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HOUSE COMMITTEE REPORT

(7)

Date referred: 1/19/87

FURTHER REFERRALS: Resources
Finance

DATE: JAN. 29, 1987

The Labor & Commerce Committee has considered HB 29

"An Act making a supplemental appropriation to the Department of Commerce and Economic Development for distribution to qualified regional aquaculture associations; and providing for an effective date."

RECOMMENDS:

- replace with _____ the same title
- attached amendment(s) a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(S):

- fiscal impact same as previous fiscal note published _____
- zero fiscal note same as previous zero fiscal note published _____
- zero with analysis

SIGNING DO PASS:

SIGNING OTHER RECOMMENDATIONS:

J. Ellis

W. J. Foxon

W. C. ...

Cliff Davison

Daniel H. Douley

...

Daniel H. Douley

Chairman's signature

STATE OF ALASKA
THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY
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POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-3800

May, 1988

Copies of minutes listed below were originally included in this file. The minutes are available on the STAIRS database CMPR. In order to save space copies of minutes have not been left in the files.

Mary Van Nimwegen

HL+C

1-29-87

1:30 p.m.

JOHN SUND, REPRESENTATIVE

*2504 2nd Avenue
Ketchikan, Alaska 99901
(907) 225-5552*

*While in Juneau
P. O. Box V
Juneau, Alaska 99811
(907) 465-4919*

January 26, 1987

MEMORANDUM

TO: House Labor & Commerce Committee

FROM: Representative John Sund 

RE: HB29 "An Act making a supplemental appropriation to the Department of Commerce and Economic Development for distribution to qualified regional aquaculture associations; and providing for an effective date."

.....

In FY 87, for the first time, money was taken from Salmon Enhancement Tax Receipts to fund operations of the Department of Commerce and Economic Development. In the past, 100% of the tax receipts were allocated to the Non-profit salmon hatcheries, this year 7% was siphoned off to make up DCED's budget. The amount was \$239,000 which bore no relation to the costs of operating the state distribution program.

The Department of Commerce has one staff assigned to the Salmon Enhancement Tax Receipts program (the funds are collected by the Department of Revenue and only distributed by Commerce to the Regional Aquaculture Associations).

I would like your support for adding back into the FY 88 operating budget the amount diverted from the Tax Receipts. I think that taking these funds out as a general tax is setting an unfortunate precedent. This was never expressed as a possibility at the time that the fishermen voted the tax on themselves.

**SOUTHERN SOUTHEAST REGIONAL
AQUACULTURE ASSOCIATION, INC.**

1649 Tongass Avenue

Ketchikan, Alaska 99901

(907) 225-9605

Representative John Sund
2504 Second Street
Ketchikan, AK 99901

September 29, 1986

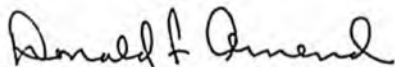
Dear Representative Sund:

You may recall the controversy among fishermen last spring when \$239,000 of the salmon enhancement tax was eliminated from the state budget. Your support was greatly appreciated in getting a commitment from Governor Sheffield to seek a supplemental appropriation during the next legislative session to replace these funds. However, we will now have a new governor and this commitment must be maintained.

I am asking for your support now to back this commitment. If you would write to me rededicating this commitment, I will gladly distribute it among the fishermen.

Thank you for your assistance.

Sincerely,



Donald F. Amend
General Manager

DA/jlr
Enclosure

PRIVATE NON PROFIT HATCHERIES

**SOUTHERN SOUTHEAST REGIONAL
AQUACULTURE ASSOCIATION, INC.**

1649 Tongass Avenue

(907)225-9605

Ketchikan, Alaska 99901

Mr. William Sheffield, Governor
P.O. Box A
Juneau, AK 99811

May 22, 1986

Dear Governor Sheffield:

There has been a breach of commitment and the breaking of a promise to the fishermen of Alaska during the last legislative session. Under Title 43, Chapter 76, section 43.76.010, the fishermen of Southeast Alaska in 1980 voted upon themselves a 3% enhancement tax to support qualified Regional Aquaculture Associations. The fishermen who are members of the Southern Southeast Regional Aquaculture Association have paid their taxes based on the promise and commitment made to them in 1980 by the State of Alaska that their taxes would be used to support the Regional Aquaculture Association for salmon enhancement. This promise has been kept each year until now.

