

SR

494

SENATE COMMITTEE REPORT

FURTHER

4/14/88

DATE TURNED INTO OFFICE

5/2/88

Mr. President:

FINANCE

Committee considered

SB 494

one percent salmon enhancement tax; efd

and recommended

[x] replace with \_\_\_\_\_ CS SB 494 (Fin) ) [ ] same title  
[ ] or adopt \_\_\_\_\_ CS \_\_\_\_\_ ) [x] new title

[ ] attached amendment(s) and

[x] do pass

[ ] do not pass

[ ] no recommendation

[ ] individual recommendations

[ ] further referral to \_\_\_\_\_

[ ] letter of intent adopted \_\_\_\_\_

Committee [ ] attached or [ ] adopted fiscal note(s)

[x] new [ ] updated or [ ] previous

[x] zero [ ] fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

*Paul V. Zhang*  
*Paul Strode*  
*James L. ...*  
*Kate ...*  
*John ...*

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

*Rich Halford do pass*  
Chairman signature and recommendation

**FISCAL NOTE**

**REQUEST:**

Revision Date: \_\_\_\_\_ Agency Affected: Dept. of Revenue  
 Title: Act relating to a one percent BRU: Income and Excise Audit  
salmon enhancement tax  
 Sponsor: Resources Committee Components: \_\_\_\_\_  
 Requestor: Senate Finance Committee

**EXPENDITURES/REVENUES:** (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

**FUNDING:** (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS						
OTHER						
TOTAL						

**POSITIONS:**

FULL-TIME	0	0	0	0	0	0
PART-TIME						
TEMPORARY						

**ANALYSIS :** (Attach a separate page if necessary)

\_\_\_\_\_

Prepared by: *Rick Halford* Phone: 465-4958  
 Division: Senator Rick Halford, Co-chairman Date: May 2, 1988  
Senate Finance Committee

Approved by Commissioner: \_\_\_\_\_ Date: \_\_\_\_\_  
 Agency: \_\_\_\_\_

Distribution (by preparer):

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

5/2/88  
Adopted

5-2068X✓  
Bannister  
4/22/88

Original sponsor: Resources Committee

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 CS FOR SENATE BILL NO. 494 (Finance)

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 salmon enhancement tax and to  
7 salmon enhancement authorities; and providing for an  
8 effective date."

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

10 \* Section 1. AS 16.10.555 is amended to read:

11 Sec. 16.10.555. DISPOSAL OF PROPERTY ACQUIRED BY DEFAULT OR  
12 FORECLOSURE. The Department of Commerce and Economic Development  
13 shall dispose of property acquired through default or foreclosure of a  
14 loan made under AS 16.10.500 - 16.10.560 [AS 16.10.500 - 16.10.620].  
15 Disposal shall be made in a manner that serves the best interests of  
16 the state, and may include the amortization of payments over a period  
17 of years.

18 \* Sec. 2. AS 43.76 is amended by adding a new section to read:

19 Sec. 43.76.035. EXEMPTION. This chapter does not apply to  
20 salmon harvested under a special harvest area entry permit issued  
21 under AS 16.43.400 to a regional association established under AS 16.-  
22 10.380.

23 \* Sec. 3. AS 16.10.600, 16.10.610, and 16.10.620 are repealed.

24 \* Sec. 4. This Act takes effect immediately under AS 01.10.070(c).



SENATOR FRED F. ZHAROFF  
ALASKA STATE LEGISLATURE

RECEIVED APR 21 1988

P.O. BOX 405, KODIAK, ALASKA 99615 (907) 486-5253  
DURING SESSION:  
P.O. BOX V, JUNEAU, ALASKA 99811 • (907) 465-3473 • 465-3474

DISTRICT N

ALASKA PENINSULA • ALEUTIAN CHAIN • BRISTOL BAY • KODIAK ISLAND • LAKE CLARK/LAKE ILIAMNA • PRIIBILOF ISLANDS • SHUMAGIN ISLANDS

MEMORANDUM

TO: Senator Rick Halford  
Co-Chairman  
Senate Finance Committee

FROM: Senator Fred F. Zharoff

DATE: April 18, 1988

RE: Senate Bill 494 - "An Act relating to the salmon enhancement tax and to salmon enhancement authorities; and providing for an effective date."

