

HB

29

January 29, 1987

MEMORANDUM

TO: John Sund

From: Howard Wayne

RE: Fish Enhancement Tax Receipts in Governor's Budget

.....  
Mel Hondelaro, Department of Revenue, supplied the actual level of Fish Enhancement Tax Receipts for the past five fiscal years.

FY82 2,424,999

FY83 2,553,832

FY84 2,241,300

FY85 2,625,313

FY86 4,263,086 (Prince William Sound accounted for \$960,000)

FY87 AUTH 4435.3

FY87 REV 4435.3

FY88 GOV 3284.0 -1151.3 -26.5%

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 29, 1987

MEMORANDUM

TO: Honorable Adelheid Herrmann  
Honorable Sam Cotten

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.



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

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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)
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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.	(237.9)

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XXX PROGRAM TOTAL XXX	1739.4	1734.7	1714.4	
AK SEAFOOD MARKETING INSTITUTE			3000.0	Add 3000.0

**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.

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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.

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 *JS*

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."

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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).

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**JOHN SUND, REPRESENTATIVE**

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

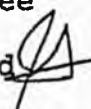
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*While in Juneau  
P. O. Box V  
Juneau, Alaska 99811  
(907) 465-4919*

January 29, 1987

MEMORANDUM

TO: House Resources 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.

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

**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.

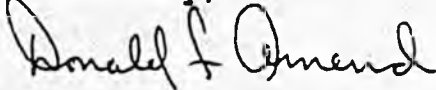
The 3% enhancement tax revenue is administered through the Department of Commerce and Economic Development. I understand that nothing can be done now to reinstate the withheld enhancement tax funds. Therefore, I strongly urge you to use the authority of your office to have the Department of Commerce 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

STEVE COWPER  
GOVERNOR



STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

January 13, 1987

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

Dear ~~Mr.~~ Amend: *Don*

Thank you for your November 10 letter of congratulations. I greatly appreciate your support and offer of assistance.

The request for a supplemental appropriation to replace restricted salmon enhancement tax dollars remains on this Administration's agenda. The salmon enhancement taxes were established solely to support enhancement activities of the regional aquaculture associations and, consequently, the tax receipts should not be used to supplement general government funding.

We will keep the regional associations informed as to the progress of this issue.

Thanks again for your comments.

Sincerely,

*Steve Cowper*  
Steve Cowper  
Governor

# MEMORANDUM

# State of Alaska

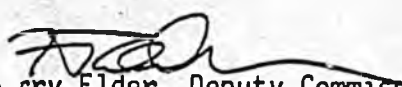
TO: Jay Hogan, Director  
Division of Budget Review  
Office of Management and Budget  
Office of the Governor

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

**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

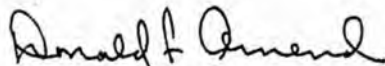
Dear Representative Sund:

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**

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

BILL SHEFFIELD  
GOVERNOR



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

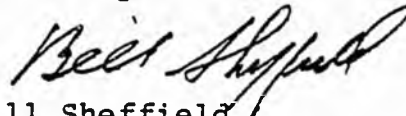
June 5, 1986

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  
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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.

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John Sund  
Representative

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DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT

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