

SB

177

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

DATE: 4/14/93

FURTHER:

DATE TURNED INTO OFFICE: _____

The Finance Committee considered SENATE BILL NO. 177

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

Died in SFC 1994

and recommends:

- replace with _____ CS _____ (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

Appropriation No Fiscal Note

DO PASS:

OTHER RECOMMENDATIONS:

1. _____
Co-Chair: Signature/Recommendation

2. _____
Co-Chair: Signature/Recommendation

SENATE COMMITTEE REPORT
FIRST COMMITTEE OF REFERRAL

DATE: 3/29/93

FURTHER FINANCE

Date of 5-Day Notice: 4/1/93
(in accordance with Uniform Rule 23)

DATE TURNED INTO OFFICE: 4/14/93

L&C Committee considered SB 177

(Relating to salmon marketing, a salmon marketing tax, and the Alaska Seafood marketing Institute; efd.)

and rec. be replaced and recommends R be replaced with

and recommends:

replace with _____ CS SB 177 (L&C)

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

attaches amendment(s) *+ reports it back w/ no recom*

adopts _____ Letter of Intent

further referral to the _____

do pass

do not pass

no recommendation

individual recommendations

FISCAL NOTE INFORMATION

	Department	Date	Zero	Fiscal
CS	DOR	4/5		5,750.00
SB	DOR	4/2		100.00

	Department	Date	Zero	Fiscal

Appropriation No Fiscal Note

Governor's Bill with Previous Fiscal Notes (enter information above)

DO PASS:

OTHER RECOMMENDATIONS:

_____ *(1) Ben May - No Rec*

_____ *(1) ...*

_____ *(1) G. Sain (No Rec)*

_____ *(2) ... Amend*

_____ *(1) Tom Kelly - No Rec*

Chair: Signature and Recommendation

ALASKA STATE LEGISLATURE
SENATE BILL NO. 177

HISTORY IN THE SENATE

19 93
3/29
4/14

Read first time and referred to:
LAC, FIA

LAC RPT() CS DP 4 NR DNP AM
 New Title Same Title Previous FN
 FN OFN To Sen

RPT() CS DP NR DNP AM
 New Title Same Title Previous FN
 FN OFN To

RPT() CS DP NR DNP AM
 New Title Same Title Previous FN
 FN OFN To

Rules Calendar() CS AM Other
 New Title Same Title Previous FN
 FN OFN

Read second time

CS Adopted () New Title
 Amended Advanced

Read third time

Letter of Intent adopted
 Return to second for specific amendment

PASSED	EFD Same ___ or
Yeas	Yeas
Nays	Nays
Excused	Excused
Absent	Absent

Reconsideration
 Reconsideration not taken up

PASSED	EFD Same ___ or
Yeas	Yeas
Nays	Nays
Excused	Excused
Absent	Absent

Reported correctly engrossed
 Signed by President, to House

Secretary of the Senate

HISTORY IN THE HOUSE

19

Read first time and referred to:

RPT CS() New Title
 DP DNP NR AM
 FN OFN Previous FN

RPT CS() New Title
 DP DNP NR AM
 FN OFN Previous FN

RPT CS() New Title
 DP DNP NR AM
 FN OFN Previous FN

Read second time
 CS() Adopted

Amended

Advanced

Read third time

Return to second for specific amendment

PASSED	EFD Same ___ or
Yeas	Yeas
Nays	Nays
Excused	Excused
Absent	Absent

Intent adopted

Reconsideration
 Reconsideration not taken up

PASSED ON RECON.	EFD Same ___ or
Yeas	Yeas
Nays	Nays
Excused	Excused
Absent	Absent

