

H B

456

SENATE COMMITTEE REPORT

DATE: 5/4/90

FURTHER: Finance

DATE TURNED INTO OFFICE: 5-5-90

Resources Committee considered CS SSB 456 (Finance)

Act relating to the fisheries business tax and to the allocation of certain fisheries business tax receipts to certain municipalities by the Department of Community and Regional Affairs; efd

and recommended:

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

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

ATTACHES NEW FISCAL NOTE(S):

APPROVES PREVIOUS:

fiscal note(s) _____ Dept/Date: _____

fiscal note(s) CRA, Rev Dept/Date: _____

zero fiscal note(s) _____

zero fiscal note(s) _____

appropriation-no fiscal note

Governor's bill w/fiscal note

SIGNING DO PASS:

OTHER RECOMMENDATIONS:

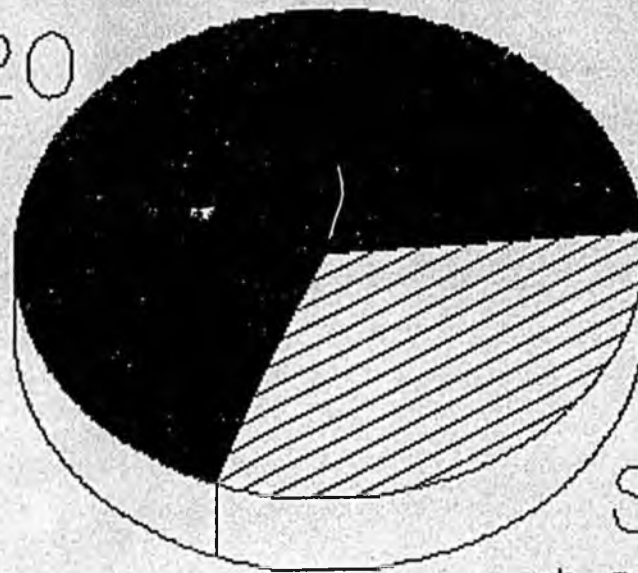
[Handwritten signatures]

[Handwritten signatures: No Rec]

