

HB

1977

House of Representatives

While in Session:
Box V
Juneau, AK 99811
(907)465-4942

P.O. Box 47001
Pedro Bay, Alaska 99647
(907)850-2208



Member:
Finance Committee

Finance
Subcommittee Chair:
Courts
Department of Public Safety

Finance
Subcommittee Member:
Department of Fish and Game

Rep. George Jacko, Jr.

M E M O R A N D U M

TO: Representative *CDH* Davidson, Chair
House Resource Committee

FROM: Representative *GE* Jacko, Jr.

SUBJECT: HB 197 "Small Fish Processing"

DATE: April 30, 1991

=====

HB 197 proposes to reduce the surety bond required by the Department of Labor for fish processors. This legislation would reduce the bond requirement from \$10,000 to \$2,000. A small fish processor is defined as producing 30,000 pounds or less. The Department of Labor requires surety bonds for fish processors for wages and claims, and unemployment insurance contributions.

Through the work of the Bering Sea Fishermen's Association and others, technology and financial assistance is being provided to village people who are interested in starting fish processing facilities. An obstacle for many is the funds necessary to begin the business. In order to receive a \$10,000 surety bond, one must file with the Department of Labor a cash deposit or negotiable assets. For many rural Alaskans this is difficult. Lowering the bond requirement to \$2,000 would make a substantial difference for those interested in starting a small fish processing facility.

FISCAL NOTE

STATE OF ALASKA
1991 LEGISLATIVE SESSION

BILL NO. HB 197

Revision Date: _____
Title: Relating to surety bonds required
of certain fish processors
Sponsor: Rep. George Jacko
Requestor: House Resources

Department Affected: DEC
BRU: Environmental Health
Component: Seafood Industry

COMPONENT SERIAL NO.

| | | | | | |
|---|---|---|---|---|---|
| 0 | 1 | 6 | 4 | 1 | 9 |
|---|---|---|---|---|---|

EXPENDITURES/REVENUES: (Thousands of Dollars)

| OPERATING | FY 92 | FY 93 | FY 94 | FY 95 | FY 96 | FY 97 |
|-------------------|-------|-------|-------|-------|-------|-------|
| PERSONAL SERVICES | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| TRAVEL | | | | | | |
| CONTRACTUAL | | | | | | |
| SUPPLIES | | | | | | |
| EQUIPMENT | | | | | | |
| LAND&STRUCTURES | | | | | | |
| GRANTS,CLAIMS | | | | | | |
| MISCELLANEOUS | | | | | | |
| TOTAL OPERATING | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

| | | | | | | |
|---------|--|--|--|--|--|--|
| CAPITAL | | | | | | |
|---------|--|--|--|--|--|--|

| | | | | | | |
|---------|--|--|--|--|--|--|
| REVENUE | | | | | | |
|---------|--|--|--|--|--|--|

FUNDING: (Thousands of Dollars)

| | | | | | | |
|---------------|-----|-----|-----|-----|-----|-----|
| GENERAL FUND | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| FEDERAL FUNDS | | | | | | |
| OTHER | | | | | | |
| TOTAL | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

POSITIONS:

| | | | | | | |
|-----------|-----|-----|-----|-----|-----|-----|
| FULL-TIME | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| PART-TIME | | | | | | |
| TEMPORARY | | | | | | |

Estimate of current year impact: **NONE**

ANALYSIS: (Attach a separate page if necessary.)

Should any new fish processors start up as a result of this legislation, the department should be able to perform all necessary inspections within existing resources.

Prepared by: Janice Adair
Division: Commissioner's Office

Phone: 465-2600
Date: 5/6/91

Approved by Commissioner: _____
Agency: Dept. of Environmental Conservation

5/7/91
Date: 5/6/91

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

FISCAL NOTE

STATE OF ALASKA
1991 LEGISLATIVE SESSION

BILL NO. HB 197

Revision Date: 3/13/91 Department Affected: Fish and Game
 Title: Small Fish Processor BRU: Commercial Fisheries
Surety Bonds Component: Commercial Fisheries
 Sponsor: Rep. Jacko
 Requestor: Governor COMPONENT SERIAL NO.

