

HB

275

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

DATE: 4/26/93

FURTHER:

DATE TURNED INTO OFFICE: 5-4-93

The Finance Committee considered CS FOR HOUSE BILL NO. 275(FIN) am

"An Act relating to the Alaska Seafood Marketing Institute and a salmon marketing tax; and providing for an effective date."

and recommends:

- replace with S CS CS HB 275 (FINANCE)
- or adopt previous _____ CS _____ (_____)
- attaches amendment(s)

- same title
- new title
- technical title change (HB only)

adopts _____ Letter of Intent

further referral to the _____

do pass

do not pass

no recommendation

individual recommendations

NEW FISCAL NOTES

Department	Date	Zero	Fiscal

PREVIOUS FISCAL NOTES

Department	Date	Zero	Fiscal
DC & ED	4/20/93		\$5,640.3
Revenue	4/19/93		\$109.7

Rev. \$5,750.

Appropriation No Fiscal Note

DO PASS:

OTHER RECOMMENDATIONS:

Best Chair No Rec
George Jackson did not pass
Tim Kelly - Do Not Pass unless amende.
Steve Rieck - No Rec
~~Keith~~ No Rec
2. Tracieance - 10/5/93

1. Mark Do Pass
 Co-Chair: Signature/Recommendation

2. Tracieance - 10/5/93
 Co-Chair: Signature/Recommendation

FISCAL NOTE

STATE OF ALASKA
1993 LEGISLATIVE SESSION

J. 2 CORRECTED
Bill Version: CSHB 275 (FIN)
(H) Publish Date: 4/27/93

Revision Date: _____
Title: Salmon Marketing and Enhancement Taxes
Sponsor: Representative Hudson
Requestor: House Finance

Department Affected: Commerce and Economic Development
BRU: Alaska Seafood Marketing Institute
Component: _____
COMPONENT SERIAL NO. 0393

EXPENDITURES/REVENUES:

OPERATING	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL	5,640.3	5,650.3	5,650.3	5,650.3	5,650.3	5,650.3
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	5,640.3	5,650.3	5,650.3	5,650.3	5,650.3	5,650.3

CAPITAL						
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REVENUE FUND SOURCE:						
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FUNDING:

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts	5,640.3	5,650.3	5,650.3	5,650.3	5,650.3	5,650.3
1006 GF/MHTIA						
OTHER						
TOTAL	5,640.3	5,650.3	5,650.3	5,650.3	5,650.3	5,650.3

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year (FY 93) impact: 0

ANALYSIS: (Attach a separate page if necessary.)

Prepared by: Fred Fisher, Administrative Officer
Division: Alaska Seafood Marketing Institute

Phone: 465-5571
Date: 4/16/93

Approved by Commissioner: Paul Fuhs
Agency: Commerce and Economic Development

Date: 4-20-93

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FISCAL NOTE

No. 1
 Bill Version: CSHB 275 (FIN)
 (H) Publish Date: 4/14/93

STATE OF ALASKA
 1993 LEGISLATIVE SESSION

Revision Date:	Dept. Affected: <u>Revenue</u>
Title: <u>Salmon Marketing and Enhancement Taxes</u>	BRU: <u>Revenue Operations</u>
	Component: <u>Income and Excise Audit</u>
Sponsor: <u>Representative Hudson</u>	
Requestor: <u>House Finance</u>	COMPONENT SERIAL NO. <u>113</u>

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY94	FY95	FY96	FY97	FY98	FY99
PERSONAL SERVICES	76.7	76.7	76.7	76.7	76.7	0
TRAVEL	15.0	15.0	15.0	15.0	15.0	0
CONTRACTUAL	6.0	6.0	6.0	5.0	6.0	0
SUPPLIES	2.0	2.0	2.0	2.0	2.0	0
EQUIPMENT	10.0	0	0	0	0	0
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	109.7	99.7	99.7	99.7	99.7	0

CAPITAL						
REVENUE FUND SOURCE: General Fund	5,750.0	5,750.0	5,750.0	5,750.0	5,750.0	0

FUNDING: (Thousands of Dollars)

1000 Federal Receipts						
1000 GF Match						
1004 GF	109.7	99.7	99.7	99.7	99.7	0
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	109.7	99.7	99.7	99.7	99.7	0

POSITIONS:

FULL-TIME	2	2	2	2	2	0
PART-TIME						
TEMPORARY						

Estimate of current year (FY93) impact: \$ 0

ANALYSIS: (Attach a separate page if necessary)

(See Attached)

Prepared by: <u>Larry E. Meyers, Director</u>	Phone: <u>465-2320</u>
Division: <u>Income and Excise Audit Division</u>	Date: <u>April 9, 1993</u>
Approved by Commissioner: <u>Darrel J. Rexwinkel</u>	Date: <u>April 9, 1993</u>
Agency: <u>Commissioner</u>	

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COMMITTEE COPY

Analysis

This bill affects the Department of Revenue by adding a new sections to AS 43.76 which provide for a salmon marketing tax. The salmon marketing tax would be imposed on limited entry or interim-use holders at a rate of 1% of the value of the salmon and would be collected by buyers in the state. The buyers would remit the taxes to the Department on a monthly basis. This tax would take effect July 1, 1993 and be automatically repealed after 5 years under section 9 of the bill.