[Handwritten signature]
Chair: Signature and Recommendation

Fish Taxes FY 1986

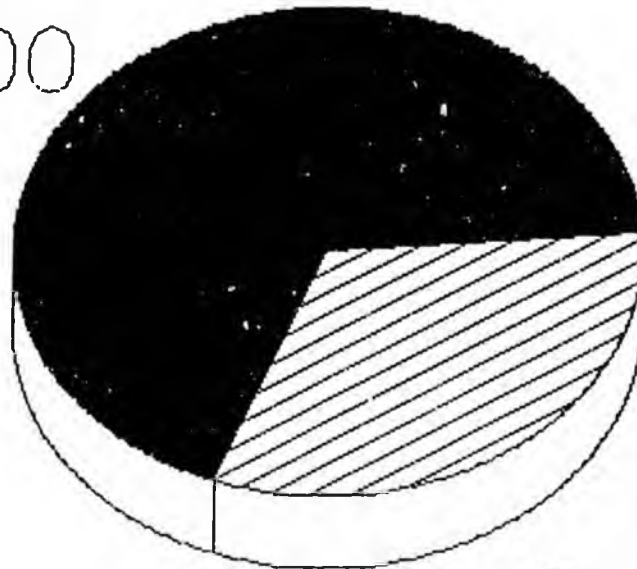
Gen. Fund
\$14,348,020



Shared
\$6,781,110

Fish Taxes FY 1987

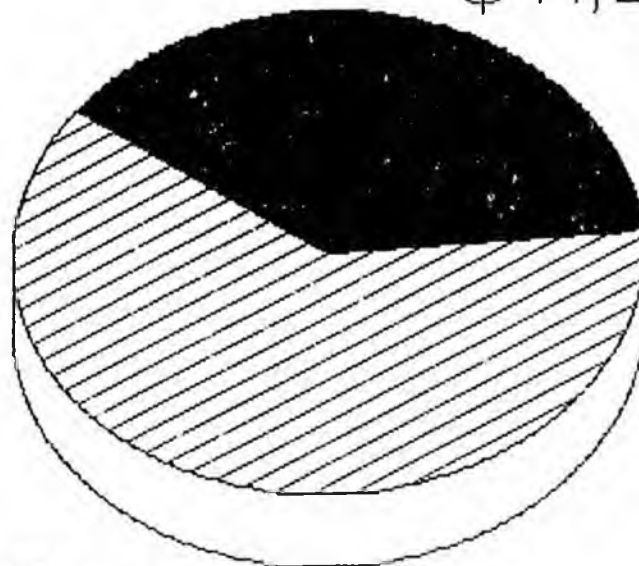
Gen. Fund
\$18,348,500



Shared
\$8,676,554

Fish Taxes FY 1988

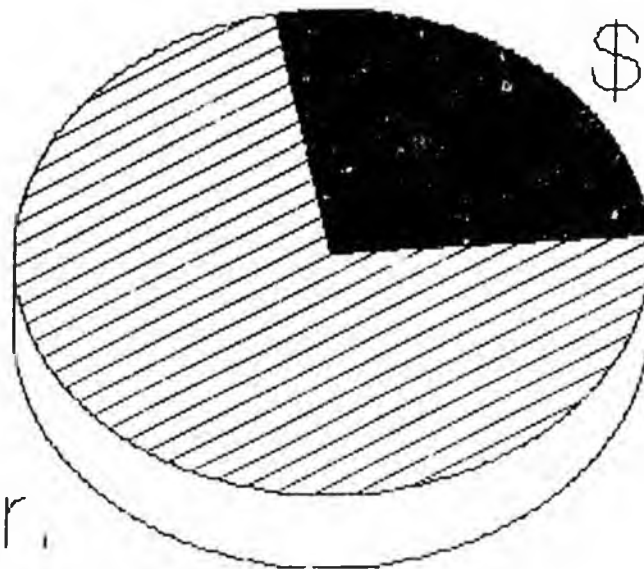
Gen. Fund
\$11,214,360



Ord. & Shr.
\$18,176,020

Fish Taxes FY 1989

Gen. Fund
\$11,037,670



Ord. & Shr.
\$30,366,560

PREPARED BY
INCOME & EXCISE AUDIT DIV
4-5-90



CITY OF DILLINGHAM

P.O. Box 889
Dillingham, Alaska 99576

CITY HALL	(907) 842-5211
TELEX	(907) 842-5691
FIRE RESCUE	(907) 842-2288
PLANNING	(907) 842-5203
PUBLIC WORKS	(907) 842-5148

POLICY POSITION - H.B. 456

Mr. Chairman, members of the House Finance Committee, my name is Joe McGill and I am the Mayor of Dillingham. I am here today to testify in favor of H.B. 456.

For the past five legislative sessions, one the City's top legislative priorities has been the issue of sharing raw fish taxes collected from floating processors with local governments impacted by those processing activities.

Perhaps some brief background information on this issue would be helpful in framing the public policy issues surrounding this matter. Since statehood it has been the policy of the State of Alaska to share raw fish taxes with incorporated communities in or near the area in which the fishery resource is harvested and processed.

When the original tax sharing statute was originally implemented, the vast majority of fish processing facilities were located onshore. However, with the passage of time, advent of new technology, and changing economics of fishery resource processing, an ever-increasing amount of processing is taking place offshore--outside of municipal boundaries. The net effect of this trend is that onshore communities--which serve as staging areas for the offshore processing activities--bear the brunt of the impacts created by the processing activities. However, the impacted communities do not receive any of the taxes paid to the State by the offshore processors. We believe this an inequitable situation which must be addressed.

Further, as a matter of public policy, we believe that any bill which passes the Legislature should incorporate the following basic distribution plan:

Incorporated governments located within ADF&G commercial fishery management areas which are impacted by a fishery should be eligible for any funds which would be distributed under this bill. We urge the Committee to consider adopting the distribution plan utilized by the Department of Community and Regional Affairs under the pilot project program of several years ago.

In closing, the City of Dillingham wishes to express its

strong support for the passage of H.B. 456 which includes our proposed distribution plan. We also wish to stress that legislation patterned after our proposal would accomplish the following public policy objectives:

1. It would correct a long-standing inequity in current law which adversely affect local governments which absorb the impacts created by offshore processors, but receive no financial assistance to cope with those impacts.

2. It holds the promise of giving local governments access to a long-term, stable source of income which will exist long after Prudhoe Bay revenues have dried up.

