

HOUSE FINANCE COMMITTEE

April 15, 2016

7:30 p.m.

7:30:07 PM

CALL TO ORDER

Co-Chair Thompson called the House Finance Committee meeting to order at 7:30 p.m.

MEMBERS PRESENT

Representative Mark Neuman, Co-Chair
Representative Steve Thompson, Co-Chair
Representative Dan Saddler, Vice-Chair
Representative Bryce Edgmon
Representative Les Gara
Representative Lynn Gattis
Representative David Guttenberg
Representative Scott Kawasaki
Representative Cathy Munoz
Representative Lance Pruitt
Representative Tammie Wilson

MEMBERS ABSENT

None

ALSO PRESENT

Karen Matthias, Council of Alaska Producers, Juneau;
Deantha Crockett, Alaska Miners Association; Mike Satre,
Hecla Greens Creek Mine, Juneau; Vince O'Shea, Vice
President, Pacific Seafood Processors Association, Juneau;
Marleanna Hall, Resource Development Council; Mark Vinsel,
United Fishermen of Alaska, Juneau; Curtis Thayer,
President, Alaska State Chamber of Commerce, Anchorage;
Kris Norosz, Icicle Seafoods, Juneau.

PRESENT VIA TELECONFERENCE

Matthew Alward, Self, Homer; Paddy O'Donnell, Alaska
Whitefish Trawlers Association, Kodiak; Scott Hockema,
Pacific Storm Fisheries, Kodiak; Joe Macinko, Commercial
Fisherman, Kodiak; William T. Hawley, Mines Trust Co.,

Anchorage; Donald L. Stevens, Self, Anchorage; Michael Jespersen, Self, Anchorage; Norman Lenon, F/V Nuka Island, Kodiak; Jeff Bentz, Sundance Mining Group, Wasilla; Chris Woodley, Groundfish Forum, Seattle; Dave Hanson, Self, Anchorage; David Harris, Captain, F/V Arctic Mariner, Washington; Siri Dammarell, Self, Lake Stevens, Washington; Tim Musgrove, Resource Development Council and Alaska Miners Association, Soldotna; Mark Horne, Sundance Mining Group, Wasilla; Paul Metz, Self, Fairbanks; Lorna Shaw, Pogo Mine, Fairbanks; Cody Hockema, Pacific Storm, Kodiak; Cole Hockema, Pacific Storm, Kodiak; Tim Moore, Self, Homer; Frank Bergstrom, Self, Juneau; Mark Palmer, President, Ocean Beauty Seafoods, Seattle.

SUMMARY

HB 245 PERM. FUND:DEPOSITS;DIVIDEND;EARNINGS

HB 245 was HEARD and HELD in committee for further consideration.

HB 249 ELECTRONIC TAX RETURNS & MOTOR FUEL TAX

HB 249 was HEARD and HELD in committee for further consideration.

HB 250 INDIV. INCOME TAX: CREDITS; RETURNS

HB 250 was HEARD and HELD in committee for further consideration.

PUBLIC TESTIMONY: HB 245, HB 249, HB 250

Co-Chair Thompson reviewed the agenda for the day. He apologized for the delay and explained that committee computer crashed. He indicated that testimony would be 5 minutes per person.

[7:31:43 PM](#)

#hb245

#hb249

#hb250

HOUSE BILL NO. 245

"An Act relating to the Alaska permanent fund; relating to appropriations to the dividend fund; relating to income of the Alaska permanent fund; relating to the earnings reserve account; relating to the Alaska permanent fund dividend; making conforming amendments; and providing for an effective date."

HOUSE BILL NO. 249

"An Act requiring the electronic submission of a tax return or report with the Department of Revenue; relating to the motor fuel tax; and providing for an effective date."

HOUSE BILL NO. 250

"An Act relating to the taxation of income of individuals; repealing tax credits applied against the tax on individuals under the Alaska Net Income Tax Act; and providing for an effective date."

