

HB

3/4

# HOUSE COMMITTEE REPORT

(9)

Date referred: 3/22/88

FURTHER REFERRALS: Finance

DATE: 4-8-88

The Resources Committee has considered 2d SSHB 314

"An Act relating to the allocation of fisheries business taxes to municipalities by the Department of Community and Regional Affairs; and providing for an effective date."

**RECOMMENDS:**

- replace with CS 2d SS HB 314 (Res) [ ] 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
- [ ] zero fiscal note
- [ ] zero with analysis
- same as previous fiscal note published \_\_\_\_\_
- [ ] same as previous zero fiscal note published \_\_\_\_\_

**SIGNING DO PASS:**

Adelheid Herrmann

Mike Savane

Heinrich Springer

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**SIGNING OTHER RECOMMENDATIONS:**

[Signature] \_\_\_\_\_

[Signature] \_\_\_\_\_

[Signature] \_\_\_\_\_

[Signature] \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Adelheid Herrmann  
Chairman's signature

STATE OF ALASKA  
1988 LEGISLATIVE SESSION

BILL VERSION: SSHB 314  
PUBLISH DATE: 3/15/88

FISCAL NOTE

REQUEST:

Revision Date:  
Title: An Act relating to the allocation  
of fisheries business taxes to municipal  
Sponsor: Community & Regional Affairs  
Requestor: Herrmann

Agency Affected: Revenue  
BRU: Income and Excise Audit Division  
Components:

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
<b>OPERATING</b>						
PERSONAL SERVICES	-	17.0	17.0	17.0	17.0	17.0
TRAVEL	-	-	-	-	-	-
CONTRACTUAL	-	10.2	3.2	3.2	3.2	3.2
SUPPLIES	-	.5	.5	.5	.5	.5
EQUIPMENT	-	-	-	-	-	-
LANDS & STRUCTURES	-	-	-	-	-	-
GRANTS, CLAIMS	-	-	-	-	-	-
MISCELLANEOUS	-	-	-	-	-	-
<b>TOTAL OPERATING</b>	-	27.7	20.7	20.7	20.7	20.7
<b>CAPITAL</b>	-	-	-	-	-	-
<b>REVENUE</b>	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
GENERAL FUND	-	27.7	20.7	20.7	20.7	20.7
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
<b>TOTAL</b>	-	27.7	20.7	20.7	20.7	20.7

POSITIONS:

	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
FULL-TIME	-	-	-	-	-	-
PART-TIME	-	1	1	1	1	1
TEMPORARY	-	-	-	-	-	-

ANALYSIS: (Attach a separate page if necessary)

Prepared By: Steven E. Kettel  
Division: Income and Excise Audit Division

Phone: 465-2320  
Date: March 15, 1988

Approved by Commissioner: Hugh Malone  
Agency: Department of Revenue

Date: 3/16/88

Distribution (by preparer):  
Legislative Finance  
Legislative Sponsor  
Requestor  
Office of Management and Budget  
Impacted Agency(ies)

HB 314 Analysis

Prepared By: Steven E. Kettel  
Income and Excise Audit  
March 15, 1988

Personal Services

<u>Position</u>	<u>Location</u>	<u>Annual Salary/Benefits</u>
Accounting Clerk II	Juneau	\$17.0

This creates one seasonal half time position to copy and file returns.

Contractual

Design and Printing of Forms	\$7.0
File Cabinet	\$ .7
Copying Charges	<u>\$2.5</u>
TOTAL	\$10.2

Supplies

Office Supplies	<u>\$ .5</u>
TOTAL	<u>\$ .5</u>

OPERATING TOTAL

~~\$38.4~~ 27.7

FISCAL NOTE

REQUEST:

Revision Date: 03/15/88  
Title: "An Act relating to the allocation of fisheries business taxes"  
Sponsor: herrmann and Calo  
Requestor: C&A/resources/Finance

Agency Affected: Revenue  
EAB: \_\_\_\_\_  
Components: \_\_\_\_\_

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
<b>OPERATING</b>								
PERSONAL SERVICES	-	-	-	-	-	-	-	-
TRAVEL	-	-	-	-	-	-	-	-
CONTRACTUAL	-	-	-	-	-	-	-	-
SUPPLIES	-	-	-	-	-	-	-	-
EQUIPMENT	-	-	-	-	-	-	-	-
LANDS & STRUCTURES	-	-	-	-	-	-	-	-
GRANTS, CLAIMS	-	-	-	-	-	-	-	-
MISCELLANEOUS	-	-	-	-	-	-	-	-
<b>TOTAL OPERATING</b>	-	-	-	-	-	-	-	-
<b>CAPITAL</b>	-	-	-	-	-	-	-	-
<b>REVENUE</b>	-	(4,500)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-	-	-
OTHER	-	-	-	-	-	-	-	-
<b>TOTAL</b>	-	-	-	-	-	-	-	-

POSITIONS:

FULL-TIME	-	-	-	-	-	-	-	-
PART-TIME	-	-	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-	-	-

ANALYSIS: (Attach a separate page if necessary)

The estimated loss of general fund unrestricted revenues would result in additional revenue sharing to municipalities under SSB 314. Estimates are based on FY 87 actuals and reflect current price/catch assumptions in future years.

Prepared by: Bob Elliott *BE* Phone: 465-2173  
Division: Revenue - Research Section Date: 03/15/88

Approved by Commissioner: Hugh Malone *H Malone* Date: 03/15/88  
Agency: Department of Revenue

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

Original sponsors: Herrmann and Cato

1 IN THE HOUSE BY THE RESOURCES COMMITTEE

2 CS FOR 2d SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 314 (Resources)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the allocation of fisheries  
7 business taxes to municipalities by the Department of  
8 Community and Regional Affairs; and providing for an  
9 effective date."

10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

11 \* Section 1. FINDINGS. The legislature finds that

12 (1) it has been a longstanding state policy to share fisheries  
13 business taxes with municipal governments in the areas in which the fishery  
14 resources are harvested;

15 (2) these shared taxes constitute an important source of revenue  
16 to municipal governments to mitigate the effects of fish harvesting and  
17 processing activities;

18 (3) there is an impact in communities that experience an in-  
19 crease in population or influx of people;

20 (4) fishing activities such as harvesting and processing create  
21 an influx of population throughout the year in many coastal communities;

22 (5) the state has a vested interest in encouraging communities  
23 to provide adequate services;

24 (6) revenue generated through the sharing of fisheries business  
25 taxes will help many fishing communities to provide adequate services and  
26 to prepare for future damage attributable to fisheries activities.

27 \* Sec. 2. AS 29.60 is amended by adding a new section to read:

28 ARTICLE 6. SHARED FISHERIES BUSINESS TAXES.

29 Sec. 29.60.450. FISHERIES BUSINESS TAX ALLOCATION. (a) A

1 municipality is eligible for a fisheries business tax allocation if  
2 the municipality demonstrates to the department that the municipality  
3 suffered significant effects from fisheries business activities during  
4 the base year.

5 (b) Before making a tax allocation under (c) of this section, a  
6 portion of the tax revenue available under AS 43.75.130(g) for allo-  
7 cation under this section shall be apportioned by the department to  
8 each management area based on the ratio of the management area's fish  
9 and shellfish production value to the total fish and shellfish produc-  
10 tion value for all of the management areas. The department may com-  
11 bine management areas if requested and if the department determines  
12 that there is a significant cross-boundary effect between management  
13 areas within a management region.

14 (c) The tax allocation to an eligible municipality is the sum of

15 (1) the result of dividing the number of the management  
16 area's eligible municipalities for the tax allocation year into one-  
17 half of the tax revenue apportioned to the management area under (b)  
18 of this section for the tax allocation year; and

19 (2) the result of multiplying the municipality's population  
20 ratio by the other one-half of the tax revenue apportioned to the  
21 management area under (b) of this section for the tax allocation year.

22 (d) If a borough and a city that is located within the borough  
both qualify as eligible municipalities under (a) of this section for  
a tax allocation year, the department shall exclude the population of  
the city from the borough's population when calculating the borough's  
population ratio under (c) of this section.

(e) A municipality that receives a tax allocation under this  
section shall use the tax allocation to help reduce the effect of  
fisheries business activities on the municipality, and may thereafter

use the tax allocation for the expenses of any municipal service.

(f) At the request of the department, an applicant or a recipient of a tax allocation shall provide the department with the assistance and information available to the municipality that is necessary for the department to carry out the department's duties under this section relating to the municipality.

(g) The department may adopt regulations necessary to carry out the provisions of this section.

(h) In this section,

(1) "base year" means the calendar year that precedes the application deadline for the tax allocation year;

(2) "effect" means the change attributable to fisheries business activities on the municipality's

(A) population;

(B) employment;

(C) finances;

(D) air and water quality;

(E) fish and wildlife habitats; and

(F) ability to provide essential public services, including health care, public safety, education, transportation, marine garbage collection and disposal, solid waste disposal, utilities, and government administration;

(3) "fisheries business activity" means activity related to processing fisheries resources for sale by freezing, cooking, salting, or other method and includes but is not limited to canneries, cold storages, freezer ships, and processing plants;

(4) "management area" means one of the geographical units designated by the Board of Fisheries by regulation adopted under AS 16.05.251(a)(2) for the management of the commercial fisheries of

1 the state;

2 (5) "population" means the population determined under  
3 AS 29.60.020;

4 (6) "population ratio" means the base year population of  
5 the municipality divided by the population of the management area;

6 (7) "production value" means the weight of the fish and  
7 shellfish processed by floating fisheries businesses;

8 (8) "tax allocation year" means the fiscal year for which  
9 the department makes the tax allocation.

10 \* Sec. 3. AS 43.75.130 is amended by adding a new subsection to read:

11 (g) To the extent that appropriations are available for the  
12 purpose, and notwithstanding the requirement of AS 37.07.080(e) that  
13 approval of the office of management and budget is required, an amount  
14 equal to 50 percent of the tax revenue that is collected under this  
15 chapter from floating fisheries businesses and is not subject to  
16 division with a municipality under (a), (c), and (d) of this section  
17 shall be transmitted each fiscal year by the department to the Depart-  
18 ment of Community and Regional Affairs for disbursement, without the  
19 approval of the office of management and budget, to eligible munic-  
20 ipalities under AS 29.60.450.

21 \* Sec. 4. INITIAL MANAGEMENT AREAS. Notwithstanding AS 29.60.-  
22 450(h)(4), as added by sec. 2 of this Act, until revised by the Board of  
23 Fisheries under AS 16.05.251(a)(2), in AS 29.60.450 "management area" means  
24 a management area designated by the Department of Community and Regional  
25 Affairs to administer the offshore fisheries business tax revenue sharing  
26 pilot project (19 AAC 33) during the fiscal year ending June 30, 1988.

27 \* Sec. 5. This Act takes effect July 1, 1988.

AMENDMENT #1 Page 2 line 10:

ADD: Areas may be combined by request if the department finds there is a significant cross boundary impact between areas.

↓ in the region

AMENDMENT #2 Page 3 line 9:

(F) ability to provide essential public services, including health care marine garbage collection and disposal, solid waste disposal, public safety, education, transportation, utilities, and government administration

③ 2d S HB 314

STATE OF ALASKA  
THE LEGISLATURE

FOUCH Y STATE CAPITOL  
JUNEAU ALASKA 99811  
707 465 1800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

March 15, 1988

SUBJECT: 2d SSHB 314 (Allocation of fisheries business taxes to municipalities by the Department of Community and Regional Affairs)

TO: Representative Adelheid Herrmann

FROM: Jack Chenoweth  
Legislative Counsel

This sectional analysis addresses the 2d Sponsor Substitute for House Bill 314 provided to you on March 14.

\*

CURRENT LAW:

Levy of the fisheries business tax: Under AS 43.75, the state imposes a fisheries business tax. The tax is payable to the Department of Revenue. As specified in AS 43.75.-015(a), the tax is levied on the following activities at the rates set out after each:

- (1) Salmon canned at a shore-based fisheries business -- 4½ percent;
- (2) Salmon processed by a shore-based fisheries business other than that which is canned -- 3 percent;
- (3) All other fisheries resources processed by a shore-based fisheries business -- 3 percent;
- (4) Fisheries resources processed by a floating fisheries business -- 5 percent.

However, if the resource is a developing commercial fish species (as that term has been defined and as those species

Representative Adelheid Herrmann  
Page 2  
March 15, 1988

are designated by the commissioner of fish and game), the tax is payable at a reduced rate. See AS 43.75.015(b).

In AS 43.75.017, the legislature has enumerated several exclusions from the tax, while in AS 43.75.100, the legislature has acted to try to recover taxes from fisheries resources recovered in the state but that are transported and sold outside the state.

The legislature has provided several tax credits. See AS 43.75.018 and 43.75.032.

Existing refund program: For many years there has been a program under which refunds of a portion of the taxes collected are returned to local governments. The principal formula for the distribution of the refund to local governments is set out in AS 43.75.130(a). This formula is based on the revenue generated from fisheries business operations occurring within municipalities.

