

SB

311

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

DATE: 3/30/94

FURTHER:

DATE TURNED INTO OFFICE: 4-9-94

The Finance Committee considered **SENATE BILL NO. 311**

CREDIT TO FISHERY RESOURCE LANDING TAX

and recommends:

- replace with CS SB 311 (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
Dept of Revenue	3/22/94	✓	

Appropriation No Fiscal Note

DO PASS:

Tim Kelly
George ...

OTHER RECOMMENDATIONS:

Bob ... N-R

FISCAL NOTE

No. 1
 Bill Version: SB 311
 (S) Publish Date: 3-30-94

STATE OF ALASKA
 1994 LEGISLATIVE SESSION

BILL N

Revision Date: _____ Dept. Affected: Revenue
 Title: Credit to Fishery Resource Landing Tax BRU: Revenue Operations
 Component: Income and Excise Audit
 Sponsor: (S) FIN
 Requestor: (S) RES COMPONENT SERIAL NO. 113

Expenditures/Revenues: (Thousands of Dollars)

	FY95	FY96	FY97	FY98	FY99	FY00
OPERATING						
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 FUND SOURCE: General	Up to (587.0)	Up to (587.0)	Up to (587.0)	Up to (587.0)	Up to (587.0)	Up to (587.0)
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FUNDING: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year (FY94) impact: \$ 0.0

ANALYSIS: (Attach a separate page if necessary.)
 (See Attached)

Prepared by: Larry E. Mevers Phone: 465-2320
 Division: Income and Excise Audit Division Date: March 22, 1994
 Approved by Commissioner: Darrel J. Rexwinkel Date: March 22, 1994
 Agency: Department of Revenue

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Bill Analysis

This bill would allow taxpayers to claim credits against fishery resource landing taxes payable for qualified contributions made by taxpayers not harvesting fisheries resources under a community development quota (CDQ). Credits could be claimed on contributions made after July 1, 1994 and be applied to fishery resource landing taxes paid after June 30, 1994

Section 1 requires that taxpayers apply to Department of Revenue to obtain the credit and authorizes the Department to establish procedures for expediting review and approving credits subsequent to public comments.

Section 2 authorizes the Department to revoke a prior approval of a tax credit if the Department determines that the contribution does not qualify for credit or if the taxpayer is in arrears in payment of taxes under AS 43.

Section 3 provides for a credit of 13.65% of the tax due on fishery resources not harvested under a CDQ consistent with the 45.45% CDQ credit. The original 50% CDQ credit was reduced to 45.45% to effectively preclude a credit from being taken against the portion of the tax destined for ASMI. The 13.65% credit is essentially a 15% credit reduced in a similar manner.

Section 4 amends the landing tax revenue sharing provisions so that the state absorbs one-half the amount of tax credits in calculating amounts shared to municipalities. Amounts to be shared are subject to legislative appropriation.

Operating Costs

This bill would not require any additional operating costs. Existing staff will review applications for credits, process fishery resource tax returns which otherwise would be received by the Department and share tax amounts collected. Tax return forms will be modified to specify credits being claimed from fishery resources not harvested under a CDQ.

Revenue

Since the fishery resource landing tax just took effect January 1, 1994, historical data is not available to determine the extent of contributions which would be made and credits which would be claimed under this bill. Based on the Department's fiscal note submitted last year for the landing tax bill (CSHB 264(FIN)), total landing tax revenue after deducting the portion for ASMI was estimated to be \$8.6 million.

Revenue (Continued)

Assuming all landing tax revenue above was attributable only to fishery resources not harvested under a CDQ and the maximum amount of credits was claimed (13.65% of the tax), maximum revenue loss under this bill would be \$586,950 as calculated below.