[7:31:43 PM](#)

^PUBLIC TESTIMONY: HB 245, HB 249, HB 250

[7:32:35 PM](#)

MATTHEW ALWARD, SELF, HOMER (via teleconference), opposed HB 249. He believed the state needed to have a comprehensive broad-based solution. Taxing fisheries and mining without dealing with oil tax credits, a Permanent Fund (PF) solution, and a broad-based tax would make very little difference in the budget gap but stood to harm certain industries. He had not seen any economic analysis on the fishing industry since raising the fisheries business tax combined with a motor fuel tax. He thought it was important to understand how the legislation would affect the vitality of the industry before moving forward. He continued that when the tax on the fishing industry was proposed it was stated that the industry was not paying its way and that the 1 percent increase would create balance. Since then, the Department of Fish and Game (DFG) budget was cut. The department stated that it would adjust the ex-vessel value of several species that would bring in over \$2 million in additional revenue. The legislature was also proposing to remove the Commercial Fisheries Entry Commission (CFEC) fee cap which would potentially bring in

an additional \$2 million. He thought funding government was becoming more important than management costs. He did not believe it was the intent of taxes on the renewable and sustainable fishing industry that kept Alaskans and small family businesses going. He recommended several changes to the legislation before moving it out of committee including doing further economic analysis before increasing the tax on canned salmon. He also thought that raising the floating processor tax would discourage processors from using floaters. In turn, there would be less processing capacity, less harvest, and less ex-vessel value to tax. The developing fisheries tax was set low to encourage new fisheries which benefited Alaskan residents and coastal communities. Raising the tax from 1 percent to 4 percent would discourage new development resulting in less potential future taxable income. He encourage members to consider the effects of the bill on hardworking Alaskans. He thanked the committee.

[7:35:04 PM](#)

PADDY O'DONNELL, ALASKA WHITEFISH TRAWLERS ASSOCIATION, KODIAK (via teleconference), spoke against HB 249. Members of the association fished out of Kodiak, Sand Point, and the Bering Sea. He spoke against removing the minimum and maximum restrictions on the entry permit card. Most members had 2 to 3 three hired skippers on their vessels. The change would put an added burden on the skippers. It would also make it more difficult for vessel owners to acquire new skippers. He suggested that the state should review increasing the cost of registering a vessel. He reported that his vessel registration was \$250 versus \$3000 for a permit card. He was not opposed to taxes but encouraged committee members to involve the public more when making decisions. He would prefer paying a higher vessel registration fee than a high permit card fee. He believed the higher permit card fee would discourage young fishermen from stepping into the wheelhouse. He also suggested that legislators should look at requiring only one permit card per vessel to allow for flexibility rather than a permit per person. He thanked the committee.

[7:38:32 PM](#)

SCOTT HOCKEMA, PACIFIC STORM FISHERIES, KODIAK (via teleconference), relayed that his son had just purchased his fishing permit card. He spoke of the poor fishing in

Kodiak in the current year. His son would have to make three trips to pay for his permit card. He did not understand why one permit card was not sufficient per vessel. He relayed figures of additional costs. He indicated that the additional fees would not work. He was unsure if length determined the permit fee amount. He indicated that his boat was about 100 feet long but there were 58 foot vessels that had greater capacity than his vessel. He was unclear about how the fee scale was determined. He reiterated that the fee of \$3000 for a permit card was entirely too high.

7:41:08 PM

JOE MACINKO, COMMERCIAL FISHERMAN, KODIAK (via teleconference), asked for consideration in the fees proposed. He wanted equitable fees. He mentioned a presentation in Kodiak by Gunnar Knapp in which Mr. Knapp stated that fisheries did not pay the cost of management. He supposed Mr. Knapp's statement could be true for some fisheries but he did not believe it was true for the halibut fishery. He reported that the state did not have a commercial halibut biologist. Commercial halibut fishermen paid the same tax as everyone else paid plus a 3 percent tax to National Marine Fisheries to take care of all of the related paperwork. He noted that the International Halibut Commission which managed the fishery conducted a survey fishery amounting to about a 3 percent tax on the halibut fisheries each year. The amount of fish they caught came out of the following year's quota. He thought there were discrepancies. He requested that the legislature try to develop some equity in the state's tax.

