

ALASKA STATE LEGISLATURE
HOUSE COMMUNITY AND REGIONAL AFFAIRS STANDING COMMITTEE

January 20, 2005

8:04 a.m.

MEMBERS PRESENT

Representative Kurt Olson, Co-Chair
Representative Bill Thomas, Co-Chair
Representative Gabrielle LeDoux
Representative Mark Neuman
Representative Sharon Cissna
Representative Woodie Salmon

MEMBERS ABSENT

Representative Pete Kott

COMMITTEE CALENDAR

HOUSE BILL NO. 42

"An Act naming the Joe Williams, Sr., Coastal Trail."

- MOVED HB 42 OUT OF COMMITTEE

HOUSE BILL NO. 25

"An Act relating to the sharing of fisheries business tax revenue with municipalities; and providing for an effective date."

- HEARD AND HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 42

SHORT TITLE: JOE WILLIAMS, SR., COASTAL TRAIL

SPONSOR(S): REPRESENTATIVE(S) ELKINS

01/10/05	(H)	PREFILE RELEASED 12/30/04
01/10/05	(H)	READ THE FIRST TIME - REFERRALS
01/10/05	(H)	CRA, TRA
01/20/05	(H)	CRA AT 8:00 AM CAPITOL 124

BILL: HB 25

SHORT TITLE: REFUND OF FISH BUSINESS TAX TO MUNIS

SPONSOR(S): REPRESENTATIVE(S) SEATON

01/10/05 (H) PREFILE RELEASED 12/30/04
01/10/05 (H) READ THE FIRST TIME - REFERRALS
01/10/05 (H) CRA, FIN
01/20/05 (H) CRA AT 8:00 AM CAPITOL 124

WITNESS REGISTER

JOSH GOVAARS, Staff
to Representative Jim Elkins
Alaska State Legislature
Juneau, Alaska
POSITION STATEMENT: Presented HB 42 on behalf of the sponsor.

JOE WILLIAMS, JR.
Saxman, Alaska
POSITION STATEMENT: Testified in support of HB 42.

GILBERT BENGE, Mayor
City of Saxman
Saxman, Alaska
POSITION STATEMENT: Testified in support of HB 42.

YEDA HICKS, Councilman
City of Saxman
Saxman, Alaska
POSITION STATEMENT: Related the pride HB 42 would generate for
the youth in the community.

FRANK SALUDO, Vice Mayor
City of Saxman
Saxman, Alaska
POSITION STATEMENT: Testified in support of HB 42.

REPRESENTATIVE PAUL SEATON
Alaska State Legislature
Juneau, Alaska
POSITION STATEMENT: Spoke as the sponsor of HB 25.

ACTION NARRATIVE

CO-CHAIR BILL THOMAS called the House Community and Regional
Affairs Standing Committee meeting to order at 8:04:36 AM.
Representatives Thomas, Olson, LeDoux, Neuman, and Salmon were
present at the call to order. Representative Cissna arrived as
the meeting was in progress.

CO-CHAIR THOMAS reviewed the rules the committee would follow.

HB 42-JOE WILLIAMS, SR., COASTAL TRAIL

CO-CHAIR THOMAS announced that the first order of business would be HOUSE BILL NO. 42, "An Act naming the Joe Williams, Sr., Coastal Trail."

8:06:09 AM

JOSH GOVAARS, Staff to Representative Jim Elkins, Alaska State Legislature, explained that HB 42 would rename the trail between Ketchikan and Saxman to the Joe Williams, Sr., Coastal Trail. Joe Williams, Sr., was an advocate for the construction of this historic trail for many years. Furthermore, Joe Williams, Sr., worked very hard to connect the people of Ketchikan and Saxman. The trail was funded by [former] Representative Bill Williams. The trail has been popular for the people of both communities as well as visitors. Renaming the trail will honor the memory of Joe Williams, Sr., as well as his accomplishments. Mr. Govaars noted a letter from Saxman which is included in the committee packet.

8:08:06 AM

MR. GOVAARS, in response to Representative Neuman, stated that he has heard of no opposition to renaming the trail.

8:08:18 AM

MR. GOVAARS, in response to Representative Salmon, related that Joe Williams, Sr., passed away a number of years ago while Joe Williams the third and fourth still reside in the City of Saxman. This was the traditional trail that the people of the City of Saxman used to go to Ketchikan. When the City of Saxman was moved to its current location, a foot path was used between the two towns. When the road was constructed people were left to walk on the side of the road, which was dangerous. Former Representative Williams was instrumental in obtaining the funding for the foot trail, which his father proposed.

8:09:57 AM

JOE WILLIAMS, JR., said that he was honored this is even being considered. He related that he is in favor of renaming the trail. He echoed earlier testimony that many people use the trail. In fact, the trail is used on a daily basis and often by

families. It's humbling to have the trail named after his father, he remarked.

[8:12:36 AM](#)

GILBERT BENGE, Mayor, City of Saxman, related that he has walked this historic trail, which passes through beautiful scenery, many times. Mayor Benge related his support for renaming the trail, and noted that renaming the trail is an honor for the family as well as the community.

