL NO. 288(JUD)

"An Act relating to temporary custody hearings, and to certain determinations concerning placement of a child in child-in-need-of-aid proceedings; and providing for an effective date."

This was the first hearing for this bill in the Senate Finance Committee.

Co-Chair Wilken explained that this bill "clarifies the language regarding the findings the court is required to make when a child is removed from his or her home by the Department of Health and Social Services."

JACQUELINE TUPOU, Staff to Senator Lyda Green, the bill's sponsor, communicated that current State law specifies that in order to determine whether a child's removal from their home is "contrary to the welfare of the child," a hearing must be conducted within 48 hours of the child's removal. She informed that while State regulations do not require specific language in this regard, federal requirements mandate that the judge's ruling must contain the language "contrary to the welfare of the child." Therefore, she continued, the purpose of this legislation is to align the State's language with federal requirements. As a result, she continued, the State could receive approximately \$500,000 in additional federal funding in FY 05.

Senator Dyson asked whether the legislation would provide any benefit to the affected children, as he noted that the bill appears to focus on increasing the State's ability to garner additional federal funding.

Ms. Tupou responded that the bill would not result in any substantive changes. She stressed that the timeframe requirement in which the judge must determine whether the child's removal from the home is warranted would remain unchanged, and she reiterated that the bill would require the judge to specify, on the record, that allowing the child to remain in their home would be "contrary to the welfare of the child." Therefore, she summarized, this bill would serve "to clarify a process that is already occurring."

Senator Dyson asked the reason that this seemingly "straight forward matter" has prompted the development of numerous committee substitutes.

Ms. Tupou referred the Committee to language in Section 1, page one, line 14 of the Judiciary committee substitute that reads as follows.

...During the continuance, the child remains in the temporary legal {EMERGENCY} custody of the department,....

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Ms. Tupou stated that as a result of dialogue between the Department of Law and the Legislative Legal division, this language has undergone three revisions ranging from "emergency custody" to "temporary emergency custody" to "temporary legal custody." She stated that the language in the Judiciary committee substitute is acceptable to the aforementioned entities.

Senator Dyson understood, therefore, that this wording issue required numerous committee substitutes to be drafted.

Ms. Tupou confirmed that numerous drafts of the bill were required in order to reach a consensus regarding this language.

Co-Chair Wilken stated that while not originally referred to the Committee, the development of the \$500,000 Department of Health and Social Services fiscal note prompted the bill's referral to the Committee.

Co-Chair Green moved to report the bill from Committee with individual recommendations and accompanying fiscal note.

There being no objection, CS SB 288(JUD) was REPORTED from Committee with fiscal note #1, in the amount of \$500,000, from the Department of Health and Social Services.

#sb315

SENATE BILL NO. 315

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

This was the first hearing for this bill in the Senate Finance Committee.

Co-Chair Wilken stated that this legislation "relates to the limited entry fishing permit buy-back program" in that it would allow the commercial Fisheries Entry Commission "to front fund a buy-back program if the money is available."

Senator B. Stevens, the bill's sponsor, reported that this bill "is the product of the Joint Legislative Salmon Industry Task Force." He noted that the bill would alter statutes to allow the Commercial Fisheries Entry Commission to implement "a loaded buy-back permit" program were money available. He shared that current statutes allow for a fishery levy to be assessed, and, upon completion of an optimum number study for the permits in that fishery, a permit buy-back could occur. Continuing, he explained that this legislation would provide money to accelerate the buy-back process. The funds provided by this legislation, he noted, could be paid back via multiple options including an assessment of the remaining permit holders. He stressed that while this legislation would maintain the requirement that an optimum number study be conducted, it would provide a funding mechanism to quicker implement a buy-back if one were to occur. He pointed out that the legislation has no fiscal impact as it is "just a management tool" to allow a quicker process.

Senator Hoffman asked the status of the optimum number of fisheries permit studies.

FRANK HOMAN, Commissioner, Commercial Fisheries Entry Commission, Department of Fish and Game, responded that two or three optimum number studies have been completed and one is currently being conducted in the Bristol Bay region fishery. He declared that these studies are very extensive, involve a lot of manpower, and therefore require a long time to conduct. He stated that due to the difficulty in managing these studies, one study is conducted at a time. He assured that a study would be required were a buy-back in

a fishery desired.