7:43:19 PM

WILLIAM T. HAWLEY, MINES TRUST CO., ANCHORAGE (via teleconference), spoke in opposition of HB 249. He suggested that the proposed tax increases were not sensible considering there were other options that could be exercised such as using the PF, making additional cuts, and implementing other broad-based taxes. He also suggested that the idea of implementing a mining tax before doing an analysis to evaluate the effect of the tax sent a scary message to potential investors in the mining industry. He thought that Alaska needed to figure out its cuts prior to increasing taxes. He relayed that the exemption from mining tax payments should remain at 3.5 years. The idea behind

the exemption was to encourage the development of new mines in Alaska. Increased mining meant increased royalty payments and the overall tax feed into Alaska's revenue.

[7:45:55 PM](#)

DONALD L. STEVENS, SELF, ANCHORAGE (via teleconference), spoke against HB 249. He relayed his professional experience as a geologist. He thought a "yes" vote was destructive for an industry that could help the State of Alaska out of its financial problems. He encouraged members to vote against raising the mining license tax. He believed that when the legislature signaled an anti-mining attitude by raising taxes the global mining business noticed immediately. He relayed that the major mining companies carefully monitored and measured the political risks of numerous jurisdictions such as Alaska. Alaska had an enormous potential for the development of new mines. He suggested that the reason there were not more mines in Alaska was due to the apparent anti-mining sentiment prevalent with the political and business leaders of the state. Conversely, when a jurisdiction decisively reduced the size and cost of government the industry noticed. He cited that one new mine would produce more revenue to the state than raising the mining license tax. He also spoke against the idea of a legislative working group. He compared a legislative working group to driving a fast car blindly down the road with no notice of the lights at the intersections. He suggested that to review the mining tax structure after implementation did not make sense and signaled poor government. He encouraged members to keep the exemption from mining license tax payments for new mines at 3.5 years or raise it to 4 years. It would help the state send a pro-mining message. He asked members to vote against HB 249.

[7:48:49 PM](#)

MICHAEL JESPERSON, SELF, ANCHORAGE (via teleconference), spoke against HB 249. He thought targeting industry specific taxes prior to cutting the budget was crazy. He concluded that targeting industries drove them away from the state. He suggested that the legislature had succeeded in unifying the mining and fishing industries against the bill. He pleaded for spending cuts and analysis prior to implementing taxes. He wanted to feel confident that the

legislature knew what was going on and how to run the government. He thanked the committee for its time.

[7:50:20 PM](#)

KAREN MATTHIAS, COUNCIL OF ALASKA PRODUCERS, JUNEAU, spoke against HB 249. Members of the council were businesses that had had to make tough decisions over the previous 4 years of declining mineral prices. She listed a number of actions taken including cutting budgets, freezing salaries, and cutting benefits. She relayed that the industry supported strategic reductions, the use of the PF earnings, and broad-based revenue measures to deal with the state's fiscal problems. She expressed that the goal of Alaska's mineral tax policy should be a balance of a reasonable share for the state and a competitive rate for industry. The mining industry provided thousands of good jobs, procurement and contract opportunities for local businesses, and state and local government revenue. There were only 5 large operating metal mines. It was very expensive and took a long time to develop mines in Alaska in part because of a lack of infrastructure. She suggested that the state could help the industry by providing fiscal stability. HB 249 increased the mining tax rate without substantive analysis of its impact and decreased investment incentives. She reported that the Alaska Minerals Commission had recommended that the legislature address municipalities specifically targeting the mining industry for special severance taxes. She read a statement from the commission from 2005 that talked about the mining industry expecting to pay its share of municipal governments in the form of a broad-based tax. She read another statement made by the commission in 2013 that addressed severance taxes shifting control of development decisions away from the state. The council encouraged the House Finance Committee to amend the legislation to protect state sovereignty by making the legislature the responsible body for decisions about special mining taxes. She suggested that an amendment should eliminate the ability for a municipality to levy or collect a targeted tax on metal mines, and it should implement revenue sharing of the Alaska mining license tax with the municipalities that host metal mines. She posed a number of questions legislators should consider when voting on the legislation. She thanked the committee for the opportunity to testify.