According to the Department of Fish and Game, the total estimated value of salmon harvested in 1992 was \$575 million. Applying the salmon marketing tax to this value, the Department would expect to receive \$5.75 million (\$575 million times 1%).

Operating Costs

The Department expects to receive an average of 6 returns to be filed from 500 buyers (based on the number of licensed fisheries business processors in 1992). As a result, the salmon marketing tax program will generate approximately 3000 additional returns for the Department to data capture and process. Additionally, the Department will conduct audits of buyers' records to insure compliance.

		<u>FY 94*</u>	<u>FY 95-98</u>
Personal Services			
Tax Examiner - Juneau (Range 12A)	\$40.7		
Accounting Clerk II - Juneau (Range 9A)	<u>36.0</u>		
Total Personal Services		\$76.7	\$76.7
Travel			
10 Audit Trips	10.0		
5 Compliance Trips	<u>5.0</u>		
Total Travel		15.0	15.0
Contractual			
Phone/Utilities	3.0		
Printing	2.0		
Mailing	<u>1.0</u>		
Total Contractual		6.0	6.0
Supplies		2.0	2.0
Equipment (FY 94 Only)			
Computer and Modular Furniture		<u>10.0</u>	<u>0.0</u>
Total Operating Costs		<u>\$109.7</u>	<u>\$99.7</u>

SENATE FINANCE
COMMITTEE
Amendment Number: ①
Bill Number: 216275
Sponsor: _____ Date: 5/2/93
Logged In By:

Amendment
CSHB 275(FIN) am

Page 3 Line 4

Delete "establish an executive board to assist the board in efficiently exercising the board's powers and duties under this chapter; the executive board shall consist of seven members selected from and by the board and shall include at least three members who are engaged in commercial fishing;"

Page 3 Line 8

Delete "(14)"

Insert "(13)"

Page 4 Line 9

Delete "."

Insert ";

(9) establish a salmon marketing committee to assist and advise the board in administering the domestic salmon marketing program that is funded through the tax collected under AS 43.76; the committee shall consist of seven persons selected by the board, as follows

(A) four persons shall be engaged in commercial salmon fishing and hold salmon permits under AS 16.43, of whom

(i) one person shall be a member of the board of directors of the institute; and

(ii) three persons shall be Alaska residents from different salmon administrative areas established by the Alaska Commercial Fisheries Entry Commission; and

(B) three persons shall be engaged in processing of salmon, of whom

(i) one person shall be a member of the board of directors of the institute:

(ii) one person shall be a salmon processor who is not on the board of directors of the institute and who has an annual payroll in the state of more than \$2,500,000; and

(iii) one person shall be a salmon processor who is not on the board of directors of the institute and who has an annual payroll in the state of \$50,000 - \$2,500,00."

Page 5, Line 6

Delete "and (8)"

Insert "-(5)"

A M E N D M E N T

SENATE FINANCE
COMMITTEE

Amendment Number: 1 REVISED

Bill Number: HB 275

Sponsor: _____

Date: 5/2/93

Logged In By: [Signature]

OFFERED IN THE SENATE

TO: CSHB 275(FIN) am

Page 3, lines 4 - 8:

Delete "establish an executive board to assist the board in efficiently exercising the board's powers and duties under this chapter; the executive board shall consist of seven members selected from and by the board and shall include at least three members who are engaged in commercial fishing;

(14)"

Page 4, line 9, after "products":

Insert ":

(9) establish a salmon marketing committee to assist and advise the board in administering the domestic salmon marketing program that is funded through the tax collected under AS 43.76.110 - 43.76.130; the committee shall consist of seven persons selected by the board, as follows:

(A) four persons shall be engaged in commercial salmon fishing and hold salmon permits under AS 16.43, of whom

(i) one person shall be a member of the board of directors of the institute; and

(ii) three persons shall be Alaska residents from different salmon administrative areas established by the Alaska Commercial Fisheries Entry Commission; and

(B) three persons shall be engaged in processing of salmon, of whom

(i) one person shall be a member of the board of directors of the institute;

(ii) one person shall be a salmon processor who is

not on the board of directors of the institute and who has an annual payroll in the state of more than \$2,500,000; and