Co-Chair Wilken asked whether the funds involved in this legislation would be general funds or federal funds.

Senator B. Stevens responded that numerous funding options could be available, including federal funding. He noted that while it is not the issue with this legislation, other federally funded buy-backs that have occurred in the State primarily involved fisheries in which there were depleted stock assessments. Other funding options, he continued, could be in the form of a federal loan or grant; however, he opined that a federal loan would be the more likely because this legislation would address "an economically distressed region rather than a biologically distressed region." He stated that no funding source has been identified at this time as this legislation is just an option that the task force desired to have in place where a buy-back situation to occur.

Co-Chair Wilken asked for verification that this legislation is the result of Salmon Task Force efforts.

Senator B. Stevens confirmed. He stated that the Commercial Fisheries Entry Commission brought the concept to the Salmon Task Force which then brought the idea forward.

Co-Chair Green asked for further information regarding the current buy-back program as she noted that the bill analysis indicates that the current buy-back program structure would be maintained.

Senator B. Stevens explained that the current program requires an optimum number study to be conducted before a buy-back program is implemented. In addition, he noted that the Limited Fisheries Entry Commission has the authority to assess a seven percent "up-front" assessment on "the permit holder based on their value." He stated that the assessment is coordinated with the permit holders annual permit re-application. Continuing, he shared that the assumption is that the assessed funds would accumulate and allow for permits to be purchased in order to reduce the number of permits in the fishery. However, he stated, the issue is that to collect the amount of funds required would take a long time. Therefore, he stated that the purpose of this legislation is to provide upfront funds, make the assessments, and reimburse the fund later.

Mr. Homan concurred.

Senator B. Stevens stated that currently the program must be sufficiently funded, through the assessment process, before the buy-back program could occur.

Co-Chair Green understood therefore that in a situation in which there is the desire to buy-back permits in a fishery, the process would be required to wait until sufficient funds accumulate to support it.

Senator B. Stevens concurred.

Co-Chair Green concluded therefore, that the program is currently a fishery self-assessment program with the Commercial Fisheries Entry Commission managing the funds that are assessed and collected.

Senator B. Stevens replied that the funds could result from a self-assessment, a grant, or a loan for instance from the National Marine Fisheries fishing vessel obligation guarantee.

Co-Chair Green asked for confirmation that these options are currently available.

Senator B. Stevens confirmed that they are.

Senator Olson asked how the optimum numbers study "relates" to studies conducted by the Board of Fish for the State's fishing regions; specifically Area M.

Senator B. Stevens responded that he is unsure of how the optimum number study would relate to a situation wherein there is an allocation conflict between various regions. He stated that the optimum number study is unique to a fishery and is a gauge for determining the economic output, the number of participants, and the number of sustainable participants in the future.

Mr. Homan stated that while he is unsure how the optimum numbers study would relate to regions such as Area M, the Bristol Bay optimum study survey, for instance, would review historical catch records on the resources, as well as the economic value of the fisheries and the number of vessels required to catch that resource overtime. Then, he continued, the information would be used to project into the future to estimate the resource and economic return to the fisherman in that district. He stated that a complicated series of questions are used to calculate such things as the minimal number of vessels that would be required to catch the resource over the next twenty years once the number of the resource is determined, as well as how many permits would be required to provide an economic return to the fishermen in that district. He commented that the historical record of the area would be affected by factors such as whether an area, like Area M might be open or closed to fishing.

Senator Olson noted that decisions regarding areas such as Area M are affected by Administrative and Board of Fisheries changes.

Mr. Homan assured that the optimum numbers survey is a long-range study that could encompass twenty or more years. He voiced uncertainty as to how a single event, like that occurring in Area M, would impact the study overtime.

Senator B. Stevens stressed that an optimum number study, which is the process that determines the economic capacity of a fishery in a region, must be conducted before a buy-back program could be implemented. He clarified that a buy-back program would not apply to the entire industry of a region, but would be limited to a certain percentage of that fishery's participants in order to reduce the number to economically sustain and stabilize its participants. He clarified that the purpose of the buy-back is not to eliminate the fishery within the region, but is rather to ensure that the participants desiring to remain in that fishery could be more economically sustained and "the capacity able to endure the swings in the market volatility into the future." He reiterated that the self-assessment program is simply a measure to allow those who wish to remain in the industry more stability in the future.

