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COMMITTEE REPORT

HOUSE

FURTHER: FINANCE

4/2/81

(11)

Date: 4/20/81

Mr. Speaker:

The Committee on RESOURCES has had HB 460

"An Act relating to the fisheries and salmon enhancement taxes; and providing for an effective date."

under consideration and (a majority of the committee) (the committee) reports it back with the following recommendations:

do pass do not pass

do pass with attached amendments(s)

replace with CS for _____ same title new title

and recommends DO PASS

AND attaches a "Letter of Intent" New Fiscal Note

reports it back without recommendation

referred to the _____ Committee

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS:

Tony Hudnig
Bob [unclear]
[unclear]
J Smith
[unclear]
Eric K. [unclear]
[unclear]
[unclear]

Tony Hudnig
CHAIRMAN

RESOLUTION

Relating to Hatchery Loan Limit

BE IT RESOLVED BY THE ALASKA FISHERIES COUNCIL, OFFICE OF THE GOVERNOR:

WHEREAS salmon provide the basis for one of Alaska's major renewable resource industries; and

WHEREAS public and private hatcheries are demonstrating a rapid yet reasoned growth producing 10,000 adult salmon in 1975 and 2.5 million adult salmon in 1980; and

WHEREAS in 1980 the Port San Juan Hatchery operated by the Prince William Sound Aquaculture Corporation demonstrated an increasing return to scale by conducting North America's largest salmon egg take at that corporation's lowest unit cost; and

WHEREAS inflation has increased the construction costs of major remote site hatcheries to \$8 - \$10 million; and

WHEREAS the Department of Commerce and Economic Development requires that each project be individually evaluated for its economic feasibility; and

WHEREAS salmon enhancement facility construction and operation loans to the various qualified regional aquaculture associations are secured by the Salmon Enhancement Tax and/or voluntary assessment as per AS 16.10.540;

BE IT RESOLVED that the goals of the salmon enhancement programs can be best accomplished by the availability of additional funding, loaned on the basis of individual merit, for construction and operation of salmon enhancement facilities.

FURTHER RESOLVED that the Alaska Fisheries Council strongly recommends to both the Governor and the Legislature that they pass and approve legislation removing the limit on the salmon enhancement facility construction and operation loans guaranteed by the salmon enhancement tax and/or voluntary assessment under AS 16.10.520;

COPIES of this resolution shall be sent to the Governor of the State of Alaska and all members of the Senate and House of Representatives of the Twelfth Alaska State Legislature.

Adopted by unanimous consent of the Alaska Fisheries Council on March 18, 1981.

3/27/81

RESOLUTION

Relating to Salmon Mark-tagging

BE IT RESOLVED BY THE ALASKA FISHERIES COUNCIL, OFFICE OF THE GOVERNOR:

WHEREAS the Alaska Fisheries Council has reviewed the status of Statewide planning for a comprehensive juvenile salmon mark-tagging program and companion mark-recovery effort on adult salmon; and

WHEREAS this program, directed by the Department of Fish and Game in conjunction with the private hatchery sector, is designed to build a comprehensive system for evaluating and managing both hatchery and wild stocks of salmon throughout the State; and

WHEREAS this cooperative effort involving all three fisheries divisions in the Department, interfaces with the coastwide salmon marking and mark-sampling programs in Pacific Northwest states, the Province of British Columbia in Canada, as well as the Pacific Fisheries Management Council, and North Pacific Management Council; and

WHEREAS the State of Alaska had made a major commitment to rehabilitate and rebuild depressed salmon runs through a significant hatchery development and enhancement program along with renewed aggressive management of wild stocks; and

WHEREAS it is imperative to have an effective evaluation system that provides detailed scientific knowledge of the migration patterns, timing of runs, areas of stock mixing and stock separation, harvest and interception rates of the stocks and runs of salmon concerned;

BE IT RESOLVED that this goal can be best accomplished by a coordinated mark-tagging and mark-recovery program that addresses the full scope of salmon fishery needs in the State including commercial, sport, and subsistence harvest allocations, seasons, and location of openings;

FURTHER RESOLVED that the Alaska Fisheries Council fully supports this coordinated mark-tagging and mark-recovery program and strongly recommends to both the Governor and the Legislature that they support and approve the special funding request by the Department of Fish and Game to implement this program;

COPIES of this resolution shall be sent to the Governor of the State of Alaska and all members of the Senate and House of Representatives of the Twelfth Alaska State Legislature.

Adopted by unanimous consent of the Alaska Fisheries Council on March 18, 1981.

3/27/81



STATE OF ALASKA
OFFICE OF THE GOVERNOR
ALASKA FISHERIES COUNCIL
MEMORANDUM

TO: The Honorable Terry Gardiner
Member, Alaska Fisheries Council

FROM: Curt Kerns, Chairman *K*
Alaska Fisheries Council

SUBJ: Activities of the Alaska Fisheries Council

DATE: March 31, 1981

AFC Mtg. 1980 Hatch. Stat. On March 18, 1981, a meeting of the Alaska Fisheries Council was held in order to discuss several topics of concern to the Alaska Salmon Resources Development Program. Reports were given on the dramatic increases in hatchery performance: 10,000 salmon were produced by hatcheries in 1975 and 2.5 million in 1980. In addition, this last season, over 300 million eggs were taken; an achievement that will insure the continued rapid but reasoned growth of hatchery production.

Enhancement Tax Vote The three regional associations affected by the adverse ruling on the mandatory assessment vote all reported that the vote on the salmon enhancement tax developed by the Speaker of the House and the Alaska Fisheries Council in 1980, was favorable. The election has been officially certified. No court challenges have surfaced to date although that possibility does exist.

Loan Limit The present limit on the amount regional associations may borrow, secured by either the enhancement tax or voluntary assessment, is insufficient in some instances to construct a facility that achieves all the economic efficiency possible. Remote site major facilities presently cost \$8 - \$10 million if a hydro-electric power plant is included. It was stressed that the Department of Commerce and Economic Development already requires that all projects are evaluated on their individual economic feasibility. It was resolved by a unanimous vote of the Council that the Governor of the State of Alaska and the Alaska State Legislature be advised that legislation removing the loan limit for salmon enhancement tax or assessment for secured loans be removed.

Coordinate Mark/tag Program Alaska currently has 2 federal, 22 state and 13 permitted private hatcheries, many of which are marking salmon in order to better assess common property fishery contribution and fish cultural techniques. In addition, the Commercial Fisheries Division of the Alaska Department of Fish and Game, has several programs to mark native runs and tag returning adults. Marking, tagging and the necessary recovery efforts are not providing all the information that could be garnered to management and hatchery biologists. A coordination of efforts would offer benefits to all concerned entities, especially the resource.

March 31, 1981

Resolution It was resolved by a unanimous vote of the Alaska Fisheries Council that the Governor of Alaska and the Alaska State Legislature be advised that legislation creating a coordinated mark/tag and recovery program be supported and passed.

Lake Fertilization The central discussion of the meeting continued around the lake fertilization programs of British Columbia and Alaska. Dr. John Stockner, the head of the Canadian project for the past four of its eleven years, reported on his program. While cautioning us that as we are dealing with the vagaries of nature and, consequently, may never know as much as we would like to, Dr. Stockner did express continued optimism. The objective of the Canadian program is to develop, within 5 years, a "handbook" on lake fertilization that can be used by the equivalent of our Area Management Biologists. The manual would enable the local fisheries managers to decide, and where warranted, order fertilization of sockeye producing lakes. The central program will then be dissolved. Dr. Jeff Koenings of the F.R.E.D. Division, A.D.F. & G. reported on the Alaska program. While only one lake has been fertilized as yet, several more will be treated in the near future.

It was concluded that lake fertilization, especially when used in conjunction with other methods such as fry stocking, barrier fall removal etc., etc., offers significant promise in some instances to restore Alaska's generally depressed (outside of Bristol Bay) sockeye fisheries.

A.C. Film Resolution Recently a film depicting Alaska's investment and progress in agriculture development was produced and shown. The widespread favorable response the film has generated has prompted the Alaska Fisheries Council to proceed on an analogous film on Alaska's Salmon Resource Development Program. It was moved by a unanimous vote that a Request for Proposal be drawn up and issued to produce a film depicting Alaska's need for investment in its salmon industry. Assistance from several Council members was volunteered and will be coordinated through the Special Projects Office, Office of the Governor. Costs for the production of the film are unknown, but it was felt that the Alaska Fisheries Council FY 80/81 budget would cover the majority of the expenses.

A.C. Workshop On March 19 and 20, 1981, a workshop on Salmon Ranching was conducted at the University of Alaska, Juneau. Over 30 persons, twice the expected number, attended the meetings which were sponsored by the Alaska Fisheries Council and the Alaska Sea Grant College Program. The objectives of the workshop were to bring PNP program members up to date in PNP program changes, hatchery loans, new fish disease regulations, broodstock maturation and remote site egg take successes of 1980, incubation and fry feeding techniques, estuarine monitoring, the proposed coordinated mark/tag and recovery program. A second objective was to acquaint PNP program members with each other as they had previously not gathered together. Two Juneau hatcheries were also toured.

Judging by the very favorable comments made, the high level of interaction that occurred and the absence of just two permit applicants, (all permit hatchery operators were present), the workshop met its objectives.

MEMORANDUM

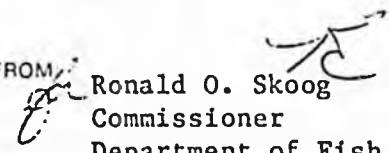
State of Alaska

TO: Ronald Lehr
 Director
 Budget & Management Division
 Office of the Governor

DATE: March 20, 1981

FILE NO:

TELEPHONE NO: 465-4160

FROM:  Ronald O. Skoog
 Commissioner
 Department of Fish and Game

SUBJECT: Budget Amendment

The Fisheries Rehabilitation, Enhancement and Development (FRED) Division requests an amendment to its FY 82 budget to include an additional \$1,208,800 for mark, tag, and recovery efforts Statewide. This hatchery evaluation effort will be a joint project of the three Fisheries Divisions and private nonprofit hatchery operators.

To put this request into perspective, a brief description of where we are now and where we are going follows:

Voters of Alaska have approved salmon enhancement bonds approximating 80 million dollars. FRED Division operates 17 hatcheries throughout the State and will operate three more before the end of FY 82. The total operational egg capacities for these 20 facilities will be 624.5 million. Additionally, the Legislature established the Private Nonprofit (PNP) Hatchery Program. Since the inception of the PNP Program, 12 PNP salmon hatchery permits have been issued. Permitted egg capacities of these is about 185 million eggs.

Enhancement programs are now demonstrating large scale salmon production resulting in millions of supplementally produced adult salmon. Supplemental returns now make up a significant portion of localized runs and will soon constitute a substantial part of the State's total salmon production.

<u>1980 Salmon</u> <u>Fry-Smolt Production</u>	<u>Releases</u>	<u>Returns (Prelim.)</u>
Southeastern - State	6,196,764	38,276
PNP	13,802,224	11,554
Southcentral - State	46,551,080	841,206
PNP	22,221,000	1,494,930
Total	88,771,068	2,385,966

Projected Adult Returns in 1981 -

Southeastern - State	76,700
Southcentral - State	620,600

Problem Statement

Rehabilitated salmon runs and new salmon runs produced by State and PNP facilities, while desirable, may present new problems that must be dealt with. These include commercial, sport, and subsistence harvest allocations, seasons, and location of openings. To perpetuate the strengths of the wild stocks and the effectiveness of the enhancement facilities, natural escapements and hatchery brood stocks must be maintained. We can only guarantee the most effective overall salmon fisheries program by gaining a more intimate knowledge of the stocks and runs involved. This can best be accomplished by a coordinated mark recovery program.

Problem Solution

Through a cooperative effort of the three Fisheries Divisions and the PNP groups, we have prepared a Statewide proposal that will allow the evaluation of each facility's adult salmon production, in addition to providing information concerning stock migration, timing, separation, and harvest rates. Fishery professionals and members of the PNP groups all agree that to do anything less would cause chaos in future program management. In addition, detailed marking provides knowledge regarding methods on improving production.

In order to obtain this information in 1982, 1,482,000 (PNP & State) fish in Southeast and 2,841,000 fish in Southcentral regions of the State must be marked. Numbers of fish that must be marked will increase as each facility reaches full design capacity.

Commercial, sport, and subsistence fisheries and the hatcheries' rack returns must be sampled to provide the data necessary to most efficiently manage the fisheries and the hatcheries and still protect wild stocks and ensure hatchery brood stock requirements. To be most useful to in-season management of fisheries and hatcheries, mark recovery and sampling information must be made available to managers in a timely manner.

In 1980, 19% of the coho catch and 33% of the chinook catch in the Southeast Troll Fisheries were sampled for coded wire tags (CWT). 6,441 heads were processed, and 5,275 CWT's were recovered. Of these tags, 29% were from Alaskan projects. As the number of marked releases increases, the number of fish actually sampled will increase, as will the number of tags that will be recovered and processed. In 1982, it is expected that in this same troll fishery, 2,704 tags will be recovered just from FRED Division's releases. In 1986, this number will be 5,804. These numbers reflect only projections for the Southeast troll sampling program. Seine and gillnet sampling effort throughout the State, as well as troll sampling programs in other areas of the State, will also be expanding rapidly. Considering the large number of facilities and stocks that must be monitored, a highly coordinated effort through a tightly structured team is necessary. The Department, in cooperation with the PNP sector, is determined to ensure that this effort is successful.