[8:13:50 AM](#)

YEDA HICKS, Councilman, City of Saxman, stated that renaming the trail after a prominent Native Alaskan will be a source of pride for youth in the community.

[8:14:42 AM](#)

FRANK SALUDO, Vice Mayor, City of Saxman, recalled having to walk on the side of the road. The trail is nice to have, he said. Therefore, he related his support for HB 42.

[8:15:40 AM](#)

REPRESENTATIVE LeDOUX moved to report HB 42 out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, it was so ordered.

The committee took a brief at-ease.

HB 25-REFUND OF FISH BUSINESS TAX TO MUNIS

CO-CHAIR THOMAS announced that the next order of business would be HOUSE BILL NO. 25, "An Act relating to the sharing of fisheries business tax revenue with municipalities; and providing for an effective date."

[8:17:21 AM](#)

CO-CHAIR OLSON moved to adopt CSHB 25, Version 23-LS0169\G, Utermohle, 1/19/05, as the working document. There being no objection, Version G was before the committee.

[8:17:34 AM](#)

REPRESENTATIVE PAUL SEATON, Alaska State Legislature, speaking as the sponsor, explained that this legislation attempts to bring the [fisheries business] taxes to the communities that generate the revenues. He noted that there are three components of the fisheries business tax, which is also known as the raw fish tax because the tax is based on the value of the raw fish as they come off the vessel. The fisheries business tax is paid by the processor or buyer not the fisherman. The first component of the fisheries business tax is the processing tax which, for a developed fishery, is generally 3 percent on the ex-vessel value of the fish and is paid by the processor. [Within] the processing tax there is also a 1 percent undeveloped tax that is used to stimulate underutilized fisheries. [Within the processing tax there is also] a 5 percent tax for floating processors. Representative Seaton explained that 50 percent of the [fisheries business tax] goes to the general fund (GF) while the remaining 50 percent is returned to the communities where the processing takes place. In communities in which there is a city and a borough, half of the 50 percent returned to community goes to the city and the remaining half goes to the borough. He noted that the vast majority of fisheries business taxes are processed in the state.

REPRESENTATIVE SEATON turned to the fish that are processed outside a borough or city. In those cases, 50 percent of the revenue goes to the GF and the other 50 percent goes to the Department of Commerce, Community, & Economic Development (DCCED). The department uses a formula to broadly distribute that 50 percent throughout fishing communities in the state. The formula is based on the quantity of seafood that's brought into that community or rather the total value of the fishery in that area as well as the population, regardless of where the tax was generated.

REPRESENTATIVE SEATON turned to the third component of the fisheries business tax, which addresses the situation in which fish are landed in a community but are exported from the state unprocessed. Of the [tax collected] on those exported fish, 50 percent of the tax goes to the GF while the other 50 percent goes to DCCED. This legislation would change statute such that 50 percent of the [tax revenue] collected would go to the port at which it's landed. Therefore, this legislation attempts to have the revenue sharing at the location where the facilities for landing and handling the fish are located.

REPRESENTATIVE SEATON noted that the committee packet includes an amendment, which clarifies that this change would be

applicable from the point of passage forward. He also noted other items included in the committee packet, including the zero fiscal note with its analysis, a memorandum from Legal and Research Services, and background information. He pointed out that the fiscal note analysis for bill version HB 25(A), under the heading "Technical Comments" specifies: "The bill language does not provide a methodology for determining the situs of a sale although it must necessarily be the place of origination or the location of the taxpayer that sells the product." However, Version G rectified the aforementioned by defining the port of landing. Representative Seaton drew attention to a chart entitled "Distribution of Fish Business Tax on Fish Exported Unprocessed Based on 2003 Tax Returns". The aforementioned chart specifies the proposed distribution under HB 25 versus the actual distribution in 2004. The purpose of this legislation is to bring the tax to the facilities necessary for economic development and generates the tax base. He also drew attention to the document entitled "ESTIMATED DCCED Payments". He noted that the document entitled "ESTIMATED DCCED Payments" only shows where DCCED wouldn't distribute money, although the state would distribute the money directly to those communities [under HB 25]. Confidentiality rules restrict the sharing of information regarding the distribution amount to particular communities, he noted.

[8:30:24 AM](#)

REPRESENTATIVE SALMON referred to the document entitled "ESTIMATED DCCED Payments", and inquired as to why the rest of the state is not included.

REPRESENTATIVE SEATON explained that DCCED bases its formula on fishing communities, and therefore the community has to have some tie to fishing. Those communities with some tie to fishing apply for the money. He noted that there has been an approximately \$3,000 minimum to each community. This legislation "would change about a third of that, direct it to the communities that generate the tax so that even under this scenario, each of those communities would receive at least ... \$2,000, even if they don't generate the tax." This legislation doesn't change the other sources of revenue for DCCED. For instance, the money from fish processed outside of any municipality goes to DCCED, which distributes the money per the formula.