Senator Hoffman, noting the "reasonable costs to be offset by the Department" language located in Section 1, page one, lines 13 and 14 that pertains to the expenses of managing the program, asked whether a definition or percentage estimation is provided to clarify what the costs of managing the program might be.

Mr. Homan responded that the costs have not been established at this time, as he stated, these expenses would be addressed during the planning of the buy-back program. Continuing, he noted that this planning and the level of the assessment must adhere to State regulations.

Senator Dyson stated, for the record, that he has divested himself of his investments in this area, and therefore, he has no conflict of interest regarding this legislation. Continuing, he characterized government efforts to manage the economic component of fisheries as "well-intended and wide of the mark and quite ineffective." He speculated that, in the long run, a review of fishery resource management practices would "indicate that the limited entry program was a bad idea," and that the industry and its participants have been "masked from the price signals" that should have been an indicator of the economics of the fisheries. He stated that this legislation would "help extricate fishermen from bad or sub-optimal government interference." He stated that he

would support this legislation, and that he "personally" feels that government "does very badly in its efforts to manage virtually every enterprise." He voiced the hope that government would learn from this experience and refrain from getting involved in the future.

Co-Chair Wilken inquired regarding the authority through which the Commission would be authorized "to incur debt" for the program as specified in Section 1, page two, line one.

Mr. Homan clarified that the Commission could not incur a debt and that any appropriation to the Limited Fisheries Entry Commission must be advanced by the Legislature.

Co-Chair Green understood therefore that even were this legislation adopted, the Legislature would be involved in the process.

Mr. Homan affirmed.

Senator B. Stevens moved to report the bill from Committee with individual recommendations and accompanying fiscal note.

There being no objection, SB 315 was REPORTED from Committee with zero fiscal note #1 from the Department of Fish and Game.

#sb347

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."

This was the first hearing for this bill in the Senate Finance Committee.

Co-Chair Wilken explained that this legislation "would establish a moratorium in the Gulf of Alaska State waters groundfish fisheries."

Senator B. Stevens stated that he is sponsoring this bill at the request of the North Pacific Fishery Management Council (NPFMC), the Department of Fish and Game, and the Alaska Board of Fisheries. He noted that components of Sections 2 through 8 would amend "existing provisions in the Limited Entry Commission to establish temporary moratoriums on the entrance of new participants into a

fishery." He characterized the change "as a technical correction and modification to those provisions" as the Board currently has this authority. He reminded the Committee that while the Commission is allowed to consider the development of a moratorium to protect a fishery, they are prohibited from implementing one without Legislative authorization.

Senator B. Stevens continued that the bill would also establish a specific moratorium on the Gulf of Alaska groundfish fisheries, as suggested by the Board of Fisheries and as outlined in Sec. 9, page seven of the bill. He also noted that the Department of Fish and Game, the Board of Fisheries, and the Limited Fisheries Entry Commission have been cooperatively involved in an extensive two-year task force to align State programs with programs proposed by the federal fisheries for the areas they manage. He reminded the Committee that the State has the authority to manage fisheries up to three miles from shoreline and that the federal government manages the fisheries between three and 200 miles from shore. He reiterated that this legislation is an effort to align Alaska's same stock species management with the federal fisheries management proposals.

Senator B. Stevens stressed that were the State's moratorium plan not established at the same time as the federal quota management plan, there would be a migration to the State's area as it would be the "last open fishery." He clarified that were a quota plan developed for the federal three to 200 mile area, and no plan developed for the State's zero to three mile area, then there would be "a massive influx into the zero/three fishery which would result in increased pressure on the stock, increased pressure on the managers," and a decrease in the historical participants' catch. Therefore, he stated, this legislation would serve to provide a check and balance between what is occurring in the management that is "changing for the positive in the long run" for the sustainability for the participants, the communities that depend on the industry, and the resources.

Co-Chair Wilken asked whether a three to 200-mile federal moratorium is currently in effect for the fisheries identified in Sec. 9 of this bill.

Senator B. Stevens responded that a federal Licensed Limitation Program (LLP) moratorium, in which the numbers of participants in certain fisheries are fixed, has been in effect since 1991.