(iii) one person shall be a salmon processor who is not on the board of directors of the institute and who has an annual payroll in the state of \$50,000 - \$2,500,000"

Page 5, line 6:

Delete "AS 16.51.100(7) and (8)"

Insert "AS 16.51.100(7) - (9)"

Page 5, line 29:

Delete "and 16.51.100(8)"

Insert ", 16.51.100(8), and 16.51.100(9)"

5-4-93
Kelly OBT

Passed
43

adopted
Called in 5/4/93

AMENDMENT No. 3

OFFERED BEFORE SENATE FINANCE

BY SENATOR JACKO

TO: CSHB 275(Fin)am

Page 2, line 2:

Following "governor." add a new sentence to read:

A majority of the board members engaged in commercial fishing must be engaged in commercial fishing in the Bristol Bay, Alaska Peninsula, Bering Sea, or Yukon-Kuskokwim Region.

Post-It™ brand fax transmittal memo 7671 # of pages ▶ 3

To	Gail	From	Marie
Co.	Legis Finance	Co.	Senate Finance
Dept.		Phone #	465-4935
Fax #	465-2029	Fax #	465-2187

5-4-93

8-LS0341X.4
Utermohle
4/29/93

FAILS 6-1
Jacko supported

A M E N D M E N T

OFFERED IN THE SENATE

BY SENATOR JACKO

TO: CSHB 275(rIN) am

SENATE FINANCE
COMMITTEE

Amendment Number: #2
Bill Number: CSHB 275
Sponsor: Jacko Date: 5/4/93
Logged In By: [Signature]

Page 1, line 10, through page 2, line 2:

Delete all material

Insert a new hill section to read:

"* Sec. 2. AS 16.51.020(b) is amended to read:

(b) Eleven [TWELVE] members of the board shall be seafood processors: seven [EIGHT] of the seafood processors must have an annual payroll in the state of more than \$2,500,000 [\$1,000,000 OR MORE]; four of the seafood processors must have an annual payroll in the state of \$50,000 - \$2,500,000. Thirteen [\$1,000,000. FIVE] members of the board must be engaged in commercial fishing in the Bristol Bay, Alaska Peninsula, Bering Sea, or Yukon-Kuskokwim region. One member of the board shall be a lay person selected by the governor."

Page 5, line 23, after "fishing":

Insert "in the Bristol Bay, Alaska Peninsula, Bering Sea, or Yukon-Kuskokwim region"

Page 5, following line 27:

Insert a new subsection to read:

"(c) Notwithstanding AS 16.51.020(b), as amended by sec. 2 of this Act, the governor shall appoint a person engaged in commercial fishing in the Bristol Bay, Alaska Peninsula, Bering Sea, or Yukon-Kuskokwim region to the first membership on the board of directors of the Alaska Seafood Marketing Institute that is vacated by a seafood processor member who has an annual payroll in the state of more than \$2,500,000. If a person is appointed under this subsection to fill a vacancy arising other than by the expiration of a term of office, the person shall be appointed to

complete the remainder of the unexpired term."

Back-up

HB 275

**UCIDA**

UNITED COOK INLET DRIFT ASSOCIATION
P.O. Box 389 • Kenai, Alaska 99611 - 0389
(907) 283-3600 - FAX (907) 283-3306

April 29, 1993

SENT BY TELEFAX

Senators Drue Pearce and George Jacko
Co-Chairs, Senate Finance Committee
State Capitol
Juneau, AK 99801-1182

Dear Senators Pearce and Jacko,

United Cook Inlet Drift Association (UCIDA) represents the 585 salmon drift permit holders in Upper Cook Inlet. Some 300 permit holders are current members of our association. UCIDA is also active at the state and federal levels as a member of the Executive Committee of United Fishermen of Alaska (UFA).

I understand that HB252 and ~~CS for~~ HB275 have been scheduled for consideration by the Senate Finance Committee. I would like to make the following comments on these two bills.

HB252 - Refinancing of State Commercial Fishery Loans

This bill is strongly supported by UCIDA. It appears that the Cook Inlet salmon fishery will be minimal this year and that the drift fishery may be severely curtailed in 1994 and 1995 due to a collapse of the Kenai River sockeye run.

The ability to refinance loans at lower interest rates and therefore have lower annual payments will greatly assist our members with loans to "weather the storm".

CS for HB275- Salmon Marketing and Salmon Marketing Tax-ASMI

UCIDA has taken a great deal of time and gone to considerable expense to inform and survey the drift fleet on this matter. We are sure that you are also aware that discussing a new tax on your own industry is a delicate matter at any time. It is made even more difficult at a time when the ADF&G budget is once again being reduced.