The budget submitted to you after the recently concluded legislative session withheld \$239,000 of the 3% enhancement tax paid by fishermen. This will drastically reduce the funds needed to conduct the enhancement efforts by the Regional Aquaculture Associations. I was told by our legislative Representatives that the House fought futilely to reinstate those funds.

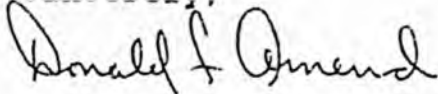
The 3% enhancement tax revenue is administered through the Department of Commerce and Economic Development. I understand that nothing can be done now to reinstate the withheld enhancement tax funds. Therefore, I strongly urge you to use the authority of your office to have the Department of Commerce redistribute their allocated funds to fully fund what the Regional Aquaculture Associations are entitled to receive. The fishermen and the people of Alaska deserve to be treated fairly and the State government should not frivolously break commitments and promises.

PRIVATE NON PROFIT HATCHERIES

S.S.R.A.A.

Please let me know what you plan to do to correct this error and what your plans are to prevent this from happening again.

Sincerely,



Donald F. Amend
General Manager

DA/jlr

cc: Commissioner Loren Lounsbury
Representative John Sund
Representative Robin Taylor
Senator Robert Ziegler
Cook Inlet Regional Aquaculture Assoc.
Northern Southeast Regional Aquaculture Assoc.
Prince William Sound Regional Aquaculture Assoc
Alaska Gillnetters Association
Alaska Trollers Association
Southeastern Alaska Sein Boat Owners and Operators



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

June 5, 1986

Mr. Donald Amend
General Manager
Southern Southeast Regional
Aquaculture Association
1649 Tongass Avenue
Ketchikan, AK 99901

Dear Don,

As you are aware, the FY 87 operating budget shows a \$239,000 reduction in salmon enhancement tax money. In the chaos at the end of the session, the tax money unfortunately fell through the cracks when the Conference Committee failed to select the full funding provided in the House of Representatives' budget and instead chose the Senate's figures. This shortfall is truly regrettable, and my Administration will seek a \$239,000 supplemental appropriation early next session to cover it.

Although the Department of Law now tells us we can't issue a contract for an amount larger than the FY 87 appropriation, the Division of Investments of the Department of Commerce and Economic Development (DCED) will be able to quickly amend your contract once a supplemental is approved. A copy of this letter will be formally attached to your contract to represent my Administration's intent. Commerce officials recommend that you base your FY 87 budget on the full funding level with the fourth quarter reflecting your individual shortfall to be funded by the supplemental. Your first three quarterly payments will be based on the full payment due.

I will work closely with the Legislature to ensure speedy passage of this appropriation. Should the Legislature fail to act, DCED will work closely with you to make sure your financial needs are met and to see that the funds are added to the FY 88 budget.

I realize that your major fear is concerning possible future raids on the fisheries enhancement tax funds. I can assure

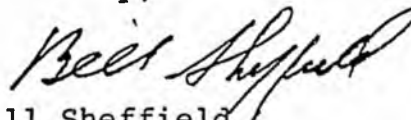
June 5, 1986

Page 2

you that my Administration is fully aware of the history of this tax and is committed to the full disbursement of these funds. I have instructed the Office of Management and Budget to take whatever steps are necessary to ensure that future changes in DCED's budget will not impact the disbursement of fisheries enhancement taxes to the regional aquaculture associations.

Thank you for your assistance in working with us to arrange this plan to recover the full funding. I regret any inconveniences this may have caused your organization.