| | | | |
|--|---|---|---|
| | 4 | 5 | 9 |
|--|---|---|---|

Expenditures/Revenues: (Thousands of Dollars)

| OPERATING | FY 92 | FY 93 | FY 94 | FY 95 | FY 96 | FY 97 |
|-------------------|-------|-------|-------|-------|-------|-------|
| PERSONAL SERVICES | 0 | 0 | 0 | 0 | 0 | 0 |
| TRAVEL | 0 | 0 | 0 | 0 | 0 | 0 |
| CONTRACTUAL | 0 | 0 | 0 | 0 | 0 | 0 |
| SUPPLIES | 0 | 0 | 0 | 0 | 0 | 0 |
| EQUIPMENT | 0 | 0 | 0 | 0 | 0 | 0 |
| LAND & STRUCTURES | 0 | 0 | 0 | 0 | 0 | 0 |
| GRANTS, CLAIMS | 0 | 0 | 0 | 0 | 0 | 0 |
| MISCELLANEOUS | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL OPERATING | 0 | 0 | 0 | 0 | 0 | 0 |

| | | | | | | |
|---------|---|---|---|---|---|---|
| CAPITAL | 0 | 0 | 0 | 0 | 0 | 0 |
|---------|---|---|---|---|---|---|

| | | | | | | |
|---------|---|---|---|---|---|---|
| REVENUE | 0 | 0 | 0 | 0 | 0 | 0 |
|---------|---|---|---|---|---|---|

FUNDING: (Thousands of Dollars)

| | | | | | | |
|---------------|---|---|---|---|---|---|
| GENERAL FUND | 0 | 0 | 0 | 0 | 0 | 0 |
| FEDERAL FUNDS | 0 | 0 | 0 | 0 | 0 | 0 |
| OTHER | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL | 0 | 0 | 0 | 0 | 0 | 0 |

POSITIONS:

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

Estimate of current year impact: None

ANALYSIS: (Attach a separate page if necessary.)

Prepared By: Bob Clasby Phone: 465-4210
 Division: Commercial Fisheries Date: 3/13/90
 Approved by Commissioner: RON SOMMERVILLE by M&L
 Agency: ADFG Date: 3/18/91

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

House of Representatives

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Member:
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Subcommittee Chair:
Courts
Department of Public Safety

Finance
Subcommittee Member:
Department of Fish and Game

Rep. George Jacko, Jr.

M E M O R A N D U M

TO: Representative *David* Finkelstein, Chair
House Labor and Commerce Committee

FROM: Representative *George* Jacko, Jr.

SUBJECT: HB 197 "Small Fish Processing"

DATE: April 9, 1991

=====

HB 197 proposes to reduce the surety bond required by the Department of Labor for fish processors. This legislation would reduce the bond requirement from \$10,000 to \$2,000. A small fish processor is defined as producing 30,000 pounds or less. The Department of Labor requires surety bonds for fish processors for wages and claims, and unemployment insurance contributions.

Through the work of the Bering Sea Fishermen's Association and others, technology and financial assistance is being provided to village people who are interested in starting fish processing facilities. An obstacle for many is the funds necessary to begin the business. In order to receive a \$10,000 surety bond, one must file with the Department of Labor a cash deposit or negotiable assets. For many rural Alaskans this is difficult. Lowering the bond requirement to \$2,000 would make a substantial difference for those interested in starting a small fish processing facility.

AUG 23 1990

To: Ad Hoc Interagency Working Group on Small Fisheries Development

From: Elstun W. Lauesen II, SEDS
State of Alaska/DCRA

Joe Banta, Development Specialist

Jude Hensler, Project Developer
Bering Sea Fishermen's Association

Date: 07/12/89

Subj: Small Added-Value Fish Processors in Rural Alaska:
Regulatory Reform, Technology Transfer, & Financing

BACKGROUND: Increasing numbers of rural communities, corporations and individuals are turning to the processing of fish as a means of extending both value and productivity of their fishery. Larger units (250,000 \$-plus p.a.) are based upon known technologies and are designed for a captured market (usually "capture" is achieved by exclusive marketing to venture partners like Towa or Whitney-Fidalgo who purchase the product).

Smaller Units (around 50,000\$ p.a. or less) are being looked to by sole proprietorships w/o exclusive markets and are designed to meet a variety of product needs that may change according to the vagaries of supply and demand.