Intent adopted

Reported correctly engrossed, signed by the Speaker
 and returned to the Senate

Chief Clerk of the House

SENATE-HOUSE HISTORY Continued

19	<p>Received from the House Version: _____</p> <p>Concur in House amendment Y ___ N ___ E ___ A ___ _____ Efd same or Y ___ N ___ E ___ A ___</p> <p>Failed to concur in House amendment, ask House recede Y ___ N ___ E ___ A ___</p> <p>House failed to / receded from amendment Y ___ N ___ E ___ A ___</p> <p>CC appointed by Senate _____ Chair _____</p> <p>CC appointed by House _____ Chair _____</p> <p>(S) Granted Limited Powers of Free Conference</p> <p>(H) Granted Limited Powers of Free Conference</p>
-----------	--

19	<p>(S) Adopted CC Rpt _____ Y ___ N ___ E ___ A ___ _____ Efd same or Y ___ N ___ E ___ A ___</p> <p>(H) Adopted CC Rpt _____ Y ___ N ___ E ___ A ___ _____ Efd same or Y ___ N ___ E ___ A ___</p> <p>To enrolling Received from enrolling Sent to Governor</p> <p>_____ By Governor</p> <p>Chapter Number _____</p> <p>Filed with Lieutenant Governor</p>
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FISCAL NOTE

No. 1

STATE OF ALASKA
1993 LEGISLATIVE SESSION

BI

Bill Version: SB 177

(S) Publish Date: 4-14-93

Revision Date: _____ Dept. Affected: Revenue
 Title: Salmon Marketing and Enhancement Taxes BRU: Revenue Operations
 Component: Income and Excise Audit
 Sponsor: Senate Finance
 Requestor: Senate Finance COMPONENT SERIAL NO. 113

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY94	FY95	FY96	FY97	FY98	FY99
PERSONAL SERVICES	38.4	76.7	76.7	76.7	76.7	76.7
TRAVEL	0	15.0	15.0	15.0	15.0	15.0
CONTRACTUAL	3.0	6.0	6.0	6.0	6.0	6.0
SUPPLIES	2.0	2.0	2.0	2.0	2.0	2.0
EQUIPMENT	10.0	0	0	0	0	0
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	53.4	99.7	99.7	99.7	99.7	99.7

CAPITAL						
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REVENUE FUND SOURCE: General Fund	100.0	5,750.0	5,750.0	5,750.0	5,750.0	5,750.0
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FUNDING: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	53.4	99.7	99.7	99.7	99.7	99.7
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	53.4	99.7	99.7	99.7	99.7	99.7

POSITIONS:

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

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

ANALYSIS: (Attach a separate page if necessary)

(See Attached)

Prepared by: Larry E. Meyers, Director Phone: 465-2320
 Division: Income and Excise Audit Division Date: April 2, 1993
 Approved by Commissioner: Darrel J. Rexwinkel Date: April 2, 1993
 Agency: Commissioner

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Analysis

This bill affects the Department of Revenue by adding a new chapter to AS 43.76 which provides 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 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 95-99</u>
Personal Services			
Tax Examiner - Juneau (Range 12A)	\$40.7		
Accounting Clerk II - Juneau (Range 9A)	<u>36.0</u>		
Total Personal Services		\$38.4	76.7
Travel			
10 Audit Trips	10.0		
5 Compliance Trips	<u>5.0</u>		
Total Travel		0	15.0
Contractual			
Phone/Utilities	3.0		
Printing	2.0		
Mailing	<u>1.0</u>		
Total Contractual		3.0	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>\$53.4</u>	<u>\$99.7</u>

* Since the salmon marketing tax program does not become effective until January 1, 1994, personal services and contractual costs are reflected for half of FY 94.