The fisheries business tax refund program has been amended in each of the last two years. The 1987 amendments, probably more important in determining what is actually shared, restructured the formula for fisheries business tax refunds with respect to taxes collected in cities located in a borough that is incorporated after June 16, 1987, the date the law took effect, by gradually reducing the city's share from 50% to 25% over the first five years after incorporation, and by gradually increasing the borough's share from 25% to 50% over the same period. The statutory provisions making adjustments to the shares of cities within newly-incorporated boroughs are set out in AS 43.75.130(d).

The current refund program is managed by the Department of Revenue.

\*

None of what I have described above is directly changed, altered, or amended by 2d SSHB 314.

\*

WHAT THIS BILL DOES:

2d SSHB 314 essentially does three things:

(1) In addition to the current refund program, 2d SSHB 314 directs that, "to the extent that appropriations are available for the purpose . . . , " 50 percent of the tax revenue collected under AS 43.75 from floating fisheries businesses that is not subject to refund to a municipality under AS 43.75.130(a) and 43.75.130(d) is to be shared with municipalities under this new program.

(2) 2d SSHB 314 lays out in detail how municipalities may qualify for a portion of the shared revenue and how the program is to be administered.

(3) 2d SSHB 314 assigns responsibility for this new program is assigned to the Department of Community and Regional Affairs.

Bill section 3, the provision adding a new AS 43.75.130(g), lays out the basis of what revenue is to be shared, item # (1) above. In essence, bill section 3 says that the source of the revenue to be shared under 2d SSHB 314 is 50 percent of the tax revenues collected from floating fisheries businesses that is not now being shared with municipalities under the existing program. A "floating fisheries business" is defined in AS 43.75.140(6); essentially a floating fisheries business means the fisheries business activities that are subject to tax under AS 43.75 occur offshore. Floating fisheries businesses are, by and large, located outside of the boundaries of any municipality. Since, under the current law, the state shares with municipalities only on the basis of tax revenues collected in the municipality (that is, inside the municipal boundaries), then a very high percentage of revenue obtained from the levy of AS 43.75 on floating fisheries businesses is not shared with the municipalities under the current formulas. Because so little of the revenue derived from levy of the tax on floating fisheries businesses is shared with municipalities, that money stays in the state's general fund as an addition to the treasury.

In AS 43.75.130(g), added by bill section 3, 50 percent of the money that would not be shared under the existing program with local governments is to be paid over by the Department of Revenue to the Department of Community and Regional Affairs to support this new programs.

Representative Adelheid Herrmann  
Page 4  
March 15, 1988

Bill section 2 addresses items #2 and #3 above. You should understand that, because this bill adds material to AS 29.60, this new program will be administered by the Department of Community and Regional Affairs. The definition of "department" for purposes of AS 29 is to be found in AS 29.71.700(8).

The revenue from the fisheries business tax that is paid over by the Department of Revenue to the Department of Community and Regional Affairs is, first, to be apportioned on the basis of "management areas" (proposed AS 29.60.450(b)) [not "management regions" as in previous versions of this bill]. These management areas are tied to the management areas used by the Department of Fish and Game for the regulation of the state's commercial fisheries. The manner of making the allocation of the revenues to each management area is based on the proportion of the fish and shellfish production within each area to the total production for the state. That production is defined with reference to the total weight, not with reference to total value (see the definition of "production value" in proposed AS 29.60.-450(h)(7)).

Within each management area's allocation, half of the revenue is distributed equally among all eligible municipalities within the management area (proposed AS 29.60.-450(c)(1)), while the other half is distributable to eligible municipalities based on each municipality's population ratio (proposed AS 29.60.450(c)(2)). There is a provision (proposed AS 29.60.450(d)) making an accommodation for excluding the count of the population of a city within a borough when calculating the borough's population ratio.

Not all municipalities within a management area may qualify. A municipality "is eligible for a fisheries business tax allocation if the municipality demonstrates to the [Department of Community and Regional Affairs] that the municipality suffered significant effects from fisheries business activities" during the previous year (proposed AS 29.60.-450(a)). The test of significant effect is with reference to the specific items listed in proposed AS 29.60.450(h)(2). Some municipalities within an area may not be able to demonstrate how the municipality was affected by fisheries business activities, and therefore would not qualify as an eligible municipality. In turn, a municipality that is eligible to receive a portion of the allocation is expected, first, to use the revenue "to help reduce the effect of

Representative Adelheid Herrmann  
Page 5  
March 15, 1988

fisheries business activities on the municipality," and thereafter may use the money for any municipal service (proposed AS 29.60.450(e)).

The Department of Community and Regional Affairs is authorized to adopt regulations to carry out the program (proposed AS 29.60.450(g)). Municipalities are directed to provide information and assistance to the department in order for the department to administer the program (proposed AS 29.60.450(f)).

The definitions provided in this bill (proposed AS 29.60.450(h)) are particularly critical to an understanding of the bill, and should be reviewed.

Bill section 4 is an uncodified, interim provision. It is included for the purpose of providing direction to the Department of Community and Regional Affairs as this legislation takes effect. Bill section 4 directs the department to use the "management areas" that it had been using for administration of the Offshore Fisheries Business Tax Revenue Sharing Pilot Program during FY 88, to carry forward those areas as the basis for making allocations under this legislation until those management areas are changed by the Department of Fish and Game.

Bill section 5 directs that the Act is to take effect at the start of FY 89, the next state fiscal year.

\*

If the bill or this memorandum prompts questions, please contact me.

JBC:gc  
WKG2:55

STATE OF ALASKA  
THE LEGISLATURE

POUCH Y STATE CAPITOL  
JUNEAU ALASKA 99811  
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

February 20, 1988

SUBJECT: SSHB 314 (Allocation of a portion of fisheries business taxes to municipalities by the Department of Community and Regional Affairs)

TO: Representative Heinrich Springer, Chairman House Community & Regional Affairs Committee  
ATTN: David C. Harrison

FROM: Jack Chenoweth  
Legislative Counsel

Through Division Director Tam Cook you have requested a sectional analysis of SSHB 314.

\*

CURRENT LAW:

Levy of the fisheries business tax: Under AS 43.75, the state imposes a fisheries business tax. The tax is payable to the Department of Revenue. As specified in AS 43.75.015(a), the tax is levied on the following activities at the rates set out after each:

- (1) Salmon canned at a shore-based fisheries business -- 4½ percent;
- (2) Salmon processed by a shore-based fisheries business other than that which is canned -- 3 percent;
- (3) All other fisheries resources processed by a shore-based fisheries business -- 3 percent;
- (4) Fisheries resources processed by a floating fisheries business -- 5 percent.

However, if the resource is a developing commercial fish species (as that term has been defined and as those species are designated by the commissioner of fish and game), the tax is payable at a reduced rate. See AS 43.75.015(b).

In AS 43.75.017, the legislature has enumerated several exclusions from the tax, while in AS 43.75.100, the legislature has acted to try to recover taxes from fisheries resources recovered in the state but that are transported and sold outside the state.

The legislature has provided several tax credits. See AS 43.75.018 and 43.75.032.

Existing refund program: For many years there has been a program under which refunds of a portion of the taxes collected are returned to local governments. The principal formula for the distribution of the refund to local governments is set out in AS 43.75.130(a). This formula is based on the revenue generated from fisheries business operations occurring within municipalities.

The fisheries business tax refund program has been amended in each of the last two years. The 1987 amendments, probably more important in determining what is actually shared, restructured the formula for fisheries business tax refunds with respect to taxes collected in cities located in a borough that is incorporated after June 16, 1987, the date the law took effect, by gradually reducing the city's share from 50% to 25% over the first five years after incorporation, and by gradually increasing the borough's share from 25% to 50% over the same period. The statutory provisions making adjustments to the shares of cities within newly-incorporated boroughs are set out in AS 43.75.130(d).

The current refund program is managed by the Department of Revenue.

\*

None of what I have described above is directly changed, altered, or amended by SSHB 314.

\*

WHAT THIS BILL DOES:

SSHB 314 essentially does three things:

- (1) In addition to the current refund program, SSHB 314 directs that, "to the extent that appropriations are available for the purpose . . . , " 50 percent of

the tax revenue collected under AS 43.75 from floating fisheries businesses that is not subject to refund to a municipality under AS 43.75.130(a) and 43.75.130(d) is to be shared with municipalities under this new program.

(2) SSHB 314 lays out in detail how municipalities may qualify for a portion of the shared revenue and how the program is to be administered.

(3) SSHB 314 assigns responsibility for this new program is assigned to the Department of Community and Regional Affairs.

Bill section 3, the provision adding a new AS 43.75.130(g), lays out the basis of what revenue is to be shared, item #(1) above. In essence, bill section 3 says that the source of the revenue to be shared under SSHB 314 is 50 percent of the tax revenues collected from floating fisheries businesses that is not now being shared with municipalities under the existing program. A "floating fisheries business" is defined in AS 43.75.140(6); essentially a floating fisheries business means the fisheries business activities that are subject to tax under AS 43.75 occur offshore. Floating fisheries businesses are, by and large, located outside of the boundaries of any municipality. Since, under the current law, the state shares with municipalities only on the basis of tax revenues collected in the municipality (that is, inside the municipal boundaries), then a very high percentage of revenue obtained from the levy of AS 43.75 on floating fisheries businesses is not shared with the municipalities under the current formulas. Because so little of the revenue derived from levy of the tax on floating fisheries businesses is shared with municipalities, that money stays in the state's general fund as an addition to the treasury.

In AS 43.75.130(g), added by bill section 3, 50 percent of the money that would not be shared under the existing program with local governments is to be paid over by the Department of Revenue to the Department of Community and Regional Affairs to support this new programs.

Bill section 2 addresses items #2 and #3 above. You should understand that, because this bill adds material to AS 29.60, this new program will be administered by the Department of Community and Regional Affairs. The definition of "department" for purposes of AS 29 is to be found in AS 29.71.700(8).

The revenue from the fisheries business tax that is paid over by the Department of Revenue to the Department of Community and Regional Affairs is, first, to be apportioned on the basis of "management regions" (proposed AS 29.60.450(b)). These management regions are tied to the management regions used by the Department of Fish and Game for the regulation of the state's commercial fisheries. The manner of making the allocation of the revenues to each management region is based on the proportion of the fish and shellfish production within each region to the total production for the state. That production is defined with reference to the total weight, not with reference to total value (see the definition of "production value" in proposed AS 29.60.450(h)(7)).

Within each management region's allocation, half of the revenue is distributed equally among all eligible municipalities within the management region (proposed AS 29.60.450(c)(1)), while the other half is distributable to eligible municipalities based on each municipality's population ratio (proposed AS 29.60.450(c)(2)). There is a provision (proposed AS 29.60.450(d)) making an accommodation for excluding the count of the population of a city within a borough when calculating the borough's population ratio.

Not all municipalities within a management region may qualify. A municipality "is eligible for a fisheries business tax allocation if the municipality demonstrates to the [Department of Community and Regional Affairs] that the municipality suffered significant effects from fisheries business activities" during the previous year (proposed AS 29.60.450(a)). The test of significant effect is with reference to the specific items listed in proposed AS 29.60.450(h)(2). Some municipalities within a regional may not be able to demonstrate how the municipality was affected by fisheries business activities, and therefore would not qualify as an eligible municipality. In turn, a municipality that is eligible to receive a portion of the allocation is expected, first, to use the revenue "to help reduce the effect of fisheries business activities on the municipality," and thereafter may use the money for any municipal service (proposed AS 29.60.450(e)).

The Department of Community and Regional Affairs is authorized to adopt regulations to carry out the program (proposed AS 29.60.450(g)). Municipalities are directed to provide information and assistance to the department in order for the department to administer the program (proposed AS 29.60.450(f)).

Representative Springer  
Page 5  
February 20, 1988

The definitions provided in this bill (proposed AS 29.60.450(h)) are particularly critical to an understanding of the bill, and should be reviewed.

Bill section 4 directs that the Act is to take effect at the start of FY 89, the next state fiscal year.

\*

If the bill or this memorandum prompts questions, please contact me.

JCS:mkr  
b3/013

(4) SSHB 314



# Alaska State Legislature

## House of Representatives

### Committee on Community & Regional Affairs

Pouch V  
State Capitol  
Juneau, Alaska 99811  
(907) 465-4833

TO: Rep. Henry Springer, Chairman of HCRA

FROM: David C. Harrison, P. A. to HCRA *DCH*

RE: Bill Review - SSHB 314  
 "An Act relating to the allocation of fisheries business taxes to municipalities by the Department of Community and Regional Affairs; and providing for an effective date." [Herrmann/Cato]

\*\*\*\*\*

\* Section 1. Lines 12 through 26 provide a background for needs, policies, and reasons for desired changes in shared tax revenues from fish processors doing processing business outside a municipality's taxing authority but within a specific commercial fisheries management area. Other considerations taken into account are the amount of fisheries production, the population increase of the municipality compared to that of other municipalities within the area during the fishing season.

File Item #2 provides a look at the Pilot Project pursuant to special legislative intent in Chapter 98, SLA 1985.

Municipalities currently receive a share of state revenues generated by fish processors operating within municipal boundaries. The state receives 100% of the revenues generated by floating processors doing business outside municipal boundaries but within specific fisheries management areas.

