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SENATE COMMITTEE REPORT

FURTHER

2/6/89

DATE TURNED INTO OFFICE

2/9/89

Mr. President:

FINANCE

Committee considered

SB 62

one percent salmon enhancement tax; efd

and recommended

- replace with _____ CS _____) same title
- or adopt _____ CS _____) new title
- attached amendment(s) and technical title change (HB only)
- _____ letter of intent adopted

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

FISCAL NOTE(S) zero fiscal impact appropriation no FN
 new updated previous DCED &
 same as previous fiscal note(s) published _____

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

[Signature] Deppak
[Signature] Frank
[Signature] Prince
[Signature] Fischer

[Signature]
 Chairperson signature and recommendation

Committee Backup attached

R/O SFC 2-9-89 S(Res); SFC P

STATE OF ALASKA
1989 LEGISLATIVE SESSION

BILL VERSION: SB 62
PUBLISH DATE: 1/9/89

FISCAL NOTE

REQUEST:

Revision Date: 1/9/89
Title: An Act relating to a 1% salmon enhancement tax.
Sponsor: Zharoff
Requestor: Resources

Agency Affected: Commerce & Econ. Devel.
BRU: Investments
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE	0	0	0	0	0	0
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FUNDING: (Thousands of Dollars)

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

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Martin J. Richard, Director Phone: 465-2510
Division: Investments Date: 1/30/89

Approved by Commissioner: Larry Mercurieff, Commissioner Date: 465-2500
Agency: Commerce & Economic Development 1/30/89

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

RECEIVED

JAN 30 1989

page ____ of ____

1 IN THE SENATE

BY ZHAROFF

2

SENATE BILL NO. 62

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

SIXTEENTH LEGISLATURE - FIRST 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. 43.76.012. 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 43.76.012 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 ensure

1 [INSURE] that only one ballot from each eligible interim-use permit
2 and entry permit 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 43.76.012;

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 43.76.012 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 a [THE] salmon enhancement tax ~~imposed~~ by AS 43.76.010,
28 [OR] 43.76.011, or 43.76.012 shall collect the salmon enhancement tax
29 at the time of purchase, and shall remit the total salmon enhancement

1 tax collected during each month to the department [DEPARTMENT OF
2 REVENUE] 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 a [THE] salmon enhancement tax imposed by AS 43.76.010,
6 [OR] 43.76.011, or 43.76.012 if, at the time the salmon are removed
7 from the state, the tax payable on the salmon has not been collected
8 by a buyer.

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



SENATOR FRED F. ZHAROFF
ALASKA STATE LEGISLATURE

P.O. BOX 406, KODIAK, ALASKA 99816 (907) 486-5259

DURING SESSION:

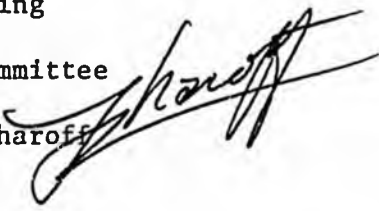
P.O. BOX V, JUNEAU, ALASKA 99811 • (907) 465-3473 • 465-3474

DISTRICT N

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

MEMORANDUM

TO: Senator Rick Uehling
Co-Chairman
Senate Finance Committee

FROM: Senator Fred F. Zharoff 

DATE: February 7, 1989

RE: Senate Bill 62 - "An Act relating to a one percent salmon enhancement tax; and providing for an effective date."

I respectfully request that SB 62 either be waived by the Finance Committee or scheduled for a hearing at the earliest possible opportunity. The bill carries a zero fiscal note.

SB 62 was heard by the Senate Resources Committee on Feb. 3, and passed out with five "do pass" recommendations.

SB 62 establishes a one percent salmon enhancement tax. Current state statutes provide for two percent and three percent salmon enhancement taxes, which the regional aquaculture associations use to fund their operations and to pay for salmon enhancement projects. SB 62 would give the associations the option of having a one percent tax.

The language in SB 62 duplicates present statutes, only adding references to the one percent tax.