I respectfully request that SB 494 be scheduled for a hearing before the Senate Finance Committee at the committee's earliest convenience. When the bill comes before the committee, I respectfully request the preparation of a committee substitute incorporating the attached amendment. The amendment removes all reference in the bill to a one percent salmon enhancement tax.

Currently, regional aquaculture associations -- under state statutes -- have the option of holding elections to implement two percent and three percent salmon enhancement taxes, which are appropriated by the legislature to fund the associations. There was some interest in Kodiak of also having the option of voting for a one percent tax. The Kodiak Regional Aquaculture Association, however, decided to proceed with an election for a two percent tax. The one percent option is no longer needed. Accordingly, I wish to remove it from the bill.

done  
in  
Fin  
CS

The remaining sections of the bill were proposed by Sen. Lloyd Jones. They repeal the reference in state statutes to regional salmon enhancement authorities, and exempt the regional aquaculture association special harvest areas from the salmon enhancement tax. The regional salmon enhancement authority is a concept currently in state statutes that has never been used. The regional associations support its removal. The attached letter from the Southern Southeast Regional Aquaculture Association provides background information on this issue. The special harvest areas are special areas designated by the Board of Fisheries in which the regional associations harvest the surplus salmon returning to their facilities and use the proceeds to cover operating costs. It seems purposeless for the associations to pay a tax on their salmon harvests when the tax will just be returned to them.

cc: Sen. Lloyd Jones

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

*Netelle*

1621 Tongass Ave., #103

Ketchikan, Alaska 99901

(907) 225-9605

Representative C.E. Swackhammer  
Alaska State House of Representatives  
P.O. Box 417  
Soldotna, AK 99669

December 17, 1987

Dear Representative Swackhammer:

I recently received a copy of the memorandum to you from legislative analyst, Brad Pierce, dated November 2, 1987 regarding the possibility of an enhancement authority as a long-term funding mechanism for Alaska's ocean ranching program. Are you or do you know of anyone who will propose legislation initiating a statewide salmon enhancement authority during the 1988 legislative session? I am writing to express the opposition of the Southern Southeast Regional Aquaculture Association (SSRAA) to any legislation that proposes a statewide salmon enhancement authority.

SSRAA, along with the other major regional aquaculture associations, jointly developed a position statement in 1987 on the possible transfer of state fish hatcheries to regional associations. This is still the position of SSRAA, and SSRAA strongly encourages the state to operate the FRED salmon hatcheries using general funds of the state. If the state salmon hatcheries are providing an economic benefit to the residents of Alaska beyond the cost of operating them, then the state should continue to operate the facilities. If, however, it is the view of the legislature that it is not in the state's best interest to continue the operation of the FRED hatcheries, but if the hatcheries provides a positive economic benefit to commercial fishermen, then the option of having the regional aquaculture associations operate the state hatcheries should be continued.

According to sec. 16.10.600 of the Alaska Statutes and Regulations for private nonprofit salmon hatcheries, a qualified regional aquaculture association is given the authority to form a regional salmon enhancement authority. There is no mention of a statewide enhancement authority and the original legislative

**PRIVATE NON PROFIT HATCHERIES**

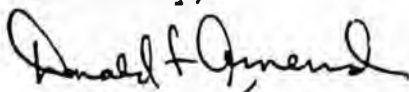
intent did not include state FRED hatcheries. It does not appear appropriate for the FRED Division or legislature to pursue the formation of an enhancement authority to encompass both the PNP programs and the state FRED programs.

It is SSRAA's opinion that a statewide authority would not work and would not be in the best interest of commercial fishermen. The primary objection would be the loss of regional control which is one of the reasons for the success of the regional associations. In addition, it would cost the fishermen more either through increased taxes or fees and they could receive less benefit depending on where the funds were spent. Furthermore, it would create another bureaucracy with all the associated inefficiencies. One of the primary reasons for the success of the regional associations has been the motivation of a private corporation and the effort of fishermen within the region. The more the fishermen are removed from the critical decisions which affect them, and the more the operational staff is restricted from trying innovative techniques, the greater will be the chance of failure, stagnation, and lack of cooperation.

Why put the successful programs of the regional associations at risk? Efforts should be pursued by the legislature to find alternative funding for the FRED facilities without increasing the tax burden on the commercial fishermen. They are already paying their fair share compared to other industries in Alaska through their permit fees, raw fish tax, vessel fuel tax, landing tax, and enhancement tax. If funds are not available from the general fund, if the FRED hatcheries can not be operated cost effectively, and if there is no benefit to the commercial fishermen through the transfer to the regional associations, then the best alternative is to shut them down.