The Tag Recovery Lab will be located in Juneau in Regional office space. The lab will contain a large freezer for storing fish heads shipped from all over Southeast. The Lab will also house coded wire tag detectors, dissecting microscopes, and a micro computer. A Fishery Biologist III will serve as project leader and be responsible for the coordination of mark/recovery information. Technicians will actually remove tags from fish heads and read data. Included in the staff will be a Systems Analyst to design a system to efficiently store, edit, integrate, and retrieve the diverse mark, recovery, and sampling data for various analytical, management, and reporting purposes. This information will be used by all three Fisheries Divisions. An inter-Divisional team in Southeast Alaska is drafting a comprehensive proposal to establish the functional organization to ensure that a coordinated comprehensive mark/recovery program is instituted. The schematics of this proposed organization is outlined in Table 5 and Figures 1 and 2.

The following tables summarize budget information and marking locations and numbers. Recovery budget estimates are based on sampling 30% of the fishery.

Enclosures

cc: Janet Green

Table 1

MARK, TAG, AND RECOVERY
FY 82 BUDGET REQUEST

FY 82 BUDGET CONTAINED IN GOVERNOR'S REQUEST

Recovery

FRED	85.8
Comm. Fish	261.1
Sport Fish	250.0

Tagging

FRED (129.3 FRED; 84.9 PNP)	214.2
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Equipment (CWT Taggers)

FRED	285.0
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TOTAL PRESENT FY 82 REQUEST \$1,096.1

ADDITIONAL FY 82 BUDGET REQUEST - FRED DIVISION

For Budget Amendment

Southeast Recovery Lab	309.5
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Marking (FRED)	310.9
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Equipment (Price increase since initial request)	35.0
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Recovery

FRED	361.4
PNP	192.0

TOTAL ADDITIONAL REQUEST \$1,208.8

TOTAL BUDGET \$2,304.9

Table 2. Mark and recovery budget for FY 82 SE Alaska hatchery and fisheries evaluation.

	<u>100</u>	<u>200</u>	<u>300</u>	<u>400</u>	<u>500</u>	<u>Total</u>
FRED Marking	55.6	3.4	0.5	15.1		74.6
PNP Marking	31.9	5.0	2.6	11.8		51.3
CWT Machines (8)					160.0	160.0
Recovery						
FRED	68.1	4.1	5.5	2.7	7.1	87.5
CF	233.1	5.0	15.0	3.0	5.0	261.1
SF	57.9	2.9	839.7	.5	3.8	74.0
					Subtotal	708.5

Table 3. Mark and recovery budget for FY 82 SC Alaska hatchery and fisheries evaluation.

FRED Marking	252.1	21.6	31.0	50.4	10.5	365.6
PNP Marking	24.5	2.0	.0	7.1	.0	33.6
CWT Machines (8)					160.0	160.0
Recovery						
FRED	250.0	10.3	30.3	62.9	6.2	359.7
SF	146.7	2.2	9.5	15.1	2.5	176.0
PNP	40.0	4.0	-0-	8.0	140.0	192.0
					Subtotal	1,286.9

Table 4. Recovery Lab In Southeast

Lab	206.7	10.0	23.5	4.0	65.3	309.5
					Total	2,304.9
					*Already Requested	1,096.1
					TOTAL ADDITIONAL REQUEST	1,208.8

* Governor's Budget - FRED 585.0
 CF 261.1
 SF 250.0

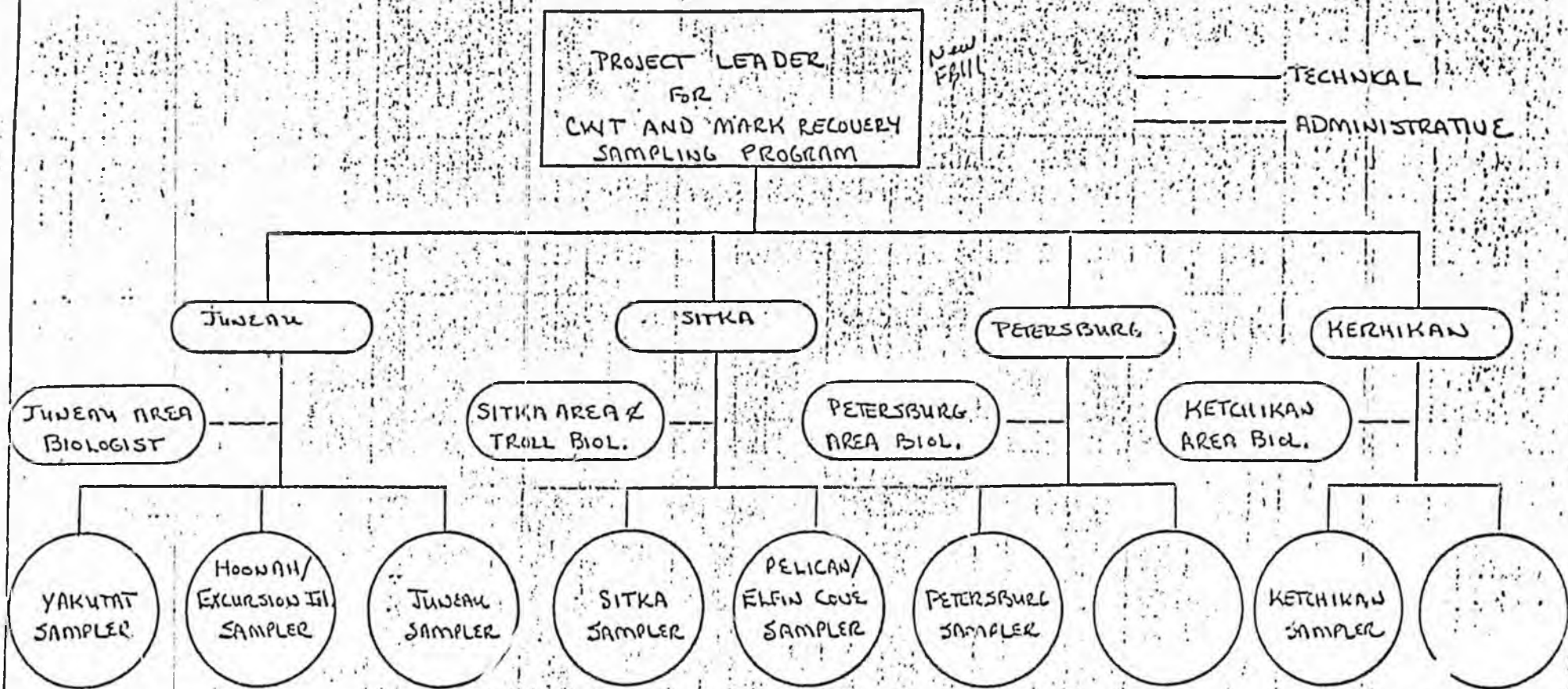
Table 5

Recovery Lab

Personal Services		206.7
FB III - Lab Director/Coordinator--Existing FRED budget		
FB III - CF Project Leader--Existing CF Budget		
FB I - Quality control		33.3
FT III - May to Dec (8 months)		18.7
FT III - Jun to Nov (6 months)		14.0
2 FT II's - Jun to Nov (12 months)		25.1
EDP Programmer IV		43.3
Data Entry Clerk III		26.1
Systems Analyst II		46.2
TRAVEL		10.0
CONTRACTUAL		23.5
Rent	11.9	
Computer	3.6	
Telephones	3.0	
Remodeling	3.5	
Misc.	1.5	
COMMODITIES		4.0
Remodeling	1.5	
Supplies	2.5	
EQUIPMENT		65.3
Freezer	30.0	
4 CWT detectors	28.0	
5 CWT holding jigs	.5	
2 calculators	.5	
5 dissecting microscopes	3.5	
Large magnet	.3	
Furniture	2.5	
	TOTAL	309.5

FIGURE 1

ORGANIZATIONAL SCHEMATIC FOR SOUTHEAST ALASKA COMMERCIAL HARVEST CODED WIRE TAG AND MARK RECOVERY SAMPLING PROGRAM



FISHERIES SAMPLED

SOLE	X	X	X	X	X	X	X
CHINOOK		X	X	X	X	X	X
COAST SALMON	X	X	X			X	X

NOTE: THE ABOVE SAMPLERS WILL BE USED ON A TIME AVAILABLE BASIS FOR OTHER COMMERCIAL HARVEST SAMPLING DUTIES.

FIGURE 2 - FUNCTIONAL ORGANIZATION OF ADFG SOUTHEAST ALASKA REGION FISHERIES MARK/RECOVERY PROGRAM (ADF96-3/81)

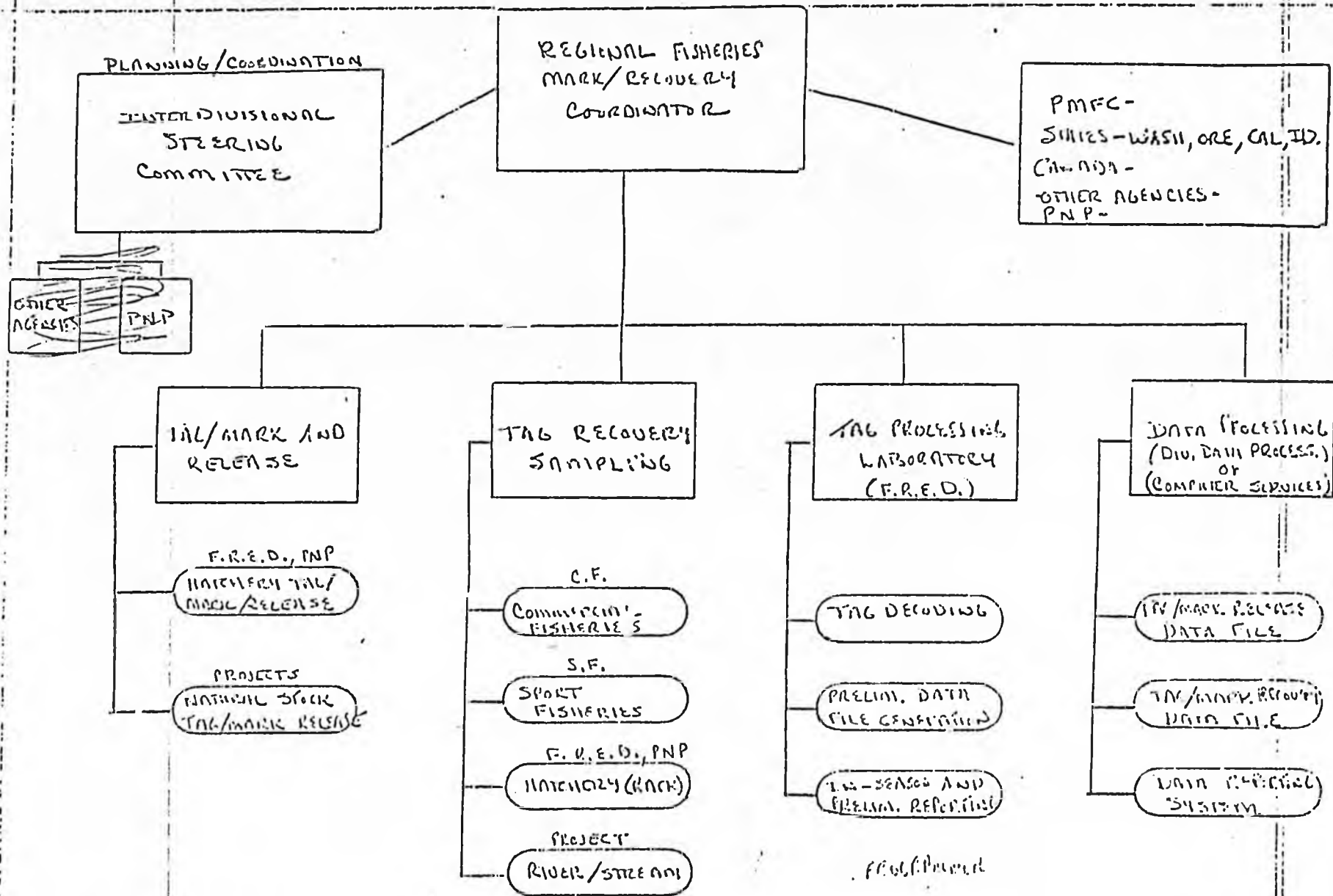


Table 6

Proposed Marking Plan and Budget Summary for FY 82

(\$ in thousands)