It is noted that areas and regions are used by the Fish Board and that at times the Fish Board will change a management area. To allocate by population within regions rather than areas may make a difference in the amount of allocation shared based upon population. I am not sure how this will shake out the allocations.

Also, the allocation under this section shall be apportioned by the department to each management region based on the ratio of the region's fish and shellfish production value for all of the management regions.

---

\* Sec. 2. On page 3, line 27 (5) population determined under AS 29.60.020 is made or determined annually by the latest figures of the United States Bureau of Census or other population data that in the judgment of the department is reliable. DCRA Register 1987 19 AAC 33.030 The population estimate as related to the bill's purpose - the estimate

must be certified by the mayor and adopted by the governing body of the municipality by resolution. The estimate must include an explanation of how it was determined and must be supported by relevant indices of population. Unverifiable, unsupported estimates will not be accepted -- effective date of the register attached is not shown or given.

---

\* Sec. 2. (Page 1, Line 27) AS 29.060 is amended to add a new section called ARTICLE 6. SHARED FISHERIES BUSINESS TAXES.

Sec. 29.60.450 FISHERIES BUSINESS TAX ALLOCATION. (a) A municipality is eligible for a fisheries business tax allocation if the municipality demonstrates to the department that the municipality suffered significant effects from fisheries business activities during the base year.

The bill's intent is to provide revenue from the State's 100 tax receipt in the specific commercial fisheries management areas where floater processors anchor outside a municipality's taxing authority. For example in 1987 the State received approximately \$9 million dollars in tax revenues collected from fish floating processors that process fish in specific commercial fisheries management areas outside any municipality's taxing authority. If this bill becomes law the revenues from such operations as located, as adjusted by population, would amount to about \$4.5 million for the year 1987. In 1987 the tax received by the State was about \$9,000,000. The law would change that whereby municipalities would receive approximately \$4,500,000. This amount is based upon the intent of this law to return to municipalities 1/2 of generated tax revenue from floater processors outside the taxing authority of municipalities that are located within fish management regions (areas) as listed in the bill.

File Item #2, the Offshore Fisheries Business Tax Revenue Sharing Pilot Project regarding tax allocation provides a list of cities that have applied for fish business tax revenue. Some of the cities that could have applied did not apply. For what reason, the Reviewer does not know.

Timeliness of shared information between communities, the Revenue Department and the Department of Community and Regional Affairs may cause various kinds of delays in reporting and in funding revenue to the municipalities that are eligible to receive tax revenue.

Note: A memo from Legislative Affairs Agency, Legal Services, of 2/20/88 provides additional insight into SSHB 314. See File Item #3.

# ALEUTIANS EAST BOROUGH

SERVING THE COMMUNITIES OF

■ KING COVE ■ SAND POINT ■ AKUTAN ■ COLD BAY ■ FALSE PASS ■ NELSON LAGCOON

March 14, 1988

The Honorable Adelheid Herrmann  
Alaska State Representative  
P.O. Box V  
Juneau, Alaska 99811

RE: SS HB 314

Dear Representative Adelheid:

The City of King Cove supports the adoption of SS HB 314, an act relating to the allocation of fisheries business taxes to municipalities. The bill establishes a concrete program which the State can use to share taxes collected from the offshore processing industry with affected municipalities. King Cove directly benefited from the State's FY 87 pilot program on these taxes, and would like to continue receiving revenues from this source. The City uses the revenues to help pay the increased costs the City incurred to provide additional public services needed to mitigate the negative impacts from offshore fishing industry activities.

The City also advocates adopting a suggested change to use fish management regions, rather than areas, to determine the amount of monies each affected municipality receives. Implementation of the pilot program unearthed gross inequities in impact monies respective communities received when fish management areas were used to determine each municipality's share. The use of management regions should mostly correct this problem and provide a better and fairer system for determining the amount of monies a community will receive for the amount of impact experienced.

The City supports the institutionalization of the fish tax pilot project that will occur through SS HB 314. We hope the bill is adopted and that the legislature also allocates the revenues needed to implement the program for FY 89.

Sincerely,

*Wayne Marshall*

Wayne Marshall  
City Manager  
King Cove  
1007 W. 3rd, Suite 201  
Anchorage, Alaska 99501  
274-7555

*Robert S. Juettner*

Robert S. Juettner  
City Administrator  
Sand Point

*Lamar Cotten*

Lamar Cotten  
Borough Administrator  
Aleutians East Borough



**SOUTHWEST ALASKA  
MUNICIPAL CONFERENCE**

Box 89 • Unalaska • Alaska 99685

RESOLUTION 87-15

A RESOLUTION OF THE SOUTHWEST ALASKA MUNICIPAL CONFERENCE  
REGARDING THE STATE OF RAW FISH TAX PILOT PROGRAM.

WHEREAS, the sharing of state raw fish taxes with municipalities where the revenues were generated is important to the economic well being of those municipalities, and

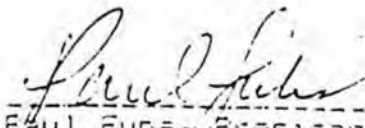
WHEREAS, the state legislature changed the distribution schedule for these monies with the understanding that there would be no loss of income to affected municipalities, and

WHEREAS, the state has instituted a "pilot program" to distribute a portion of the revenues collected outside the municipalities to respective municipalities, and

WHEREAS, the coastal communities are rightful recipients of a percentage of these funds because of impacts caused by the offshore processors, now

THEREFORE, BE IT RESOLVED that the Southwest Alaska Municipal Conference supports the establishment of an on-going program and the allocation of State fish tax funds collected from offshore processors to coastal communities.

APPROVED AND ADOPTED this 1st day of March, 1987.

  
\_\_\_\_\_  
Paul Fung, President



# CITY OF DILLINGHAM

P.O. Box 889  
Dillingham, Alaska 99576

CITY HALL (907) 842-5211  
FIRE RESCUE (907) 842-2288  
PLANNING (907) 842-5203  
PUBLIC WORKS (907) 842-5148

December 8, 1987

The Honorable Fred Zharoff  
Alaska State Senate  
P.O. Box 405  
Kodiak, Ak 99615

Dear Senator Zharoff:

The City of Dillingham greatly appreciates your past efforts to secure passage of legislation which would share raw fish taxes collected from floating processors with municipal governments. In particular, your past efforts to secure funding for the pilot project are especially appreciated.

The city is again requesting your assistance on the raw fish tax issue for the upcoming legislative session. We request that you introduce a Senate version of H.B. 314. Your sponsorship of a Senate companion bill to H.B. 314 would give the city, and other coastal communities throughout Alaska, an opportunity to correct what we believe to be a policy inequity in the present law. We believe it is sound public policy to share all raw fish taxes with local governments, not just some of the taxes.

As you will recall, during last session's discussions of the Dillingham annexation question, there was considerable support expressed by members of the Senate Committees which held hearings on the issue to "fix" the raw fish tax issue. Therefore, we believe it is logical to introduce a Senate version of H.B. 314 in light of the sentiments expressed by those Committee Members.

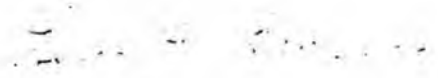
We hope that you will use your influence as a member of the Senate Finance Committee, and as a member of the Senate leadership, to move a bill through the Senate during the 1988 legislative session. As it appears that local governments will be facing larger and larger cut-backs in state funding for such programs as municipal assistance, revenue sharing and local school debt reimbursement, it is imperative that logical, new sources of revenue--such as raw fish taxes from the float-

Senator Fred Zharoff  
October 30, 1987  
Page two

ers--be found to share with local government. Without this assistance, many local governments may face the equivalent of bankruptcy. That is why passage of raw fish tax legislation is so critically important.

If there is anything which the city can do to assist you in your efforts to secure passage of this legislation, please do not hesitate to contact us. Passage of raw fish tax legislation is the city's top legislative priority. Therefore, we are willing to follow any suggestions which you may have that would enhance the legislation's chances of passage.

Sincerely,

  
Leon C. Braswell  
Mayor

# STATE OF ALASKA

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

MUNICIPAL & REGIONAL ASSISTANCE DIVISION

STEVE COWPER, GOVERNOR

- P O BOX 8H  
JUNEAU, ALASKA 99811-2110  
PHONE: (907) 465-4750
- 949 E. 35TH AVENUE, SUITE 400  
ANCHORAGE, ALASKA 99508-4302  
PHONE: (907) 561-3586
- P O BOX 348  
BETHEL, ALASKA 99559-0348  
PHONE: (907) 543-3475
- P O BOX 41  
NOME, ALASKA 99752-0041  
PHONE: (907) 442-5457
- P O BOX 280  
KOTZEBUE, ALASKA 99752-0280  
PHONE: (907) 442-3675
- 1514 CUSHMAN STREET, ROOM 210  
FAIRBANKS, ALASKA 99701-6288  
PHONE: (907) 452-7128
- P O BOX 12041  
SILLINGHAM, ALASKA 99576-0041  
PHONE: (907) 842-2245

March 10, 1987

Dear Municipal Official:

The Offshore Fisheries Business Tax Revenue Sharing Pilot Project was funded by the Alaska State Legislature pursuant to special legislative intent in chapter 98, SLA 1985. The purpose of the project is to develop an equitable means of distributing funds to municipalities to mitigate impacts from the offshore fish processing industry.

Municipalities currently receive a share of state revenues generated by fish processors operating within municipal boundaries. However, there is no direct sharing of revenues from offshore floating processors outside of municipal boundaries even though such processors may still have impacts of a transient but substantial nature on the municipality. This project grew out of a desire to devise a program to equitably share a portion of those unshared revenues with communities impacted by offshore processors.

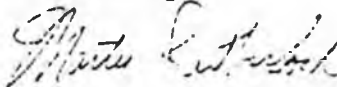
The project has been developed over the past year by the Department of Community and Regional Affairs with input from municipalities through questionnaires and workshops, from legislators, state agencies and other interested persons. The amount to be distributed under the pilot project is \$451,000, based on the unobligated and unexpended portion appropriation to the current fish tax revenue sharing program. The general approach taken is that of a formula distribution to impacted municipalities, with allocations based upon the location of the municipality within a specific commercial fisheries management area, the amount of fisheries production within that area compared to statewide production, and the population increase of the municipality compared to that of other municipalities within the area during fishing season. The regulations governing this program are enclosed.

Municipal Official  
March 10, 1987  
Page Two

If you wish to participate in the project, please fill out the enclosed application completely and submit it to our Juneau office postmarked by April 15, 1987.

Please note that this is a pilot project. Based upon the information gained through this pilot project, there may be legislation introduced to continue the program. However, your cooperation is needed. If you have any additional comments on this project, please let us know.

Sincerely,



Marty Rutherford  
Director

⑥ 20 SSHB 314

**DEPT. OF COMMUNITY & REGIONAL AFFAIRS**

OFFICE OF THE COMMISSIONER

March 21, 1988

- P.O. BOX B  
JUNEAU, ALASKA 99811-2100  
PHONE: (907) 465-4700
- 949 E. 36TH AVENUE, SUITE 400  
ANCHORAGE, ALASKA 99508-4302  
PHONE: (907) 563-1073

POSITION PAPER

RE: Second Sponsor Substitute House Bill 314

SPONSOR: Representative Herrmann

Program Effects of Bill:

This bill establishes a formula based program for the distribution of a portion of raw fish tax revenues from floating processors to municipalities affected by the fishing industry.

Comments:

This formula is based on a pilot project conducted by this department pursuant to intent language in the FY 1986 operating budget appropriations bill to set up a program for mitigation of effects on municipalities from offshore fish processors. The approach of the formula is to make allocations based on the following factors:

- the location of the impacted municipality within fisheries management areas of the state;
- the relative proportion of commercial fisheries production from floating processors within the area to statewide production; and
- the population of the municipality.

The pilot project utilized commercial fisheries management areas, on the theory that the magnitude of production within those areas would most accurately reflect the magnitude of effects on municipalities. However, a problem that arose in use of the areas was the inability to compensate for effects across management area boundaries. The pilot project also utilized population increases (within the municipality) due to the offshore fish processing industry, rather than municipal population, on the assumption that such an increase was a better indicator of impact than the resident population. However, in practice, it was virtually impossible for municipalities to estimate this population increase with any degree of accuracy. The formula, by requiring a municipality to show "substantial effects" in order to participate in the program, and by allocating funds on the basis of the management

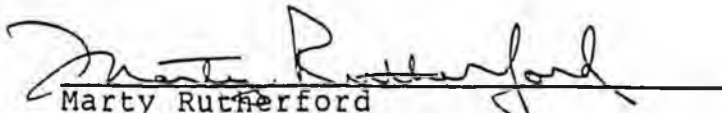
regions, establishes a reasonable relationship between impacts and funding level under the program. While the definition of "effect" is set out in the bill, there are no criteria for the determination of when such an effect would amount to a "substantial" one, leaving it to the department's discretion to determine.

The department is concerned that this bill would reduce the incentive for unincorporated coastal regions of the state to form boroughs.

The opportunity to increase local revenues is often a principal motivating factor in any proposal to form a new borough. State shared business fisheries taxes are particularly important to prospective new boroughs since they do not represent an increase in the tax burden by the proposed borough.