SSRAA is encouraging all of the regional aquaculture associations and commercial fishing organizations to oppose any legislation which would create a statewide salmon enhancement authority.

Sincerely,



Donald F. Amend  
General Manager

cc: NSRAA	SE Alaska Seine Boat Owners and Operators
CIAA	Ketchikan Fishermen's Association's
PWSAA	Southeast Fish and Game Advisory Committees
KIAA	Representative John Sund
UFA	Representative Robin Taylor
ATA	Representative Peter Goll
USAG	Senator Lloyd Jones
Brian Allee,	FRED Director

4/5/88 A/B  
5 (70.5)  
FIR

STATE OF ALASKA  
1988 LEGISLATIVE SESSION

BILL VERSION: SB 494  
PUBLISH DATE: \_\_\_\_\_

FISCAL NOTE

REQUEST: \_\_\_\_\_

Revision Date: \_\_\_\_\_  
Title: An Act relating to a one percent  
salmon enhancement tax ...  
Sponsor: Resources Committee  
Requestor: Resources and Finance

Agency Affected: Department of Revenue  
BRU: Income and Excise Audit  
Components: \_\_\_\_\_

EXPENDITURES/REVENUES: (Thousands of Dollars)

	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>	-	-	-	-	-	-

SB 494

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)

Prepared By: Steven E. Kettel *Steven E. Kettel* Phone: (907) 465-2320  
Division: Income and Excise Audit Date: March 29, 1988

Approved by Commissioner: Hugh Malone *Hugh Malone* Date: 3/29/88  
Agency: Department of Revenue

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

RECEIVED  
APR 1 1988

LEGISLATIVE FINANCE

Prepared by: Steven E. Kettel  
Income and Excise Audit Division  
Department of Revenue  
March 29, 1988

SB 494

Bill Analysis

Current law (AS 43.76) provides that upon approval by a qualified regional aquaculture association, an optional two or three percent tax will be levied on the value of salmon removed from or transferred within the association boundary. There are currently four aquaculture associations that have approved the salmon enhancement tax.

The tax is levied upon the limited entry permit holder, but generally is collected by a fish processor and paid to the Department of Revenue on a monthly basis. These funds are appropriated by the Legislature to the aquaculture associations annually.

SB 494 provides a third optional tax rate - one percent. The Department's fiscal note does not attempt to forecast how many associations will vote to reduce their tax rate. We assume that a new region establishing the salmon enhancement tax may approve the lower rate.

<u>Aquaculture Association</u>	<u>Approved S.E.T. (yes, no)</u>	<u>Rate</u>
Southern Southeast	yes	3%
Northern Southeast	yes	3%
Prince William Sound	yes	2%
Cook Inlet	yes	2%
IMARPIK (Bristol Bay)	no	
Kodiak	no	

1 IN THE SENATE BY THE RESOURCES COMMITTEE

2 SENATE BILL NO. 494

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 a one percent salmon enhancement  
7 tax; and providing for an effective date."

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

9 \* Section 1. AS 43.76 is amended by adding a new section to read:

10 Sec. 43.76.013. ONE PERCENT SALMON ENHANCEMENT TAX. (a) A  
11 person holding a limited entry permit under AS 16.43 shall pay a  
12 salmon enhancement tax at the rate of one percent of the value of  
13 salmon, as defined in AS 43.75.140, that the person removes from the  
14 state or transfers to a buyer in the state. The buyer shall collect  
15 the salmon enhancement tax at the time the salmon is acquired by the  
16 buyer.

17 (b) A one percent salmon enhancement tax may only be levied or  
18 collected under (a) of this section

19 (1) in a region designated by the commissioner of fish and  
20 game for the purpose of salmon production under AS 16.10.375;

21 (2) if there exists in the region an association determined  
22 by the commissioner of fish and game to be a qualified regional asso-  
23 ciation under AS 16.10.380; and

24 (3) if the qualified regional association approves the one  
25 percent salmon enhancement tax under AS 43.76.015.