FISCAL NOTE

No. 2

STATE OF ALASKA
1993 LEGISLATIVE SESSION

Bill Version: CSSB 177(LCC)

(S) Publish Date: 4-14-93

Revision Date:	Dept. Affected: Revenue
Title: <u>Salmon Marketing and Enhancement Taxes</u>	BRU: <u>Revenue Operations</u>
Sponsor: <u>Senate Finance</u>	Component: <u>Income and Excise Audit</u>
Requestor: <u>Senate 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	76.7
TRAVEL	15.0	15.0	15.0	15.0	15.0	15.0
CONTRACTUAL	6.0	6.0	6.0	6.0	6.0	6.0
SUPPLIES	2.0	2.0	2.0	2.0	2.0	2.0
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	99.7

CAPITAL						
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REVENUE FUND SOURCE: General Fund	5,750.0	5,750.0	5,750.0	5,750.0	5,750.0	5,750.0
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FUNDING: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	109.7	99.7	99.7	99.7	99.7	99.7
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	109.7	99.7	99.7	99.7	99.7	99.7

POSITIONS:

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

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

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 5, 1993</u>
Approved by Commissioner: <u>Darrel J. Rexwinkel</u>	Date: <u>April 5, 1993</u>
Agency: <u>Commissioner</u>	

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Analysis

This bill affects the Department of Revenue by adding a new chapter to AS 43.76 which provides 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 6 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 95-99</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>

FISCAL NOTE

STATE OF ALASKA
1993 LEGISLATIVE SESSION

BILL NO. CSSB 177 (L&C)

B-LS0946\R

Revision Date: _____

Title: Salmon Marketing and Enhancement Taxes

Sponsor: Senate Finance

Requestor: Senate Finance

Department Affected: Commerce and Economic Development

BRU: Alaska Seafood Marketing Institute/Economic Development

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

[Signature]

Date: 4-20-93

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Alaska State Legislature

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Anchorage, AK 99503-3925
(907) 561-2038
Fax (907) 561-4194



During Session:
State Capitol
Juneau, AK 99801-1182
(907) 465-4993
Fax (907) 465-3872

Senator Drue Pearce District F

Committee Substitute for Senate Bill 177 (L&C)

This committee substitute establishes a 1% tax on the value of salmon and it is levied against fishermen. The proceeds of this tax will be deposited into the general fund and the legislature may appropriate these funds to the Alaska Seafood Marketing Institute to support the salmon marketing program described below.

This CS increases the number of board members on the Alaska Seafood Marketing Institute's Board to 25. The board's composition will consist of 12 commercial fishermen, 12 seafood processors, and one public member. The quorum is increased to 14 to reflect the larger board.

This bill permissively allows the ASMI Board to appoint subcommittees to efficiently handle matters addressed in the bill. The marketing subcommittees would have an equal number of seafood processors and fishermen appointed to them whenever practical.

This bill mandates that the ASMI board shall:

- 1) distribute market information to the public, salmon fishermen, fish processors and buyers, and nonprofit salmon enhancement organizations for raw salmon and salmon products.
- 2) cooperate with fishermen and their organizations, seafood processors and their organizations, and several other relevant entities to develop commodity exchanges and futures markets for salmon products. The Board shall also investigate market reception to new salmon product forms.
- 3) establish a salmon marketing advisory committee to assist and advise the board in administering the domestic salmon marketing program set up in this bill. This marketing advisory committee consists of 4 fishermen and 3 processors.
- 4) Allows an election, under certain conditions, in those salmon enhancement regions where the current salmon enhancement tax is 3%. The election would allow permit holders to reduce their enhancement tax to 2%.

This committee substitute permissively allows the legislature to appropriate the funds collected from the salmon tax, but mandates the split among ASMI's programs. It mandates that up to 10% of the salmon tax shall be spent on the fisherman market information program, the commodity standards program, and the salmon advisory committee. The remaining 90% would be used by ASMI for domestic salmon marketing promotions.

This CS has an effective date of July 1, 1993.

Alaska State Legislature

During Interim:
3111 C Street, Suite 150
Anchorage, AK 99503-3925
(907) 561-2038
Fax (907) 561-4194



During Session:
State Capitol
Juneau, AK 99801-1182
(907) 465-4993
Fax (907) 465-3872

Senator Drue Pearce District F

SECTIONAL ANALYSIS OF CS SB 177 (L&C)

Section 1:

Expands the ASMI Board to 25 members from 18 members.