Under present law, state business fisheries taxes may be shared with a municipal government only to the extent that fish processing activities occur within the boundaries of that municipal government. In unincorporated regions of the state, where the potential for state shared fisheries tax revenues is significant, the prospect of these funds may be a substantial incentive to form a borough. However, under this bill it would not be necessary to form a borough in order to share in business fisheries taxes collected outside the boundaries of a municipality. Under full funding projections for this program, that incentive would seriously be eroded.

It could further be argued that the state already provides a mechanism to support local governments through the various "foundation" programs (state revenue sharing, municipal assistance, and education), as well as various shared tax programs. However, this program may be justified on the basis that it targets specific concerns of the state that are not addressed by other programs. This department is generally supportive of efforts to strengthen local governments, which this program would accomplish by providing funds for the mitigation of negative impacts from the off-shore fish processing industry. However, in view of the current revenue situation, the department is concerned about implementation of this legislation.

  
Marty Rutherford  
Acting Deputy Commissioner

STEVE COWPER, GOVERNOR

⑦ 2d SS HB 314

- P.O. BOX 8  
JUNEAU, ALASKA 99811-2100  
PHONE: (907) 465-4700
- 949 E. 36TH AVENUE, SUITE 400  
ANCHORAGE, ALASKA 99508-4302  
PHONE: (907) 563-1073

**DEPT. OF COMMUNITY & REGIONAL AFFAIRS**

OFFICE OF THE COMMISSIONER

March 21, 1988

POSITION PAPER

RE: Senate Bill 454 (2d SS HB 314 counterpart)

SPONSOR: Senator Zharoff

Program Effects of Bill:

This bill establishes a formula based program for the distribution of a portion of raw fish tax revenues from floating processors to municipalities affected by the fishing industry.

Comments:

This formula is based on a pilot project conducted by this department pursuant to intent language in the FY 1986 operating budget appropriations bill to set up a program for mitigation of effects on municipalities from offshore fish processors. The approach of the formula is to make allocations based on the following factors:

- the location of the impacted municipality within fisheries regions of the state;
- the relative proportion of commercial fisheries production from floating processors within the region to statewide production; and
- the population of the municipality.

The pilot project utilized commercial fisheries management areas, which are smaller units than the regions utilized in this bill, on the theory that the magnitude of production within those areas would more accurately reflect the magnitude of effects on municipalities. However, a problem that arose in use of the areas was the inability to compensate for effects across management area boundaries. The pilot project also utilized population increases (within the municipality) due to the offshore fish processing industry, rather than municipal population, on the assumption that such an increase was a better indicator of impact than the resident population. However, in practice, it was virtually impossible for municipalities to estimate this population increase with any

degree of accuracy. The formula, by requiring a municipality to show "substantial effects" in order to participate in the program, and by allocating funds on the basis of the management regions, establishes a reasonable relationship between impacts and funding level under the program. While the definition of "effect" is set out in the bill, there are no criteria for the determination of when such an effect would amount to a "substantial" one, leaving it to the department's discretion to determine.

The department is concerned that this bill would reduce the incentive for unincorporated coastal regions of the state to form boroughs.

The opportunity to increase local revenues is often a principal motivating factor in any proposal to form a new borough. State shared business fisheries taxes are particularly important to prospective new boroughs since they do not represent an increase in the tax burden by the proposed borough.

Under present law, state business fisheries taxes may be shared with a municipal government only to the extent that fish processing activities occur within the boundaries of that municipal government. In unincorporated regions of the state, where the potential for state shared fisheries tax revenues is significant, the prospect of these funds may be a substantial incentive to form a borough. However, under this bill it would not be necessary to form a borough in order to share in business fisheries taxes collected outside the boundaries of a municipality. Under full funding projections, that incentive would seriously be eroded.

On the one hand, it could be argued that the state already provides a mechanism to support local governments through the various "foundation" programs (state revenue sharing, municipal assistance, and education), as well as various shared tax programs. However, this program may be justified on the basis that it targets specific concerns of the state that are not addressed by other programs. This department is generally supportive of efforts to strengthen local governments, which this program would accomplish by providing funds for the mitigation of negative impacts from the off-shore fish processing industry. However, in view of the current revenue situation, the department is concerned about implementation of this legislation.

  
Marty Rutherford  
Acting Deputy Commissioner

STATE OF ALASKA  
THE LEGISLATURE

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

LEGISLATIVE AFFAIRS AGENCY  
LEGISLATIVE REFERENCE LIBRARY

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

House C+RA 3-21-88 3:00p.m.

(5)

# HOUSE COMMITTEE REPORT

(8) 2dSSHB 317

Date referred: 3/15/88

FURTHER REFERRALS:

Resources  
Finance

DATE: MAR 21 1988

The Community and Regional Affairs Committee has considered 2d SSB 314

"An Act relating to the allocation of fisheries business taxes to municipalities by the Department of Community and Regional Affairs; 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

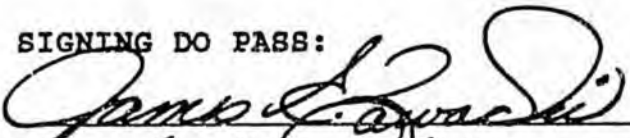

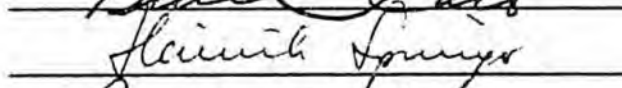
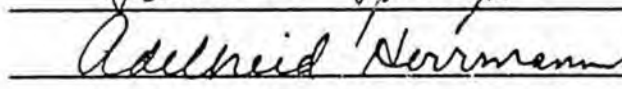
**ADOPTS:**  \_\_\_\_\_ letter of intent

**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:**

	Zawocki	_____
	Cato	_____
	Springer	_____
	Herrmann	_____
_____		_____
_____		_____
_____		_____
_____		_____
_____		_____
_____		_____
_____		_____

Springer   
Chairman's signature

A PILOT PROJECT TO MITIGATE IMPACTS FROM THE  
OFFSHORE FISH PROCESSING INDUSTRY

SS/HS 314

The Offshore Fisheries Business Tax Revenue Sharing Program is a pilot project funded by the Alaska State Legislature pursuant to special legislative intent in chapter 98, SLA 1985 at page 22, line 25 and administered by the Department of Community and Regional Affairs. The purpose of the project is to develop an equitable means of distributing funds to municipalities to mitigate impacts from the offshore fish processing industry.

Municipalities currently receive a share of state revenues generated by fish processors operating within municipal boundaries. However, there is no direct sharing of revenues from offshore floating processors outside of municipal boundaries even though such processors may still have impacts of a transient but substantial nature on the municipality. This project grew out of a desire to devise a program to equitably share a portion of those currently unshared fish tax revenues with communities impacted by offshore processors.

The project has been developed over the past year by the Department of Community and Regional Affairs with input from municipalities through questionnaires and workshops, from legislators and from other interested state agencies. The amount to be distributed has recently been determined by the Department of Revenue to be \$451,000. Proposed regulations are in draft form and will soon be subjected to formal public hearing before promulgation. Comments and criticisms are sought at this time to be incorporated in the formal final draft of the proposed regulations.

The general approach taken is that of a formula type of distribution to impacted municipalities, with allocations based upon the location of the municipality within a commercial fisheries management area and the population increase of the municipality during fishing season.

Once regulations have been adopted, applications will be sent out and processed and grants will be awarded. Based upon the results of this pilot project, a report will be submitted to the legislature, with the possibility of legislation being recommended for introduction.

Questions and comments on this project should be directed to Jim Plasman at 465-4707 or:

Jim Plasman  
Department of Community and Regional Affairs  
P.O. Box BH  
Juneau, AK 99811

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DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS  
MUNICIPAL AND REGIONAL ASSISTANCE DIVISION  
JUNEAU, ALASKA

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# STATE OF ALASKA

## DEPT. OF COMMUNITY & REGIONAL AFFAIRS

### MUNICIPAL & REGIONAL ASSISTANCE DIVISION

STEVE COWPER, GOVERNOR

- P.O. BOX 8H  
JUNEAU, ALASKA 99811-2110  
PHONE: (907) 465-4750
- 949 E. 36TH AVENUE, SUITE 400  
ANCHORAGE, ALASKA 99508-4302  
PHONE: (907) 581-8586
- P.O. BOX 348  
BETHEL, ALASKA 99559-0348  
PHONE: (907) 543-3475
- P.O. BOX 41  
HOME, ALASKA 99762-0041  
PHONE: (907) 443-5457
- P.O. BOX 280  
KOTZESUE, ALASKA 99752-0280  
PHONE: (907) 442-3675
- 1514 CUSHMAN STREET, ROOM 210  
FAIRBANKS, ALASKA 99701-8288  
PHONE: (907) 452-7126
- P.O. BOX 10041  
DILLINGHAM, ALASKA 99576-0041  
PHONE: (907) 842-2245

March 10, 1987

Dear Municipal Official:

The Offshore Fisheries Business Tax Revenue Sharing Pilot Project was funded by the Alaska State Legislature pursuant to special legislative intent in chapter 98, SLA 1985. The purpose of the project is to develop an equitable means of distributing funds to municipalities to mitigate impacts from the offshore fish processing industry.

Municipalities currently receive a share of state revenues generated by fish processors operating within municipal boundaries. However, there is no direct sharing of revenues from offshore floating processors outside of municipal boundaries even though such processors may still have impacts of a transient but substantial nature on the municipality. This project grew out of a desire to devise a program to equitably share a portion of those unshared revenues with communities impacted by offshore processors.

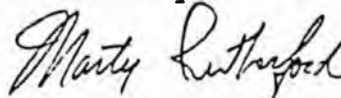
The project has been developed over the past year by the Department of Community and Regional Affairs with input from municipalities through questionnaires and workshops, from legislators, state agencies and other interested persons. The amount to be distributed under the pilot project is \$451,000, based on the unobligated and unexpended portion appropriation to the current fish tax revenue sharing program. The general approach taken is that of a formula distribution to impacted municipalities, with allocations based upon the location of the municipality within a specific commercial fisheries management area, the amount of fisheries production within that area compared to statewide production, and the population increase of the municipality compared to that of other municipalities within the area during fishing season. The regulations governing this program are enclosed.

Municipal Official  
March 10, 1987  
Page Two

If you wish to participate in the project, please fill out the enclosed application completely and submit it to our Juneau office postmarked by April 15, 1987.

Please note that this is a pilot project. Based upon the information gained through this pilot project, there may be legislation introduced to continue the program. However, your cooperation is needed. If you have any additional comments on this project, please let us know.

Sincerely,

A handwritten signature in cursive script that reads "Marty Rutherford".

Marty Rutherford  
Director

APPLICATION FOR  
THE OFFSHORE FISHERIES BUSINESS TAX REVENUE SHARING  
PILOT PROJECT

State of Alaska  
Steve Cowper, Governor

Department of Community and  
Regional Affairs  
David G. Hoffman, Commissioner

Municipal and Regional Assistance Division  
Marty Rutherford, Director

## APPLICATION INSTRUCTIONS

In order to participate in the Offshore Fisheries Business Tax Revenue Sharing Pilot Project, you must fill out this application and return it post marked by April 15, 1987 to:

Pilot Project  
Department of Community and Regional Affairs  
P.O. Box BH  
Juneau, AK 99801

Although the regulations provide for a March 15 application deadline, they also provide that the Commissioner may extend the deadline for "good cause." Because of the short length of time that would be available to complete and submit the application based upon a March 15, the Commissioner has extended the deadline to April 15. Consequently, the entire process will be set back about a month so that determination letters will not be sent out until some time after mid-April, rather than on April 15 as set out in regulation. It is anticipated that payments will be sent out in June, after review of determinations by applicants, resolution of any appeals, and calculation of entitlements.

Please note that the year in which impacts must be experienced and from which population increase is to be measured is calendar year 1985. That is the most recent year for which required catch data is available.

An effort has been made to keep the application form and requirements simple. Apart from "significant impacts" and "population increase," the required items on the facing SUMMARY SHEET are self explanatory. Greater detail on those two questions is set out in the instructions facing page 2 and page 3.

Please note that a resolution certifying the "population increase" is required. A sample resolution form is enclosed for your convenience.

Funds received under this program are subject to single audit requirements contained at 2 AAC 45.010.

A copy of the pilot project regulations sent to the Attorney General for review and filing by the Lieutenant Governor is attached. Although the regulations will not become effective until 30 days after filing, in an effort to expedite the administrative process, applications have been distributed and will be processed to make payments as soon as possible after the effective date of the regulations.

If you have any questions, please call Paul Cunningham at 465-4750.

OFFSHORE FISHERIES BUSINESS TAX  
REVENUE SHARING PILOT PROJECT

SUMMARY SHEET

1. Name of Municipality \_\_\_\_\_

2. Mailing Address \_\_\_\_\_

3. Telephone Number \_\_\_\_\_

4. Contact Person \_\_\_\_\_

5. Did your municipality experience "significant impacts" from the offshore commercial fishing industry in 1985? \_\_\_\_\_  
(If yes, please complete page 2.) You must answer "yes" to be eligible to participate in the distribution of funds under this project.

