

HPB

276

FISCAL NOTE

BILL NO. HB276

STATE OF ALASKA  
1991 LEGISLATIVE SESSION

Revision Date: \_\_\_\_\_  
Title: Appropriation for the Fisheries  
Tax Refund Program  
Sponsor: Rep. Davidson and Kubina  
Requestor: \_\_\_\_\_

Department Affected: Department of Revenue  
BRU: Revenue Operations  
Component: Income and Excise Audit

COMPONENT SERIAL NO. | 1 | 1 | 3 |

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LANDS & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL	0.0	0.0	0.0	0.0	0.0	0.0
REVENUE	(4500.0)	0.0	0.0	0.0	0.0	0.0

FUNDING: (Thousands of Dollars)

GENERAL FUND	(4500.0)	0.0	0.0	0.0	0.0	0.0
FEDERAL FUNDS	0.0	0.0	0.0	0.0	0.0	0.0
OTHER	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	(4500.0)	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	0.0	0.0	0.0	0.0	0.0	0.0
TEMPORARY	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of current year impact: None

ANALYSIS: Attach a separate page for analysis.

SEE ATTACHED

Prepared By: Carl Meyer *Carl Meyer* Phone: (907) 465-2320  
Division: Income and Excise Audit Division Date: 4/19/91

Approved by Commissioner: Lee E. Fisher *Lee E. Fisher*  
Agency: Department of Revenue Date: 4-19-91

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

April 19, 1991

HB 276  
FISCAL NOTE ANALYSIS  
DEPARTMENT OF REVENUE

HB 276 appropriates \$4,500,000 to the Department of Revenue to be allocated and paid to municipalities that suffered, as a result of the Exxon Valdez oil spill, reductions in the amount of fiscal year 1990 revenue sharing under the Fisheries Business Tax provisions (specifically AS 43.75.130) from what the municipalities would otherwise have received absent the spill. The bill would require the municipalities to enter into agreements with the Department to reimburse the state up to the amount of the allocation for any subsequent recovery from another person for lost fish tax revenues.

The major concern the Department has with this legislation is that it does not provide any mechanism to determine which municipalities suffered reductions in revenue sharing as a result of the spill nor to determine the extent of the reductions. Presumably, we might expect that such a factual determination would be both disputed and controversial. Nevertheless, the Department simply is not in a position to make that kind of determination.

Therefore, if this legislation is enacted the Department will use information from other sources to identify the oil-spill impacted municipalities and will then implement an arbitrary but objective mechanism to make the allocation of the \$4,500,000 to those municipalities. Specifically, that will be a two step process. The first step will compare FY 90 revenue sharing to FY 89 revenue sharing. Refunds will be allocated to each identified municipality that has suffered a reduction in FY 90 from FY 89. The second step will involve allocating the remainder of the appropriation to those identified municipalities that suffered reductions after total refunds and actual FY 90 revenue sharing are subtracted from "projected" FY 90 revenue sharing levels.

The "projected" revenue sharing levels have been taken from an interim report prepared by a private consulting firm on behalf of a subcommittee of the Alaska Conference of Mayors. Oil spill impacted communities have also been identified from this report and a March 13, 1990 discussion paper regarding Raw Fish Tax Revenue Sharing addressed to Senator Szymanski from Bob LeResche, the Oil Spill Coordinator. The Department does not necessarily endorse and expresses no opinion on the validity of the data, conclusions or assumptions upon which this aspect of the fiscal note has been prepared.

The allocation of the \$4,500,000 will be made to the municipalities as shown on the next page.

<u>Municipality</u>	<u>1st Allocation</u>	<u>2nd Allocation</u>	<u>Total Allocation</u>
Kodiak Island	\$ 962,090	14,629	\$ 976,719
Cordova	445,609	569,875	1,015,484
Kodiak	368,755	5,029	373,784
Seldovia	35,526	274	35,800
Seward	62,967	115,840	178,807
Valdez	0	106,240	106,240
Whittier	51,897	25,600	77,497
Larsen Bay	0	76,800	76,800
Kenai Peninsula	895,362	0	895,362
Chignik	334,097	0	334,097
Homer	143,623	0	143,623
Kenai	284,474	0	284,474
Port Lyons	296	0	296
Soldotna	<u>1,017</u>	<u>0</u>	<u>1,017</u>
	\$3,585,713	914,287	\$4,500,000



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April 18, 1991

## **In Support of HB 276 - Making an appropriation to the Department of Revenue for the fisheries tax refund program**

The Alaska Municipal League supports HB 276, which will allow for the allocation of funds to municipalities that lost revenue from the fisheries business tax as a result of the *Exxon Valdez* oil spill. The League urges rapid consideration and passage of this legislation.