[7:55:23 PM](#)

AT EASE

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Reconvened

8:05:11 PM

DEANTHA CROCKETT, ALASKA MINERS ASSOCIATION, adamantly opposed an increase in the mining tax in HB 249. She spoke to a lack of review of the fiscal impact of the legislation. She read a statement from the Alaska Miners Association (AMA) Board of Directors. The statement recommended implementing a comprehensive long-term fiscal plan that included budget reductions, the use of PF earnings, a reduction in the Permanent Fund Dividend (PFD), and new revenue from broad-based taxes. She conveyed that the combination of a motor fuel tax, a fishing tax, and a mining tax was not a broad-based solution. The Alaska Miners Association opposed a legislative working group after the imposition of an additional tax because it sent a terrible message of uncertainty to mining investors. She addressed the industry's concern about the new changes prohibiting the mining exploration tax credit to be taken against royalty payments. It would add no financial gain to the State of Alaska. It was important to the placer miners to be able to recover their investments in the short-term. She stated that it was imperative to remember that one new mine in operation would result in significantly higher revenues to the state than the proposed increase. She asked for a "No" vote on HB 249.

8:09:24 PM

NORMAN LENON, F/V NUKA ISLAND, KODIAK (via teleconference), spoke against the proposed tax in HB 249. He relayed that any increased costs would cut into his bottom line. He was the captain and owner of his vessel. He explained that he was bringing his sons up in the fishery. They wanted to be captains but he thought the legislation might deter them. He believed that the legislation would hurt residents of Alaska. He urged members to oppose HB 249. He thanked committee members for their time.

8:11:20 PM

JEFF BENTZ, SUNDANCE MINING GROUP, WASILLA (via teleconference), opposed HB 249. He was a lifelong Alaskan and represented a mining company. He thought the bill was very detrimental to the mining industry in Alaska. He thought it was truly unfair to attack the other remaining industries because of a major revenue source [oil] declining for Alaska. He opined that until all of the expenses were cut at the state government level and the expense side of the budget was carefully looked at, it was unfair to tax industry. He relayed that the State of Alaska was all about jobs. His company was invested in increasing the number of jobs for Alaskans. He reported that the mining industry had been under radical environmental pressures. He discouraged support of the legislation.

[8:13:49 PM](#)

CHRIS WOODLEY, GROUND FISH FORUM, SEATTLE (via teleconference), spoke against HB 249. He provided some information about the Groundfish Forum. He reported that his organization opposed the proposed increased fees. He claimed that it would have an impact on the valuation of key Bering Sea species which would quadruple their taxation. He also spoke against the proposed increase of a landing tax. He suggested that such increases made for a hostile business environment for commercial fishermen. He urged members not to support HB 249.

[8:16:00 PM](#)

DAVE HANSON, SELF, ANCHORAGE (via teleconference), strongly opposed the oil production tax credit program. He relayed that he had been involved in both the fishing and mining industries. He spoke in favor of HB 249 given the state's financial crisis. He thought the gasoline tax was reasonable. Alaska had one of the lowest gas taxes in the nation at 8 cents per gallon. He suggested increasing the fuel tax to 24 cents which was the average gas tax in the nation. He also recommended a different set of prices for certain types of commercial users. He relayed that in some states gasoline tax was 49 cents per gallon. He commented that the tax was easy to implement and more palatable because of the vast variation in the price of gas in Alaska. People were already used to the fluctuation in the price of gas. He also supported the increases to taxes and fees for fishing. He indicated that the majority of fishermen were not from Alaska but from other parts of the

country. He supported the bill increasing taxes on fishing especially the section that specified charging a non-resident surcharge. He opined that the mining industry's future had more to do with the price of and demand for minerals worldwide rather than taxes. He thanked the chairman.

8:20:17 PM

DAVID HARRIS, CAPTAIN, F/V ARCTIC MARINER, WASHINGTON (via teleconference), testified against HB 249. He spoke to the rate hike and relayed that it would be equal to 10 percent of his income. He stated that it was difficult to find good crew members and the increase would make it more difficult to attract workers. He thanked the committee for its time.