Co-Chair Wilken asked whether the twenty fisheries identified in this legislation are included in the federal LLP.

Senator B. Stevens responded that the federal LLP does not pertain to the bill's fisheries. He stated that this legislation applies to the groundfish fisheries that are managed by the State, and which, he clarified, are currently open to new participants. He reiterated that the purpose of this legislation is "to prevent an influx during this period of development." He exemplified that the halibut/sablefish quota management plans development process took ten years, from 1985 through 1995, to finalize. He informed that in 1985 there were, on a statewide basis, 2,700 vessels fishing halibut and 370 vessels fishing the black cod/sablefish market as depicted on the spreadsheet he distributed titled "Number of Unique Vessels - All Areas" (copy on file) that reflects the number of vessels fishing halibut and sablefish in the State from 1980 through 1999. Continuing, he shared that the number of halibut vessels increased from the 1985 level to a high of 4,400 in 1991 and the number of sablefish vessels increased to a high of 1,100 in 1994. He voiced that he "wholeheartedly" endorses this legislation in order to prevent an influx of participants, which could create "instability." He defined instability as a time when the catch rates of historical participants declines, the communities dependent on the industry are negatively affected, and the third and "most important challenge of adequately managing the biomass, is increased dramatically when there is an influx in the fishery."

Co-Chair Wilken asked how this legislation would affect the Prince William Sound longline fishery that is specified in the list.

Senator B. Stevens noted that the Prince William Sound longline groundfish fishery would include such things as Pacific cod and rockfish, but not halibut. He stressed that the vessels having a permit for those fisheries would continue to be able to fish, but that no new entrants would be allowed during the three-year moratorium. He stressed the fact that the moratorium implemented by this legislation would be limited to a three-year period, and were a long-term or allocation plan developed, it must be ratified by the Legislature as specified in Sec. 9, subsection (k), page nine, line 29 through page ten, line three that reads as follows.

(k) During the moratorium established under (d) of this section, the commission shall, in cooperation with the Department of Fish and Game and the Board of Fisheries, conduct investigations to determine appropriate alternatives for management of entry into Gulf of Alaska groundfish fisheries in the state. The commission shall submit proposals to the legislature for legislation or constitutional amendments necessary to implement the recommendations of the commission.

Co-Chair Wilken understood therefore, that those who currently hold permits in the twenty identified fisheries in the bill would be able to continue to fish, and that no new entrants would be allowed for the next three years.

Co-Chair Wilken asked the definition of "non-pelagic" and "pelagic," which are terms used in the list of twenty fisheries.

SUE ASPELUND, Federal Management Research Coordinator, Office of the Commissioner, Department of Fish and Game, explained that the term pelagic refers to fish "that swim up in the water column and non-pelagic are those fish that live on the bottom."

Senator Hoffman understood that this legislation would allow vessels owners who have never fished to be granted fishing rights, and he asked why this would be good policy.

Ms. Aspelund clarified this is a vessel-based moratorium rather than an individual-based moratorium. She explained that a vessel-based moratorium was determined to be a more effective avenue to contain growth during the three-year moratorium period. She stressed that this temporary moratorium program would "freeze" the fisheries at this point in time to allow for a rights-based system to be developed by the Board of Fisheries, the Commission, and the Department of Fish and Game.

Senator Hoffman asked whether it is the intent of the Department in the future to invest the fishing rights with the skipper and the crew rather than with the vessel.

Ms. Aspelund replied that the rights of skippers and crew would be part of the deliberations. However, she stressed that until further analysis is conducted, it is uncertain as to whether that would be the final determination.

Senator Hoffman asked the expected timeframe for this determination.

Ms. Aspelund anticipated that the earliest federal and State determination date would be prior to the 2006 season; however, she reminded that the halibut/sablefish plan took ten years to develop.

Senator Hoffman opined that transitioning fishing rights from the multi-vessel owners to the skippers "and potentially the crew" might be difficult. Therefore, he asked the Department's opinion on the matter.

Ms. Aspelund responded that it is too early to make a determination

as the processes are in the initial stages. She reiterated that skipper and crew rights are a component of the NPFMC analysis that is currently being conducted. In addition, she noted that the Board of Fisheries process is also in the early stages, and therefore, she declared that it would be "premature" to comment. She assured the Committee that a goal of this restructuring endeavor is to provide maximum benefits to the fisheries, to residents and local communities, and to the State.