UCIDA opposes CS for HB275. The full UCIDA board reviewed and discussed the Senate companion legislation CS for SB177 (Work Draft, 4/13/93). The vote for a motion to support the Senate version failed 4-4-1 (abstain).

HB275 as passed by the House, however, differs in two significant ways from the Senate language reviewed by the UCIDA Board. First, Sec.4(13) contains a provision for an executive board which is opposed by fishing groups. Second, HB275 does not contain a provision for a domestic salmon marketing committee to administer the domestic salmon marketing programs funded by the marketing tax.

UCIDA Board discussion and the results of the UCIDA survey made it very clear that there would be **NO support from ANY fishermen for a new tax unless fishermen could control the use of those funds.** Section 5(9) of CSSB177 (Work Draft, 4/13/93) provided for such oversight, HB275 does not.

There would be more support for the Senate version IF it were amended to provide that funds received from the sale of sockeye salmon were used to market sockeye salmon domestically. We have heard many arguments that the marketing of any salmon domestically will help all salmon sales in the long term. This may or may not be true. However, the result of our survey and discussions make it very clear that sockeye salmon fishermen who might support a tax and who will pay approximately 1/2 of any tax do not want those funds to be used to market pink salmon.

We hope you will consider UCIDA's comments and request copies of this letter be distributed to all Senate Finance Committee members.

Sincerely,



Theo Matthews
Administrative Assistant

CC Senator Little
Representative Davis
Representative Phillips
Western Alaska Cooperative Marketing Assoc.

Senator Salo
Representative Navarre
UFA

NorQuest Seafoods, Inc.

4225 - 23rd Avenue W.
Seattle, WA 98199
(206) 281-7022

12/1 v

Cy: Donna Parker
HB 275

Fax: Operations
(206) 285-8159

Fax: Sales
(206) 282-4109

April 21, 1993

Commissioner Paul Fuhs
Alaska Department of Commerce
and Economic Development
State Office Building
Juneau, Alaska

Dear Commissioner Fuhs;

Alaska's seafood industry is pivoting between success or further collapse. Which way we go depends in no small amount on how well we market our products.

The State of Alaska has done a truly remarkable job revitalizing salmon productivity. We need to finish the total job and protect the public investment in growing the fish. We need to focus on the next stage of the project - marketing the products we have so successfully produced.

As of 2/28/93, Sockeye Salmon inventories in U.S. public cold storages amounted to 7,900,000 lbs. At the same time in 1992 the U. S. Sockeye inventory level was 797,000 lbs. Clearly, we have the product available to sell domestically. But the market - which has shifted strongly to the convenience and consistency of farmed salmon - is largely unaware of the stockpiles of high quality Alaska Sockeye. With it's limited funds, ASMI has run some small but highly successful regional promotions resulting in significant sockeye sales. Processors have tried to reduce our reliance on Japanese markets by keeping inventories in the U.S. but without the proven assistance of a stronger generic marketing effort, we fear that we will not progress fast enough to forestall further collapse.

In short, we strongly encourage you in your efforts to secure passage and the Governor's approval of legislation to enhance Alaska's ability to market our seafood. Doing so, may pivot us away from collapse and toward the revitalization needed by all segments of our once great industry.

Sincerely,



Bob Waldrop
V.P. Norquest Seafoods, Inc.

Ketchikan, AK; Petersburg, AK; Cordova, AK
M/V: Prililof, Aleutian Falcon, Lafayette, Sea Legend, Crusader

FISCAL NOTE

STATE OF ALASKA
1993 LEGISLATIVE SESSION

No. 2
Bill Version: CSHB 275 (FTN)
(H) Publish Date: 4/14/93

Revision Date: _____
Title: Salmon Marketing Tax
Sponsor: Rep. Hudson
Requestor: _____

Department Affected: Commerce and Economic Development
BRU: ASMI/Economic Development
Component: _____
COMPONENT SERIAL NO. _____

EXPENDITURES/REVENUES:

OPERATING	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL	46.6	5,650.3	5,650.3	5,650.3	5,650.3	-0-
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	46.6	5,650.3	5,650.3	5,650.3	5,650.3	-0-

CAPITAL						
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REVENUE FUND SOURCE:						
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FUNDING:

1002 Federal Receipts						
1003 GF Match						
1004 GF	46.6	5,650.3	5,650.3	5,650.3	5,650.3	
1005 GF/Program Receipts						
1006 GF/MHTIA						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year (FY 93) impact: -0-

ANALYSIS: (Attach a separate page if necessary.)

Prepared by: Fred Fisher, Administrative Officer
Division: ASMI

Phone: 465-5571
Date: April 12, 1993

Approved by Commissioner: Paul Fuhs
Agency: Commerce and Economic Development

Date: 4-12-93

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