<u>Facility/Species</u>	<u>100</u>	<u>200</u>	<u>300</u>	<u>400</u>	<u>Total</u>
Beaver Falls					
100,000 chum	9.2		0.5	1.0	10.7
Crystal Lake					
100,000 king	7.4			1.2	8.6
25,000 coho	1.6			0.3	1.9
47,000 chum	4.4			0.7	5.1
	13.4			2.2	15.6
Deer Mountain					
100,000 king	7.4			1.1	8.5
25,000 coho	1.6			0.3	1.9
	9.0			1.4	10.4
Hidden Falls					
No king					
100,000 chum	8.6	2.8		4.8	16.2
Klawock					
25,000 coho	1.6			0.3	1.9
50,000 chum	4.8			1.7	6.5
	6.4			2.0	8.4
Snettisham					
50,000 chum	4.6	0.6		2.4	7.6
12,000 coho	0.8			0.2	1.0
50,000 king	3.6			1.1	4.7
	9.0	0.6		3.7	13.3
GRAND TOTAL	55.5	3.4	0.5	15.1	74.6
684,000 CWT's					
				+ 5 EA. CWT machines @ 20,000 ea.	100.0
				TOTAL	\$174.6

Table 7

PROPOSED MARKING PLAN AND BUDGET SUMMARY FOR FY 82 PRIVATE NONPROFIT

Facilities in Southeast Alaska

Facility	\$ in 1,000's				Total
	N/P 100	200	300	400	
<u>SSRAA</u>					
Chum-Diss. Cr. CWT 59,000	5.4	0.6	0.3	1.5	7.8
Carroll R. CWT 59,000	5.4	0.6	0.3	1.5	7.8
King-Unuk CWT 80,000	6.7	0.6	0.2	0.9	8.4
Coho-Indian R. CWT 25,000	(costs included w/kings)				
<u>NSRAA</u>					
Chum-mixed Single clip 50,000	1.1		0.2	0.7	2.0
Pink-mixed Single clip 50,000	1.1		0.2	0.7	2.0
<u>DIPAC</u>					
Chum-mixed Single clip 50,000	1.1		0.2	0.7	2.0
Pink-mixed Single clip 50,000	1.1		0.2	0.7	2.0
<u>Sheldon Jackson</u>					
Pink-Indian R. Double clip 50,000	1.4			0.3	1.7
Chum-mixed Double clip 50,000	1.4	0.3		0.5	2.2
Coho-mixed CWI 25,000 smolt	1.6	0.3		0.1	2.0
<u>Burro Creek</u>					
Chum-Single clip 50,000	1.1	0.5	0.2	0.8	2.6
Pink-Single clip 50,000	1.1	0.5	0.2	0.8	2.6
<u>AK Aquaculture</u>					
Pink-Single clip 50,000	1.1	0.5	0.2	0.8	2.6
Chum-Single clip 50,000	1.1	0.5	0.2	0.8	2.6
<u>Meyers Chuck</u>					
Pink-Single clip 50,000	1.2	0.6	0.2	1.0	3.0
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Subtotal: Marking Activities	31.9	5.0	2.6	11.8	51.3
Equipment Purchases to Accomplish Above:					
3 ea. CWT machines (complete) @ \$20.00 each					60.0
<hr/>					
TOTAL:					111.3

Table 10

SOUTHEAST RECOVERY

	<u>100</u>	<u>200</u>	<u>300</u>	<u>400</u>	<u>500</u>	<u>Total</u>
<u>FRED RECOVERY</u>						
Coastwide	68.1	4.1	5.5	2.7	7.1	87.5
<u>SPORT FISH RECOVERY</u>						
Ketchikan	9.5	2.3	2.5	.5	.2	15.0
Juneau/Yakutat	14.2	-0-	-0-	-0-	1.8	16.0
SE King	34.2	.6	6.4	-0-	1.8	43.0
	<u>57.9</u>	<u>2.9</u>	<u>8.9</u>	<u>.5</u>	<u>3.8</u>	<u>74.0</u>
<u>COMM FISH RECOVERY</u>						
Troll Fishery	233.1	5.0	15.0	3.0	5.0	261.1
					TOTAL.	422.6

Table 9

SOUTHCENTRAL RECOVERY

	<u>100</u>	<u>200</u>	<u>300</u>	<u>400</u>	<u>500</u>	<u>Total</u>
<u>FRED Recovery</u>						
Big Lake	60.2	4.4	2.8	27.4	-0-	94.8
Halibut Cove -						
Sport Fish	22.7	0.5	3.3	5.7	1.9	34.1
Comm. Fish	22.7	0.5	3.3	5.7	1.9	34.1
Beluga -						
Fritz Creek	16.0	-0-	1.0	4.6	1.4	23.0
Leisure	13.0	-0-	1.5	1.5	1.0	17.0
Cannery	6.7	0.6	5.0	1.2	-0-	13.5
Sikusuilag - 0						
Kitoi	21.2	2.2	1.7	3.0	-0-	28.1
Tutka	35.7	0.9	2.9	5.4	-0-	44.9
Kasilof -						
Smolts	30.5	0.2	2.9	3.9	-0-	37.5
Big Lake and						
Crooked Creek	8.4	0.0	0.9	1.0	-0-	10.3
Karluk	12.9	1.0	5.0	3.5	-0-	22.4
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Subtotals	250.0	10.3	30.3	62.9	6.2	359.7
PWSAC						
Equipment -						
Traps, Sonar						
PNP Recovery	40.0	4.0	-0-	8.0	140.0	192.0
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<u>Sport Fish Recovery</u>						
Deshka	74.4	2.2	5.5	6.9	-0-	89.0
Kenai	72.3	-0-	4.0	8.2	2.5	87.0
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	146.7	2.2	9.5	15.1	2.5	176.0

Table 8

Proposed Marking Plan and budget Summary for FY 82

	SOUTHCENTRAL					Total
	100	200	300	400	500	
(\$ in thousands)						
<u>FRED Marking</u>						
Big Lake CWT & Clips 260,000	11.0	-0-	1.0	3.0	-0-	15.0
Jewel Lake) Quartz Lake)> CWT & Clips 150,000	5.4	-0-	0.2	1.9	-0-	7.5
Halibut Cove CWT & Clips 50,000	4.0	-0-	0.0	1.4	0.1	5.5
Beluga Lake) Fritz Creek)> CWT & Clips 25,000	2.0	-0-	-0-	0.7	0.1	2.8
Whittier CWT & Clips 90,000	2.4	-0-	-0-	0.8	0.1	3.3
Seward CWT & Clips 25,000	7.8	-0-	0.9	1.8	0.2	10.7
Cannery Creek CWT & Clips 224,000	14.9	1.6	2.5	3.0	0.5	22.5
Main Bay CWT & Clips 126,000	23.8	1.4	2.0	4.0	0.5	31.7
Sikusuilag CWT & Clips 160,000	14.6	0.8	-0-	1.2	-0-	16.6
Russell Creek CWT & Clips 136,000	19.5	14.4	-0-	0.2	-0-	34.1
Kitof CWT & Clips 240,000	23.1	1.0	1.2	5.9	-0-	31.2
Tutka CWT & Clips 105,000	32.8	0.3	2.7	5.1	-0-	40.9
Kasilof CWT & Clips 480,000	35.0	0.5	4.0	3.2	-0-	42.7
Fast Creek CWT & Clips 280,000	23.0	0.6	4.9	8.2	8.0	44.7

Table 8 Continued.

Karluk (fry mark & recovery) CWT & Clips 140,000	23.0	0.5	5.1	5.5	1.0	35.1
Karluk (smolt tag & recovery) CWT & Clips 50,000	9.8	0.5	6.5	4.5	-0-	21.3
Equipment (CWT)					160.0	160.0
Subtotal	252.1	21.6	31.0	50.4	170.5	525.6
PNP Marking CWT & Clips 300,000	24.5	2.0	-0-	7.1	-0-	33.6
						559.2

Table 11

New Permanent Full Time Positions Requested
for Mark, Tag, and Recovery

FRED

Fish Biologist I - Lab
EDP Programmer IV - Lab
Data Entry Clerk III - Lab
Systems Analyst II - Lab

COMM FISH

*Fish Biologist II - Troll Recovery
*Fish Biologist I - Troll Recovery

New Seasonal or Non Permanent Positions Requested
for Mark, Tag, and Recovery

*Cc . Fish - 22 seasonal or non perm positions for 62 months
*Sport Fish - 25 seasonal or non perm positions for 89 months
**FRED - 125 seasonal or non perm positions for 370 months

* Included in Governor's FY 82 Budget Request

** 47 seasonal and non perm positions included in Governor's FY 82 Budget
Request

HALIBUT PRODUCERS COOPERATIVE

TELEPHONE 733-0120

(AREA CODE 206)

P.O. BOX 1235
BELLINGHAM, WASHINGTON 98225

March 25, 1981

The Honorable Jim Duncan
Speaker of the House
Pouch V
Juneau, AK 99811

Dear Sir:

Regarding a requested amendment in S.B. 200 to include sablefish.

We have been asked the Question: Why do we wish sablefish included in S.B. 200, which initially specified salmon?

The answer is complex, but not insoluble. It is our contention that fishing vessels should be allowed to freeze, instead of ice, their catch, providing they deliver the partially processed fish to a licenced seafood processor. We do not include fishing vessels who intend to freeze, package, fillet or process with the ultimate goal of selling their fish to a non-licenced processor.

Freezing on board fishing vessels, instead of icing, is not exactly new. The foreigners have been doing it for 2 decades. American vessels have frozen, instead of iced, albacore, salmon, halibut and lately sablefish for about 15 years. The Department of Revenue, who seems to be the prime mover of recent decisions to outlaw this practice, had formerly acknowledged, through Audit Division Office Supervisor Richard Kirkland, that "vessels, "freezing instead of icing does not bring a fishing vessel under the application of the law related to 'Freezer Ships and Other Floating Cold Storages'". [see enclosed correspondence]

Recent decisions within the Department of Revenue [see Patty La Pierre letter] changed all that...thus the reason for S.B. 200.

Freezing the catch on U.S. fishing vessels, instead of icing, is desirable and attractive for several reasons. 1) improvement of seafood quality. 2) More fishing time on the grounds. 3) The ability to rove farther from processing plants, into fishing grounds formerly exploited only by foreigners, who have freezerboats as a matter of necessity because of the distance from market.

Since few reasons exist why the above objectives are not desirable and compatible with the state of Alaska's goals to both increase production and improve quality on certain underdeveloped bottom species, we suggest that this legislature closely examine present trends at Department of Revenue, and those trends effects upon an

emerging, but struggling, bottomfish industry.

We suggest that a distinction be made between freezer [fishing] boats who intend to freeze their catch instead of icing, and then delivering the semi-processed fish to a licenced processor, who then completes the processing and pays the severance tax; and the fishing vessels who freeze their catch for the purpose of selling it to other than a licenced, tax paying processor, or vessels who actually do more than heading and gutting, who actually fillet, package, or steak on board. We suggest the first be called freezer boats, and the second fall under the heading already used by the Department of Revenue, Freezerships or Floating Cold Storages.

The freezerboat would not be allowed to purchase fish from others and there would be no avoidance of the raw fish tax, where applicable, since his catch would be taxed at the point of delivery. Nor would the freezerboat be liable to the Department of Labor for bonds, ect., because his crew are actually contractors, working on a boat share basis. In our opinion, creation of such a category within the Alaska Statutes would be a vital house cleaning measure and lay the way to development of a small fleet of vessels capable of producing a high quality product capable of meeting the challenge of foreign competition. Regardless of the stance taken by the Department of Revenue and the Legislature, freezing on board fishing vessels is here to stay, and we can expect this problem of forcing fishing vessels to become "floating cold storages", which in no way do they wish to do, to become an ongoing situation as the fleet modernizes and attempts to exploit bottomfish which do not lend themselves to rough and prolonged handling.

It is out contention, then, that freezerboats should not fall under the application of Chapter 75, Section 43 of the statutes.

Regarding the sablefish, specifically, and why S.B. 200 should include this species in addition to salmon, we offer the following:

At the present time no substantial domestic market exists for many species of American-caught bottomfish. Reasons for this vary. One, which is being widely published in today's trade publications, is the quality of American products cannot compete with those of both Canada and foreign production. Sablefish, unfortunately, falls into this category. As an example, we offer the following scenario.

One of the major consumers of sablefish is Japan. The Japanese have long fished sablefish in the Gulf of Alaska, froze the fish on board, and pioneered a reputable market for the fish in Tokyo. During the infamous sablefish bust of 1980, some of our more progressive members discovered that, although U.S. cold storages were bulging with unsold sablefish, the Japanese were frantically searching for American sablefish which would meet their quality standards. Naturally, such a paradoxical situation required intensive investigation. The simple explanation was, that U.S. fishing vessels and processing standards did not "measure up" to Japanese market requirements.

The outcome of this situation was a quiet experiment. About 100 metric tons of sablefish would be caught by Alaska Longline Fisherman's Association (ALFA) members and the fish would be processed in the new Halibut Producers Cooperative (HPC) Sitka Plant, all under the technical supervision of a representative of the North Pacific Longline-Gillnet Association of Tokyo. Not one single Alaskan state petrodollar was involved in the test fishery, or the test marketing that followed in Japan.

One of the provisions of this test was that the fish be iced no longer than 5 days, half the time an ice boat had previously held its catch before delivering.