ED DERSHAM, Chairman, Alaska Board of Fisheries, testified via teleconference from Homer and noted that while the final plan is as of yet undetermined, the work group does support a vessel-based moratorium at this time in order to provide time to address the issues. He stated that without this moratorium, the State's ability to address the issue would be difficult, as the State's shoreline to three-mile fishery would be overburdened as a result of the federal "rationalization" plan. Overburdening, he attested would result in serious economic issues and would require conservation methods to be applied to such fisheries as the Pacific cod.

Senator B. Stevens stressed that contrary to the argument that is being raised, this bill does "not allocate future rights." He declared that the Legislature has no desire to enter into the discussion of future rights allocations as that, he declared, is the responsibility of the managers of the fisheries such as the Board of Fisheries and the North Pacific Fishery Management Council. Continuing, he stressed that there is a process in place and when a plan is developed, it would be presented to the Legislature for further action. He avowed that this bill would provide fisheries managers with a three-year window in which to address how to protect the resource from an onslaught of participants into fisheries that are currently sustainable and to protect the economics of the current participants.

Senator Hoffman agreed that protection of the resource should be "the driving concern;" however, he worried that utilizing vessel-rights, as proposed, might provide multi-vessel owners with "the upper hand," as they could argue that they have the rights. This, he commented, is his primary concern because it is the crewmen and the skippers working in this dangerous industry who are risking their lives rather than the multi-vessel owners who potentially might never be on any of the vessels. Therefore, he continued, while vessel-rights might be the mechanism with which to address the issue initially, the multi-vessel owners should not be provided an edge "in the hierarchy" when the determination is being made regarding who should be granted the rights."

Mr. Dersham informed that specifying the vessel-rights approach for

the three-year moratorium period was a decision of the work group consisting of the DF&G, the Board of Fisheries and the NPFMC. He stated that this approach was determined to be "the fairest and only effective way to get our arms around the participants;" however, he assured that Senator Hoffman's concerns would be addressed as the process develops.

Senator Dyson, voicing appreciation for Senator Hoffman's concerns, commented that there is no intention to grandfather in any component for the future. He commented that it is very difficult for resource managers to manage a resource if there are a huge number of very efficient, large vessels harvesting the resource. Therefore, he agreed that limiting that component would provide a very effective job of managing the resource. He attested to the validity of the bill's goal to integrate the State's management practices of its shoreline to three-mile limit with those of the federal government's management three to 200 mile area practices. Continuing, he reiterated that another valid concern is that the State should maximize the participation of Alaskan fishermen, as he noted that a great number of the individuals in the fleets are from outside of the State. However, he allowed that there are US Constitutional constraints in this regard. Finally, he stated that the financial interests of individual business people, is an area that government does not handle very well. He voiced respect for the NPFMC and that he would support this legislation as he recognizes three of the legislation's goals to be valid.

Senator Olson asked whether the number of multi-vessel owners is a significant number to matter in the issue.

Ms. Aspelund replied that one of the real problems with furthering the analyses is the difficulty in gathering and integrating federal and State data. However, she noted that preliminary numbers indicate that during the three-year moratorium period, the participation calculations are that 1,475 vessels and 1,655 persons have participated. She estimated that 80 percent of the participants are State residents.

Senator Olson asked regarding the owners of those vessels.

Ms. Aspelund responded that the Department does not know who the owners of the vessels are.

Ms. Aspelund corrected, for the record, that as a result of a technical amendment to align Sec. 9 with other Legislative moratoriums and general sections of the bill, the committee substitute before the Committee specifies there to be a four-year moratorium. Therefore, she clarified that the moratorium would be

in effect from January 1, 2005 through December 31, 2008.

Co-Chair Wilken asked regarding the duration of the federal moratorium.

Senator B. Stevens clarified that rather than establishing a moratorium, the federal management plan incorporates an LLP, which specifies that no more vessel licenses would be issued. Thus, he continued, the number of licenses is set and licenses could only be transferred where there is a disaster or a replacement scenario.