[8:32:06 AM](#)

REPRESENTATIVE LeDOUX asked if Representative Seaton would be able to obtain a community-by-community breakdown for the chart entitled "Distribution of Fish Business Tax on Fish Exported Unprocessed Based on 2003 Tax Returns."

REPRESENTATIVE SEATON said he hoped to obtain such. However, it's problematic because information hasn't been collected community by community. He highlighted that a number of fish are exported unprocessed. Although the aforementioned is supported and encouraged because those fish are worth more to the fisheries, that community loses the tax base. He provided examples of such situations in Chignik and Sitka. Representative Seaton informed the committee that there are three different definitions of processing from each of the following entities: ADF&G, DCCED, and the Department of Revenue. Trying to change the definition of processing is problematic, which is why this legislation takes the approach it does. Troll-caught salmon, he highlighted, are unprocessed under the Department of Revenue's definition, and therefore there is no tax base that returns to that local community.

[8:35:25 AM](#)

CO-CHAIR THOMAS surmised that the processing is primarily done by independent operations.

REPRESENTATIVE SEATON agreed, but pointed out that Homer, where the fish go through an auction system, is the largest halibut port in the world. He estimated that approximately 80 percent of Homer's fish is trucked to British Columbia, which is a loss of the tax base for Homer. He reiterated that this legislation doesn't increase the tax on anyone, rather it returns the tax to the port where the facilities are being provided.

[8:37:38 AM](#)

CO-CHAIR OLSON asked whether there is any impact on secondary processors.

REPRESENTATIVE SEATON replied no, adding that this is a tax paid by the first buyer. He noted that the direct market legislation includes a provision that allows a direct marketer who only sells to a secondary buyer the ability to pass the fish tax on to the secondary buyer.

[8:38:42 AM](#)

REPRESENTATIVE LeDOUX inquired as to the impact on the Lake and Peninsula Borough in relation to the chart entitled, "Distribution of Fish Business Tax on Fish Exported Unprocessed Based on 2003 Tax Returns."

REPRESENTATIVE SEATON offered that as the Lake and Peninsula Borough area increases its flying out of fish, the borough loses that tax revenue.

[8:40:13 AM](#)

REPRESENTATIVE SALMON inquired as to why the raw fish tax doesn't go to communities outside the coastal communities.

REPRESENTATIVE SEATON explained that the legislation distributing that portion of the raw fish tax was an attempt to return the revenue to the ports with the facilities generating the revenue. Therefore, 50 percent of the raw fish tax was taken in order to support the coastal communities, fishing ports. He reminded the committee that the portion going to DCCED will remain, that is [the tax generated from] fish processed in the state but outside of a municipality will remain unaffected, go to DCCED, and be distributed by the formula. The formula was intended to return the tax somewhat equitably to the areas generating the revenue. Representative Seaton specified, "All this bill does is try and say we can refine this process of trying to support the fishing communities with half of the fish tax by targeting it to the communities ... that generate that tax, just like we do with the vast majority of it, which is the processing tax."

[8:43:00 AM](#)

CO-CHAIR THOMAS related his understanding that the 50 percent of the 3 percent [processing tax] that goes into the GF is how the revenues are shared across the state.

REPRESENTATIVE SEATON agreed. The distribution of the raw fish tax attempts to return a portion of it to the location at which the revenue was generated in order to support the facilities.

[8:43:46 AM](#)

REPRESENTATIVE SEATON, in response to Representative Salmon, clarified that 50 percent of the total tax goes to the GF and the other 50 percent goes to local communities. The only question has been in regard to unprocessed exported fish, which

have been treated as if they weren't part of a local community or infrastructure supporting that fishery. He reminded the committee of the amendment in the committee packet.

CO-CHAIR THOMAS announced that HB 25 won't be reported out of committee today because of the new information that has been provided and concerns that have been expressed.

[8:45:47 AM](#)

REPRESENTATIVE LeDOUX asked if there are instances in which fish are landed in one community and processed in another community within the state. In such a situation would this legislation impact the taxation of that fish, she asked.

REPRESENTATIVE SEATON replied no, noting that in such a situation it's a processing tax that goes to the [processing] community. This legislation in no way impacts the processing tax; this legislation only refers to unprocessed exported fish.

[8:47:46 AM](#)

REPRESENTATIVE CISSNA moved that the committee adopt Amendment 1, labeled 24-LS0169\G.1, Utermohle, 1/19/05, which read:

Page 3, following line 21:

Insert a new bill section to read:

*** Sec. 5.** The uncodified law of the State of Alaska is amended by adding a new section to read:

APPLICABILITY. The amendments made to AS 43.75.130 by secs. 1 - 3 of this Act apply only to fisheries business tax revenue collected by the Department of Revenue for tax year 2005 and for subsequent tax years."

Renumber the following bill section accordingly.

There being no objection, Amendment 1 was adopted.

[8:48:36 AM](#)

CO-CHAIR THOMAS announced that CSHB 25, as amended, will be held over.

ADJOURNMENT

There being no further business before the committee, the House Community and Regional Affairs Standing Committee meeting was adjourned at [8:49:01 AM](#).