6. What, if any, was the "population increase" reasonably related to the offshore fish processing industry of your municipality during a fishing season during 1985? \_\_\_\_\_  
(Please complete page 3 documenting and describing the method used to determine population increase.)

7. ANSWER AFTER COMPLETING YOUR APPLICATION: Do you feel that the approach taken in this pilot project adequately addresses your concerns regarding the impact of the offshore fish processing industry on your community? \_\_\_\_\_ Why or why not?

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

8. CERTIFICATION AND ASSURANCES: To the best of my knowledge and belief, the information in this application is true and correct. The applicant agrees to comply with the laws and regulations under which this program and program funds are administered.

Signature of Mayor \_\_\_\_\_

DATE \_\_\_\_\_

INSTRUCTIONS FOR PAGE 2

In order to qualify to receive funds under this program, you must demonstrate that your community experienced significant impacts from the offshore fish processing industry in 1985. Your explanation should show 1) what the impact or impacts were, 2) that the impact(s) were "significant", and 3) that the impact(s) were related to the offshore fish processing industry. You may include photographic evidence, but it must be supported by an explanation of how the demonstrated impact is related to the offshore fish processing industry. You may attach additional information if needed. "Impacts" and "significant impacts" are defined at 19 AAC 33.070 of the enclosed regulations.



### INSTRUCTIONS FOR PAGE 3

Your municipal population increase reasonably related to the offshore fish processing industry in 1985 is an element used to calculate your entitlement (see 19 AAC 33.030 and 19 AAC 33.040 of the enclosed regulations). It is intended to indicate the level of impact on your municipality during calendar year 1985 from the offshore fish processing industry. The persons included in this population increase may include transient people connected in any way with the offshore fish processing industry. The population increase is not an indicator of permanent residents, but rather an indicator of impact, representing a peak level of service demand, resulting from the offshore fish processing industry. It may be calculated by taking the highest level of persons within municipal boundaries at any time during a fishing season in 1985, less any non-fish processing related population increase, less the DCRA certified population for July 1, 1985 (used to calculate your FY 1986 State Revenue Sharing entitlement).

You may use any relevant statistics of population that can be documented. Some examples are: labor statistics, retail sales activity, water hook-ups, bulk fuel sales, electric consumption, motel/hotel rate of occupancy, employment data from the offshore fish processing industry, criminal or other public safety statistics, and so on. However, population increase due to tourism, construction activity not related to the offshore fish processing industry, onshore processing, and so on, must not be included in the population increase used to calculate your entitlement. As provided by regulation; "Unverifiable, unsupported estimates will not be accepted" (19 AAC 33.030.)

Population increase is defined in regulation at 19 AAC 33.070(h) (see enclosed regulations).

Paul Cunningham, our department demographic specialist in Juneau at 465-4750, is available to give you assistance in developing a method of estimation.

NOTE THAT YOU MAY STILL RECEIVE AN ENTITLEMENT IF YOU HAD NO POPULATION INCREASE OR ARE UNABLE TO REASONABLY CALCULATE THE SIZE OF THAT INCREASE. However, you will not receive funding under the per capita portion of the formula.



## INSTRUCTIONS FOR RESOLUTION

A resolution certifying the population increase, which will be used for the formula calculation of the per capita share of each municipal payment, is required. The facing resolution form is included for your convenience. The numbered blanks should include the following information:

1. Name of the municipality,
2. Amount of population increase,
3. Governing body of municipality,
4. Signature of the mayor or presiding officer of the governing body,
5. Signature of the clerk.

RESOLUTION

A RESOLUTION OF THE \_\_\_\_\_ (1)  
authorizing participation in the Offshore Fisheries Business  
Tax Revenue Sharing Pilot Project and adopting a determination  
of the population increase reasonably related to the offshore  
fish processing industry.

WHEREAS, the \_\_\_\_\_ (1) experiences  
significant impacts from the offshore fish processing industry;  
and

WHEREAS, this municipality is an applicant to participate in  
the Offshore Fisheries Business Tax Revenue Sharing Pilot  
Project authorized by chapter 98, SLA 1985; and

WHEREAS, the governing body of the municipality must pass a  
resolution adopting a population increase reasonably related to  
the offshore fish processing industry;

NOW THEREFORE BE IT RESOLVED THAT the governing body finds that  
in 1985 the population increase reasonably related to the  
offshore fish processing industry as defined in regulation  
was \_\_\_\_\_ (2).

PASSED AND APPROVED BY THE \_\_\_\_\_ (3)  
on the \_\_\_\_\_ day of \_\_\_\_\_, 1987.

BY: \_\_\_\_\_ (4)

ATTEST: \_\_\_\_\_ (5)

19 AAC is amended by adding a new chapter to read:

CHAPTER 33. OFFSHORE FISHERIES BUSINESS TAX  
REVENUE SHARING PILOT PROJECT

19 AAC 33.010 ELIGIBILITY. To be eligible for payment under this chapter, an applicant must:

(a) be a municipality incorporated under the laws of the State of Alaska;

(b) be located in the coastal area; and

(c) demonstrate significant impacts from the offshore fish processing industry during the reference year. (Eff. / / , Register )

Authority: AS 44.47.050,  
Sec. 26, Chapter 98,  
SLA 1985

19 AAC 33.020. APPLICATION PROCEDURE. (a) The department will distribute applications to all potential applicants that the department believes may be eligible for assistance. Additional applications may be obtained from the department.

(b) In order to participate in the program, an applicant must submit a completed application to the department postmarked by March 15 of the application year on an application form prescribed by the department.

(c) For good cause, the commissioner will, in his or her discretion, extend the application deadline. (Eff. / / , Register )

Authority: AS 44.47.050,  
Sec. 26, Chapter 98,  
SLA 1985

19 AAC 33.030. DETERMINATION OF POPULATION INCREASE. A municipality must include with its application an estimate of its population increase during fishing season which is reasonably related to the offshore fish processing industry. The estimate must be certified by the mayor and adopted by the governing body of the municipality by resolution. The estimate must include an explanation of how it was determined and must be supported by relevant indices of population. Unverifiable, unsupported estimates will not be accepted. (Eff. / / , Register )

Authority: AS 44.47.050,  
Sec. 26, Chapter 98,  
SLA 1985

19 AAC 33.040. ALLOCATION. (a) The department will allocate available funds to each commercial fisheries management area in the proportion of the weight of commercial species processed offshore within each area divided by the total weight of commercial species processed offshore statewide. For the purposes of this section, management areas R and O will be combined.

(b) One-half of each commercial fisheries management area allocation will be distributed equally among all participating municipalities within the area. The other half of the area allocation will be distributed to participating municipalities within the area proportionate to the population increase within each municipality divided by the total population increase of participating municipalities within the area. (Eff. / / , Register )

Authority: AS 44.47.050,  
Sec. 26, Chapter 98,  
SLA 1985

19 AAC 33.050. APPEAL PROCEDURE. The department will make a determination of eligibility and population of each applicant and mail the determination to the applicant by April 15 of the application year. An applicant may appeal a determination of eligibility or population to the commissioner. The appeal must be in writing to the commissioner and must be postmarked within 30 days after receipt of notice of determination. The appeal must include the relevant evidence in support of the applicant's claim. The commissioner will review the appeal and notify the applicant of the decision on the appeal within 30 days of receipt of the appeal. (Eff. / / , Register )

Authority: AS 44.47.050,  
Sec. 26, Chapter 98  
SLA 1985

Register , 1987 COMMUNITY AND 19 AAC 33.060  
REGIONAL AFFAIRS 19 AAC 33.070

19 AAC 33.060. AGREEMENTS. A municipality and its officers and employees shall, upon request of the department, furnish available information and assistance required by the department in securing accurate information upon which to base the department's determinations. (Eff. / / , Register )

Authority: AS 44.47.050,  
Sec. 26, Chapter 98  
SLA 1985

19 AAC 33.070. DEFINITIONS. For the purposes of this chapter:

(a) "application year" means the state fiscal year for which a municipality submits an application for funding under 19 AAC 33;

(b) "coastal area" means the nine regions defined in AS 44.19.891(a)(1) from which members of the Alaska Coastal Policy Council are chosen, as set out in the annexed map (Attachment A).

(c) "commercial fisheries management area" means an area established by the Alaska Department of Fish and Game for management and statistical reporting purposes pursuant to AS 16.05.251(a)(2) and as shown on the annexed map (Attachment B).

(d) "commissioner" means the Commissioner of the Department of Community and Regional Affairs.

(e) "department" means the Department of Community and Regional Affairs.

(f) "fishing season" means that period in the reference year during which any species of fish, including shellfish, may be commercially taken under the regulations of the Alaska Department of Fish and Game, which is occurring in the commercial fisheries management area in which the municipality is located.

(g) "impacts" include ecological (such as the impacts on natural resources and the components, structures, and functioning of affected ecosystems), aesthetic, historic, cultural, economic, social, or health effects; and may be of the following types:

(1) direct impacts that are caused by, or are reasonably attributable to an activity or action and occur at the same time and place;

(2) indirect impacts that are caused by an action and are later in time or farther removed in distance; these may include growth inducing effects and other effects related to induced changes in the pattern of land use, population density, or growth rate, and related effects on air and water and other natural systems, including ecosystems; or

(3) cumulative impacts or the impacts on the human/physical environment that result from the incremental impact of an action when added to other past, present, and reasonably foreseeable future actions regardless of what agency, industry, or person undertakes such other actions; these can result from individually minor but collectively significant actions taking place over a period of time;

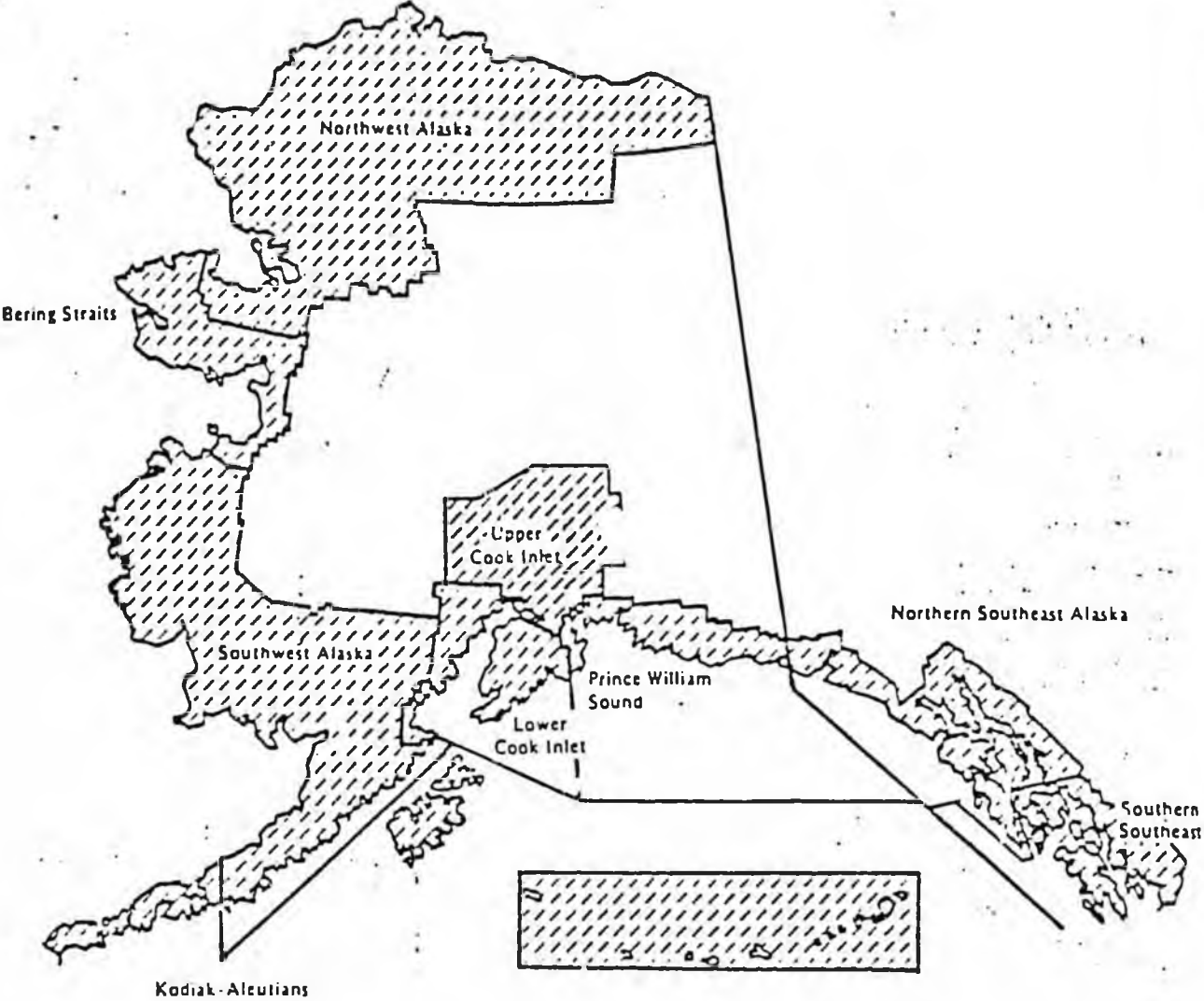
(h) "population increase" means the increase in population which is reasonably related to the offshore fish processing industry within municipal boundaries during the reference year above the municipal population determined by the Department of Community and Regional Affairs for the State Revenue Sharing Program pursuant to AS 29.60.020 for July 1 of the reference year; persons included in the population increase may be transient and need not have permanent ties with the community, but rather represent a peak level of demand on city services;

(i) "reference year" means that year from which population and fish weight data are drawn and in which the claimed significant impacts must have occurred; it is the calendar year immediately preceding the application year;

(j) "significant impact" means an impact of which the overall cumulative primary and secondary consequences significantly alter the quality of the human environment, curtail the choices of beneficial uses of the human environment, or interfere with the attainment of long-range human environmental goals; the word "significant" is intended to imply a threshold of importance and impact that must be met;

(k) "weight of commercial species" means the total pounds of ex-vessel commercial production of fish and shellfish within state waters as determined by the Alaska Department of Fish and Game for the reference year. (Eff. / / , Register )

Authority: AS 44.47.050,  
Sec. 26, Chapter 98,  
SLA 1985



NINE REGIONS FROM WHICH ELECTED OFFICIALS ARE SELECTED TO SERVE ON THE COASTAL POLICY COUNCIL

SOURCE: Alaska Department of Community and Regional Affairs. 1979. District Program Guidebook Series. Vol. 1. Coastal Management: What It Is And How It Works. Anchorage: DCRA.