SFC 04 # 34, Side B 09:51 AM

BRUCE SCHACTLER, testified via teleconference from on offnet site, and stated that this is "a convoluted" issue. He disclosed that he has no involvement in groundfish fisheries and is participating solely because of personal interest in the matter. He declared that the participants are "the guys running the boats and catching the fishing." Historically, he attested, there has not been one management regulatory regime that has "actually given the crewmen" or the permit holder "any consideration" beyond "the lip service" conducted in the analysis stage of the issue. He further opined that while crewmen rights are discussed and researched; the politics of the decision makers and the interests that those people have "in the people who put them there" override the fact that the people who actually produce the product are "cut out of the deal." While understanding the reasoning behind establishing a moratorium, he stated that it would be a temporary rather than permanent fix. He asserted that the federal fisheries management problem and "their inability to fix it," is the driving force that has resulted in the federal government asking the State to address the issue in a similar manner. He declared, "that people have bought off on that" and are, therefore, moving this legislation forward.

Mr. Schactler suggested that the State disallow letting fishermen with federal LLP licenses to fish in State waters. Were this to occur, he continued, Alaskans who wish to fish in State waters would be able to do so instead of being prevented from doing so for four years as proposed in this legislation. He voiced that there are other options available to protect the biomass as opposed to "shutting the fishery off" as this legislation does.

Mr. Schactler declared that this bill would not fix the problem, as there are 2000 LLP license holders who could fish in the State's waters. He stated that, were this legislation to move forward, some system must be in place to ensure that State residents would be

provided the ability to fish upon the conclusion of the moratorium and "the fix" of the federal problem. He stated that this moratorium does not need to become a permanent thing, although he declared that every moratorium previously entertained became permanent. He stressed that the State such not continue to let its fisheries be run by the federal fisheries and their "failure to deal with their problem." He urged the Legislature to take care of the State's fishermen and the State's fisheries, and he stressed that other solutions to the issue are available. He stated this rather than correcting the issue, this course of action would not fix the fishery or provide for State residents, but would instead allow absentee owners to continue to be involved in it. He noted that rather than allowing the Department and the Commission to effectively deal with the issue, this legislation would allow the Legislature to dictate action. In conclusion, he urged the Committee to support actions that benefit Alaskan residents and to not allow this temporary moratorium to become permanent.

Senator B. Stevens pointed out that, rather than being federally driven, this legislation was brought forward at the request of the managers of the Department, the Commission, and the NPFMC.

MARY MCDOWELL, Commissioner, Commercial Fisheries Entry Commission, Department of Fish and Game, stated that the Commission does not have the statutory authority to mandate a permanent limitation program upon the termination of the moratorium. She disclosed that the Legislature had previously authorized the Commission to implement a vessel-based moratorium in the scallop and herring crab fisheries; however, she pointed out; however, that no statutory authority exists for any other fishery. She stressed that it was not the Commission's decision to implement a vessel-based moratorium as no analysis has been conducted in this regard; however, she noted that the Commission does have the authority to implement a person-based permit moratorium. She communicated that the Commission would work with the Department to develop a plan for future limitations, and she stated that were it determined that the fisheries would be better served by a method other than the current limited entry permit program, that plan would be presented in the form of legislation to the Legislature for consideration.

Ms. Aspelund clarified that jig fisheries are exempt from this moratorium in order to provide entry-level access to that Gulf groundfish fishery.

Mr. Dersham stated, in response to Mr. Schactler's comments, that the Board is very mindful of the need to protect its authority over State's waters and to determine the best solution for the State and the economies of the region. He stated that the Commission is

cooperating with the other entities to the point at which its authority continues to be maintained. He noted that the option of denying LLP license holders the ability to fish in State waters might not work as almost every Alaskan fisherman also holds an LLP license.

Senator B. Stevens moved to report the bill from Committee with individual recommendations.

There being no objection, CS SB 347(RES) was REPORTED from Committee with fiscal note #1 in the amount of \$40,800 from the Department of Fish and Game.

#hb347

HOUSE BILL NO. 347

"An Act exempting taxicabs from the passenger vehicle rental tax; and providing for an effective date."

This was the first hearing for this bill in the Senate Finance Committee.

Co-Chair Wilken stated that this legislation would exempt taxicabs from the ten percent vehicle tax imposed on the lease and rental of passenger vehicles. The bill, he continued, would also exempt taxicabs from the definition of what constitutes a passenger vehicle.

