

SENATE FINANCE COMMITTEE  
January 25, 2017  
9:00 a.m.

9:00:38 AM

CALL TO ORDER

Co-Chair MacKinnon called the Senate Finance Committee meeting to order at 9:00 a.m.

MEMBERS PRESENT

Senator Lyman Hoffman, Co-Chair  
Senator Anna MacKinnon, Co-Chair  
Senator Click Bishop, Vice-Chair  
Senator Mike Dunleavy  
Senator Donny Olson  
Senator Natasha von Imhof

MEMBERS ABSENT

Senator Peter Micciche

ALSO PRESENT

Alexa Tonkovich, Executive Director, Alaska Seafood Marketing Institute, Juneau.

SUMMARY

^PRESENTATION: INTENT LANGUAGE STATUS UPDATE

9:01:42 AM

ALEXA TONKOVICH, EXECUTIVE DIRECTOR, ALASKA SEAFOOD MARKETING INSTITUTE, JUNEAU, highlighted the PowerPoint presentation, "Alaska Seafood Marketing Institute: Senate Finance Committee" (copy on file). She shared the subjects that she would cover in the presentation.

Ms. Tonkovich looked at slide 2, "What is the Alaska Seafood Marketing Institute":

- A Partnership of public and private sectors

- A Public corporation that fosters effective alignment with industry marketing efforts

- A Governor-appointed Board of Directors: five processors, two commercial harvesters

- Alaska's official seafood promotion arm, supports Alaska seafood industry through promotion of Alaska seafood products, education and research

Ms. Tonkovich addressed slide 3, "Alaska Seafood Industry Economic Impacts":

Seafood Industry Directly Employs 60,000 Workers

Largest Private Sector Employer in the State

Contributes Approximately \$138.6 Million in Taxes, Fees, and Self-Assessments Which Help Fund State, Local and Federal Government

Industry Operates 8600 Vessels and 176 Shore Plants

Ms. Tonkovich discussed slide 4, "Alaska Seafood Marketing Institute Volume and Value by Species." The charts showed the value and volume of the Alaska seafood harvest. The volume was the average of 2014 and 2015, at approximately 6 billion pounds. The chart showed the importance of whitefish in the industry. She remarked that the real strength of the industry was the diversity. The industry was not dependent on the landmark species, but the value came from many different species.

Co-Chair MacKinnon requested a regional breakdown of the seafood sources. Ms. Tonkovich agreed to provide that information.

Ms. Tonkovich highlighted slide 5, "Alaska Seafood Export Markets":

Export to 120 Countries

1.1 Million MT and \$3.3 Billion

Groundfish 55 percent

Salmon 25 to 33 percent

China - Largest Partner

EU and Japan - Largest Markets

Exports = 60 to 70 percent of value

Senator Olson queried the role of the Community Development Quota (CDQ) Ms. Tonkovich replied that the CDQs were partners of ASMI. She shared the processors may pay into the ASMI landing tax. She agreed to provide further information.

Senator Olson wondered whether there was a direct relationship with CDQ. Ms. Tonkovich replied that they were partners, and worked closely when possible.

[9:05:05 AM](#)

Ms. Tonkovich addressed slide 6, "Historical Ex-vessel Value and Harvest Value":

Some decline in value due to strong dollar, oversupply, smaller harvests of high-value species

Challenges/Opportunities

Ms. Tonkovich highlighted slide 7, "Alaska Seafood Marketing Institute Global Factors Impacting Value":

Negative Factors

Strong dollar hurts U.S. exporters and helps competitors

Eco-labels diminish Alaska's ability to distinguish on sustainability

Competition from farmed and imported seafood

Volatility of wild harvests, decreased quota for key species

Russian embargo and Ukrainian conflict

Positive Factors

Global salmon supplies tightening

Stronger Yen

Long term demand vs. supply

Strong Alaska Seafood brand

Ms. Tonkovich addressed slide 8, "Highlight International Trends":

Alaska Seafood, FOREVER WILD, Food Truck Visits  
Street/Food Fairs in Germany

Ms. Tonkovich looked at slide 9, "Highlight International Trends":

E-COMMERCE PLATFORMS, Used Widely In ASIA and EU

WE ARE WILD: SALMON SOMMELIERS

Ms. Tonkovich addressed slide 10, "August 10th Alaska Wild Salmon Day":

First ever Alaska Wild Salmon Day  
EXCITEMENT GENERATED THROUGH:  
Snapchat geofilter  
Social Media Channels  
Traditional Media Relations  
Digital and PR efforts secured more than  
94 MILLION IMPRESSIONS.

Ms. Tonkovich discussed slide 11, "Good News!":

U.S. Seafood Consumption up by Nearly One Pound Per  
Person in 2015

This is the biggest leap in seafood consumption in 20  
years!

Co-Chair Hoffman queried the species with the largest  
growth. Ms. Tonkovich replied that shrimp was the number  
one species consumed by Americans.

Co-Chair Hoffman specifically wondered what species had the  
greatest growth. Ms. Tonkovich believed it was shrimp. She

stressed that there was a hope that it would be Alaska seafood.