	With SB 311	Without SB 311
Gross Tax	\$8,600,000	\$8,600,000
Maximum Credit (13.65%)	(1,173,900)	0
Net Tax (Gross Tax - Credit)	7,426,100	8,600,000
Amount Shared (50% of Net Tax)	3,713,050	4,300,000

	With SB 311	Without SB 311	Increase (Decrease)
Net Tax	7,426,100	8,600,000	(1,173,900)
Less Amount Shared	(3,713,050)	(4,300,000)	586,950
Net Amount Retained by State	3,713,050	4,300,000	(586,950)

A M E N D M E N T

Adopted
3-1

OFFERED IN THE SENATE
TO: SB 311

SENATE FINANCE
COMMITTEE
Amendment Number: 2
Bill Number: SB 311
Sponsor: _____ Date: 4/9/94
Logged In By: [Signature]

Page 1, line 6, after "credit":
Delete "and"

Page 1, line 7, after "tax":

Insert ", and amending the fishery resource landing tax to eliminate claim of the credit for contributions of capital"

Page 1, following line 9:

Insert "* Section 1. AS 43.77.040(a) is amended to read:

(a) A taxpayer who harvests a fishery resource under the provisions of a community development quota may claim as a credit, against not more than 45.45 percent of the tax under this chapter that is due on the value of the fishery resource harvested under the community development quota, the taxpayer's contributions made during the tax year to a nonprofit corporation incorporated under the laws of the state that are used by the recipient for one or more of the following purposes:

(1) scholarships for study in the state in the disciplines of fisheries management, fisheries business administration, or another related course or discipline;

(2) training in the state for employment in the seafood industry;

(3) [MAKING CONTRIBUTIONS OF CAPITAL, IN THE FORM OF LOANS OR GRANTS, TO CONSTRUCT OR IMPROVE

(A) TRANSPORTATION FACILITIES IN THE STATE SUCH AS AIRPORTS AND DOCKS THAT ARE USED FOR THE UNLOADING, TRANSFERRING, OR SHIPMENT OF FISHERIES PRODUCTS; OR

(B) FACILITIES IN THE STATE AT WHICH FISHERIES

PRODUCTS ARE CANNED, FROZEN, OR OTHERWISE PROCESSED FOR INVENTORY, INCLUDING FLOATING FACILITIES THAT ARE DOCUMENTED UNDER THE LAWS OF THE UNITED STATES AS DEFINED IN 46 U.S.C. APP. 801;

(4)] awarding grants for research projects relating to Alaska fisheries."

Page 1, line 10:

Delete "Section 1."

Insert "Sec. 2."

Renumber the following bill sections accordingly.

SB 311 PROPOSED AMENDMENT

Amend #3
ADOPTED
4-0

Sec. 1. page 2, line 5, delete all underlined language and replace with the following:

A nonprofit corporation may apply to the department and request a written determination that the intended use of contributions by the nonprofit corporation for a specifically designated program satisfies one or more of the requirements of AS 43.77.040. A written determination issued to the nonprofit corporation is department approval under this section of contributions by taxpayers to the corporation.

DRAFT

CS SENATE BILL NO. 311 (Fin)

IN THE LEGISLATURE OF THE STATE OF ALASKA
EIGHTEENTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Introduced: 2/14/94
Referred: RES, FIN

A BILL

FOR AN ACT ENTITLED

1 "An Act authorizing a credit against the fishery resource landing tax for certain
2 contributions made by taxpayers not harvesting fisheries resources under a
3 community development quota and for contributions based on fishery resources
4 not harvested under a quota made by taxpayers harvesting fisheries resources
5 under a community development quota, amending the manner of calculating the
6 amount available for revenue sharing by operation of this credit, and expediting
7 agency review of the credit applications under that tax; and providing for an
8 effective date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. AS 43.77.040(b) is amended to read:

11 (b) A taxpayer who makes a contribution that qualifies for the credit
12 authorized by (a) or (e) of this section must apply to obtain the credit. The taxpayer

1 shall apply to the department in the manner provided by the department by regulation,
2 and shall provide to the commissioner all information relating to the contribution that
3 may be required by the department. Upon receipt of a complete application, the
4 department, in consultation with the Department of Community and Regional Affairs,
5 shall approve or disapprove the application for the credit within 60 days. On
6 application by a nonprofit corporation, if, after notice and opportunity for public
7 comment, the commissioner determines that all contributions to the nonprofit
8 corporation would be used exclusively for a purpose that qualifies for the credit
9 under (a) or (e) of this section, the commissioner shall establish a procedure for
10 expedited review and approval of credit applications relating to contributions to
11 that corporation.