### ALASKA COMMERCIAL FISHERIES REGIONS AND AREAS

#### REGION I: SOUTHEASTERN: Dixon Entrance to Cape Suckling

- Areas:
- A. Juneau & Yakutat
  - B. Ketchikan
  - C. Petersburg
  - D. Sitka

#### REGION II: CENTRAL: State Third Judicial Division Northern Boundary to Cape Suckling to Cape Douglas to Cape Menshikof to Cape Newenham

- Areas:
- E. Prince William Sound
  - H. Cook Inlet
  - T. Bristol Bay (salmon and herring catch; all fish and shellfish production)

#### REGION III: ARCTIC-YUKON-KUSKOKWIM (AYK): North of State Third Judicial Division Northern Boundary which ends at the west at Cape Newenham including Nunivak, St. Matthew, and St. Lawrence Islands

- Areas:
- W. Kuskokwim
  - X. Kotzebue
  - Y. Yukon
  - Z. Norton Sound

#### REGION IV: WESTERN: Cape Douglas to Unimak Pass to Cape Newenham including Kodiak and Aleutian Islands

- Areas:
- K. Kodiak
  - L. Chignik
  - M. Alaska Peninsula
  - O. Dutch Harbor
  - Q. Bering Sea
  - R. Adak & W. Aleutians
  - T. Bristol Bay (fish other than salmon and herring catch; and shellfish catch)

COMM. FISH REGIONS & AREA COMMUNITIES * - SEE NOTES (COLUMN L)	DATE APPLCTN RECVD	IMPACT (YES=1) (NO =0)	POP. GROWTH IMPACT	ALLOCATION BY % AREA- WIDE CATCH	ALLOCATION BY POP. CHANGE	TOTAL \$\$ ALLOCATION	CATCH IN POUNDS
REGION I: SOUTHEASTERN							
AREA A - JUNEAU & YAKUTAT							
ANGSON	4/10/87	1	0	\$1,457.82	\$0.00	\$1,457.82	
HAINES		0	0	\$0.00	\$0.00	\$0.00	
HAINES, BOROUGH OF		0	0	\$0.00	\$0.00	\$0.00	
JUNEAU, CITY AND BOROUGH		0	0	\$0.00	\$0.00	\$0.00	
SKAGWAY	4/16/87	1	100	\$1,457.82	\$2,915.64	\$4,373.46	
YAKUTAT		0	0	\$0.00	\$0.00	\$0.00	
AREA A - TOTAL.....		2	100	\$2,915.64	\$2,915.64	\$5,831.28	3,384,559
AREA B - KETCHIKAN							
CRAIG	4/13/87	1	500	\$2,185.44	\$2,122.62	\$4,308.06	
HYDABURG		0	0	\$0.00	\$0.00	\$0.00	
KASAPAN		0	0	\$0.00	\$0.00	\$0.00	
KETCHIKAN	4/16/87	1	1,994	\$2,185.44	\$8,464.99	\$10,650.43	
KETCHIKAN, BOROUGH OF	4/10/87	1	0	\$2,185.44	\$0.00	\$2,185.44	
KLAWOCK	4/19/87	1	80	\$2,185.44	\$339.62	\$2,525.06	
METLAKATLA		0	0	\$0.00	\$0.00	\$0.00	
SAXMAN	4/20/87	1	0	\$2,185.44	\$0.00	\$2,185.44	
THORNE BAY		0	0	\$0.00	\$0.00	\$0.00	
AREA B - TOTAL.....		5	2,574	\$10,927.22	\$10,927.22	\$21,854.44	12,684,641
AREA C - PETERSBURG/WRANSELL							
KAKE		0	0	\$0.00	\$0.00	\$0.00	
KUPREANOF		0	0	\$0.00	\$0.00	\$0.00	
PETERSBURG		0	0	\$0.00	\$0.00	\$0.00	
WRANSELL		0	0	\$0.00	\$0.00	\$0.00	
AREA C - TOTAL.....		0	0	\$129.64	\$0.00	\$0.00	150,488
AREA D - SITKA							
HODONAH		0	0	\$0.00	\$0.00	\$0.00	
PELICAN	4/20/87*	1	38	\$988.96	\$70.91	\$1,059.87	
PORT ALEXANDER		0	0	\$0.00	\$0.00	\$0.00	
SITKA, BOROUGH OF	4/15/87	1	1,200	\$988.96	\$2,239.16	\$3,228.13	
TENAKEE SPRINGS	4/16/87	1	352	\$988.96	\$656.82	\$1,645.79	
AREA D - TOTAL.....		3	1,590	\$2,966.89	\$2,966.89	\$5,933.78	3,444,055

COMM. FISH REGIONS & AREA COMMUNITIES * - SEE NOTES (COLUMN L)	DATE APPLCTN RECVD	IMPACT (YES=1) (NO =0)	POP. GROWTH IMPACT	ALLOCATION BY % AREA- WIDE CATCH	ALLOCATION BY POP. CHANGE	TOTAL \$\$ ALLOCATION	CATCH IN POUNDS
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REGION II: CENTRAL

AREA E - PRINCE WILLIAM SOUND

CORDOVA	4/17/87	1	500	\$7,282.36	\$9,102.95	\$16,385.31	
VALDEZ	4/21/87	1	300	\$7,282.36	\$5,461.77	\$12,744.13	
WHITTIER		0	0	\$0.00	\$0.00	\$0.00	

AREA E - TOTAL.....

2	800	\$14,564.72	\$14,564.72	\$29,129.44	16,907,153
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AREA H - COOK INLET

ANCHORAGE, MUNICIPALITY OF		0	0	\$0.00	\$0.00	\$0.00	
ANDERSON		0	0	\$0.00	\$0.00	\$0.00	
HOMER		0	0	\$0.00	\$0.00	\$0.00	
HOUSTON		0	0	\$0.00	\$0.00	\$0.00	
KACHEMAK		0	0	\$0.00	\$0.00	\$0.00	
KENAI PENINSULA BOROUGH	4/14/87*	1	7,643	\$1,096.34	\$1,096.34	\$2,192.68	
KENAI		0	0	\$0.00	\$0.00	\$0.00	
MATANUSKA-SUSITNA BOROUGH		0	0	\$0.00	\$0.00	\$0.00	
PALMER		0	0	\$0.00	\$0.00	\$0.00	
SELDOVIA		0	0	\$0.00	\$0.00	\$0.00	
SEWARD		0	0	\$0.00	\$0.00	\$0.00	
SOLDATNA		0	0	\$0.00	\$0.00	\$0.00	
WASILLA		0	0	\$0.00	\$0.00	\$0.00	

AREA H - TOTAL.....

1	7,643	\$1,096.34	\$1,096.34	\$2,192.68	1,272,663
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AREA T - BRISTOL BAY

ALEKNASIK		0	0	\$0.00	\$0.00	\$0.00	
BRISTOL BAY BOROUGH	4/16/87	1	345	\$20,149.60	\$4,165.76	\$24,315.36	
CLARK'S POINT	4/21/87*	1	407	\$20,149.60	\$4,914.39	\$25,063.99	
DILLINGHAM	4/16/87	1	1,423	\$20,149.60	\$17,182.25	\$37,331.85	
EKWOK		0	0	\$0.00	\$0.00	\$0.00	
MANOKOTAK		0	0	\$0.00	\$0.00	\$0.00	
NEW STUYAHOK		0	0	\$0.00	\$0.00	\$0.00	
NEHALEN		0	0	\$0.00	\$0.00	\$0.00	
NONDALTON		0	0	\$0.00	\$0.00	\$0.00	
TOSIAK	4/13/87	1	4,500	\$20,149.60	\$54,336.00	\$74,485.60	

AREA T - TOTAL.....

4	6,675	\$80,598.40	\$80,598.40	\$161,196.81	93,560,997
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COMPL FISH REGIONS & AREA COMMUNITIES * - SEE NOTES (COLUMN L)	DATE APPLCTN (YES=1) RECVD	IMPACT (YES=1) (NO =0)	POP. GROWTH IMPACT	ALLOCATION BY % AREA- WIDE CATCH	ALLOCATION BY POP. CHANGE	TOTAL \$\$ ALLOCATION	CATCH IN POUNDS
REGION III: A-Y-K							
AREA W - KUSKOKWIM							
AKIACHUK		0	0	\$0.00	\$0.00	\$0.00	
AKIAK		0	0	\$0.00	\$0.00	\$0.00	
ANIAK		0	0	\$0.00	\$0.00	\$0.00	
ATHAUTLUAK		0	0	\$0.00	\$0.00	\$0.00	
BETHEL		0	0	\$0.00	\$0.00	\$0.00	
CHEFORNAK		0	0	\$0.00	\$0.00	\$0.00	
CHUATHBALUK		0	0	\$0.00	\$0.00	\$0.00	
EEK		0	0	\$0.00	\$0.00	\$0.00	
GOODNEWS BAY		0	0	\$0.00	\$0.00	\$0.00	
KASIGLUK		0	0	\$0.00	\$0.00	\$0.00	
KWETHLUK		0	0	\$0.00	\$0.00	\$0.00	
LOWER KALSKAG		0	0	\$0.00	\$0.00	\$0.00	
MEKORYUK		0	0	\$0.00	\$0.00	\$0.00	
NAPAKIAK		0	0	\$0.00	\$0.00	\$0.00	
NAPASKIAK		0	0	\$0.00	\$0.00	\$0.00	
NEWTOK		0	0	\$0.00	\$0.00	\$0.00	
NIGHTMUTE		0	0	\$0.00	\$0.00	\$0.00	
NIKOLAI		0	0	\$0.00	\$0.00	\$0.00	
NUNAPITCHUK (AKOLMIUT)		0	0	\$0.00	\$0.00	\$0.00	
PLATINUM		0	0	\$0.00	\$0.00	\$0.00	
QUINHASK	4/20/87	1	50	\$1,564.23	\$1,049.82	\$2,614.04	
TOKSOOK BAY	4/20/87	1	99	\$1,564.23	\$2,078.64	\$3,642.86	
TULLUKSAK		0	0	\$0.00	\$0.00	\$0.00	
TULURNAK		0	0	\$0.00	\$0.00	\$0.00	
UPPER KALSKAG		0	0	\$0.00	\$0.00	\$0.00	
AREA W - TOTAL.....		2	149	\$3,128.45	\$3,128.45	\$6,256.90	3,631,598
AREA S - KOTZEBUE							
AMBLER		0	0	\$0.00	\$0.00	\$0.00	
ANAKTUVUK PASS		0	0	\$0.00	\$0.00	\$0.00	
ATGASUK		0	0	\$0.00	\$0.00	\$0.00	
BARRON		0	0	\$0.00	\$0.00	\$0.00	
BUCKLAND		0	0	\$0.00	\$0.00	\$0.00	
DEERINS		0	0	\$0.00	\$0.00	\$0.00	
KAKTOVIK		0	0	\$0.00	\$0.00	\$0.00	
KIANA		0	0	\$0.00	\$0.00	\$0.00	
KIVALINA		0	0	\$0.00	\$0.00	\$0.00	
KOTZEBUE		0	0	\$0.00	\$0.00	\$0.00	
NORVIK		0	0	\$0.00	\$0.00	\$0.00	
NORTH SLOPE BOROUGH		0	0	\$0.00	\$0.00	\$0.00	
NORTHWEST ARCTIC BOROUGH		0	0	\$0.00	\$0.00	\$0.00	
NUIOSUT		0	0	\$0.00	\$0.00	\$0.00	
POINT HOPE		0	0	\$0.00	\$0.00	\$0.00	