8:22:12 PM

MARK PALMER, PRESIDENT, OCEAN BEAUTY SEAFOODS, SEATTLE (via teleconference), testified in opposition of HB 249. He opposed the increase in production tax for canned salmon. He relayed that Ocean Beauty Seafoods had 6 processing plants in Alaska and employed approximately 2000 seasonal employees as well as full time employees in Kodiak. He relayed that in 2013 and 2015 the company had had 2 of its largest pink salmon production years. He spoke to the large salmon runs in Bristol Bay. Typically, canned salmon inventory was sold immediately. However, the company had carried its inventory for 2 years which helped stabilize the market. He spoke about the importance of a stable canned salmon market. He also mentioned additional revenue sources within the industry. He continued that interest rates had increased and would continue to increase and storage rates were high. He did not think it made any sense to compound the troubles in the market by increasing the tax on canned salmon. The frozen markets were very fluid. The company had the ability to push products in and out of the markets. However, canned salmon had 4 retail markets. Those markets had to be as stable and predictable as possible. Therefore, the company had to finance the inventories. He commented that there were other sources of revenue in the seafood industry including the offshore processing that had not really paid the full value of the revenue that had been generated from some of the offshore fisheries. The other source of revenue would be from companies that produced products and paid their fishermen based off of a profit share rather than a fish tax.

Fishermen were paid based on the amount of fish they harvested. Everyone else in the industry paid a landing tax and fishermen were paid bonuses at the end of the season based on production. He mentioned one company that was paying as a cooperative. He suggested that prior to targeting canned salmon the state should ensure that everyone was paying a fair share. He did not think the global market could handle the additional tax. He thanked the committee for its time and for the opportunity to testify.

[8:26:39 PM](#)

SIRI DAMMARELL, SELF, LAKE STEVENS, WASHINGTON (via teleconference), opposed HB 249. She succinctly stated that her family business would be negatively impacted by the increase in permit fees. She thanked the committee.

[8:27:44 PM](#)

TIM MUSGROVE, RESOURCE DEVELOPMENT COUNCIL AND ALASKA MINERS ASSOCIATION, SOLDOTNA (via teleconference), opposed HB 249 because it was not a broad-based tax. He opposed raising the mining license tax 7 percent to 8 percent. He also opposed the legislative working group along with opposing new changes prohibiting exploration tax credits to be taken against royalties. He recommended that the exemption from mining license tax payments for new mining remain at 3.5 years. It would demonstrate stability to new companies interested in coming to Alaska. He mentioned shutdowns in the oil industry such as Caelus Energy. He did not want to see shutdowns to operating mines. He listed several Alaska mines. He thought it was great to see mining and fishing industries united in opposing HB 249. He suggested cutting the budget more and in the right places. He strongly opposed the motor fuel tax as well. He thanked members for their time.

[8:29:09 PM](#)

MARK HORNE, SUNDANCE MINING GROUP, WASILLA (via teleconference), strongly opposed HB 249. He reported that the Sundance Mining Group was weeks away from permitting approval of an underground hard rock gold project in Southeast Alaska. It was a small company that, because of the incentive of the exploration tax credit taken against the royalty and mining license tax, decided to proceed with

permitting of a new mine. The mine would provide 25 high paying jobs in a depressed region. He reported that without the state's incentives he was unsure that the company would have moved forward with the project. Investors favored a 3.5 year exploration credit exemption. He opined that the clear message HB 249 sent was that new mine development was not welcome in Alaska. He suggested that if the incentives went away the project could cease because of potential risks. He emphasized that the 3.5 year exploration credit exemption was what was bringing mines into production. He strongly opposed any increase in a mining license tax, changes to the exploration credit, and a legislative working group. He thanked the committee.

[8:32:17 PM](#)

PAUL METZ, SELF, FAIRBANKS (via teleconference), spoke in opposition to HB 249 as drafted.

[8:33:08 PM](#)

LORNA SHAW, POGO MINE, FAIRBANKS (via teleconference), testified against HB 249. She provided information about the mine and relayed that it spent significant money in the state's economy. The bill did not work for Alaska. The state needed to look at reducing spending, using the Permanent Fund, and implementing a broad-based tax. She asked members to oppose the legislation.

[8:34:40 PM](#)

CODY HOCKEMA, PACIFIC STORM, KODIAK (via teleconference), was a deckhand on the Kodiak trawler, F/V Pacific Storm. His life's dream was to become captain of the vessel. He had just purchased his 2016 delivery permit for \$3000, which was more than he would make on his next trip as captain. He spoke to his work as a commercial fisherman and conveyed the burden he carried in paying the increased permit price. He stated that there had been a perfect storm of hits towards the fishing industry with season closures, low prices, and adolescent fish. Fishermen were simply not making enough to cover current permit costs let alone an increase. He currently paid the highest taxes out of anyone. He lived paycheck-to-paycheck and took out a loan to get his current captain's license. He opined that government fees were a ridiculous reason to prevent a deckhand from advancing to the position of captain.