Sincerely,



Bill Sheffield
Governor

cc: Mr. Jack Cadigan
United Fishermen of Alaska

Mr. Earl Krygier
Alaska Trollers Association

JOHN SUND, REPRESENTATIVE

2505 2nd Avenue
Ketchikan, Alaska 99901
(907) 225-5552

While in Juneau
P. O. Box V
Juneau, Alaska 99811
(907) 465-4919

May 23, 1986

The Honorable Bill Sheffield
Pouch A
Juneau, Alaska 99811

Dear Governor Sheffield:

A dangerous precedent has been set in this year's budget with the \$239,000 that has been skimmed from the fisheries enhancement tax receipts.

That money was removed in OMB's revised version of your budget. The House restored the 7.5% cut, only to have it removed once again in conference committee, when the Senate followed your lead and cut an identical 7.5% from the fishermen's tax receipts.

At the time the original cut was made in your budget, the action was justified as the cost of administrative overhead. When the fisheries enhancement tax was voluntarily established by the fishermen, the courts said that receipts must be channeled through a government agency. However, the agreement in 1979 was that 100% of those receipts would be reimbursed to the aquaculture associations; no "administrative overhead" and no skimming!

As I mentioned, I am very disturbed by the precedent that we are setting here. If I could alter the action of this Legislature I would do so. Lacking that ability, I ask for your strongest assurances that this will never happen again.

Sincerely,

John Sund
Representative

cc: Dave Massey, C&ED
Don Amend, SSRAA

DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT

	<u>FY 86 AUTHORIZED</u>	<u>FY 87 GOVERNOR</u>	<u>FY 87 REVISED</u>	<u>FY 87 % CHANGE</u>
General Fund	\$54,262.8	\$50,496.9	\$47,667.3	(5.6)
Total Funds	\$71,943.0	\$69,566.9	\$64,986.9	(6.6)
PFT	447	446	413	(7.4)
PPT	16	16	21	

<u>PROGRAM</u>	<u>IMPACT</u>	<u>GF REDUCTION</u>
Tourism	Eliminate Media Exposure Recovery Increment.	(964.5)
Small Business Development	Eliminate Business Assistance Center Contracts. To be replaced with 50% Federal/ 50% State CIP funded SBA program utilizing the university system.	(350.0)
ASMI	General Fund reduction which could be offset by an increase in the Seafood Marketing Assessment.	(493.0)
Fisheries Enhancement Tax Receipts	Pass on to PNP aquaculture associations less than assessments collected. Reduction of 7.5% justified as the cost of state administrative overhead.	(239.0)
APUC	Delete 4 PFT positions including the Deputy Executive Director.	(214.4)
Economic Development Advocates	Consolidate the Office of Forest Products and the Office of Minerals Development. Consolidate the Office of Small Business Development and the Office of International Trade. Delete two Office Directors.	(177.1)
Alaska Power Authority	Eliminate 4 PFT general fund positions. Eliminate an additional 16 PFT positions supported by other funding sources. Convert 5 PFT positions to part-time.	(287.9)

*** DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT ***

BUDGET COMPONENT	86 AUTH	GOVERNOR	OMB REV	EXPLANATION OF CHANGES (EXCEPT GENERAL REDUCTIONS)
74 ? COMMERCIAL FISHERIES DEV.	362.3	370.7	3700.2	Delete program (3700.2)
76 INTERNATIONAL TRADE	792.8	790.5	756.1	
78 FOREST PRODUCTS	187.8	211.0	187.8 215.5	Reduce to '86 Auth (57.7)
80 RESEARCH, ANALYSIS & SUPPORT	445.5	438.2	445.5 465.9	Reduce to '86 Auth (20.4)
82 DATA AND WORD PROCESSING	24.8	6.7	6.7	
84 ENERGY	1.4			
*** PROGRAM TOTAL ***	3270.5	3195.6	5969.3	
INVESTMENTS				
86 OPERATIONS	1390.6	1360.4	1360.4	
88 DATA AND WORD PROCESSING	2.7	1.9	1.9	
*** PROGRAM TOTAL ***	1393.3	1362.3	1362.3	
ACCOUNTING AND COLLECTIONS				
90 OPERATIONS	1466.5	1716.8	1691.2	
92 DATA AND WORD PROCESSING	159.2	90.7	151.2	
*** PROGRAM TOTAL ***	1625.7	1807.5	1842.4	
96 ? FISH ENHANCEMENT TAX RECEIPTS TOURISM	3186.6	3186.6	2947.6	what is this cut Skimming (239)
100 OPERATIONS	7251.8	8127.4	7162.9	
102 DATA AND WORD PROCESSING	3.6			
*** PROGRAM TOTAL ***	7255.4	8127.4	7162.9	
AIDA				
106 OPERATIONS	1624.5	1734.7	1714.4	
108 DATA AND WORD PROCESSING	114.9			
*** PROGRAM TOTAL ***	1739.4	1734.7	1714.4	
AK SEAFOOD MARKETING INSTITUTE			3000.0	Add 3000.0