SUE STANCLIFF, Staff to Representative Pete Kott, the bill's sponsor, concurred with Co-Chair Wilken's analysis of the bill.

Amendment #1: This amendment changes the bill's title to read as follows.

"An Act exempting taxicabs and certain other motor vehicles from the passenger vehicle rental tax; and providing for an effective date."

In addition, the amendment deletes, in Section 1, subsection (2)(E), the word "or" on page two, line two and inserts language on page two, line three following the word "taxicab." This language would read as follows.

(E) a taxicab, [or]

(f) a vehicle that is used exclusively for the hauling or delivery of cargo;

Furthermore, the amendment inserts new language in Sec. 2, page two, line seven following "taxicabs" as follows.

IMPLEMENTATION. The Department of Revenue shall refund any tax collected and remitted to the department under AS 43.52.010 - 43.52.099 on the rental of taxicabs and other rentals that are exempt from the passenger vehicle rental tax because of the amendments to AS 43.52.099(2) made by sec.1 of this Act for rentals made on or after January 1, 2004,...

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Co-Chair Green moved for the adoption of Amendment #1.

Co-Chair Wilken objected for purposes of an explanation.

Co-Chair Green explained that this amendment would expand the bill's title to include "and certain other vehicles," and would, therefore serve to exclude certain vehicles used for the hauling and delivery of cargo. She noted that vehicles exceeding 26,000 pounds are exempt from the tax and this amendment, she stated, would expand that exemption to include such vehicles as U-Haul moving vans that exceed 10,000 pounds. She noted that the Municipality of Anchorage already exempts these vehicles from the tax. She noted that this issue could either be addressed locally as Anchorage has done or via this amendment. She noted that there would be minimum fiscal impact incurred by this exemption.

Ms. Stancliff stated that the bill's sponsor has no objection to the amendment. Continuing, she agreed that while the issue could be addressed locally, amending the legislation would be "the simplest approach." She stated that it was not the intent of the original bill to negatively impact small businesses.

LANDA BAILY, Special Assistant, Office of the Commissioner, Department of Revenue, stated that in addition to discussing the amendment with the both the bill and the amendment's sponsors, she had conferred with Dan Dickinson, Director, Tax Division, Department of Revenue. Mr. Dickinson, she shared, stated that this amendment mirrors the Municipality of Anchorage's exemption language, and would not present any administrative issues to the Tax Division.

Co-Chair Wilken removed his objection.

Senator Bunde objected, as he declared that taxes are imposed to raise money. Therefore, he continued, exempting anyone from a tax is contrary to the desired affect, particularly in light of the

State's current fiscal direction.

A roll call was taken on the motion.

IN FAVOR: Senator B. Stevens, Co-Chair Green, Senator Olson, Senator Hoffman, Senator Dyson, and Co-Chair Wilken

OPPOSED: Senator Bunde

The motion PASSED (6 - 1)

Amendment #1 was ADOPTED.

JOHN NORRIS, President, U-Haul Company of Alaska, testified via teleconference from an offnet site on behalf of the 54 U-Haul locations in the State. He urged that the amendment be approved as he noted that the ten percent tax as originally presented was intended to apply to out-of-state tourists for any passenger car rental rather than to Alaska residents using such things as rental trucks. However, he stated that the original bill only exempted vehicles in excess of 26,000 pounds. He stated that a ten percent tax on truck rentals would present a hardship for citizens and businesses.

Senator Bunde pointed out that the passenger car rental tax applies to everyone renting a car, including Alaskan residents.

MICHAEL BELL, Representative, Alaska Trucking Association, testified via teleconference from an offnet site and voiced support for the amendment as he noted, "the vast majority" of trucks used to transport and deliver goods in cities, such as grocery delivery trucks, weight less than 26,000 pounds. He stated that were a business's truck to breakdown, it would be required to rent a replacement and be subject to the ten percent tax. He stated that this tax would present a hardship to the company as in most cases it would be unable to pass the burden of the tax on to the end user, as rental surcharges are not usually included in contracts.

Co-Chair Wilken stated that this bill would be HELD in Committee.  
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#### **ADJOURNMENT**

Co-Chair Gary Wilken adjourned the meeting at 10:14 AM.