3. It discourages the recent trend by local governments to implement "creative alternatives" to capture tax revenues from floating processors, such as annexing bay with boundaries drawn to include areas where floating processors now operate.

In the Community and Regional Affairs Committee and in the Resources Committee there have been concerns expressed regarding the fiscal impact of this legislation. In addition, there have been concerns expressed about the impact of the onshore fish tax credit for construction of processing facilities. It is our understanding the fish tax credit program will end next year. Therefore, to ease the Committee's potential concern about fiscal impact on the State Treasury, we suggest a delayed effective date on the bill to July 1, 1991 or July 1, 1992.

Mr. Chairman, members of the Committee, the City thanks you for giving us the opportunity to testify on this important bill.



STATE OF ALASKA
HOUSE OF REPRESENTATIVES

BILL ANALYSIS CSSSHB 456 (FIN)

House Bill 456 expands the sharing of fisheries business tax revenues to additional municipalities and increases funds to communities already receiving shared revenues.

The new funds will be derived from currently unshared fish taxes collected from processors located outside municipal boundaries.

Under current law, all processors must pay a fisheries business tax to the state. Taxes collected from firms processing fish inside municipal boundaries are shared 50/50 with the community.

In FY 89, these taxes totalled \$41.3 million.

Of this, \$31.4 million came from fish processed within municipal boundaries, with \$15.7 million shared with those municipalities.

The balance, \$9.9 million, was from fish processed outside municipalities.

Under this bill, half of these remaining revenues would be shared with impacted communities to help mitigate the costs of providing municipal services to fishermen and the fishing industry.

The Department of Community and Regional Affairs would allocate the funds among the fisheries management areas of the state (page 3, line 7).

The formula for apportionment uses the ratio of the weight of fish sold in a management area (production value: page 3, line 11) to the total production value for all management areas.

The department, after allocating the funds to be distributed in a management area, will distribute the funds among the municipalities in that area based on either demonstrated impacts of fisheries business activities (page 2, line 15), based on commercial fishing vessel days (page 2, line 12) or based on both.

The municipality will be responsible for providing the necessary information to the department. The department will have two years to develop the criteria to be used to allocate funds (page 3, line 24).



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 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)

The Alaska Municipal League supports establishment of a program to share fisheries business tax proceeds from offshore processors with affected municipalities to mitigate the impacts of the fisheries on the provision of local services.

Coastal municipalities must provide additional governmental services because of the impact of seafood processors, both within and outside municipal boundaries. It is important that tax receipts from all types of processors be shared with the municipalities affected by their operations.

Under the provisions of AS 43.75, Fisheries Taxes, all processors must pay a fisheries business tax to the State. Only the portion of the tax collected as a result of processing activity that takes place within municipal boundaries is shared with municipalities. This is intended to help offset the demands on local services resulting from the influx of people, demand for utilities, increased use of health facilities, additional call for law enforcement, and other impacts that result from the fish harvesting and processing activities. The formula for distribution of these tax revenues is based on the revenue generated from fisheries business operations occurring within municipal boundaries. The municipalities get 50 percent, and the State retains 50 percent. Shared fisheries tax revenues are a substantial source of revenue for many local governments: in FY 89, for example, 53 municipalities received over \$15.7 million, with shares ranging from as little as \$52.50 to over \$1.7 million (Bristol Bay Borough and Kodiak Island Borough).

Current statutes provide that the revenue generated from fish processing plants located outside municipal boundaries goes entirely to the State and is not shared with local governments, in spite of the fact that the activities of these processors do impact local governments. Many municipalities have to provide additional services as a result of offshore processing operations outside their borders, for instance health services, garbage hauling, and expanded law enforcement activities. These impacts can be significant to municipalities and their taxpayers, especially in proportion to the level of service provided to their permanent municipal population. However, the State, which does not provide services at the local level, receives the tax receipts from the processors operating outside municipal boundaries.

In FY 1989, the total tax liability of processors was \$41.3 million. Of this, \$31.4 million was attributable to processing activity that took place within municipal boundaries (resulting in a \$15.7 million distribution to municipalities). The balance, \$9.9 million, was attributable to processors operating outside municipalities and

was retained by the State. If this had been shared 50/50 with affected municipalities, local governments would have received up to \$4.95 million to help mitigate the additional costs of providing services to processors and their employees.