The experiment, as far as consumer acceptance in Japan was concerned, was a success. The NFLGA would like very much to obtain more of this product in 1981, since their own vessels can no longer supply the demand since being eliminated from Area 2 in southeastern two years ago by the NPMFC.

So, what's the problem? Why don't our boats simply continue to fish 5-day trips, deliver to the Sitka plant, and everyone is happy. Economics! Sablefish is a low-priced product, and in competition, by the way, with Canadian sablefish and the Japanese freezerboats production. In short, the price on the consumer level in Japan is fixed.

Reducing a fishing trip by 50% timewise creates additional costs. Twice as much running time and expensive fuel is required. The vessel must be unloaded, washed down and reoutfitted twice as often. Normally, several days are required when first out on a fishing trip to locate the fish. This alone can wreck a 5-day trip, as opposed to a 10-trip. Yet, sablefish does not allow itself to be held in ice for longer than 5 days and still meet the high quality standards necessary to tap this important market, which could possibly absorb up to 3 million pounds per year.

What are the answers? We wish we knew. One alternative, of course, is to head, gut and freeze the sablefish on the fishing vessel at sea. Several of our members are so equipped, and more are interested in installing refrigeration.

Sea frozen sablefish is what the Japanese wish they could buy from the U.S. The Japanese marketplace has already become accustomed to such a high quality product.

So, why don't U.S. vessels simply install freezers and become licenced fisheries businesses? Oh, were it only that simple. A deluge of red, blue and violet tape is necessary for a small fishing vessel to meet the requirements of the 4 different agencies in Alaska to become legal seafood processors under Chapter 75, Section 43. The Department of Revenue, Labor, Natural Resources and Fish and Game are all poised waiting with wheel barrow loads of forms and bonds. Fishing vessel operators do not wish, nor have time to comply with such requirements, and should not rightly have to do so. This is in the realm of the Processor, with his staff of secretaries and ect. It is possible, but not practical, for small boats to become

Licensed Fisheries Businesses.

This is an unfortunate situation. Rather than run the gauntlet and expense of becoming a seafood processor, most fishing vessels will decide it is both simpler and probably more profitable, to keep their vessels tied to the dock, the status quo for most of the Alaskan fleet throughout most of the year during these hectic times.

Meanwhile, the Japanese, and Canadians may well be left alone out there to continue harvesting Pacific northwest stocks of sablefish, cod, rockfish, and other species whose delicate flesh simply cannot stand the long haul involved to market, and still meet modern quality standards.

We suspect there are a lot of American consumers who might also be willing to purchase high quality bottomfish also, if only they had an opportunity to learn the difference?

We sincerely hope this information provides you with the necessary knowledge and background to accomplish this formidable, but necessary task, of eliminating state roadblocks to becoming competitive. The question of avoiding the raw fish tax is beside the point. The tax should be paid at the point of delivery, not forced upon fishermen who only wish to upgrade their products so they can continue to operate.

If you have additional questions, we would be glad to supply them if possible.

Sincerely,

F.E. Caldwell

F.E. Caldwell, Director

cc: HPC office

Enclosures: 3

HALIBUT PRODUCERS COOPERATIVE

TELEPHONE 733-0120

(AREA CODE 206)

P.O. BOX 1235
BELLINGHAM, WASHINGTON 98225

3/13/81

Representative Terry Gardner
Room 118
Pouch V
State Capitol
Juneau, AA 99811

Dear Mr. Gardner:

Thanking you for your attention regarding my efforts to change the status of freezer boats with the Department of Revenue. I hope the paper regarding the same explained what I am attempting to do was useful.

Enclosed is a copy of a letter to Mr. Jenkins which is self explanatory. If an answer is forthcoming, this will certainly help for fishing offshore waters, but will be of no use for fishing and freezing in Chatham Straits during the sablefish fishery there in the summer and fall.

Also enclosed are copies of letters from R. Kirkland which I assumed were the policy of the Department at that time. What do you suppose caused them to change? Pressure by the processors such as Cliff Phillip, I would venture to guess.

If I can be of any more assistance to you on this issue I can be reached at 206-457-3009, or 1335 W. 11th. St., Port Angeles, WA 98362.

Since we supported the UFA resolution to lower the raw fish tax 1%, instead of supporting repeal, I would appreciate any future information on the status of that bill.

Warmest regards,

Francis E. Caldwell
HPC Director

March 13, 1981
P.O. Box 406
Sitka, AA 99835

Audit Division
Department of Revenue
Pouch SA
State Office Bldg.
Juneau, Alaska 99811

Gary Jenkins, Office Operations Supervisor

Dear Gary:

Regarding our discussion in your office at 8 o'clock, March 11 regarding freezerboats operating outside state waters, then delivering a partially processed frozen product to a processor plant within the state.

You promised to supply me with a letter which would, in effect, state that any fishing vessel which possessed the proper licences and permits to fish, could do so, freeze the catch on board, then enter Alaska state waters and deliver the partially processed fish to a licenced Alaskan shore-based processor, who would subsequently be subject to paying the raw fish tax instead of the fishing vessel.

Such a fishing vessel would, then, be exempt from paying the tax and the provisions of becoming a licenced Alaska Seaf Processor.

Regarding your concern about collecting raw fish taxes in the event such a vessel delivered sea-frozen fish to an unlicenced buyer on shore who attempted to avoid the raw fish tax by not being a licenced Alaska Fisheries Business, I think this is a rather remote possibility, at least in southeast Alaska. You must consider that should this situation occur, it would not be unique to freezer boats, i.e., [fishing vessels who freeze, instead of ice their catch].

The identical situation could occur in regards to iced fish or live clams, ect., which could be boxed up and shipped, I suppose, out of the state illegally on an airplane. Since dock facilities where such a product could be unloaded with conventional hoist equipment is virtually nonexistent in southeast Alaska, I doubt if anyone would be willing to pack enough product by hand up the dock to allow this to ever become a serious loss of revenue to the state. Besides, this is an enforcement problem, not one which should affect fishermen who are honestly attempting to upgrade their catch by freezing the simi processed product at sea.

Yours truly,

Francis Caldwell
Francis E. Caldwell

c.c: Senator Richard Eliason and Representatives Terry Gardner and Fred Zharoff.

HALIBUT PRODUCERS COOPERATIVE

TELEPHONE 733-0120

P.O. BOX 1235
BELLINGHAM, WASHINGTON 98225

AREA CODE 2061

March 12 1981

My name is Francis E. Caldwell. I represent the Halibut Producers Cooperative, which consists of 450 producing fishermen. In 1980, the Co-op invested \$4.5 million in a new plant at Sitka, which would indicate that our members had considerable faith in both the State of Alaska and its seafood industry's future. It is of interest to note that this investment was made during a time when the Alaska seafood processing industry was disintegrating.

I wish to address here the raw fish tax levied upon every pound of fish landed, or exported in the round from the state. According to our records, the Co-op paid the following tax in 1979, the last year for which records are available:

<u>Species</u>	<u>% Rate</u>	<u>\$ Amount</u>
Gillnet salmon	5	9,514.00
Troll "	3	189,978.00
Halibut	3	15,526.00
Sable	1	<u>175,00</u>
	Total	215,193.00
Projected for 1980.....		200,000.00 - 300,000.00

While first to concede that taxes are a necessary function in responsible state and government operation, the fact remains that there are good and bad, as well as fair and unfair taxes. We believe this tax to be bad, unfair, repressive and regressive. It is our suggestion that it either be eliminated altogether or drastically reduced to no more than \$.01 per pound.

The idea of taxing based upon the gross instead of net profit we believe an unsound business principle. In many ways the raw fish tax reminds us of toilet tissue. Certainly you will agree that both are sometimes applied to a rather sensitive area, one to the anatomy; the other to the economy. Tissue, however, is applied correctly, after the fact; while the raw fish tax is

wrongly applied before the fact, the fact of showing any profit whatsoever. In today's somewhat shaky economic climate, or at any other time, it seems somewhat repressive to require a large percentage of tax from a company or corporation which may be a supporter of a community, yet show a net loss. I'm sure, for example ~~Brown~~^{Kodak} Corporation, if taxed on their gross instead of their net profit, would show somewhat of a different stock dividend.

Several Alaska seafood corporations have recently experienced serious financial troubles during the same time the state has instituted the ARRC and pumped state funds back into bloodless veins. Has anyone investigated the effects the raw fish tax had on the demise of these companies?

Washington state recently increased their raw fish tax to 5% on salmon and 3% on bottomfish, and both industries are at an all time low, with many bottomfish operations closed because they are unable to compete with Canadian fishery products. If Alaska either repealed or lowered their tax, would this not be an incentive for additional deliveries of fish into the state?

According to President Reagan's economic advisers, reducing taxes stimulates the economy, creating additional national gross production. The results are supposed to be an upturn in the economy, employment and products available for export.

With state coffers bulging with revenue, it seems like an unnecessary burden to place upon an industry which the state professes seeing stabilized.

It seems apparent to this Co-operative that the economics of operating a plant in Alaska need every consideration possible by responsible legislators, or the list of casualties may grow, and you can bet your last underground petrodollar on that!

Francis E. Caldwell
Director, HPC
1335 W. 11th. St.
Port Angeles, WA. 98362

Francis E. Caldwell
1355 W. 11th St.
Port Angeles, WA 98362

DEFINATION OF A FREEZER BOAT

Something isn't right in the Alaska Fisheries Business Statutes, and that bothers me as a freezer boat owner and fisherman. The problem has plagued me for several years, but recent decisions by the Alaska Department of Revenue have brought out my indignant blood. The intent of the statutes is having a detrimental effect upon development of a struggling, fledgling white fish industry, and may actually prevent a top quality product from being harvested in the isolated areas in the Gulf of Alaska and the Bering Sea.

One arm of the state is apparently mothering this struggling and undeveloped fishery, while another is attempting to strangle a portion of it, in a kill and cure scenario which should never have happened.

If there is a villain in this plot, the blame must lie with Alaska's lawmakers who have such a jumble of statutes on the books regarding freezer ships and floating cold storages many of the lawmakers themselves become hopelessly frustrated when attempting to answer specific questions about the same. But the agency wielding the club is the legislature's right arm, the Department of Revenue, in this case Office Operations Supervisor, Audit Divison Gary Jenkins, a man so knowledgeable in fisheries matters that he admitted at a Seattle hearing a few months ago on the raw fish tax that he didn't realize that some salmon trollers in Alaska were freezing instead of icing their catch on board--a practice now old enough to have grown moss.

About 1964, Canadian trollers fishing in the Gulf of Alaska found the long run to market in Prince Rupert prohibitive, and some of them installed air blast refrigeration so they could stay on the fishing grounds until they were either full or sick of it. Through a trial and error method, these pioneers soon arrived at a good way to handle frozen salmon on board. If the refrigeration system was adequate, and the operator conscientious about quality, the results were spectacular. Buyers liked the fish and paid a premium price. American fishermen began to do likewise. A few also froze halibut and sablefish, but the main product sea frozen was troll salmon.

No one ever questioned the legality of this practice. After all, the vessel was licenced and had a permit, and was only freezing instead of icing his catch. Then suddenly, and I have no idea why, the poverty stricken state of Alaska decided to collect the "severence tax" on these vessels. This first came to the attention of Richard Kirkland at Audit about 1976. Kirkland looked at the facts and wisely decided that small fishing vessels freezing their catch instead of icing it, and then delivering to a shoreside processor, were not the same as a freezer ship, which was a vessel buying fish from other boats. In a letter to John Valentine, Department of Fish and Game, dated January 26, 1976, Kirkland said, in part, "Therefore, in my opinion, the fact that a fishing vessel preserves quality by freezing does not constitute freezership or floating cold storage operation, and the vessels described in the fact summary above would not be subject to the tax levied on freezerships."

With this professional opinion, everyone went back to breathing again, and freezing their catch. Another rumble about 1977 caused me to write Kirkland again, asking if freezing dressed salmon on board, instead of icing, was legal. In a letter dated March 11, 1977, Kirkland confirmed his former opinion: "...the simple act of freezing rather than icing does not bring a fishing vessel under the application of the law relating to "Freezer Ships and Other Floating Cold Storage operations."

Good man Kirkland. He understood the situation. But, like other
^ good men, he disappeared from the Audit Division, probably and hopefully to a better position. We wish him luck.

Meanwhile, the state's supply of petrodollars dropped below a trillion. Someone got excited and ordered a change of policy in Revenue. As of June, 1979, any vessel which freezes any fish on board, whether its a single herring for bait or 20 ton of eels, is a dad blame^d
^ freezer ship and liable for taxes, bonds, and all of the other paperwork, enough to fill a sea chest.

Let me set something straight. I am not advocating that a freezer ship should avoid taxes. I am not advocating that a freezer boat should avoid paying his share of the taxes. I understand about 10% of those taxes go to the cities in what ever area they were collected. I do think the present raw fish tax is exorbant at 3%, and I do think placing a tax on the front end of an operation is regressive, because whether or not that business is showing a profit or not, it still has to cough up pennies for the poor state of Alaska, which is^{not}
^ as it should be. We all know how hard the state of Alaska has worked and all the

money they have poured into species such as sablefish, Pacific cod and other underutilized species, sic!