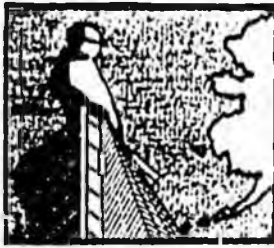
"Doing more with less" requires efficiencies of design and a dedicated program of technology transfer by the small processors and the agencies that work with them.

Currently, both the state and the private sector are working with research, regulations, and financing schemes that are based upon the needs and requirements of larger processors.

The reason for this working group is to focus upon the needs of the smaller processors which will be established in greater numbers in rural Alaska and (1.) determine if alternative approaches to developing, regulating, and capitalizing these ventures are needed, and (2.), if needed, to propose those alternative approaches.

Areas to be considered include (but are not limited to) regulations affecting product QA/QC; regulations in the workplace; Insurance & Bonding; Financing; and Technical Assistance by agencies, non-profits, co-operatives, and others, and Research & Development.

April 9, 1991



Bering Sea Fishermen's Association

725 Christensen Drive
Anchorage, Alaska 99501
(907) 279-6519

Representative George Jacko
Alaska State House of Representatives
Juneau, Alaska 99811

Re: Amending State of Alaska labor bond requirements

Dear Representative Jacko:

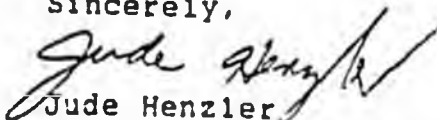
Thank you for this opportunity to speak to you about the work you have done attempting to reduce the present labor bond requirements from the present \$ 10,000.00 for all fish processors to \$ 2,000.00 for small fish processors.

As you know, we here at BSFA do all our work with rural Alaskans who are trying to figure out ways to make a go of it on very little financing. With mostly spit and glue and their own hard work they often can put together small catcher/seller operations and can begin to move up to small time fish smoking and other value adding procedures, but they really have a hard time coming up with either the \$ 10,000.00 cash or collateral now required for them to get into processing ventures. For instance, as just one example, small processors are presently required to put up a \$ 10,000.00 labor bond to protect their payroll even though that amount may well be in excess of their total payroll for a season. Whereas large processors with payrolls of hundreds of thousands of dollars theoretically protect their payrolls with that same \$ 10,000.00 figure. That seems inequitable to us, and a real deterrent to much-needed value adding efforts in bush Alaska. We think that changing the requirement will make it far more possible and far more likely that small rural Alaska entrepreneurs will be interested in trying to make a go of it in fish processing ventures.

Thursday I travel to Dillingham to attend the fish conference and to speak there at a "small-scale value added processing session" on Saturday. I will make a point of airing this issue at that conference and test our opinion that this proposed change in the required labor bond would be welcome and effective.

Thanks again for this opportunity to comment on this issue.

Sincerely,


Jude Henzler

...END...

ET
AUG 23 1990

Representative George Jacko
P.O. V
Juneau, Alaska 99811

August 3, 1990

Dear Representative Jacko,

Bering Sea Fishermen's Association, working in conjunction with the Department of Community and Regional Affairs, has helped form the Inter-Agency Working Group on Small Fisheries Development. This ad hoc group of state agencies along with some private industry advisors is working to streamline and simplify regulations which affect fishermen especially fishermen interested in value adding by doing such things as processing their fish or direct marketing. The goals and objectives of the IAWG as developed in the initial meeting are listed below:

Overall Objectives:

1. To further the economic development of the small processors and resource users of commercial fish throughout the state of Alaska.
* "small" is tailored to resources.
2. Make available a complete set of plans meeting minimum requirements for small processors/smokers.

Specific Goals:

1. Focus on western Alaska/Interior area to streamline regulatory process (later include all of Alaska).
2. Review the various department's regulations and definitions for consistency and attempt to establish definitions that match uniformly across agencies.
3. Review the Department's regulations for waiver systems for the small processor and perhaps try to find more.
4. Focus mainly on the following product types: fresh, frozen, smoked and roe.
5. Effect/Implement technology transfer and networking.
6. Try to provide consistent boundaries/jurisdiction among agencies.
7. Review existing and propose new mechanisms for R & D and financing. ex. (AST&F).