SB 62 was introduced at the request of the Bristol Bay Salmon Enhancement Association. The association recently reorganized itself from the Imapik Regional Aquaculture Association, which was in a period of inactivity. The association is planning to conduct an assessment election early this year so it can start to raise the funds it needs for salmon enhancement projects. It is crucial that SB 62 be acted on as soon as possible so the association can have the benefit of revenues from the 1989 salmon season.

The association specifically needs a one percent tax to match its projected budget. The potential revenues from two percent and three percent taxes exceed the association's needs at this time.

The following backup information is attached:

1. Sectional analysis.

2. Position paper and fiscal note prepared by the Department of Commerce and Economic Development.
3. Bill analysis prepared by the Department of Fish and Game.
4. Resolution passed by the Bristol Bay Salmon Enhancement Association.
5. State statutes pertaining to the Salmon Enhancement Tax.



SENATOR FRED F. ZHAROFF
ALASKA STATE LEGISLATURE

P.O. BOX 405, KODIAK, ALASKA 99615 (907) 486-5259

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 • PRIBILOF ISLANDS • SHUMAGIN ISLANDS

SECTIONAL ANALYSIS

Senate Bill 62 - "An Act relating to a one percent salmon enhancement tax; and providing for an effective date."

SECTION 1

Adds a new section -- AS 43.76.012 -- to existing statutes that establishes a one percent salmon enhancement tax. This would be in addition to the already existing two percent and three percent salmon enhancement taxes. Alaska's regional aquaculture associations now have the option of implementing either two percent or three percent taxes to fund their operations. This section would give them an additional choice.

SECTION 2

Adds a reference to the one percent salmon enhancement tax (43.76.012) to existing statute.

SECTION 3

- (2) Makes grammatical changes to existing statute.
- (3) Adds a reference to the one percent salmon enhancement tax (43.76.012) to existing statute.

SECTION 4

Adds a reference to the one percent salmon enhancement tax (43.76.012) to existing statute.

SECTION 5

Adds a reference to the one percent salmon enhancement tax (43.76.012) to existing statute.

SECTION 6

Adds a reference to the one percent salmon enhancement tax (43.76.012) to existing statute.

SECTION 7

Immediate effective date.

SECTIONAL ANALYSIS

BRISTOL BAY SALMON ENHANCEMENT ASSOCIATION
PO Box 1130
Dillingham, Alaska 99576

In our Board meeting of April 16, 1988, which took place in Dillingham, Alaska, the following resolution was approved:

Resolved that we will hold an election to approve a salmon enhancement tax. The amount of the enhancement tax is to be one percent, (1%) of the gross value of all salmon caught under commercial fishing provisions, in the Bristol Bay area. (Alaska Fish & Game Area "T") The tax shall apply to all fish caught under the State of Alaska Commercial Fishing Regulations.

This resolution is in accord with the general provisions of Section 43. Revenue and Taxation, of the Alaska Statutes and Regulations for Nonprofit Salmon Hatcheries.

The Board was aware that as of this date, the Alaska Statutes, does not allow for a one per cent (1%) assessment. There was testimony that a one percent assessment option, would be added to the existing choices of either a two or three percent assessments currently allowed under Sec. 43.76.010 and .011. This change was expected to occur before the effective date of this resolution.

The effective date of this resolution is January 1, 1989.

signed this 19 day of April 1988


Stosh Anderson, President

RESOLUTION - BRISTOL BAY SALMON ENH. ASSOC.

2/16/89

~~SB 62~~ - ONE PERCENT SALMON ENHANCEMENT TAX
SENATE FINANCE COMMITTEE
FEB. 14, 1989

MISTER CHAIRMAN, MEMBERS OF THE COMMITTEE, THANK YOU FOR THE OPPORTUNITY TO SPEAK ON SENATE BILL 62. FOR THE RECORD, MY NAME IS ~~KARL OHLS~~, LEGISLATIVE ASSISTANT TO SEN. ZHAROFF.

law det relate to a one percent salmon enhancement tax.

SENATE BILL 62 IS DESIGNED TO COMPLEMENT EXISTING STATE STATUTES.