[8:36:36 PM](#)

COLE HOCKEMA, PACIFIC STORM, KODIAK (via teleconference), shared that he was a deckhand on the fishing vessel, Pacific Storm, in Kodiak. He opposed HB 249. Due to the high cost of a captain's license it would not be worth it financially for him to become a skipper. The cost of the license was stopping him from furthering his fishing career. Raising the cost would make it even more difficult for new captains in the future. He urged members not to support the bill.

[8:37:35 PM](#)

TIM MOORE, SELF, HOMER (via teleconference), spoke against HB 249. He understood the state's fiscal situation and realized that the legislature was faced with a difficult job. As a fisherman he was concerned that broad-based taxes would not be approved but that certain industries would be singled out. The fishing industry was currently faced with low fish prices and its profitability was in question. He shared that fishermen in Prince William Sound were ready to respond to the DFG budget. The Department of Fish and Game was starting to plan for test fish authority, which would add another tax to the salmon industry in certain areas. He thanked the committee.

[8:39:48 PM](#)

MIKE SATRE, HECLA GREENS CREEK MINE, JUNEAU, opposed HB 249. He stated that it was truly unfortunate that the notice of the hearing stated that HB 249 was a compromise bill. He indicated that no negotiations with industry had taken place. He thought the only thing that had been compromised was industry's faith in the legislative process. There had been no analysis that had indicated how the bill might impact the mining industry. He stated that there was a significant lack of knowledge by the legislature on mining taxes. The current tax increase proposal had nothing to do with developing a comprehensive tax policy but an exercise in political cover. The methodology for the selection of taxes seemed flawed. He stated that Alaska had a world-class silver and zinc mine. Implementing a tax increase would hurt the mine and the industry. He shared that he had taken students out to the mine earlier in the day and had worried about the tax bill.

He asked the committee to hold the bill. He asked the committee to address the policy points addressed by the Council of Alaska Producers and the Alaska Miners Association including the prohibition on municipal severance taxes to ensure financial certainty for the mining industry.

[8:43:17 PM](#)

FRANK BERGSTROM, SELF, JUNEAU (via teleconference), opposed HB 249. He shared that he was a miner. He had not seen an analysis of the potential economic impacts or effects of the legislation and thought the proposed tax seemed arbitrary. He added that appointing a committee to consider the mining license after passing the bill seemed out of order. He opined that miners paid more than their share. He wondered what else the legislature wanted the mining industry to pay for. HB 249 created a disincentive to develop new mines. New mines would grow state revenue.

[8:45:17 PM](#)

VINCE O'SHEA, VICE PRESIDENT, PACIFIC SEAFOOD PROCESSORS ASSOCIATION, JUNEAU, testified against HB 249. Pacific Seafood Processors Association (PSPA) had 9 member companies operating 27 fishery processing plants in Alaska and 3 motherships. The companies employed more than 15 thousand employees. All of the member companies would be impacted by HB 249. The association had previously testified regarding the need for a broad-based plan to address the state's fiscal crisis. The seafood industry already paid millions in state and federal taxes. Additionally, the industry provided tens of thousands of jobs to Alaskans. The administration's approach to the fisheries tax was to add 1 percent to the current rate which punished the industry and Alaska fishermen; it raised taxes on canned salmon when most companies were sitting on a 2 year supply. The industry had stepped up with a plan to be included in a comprehensive fiscal plan approach. The association's plan raised nearly the same level of revenue from fisheries but in way that reflected the global and economic realities of the fishing industry. He listed a number of items included in their approach. Unfortunately, the plan had been rejected by the first committee of referral. He expressed concern that HB 249 had had little or no analysis of the impacts on the industry. It was his understanding that the goal of the increase was to close

the gap between revenues received from fisheries and the cost associated with the Commercial Fisheries Division within DFG. The association was concerned that the industry was being asked to pay more with no assurance from the state that the Commercial Fisheries Division would be provided the resources necessary to continue the management of Alaska's commercial fisheries. He asked the committee to look carefully at their proposal. He thanked the committee for the extra time given for industry testimony.