12 * Sec. 2. AS 43.77.040(c) is amended to read:

13 (c) The department shall revoke a prior approval of a tax credit and may not
14 allow a tax credit under this section if (1) the department determines that the
15 contribution does not qualify under (a) or (e) of this section; or (2) the taxpayer
16 claiming the credit is in arrears in the payment of a tax levied in this title. For
17 purposes of this subsection, a taxpayer is not in arrears if the payment is under
18 administrative or judicial appeal.

19 * Sec. 3. AS 43.77.040 is amended by adding a new subsection to read:

20 (e) Each of the following may claim a credit, against not more than 13.65
21 percent of the tax under this chapter that is due on the value of the fishery resource
22 not harvested under a community development quota, the taxpayer's contributions
23 made during the tax year to a nonprofit corporation incorporated under the laws of the
24 state that are used by the recipient for one or more of the purposes set out in (a) of
25 this section:

26 (1) a taxpayer other than a taxpayer who is eligible for a credit under
27 (a) of this section;

28 (2) a taxpayer who is eligible for a credit under (a) of this section, but
29 the credit under this subsection may be claimed only from contributions that are made
30 from the value of the fishery resource that is not harvested under a community
31 development quota.

1 * Sec. 4. AS 43.77.050(b) is amended to read:

2 (b) After payment of the amount determined under (a) of this section, the
3 balance of the tax collected under this chapter shall be paid into a separate account in
4 the general fund. The annual balance in the account may be appropriated by the
5 legislature for revenue sharing under AS 43.77.060. Before making the payments
6 to municipalities authorized by AS 43.77.060, from amounts payable to
7 municipalities under AS 43.77.060(a) - (c) the commissioner shall deduct

8 (1) the entire [THE] amount of [ALL] tax credits authorized by
9 AS 43.77.040(a) that have been approved by the commissioner under
10 AS 43.77.040(b); and

11 (2) one-half of the amount of tax credits authorized by
12 AS 43.77.040(e) that have been approved by the commissioner under
13 AS 43.77.040(b) [SHALL BE DEDUCTED FROM AMOUNTS PAID TO
14 MUNICIPALITIES UNDER AS 43.77.060(a) - (c)].

15 * Sec. 5. If this Act takes effect after July 1, 1994, this Act is retroactive to July 1, 1994.

16 * Sec. 6. This Act takes effect July 1, 1994, and applies to fishery resource landing taxes
17 paid after June 30, 1994.

DIVISION OF LEGAL SERVICES

LEGISLATIVE AFFAIRS AGENCY STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

130 Seward Street, Suite 409
Juneau, Alaska 99801-2105

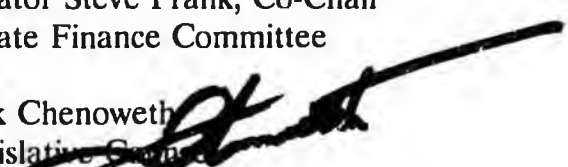
MEMORANDUM

April 9, 1994

SUBJECT: CSSB 311 (Finance) (Work Order 8-LS13170)

TO: Senator Drue Pearce, Co-Chair
Senator Steve Frank, Co-Chair
Senate Finance Committee

FROM: Jack Chenoweth
Legislative Counsel



The committee substitute incorporates two amendments provided to me by committee staff.