Section 2:

Provides that the expanded board will have equal representation (12 and 12) between processors and fishermen while adding one public member. The original SB 177 expanded the board to 20 (10 and 10), removed two processors and added five fishermen. This CS is the preferable approach. Having 12 fishermen allows greater diversity of species and regions and having 12 processors allows the same expansion of diversity without necessitating the removal of processor members of the board.

This section also redefines large and small processors to better reflect the growth in the seafood processing industry. The old definition of a large processor was established in 1981 to be a processor with an annual in-state payroll of more than \$1 million. The new threshold in-state payroll value of \$2.5 million is more reasonable.

Section 3:

Mandates a quorum of 14 to reflect the expansion of the Board defined in section 2.

Section 4:

Establishes that the Board may set up committees related to the marketing of salmon and salmon products. It also provides for parity between processors and fishermen on these committees whenever practicable.

Section 5:

Mandates the distribution by ASMI of market information to the public, salmon fishermen, fish processors and buyers, and nonprofit salmon enhancement organizations for raw salmon and salmon products. This information would also be made available

to the public upon request.

Mandates the cooperation of ASMI with fishermen and their organizations, seafood processors and their organizations, and several other relevant entities to develop commodity exchanges and futures markets for salmon products. The Board must also investigate market reception to new salmon product forms.

Mandates the establishment by ASMI of a salmon marketing advisory committee to assist and advise the board in administering the domestic salmon marketing program set up in this bill. This section mandates the composition of the marketing advisory committee to consist of 4 fishermen and 3 processors.

Section 6:

Provides for a mechanism where the Commissioner of Revenue may hold an election of all salmon permit holders in the enhancement region that would allow them to reduce their enhancement tax from 3% to 2% under certain conditions.

Section 7:

Provides for the salmon marketing tax, the methods of collection and the methods of disbursement.

Section 8:

Provides for the transition for members of the board of directors of Alaska Seafood Marketing Institute.

Section 9:

Repeals the Salmon Marketing Tax as of June 30, 1999

Section 10:

Repeals the marketing information component, the commodity future component, and the salmon marketing committee within ASMI as of June 30, 2000.

Section 11:

Provides for an effective date of July 1, 1993.

Petersburg Vessel Owners Association

P.O. Box 232
Petersburg, Alaska 99833
Phone (907) 772-9323 Voice and Fax

April 18, 1993

Senators Frank and Pearce, Co-chairs
Senate Finance Committee
Alaska State Legislature
Juneau, Alaska 99801-1182

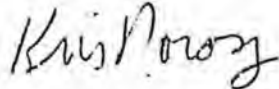
Dear Senators Frank and Pearce,

We are in support of the committee substitute for Senate Bill 177, a salmon marketing tax proposal. The CS for SB 177 allows for a mechanism through which fishermen may vote to reduce the amount of enhancement taxes they are assessed, in the event that a salmon marketing tax is imposed. In essence, the CS to this bill would allow fishermen to reallocate taxes they now pay for enhancement to be used for marketing. No reduction of the enhancement tax could occur until a 1% marketing tax is implemented.

Southeast is currently the only region in the state where salmon fishermen pay a 3% salmon enhancement tax. We would like the opportunity to vote on the option of reducing our enhancement tax by 1% and then redirect this 1% for salmon marketing. We believe that fishermen need to be given the mechanism to decide for themselves the best way to spend these monies for the sake of their industry. We believe the CS for SB 177 provides that means.

Please share our concerns with your committee. Thank you for this opportunity to comment.

Sincerely,



Kris Norosz
Director

cc: Senator Taylor



Alaska Trollers Association

130 Seward St., No. 505
Juneau, Alaska 99801
(907) 586-9400
(907) 586-4473 Fax

April 13, 1993

Senator Drue Pearce
Senate Labor and Commerce Committee
State Capitol (MS 3100)
Juneau, AK 99801-1182

Dear Senator Pearce:

The Alaska Trollers Association (ATA) would like to comment on SB 177, which relates to salmon marketing and enhancement taxes. ATA does not support this bill, or any other, that seeks to impose an additional tax on our fleet for the purposes of marketing. Further, ATA does not want to see the Alaska Seafood Marketing Institute (ASMI) general fund budget dollars replaced by a marketing assessment on the fleets' landings.