The League supports a program that would share the fisheries business tax revenues generated from processors located outside municipal boundaries with those communities that can demonstrate an effect on municipal operations resulting from the processors' activities. During FY 86, the Department of Community and Regional Affairs conducted a pilot project to allocate revenues from offshore processing activities to municipalities, and legislation (HB 314/SB 454) was introduced in 1988 that would have made such a program permanent. The impact of offshore processors on local government operation is, if anything, increasing, and municipalities, which must provide services to such processors, should be given a share of the revenue received by the State from them.

NOTE: Senator Zharoff is planning to introduce legislation (copy attached) that would establish a program to share fisheries business tax revenue collected from processors outside municipal boundaries with affected municipalities.

ALASKA CONFERENCE OF MAYORS

Rep. Wallis

217 SECOND STREET, SUITE 200
JUNEAU, ALASKA 99801

APR 27 REC'D

April 27, 1990

*put in
H.F. file
pb*

The Honorable Tim Kelly
President of the Senate

and

The Honorable Sam Cotten
Speaker of the House
Alaska State Legislature
Post Office Box V
Juneau, Alaska 99811

RE: HB 456 - Offshore Fisheries Business Tax

Dear Mr. President and Mr. Speaker:

The Alaska Conference of Mayors strongly supports HB 456, which would share 50 percent of the portion of the fisheries business tax collected from processors operating outside municipal boundaries currently collected by the State with municipalities that are affected by the fishing industry. The legislation would not require additional taxes, but instead redistribute 50 percent of existing taxes back to municipalities that provide services to the fishing industry (docks, harbors, water, sewer, public safety, solid waste, health, etc.).

Additionally, the program would share these funds as originally intended with all municipalities which are affected by the fishing industry. The legislation would authorize funds (approximately \$4 million) to be distributed on a priority basis to those communities with large fishing fleets but with no processing, and are, therefore, not eligible for funds under the current fisheries business tax program.

On behalf of the Alaska Conference of Mayors which met today, April 27, 1990, in Juneau, I urge your support and passage of CS HB 456 (CRA).

Sincerely,



Mayor Willie Goodwin
President

cc: House Finance Committee
Representative Peter Goll

FISCAL NOTE

REQUEST:

Revision Date: _____
 Title: "An Act relating to the fisheries
 business tax....."
 Sponsor: Representative Goll
 Requestor: _____

Agency Affected: Community & Regional Affairs
 BRU: Local Government Assistance
 Components: Statewide Assistance

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES			23.1	23.1	24.0	24.0
TRAVEL			2.0	2.0	2.0	2.0
CONTRACTUAL			3.0	3.0	3.0	3.0
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	28.1	28.1	29.0	29.0
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-	-0-	28.1	28.1	29.0	29.0
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	-0-	28.1	28.1	29.0	29.0

POSITIONS:

FULL-TIME						
PART-TIME	-0-	-0-	1	1	1	1
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

There is no fiscal effect for FY 90.

Prepared by: Jim Plasman, Deputy Director
 Division: Municipal & Regional Assistance
 Approved by Commissioner: David Hoffmann
 Agency: Community & Regional Affairs

Phone: 465-4750
 Date: 4/30/90
 Date: 4-30-90

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

Position Title Grants Administrator		No. of Positions 1	Range/Step 17 A	Barg. Unit GGU
Time Status Part-time	Staff Months 6 months	Location Juneau		Election District
		Justification		
Type of Expenditure		Amount		
1	2	3		
Salary	17.4			
Benefits	5.0			
Premium Pay				
Other				
Total Personal Services		22.4		
Travel		2.0		
Contractual		3.0		
Commodities				
Equipment		1.0		
Other				
Total Cost		28.4		
Funding Source for Total Cost				
Federal Receipts	1002			
G. F. Match	1003			
General Fund	1004	28.4		
I-A Receipts	1006			
CIP Receipts	1061			
Other				

This position will administer the tax sharing program. The amount of work associated with the program does not justify a full-time position.

**Request For
New Position**

Agency Community & Regional Affairs
 BRU Local Government Assistance
 Component Statewide Assistance

Page 2 of 2
 Revised Date

FY 91