8. Provide floor plans and materials list for a minimal processor and smoker to the general public.

Agendas and meeting notes from the two previous meetings have been enclosed with this packet to provide your office with background information on IAWG activities so far. The second meeting of the IAWG came up with some specific recommendations for regulatory change which are listed on the second page of the IAWG 3/20/90 Meeting Notes under category 3 a) titled Labor Bonding Requirements. These recommended changes involve down-sizing bonding requirements regulated under A.S. 16.10.290, for a category of small processors which process under 30,000 pounds of round weight fish. Category 3 a) discussion notes are listed below:

3. Labor Bonding Requirements:

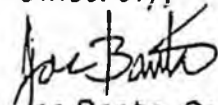
a) Proposed alternatives from the first meeting were discussed and consensus was reached which recommended researching whether or not processors buying under 30,000 lbs of round fish are even being assessed any of the bond forfeitures. It was also agreed to recommend a reduced bond requirement for small processors with a \$2,000 bond required for a processor which processes less than 30,000 lbs. Reporting prior to exceeding the maximum and an x day period to procure bonding at the higher amount would also be part of the changes. It was mentioned that while this \$2,000 bond would not cover all the possible wages and/or fish purchases needed to process 30,000 lbs, a \$10,000 bond doesn't cover all the wages earned by large processors either. These processors may process millions of pounds and produce more than \$10,000 worth of wages and/or fish purchases in a single day let alone an entire season. Another point brought up was that large processors can go and purchase a bond for a couple of hundred dollars while a small processor may not have the capital or assets to purchase a bond and would be required to come up with cash for the full \$10,000 bond amount.

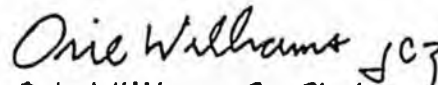
This change is needed because many small business people cannot come up with the financial requirements to provide the large \$10,000 bond now needed. It is especially difficult for residents of rural and western Alaska to come up with collateral like real property for bonding, as they often have a lower income level or they have not yet received clear title to property due to land claims negotiations and/or survey needs. This need is further substantiated by the findings of the Governors December 1989 Conference on Small Business. Insurance and bonding difficulties tied for the number

one problem facing small businesses according to a report from the Conference. In addition, problems with regulations and paperwork tied for the forth worst problem facing small businessmen.

What would be needed to change the labor bonding requirement seems to require statutory address according to the Department of Labor. At this point the IAWG feels it should communicate the recommendations regarding this bonding requirement to you and other legislators to allow time for consideration and drafting of a statute which would best address the problem. Basically, a statute which addresses the concerns listed in Labor Bonding Requirements 3 a) listed above, is what we are recommending. We have drafted an ammendment for your consideration. Please refer to attachment one to see it and the existing statue. We are available for questions at your convenience and would appreciate your assistance in forming these statutes and making it easier for fishermen/processors to develop their businesses.

Sincerely,


Joe Banta, Co-Chair


Orle Williams, Co-Chair

Inter-Agency Working Group

| | |
|-------|------------------------------|
| ADC | John Enge |
| ADCRA | Orle Williams, Elstun Lausen |
| ADEC | Marie Fried |
| ADF&G | Eric Smith |
| ADL | Snova Lockaby-Smith |
| ADR | Paul Dick, Mark Gruber |
| BSFA | Joe Banta, Jude Henzler |

Attachment One

Sec 16.10.290 Security and Collection of Wages and payment for raw fish.

(b) The amount of the bond shall be \$10,000 unless, during the preceding five years, that amount was insufficient to satisfy a final judgment resulting from a claim asserted against the bond, cash deposits, or other security filed under this section. If \$10,000 was insufficient, the bond shall be \$50,000; If \$50,000 was insufficient, the bond shall be \$100,000. If the commissioner determines that during the preceding five years, a fish processor or primary fish buyer (1) has engaged in the business of fish processor or primary fish buyer in the state while not in compliance with this section and (2) has not yet satisfied a final judgment entered against the processor or fish buyer for payment for labor furnished to, or raw fishery resources purchased by, the processor or fish buyer, then the amount of the bond for the processor or fish buyer shall be \$100,000. In lieu of the surety bond the fish processor or primary fish buyer may file with the commissioner a cash deposit or other negotiable security acceptable to the commissioner in the amount specified for the bond. If no claim is asserted under this section within two years from the date the bond, cash deposit or other security is filed, the term of the bond, cash deposit or other security shall be two years, if a claim has been asserted within two years, the term of the bond, cash deposit or other security shall be for five years.