Troll caught fish enjoy a specialty market niche and the marketing of our fish is somewhat different than that of other commercially caught salmon. ATA is sympathetic to the marketing dilemma confronting the net fisheries; however, we firmly believe that any move to assess trollers additional monies for marketing would be unnecessarily burdensome given our fleets' unique situation.

Considerable effort already goes into the marketing of troll caught fish through the Alaska Troll Processors Association, Seafood Producers Cooperative, and independent trollers who supply fresh or frozen product. In recent years, the trollers primary marketing problem has been direct competition for traditional markets with fish farmers who are flooding the market year-round with cheap fish -- not a lack of interest in our product. There is a ready market for troll fish, so long as the price is right.

Finally, our concern for ASMI stems from what we perceive to be an improvement in services to the salmon fleets in recent years. We note that ASMI put \$800,000 into domestic marketing last year, and has seemed decidedly more focused on salmon under the last two administrators. ATA has been directly involved with ASMI's foreign marketing push on troll product, which we believe helped to increase French sales last season. ASMI has provided ATA the opportunity to participate in promoting seafood in Washington, D.C. by facilitating shipments of troll caught salmon to several events, including President Clinton's inaugural luncheon. ASMI has involved other salmon fishermen as well. ASMI has even helped to

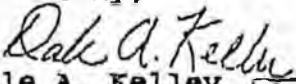
SB 177
April 13, 1993
Page 2

get some badly needed press for our industry -- from articles on Glacier Bay and winter trolling to joint promotions of "seafood" with other businesses such as Weight Watchers. Any programs that seek to add funds to ASMI for increased marketing of specific species should be in addition to existing levels of funding, or else, what's the point?

The "user pay" argument is lost on ATA, because we already know that fishermen DO PAY THEIR WAY. On average, Alaska's commercial fisheries return 3:1 on every dollar that the state invests in the ADF&G commercial fisheries budget. We fail to understand why the return to the state from our fisheries is not considered enough to provide ample funding for both marketing and the ADF&G budget.

Thank you for the opportunity to comment on SB 177. If I can be of assistance on this or other related issues, please do not hesitate to call.

Sincerely,


Dale A. Kelley
Executive Director

[] Ketchikan Office
P.O. Box 9579
Ketchikan, AK. 99901
phone: (907) 225-5156
fax: (907) 225-5258



[] Juneau Office
9226 Long Run Dr.
Juneau, AK. 99801
phone: (907) 789-5117
fax: (907) 789-5117

April 12, 1993

Senator Steve Frank, Co-chair
Senator Drue Pearce, Co-chair
Senate Finance Committee
Alaska State Legislature
Juneau, Alaska 99801-1182

Dear Senators Frank and Pearce;

On behalf of Southeast Alaska Seiners (SEAS), who represents approximately 350 commercial fishermen, I am submitting these comments on the CS for SB 177. Because of the amendment allowing those fishermen currently paying a 3% enhancement tax (Southeast only) to adjust their enhancement taxes to 2%, SEAS supports this marketing legislation. You will note that this amendment does not make the tax adjustment automatic as it calls for a vote of all permit holders. This amendment also assures that repayment of state loans are not significantly jeopardized.