RESOLUTION FOR
FULL DISBURSEMENT OF THE SALMON ENHANCEMENT TAX FUNDS TO
THE REGIONAL AQUACULTURE ASSOCIATIONS

WHEREAS, the State of Alaska has created by statute provisions for fishermen to tax themselves for the purpose of salmon enhancement by Qualified Regional Aquaculture Associations (Title 43, chapter 76), and

WHEREAS, the majority of fishermen belonging to Qualified Regional Aquaculture Associations elected to impose either a two or three percent tax upon themselves based upon promises by the State of Alaska to fully disperse the tax collected to their respective Regional Aquaculture Association for salmon enhancement,

LET IT BE KNOWN, that the 1986 legislature withheld a portion of the enhancement tax, violating the promise made to fishermen.

LET IT BE FURTHER KNOWN, that Governor Sheffield promised to initiate supplemental funding in the 1987 legislative session to reinstate the funds withheld by the 1986 legislature and he further confirmed the promise that future enhancement taxes collected will be fully dispersed back to the appropriate Qualified Regional Aquaculture Association.

FURTHERMORE, gubernatorial candidate Steve Cowper also promised to support a supplemental appropriation in the 1987 legislature to reinstate the funds previously withheld and promised to support full disbursement of the salmon enhancement tax to the Regional Aquaculture Associations.

LET IT BE RESOLVED, that governor Steve Cowper honor his promises by supporting a supplemental appropriation in the 1987 legislative session to reinstate the funds withheld in 1986 and direct the Office of Budget and Finance and the Department of Commerce and Economic Development to prepare future budgets that require full disbursement of the salmon enhancement tax to the appropriate Qualified Regional Aquaculture Association.

APPROVED BY THE SSRAA BOARD OF DIRECTORS

TO: Jay Hogan, Director
Division of Budget Review
Office of Management and Budget
Office of the Governor


DATE: December 23, 1986

FILE NO.:

THRU:

TELEPHONE NO.: 465-2500

SUBJECT: Request for Supplemental
Appropriation, Fisheries
Enhancement Tax Receipts

FROM: 
F. Terry Elder, Deputy Commissioner
Department of Commerce and Economic
Development

JAN 21 1987

This memo is the department's formal request for a supplemental appropriation in the amount of \$239,000 to replace funds that were cut from the Fisheries Enhancement Tax Receipts budget for FY 87.

Salmon enhancement taxes on the sale of salmon are collected by the Department of Revenue in areas where regional aquaculture associations have been formed by local fishermen, and those fishermen have approved a tax. The funds are subsequently appropriated by the Legislature to the Department of Commerce and Economic Development, which then distributes the funds to the regional associations through contractual agreements. It is clear that the legislative intent was to correlate the appropriations of fisheries enhancement funds to the actual tax revenues collected, and that the tax receipts are not to be used to subsidize other state government functions.

Despite the legislative intent and history of the program, the original FY 87 budget request of \$3,186,600 was reduced by 7.5% (\$239,000) in the Conference Committee during across-the-board budget cuts. Consequently, we must now request a supplemental appropriation to restore full funding for the Fisheries Enhancement Tax Receipts Program.