Co-Chair MacKinnon queried the amount of seafood consumed by the average U.S. citizen. Ms. Tonkovich believed that it was fifteen pounds per person, but agreed to provide the exact number.

Ms. Tonkovich highlighted slide 12, "International Recognition for RFM":

Alaska Responsible Fisheries Management (RFM) successfully benchmarked against Global Sustainable Seafood Initiative (GSSI)'s Global Benchmark Tool.

GSSI is a global platform to streamline seafood purchasing decisions while promoting sustainability.

Alaska RFM is the first certification to do so.

Ms. Tonkovich looked at slide 13, "Highlight Swap Meat":

The ASMIUS Foodservice program sponsored a national "Swap Meat" competition for professional chefs.

CHEFS WERE ASKED TO SWAP THE MEAT IN A RECIPE FOR ALASKA SEAFOOD AND THEN SUBMIT THE NEW RECIPE TO ASMI

[9:10:27 AM](#)

Ms. Tonkovich addressed slide 14, "Highlight Alaska Brewing Co-op Promotion":

CO-OP between ASMI, Alaska Brewing Company and Texas retailer H.E.B

IN-STORE DISPLAYS near the seafood department and sampling at 70 stores

INSTANT-REDEEM COUPON

Ms. Tonkovich displayed slide 15, "In-state Outreach Town Hall Meetings":

Series of informal town hall-style meetings to provide harvest and market updates

2016: Anchorage, Juneau, Cordova, Petersburg and Naknek

Where to next?... Stay Tuned!

Ms. Tonkovich addressed slide 16, "Alaska Seafood Marketing Institute Budget." She stated that each year one-half of one percent of the vessel value of Alaska's commercial seafood harvest was paid by processors to the Department of Revenue (DOR). The revenue was statutory designated program receipts (STPR), and was \$9.6 million collected in the year. She stated that ASMI also received approximately \$4.5 million annually in federal funds through the USDA Market Access Program. Those funds were used to fund the international programs. She stressed that the federal money was a competitive grant, and ASMI competed annually with 100 other commodity groups including beef, pork, and chicken.

Ms. Tonkovich looked at slide 17, "Alaska Seafood Marketing Institute." The slide was a visual breakdown of the revenue stream.

Ms. Tonkovich addressed slide 18, "2016 Legislative Intent: Budget":

It is the intent that ASMI develop a plan to phase out reliance on UGF by FY19

- Reduced Spend Plan
  - Gradual, sustainable ramp down of expenditures
- Supplemental Funding Task Force
  - Additional federal grants awarded
- Options to Increase Industry Revenue
  - According to statute, revenue can be increased from .5 percent to .6 percent, raising an additional \$1 million annually

Ms. Tonkovich discussed slide 19, "Alaska Seafood Marketing Institute Projected Budget." She stated that in FY 16 the ASMI board of directors reduced the spend plan to preserve funds into FY 17. They realized that without additional revenue, and without significant spending reductions, the current level of expenditures was not sustainable. The table showed that ASMI's spend plan was reduced in the current year. She stated that ASMI would slowly ramp down expenditures to a more sustainable level. She stressed that

ASMI must maintain protect and maintain federal USDA Market Access Program funding of \$4.5 million per year. The grant required a match, which was previously provided through the general funds, but now must be matched through industry funds. She stated that it may disproportionately the domestic marketing program, because the grant was exclusively for international marketing.

Ms. Tonkovich displayed slide 20, "2016 Session Legislative Intent: Positions":

It is the intent of the legislature that all ASMI positions are in Alaska by FY19

Domestic U.S. Retail, Foodservice Programs,  
Sustainability (6 PCNs)

- Cost-Effective Market Access
- Relationships and Interaction with Marketing Partners
- Effective Marketing Impacts Alaskans

[9:15:47 AM](#)

Co-Chair Hoffman surmised that there were no plans to bring the positions to Alaska. He stressed that there had been a decline in other jobs. He queried the total value of the positions that may assist the Alaska economy. Ms. Tonkovich replied that the positions in Seattle was estimated at \$916,944 for FY 17.

Co-Chair Hoffman wondered whether that number included benefits. Ms. Tonkovich replied in the affirmative.

Co-Chair Hoffman queried the support budget of the Seattle office. Ms. Tonkovich replied that the Seattle office rent was \$82,706.

Co-Chair Hoffman wondered whether the board felt that Alaskans did not understand salmon and other resource marketing. He queried the justification to not discuss the issue. Ms. Tonkovich agreed to inform the board of Co-Chair Hoffman's concerns.

Co-Chair Hoffman felt that it might be wiser to return the office to Alaska. He felt that Alaskans had the capacity and capability of operating ASMI.

9:20:30 AM

Senator von Imhoff queried the amount of the state match. Ms. Tonkovich responded that it was not specified in federal statute. She stated that typically ASMI tried to match one-to-one, but was no longer able to do that. She stressed that, because it was a competitive grant, there were many factors that ASMI was scored.