Please look at my reworking of the amendment set out at the end of bill section 2. Under the language that was provided, the Department of Revenue would be asked to determine "that the intended use of contributions by the nonprofit corporation for a specifically designated program" would satisfy one or more of the requirements of AS 43.77.040. Now I assume that the reference to section 040 is one to the eligible list of uses under AS 43.77.040(a), and have inserted a reference to that specific subsection. More significantly, I have, at the very end of the insert added the following words as a limitation: "for the specifically designated program for which the department's written determination was issued." I assume that you don't want the department to approve contributions "for a specifically designated program" and then be required to give the credit when the contributions are merely given to the nonprofit corporation without also being subject to the requirement that they be applied to the approved program.

The change in language in AS 43.77.040(b) necessitated a modification of one provision of the bill title.

JBC:pl
94-299.plm

STATE OF ALASKA

WALTER J. HICKEL, GOVERNOR

DEPARTMENT OF REVENUE

INCOME AND EXCISE AUDIT
P. O. BOX 110420
JUNEAU, AK 99811-0420
FAX: (907) 465-2375

March 25, 1994

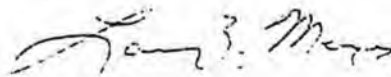
The Honorable Mike Miller
Alaska State Legislature
Chairman, Senate Resources Committee
State Capitol, Room 423
Juneau, AK 99801-1182

RE: SB 311

Dear Senator Miller:

A listing of current and proposed tax credits and limitations on the availability of the credits is enclosed as requested by the Committee.

Sincerely,



Larry E. Meyers
Director
Income and Excise Audit Division

Enclosure

cc: Senate Resources Committee

94-063

ALASKA TAX CREDITS

CREDIT	STATUTE	LIMITATION
<i>Fisheries Business Education Credit</i>	AS 43.75.018	50% of 1st \$100,000 in contributions 100% from \$100,000-\$200,000
<i>Oil or Gas Producer Education Credit</i>	AS 43.55.019	50% of 1st \$100,000 in contributions 100% from \$100,000-\$200,000
<i>Income Tax Education Credit</i>	AS 43.20.014	50% of 1st \$100,000 in contributions 100% from \$100,000-\$200,000
<i>Oil or Gas Property Education Credit</i>	AS 43.56.018	50% of 1st \$100,000 in contributions 100% from \$100,000-\$200,000
<i>Mining Business Education Credit</i>	AS 43.65.018	50% of 1st \$100,000 in contributions 100% from \$100,000-\$200,000
The sum of the credits allowed for the Education Credit may not exceed \$150,000.		

<i>Tax Credit For Scholarship Contributions</i>	AS 43.75.032	100% of contribution limited to 5% of fisheries business tax liability
<i>Special Industrial Incentive Tax Credit</i>	AS 43.20.042	10% of qualified investment. The qualified investment is also limited to from 100% to 40% of the amount spent. Credit may then not be applied against more than 60% of the tax liability
<i>Federal Income Tax Credits</i>	AS 43.20.021(d)	Limited as provided in federal statute and further limited to 18% for Alaska tax purposes
<i>Fisheries Resource Landing Tax Credit</i>	AS 43.77.010	100% of contributions but limited to 45.45% of the tax on resources harvested under a CDQ
<i>Fisheries Business Tax Credit (pre 1992)</i>	AS 43.75.032	50% of capital expenditures