Please let us know if you require additional information.

CP/mst5086m
122386a

OFFICE OF
MANAGEMENT & BUDGET
DEC 24 1986
BUDGET REVIEW

BILL SHEFFIELD
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

June 6, 1986

The Honorable John Sund
2505 Second Avenue
Ketchikan, AK 99901

Dear John,

Enclosed is a letter I just sent to Don Amend regarding the fisheries enhancement tax receipts.

As you know, John, this reduction was supposed to have been corrected in Conference Committee. You are all too aware of the utter chaos in those last few days.

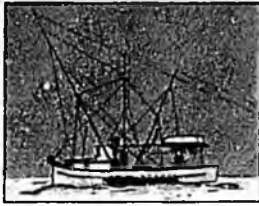
I have no intention now or in the future of "skimming" from those funds.

Sincerely,

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

Bill Sheffield
Governor

cc: Don Amend



**Alaska
Trollers
Association**

130 Seward St., No. 213
Juneau, Alaska 99801
(907) 586-9400

Alaska Trollers Association Testimony on House Bill 29
1/29/87

The Alaska Trollers Association wishes to strongly support House Bill #29. This Bill rectifies a bookkeeping error by the Office of Budget & Management, which occurred during the budget-cutting scramble last session; \$239,000 of fisherman-supported enhancement tax was lost when across the board cuts were made in the Department which administers these funds. House Bill #29 replaces these funds.

Under Title 43, Chapter 76, Section 43.76.010, salmon enhancement taxes on the sale of salmon is collected by the Department of Revenue, but only in areas where regional aquaculture associations have been formed by local fishermen, and where those fishermen have approved a tax. The funds are subsequently appropriated by the Legislature to the Department of Commerce and Economic Development, which then distributes these tax funds to the proper regional association.

Understanding that there are no dedicated funds within the State system, fishermen took this commitment to pay an assessment (3% in Southeast) with a political promise from the State and the Legislature that their tax monies would, in fact, be appropriated to support regional aquaculture. Any overhead costs used to subsidize other government functions, and thus reduce the full amount of expected revenue to the regional associations, can only be viewed as a breach of that promise. Such losses will effect the cash flow of the aquaculture associations since they anticipate these funds to drive their programs, and, in part, are used to pay back State loans on capital investment.

Fishermen would certainly understand budget deficits since they are businessmen themselves; what they would not understand is that if after voting themselves a tax, whose proceeds were promised as support for aquaculture, the funds were directed elsewhere.

The entire fishing industry respectfully requests your support on mitigating this error.

JOHN SUND, REPRESENTATIVE
2505 2nd Avenue
Ketchikan, Alaska 99901
(907) 225-5552

While in Juneau
P. O. Box V
Juneau, Alaska 99811
(907) 465-4919

January 21, 1987

MEMORANDUM

TO: Honorable Dave Donley

FROM: Representative John Sund

RE: HB29 "An Act making a supplemental appropriation to the Department of Commerce and Economic Development for distribution to qualified regional aquaculture associations; and providing for an effective date."

.....

I would appreciate it if you would schedule HB29 at your earliest convenience.

In FY 87, for the first time, money was taken from Salmon Enhancement Tax Receipts to fund operations of the Department of Commerce and Economic Development. In the past, 100% of the tax receipts were allocated to the Non-profit salmon hatcheries, this year 7% was siphoned off to make up DCED's budget. The amount was \$239,000 which bore no relation to the costs of operating the state distribution program.

The Department of Commerce has one staff assigned to the Salmon Enhancement Tax Receipts program (the funds are collected by the Department of Revenue and only distributed by Commerce to the Regional Aquaculture Associations).

I would like your support for adding back into the FY 88 operating budget the amount diverted from the Tax Receipts. I think that taking these funds out as a general tax is setting an unfortunate precedent. This was never expressed as a possibility at the time that the fishermen voted the tax on themselves.