26 \* Sec. 2. AS 43.76.015(b) is amended to read:

27 (b) The salmon enhancement tax is levied under AS 43.76.010,  
28 [OR] 43.76.011, or 43.76.013 in a region on the effective date stated  
29 on the ballot if

1           (1) it is approved by a majority vote of the eligible  
2 interim-use permit and entry permit holders voting in an election held  
3 under this section in the region; and

4           (2) the election results are certified by the commissioner  
5 of commerce and economic development.

6 \* Sec. 3. AS 43.76.015(c) is amended to read:

7           (c) In conducting an election under this section, a qualified  
8 regional association shall adopt the following procedures:

9           (1) The qualified regional association for the region shall  
10 hold at least one public meeting not less than 30 days before the date  
11 on which ballots must be postmarked to be counted in the election to  
12 explain the reason for the proposed salmon enhancement tax and to  
13 explain the registration and voting procedure to be used in the elec-  
14 tion. The qualified regional association shall provide notice of the  
15 meeting by

16                   (A) mailing the notice to each eligible interim-use  
17 permit and entry permit holder;

18                   (B) posting the notice in at least three public places  
19 in the region; and

20                   (C) publishing the notice in at least one newspaper of  
21 general circulation in the region at least once a week for two  
22 consecutive weeks before the meeting.

23           (2) The qualified regional association shall mail two  
24 ballots to each eligible interim-use permit and entry permit holder.  
25 The first ballot shall be mailed not [NO] more than 45 days before the  
26 date ballots must be postmarked to be counted in the election. The  
27 second ballot shall be mailed not [NO] less than 15 days before the  
28 date ballots must be postmarked to be counted in the election. The  
29 qualified regional association shall adopt procedures to insure that

1           only one ballot from each eligible interim-use permit and entry permit  
2           holder is counted in the election.

3                       (3) The ballot shall

4                               (A) indicate whether the election relates to a salmon  
5                               enhancement tax under AS 43.76.010, [OR] to a salmon enhancement  
6                               tax under AS 43.76.011, or to a salmon enhancement tax under  
7                               AS 43.76.013;

8                               (B) ask the question whether the salmon enhancement  
9                               tax shall be levied;

10                              (C) indicate the boundaries of the region in which the  
11                              salmon enhancement tax will be levied;

12                              (D) provide an effective date for the levy of the  
13                              salmon enhancement tax; and

14                              (E) indicate the date on which returned ballots must  
15                              be postmarked in order to be counted.

16                              (4) The ballots shall be returned by mail and shall be  
17                              counted by the commissioner of commerce and economic development or by  
18                              a person approved by the commissioner of commerce and economic de-  
19                              velopment.

20 \* Sec. 4. AS 43.76.020(a) is amended to read:

21                              (a) The salmon enhancement tax levied under AS 43.76.010, [OR]  
22                              43.76.011, or 43.76.013 may be terminated by the commissioner of  
23                              revenue upon majority vote at an election held under AS 43.76.015 in  
24                              the region in which the salmon enhancement tax is levied.

25 \* Sec. 5. AS 43.76.025(a) is amended to read:

26                              (a) A buyer who acquires fisheries resources that [WHICH] are  
27                              subject to the salmon enhancement tax imposed by AS 43.76.010, [OR]  
28                              43.76.011, or 43.76.013 shall collect the salmon enhancement tax at  
29                              the time of purchase, and shall remit the total salmon enhancement tax

1 collected during each month to the department [DEPARTMENT OF REVENUE]  
2 by the last day of the next month.

3 \* Sec. 6. AS 43.76.028(a) is amended to read:

4 (a) The owner of salmon removed from the state is liable for  
5 payment of the salmon enhancement tax imposed by AS 43.76.010, [OR]  
6 43.76.011, or 43.76.013 if, at the time the salmon are removed from  
7 the state, the tax payable on the salmon has not been collected by a  
8 buyer.

9 \* Sec. 7. This Act takes effect immediately under AS 01.10.070(c).

Original sponsor: Resources Committee

1 IN THE SENATE BY THE RESOURCES COMMITTEE

2 CS FOR SENATE BILL NO. 494 (Resources)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

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14 loan made under AS 16.10.500 - 16.10.560 [AS 16.10.500 - 16.10.620].  
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24 the salmon enhancement tax at the time the salmon is acquired by the  
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11 interim-use permit and entry permit holders voting in an election held  
12 under this section in the region; and

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22 10.380.

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