Suggested changes:

(b) The amount of the bond shall be \$10,000 unless, [1) during the preceding five years, that amount was insufficient to satisfy a final judgment resulting from a claim asserted against the bond, cash deposits, or other security filed under this section, [or 2) the amount of fish processed annually is less than 30,000 lbs.] If \$10,000 was insufficient, the bond shall be \$50,000; If \$50,000 was insufficient, the bond shall be \$100,000. If the commissioner determines that during the preceding five years, a fish processor or primary fish buyer (1) has engaged in the business of fish processor or primary fish buyer in the state while not in compliance with this section and (2) has not yet satisfied a final judgment entered against the processor or fish buyer for payment for labor furnished to, or raw fishery resources purchased by, the processor or fish buyer, then the amount of the bond for the processor or fish buyer shall be \$100,000. [If the amount of fish processed annually is less than 30,000 pounds, then the bond amount shall be \$2,000. If the amount of fish processed goes over 30,000 pounds, the fish processor or primary fish buyer shall immediately notify the Department of Labor, and will then have seven days to increase their bond up from \$2,000 to \$10,000. If the bond is not increased then the

FISCAL NOTE

STATE OF ALASKA
1991 LEGISLATIVE SESSION

BILL NO : HB 197

Revision Date: _____
Title: " An Act relating to surety bonds
required of certain fish processors."
Sponsor: Representative Jacko
Requestor: House Labor & Commerce

Department Affected: Labor
BRU: Labor Standards & Safety
Component: _____
Wage & Hour
COMPONENT SERIAL NO. 345

EXPENDITURES/REVENUES: (Thousands of Dollars)

| OPERATING | FY 92 | FY 93 | FY 94 | FY 95 | FY 96 | FY 97 |
|-------------------|-------|-------|-------|-------|-------|-------|
| PERSONAL SERVICES | | | | | | |
| TRAVEL | | | | | | |
| CONTRACTUAL | | | | | | |
| SUPPLIES | | | | | | |
| EQUIPMENT | | | | | | |
| LAND&STRUCTURES | | | | | | |
| GRANTS.CLAIMS | | | | | | |
| MISCELLANEOUS | | | | | | |
| TOTAL OPERATING | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

| | | | | | | |
|---------|--|--|--|--|--|--|
| CAPITAL | | | | | | |
|---------|--|--|--|--|--|--|

| | | | | | | |
|---------|--|--|--|--|--|--|
| REVENUE | | | | | | |
|---------|--|--|--|--|--|--|

FUNDING: (Thousands of Dollars)

| | | | | | | |
|---------------|-----|-----|-----|-----|-----|-----|
| GENERAL FUND | | | | | | |
| FEDERAL FUNDS | | | | | | |
| OTHER | | | | | | |
| TOTAL | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

POSITIONS:

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

Estimate of current year impact: None

ANALYSIS: (Attach a separate page if necessary)

Prepared by: Robert Libbey, Director Phone: 264-2452
Division: Labor Standards & Safety Date: 3/22/91

Approved by Commissioner: Nancy Bear Userra Date: 3/22/91
Agency: Department of Labor

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

Bill No: House Bill No. 197

Date: April 8, 1991

Title: "An Act relating to surety bonds
of certain fish processors."

Contact: Robert Libbey
264-2452

This bill amends AS 16.10.290(b) to lower the bond from \$10,000 to \$2,000 for fish processors that process less than 30,000 pounds of fish a year. Presently, all fish processors are required to have a \$10,000 bond, without regard to the processor's size.

A processor dealing with less than 30,000 pounds of fish a year is a very small processor (owner-operated and fish wheel operations). Accordingly, the Department does not believe the reduction this bill proposes will adversely affect the individuals the bonding requirements are intended to protect.

The Department supports this bill. It will not have a fiscal impact on the Department.

APPROVED:



Nancy Bear Usera, Commissioner
Department of Labor

POSITION PAPER/Department of Labor