What I am advocating, is that the intent of the vessel operator has never been addressed by the state. If a vessel freezes its catch, instead of icing it, this is only partial processing, and if the vessel delivers to a shoreside processor in Alaska, where his fish will be unloaded, graded, reglazed, boxed, ect., and the shoreside processor pays the fish tax, the vessel should not be subject to being licenced as an Alaska Fisheries Business, with all of the affidavits, bonds, intent to operate forms, more bonds, tax surities, more bonds, ect. This sort of operation should be called a freezer boat, not a freezer ship. No one calls a fish boat a fish ship!

Now, if this same freezer boat decided that he can circumnavigate the Alaska seafood processors, sell his frozen catch outright to Joe Blow or some grocery store, or if he thinks he could make a better deal by hauling his fish out of the state and selling them elsewhere, I agree, he should be subject to the Alaska Fisheries Business Tax, and his operation should be called a "Freezer ship".

The size of the vessel is immaterial. A 140-foot longliner freezer ship that blasts his fish and protects them with glaze until they are landed at an Alaskan processor, who then assumes the tax, should not be subject to having to obtain an Alaska Fisheries Business Licence. If that same vessel freezes and delivers outside the state, or delivers to other than a processor, he then, of course should pay the tax.

This isn't to say that any vessel which does any more than

partial processing, gutting, heading and glazing, shouldn't be subject to the tax. Any filleting or packaging should be classed as processing.

The way it is now, a freezer boat which delivers its catch to a shoreside processor is subject to the tax, yet the processor is also subject to the tax, and fishing boat captains have too much to do to stand on the dock in the rain arguing who's to pay the tax.

Canada has already weighed the freezer boat problem. Deciding that the quality products they produced were worthwhile, semi-processing is encouraged on board fishing vessels. They do not either pay a tax or are they subject to red tape, special licences, ect. B. C. has many freezer trollers, a few longliners and pot fishing vessels engaged in sablefish and prawns, and a new trend is freezer seiners. The Prince Rupert Fishermen's Cooperative Association recently built a new freezer trawler, the Callistratus.

Freezer boats have landed headed, gutted, frozen fish into Washington, Oregon and California ports for years without being subject to the treatment Alaska now intends. No particular licences are required in any of those states unless the vessel intends to sell its catch to other than a processor, then a Wholesale Retail Licence is required, and the tax is paid after the fact.

Alaska should take a fresh look at sea freezing fisheries products, especially now since a fresh emphasis has been placed upon quality, and since the price of fuel has reached levels where much running back and forth to distant processors has become a major operational overhead.

As long ago as 1974, at which time we built a new, 54-foot steel freezer boat, we have been looking objectively at freezing instead of icing as a method worthy of producing high quality. We came to the following conclusions regarding bottomfish in southeast Alaska: 1) The area has untapped stocks of under utilized species, mainly cod and rockfish, which both are ideal species both for longlining from a small boat such as ours and also lend themselves well to certain methods of freezing. 2) Because of logistics, distance from processors, the delicate characteristics of the flesh, ect. those species could only be of high quality if carefully handled, frozen on board and the vessel kept on the fishing grounds for long periods of time.

We have operated both as a freezer boat and as a freezer ship [definition mine] since 1974. We have frozen albacore, salmon, halibut, sablefish and rockfish fillets, and the vessel has been a Certified Processing Plant since 1978, although we did no on board processing in 1979 or 1980. I have been somewhat familiar with the requirements of being a "freezership" under the definition of Sec. 43.75.060 of the Alaska Statutes, but I must confess, after dozens of letters between myself and the Department of Revenue, I am still confused as to exactly what certain expectations of the State are.

Since I first attempted to longline, fillet, package and freeze rockfish fillets under the brand name "C" Frozen Products, in 1974-75, both in Alaska and off Washington, several other vessel operators have faced the question of maintaining high quality in whitefish, handled in the conventional manner, either

trawl caught, and iced in the round with the resulting smashing and deterioration, and longlining, heading, gutting, icing and ten or even 15 day trips on the grounds. Several of these men came to the same conclusion as I, that the quality necessary cannot be obtained in those 50-year-old conventional methods. In Europe and Japan, countries where meat counters consist of 9/10 fish and 1/10 meat, instead of the opposite in Canada and the United States, the quality of U.S. whitefish has long been deplored. This fact has now become of paramount importance as the U.S. fishery attempts to place American products with foreign wholesalers.

An excellent example of this was the pioneer experiment which was quietly carried out between the Alaska Longline Fishermen's Association, their Japanese counterpart, the North Pacific Longline-Gillnet Association and Halibut Producers Co-op's Sitka Plant. Known as the ALFA Project, this was an attempt to catch, ice and process sablefish suitable for the fastidious NPLGA's markets at the Tokyo Central Market at Tsukiji. ALFA members Orie Bell and Jake Phillips, using Albert Kawabe of Kawabe Trading Co., Inc. of Seward as a liaison man and interpreter, had been holding talks with the Japanese over a period of several years. Much to the Alaskans surprise, they learned that, even though U.S. cold storage plants were bulging with unsold sablefish after the market collapse of 1980, the Japanese were not interested because most of the sablefish was "junk" which the cautious Japanese consumer refused to accept.

The length^h of time the fish were held in ice was halved, the fish were dressed Eastern cut, which the Japanese wanted, and

--8--

the fish were processed under the watchful eye of an NPLGA representative at the HPC Sitka Plant. The experiment was a success. The fish were test marketed in Japan with excellent results, but the necessity of operating no longer than 5 days on an ice trip was a hardship on the vessels.

What the Japanese really wanted was sea frozen fish, which is of course what they are accustomed to from their own vessels.

At the present time, when the sablefish market is severely depressed in the U.S., with prices below \$.40 ex-vessel, there is a strong demand at prices twice or three times that for sea frozen sablefish. Take heed Alaskan legislators!

Very few freezer boats are interested in running the gauntlet at the Department^S of Revenue, Labor, Agriculture, Natural Resources and Health, simply to be able to freeze, instead of ice sablefish, and then still unload the partially processed fish at a shore plant, who could just as well pay the raw fish tax as the vessel.

My own experiences at maintaining quality in whitefish have been substantiated by other recent experiences:

Example: American NO.1, 160-foot trawler, costing \$7 million, operated one season, then returned to Seattle for sale. Reason? The owners claim the vessel is "too efficient for its own good." Operating expenses were too high for the \$.06 cents per pound product, and the vessel, "lacked an on-board processing plant to add value to their product. [1]

[1] Pacific Fishing, March/April, 1971, p.57.

Example: Barry Fisher, experienced whitefish man, insists that economics and quality regarding certain bottomfish species in Alaska will insure that those products are going to be processed on the fishing grounds, "for many years to come." [2]

Example: Seawest President Darryl Pedersen says: "the way to crack the frozen whitefish market is with scrupulous attention to quality." Pedersen also said: "if you don't have a factory catcher processor handy, longlining offers a means of catching adequate quantities and ensuring that each fish is handled individually so that quality is maximized." [3]

Oh Necessity, thou art indeed thy Mother of Invention.

Example: Trawler-crabber combos delivering to foreign floating processors in Alaska have almost unanimously concluded that some, "form of on board processing is necessary to add value to the product before it leaves the boat." [4]

Example: Pedersen again, "with price almost a secondary issue, what has to occur first is that buyers become convinced that the product fits their needs. Above all, whether you harvest your fish on a line or in a net, the minute you downgrade quality, you're dead." [5]

#

Perhaps, just perhaps, before the Great Alaskan Bottomfish Boom becomes the Bust, fishermen and processors may realize what the Europeans and the Japanese have known for decades--either you process the fish at sea while they're fresh, or you expect buyer resistance. Quality sells; quantity sits on the shelf unsold.

All by permission from Pacific Fishing, [2] p.56; [3] p.56; [4] p.57; [5] p.58. (1981) March, April issue.

Freezing at sea is no picnic. It's a lot of extra work and a headache, plus expense. I do not expect an increase in the number of small boats which are interested in freezing instead of icing, especially since the new stance at Revenue, although new freezer trollers are still being built. If only someone would explain to me how rockfish can economically be harvested and the quality maintained suitable for discriminate markets, or sablefish or any other bottom species, in some of the far flung remote areas of Alaska. where a 24 hour run to market makes at least a 10 day ice trip necessary, I wouldn't be interested in freezing.

Many freezer boats have become discouraged and are icing again. But when the Japanese and our own marketing experts tell us that they can get us over \$1 per pound for good quality frozen-at-sea sablefish, while regular processed sablefish set unsold in every cold storage on the west coast, this tells me something. And I sincerely hope that this article tells Alaska's legislators something also.

If I must, I will again surround myself with forms, bonds, affidavits and more bonds, and become an Alaska Fisheries Business, just to freeze, instead of ice, a few fish, which I intend to deliver to HPC Sitka Plant, who would be willing to pay the tax, if I hadn't been forced into doing so myself. After all, regardless of which pays the tax, it comes out of the fisherman's pocket.

And, again legislators beware: if my vessel becomes^S a legit processing plant, a whole new Pandora's box of shaman's paraphernalia will jump out of the devil's club to haunt your sleep. The law now states that no fishing vessel engaged in another fishery during the halibut closures of a respective season, shall have

any halibut on board. If my vessel is a licenced processor, I will have the same right to possess halibut or any other fish species on board as any shoreside plant. Won't that make law enforcement and the International Halibut Commission happy?

Editor's Note: Caldwell lived in southeast Alaska from 1950 to 1965, and has fished Alaska 28 years. In 1974 he built the 54-foot steel longliner/troller freezer boat, Donna C at Fort Bragg, California. Caldwell plans on moving back to Alaska in 1981, "so he can vote where he makes his living fishing."

Caldwell is the author of two books about commercial fishing, Pacific Troller and the Ebb and the Flood, the history of HPC. Various articles of his have appeared in regional and national publications, mostly about Alaska and commercial fishing. At present, Caldwell is finishing a 200-year history of the Lituya Bay area which will contain many photos of Lituya Bay, Jim Huscroft who lived on Cenotaph Island for 22 years and people who have been in the Fairweather Country, which will be the name of the book.

STATE OF ALASKA

DEPARTMENT OF REVENUE

JAY S. HAMMOND, GOVERNOR

POUCH SA - JUNEAU 99811

January 21, 1981

"C" Frozen Products
1335 W. 11th Street
Port Angeles, WA 98362

Dear Mr. Caldwell:

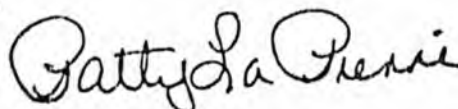
I have enclosed the Alaska Fisheries Business License Statute and a copy of the proposed regulations. The statutes and regulations will answer any question you may have concerning whether or not you are a processor.

The memorandum you referred to, from Richard Kirkland to John Valentine, is no longer in use. If a fishing vessel freezes the catch, it is considered to be a processor.

I have also enclosed current information on Non-Resident businesses which will answer your questions in that area.

An Alaska Fisheries Business License application will be sent when we receive the new forms.

Sincerely,



Patty LaPierre
Supervisor
Fisheries & Mining Tax Unit
Audit Division
(907) 465-2371

Enclosures

PLP:jg

STATE OF ALASKA

DEPARTMENT OF REVENUE

JAY S. HAMMOND, GOVERNOR

STATE OFFICE BUILDING

POUCH SA - JUNEAU 95811

March 11, 1977

Francis E. Caldwell
1335 W. 11th Street
Port Angeles, WA 98362

Dear Mr. Caldwell:

Re: Your letter of February 3, 1977

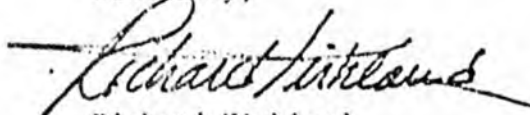
The question you propose has been reviewed and a position has been adopted.

As my earlier memo to Valentine stated, the simple act of freezing rather than icing does not bring a fishing vessel under the application of the law relating to "Freezer Ships and Other Floating Cold Storage" operations.

However, what you are proposing (filleting and packaging) comes under the existive statutory definition of processing; and thereby subjecting your proposed operation to licensing as a processor. Since you are operating aboard your vessel, you, therefore, must be considered a freezer ship.

I am enclosing a copy of relevant statutes regarding prepayment of tax as a processor without adequate real property which could serve in lieu of prepayment. I have emphasized key portions as they apply. Please note the final line on page 152. Note that there is not a requirement for "double prepayment."

Sincerely,



Richard Kirkland
Revenue Auditor
Audit Division

RK/vrc

MEMORANDUM

State of Alaska

TO: John Valentine
Department of Fish & Game
Ketchikan, Alaska

DATE: January 26, 1976

FILE NO:

101.3

TELEPHONE NO:

FROM: Richard Kirkland
Office Operations Supervisor
Audit Division
Department of Revenue

SUBJECT: Taxable status of fishing
vessels freezing fish

The question appears to be: Is a fishing vessel which carries freezing facilities aboard (and which freezes caught fish) subject to tax provisions applying to freezer ships?