This amendment needs to remain in the CS for these reasons:

- 1) The financial situation of the seine fleet is on the edge - in 1992 the average skipper took home (after a \$25,000 boat payment) \$11,072. And this follows 1991, which was an even grimmer year. 1% on the gross receipts may not sound like much, but a 1% tax on the average gross value would translate to a 3-4% tax on the average net back to the skipper, before he makes a boat payment. If you figure in a boat payment, the 1% gross tax could translate into a 10% tax on a skipper's net. This amounts to a substantial "hit" on a fisherman who is financially pinched. With poor prices being forecasted for this salmon season, the question of financial viability remains very real for a significant portion of the fleet. This amendment represents a potential avenue of supporting marketing and staying afloat at the same time.
- 2) Salmon fishermen can vote in a tax, and they can vote to terminate a tax, but they currently have no means to vote to reduce their enhancement tax unless there is an amendment similar to the one proposed above. SEAS knows this to be the case as we attempted to set up such a vote in anticipation of a 1% marketing bill.
- 3) Creating the option to redirect fishermen's financing from production to marketing is borne out by the general findings of the economic analysis in the Legislative Review of the Alaska Salmon Enhancement Program. This current legislative report indicates that marketing and not more production would generate higher net benefits and return on fisheries investments.
- 4) A simple run of the numbers shows that if marketing works, the hatchery programs will recoup their immediate loss in revenues. For example, in 1991, the total revenue from a 3% tax on all Southern Southeast salmon generated \$1,013,539. If the 1990 pink price is substituted (\$.30 instead of \$.13) a 2% tax on the same salmon yields \$1,152,459. This simple test of taking 2% of

NEW LETTER FROM S.E. SEINERS SUPPORTING SB 177

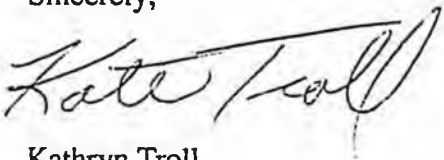
something versus 3% of very little suggests that enhancement programs will not be adversely affected once marketing kicks in, in fact it's likely that they will gain revenues as the value of their cost recovery fish rises.

5) According to Commissioner Paul Fuhs it is possible to re-structure the affected hatchery loans for any financial lag period created by a positive vote. As such, this partial shifting of the fishermen's financial investment from production to marketing can occur with minimal impact on the affected hatchery programs.

6) By setting up a vote of all permit holders, the democratic process does not violate gear group concerns. In Southeast, there are apx. 4 trollers for every one seiner, so the trollers have the upper hand in determining the outcome of any vote. The apx. ratio of seiners to gillnetters is 1:1.

We encourage you to keep the CS for SB 177 intact and pass it on to the Senate floor.

Sincerely,

A handwritten signature in cursive script that reads "Kathryn Troll". The signature is written in dark ink and is positioned above the printed name and title.

Kathryn Troll
Executive Director

Memorandum Via FAX

To: Ken Erickson
From: Rick Lauber, PSPA
Date: April 8, 1993
Subject: CS SB 177 (4/7/93 draft)

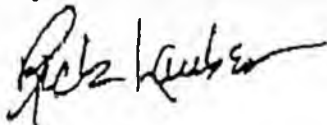
I have a couple of changes that I would suggest and if they are included I think the bill would be agreeable to the processing sector.

Page 4, line 2, after AS 16.43 add: "salmon buyers and processors"

Page 4, line 8: I am concerned that the term, "develop commodity standards" may be construed to mean grades and classification. I know the original intent of UFA is to look into a commodity futures system, like soybeans or pork bellies but that doesn't seem clear. I would suggest that portion read, "...product forms and explore the development of a commodity and futures market for salmon products".

With those changes I think many of the concerns of the fishermen are addressed. I would hope to see early passage.

WLI





UNITED FISHERMEN OF ALASKA

211 Fourth Street, Suite 112
Juneau, Alaska 99801
907/586-2820
Fax: 907/463-2545

April 6, 1993

The Honorable Tim Kelly, Chair
and Members of the Senate Labor
and Commerce Committee
Alaska State Senate
The Capitol Building
Juneau, Alaska 99801-1182

Dear Senator Kelly:

United Fishermen of Alaska supports an expanded and improved salmon marketing effort; and, specifically, to the domestic market. The conceptual plan we developed differs from what is before you in Senate Bill 177.

The UFA Marketing Committee designed a conceptual model for legislation that would make modifications to the Alaska Seafood Marketing Institute, provide an assessment mechanism for salmon harvesters, and create a Marketing Information Service accountable to fishermen.