COMM. FISH REGIONS & AREA COMMUNITIES * - SEE NOTES (COLUMN L)	DATE APPLCTN (YES=1) RECVD	IMPACT (YES=1) (NO=0)	POP. GROWTH IMPACT	ALLOCATION BY % AREA- WIDE CATCH	ALLOCATION BY POP. CHANGE	TOTAL \$\$ ALLOCATION	CATCH IN POUNDS
SELAWIK		0	0	\$0.00	\$0.00	\$0.00	
SHISHMARF		0	0	\$0.00	\$0.00	\$0.00	
SHUNGNAK		0	0	\$0.00	\$0.00	\$0.00	
WAINWRIGHT		0	0	\$0.00	\$0.00	\$0.00	
AREA X - TOTAL.....		0	0	\$0.00	\$0.00	\$0.00	0
AREA Y - YUKON							
ALAKAUK		0	0	\$0.00	\$0.00	\$0.00	
CHEVAK		0	0	\$0.00	\$0.00	\$0.00	
EMMONAK	4/8/87	1	112	\$4,474.55	\$4,474.55	\$8,949.09	
FORTUNA LEDGE (MARSHALL)		0	0	\$0.00	\$0.00	\$0.00	
HOLY CROSS		0	0	\$0.00	\$0.00	\$0.00	
HOOVER BAY		0	0	\$0.00	\$0.00	\$0.00	
KOTLIK		0	0	\$0.00	\$0.00	\$0.00	
MOUNTAIN VILLAGE		0	0	\$0.00	\$0.00	\$0.00	
PILOT STATION		0	0	\$0.00	\$0.00	\$0.00	
RUSSIAN MISSION		0	0	\$0.00	\$0.00	\$0.00	
SAIN'T MARY'S		0	0	\$0.00	\$0.00	\$0.00	
SCAMMON BAY		0	0	\$0.00	\$0.00	\$0.00	
SHELDON POINT		0	0	\$0.00	\$0.00	\$0.00	
AREA Y - TOTAL.....		1	112	\$4,474.55	\$4,474.55	\$8,949.09	5,194,186
AREA Z - NORTON SOUND							
BREVIS MISSION		0	0	\$0.00	\$0.00	\$0.00	
ELIM		0	0	\$0.00	\$0.00	\$0.00	
GOLDVIN	5/28/87	1	70	\$2,079.68	\$762.19	\$2,841.87	
KOYUK	4/13/87	1	1	\$2,079.68	\$32.67	\$2,112.35	
NOME		0	0	\$0.00	\$0.00	\$0.00	
SAIN'T MICHAEL		0	0	\$0.00	\$0.00	\$0.00	
SHAKTOOLIK		0	0	\$0.00	\$0.00	\$0.00	
STEBBINS		0	0	\$0.00	\$0.00	\$0.00	
TELLER		0	0	\$0.00	\$0.00	\$0.00	
UNALAKLEET	5/28/87	1	500	\$2,079.68	\$5,444.20	\$7,523.88	
WALES		0	0	\$0.00	\$0.00	\$0.00	
WHITE MOUNTAIN		0	0	\$0.00	\$0.00	\$0.00	
AREA Z - TOTAL.....		3	573	\$6,239.05	\$6,239.05	\$12,478.10	7,242,471

COMM. FISH REGIONS & AREA COMMUNITIES * - SEE NOTES (COLUMN L)	DATE APPLCTN RECD	IMPACT (YES=1) (NO=0)	POP. GROWTH IMPACT	ALLOCATION BY % AREA- WIDE CATCH	ALLOCATION BY POP. CHANGE	TOTAL \$\$ ALLOCATION	CATCH IN POUNDS
REGION IV: WESTERN							
AREA K - KODIAK							
AKHIOK		0	0	\$0.00	\$0.00	\$0.00	
KODIAK	5/7/87	1	133	\$1,744.20	\$2,180.25	\$3,924.45	
KODIAK ISLAND BOROUGH	4/20/87	1	359	\$1,744.20	\$5,885.04	\$7,629.24	
LARSEN BAY	5/11/87	1	0	\$1,744.20	\$0.00	\$1,744.20	
OLD HARBOR		0	0	\$0.00	\$0.00	\$0.00	
OUZINKIE	3/23/87	1	0	\$1,744.20	\$0.00	\$1,744.20	
PORT LIONS	4/20/87	1	40	\$1,744.20	\$655.71	\$2,399.91	
AREA K - TOTAL.....		5	532	\$8,721.00	\$8,721.00	\$17,442.00	10,123,593
AREA L - CHIGNIK							
CHIGNIK	4/20/87	1	240	\$1,138.34	\$1,138.34	\$2,276.67	
AREA L - TOTAL.....		1	240	\$1,138.34	\$1,138.34	\$2,276.67	1,321,415
AREA M - ALASKA PENINSULA							
COLD BAY		0	0	\$0.00	\$0.00	\$0.00	
KING COVE	4/23/87	1	314	\$4,345.60	\$5,373.18	\$9,718.78	
PORT HEIDEN	5/14/87	1	72	\$4,345.60	\$1,233.44	\$5,579.04	
SAND POINT	4/21/87	1	375	\$4,345.60	\$6,424.18	\$10,769.78	
AREA M - TOTAL.....		3	761	\$13,036.81	\$13,036.81	\$26,073.61	15,133,507
AREA R&O - ALEUTIANS							
AKUTAN		0	0	\$0.00	\$0.00	\$0.00	
UNALASKA/DUTCH HARBOR	4/5/87*	1	1000	\$25,068.88	\$25,068.88	\$50,137.76	
AREA R&O - TOTAL.....		1	1,000	\$25,068.88	\$25,068.88	\$50,137.76	29,100,695
AREA Q - BERING SEA							
SAINT PAUL	4/20/87	1	0	\$25,297.04	\$0.00	\$25,297.04	
SAINT GEORGE	5/31/87	1	14	\$25,297.04	\$50,594.08	\$75,891.12	
AREA Q - TOTAL.....		2	14	\$50,594.08	\$50,594.08	\$101,188.15	58,731,092
*****							
STATEWIDE CATCH TOTAL (LBS.)..							261,883,113
TOTAL FUNDING.. (\$\$).....				\$225,600.00	\$225,600.00	\$451,200.00	
CHECK SUMS TOTAL.....		35	22,763	\$225,470.36	\$225,470.36	\$450,940.72	261,883,113
BALANCE OUTSTANDING.....				\$123.64	\$123.64	\$259.28	

APPLICATION FOR  
THE OFFSHORE FISHERIES BUSINESS TAX REVENUE SHARING  
PILOT PROJECT

State of Alaska  
Steve Cowper, Governor

Department of Community and  
Regional Affairs  
David G. Hoffman, Commissioner

Municipal and Regional Assistance Division  
Marty Rutherford, Director

## APPLICATION INSTRUCTIONS

In order to participate in the Offshore Fisheries Business Tax Revenue Sharing Pilot Project, you must fill out this application and return it post marked by April 15, 1987 to:

Pilot Project  
Department of Community and Regional Affairs  
P.O. Box BH  
Juneau, AK 99801

Although the regulations provide for a March 15 application deadline, they also provide that the Commissioner may extend the deadline for "good cause." Because of the short length of time that would be available to complete and submit the application based upon a March 15, the Commissioner has extended the deadline to April 15. Consequently, the entire process will be set back about a month so that Determination letters will not be sent out until some time after mid-April, rather than on April 15 as set out in regulation. It is anticipated that payments will be sent out in June, after review of determinations by applicants, resolution of any appeals, and calculation of entitlements.

Please note that the year in which impacts must be experienced and from which population increase is to be measured is calendar year 1985. That is the most recent year for which required catch data is available.

An effort has been made to keep the application form and requirements simple. Apart from "significant impacts" and "population increase," the required items on the facing SUMMARY SHEET are self explanatory. Greater detail on those two questions is set out in the instructions facing page 2 and page 3.

Please note that a resolution certifying the "population increase" is required. A sample resolution form is enclosed for your convenience.

Funds received under this program are subject to single audit requirements contained at 2 AAC 45.010.

A copy of the pilot project regulations sent to the Attorney General for review and filing by the Lieutenant Governor is attached. Although the regulations will not become effective until 30 days after filing, in an effort to expedite the administrative process, applications have been distributed and will be processed to make payments as soon as possible after the effective date of the regulations.

If you have any questions, please call Paul Cunningham at 465-4750.

OFFSHORE FISHERIES BUSINESS TAX  
REVENUE SHARING PILOT PROJECT

SUMMARY SHEET

1. Name of Municipality \_\_\_\_\_

2. Mailing Address \_\_\_\_\_

3. Telephone Number \_\_\_\_\_

4. Contact Person \_\_\_\_\_

5. Did your municipality experience "significant impacts" from the offshore commercial fishing industry in 1985? \_\_\_\_\_  
(If yes, please complete page 2.) You must answer "yes" to be eligible to participate in the distribution of funds under this project.

6. What, if any, was the "population increase" reasonably related to the offshore fish processing industry of your municipality during a fishing season during 1985? \_\_\_\_\_  
(Please complete page 3 documenting and describing the method used to determine population increase.)

7. ANSWER AFTER COMPLETING YOUR APPLICATION: Do you feel that the approach taken in this pilot project adequately addresses your concerns regarding the impact of the offshore fish processing industry on your community? \_\_\_\_\_ Why or why not?

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

8. CERTIFICATION AND ASSURANCES: To the best of my knowledge and belief, the information in this application is true and correct. The applicant agrees to comply with the laws and regulations under which this program and program funds are administered.

Signature of Mayor \_\_\_\_\_

INSTRUCTIONS FOR PAGE 2

In order to qualify to receive funds under this program, you must demonstrate that your community experienced significant impacts from the offshore fish processing industry in 1985. Your explanation should show 1) what the impact or impacts were, 2) that the impact(s) were "significant", and 3) that the impact(s) were related to the offshore fish processing industry. You may include photographic evidence, but it must be supported by an explanation of how the demonstrated impact is related to the offshore fish processing industry. You may attach additional information if needed. "Impacts" and "significant impacts" are defined at 19 AAC 33.070 of the enclosed regulations.



INSTRUCTIONS FOR PAGE 3

Your municipal population increase reasonably related to the offshore fish processing industry in 1985 is an element used to calculate your entitlement (see 19 AAC 33.030 and 19 AAC 33.040 of the enclosed regulations). It is intended to indicate the level of impact on your municipality during calendar year 1985 from the offshore fish processing industry. The persons included in this population increase may include transient people connected in any way with the offshore fish processing industry. The population increase is not an indicator of permanent residents, but rather an indicator of impact, representing a peak level of service demand, resulting from the offshore fish processing industry. It may be calculated by taking the highest level of persons within municipal boundaries at any time during a fishing season in 1985, less any non-fish processing related population increase, less the DCRA certified population for July 1, 1985 (used to calculate your FY 1986 State Revenue Sharing entitlement).

You may use any relevant statistics of population that can be documented. Some examples are: labor statistics, retail sales activity, water hook-ups, bulk fuel sales, electric consumption, motel/hotel rate of occupancy, employment data from the offshore fish processing industry, criminal or other public safety statistics, and so on. However, population increase due to tourism, construction activity not related to the offshore fish processing industry, onshore processing, and so on, must not be included in the population increase used to calculate your entitlement. As provided by regulation: "Unverifiable, unsupported estimates will not be accepted" (19 AAC 33.030.)

Population increase is defined in regulation at 19 AAC 33.070(h) (see enclosed regulations).

Paul Cunningham, our department demographic specialist in Juneau at 465-4750, is available to give you assistance in developing a method of estimation.

NOTE THAT YOU MAY STILL RECEIVE AN ENTITLEMENT IF YOU HAD NO POPULATION INCREASE OR ARE UNABLE TO REASONABLY CALCULATE THE SIZE OF THAT INCREASE. However, you will not receive funding under the per capita portion of the formula.



(

## INSTRUCTIONS FOR RESOLUTION

A resolution certifying the population increase, which will be used for the formula calculation of the per capita share of each municipal payment, is required. The facing resolution form is included for your convenience. The numbered blanks should include the following information:

1. Name of the municipality,
  2. Amount of population increase,
  3. Governing body of municipality,
  4. Signature of the mayor or presiding officer of the governing body,
  5. Signature of the clerk.
- (

RESOLUTION

A RESOLUTION OF THE \_\_\_\_\_ (1)  
authorizing participation in the Offshore Fisheries Business  
Tax Revenue Sharing Pilot Project and adopting a determination  
of the population increase reasonably related to the offshore  
fish processing industry.

WHEREAS, the \_\_\_\_\_ (1) experiences  
significant impact from the offshore fish processing industry;  
and

WHEREAS, this municipality is an applicant to participate in  
the Offshore Fisheries Business Tax Revenue Sharing Pilot  
Project authorized by chapter 98, SLA 1985; and

WHEREAS, the governing body of the municipality must pass a  
resolution adopting a population increase reasonably related to  
the offshore fish processing industry;

NOW THEREFORE BE IT RESOLVED THAT the governing body finds that  
in 1985 the population increase reasonably related to the  
offshore fish processing industry as defined in regulation  
was \_\_\_\_\_ (2).

PASSED AND APPROVED BY THE \_\_\_\_\_ (3)  
on the \_\_\_\_\_ day of \_\_\_\_\_, 1987.