The facts present are: 1) the vessels in question are of a size normally associated with salmon fishing in Southeast Alaska (40-60 feet), 2) the vessels are rigged for commercial fishing; carry proper gear license, and the skipper holds a valid Limited Entry Permit, 3) the only processing of the fish is that essential to preservation of quality (gutting), and 4) no buying of fish is done, and all fish carried in storage aboard were caught in fact by the vessel operator and crew.

On a vessel as described, the primary purpose of the vessel is fishing, and the fact that the caught fish are stored aboard in frozen condition, rather than packed in ice, appears to be incidental.

In the case of a freezer ship a different set of circumstances prevail, and the primary purpose of the vessel is processing.

Therefore, in my opinion, the fact that a fishing vessel preserves quality by freezing does not constitute freezer ship or floating cold storage operation, and the vessels described in the fact summary above would not be subject to the tax levied on freezer ships.

RK/lam

cc: Lou Nelson
Frank Blackwell
Eloise Merrick

907-465-12328

Return to [unclear]

STATE OF ALASKA

JAY S. HAMMOND, GOVERNOR

OFFICE OF THE GOVERNOR

BUDGET & MANAGEMENT

POUCH AM — JUNEAU 99811
PHONE 465-2213

March 27, 1981

Honorable Don Bennett and Ed Dankworth
Co-Chairmen, Senate Finance Committee
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

FY 82 Budget Amendment #B080816
Department of Commerce and
Economic Development
New BRU: Fisheries Enhancement
Tax Receipts
Increase of \$1,306,400 program receipts

Dear Senators Bennett and Dankworth:

Please amend the Governor's FY 82 Budget to include \$1,305,400 in program receipts to be granted to Regional Aquaculture Associations which have imposed a fisheries enhancement tax pursuant to Chapter 154, SLA 1980. This amendment is requested as a new appropriation immediately following Business Loans, which appears on page 34, line 13 in HB 50.

Chapter 154 authorized imposition of fisheries enhancement taxes if a regional association approves the tax by majority vote. AS 43.76.025 (a) requires the Department of Revenue to collect the tax and AS 43.76.025 (c) authorizes the Legislature to "make appropriations based on this revenue to the Department of Commerce and Economic Development for the purpose of providing financing for qualified regional associations."

The Department of Revenue has estimated the following revenues will be collected during FY 82:

Southern Southeast Region	\$533,800
Northern Southeast Region	\$411,900
Cook Inlet Region	\$360,700
	<u>\$1,306,400</u>

The regional aquaculture association have submitted the following budget requests for FY 82. Please note that the regions' revenue estimates differ from the Department of Revenue estimates:

Southern Southeast Region	\$ 800,000
Northern Southeast Region	500,000
Cook Inlet Region	350,000
	<u>\$1,650,000</u>

Honorable Don Bennett and Ed Dankworth

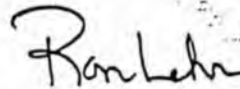
March 27, 1981

Page 2

Funds appropriated by the Legislature to the Department of Commerce and Economic Development for this purpose will be disbursed under contract between each regional aquaculture association and the Department. Regulations are being drafted by the Department governing the preparation of budgets, reporting requirements, disbursement procedures and required accounting methods.

If the fisheries enhancement tax should generate revenue in excess of the current estimated revenue for any of the regions, additional budget amendments will be submitted.

Sincerely,



Dr. Ronald D. Lehr
Director

Attachments

cc: Honorable Jim Duncan, Speaker, House of Representatives
Honorable Jalmar Kerttula, President Senate

MEMORANDUM

State of Alaska

TO: Ron Lenn, Director
Division of Budget & Management
Office of the Governor

DATE: March 24, 1981

FILE NO:

08
B050810
RECEIVED
MAR 24 1981
BUDGET AND MANAGEMENT

TELEPHONE NO:

FROM: Lois Cook, Director *LC*
Division of Administrative Services
Department of Commerce & Economic
Development

SUBJECT: Budget Amendment
Covering Fisheries
Enhancement Grants
Based Upon Fisheries
Enhancement Tax
Program Receipts

We are presenting the attached budget amendment to your office for introduction to the Legislature covering fisheries enhancement grants to regional aquaculture associations operating in regions where the fisheries enhancement tax was approved by fishermen voting in the Northern Southeast Region, the Southern Southeast Region, and the Cook Inlet Region. The results of the elections were certified by the Commissioner of Commerce and Economic Development, Charles Webber, on March 12, 1981. The effective date of the tax is to be April 1, 1981.

Based upon a projection prepared by the Department of Revenue, it is estimated that the following revenues will be collected under the fisheries enhancement tax during fiscal year 1982:

Southern Southeast Region	\$ 533,800
Northern Southeast Region	411,900
Cook Inlet Region	360,700
	<u>\$1,306,400</u>

Budgets have been submitted by each of the regional aquaculture associations with the following breakdown by line item classification. Please note that their revenue estimate differs from the projection developed by the Department of Revenue.

	<u>Northern Southeast Regional Aquaculture Assoc., Inc.</u>	<u>Southern Southeast Regional Aquaculture Assoc., Inc.</u>	<u>Cook Inlet Aquaculture Assoc.</u>
100	281.9	372.45	50.78
200	36.0	133.00	5.43
300	50.0	75.75	25.63
400	40.0	157.70	8.83
500	20.0	30.40	--
600	72.1	30.70	259.40
800	0.0	0.00	0.00
	<u>500.0</u>	<u>670.00</u>	<u>350.00</u>

Funds appropriated by the Legislature to the Department of Commerce and Economic Development for this purpose will be disbursed under contract between each regional aquaculture association and the Department of Commerce and Economic Development. Regulations are being drafted by the Department of Commerce and Economic Development governing the preparation of budgets, reporting requirements, disbursement procedures and required accounting methods.

If the fisheries enhancement tax should generate revenue in excess of the current estimated revenue for any of the regions, additional budget amendments will be submitted.

LJC/shB/13

Attachments

STATE OF ALASKA
Office of the Governor
Budget & Management Div.

REVISED PROGRAM SUMMARY
by
BUDGET COMPONENT

CATEGORY	Fisheries Enhancement
COVER PROGRAM	Private Nonprofit Hatcheries
AGENCY	Department of Commerce & Economic Dev.
DIVISION	Business Loans
BUDGET REQUEST UNIT	Business Loans
BUDGET COMPONENT	
APPROPRIATION	
ALLOCATION	

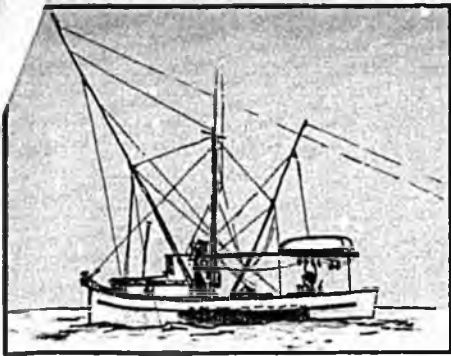
	INITIAL AUTHORIZATION	RP	RP	RP	RP	RP	RP	RP	AMENDED AUTHORIZATION
01	PERSONAL SERVICES								
02	TRAVEL								
03	CONTRACTUAL								
04	COMMODITIES								
05	EQUIPMENT								
06	LANDS, BUILDINGS								
07	GRANTS, CLAIMS	1,306,400							1,306,400
08	MISCELLANEOUS								
	TOTAL	1,306,400							1,306,400
1002	FEDERAL RECEIPTS								
1003	G/F MATCH								
1004	GENERAL FUND								
1005	I/A RECEIPTS								
102F	PROGRAM RECEIPTS	1,306,400							1,306,400
1	FULL TIME								
16	PART TIME								
17	TEMPORARY								
18	MAN-MONTHS								

STATE OF ALASKA
Office of the Governor
Budget & Management Div.

REVISED PROGRAM SUMMARY

CATEGORY	Fisheries Enhancement
COVER PROGRAM	Private Nonprofit Aquaculture
AGENCY	Dept. of Commerce & Economic Dev.
DIVISION	Business Loans
BUDGET REQUEST UNIT	
APPROPRIATION	
ALLOCATION	

BRU COMPONENTS	INITIAL AUTHORIZATION	RP	RP	RP	RP	RP	RP	RP	RP	AMENDED AUTHORIZATION
Business Loans		1,306,400								1,306,400
TOTAL		1,306,400								1,306,400
FEDERAL RECEIPTS										
G/F MATCH										
GENERAL FUND										
I/A RECEIPTS										
PROGRAM RECEIPTS										
FULL TIME										
PART TIME										
TEMPORARY										
MAN - MONTHS										



Alaska Trollers Association

REPRESENTING ALASKA POWER TROLLERS

205 North Franklin Street
Juneau, Alaska 99801
(907) 586-9400

April 2, 1981

Representative Terry Gardiner
Pouch V
Juneau, AK 99811

Dear Terry:

I wanted to let you know that we are extremely pleased with the progress so far of SB 200, the bill concerning taxes on boats freezing salmon at sea. Our only reservation about the bill so far is that it does not include sablefish, a fishery which a number of the freezing trollers are interested in, and which appears to provide some relief from the economic problems caused by current management restrictions.

Attached is a copy of a letter from Frank Caldwell, owner and operator of a freezing troller, which explains why an amendment of this bill to include sablefish is desirable. If, after reading it, you have any additional questions, please give me a call. I will be in touch with you concerning this issue shortly.

Thanks for all your help on this so far.

Sincerely,

A handwritten signature in cursive script, appearing to read "Lewis Schnaper".

Lewis Schnaper
Executive Director

LS:ne
Enclosure



Alaska State Legislature

House of Representatives

Committee on Resources

Terry Gardiner, Co-Chairman
Fred F. Zharoff, Co-Chairman
465-3715

Pouch V
State Capitol
Juneau, Alaska 99811

MEMORANDUM

TO: Rep. Zharoff
Rep. Gardiner
Co-Chairmen, House Resources Committee

FROM: John Sund
Chief Counsel, House Resources Committee

DATE: April 15, 1981

RE: Summary of Issues & Bills before the Committee

Wednesday's calendar has a large number of items on it; a majority of which relate to the fisheries rehabilitation enhancement efforts of this State. The following is a brief summary of the major items of each bill. These bills were requested, based upon the hearings held on March 23-24.

HB 460

This bill amends various fisheries tax provisions in AS 43.

Section 1. This is a technical amendment to the present existing fisheries tax clarifying and issue relating to process of under-utilized species.

Section 2. This section amends the fisheries tax by clarifying the status of a person who freezes fish onboard of his vessel prior to selling them.

PRESENT LAW: The present law classifies a person who freezes fish onboard his vessel as a processor and thus is subject to payment of the fisheries tax even though he may subsequently sell his fish to another licensed processor. Thus, the operator of the vessel is obligated under present law to obtain a processing license, bond, and various other items.

PROPOSED AMENDMENT: This proposed amendment would exclude a person who freezes a fish onboard his fishing vessel from being classified as a processor, provided that he subsequently sells those fish to a licensed processor. If he sells those fish on the retail market, or to another person who is not a licensed processor, or transports those fish out of the State without selling them to a licensed

processor, then the individual who did the freezing would be subject to the payment of the fisheries tax.

Section 4. This amends the present law regarding to refund the fisheries taxes to local governments.

PRESENT LAW: The present law provides that 20% of the fisheries tax collected by a fish processor located within a borough or city, shall be refunded to the borough or city in which the processor was located. If the processor is in the borough, but not within the city, the borough gets 20%; if the processor is within a city which is not in a borough, the city gets 20%; if the processor is within the city which is within the borough, the borough gets 10% and the city gets 10%.

PROPOSED AMENDMENT: The proposed amendment would increase the amount refunded to the cities or boroughs to 50%.

Section 5 & 6. These sections amend the fisheries enhancement tax. The amendment replaces the present law, which states processor license with the word "buyer". Also states that any person that removes from the State the product, is liable for the enhancement tax. The amendment resolves the following scenario.

PRESENT EXISTING LAW: Tax liability is on the limited entry holder who sells to a processor licensed under AS 43.75.011. The problem is, what happens when a limited entry holder sells to a buyer who is not a processor and subsequently the buyer then sells to the processor who is licensed under AS 43.73.011. The effect of that transaction is that no tax would be paid. This amendment puts the liability of payment when the fish is sold to the buyer, or in case they are not sold to a buyer if they are removed directly from the State, then on the person who removes them from the state.

Section 7. This is a technical amendment as a result from an oversight in drafting last years legislation. It provides that the area which imposes a 2% assessment instead of a 3% assessment can terminate that assessment under the provisions of AS 43.76.020.

Section 8,9, & 10. All relate to shifting the liability for the collection and payment of the tax from the processor licensed under AS 43.76.011 over to the buyer of the fish.

Section 11. This repeals AS 43.75.136. That is the provision in the statutes which provides that 20% of the raw fish tax which is collected can be used to capitalize the commercial fish and agriculture bank, and such time as the bank is fully capitalized that provision becomes ineffective.

The bank is fully capitalized at this time, the State has purchased \$32 million worth of Class C stock in CFAR so that this section is no longer needed.

Section 12. Transition. This needs to be amended and the proposed amendments are attached.