IN ORDER TO EXPLAIN THE BILL, LET ME FIRST...VERY BRIEFLY...PROVIDE YOU WITH SOME OF THE HISTORICAL BACKGROUND.

IN THE 1970'S...AFTER THE CREATION OF THE STATE HATCHERY PROGRAM...THE ALASKA LEGISLATURE PASSED LEGISLATION THAT ALLOWED FOR THE CREATION OF REGIONAL AQUACULTURE ASSOCIATIONS. THE ASSOCIATIONS ARE RUN BY COMMERCIAL FISHERMEN AND OTHER USER GROUPS FOR THE PURPOSE OF ENHANCING AND REHABILITATING ALASKA'S SALMON RESOURCE. THE THEORY BEHIND THEM IS THAT THE PEOPLE WHO BENEFIT THE MOST FROM THE USE OF THE RESOURCE SHOULD PLAY A MAJOR ROLE IN MAINTAINING IT.

IN 1980, THE LEGISLATURE ESTABLISHED A FINANCING MECHANISM FOR THE AQUACULTURE ASSOCIATIONS...THE SALMON ENHANCEMENT TAX. THIS TAX...AT A RATE OF EITHER TWO OR THREE PERCENT ON THE VALUE OF HARVESTED SALMON...IS IMPLEMENTED ONLY AFTER IT IS APPROVED IN AN ELECTION BY THE AFFECTED COMMERCIAL FISHERMEN IN A SPECIFIC

REGION. THE TAX IS COLLECTED BY THE DEPARTMENT OF REVENUE AND...AFTER APPROVAL BY THE LEGISLATURE...^{Tape} IS APPROPRIATED BACK TO THE REGIONAL ASSOCIATIONS. THE TAX AND THE PROCEEDS FROM THE SALE OF RETURNING SALMON ARE USED BY THE ASSOCIATIONS TO FUND THEIR OPERATIONS AND PAY THEIR DEBTS ON STATE LOANS.

SEVEN REGIONAL AQUACULTURE ASSOCIATIONS CURRENTLY EXIST IN THE STATE, AND SIX OF THEM COULD BE CONSIDERED ACTIVE. ACCORDING TO FIGURES FROM THE DEPARTMENT OF COMMERCE, THE ASSOCIATIONS -- IN 1987 -- RAISED BETWEEN \$1 MILLION AND \$2.3 MILLION FROM THE RESPECTIVE TAXES.

THE MAIN BENEFICIARY OF THIS LEGISLATION FOR A ONE PERCENT TAX...~~IF YOU APPROVE IT~~...WOULD BE THE BRISTOL BAY SALMON ENHANCEMENT ASSOCIATION. THE ASSOCIATION WAS ORIGINALLY ESTABLISHED IN 1981. IT FELL INTO A PERIOD OF INACTIVITY, BUT...WITHIN THE LAST COUPLE YEARS...THE ASSOCIATION REORGANIZED ITSELF UNDER NEW LEADERSHIP. THE LEADERSHIP DECIDED THAT A ONE PERCENT TAX WOULD BE THE MOST APPROPRIATE TAX RATE TO USE TO FUND THE ASSOCIATION'S ACTIVITIES. A ONE PERCENT TAX IN BRISTOL BAY, INCIDENTALLY, WOULD HAVE RAISED \$1.3 MILLION IN 1987 AND \$1.8 MILLION IN 1988.

IF THIS BILL PASSES, THE ASSOCIATION WILL HOLD AN ELECTION THIS YEAR. SEN. ZHAROFF FULLY SUPPORTS THE ASSOCIATION'S EFFORTS. AS AQUACULTURE EXPERTS WILL TELL YOU, THE TIME TO IMPLEMENT AQUACULTURE PROJECTS IS WHEN THE RESOURCE IS HEALTHY,

IN ORDER TO PREPARE FOR THE INEVITABLE CYCLICAL DECLINES IN THE SALMON RESOURCE.