[8:49:02 PM](#)

MARLEANNA HALL, RESOURCE DEVELOPMENT COUNCIL, testified against HB 249. She stated that increasing taxes on the natural resource industry would not encourage the development of new mines, boost investment in the fishing industry, attract more tourists, or increase throughput in the Trans-Alaska Pipeline System (TAPS). She purported that higher taxes would likely deter investment and lead to lower state revenues and a weaker private sector. One of the council's concerns was that a risk analysis had not been conducted on the impact of the bill. She reviewed the negative impacts of removing needed incentives. She urged members to reject the legislation and thanked the committee for the opportunity to testify.

[8:51:44 PM](#)

MARK VINSEL, UNITED FISHERMEN OF ALASKA, JUNEAU, opposed HB 249. He reported that United Fishermen of Alaska held the longstanding position that any new taxes on the fishing industry should be part of a comprehensive fiscal solution. Combining the fisheries and mining taxes together was a small step in that direction. His organization opposed the CFEC fee cap elimination in the current version of the bill, as it would affect families and outside fishing operations. United Fishermen of Alaska also opposed the canned salmon tax increase and wanted it to remain at 4.5 percent. The organization opposed the proposed tax increase to 4 percent for new fisheries. He disagreed with the concept of fisheries taxes going into the general fund rather than being directed to the Commercial Fisheries Division. He reviewed the revenue formula: the tax rate times the volume times the price. He relayed that both price and volume were highly variable, although the tax rate could be controlled. He opined that DFG needed to be

funded in order to have weir counts, stock assessments, and proper management of Alaska's fisheries.

8:55:18 PM

CURTIS THAYER, PRESIDENT, ALASKA STATE CHAMBER OF COMMERCE, ANCHORAGE, provided some background about the chamber. He spoke about the legislature focusing on new tax revenue which was getting in the way of looking at government spending. He spoke about labor contracts giving state employees raises of 3.5 percent to 10 percent over the following 3 years to the tune of over \$70 million. The chamber believed the State of Alaska could not afford such pay increases. He relayed that companies were laying off employees, furloughing employees, and cautiously avoiding new hires and new investment. He claimed that it was inappropriate to place the burden on private industry. The Alaska Chamber emphasized the need to reduce the size and spending of government before turning to industry to pay additional taxes. The chamber had laid out a very clear plan which included a reduction in state government, a decrease in spending, a cap on the PFD, and the use of the PF earnings. Taxes should only be considered after such measures were taken. He urged members to consider a balanced approach. He thanked the committee.

8:58:55 PM

KRIS NOROSZ, ICICLE SEAFOODS, JUNEAU, spoke against HB 249. The company understood the fiscal issues the state was facing and had been supportive of a comprehensive approach that included a combination of actions. The actions included budget cuts, broad-based revenue generating measures, and a closure of loopholes in fisheries tax collection. The company offered a tax plan for the fishing sector that would generate revenues very close to the amount targeted by the administration. The seafood industry harvested and processed a sustainable and renewable resource that had been an economic engine for Alaska for over a century. Good fisheries management was critical to the company's operations and the industry. She agreed with previous testifiers that canned salmon could not handle additional taxes. She spoke of the need for equity for inshore floating processors and provided some examples. She mentioned the implications of some of the proposed rate increases. Icicle Seafoods was willing to be part of the solution as long as it was a well thought out and rational

plan that took into consideration the collective impacts of the proposed actions on the fishing industry. She relayed additional sideboards. She thanked the committee for its time.

[9:03:07 PM](#)

Representative Wilson was uncertain about the plan Ms. Norosz was referring to.

Co-Chair Thompson asked that Ms. Norosz to leave her written statement with his staff so that they could follow up with her.

Co-Chair Thompson CLOSED public testimony.

HB 245 was HEARD and HELD in committee for further consideration.

HB 249 was HEARD and HELD in committee for further consideration.

HB 250 was HEARD and HELD in committee for further consideration.

Co-Chair Thompson reviewed the agenda for the following day.

Co-Chair Thompson recessed the meeting to the call of the chair [Note: The meeting never reconvened].

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ADJOURNMENT

[9:04:17 PM](#)

The meeting was adjourned at 9:04 p.m.