HL 472

This amends AS 16.10.520(a).

PRESENT LAW: Provides for a maximum loan for a private non-profit hatchery or enhancement rehabilitation activity to be limited to \$6 million. This amendment increases the loan limit to \$10 million and also provides that the \$10 million can be exceeded if there is a approval by the legislature by concurrent resolution.

HB 479

This bill amends AS 16.10.375, the regional salmon plan provisions. The original language in the section instructed that a comprehensive salmon plan for each region be developed. At the present time the word comprehensive has been interpreted to mean- private non-profit hatcheries.

These amendments would expand the scope of the regional planning team to include plans for the management of natural stocks and the enhanced and rehabilitated stocks.

HB 480

This is a new section into Title 16 and its effect is to prohibit the construction or operation of a salmon hatchery which is to operate for profit. There is a proposed amendment to that bill and that will be attached.

APPROPRIATION BILLS:

HB 471

This bill provides for the appropriation of \$25 million to the fishery enhancement revolving loan fund, AS 16.10.505. This is an existing loan program which is created in the 1976 legislature and amended in the 1977 legislature. Periodically, each legislative session has appropriated a given amount of money to the loan fund to be utilized in the construction and operation of fisheries rehabilitation and enhancement projects by the private non-profit hatcheries. Last year, \$6.9 million dollars was appropriated to the loan fund, all of which has been loaned or is committed for loans at this time. It is estimated that approximately \$25 million

will be needed in the next year to take care of the anticipated loan demand.

HB 389

This is an appropriation for a sum of money to the Department of Fish & Game to be paid as a grant to the Lower Yukon/Kuskokwim Aquaculture Association for hatchery site investigations.

HB 390

This is an appropriation of \$115 thousand to the Alaska Department of Fish & Game as a grant to the Lower Yukon/Kuskokwim Aquaculture Association for a scientific and educational hatchery program which is going on in Bethel.

RESOLUTIONS:

HCR 16

This resolution states the issues and provides for direction to the Department of Fish & Game, the Board of Fisheries, and the Governor's office regarding the allocation of fisheries for brood stock purposes for fisheries rehabilitation and enhancement projects. Specifically, that the agencies and the Board of Fish consider providing brood stocks from already depressed fish stocks if certain circumstances were deemed to be necessary and advisable.

LETTERS OF RECOMMENDATION:

Letter #1: A letter to the Finance Committee recommending that the sum of \$1,650,000 be included in the development budget to be paid through to the regional aquaculture associations which have enacted the enhancement taxes. The amount of money has been developed by estimating the anticipated salmon returns this year and the anticipated prices to arrive at a total value number, then 3% of that number has been taken for the two regions in Southeast Alaska and 2% of that number for the Cook Inlet region based upon the assessment votes which they have taken in the last year.

Letter #2: Relates to the recommendation regarding the planning moneys. \$600,000 is recommended. \$400,000 is presently in the Governor's budget request.

Letter #3: Deals with the fish tag recovery and evaluation program, addition to the Governor's budget request.

Letter #4: A letter to the Finance Committee in general support for grants for the non-cash generating projects. Most of the projects that are being recommended for inclusion in the budget by representatives from the various regions.

THE LEGISLATURE OF THE STATE OF ALASKA
ELEVENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. HB 460

Title An Act relating to the fisheries and salmon enhancement taxes

Requested by House Resources Committee Date April 13, 1981

II. FISCAL DETAIL

Agency Affected Department of Revenue

Program Category Affected Revenue Collection and Management

BRU, Program, or Subprogram(s) Affected Audit Division

(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars) NONE

	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						

TOTAL

FUNDING (Thousands of Dollars) NONE

	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85
GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS NONE

	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85
FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

See attached memo to R.D. Stevenson dated April 13, 1981.

IV. DATE April 13, 1981

PREPARED BY Gary L. Jenkins

AGENCY Audit Division

PHONE 465-2320

Original: Legislative Finance

cc: Budget and Management

Prime Sponsor (First Legislator Named)

MEMORANDUM

State of Alaska

TO: R. D. Stevenson
Legislative Assistant

DATE: April 13, 1981

FILE NO

TELEPHONE NO

FROM: Gary L. Jenkins
Director
Audit Division

SUBJECT: HB 460

This bill would make some much needed clarifications to the Fisheries Business Tax Act and the Salmon Enhancement Tax Act, along with a change in the revenue sharing provisions of the Fisheries Business Tax.

With regard to the specific provisions of the bill, I would suggest the legislature give consideration to clarifying a few of the proposed provisions. First, Sec. 3 of the bill establishes an exclusion from the Fisheries Business Tax provided certain conditions are met. For purposes of effective administration, I recommend one additional condition be added, which is:

(4) the fishery resource is sold by the person claiming the exclusion from tax to a fisheries business licensed under AS 43.75.

This provision will insure our ability to reasonably enforce the law because the tax will be reportable by taxpayers with whom we are already dealing and we will not be required to go out and try to find other persons who might buy the fishery resource and who would then be required to pay the tax.

When the need for the provisions of this bill were discussed previously with some members of the House Resources Committee, it was suggested that the Salmon Enhancement Tax law be clarified regarding whether the taxable event was the act of catching salmon in one of the established regions or was the act of selling salmon in the region regardless of where caught. It was our original understanding that the taxable event was the act of catching salmon in a region, however, during the course of discussions with various legislators, it has become clear that there is a divergence of opinion as to which event is the taxable event. I would strongly urge the legislature to clarify that point by amending AS 43.76.010 and AS 43.75.011. The issue is further confused by the fact that sections 5, 6 and 10 of the bill include provisions that are predicated on the catching of salmon as being the taxable event. Those provisions refer to the imposition of the tax on the person catching the salmon when the salmon are removed from the state by that person without the tax being paid. These concepts were originally suggested when we were still thinking the legislature meant the taxable event to be the catching of

the salmon. Those provisions should be deleted if the legislature intends to keep the tax on a sales basis only.

With regard to section 14 of the bill, which is the effective date clause for the changes in the revenue bearing section in the fisheries business tax, I would suggest that consideration be given to changing the effective date to either January 1, 1982 or July 1, 1982. Either date would seem to be more consistent with the provisions of section 12 of the bill.

Finally, I would also recommend an additional section be added to the bill for the purpose of defining the term "buyer" as it applies in the proposed revisions to the Salmon Enhancement Tax. Please consider the following:

"Buyer" means any person who acquires possession of salmon from the person who caught the salmon regardless of whether there is an actual sale of the salmon but excluding any transfer to a person engaged solely in interstate transportation of goods for hire.

This broad language is being proposed to insure that deliveries of salmon to a cooperative would be included. This would preclude an argument that a delivery to a cooperative was not an actual sale upon which the tax would not apply.

THE LEGISLATURE OF THE STATE OF ALASKA
ELEVENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. HB 460
 Title Relating to the Fisheries and Salmon Enhancement Taxes
 Requested by House Resources Date April 3, 1981

II. FISCAL DETAIL

Agency Affected _____ Revenue _____
 Program Category Affected General Government
 BRU, Program, or Subprogram(s) Affected Administration and Support, Management Services
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)
EXPENDITURES (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

FUNDING (Thousands of Dollars)

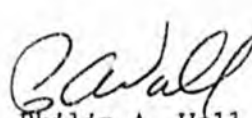
GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

HB 460 increases the percentage of tax paid. The Bill will also cause a small increase in Returns which report the tax paid on certain frozen fishery resources and upon salmon removed from the State. The Bill will cause a substantial increase in the amount refunded to local governments. However, it appears that the additional cost can be handled within the present and requested budgets.

IV. DATE April 7, 1981 PREPARED BY  Phillip A. Wall
 AGENCY Revenue
 PHONE 465-2313
 Original: Legislative Finance
 cc. Budget and Management
Prime Sponsor (First Legislator Named)

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. HB 460
 Title Relating to the fisheries and salmon enhancement taxes
 Requested by House Resources Committee Date 4/13/81

II. FISCAL DETAIL

Agency Affected _____
 Program Category Affected _____
 BRU, Program, or Subprogram(s) Affected _____
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						

TOTAL

FUNDING (Thousands of Dollars)

GENERAL FUND		-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

No change in revenues.

IV. DATE 4/13/81 PREPARED BY Robert W. Elliott
 AGENCY Revenue
 Original: Legislative Finance PHONE 465-2309
 cc: Budget and Management
Prime Sponsor (First Legislator Named)

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST CSHR 460 (Resources)
 Bill/Resolution No. _____
 Title An Act relating to the fisheries and salmon enhancement taxes.
 Requested by House Resources Committee Date April 22, 1981

II. FISCAL DETAIL
 Agency Affected Department of Revenue
 Program Category Affected Revenue Collection and Management
 BRU, Program, or Subprogram(s) Affected Audit Division
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars) NONE

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						

TOTAL

FUNDING (Thousands of Dollars) NONE

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS NONE

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

See attached memo to R.D. Stevenson dated April 22, 1981.

IV. DATE April 22, 1981 PREPARED BY Gary I. Jenkins
 AGENCY Audit Division
 PHONE 465-2320
 Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named) _____

MEMORANDUM

State of Alaska

TO: R. D. Stevenson
Legislative Assistant

DATE: April 22, 1981

FILE NO:

TELEPHONE NO:

FROM: Gary L. Jenkins
Director
Audit Division

SUBJECT: CSHB 460 (Resources)

The committee substitute for HB 460 is basically the same language as that in the original bill except that several sections have been deleted. Those deleted sections would have solved some serious problems which exist in the present fisheries enhancement tax regarding who is responsible for the collection of the tax.

As recommended in my comments on the initial draft of the bill, I would suggest the legislature give consideration to clarifying a few of the proposed provisions. First, Sec. 3 of the bill establishes an exclusion from the Fisheries Business Tax provided certain conditions are met. For purposes of effective administration, I recommend one additional condition be added to AS 43.75.017(a), which is:

(4) the fishery resource is sold by the person claiming the exclusion from tax to a fisheries business licensed under AS 43.75.

This provision will insure our ability to reasonably enforce the law because the tax will be reportable by taxpayers with whom we are already dealing and we will not be required to go out and try to find other persons who might buy the fishery resource and who would then be required to pay the tax.

When the need for the provisions of this bill were discussed previously with some members of the House Resources Committee, it was suggested that the Salmon Enhancement Tax law be clarified regarding whether the taxable event was the act of catching salmon in one of the established regions or was the act of selling salmon in the region regardless of where caught. It was our original understanding that the taxable event was the act of catching salmon in a region, however, during the course of discussions with various legislators, it has become clear that there is a divergence of opinion as to which event is the taxable event. I would strongly urge the legislature to clarify that point by amending AS 43.76.010 and AS 43.76.011.

Finally, I would also recommend that if this bill is amended to require any buyer to collect the tax, an additional section be added to the bill for the purpose of defining the term "buyer". The following language is suggested for the Legislature's consideration:

"Buyer" means any person who acquires possession of salmon from the person who caught the salmon regardless of whether there is an actual sale of the salmon but excluding any transfer to a person engaged solely in interstate transportation of goods for hire.

This broad language is being proposed to insure that deliveries of salmon to a cooperative would be included. This would preclude an argument that a delivery to a cooperative was not an actual sale upon which the tax would not apply.

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. CSHB 460 (Resources)
 Title Fisheries & Salmon Enhancement Taxes
 Requested by House Resources Date April 3, 1981

II. FISCAL DETAIL

Agency Affected _____ Revenue _____
 Program Category Affected _____ General Government _____
 BRU, Program, or Subprogram(s) Affected Administration & Support, Management Services
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	0	0	0	0	0	0

FUNDING (Thousands of Dollars)


GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

CSHB 460 (Resources) increases the percentage of refund to local governments.
 There is no additional administrative cost associated with this bill.

IV. DATE April 27, 1981 PREPARED BY 
 AGENCY Revenue
 PHONE 465-2313
 Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. CSHB 460 (Resources)
 Title Relating to the fisheries and salmon enhancement taxes
 Requested by House Finance Committee Date 4/22/81

II. FISCAL DETAIL

Agency Affected _____
 Program Category Affected _____

BRU, Program, or Subprogram(s) Affected _____
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL						

FUNDING (Thousands of Dollars)

GENERAL FUND		-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

No change in revenues.

Robert W. Elliott
 Robert W. Elliott

IV. DATE 4/22/81 PREPARED BY Revenue
 AGENCY Revenue
 PHONE 465-2309
 Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named) _____



Alaska State Legislature

House of Representatives

Committee on Resources

Terry Gardiner, Co-Chairman
Fred F. Zharoff, Co-Chairman
465-3715

April 10, 1981

Pouch V
State Capitol
Juneau, Alaska 99811

The Honorable Sam Cotten
Chairman House Finance Committee
Capital Building
Juneau, Alaska 99811

Dear Representative Cotten:

The House Resources Committee held hearings regarding the status of the fisheries enhancement and rehabilitation program in the State. Based on the testimony presented during the hearings, it is Resource Committee's request that the following matters be included in the FY 82 budget.