Co-Chair MacKinnon remarked that the legislature had previously asked ASMI to provide a plan on reduced use of general fund dollars, based on the critical condition of the savings accounts. She appreciated the work of ASMI to market Alaska products, but she felt that the real conversation was related to slide 19. She felt that slide 19 did not provide much insight. She felt that ASMI had a limited response to the question. She encouraged the board to discuss the use of the matching funds, and how they could maintain the federal grant the 50 percent reduction of general fund spending. She felt that the state could no longer maintain the program. She shared that December 2015 or 2016 showed Alaska as higher than the national average of unemployment. She believed that Alaska was currently at the highest unemployment rate of all the states. She looked at slide 3, and wondered how many Alaska employees were residents and nonresidents. Ms. Tonkovich agreed to provide that information.

Co-Chair MacKinnon looked at slide 19, and felt that it was difficult to look at the ending carryforward balance. She wondered whether there was a way to eliminate the FY 17 savings draw, because of the critical position of the state. Ms. Tonkovich replied that the intent language was to replace general funds by FY 19. She shared that there was not a discussion beyond that, because there was nothing beyond that intent language.

9:25:33 AM

Co-Chair MacKinnon stressed that it was the fifth consecutive year that the legislature substantially withdrew from savings at billions of dollars. She supported ASMI, but hoped to reduce general fund spending. She stressed that she wanted to examine the prospective spending in FY 18. She wondered whether there was a way to eliminate the general fund spending with the least amount

of harm, so ASMI could use its own reserves. She hoped to work together. She looked at page 2 of the plan, which stated that the ASMI board needed flexibility to react in changes in market conditions or disasters. She stressed that other departments had a "lever" to go to the Legislative Budget and Audit (LB&A) Committee in the interim for additional spending authority. She understood that it was "hollow money", but felt that it was a way to reflect the downturn in the state's economy. She wondered how ASMI would respond to a total elimination one year sooner, given that oil prices were starting to recover, but there was still a \$2.7 billion deficit. She stressed that the governor's budget did not fund community assistance, which was important to the legislature and the communities. Ms. Tonkovich replied that ASMI was at \$2 million and \$1 million the following year for general fund money requests. She stated that eliminating those funds would require ASMI to draw down a greater percentage of their reserve funding, and slightly reduce their marketing spend plan to avoid drawing down to zero. She explained that ASMI hoped to maintain its budget authority, which she stressed was not actual funding, rather the authority to collect funding. She stated that the authority gave the board flexibility to react quickly to changing market conditions, such as Fukushima.

[9:29:13 AM](#)

Co-Chair Hoffman asked for the breakdown of the \$138.6 million that the industry contributes in taxes, fees, and self-assessments to help state, federal, and local governments. Ms. Tonkovich agreed to provide that information.

Co-Chair MacKinnon queried how many eligible processors could vote. She understood that there was a requirement for 25 percent for a question, and 51 percent for eligibility for the processors. Ms. Tonkovich agreed to provide that information.

Co-Chair MacKinnon asked for the percentage from 2014. Ms. Tonkovich replied that the processors must represent more than 50 percent of the value of the seafood landings in each year. She agreed to provide the number of specific processors that made up that proportion.

Co-Chair MacKinnon wanted to understand the voting. She announced that other boards were looking at creative ideas to partner in advertising for Alaskan products. She queried the percentage of tax used to fund ASMI. Ms. Tonkovich replied that ASMI was currently at 0.5 percent, and 0.6 was the highest to statutorily assess the industry.

Co-Chair MacKinnon remarked that the industry received tax credits. She queried the breakdown of the credits. She shared that fishing had received many beneficial tax credits, versus the benefit to the state. She wondered whether there was a way to measure the effectiveness of the food truck program. Ms. Tonkovich replied that there were different performance measures and metrics for the various activities. She shared that they measured participation, sales figures, and consumer research. She agreed to provide the specific evaluation measures for the food truck program.

Co-Chair MacKinnon wondered whether the evaluation of sales would show sales growth in the areas with advertising programs. Ms. Tonkovich replied there were different factors in markets and programs. She stated that the sales were measured, if the sales were promoted. She agreed to provide further information.

Co-Chair MacKinnon wondered whether the dollars were tracked.

Senator von Imhof wondered what it meant to work closely with the CDQs. She asked whether the CDQs invested revenue into the seafood industry. Ms. Tonkovich explained that there was a CDQ on the board, and CDQs were often worked with in rural communities.

[9:35:54 AM](#)

Vice-Chair Bishop stressed the importance of Alaska Hire, even at 80 percent.

Co-Chair MacKinnon wondered when the ASMI board was scheduled to meet. Ms. Tonkovich replied that the next scheduled board meeting was May 8.

Co-Chair MacKinnon requested a response by February 18. Ms. Tonkovich queried the specific requested responses.

9:39:01 AM

Co-Chair MacKinnon requested a plan for Alaska Hire. She understood the additional costs.

Ms. Tonkovich agreed to follow up on the specifics. She stressed that ASMI had two-thirds of its marketing staff in Alaska.

Senator Dunleavy encouraged a discussion in the ASMI board related to changing some regulations.

9:46:39 AM

Co-Chair MacKinnon discussed the following day's agenda.

#

ADJOURNMENT

9:47:57 AM

The meeting was adjourned at 9:47 a.m.