UFA supports expanding the ASMI board to 24 members with twelve processors and twelve fishermen. The processor seats would be defined by 8 large (having an annual payroll in the state of \$2,500,000 and above); and 4 small processors (having an annual payroll in the state of \$50,000 - \$2,500,000). Appointments would remain with the governor.

Under the newly expanded ASMI board a new salmon committee would be created. It would be comprised of 7 members. Four would be salmon fishermen, 3 would be salmon processors. This committee would administer the expanded domestic salmon marketing effort and would have the funds assessed from salmon limited entry and interim-use permit holders available for this effort as well as any other available general fund money. The committee would not have powers separate from ASMI, but would be working in concert with some expanded authorities.

The Marketing Information Service would be funded by a portion of the salmon harvester's assessment and its chief responsibilities would be to gather, compile and disseminate market price information on raw salmon and salmon products to all salmon limited entry and interim-use permit holders, nonprofit salmon enhancement organizations and processors.

MEMBER ORGANIZATIONS

Alaska Crab Coalition • Alaska Longline Fisherman's Association • Alaska Trollers Association • Area K Seiners Association
Bering Sea Fishermen's Association • Bristol Bay Driftnetters Association • Concerned Area "M" Fishermen
Cook Inlet Aquaculture Association • Cordova District Fishermen United • Kenai Peninsula Fishermen's Association
North Pacific Fisheries Association • Northern Southeast Regional Aquaculture Association • Peninsula Marketing Association
Petersburg Vessel Owners Association • Prince William Sound Aquaculture Corporation • Seafood Producers Cooperative
Southeast Alaska Seiners Association • Southern Southeast Regional Association

The Honorable Tim Kelly, Chair
and Members of the Senate Labor
and Commerce Committee
April 6, 1993
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The funding mechanism would be an assessment on salmon limited entry and interim-use permit holders. The cleanest and most effective way for this to occur would be like the mechanism used for the salmon enhancement tax. The amount equal to the collected assessment is deposited in the general fund, then appropriated from the general fund to the Department of Commerce to provide financing for domestic salmon marketing through the Alaska Seafood Marketing Institute and for the funding of the Marketing Information Service.

Following are our suggestions for changes, deletions and additions:

CHANGES AND DELETIONS

- Section 1. Eliminate
- Section 2. Line 20, pg. 2; [20] change to 24
- Section 3. Line 25, pg. 2; [ten] change to 12
Line 27, pg. 2; [three] change to four
Line 28, pg. 2; [ten] change to twelve
- Section 4. Line 1, pg. 3; [twelve] change to fourteen
- Section 5. Lines 1-4, pg. 4; Eliminate
- Section 6. Lines 28-29, pg. 4; Eliminate: [the board may not override an action of the committee except by a vote of a three-quarters of the board.]
- Section 11. Line 1, pg. 7; change the effective date to July 1, 1993.

ADD

1. Language to provide for salmon harvester's assessment to be collected under AS 43.76.110-130 and deposited in the general fund under the appropriate statute and then appropriated from general fund to the Department of Commerce and Economic Development for payment to provide financing for domestic salmon marketing and for the Marketing Information Service through the appropriate statute.
2. Add language to divide the harvester's assessment for a split of 90% to go to the domestic salmon marketing committee and up to 10% to go for the Marketing Information Service.

The Honorable Tim Kelly, Chair
and Members of the Senate Labor
and Commerce Committee
April 6, 1993
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3. Add language to create a new committee under the ASMI board to provide the market price information. It could be called the Market Information Service and its responsibilities should include gathering, compiling and distributing timely market price information to all salmon limited entry and interim-use permit holders, nonprofit enhancement salmon enhancement organizations and to processors.

Thank you for the opportunity to work with the Senate Labor and Commerce Committee.

Sincerely,



Cheryl Sutton
Marketing Committee Chair
United Fishermen of Alaska