Fisheries business tax revenue is critical to the financial stability of many Alaskan communities. Providing these funds now, with the stipulation that municipalities must agree to reimburse the state for up to the amount of the allocation if, and to the extent that, the municipality receives compensation for these lost revenues from another source, will enable affected municipalities to provide basic services to their citizens without further interruption as a result of the oil spill.

STATE OF ALASKA  
House of Representatives  
District 27

Representative Cliff Davidson  
Chairman  
House Resources Committee



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(907) 465-2487  
Box 746, Kodiak, AK 99615  
(907) 486-8250

TO: House Resources Committee Members  
FROM: Representative Cliff Davidson  
DATE: 24 April 1991  
SUBJECT: House Bill 276 - An appropriation to reimburse municipalities for lost Fisheries Business Tax as a result of the Exxon Valdez oil spill.

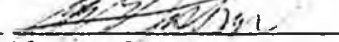
During the fishing season of 1989, much of the fisheries of the central Gulf of Alaska were shut down by the departments of Fish and Game and Environmental Conservation in order to prevent oiled seafood from inadvertently entering the consumer market. Support for that decision was widespread within the industry. The potential for a marketing disaster had tainted seafood products reached consumers was just too great.

However, most of our coastal communities rely heavily upon the Fisheries Business Tax receipts to fund municipal government services. With fishing curtailed, those revenues dried up.

To date, the municipalities have not been reimbursed for those lost revenues and it was explicitly left out of the proposed Exxon Valdez settlement recently negotiated between Exxon, the State of Alaska and the U.S. Government. There is every expectation that this money will eventually be recovered from Exxon, but in the meantime many of the affected municipal governments are in desperate need of those missing funds.

House Bill 275 reimburses the Fisheries Business Tax revenues lost to the coastal municipalities during that dark summer of 1989, pending eventual recovery from Exxon.

DEPARTMENT OF REVENUE  
BILL NO: HB 276  
TITLE: Appropriation for the Fisheries  
Tax Refund Program

APPROVED:   
DATE: April 24, 1991

### POSITION PAPER

The Department of Revenue has reviewed HB 276 and the Senate companion SB 240 and with minor amendment supports the legislation.

As a result of the Exxon Valdez oil spill of March 25, 1989 many Prince William Sound and Gulf of Alaska communities suffered a substantial loss of fish tax revenues. These bills intend to use the state's general fund to assist those communities who can demonstrate actual financial losses as a direct result of the spill. We estimate these losses to total approximately 3.5 million dollars. The department will carefully review claims from individual communities including detailed back-up to substantiate the claims and to determine the amount to be paid from this bill. The municipalities will continue to pursue their claims with Exxon, and before receiving proceeds from this legislation will agree to reimburse the State up to the amount paid from this bill if they prevail in court or through settlement. The State will cooperate with the municipalities in pursuit of their claims to Exxon.

There appears to be no question that the communities lost these revenues as a result of the spill. Last year it appeared that a settlement with the municipalities would be paid by Exxon; the largest questions were entitlements which have now been documented. It is our understanding that Exxon has been seeking a broader settlement with the municipalities, and refuses to pay the fish tax claims separately. For many communities the fish tax revenue is a major part of their operating revenues (20-50%). The municipalities have all the data necessary, including estimated potential catch and actual prices necessary to prepare and submit detailed claims for reimbursement of lost revenues.

Since the State of Alaska collects the fish tax and pays 50% to the municipalities, there is some question as to the strength of the municipalities legal position to collect the raw fish tax loss from Exxon since the municipalities are beneficiaries but not legal collectors of raw fish tax. In addition, the spill settlement by the State places the municipalities at a further disadvantage in pursuit of their claims. For these reasons, we support payment of these claims by the State of Alaska to make the municipalities whole from the Oil Spill. The municipalities have suffered large loss and should not be expected to absorb the loss of the raw fish tax revenue as well. Because of receiving these funds the municipalities will be better able to afford the pursuit of their claims against Exxon for fish tax and other major impacts. The amendment we suggest at this time is a reduction of the amount in section #2 from \$4.5 million to \$3.5 million.

This Position Paper supplements the fiscal note analysis prepared on April 19, 1991. The comments in that document relate, properly, to the mechanical functions in DOR relative to this legislation. This Position Paper addresses the philosophical position of whether it is right or wrong for the State to make this appropriation.