IN CONCLUSION, LET ME EMPHASIZE THAT THIS BILL DOES NOT IMPOSE NEW TAXES. IT ONLY PROVIDES THE REGIONAL ASSOCIATIONS WITH A NEW OPTION...A ONE PERCENT SALMON ENHANCEMENT TAX...IN ADDITION TO THE TWO PERCENT AND THREE PERCENT SALMON ENHANCEMENT TAXES THAT ARE ALREADY IN STATUTE.

I WOULD BE PLEASED TO ANSWER ANY QUESTIONS.



STATE OF ALASKA
OFFICE OF THE GOVERNOR
BILL ANALYSIS

DEPARTMENT Fish and Game	DIVISION FRED	BILL NUMBER SB 62	SPONSOR Zharoff
SHORT TITLE OF BILL An Act relating to a one percent salmon enhancement tax			
DEPARTMENT POSITION The department supports this bill as a logical extension to existing legislation.			
PREPARED BY Johnny S. Holland	DATE 1/18/89	COMMISSIONER'S SIGNATURE <i>Chas. W. Gilday</i>	DATE 1/20/89

SUMMARY

OTHER AGENCIES AFFECTED BY BILL Department of Commerce & Economic Development Department of Revenue	CONSTITUENT GROUP(S) AFFECTED BY BILL Regional aquaculture associations, commercial fishermen
ORGANIZATIONAL SUPPORT FOR BILL Regional aquaculture associations, commercial fishermen	ORGANIZATIONAL OPPOSITION TO BILL

FISCAL IMPACT: NONE FISCAL NOTE ATTACHED

BACKGROUND/LEGISLATIVE INTENT

There is existing salmon enhancement tax statutes (AS 43.76.010 and AS 43.76.011) allowing for 2 and 3% salmon enhancement taxes. This proposal legislation will amend the existing statutes to include 1% salmon enhancement tax.

ANALYSIS OF BILL/PROGRAM EFFECTS

SB 62 is a logical extension of existing statutes, allowing for taxation at a lower rate than presently statutorily permitted. The lower rate may be needed if: (a) lower revenues are required by regional aquaculture associations; (b) the higher rates are not amendable to fishermen in a given area. This bill allows the regional aquaculture associations to choose from a broader range of self-imposed taxes. There should be no direct effects on the FRED program.

AMENDMENTS PROPOSED

None

received
1-23-89

PLEASE ATTACH A SEPARATE SHEET FOR ADDITIONAL COMMENTS OR ANALYSIS.

5862

SB 62: "An Act relating to a one percent salmon enhancement tax; and providing for an effective date."

This legislation will provide qualified regional aquaculture associations with the option of voting for a one percent salmon enhancement tax. Existing statute (AS 43.76.010 - 040) allows these associations to conduct elections for the purpose of establishing a tax on salmon harvested within their region. The proceeds of these taxes are collected by the Department of Revenue, deposited in the general fund and then may be appropriated to the Department of Commerce and Economic Development for the purpose of providing financing to the qualified regional association. This financing is provided through contracts with the various associations. AS 43.76.010 - 040 currently provides for establishment of either a two percent or three percent tax. Passage of this legislation would add the option of a one percent tax.

Currently there are seven qualified regional associations within the state, five of which already have salmon enhancement taxes in place. Prince William Sound Aquaculture Association, Cook Inlet Aquaculture Association, and Kodiak Regional Aquaculture Association all have established a two percent tax and Northern Southeast Regional Aquaculture Association and Southern Southeast Regional Aquaculture Association have established a three percent tax. The Bristol Bay Regional Aquaculture Association and the Lower Yukon-Kuskokwim Regional Aquaculture Association have not yet established a salmon enhancement tax in their respective regions.

During calendar year 1987, the following enhancement tax revenues were collected by the Department of Revenue:

Prince William Sound Aquaculture Association	\$1,085,077.00
Cook Inlet Aquaculture Association	2,330,652.00
Northern Southeast Regional Aquaculture Association	1,090,819.00
Southern Southeast Regional Aquaculture Association	1,232,650.00

The Department of Commerce and Economic Development is neutral on this legislation.

Larry Mercurieff

Larry Mercurieff, Commissioner
Department of Commerce and
Economic Development

Date: 1/27/89