BY: \_\_\_\_\_ (4)

ATTEST: \_\_\_\_\_ (5)

19 AAC is amended by adding a new chapter to read:

CHAPTER 33. OFFSHORE FISHERIES BUSINESS TAX  
REVENUE SHARING PILOT PROJECT

19 AAC 33.010 ELIGIBILITY. To be eligible for payment under this chapter, an applicant must:

(a) be a municipality incorporated under the laws of the State of Alaska;

(b) be located in the coastal area; and

(c) demonstrate significant impacts from the offshore fish processing industry during the reference year. (Eff. / , Register )

Authority: AS 44.47.050,  
Sec. 26, Chapter 93,  
SLA 1985

19 AAC 33.020. APPLICATION PROCEDURE. (a) The department will distribute applications to all potential applicants that the department believes may be eligible for assistance. Additional applications may be obtained from the department.

(b) In order to participate in the program, an applicant must submit a completed application to the department postmarked by March 15 of the application year on an application form prescribed by the department.

(c) For good cause, the commissioner will, in his or her discretion, extend the application deadline. (Eff. / , Register )

Authority: AS 44.47.050,  
Sec. 26, Chapter 93,  
SLA 1985

19 AAC 33.030. DETERMINATION OF POPULATION INCREASE. A municipality must include with its application an estimate of its population increase during fishing season which is reasonably related to the offshore fish processing industry. The estimate must be certified by the mayor and adopted by the governing body of the municipality by resolution. The estimate must include an explanation of how it was determined and must be supported by relevant indices of population. Unverifiable, unsupported estimates will not be accepted. (Eff. / / , Register )

Authority: AS 44.47.050,  
Sec. 26, Chapter 98,  
SLA 1985

19 AAC 33.040. ALLOCATION. (a) The department will allocate available funds to each commercial fisheries management area in the proportion of the weight of commercial species processed offshore within each area divided by the total weight of commercial species processed offshore statewide. For the purposes of this section, management areas R and U will be combined.

(b) One-half of each commercial fisheries management area allocation will be distributed equally among all participating municipalities within the area. The other half of the area allocation will be distributed to participating municipalities within the area proportionate to the population increase within each municipality divided by the total population increase of participating municipalities within the area. (Eff. / / , Register )

Authority: AS 44.47.050,  
Sec. 26, Chapter 98,  
SLA 1985

19 AAC 33.050. APPEAL PROCEDURE. The department will make a determination of eligibility and population of each applicant and mail the determination to the applicant by April 15 of the application year. An applicant may appeal a determination of eligibility or population to the commissioner. The appeal must be in writing to the commissioner and must be postmarked within 30 days after receipt of notice of determination. The appeal must include the relevant evidence in support of the applicant's claim. The commissioner will review the appeal and notify the applicant of the decision on the appeal within 30 days of receipt of the appeal. (Eff. / / , Register )

Authority: AS 44.47.050,  
Sec. 26, Chapter 98,  
SLA 1985

19 AAC 33.060. AGREEMENTS. A municipality and its officers and employees shall, upon request of the department, furnish available information and assistance required by the department in securing accurate information upon which to base the department's determinations. (Eff. / / , Register )

Authority: AS 44.47.050,  
Sec. 26, Chapter 98  
SLA 1985

19 AAC 33.070. DEFINITIONS. For the purposes of this chapter:

(a) "application year" means the state fiscal year for which a municipality submits an application for funding under 19 AAC 33;

(b) "coastal area" means the nine regions defined in AS 44.19.891(a)(1) from which members of the Alaska Coastal Policy Council are chosen, as set out in the annexed map (Attachment A).

(c) "commercial fisheries management area" means an area established by the Alaska Department of Fish and Game for management and statistical reporting purposes pursuant to AS 16.05.251(a)(2) and as shown on the annexed map (Attachment B).

(d) "commissioner" means the Commissioner of the Department of Community and Regional Affairs.

(e) "department" means the Department of Community and Regional Affairs.

(f) "fishing season" means that period in the reference year during which any species of fish, including shellfish, may be commercially taken under the regulations of the Alaska Department of Fish and Game, which is occurring in the commercial fisheries management area in which the municipality is located.

(g) "impacts" include ecological (such as the impacts on natural resources and the components, structures, and functioning of affected ecosystems), aesthetic, historic, cultural, economic, social, or health effects; and may be of the following types:

(1) direct impacts that are caused by, or are reasonably attributable to an activity or action and occur at the same time and place;

(2) indirect impacts that are caused by an action and are later in time or farther removed in distance; these may include growth inducing effects and other effects related to induced changes in the pattern of land use, population density, or growth rate, and related effects on air and water and other natural systems, including ecosystems; or

(3) cumulative impacts or the impacts on the human/physical environment that result from the incremental impact of an action when added to other past, present, and reasonably foreseeable future actions regardless of what agency, industry, or person undertakes such other actions; these can result from individually minor but collectively significant actions taking place over a period of time;

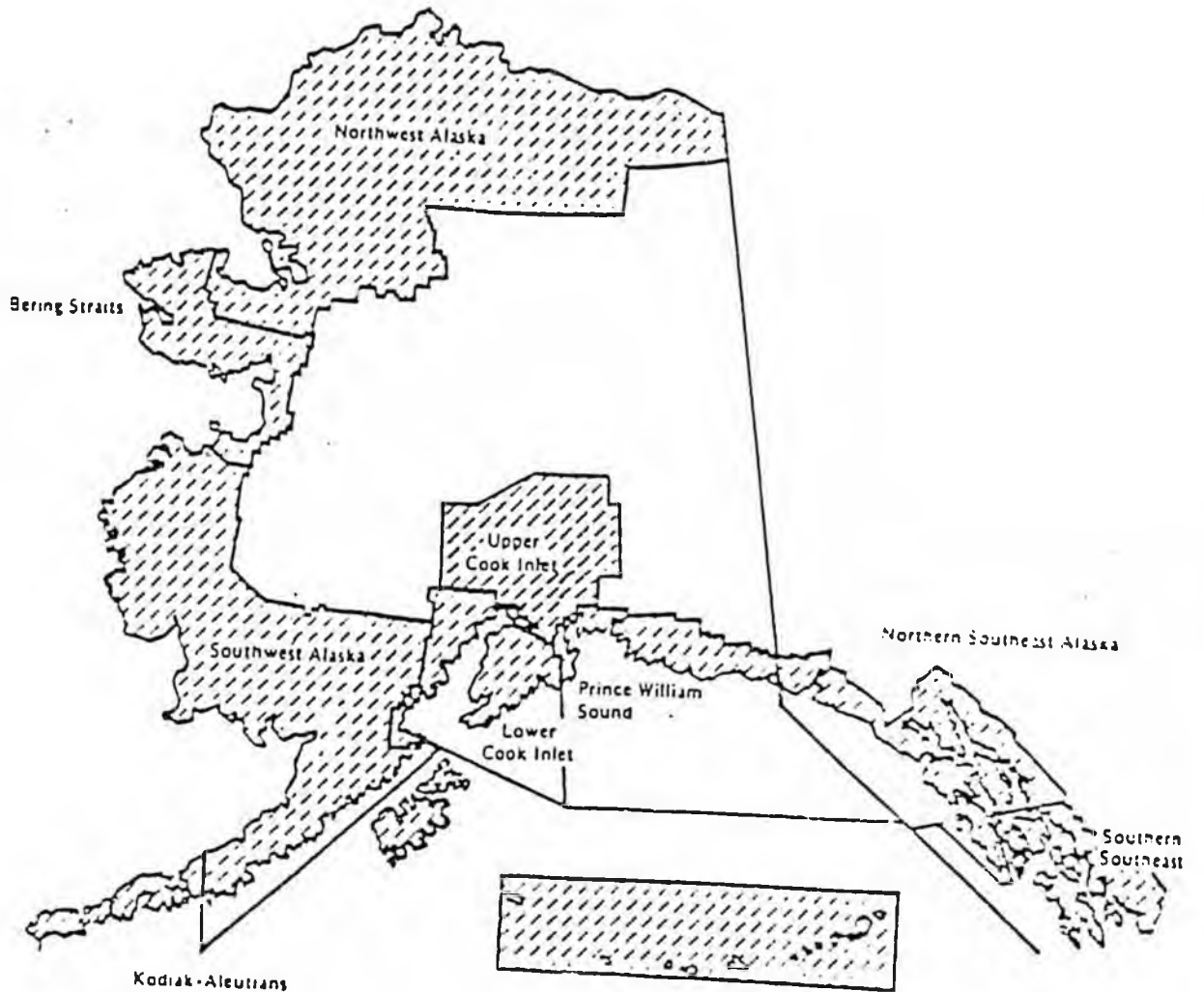
(h) "population increase" means the increase in population which is reasonably related to the offshore fish processing industry within municipal boundaries during the reference year above the municipal population determined by the Department of Community and Regional Affairs for the State Revenue Sharing Program pursuant to AS 29.60.020 for July 1 of the reference year; persons included in the population increase may be transient and need not have permanent ties with the community, but rather represent a peak level of demand on city services;

(i) "reference year" means that year from which population and fish weight data are drawn and in which the claimed significant impacts must have occurred; it is the calendar year immediately preceding the application year;

(j) "significant impact" means an impact of which the overall cumulative primary and secondary consequences significantly alter the quality of the human environment, curtail the choices of beneficial uses of the human environment, or interfere with the attainment of long-range human environmental goals; the word "significant" is intended to imply a threshold of importance and impact that must be met;

(k) "weight of commercial species" means the total pounds of ex-vessel commercial production of fish and shellfish within state waters as determined by the Alaska Department of Fish and Game for the reference year. (Eff. / / , Register )

Authority: AS 44.47.030,  
Sec. 25, Chapter 48,  
JLA 1985



NINE REGIONS FROM WHICH ELECTED OFFICIALS ARE  
SELECTED TO SERVE ON THE COASTAL POLICY COUNCIL

SOURCE Alaska Department of Community and Regional Affairs, 1979, District Program Guidelines Series, Vol. 1, Coastal Management: What It Is And How It Works, Anchorage: DGRA



### ALASKA COMMERCIAL FISHERIES REGIONS AND AREAS

#### REGION I: SOUTHEASTERN: Dixon Entrance to Cape Suckling

- Areas: A. Juneau & Yakutat  
 B. Ketchikan  
 C. Petersburg  
 D. Sitka

#### REGION II: CENTRAL: State Third Judicial Division Northern Boundary to Cape Suckling to Cape Douglas to Cape Mensehikof to Cape Newenham

- Areas: E. Prince William Sound  
 H. Cook Inlet  
 T. Bristol Bay (salmon and herring catch; all fish and shellfish production)

#### REGION III: ARCTIC-YUKON-KUSKOKWIM (AYK): North of State Third Judicial Division Northern Boundary which ends at the west at Cape Newenham including Nunivak, St. Matthew, and St. Lawrence Islands

- Areas: W. Kuskokwim  
 X. Kotzebue  
 Y. Yukon  
 Z. Norton Sound

#### REGION IV: WESTERN: Cape Douglas to Unimak Pass to Cape Newenham including Kodiak and Aleutian Islands

- Areas: K. Kodiak  
 L. Chignik  
 M. Alaska Peninsula  
 O. Dutch Harbor  
 Q. Bering Sea  
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# STATE OF ALASKA

## DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

RECEIVED MAR 24 1988

STEVE COWPER, GOVERNOR

P.O. BOX 5  
JUNEAU, ALASKA 99811-0400  
PHONE: (907) 465-2300

March 24, 1988

The Honorable Adelheid Herrmann  
Co-Chairman  
House Resources Committee  
Alaska State Legislature  
Capitol, Room 106  
Juneau, AK 99811

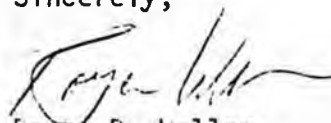
Dear Representative Herrmann:

With the establishment of the 1986 fisheries investment tax credit, the State will be foregoing substantial fisheries business tax revenues. Enactment of HB 314 (An Act relating to the allocation of fisheries business taxes to municipalities...) will reduce the State's take even further. Together, these measures are estimated to reduce the fish tax's general fund portion by as much as 76%. Below are the estimated numbers:

	<u>FY 87</u>	<u>FY 88</u>	<u>FY 89</u>
Shorebased Tax	17.5	6.0*	7.0
Floating Tax	9.0	9.8	9.8
	<u>26.5</u>	<u>15.8</u>	<u>16.8</u>
Shared Revenues	-7.9	-8.0	-7.8 (requested)
Net to Gen. Fund	<u>18.6</u>	<u>7.8</u>	<u>9.0</u>
HB 314/SB 454			<u>-4.9</u>
			<u>4.1 (G.F.)</u>

\* potential tax credit impact

Sincerely,



Royce B. Weller  
Special Assistant

Rbw:smc  
88-82

cc: Representative Sam Cotten  
Representative Lyman Hoffman  
Representative Cliff Davison  
Representative Henry Springer

Representative Mike Navarre  
Representative Dick Shultz  
Representative Drue Pearce  
Representative John Sund

# STATE OF ALASKA

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P.O. BOX 5  
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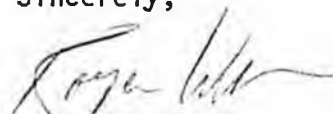
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Royce B. Weller  
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