The State has established two basic programs to assist in the rehabilitation and enhancement of the salmon resources. One is the Fisheries Rehabilitation and Enhancement Division of the Department of Fish and Game; the second is the private-not-for-profit aquaculture associations. The hatchery program established for the PNP program is funded through loans which are to be repaid from receipts received from selling fish which return to a designated terminal harvest area.

There are several types of rehabilitation and enhancement activities which result in a benefit to the common property fishery but which do not produce fish which return to a specific place where they can be generating projects; they do generate cash to the party performing the rehabilitation or enhancement project. Although all projects relating to the fishery resource are subject to the approval and permission of the Commissioner of the Department of Fish and Game many times it is much more economic and efficient for the aquaculture associations to perform the work.

It is the recommendation of the House Resource Committee, that these type of activities be funded by the State both through the Department of Fish and Game and by grants to the appropriate regional aquaculture association.

There are several activities proposed for funding in this year's budget which are 'non cash generating' which should be funded. The projects include lake fertilization, habitat improvement, lake stocking and rearing, stream planting and many others.



Alaska State Legislature

House of Representatives

Committee on Resources

Terry Gardiner, Co-Chairman
Fred F. Zharoff, Co-Chairman
465-3715

April 13, 1981

Pouch V
State Capitol
Juneau, Alaska 99811

The Honorable Sam Cotten
Chairman House Finance Committee
Capital Building
Juneau, Alaska 99811

Dear Representative Cotten:

The House Resources Committee has held hearings on the status of the fisheries rehabilitation and enhancement program; both the public effort through the Department of Fish and Game and Private-Not-For-Profit program set up in AS 16.10.375-600.

It is the recommendation of the House Resources Committee that the following budgetary matters be included in the FY 82 budget:

1.0 Appropriation of \$1,650,000 to the Department of Commerce and Economic Development for transfer to the Regional Aquaculture Associations. The money is a result of the Fisheries Enhancement Tax that the appropriate regional associations has elected to impose on themselves. At the time that tax law was passed in 1980 and an election was held in each region, the legislature and governor committed to passing at least the total amount collected back to the regions. The total should be allocated as follows:

- .1 Southern Southeast Regional Aquaculture Association. \$800,000
- .2 Northern Southeast Regional Aquaculture Association. \$500,000
- .3 Cook Inlet Aquaculture Association. \$350,000

The appropriation should not be tied to the collection of the receipts from the enhancement tax. The programs must be assured of continuity of funding. Although the appropriation is based upon a anticipated collections any discrepancy can be compensated in next years budget.

Thank you for your consideration of this matter.

Sincerely,

Fred Zharoff
Co-Chairman

Terry Gardiner
Co-Chairman



Alaska State Legislature

House of Representatives

Committee on Resources

Terry Gardiner, Co-Chairman
Fred F. Zharoff, Co-Chairman
465-3715

April 15, 1981

Pouch V
State Capitol
Juneau, Alaska 99811

The Honorable Sam Cotten
Chairman, House Finance Committee
Capital Building
Juneau, Alaska 99811

Dear Representative Cotten:

The House Resource Committee held hearings regarding the status of the fisheries enhancement and rehabilitation program in the State. Based on testimony presented during the hearings it is the Resources Committee request that the following matters be included in the FY 82 budget.

Planning is not free but pays for itself by involving all of the major participants. The purpose is to assist in making good decisions and prevent the disasters from occurring. The regional planning concept has been very successful. The regional teams are made up of three (3) members of the Department of Fish and Game and three (3) members of the regional association in the area. In some areas the overall strategic plan has been drafted and work in continuing on the implementation issues, in others the overall plan is still being formulated.

The costs for the regional planning teams have been paid by the State. The estimated costs have been arrived at and divided between the department and the appropriate regional association. Experience has proved that the process works very well when there are incentives for each party to participate and each party has the money within their own control.

The House Resources Committee recommends that a total of \$600,000 be appropriated to the Department of Fish and Game for the planning efforts and that amount be allocated one half to the department and the other half divided between the following regional associations.

Department of Fish and Game	\$300,000
Southern Southeast Regional Association	50,000
Northern Southeast Regional Association	50,000
Prince William Sound Aquaculture Assoc.	50,000
Cook Inlet Aquaculture Association	50,000
Lower Yukon/Kuskokwim Aquaculture Assoc.	50,000
Imarpik	50,000
TOTAL:	\$600,000

FISCAL NOTE

I. REQUEST

Bill/Resolution No. CSHB 460 (Resources)
 Title Fisheries & Salmon Enhancement Taxes
 Requested by House Resources Date April 3, 1981

II. FISCAL DETAIL

Agency Affected _____ Revenue _____
 Program Category Affected _____ General Government
 BRU, Program, or Subprogram(s) Affected Administration & Support, Management Services
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	0	0	0	0	0	0

FUNDING (Thousands of Dollars)

GENERAL FUND		(5,907.0)				
FEDERAL FUNDS						
OTHER (Specify Fund Source)						


POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

CSHB 460 (Resources) increases the percentage of refund to local governments by 150 percent or 5,907.0. This is in addition to the 3,938.0 requested in the FY 82 budget.

There is no additional administrative cost associated with this bill.

IV. DATE May 8, 1981 PREPARED BY  Philip A. Wall
 AGENCY Revenue
 PHONE 465-2313
 Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named) _____

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. CSHB 460 (Finance) (efd failed)
 Title An Act relating to the fisheries and salmon enhancement taxes
 Requested by Senate Resources Committee Date 6/2/81

II. FISCAL DETAIL

Agency Affected Department of Revenue
 Program Category Affected Revenue Collection And Management
 BRU, Program, or Subprogram(s) Affected Audit Division
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)
EXPENDITURES (Thousands of Dollars) NONE

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL						

FUNDING (Thousands of Dollars) NONE

GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS NONE

FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

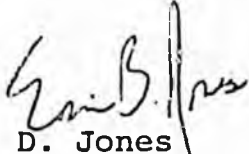
See attached memorandum to R. D. Stevenson dated June 2, 1981.

IV. DATE June 2, 1981 PREPARED BY Ervin B. Jones
 AGENCY Audit Division
 Original: Legislative Finance PHONE 465-2320
 cc: Budget and Management
Prime Sponsor (First Legislator Named)

MEMORANDUM

TO: R.D. Stevenson
Legislative Assistant

DATE: June 2, 1981

FROM: 
Ervin D. Jones
Acting Director,
Audit Division

FILE NO:

SUBJECT: CSHB460 (Finance)

We strongly urge the committee to reconsider Section 2, which is designed to relieve custom processors from paying the Fisheries Business Tax. This would create problems for both the administration and for the taxpayers, since the myriad owners of the fishery resources will now fall under the provisions of AS 43.75.100 upon shipment of the resources out of Alaska. The custom processor, who if that is his only activity, will not even be required to license as a fisheries business would still be required to file reports with the department. Gary strongly suggests leaving in the prohibition against deducting the value of the resources that are processed for others.

As suggested in Gary's memo dated April 22, 1981, Sec. 3 needs revision. The fourth condition suggested in that memo was adopted in part but should be further amended to read:

- (4) the fishery resource is sold by the person who claims an exclusion under this section to a fisheries business licensed under AS 43.75.

This change is particularly important if the intent is to pass the tax liability on to the next person who purchases the fishery resource. As Gary pointed out in the referenced memo, this change is necessary to insure our ability to reasonably enforce the law because then the tax would be reportable by taxpayers with whom we are already dealing and we will not be required to go out and try to find other persons who might buy the fishery resource and who would then be required to pay the tax. Gary believes this was merely a transcription error, since he verbally read the ammendment into the record at the committee's request.

Finally, it is important that sections 5 and 6 of this Act also be made retroactive to January 1, 1981, and that they apply to tax years beginning after December 31, 1980. Otherwise the resulting "split-year" situation would be cumbersome to administer and would work an extra hardship on the taxpayers that the bill attempts to assist.

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. CSHB 460 (Finance) (efo failed)
 Title The Fisheries & Salmon Enhancement Taxes
 Requested by Senate Resources Committee Date 5-28-81

II. FISCAL DETAIL

Agency Affected _____ Revenue _____
 Program Category Affected _____ Community Development _____
 BRU, Program, or Subprogram(s) Affected Shared Taxes - Fisheries Tax

(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	0	0	0	0	0	0

FUNDING (Thousands of Dollars)

GENERAL FUND	0	(1,969.0)	(5,907.0)			
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

The bill provides for a two-step increase in the sharing of fisheries taxes to boroughs and cities.

There is no additional administrative cost effect upon the General Government Administration and Support BRU.

IV. DATE 6-1-81

PREPARED BY _____


Philip A. Wall

AGENCY _____

Revenue

PHONE _____

465-2313

Original: Legislative Finance

cc: Budget and Management

Prime Sponsor (First Legislator Named)

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. CSHB 460 (Finance) (efd failed)
 Title An Act Relating to the Fisheries and Salmon Enhancement Taxes
 Requested by Senate Resources Committee Date June 2, 1981

II. FISCAL DETAIL

Agency Affected Department of Revenue
 Program Category Affected _____
 BRU, Program, or Subprogram(s) Affected _____
 (Note: If more than one budget component is affected, provide separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						

TOTAL

FUNDING (Thousands of Dollars) NONE

GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

IV. DATE June 2, 1981 PREPARED BY Robert W. Elliott
 AGENCY Revenue
 PHONE 465-2309
 Original: Legislative Finance
 cc: Budget and Management
Prime Sponsor (First Legislator Named)

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. SCS CSHB 460(Res)
Title Relating to taxes
Requested by Senate Finance Committee Date 6/19/81

II. FISCAL DETAIL

Agency Affected _____ Revenue _____
Program Category Affected _____ Community Development _____
BRU, Program, or Subprogram(s) Affected Shared Taxes - Fisheries Tax
(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)
EXPENDITURES (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	Ø	Ø	Ø	Ø	Ø	Ø

FUNDING (Thousands of Dollars)

GENERAL FUND	Ø	(1,969.0)	(5,907.0)			
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

The bill provides for a 150% increase in the sharing of fisheries taxes with 50% of the increase beginning in FY82 and full increase beginning in FY83

There is no additional administrative cost effect upon the General Government Administration and Support BRU.

IV. DATE Jun 22, 1981

PREPARED BY Philip A. Wall
AGENCY Revenue
PHONE 465-2313

Original: Legislative Finance
cc: Budget and Management
Prime Sponsor (First Legislator Named)

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. S CSCSHB 460 (Resources)
 Title An Act relating to fisheries and salmon enhancement taxes
 Requested by Senate Finance Committee Date 6/19/81

II. FISCAL DETAIL

Agency Affected Department of Revenue
 Program Category Affected Revenue Collection And Management
 BRU, Program, or Subprogram(s) Affected Audit Division
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES		111.0	62.2	62.2	62.2	62.2
200 TRAVEL		10.0	10.0	10.0	10.0	10.0
300 CONTRACTUAL		4.0	4.0	4.0	4.0	4.0
400 COMMODITIES		1.6	1.6	1.6	1.6	1.6
500 EQUIPMENT		3.2				
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL		129.8	77.8	77.8	77.8	77.8

FUNDING (Thousands of Dollars)

GENERAL FUND		129.8	77.8	77.8	77.8	77.8
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

FULL TIME		4	3	3	3	3
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

The modifications to and new retroactive provisions of the Investment Tax Credit will result in additional increased workload in FY 82 as well as a continuing impact in subsequent fiscal years on our audit program. It is anticipated that we will receive 5,000 to 6,000 claims for refund during FY 82 because of the significant tax benefit which this represents. Also, because of the change whereby the credit will be applicable to property placed in service in Alaska only, our audits of the claims and of returns filed in subsequent years will be made much more difficult because of having to verify the location of the property for all multistate corporations. We now apportion the credit for all multistate corporations, which is very simple. The positions requested are two tax examiners and two revenue auditors. The tax examiners are for

IV. DATE June 22, 1981 PREPARED BY Gary L. Johnson
 AGENCY Audit Division
 PHONE 465-2320
 Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. SCS CS HB 460 (Fin)

Title An Act relating to taxes

Requested by Resources Committee

Date June 22, 1981

II. FISCAL DETAIL

Agency Affected Department of Revenue

Program Category Affected _____

BRU, Program, or Subprogram(s) Affected _____

(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars) NONE

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						

TOTAL

FUNDING (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
GENERAL FUND		(15,530.00)	(7,000)	(7,500.00)	(7,930.00)	
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

NONE

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

This investment credit provisions of this bill will primarily benefit multistate/multinational corporations as well as larger domestic corporations. The estimated loss of revenue for the credit is 5 to 7 million dollars of corporate income tax per year. The effect is so large in FY 82 because of the retroactive provision back to 1/1/79.

The total includes what the state would have obtained if the property exempted under this bill is taxed under AS 43.56. The lost revenue constitutes 2% of assessed value of the property less that amount (about 16%) which is credited for municipal levies. Municipalities could tax the exempted property under local law.

IV. DATE June 22, 1981

PREPARED BY Gary L. Jenkins

AGENCY Department of Revenue

PHONE 465-2320

Original: Legislative Finance

cc: Budget and Management

Prime Sponsor (First Legislator Named)