PROPOSED LEGISLATION

CREDIT	STATUTE	LIMITATION
<i>SSSB 223</i> <i>Public Broadcasting Credit</i>	AS 43.20	50% of 1st \$100,000 in contributions
	AS 43.55	100% from \$100,000-\$200,000
	AS 43.56	
	AS 43.65	
	AS 43.75	Total credit under all chapters not to exceed \$150,000
<i>CSSB 225</i> <i>Insurance Tax Credit</i>	AS 21.89	50% of 1st \$100,000 in contributions
	AS 43.55	100% from \$100,000-\$200,000
	AS 43.56	
	AS 43.65	
	AS 43.75	Total credit under all chapters not to exceed \$150,000
AS 43.20		
<i>HCSSB 151</i> <i>HB 200</i> <i>Exploration Incentive Credit</i>	AS 41.09	Limited to: \$5,000,000 per project \$50,000,000 for all projects 50% of eligible costs on state owned land 25% of eligible costs on land not owned by state
<i>CSHB 498</i> <i>Mineral or Coal Exploration</i> <i>Incentive Credit</i>	AS 27.30	Limited to: 50% of eligible costs 50% of taxes due under AS 43.20, AS 43.65, and AS 38.05

DIVISION OF LEGAL SERVICES

LEGISLATIVE AFFAIRS AGENCY STATE OF ALASKA

(907) 465-3867 or 465-2450
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Mail Stop 3101

130 Seward Street, Suite 409
Juneau, Alaska 99801-2105


MEMORANDUM

March 21, 1994

SUBJECT: Senate Bill 311 -- Sectional Analysis (Work Order No. 8-LS1317K)

TO: Senator George Jacko
ATTN: Bryce Edgmon

FROM: Jack Chenoweth
Legislative Council



Ch. 67, SLA 1993, imposed the levy of a fishery resource tax of 3.3 percent on fishery resources brought into and first landed in the state, but allowed a credit to be claimed against the tax for contributions made by a taxpayer harvesting under a community development quota. This bill expands that credit to cover contributions by taxpayers not harvesting under a community development quota.

The principal provision of the measure is bill section 3. That section permits the claim of a credit for contributions by a taxpayer other than one harvesting the fishery resource under a community development quota **and** by a taxpayer harvesting under a CDQ if the taxpayer's contributions that are the basis of the claim of credit are made from the value of fishery resources not harvested under a CDQ. The maximum amount of the credit that these taxpayers may claim, as you explained to me, should be equal to 15 percent of the value of the fishery resource not harvested under a CDQ. However, just as last year's proposed 50 percent credit was reduced to 45.45 percent in order to avoid any loss of revenue available to support the Alaska Seafood Marketing Institute, section 3 of the bill proposes a like reduction in the 15 percent maximum, down to 13.65 percent (as set in this bill section) for non-CDQ-supported tax contributions. (The second page of my January 21 memo to you gives more detail as to how the 13.65 percent figure was derived.)

A related provision, bill section 4 splits the burden of the impact of the new non-CDQ based contribution credits evenly between the amount deposited as unrestricted state general fund and the amount separately accounted and available for payment of revenue sharing by the state with its municipalities.

Senator George Jacko
March 21, 1994
Page 2

Bill section 1 authorizes the Department of Revenue to expedite the review of contributions to contributions to nonprofit corporations in order to sidestep receipt and review of separate complete applications. For applications for approval of credits for contributions to nonprofit corporations that are once found to qualify under AS 43.77.040(b), the commissioner of revenue may establish an expedited review procedure on a nonprofit corporation-by-nonprofit corporation basis.

Bill section 2 extends the Department of Revenue's authority to revoke previous approval or to disallow a credit for contributions that do not qualify under the expanded provisions of AS 43.77.040(e), added by bill section 1.

Bill sections 5 and 6 give the amendments made by this Act a July 1, 1994, effective date.

JBC:gc
94-211.glc

SENATOR GEORGE JACKO

STATE CAPITOL, ROOM 125 JUNEAU, ALASKA 99801-1182 (907) 465-4942 FAX: (907) 465-2997

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MEMORANDUM

TO: Senator ^{Mike} Miller, Chair
Senate Resources Committee

FROM: Senator ^{George} Jacko, Sponsor
Senate Bill 311

DATE: February 25, 1994

RE: Scheduling request -- SB 311

This memo is to request a hearing for Senate Bill 311 in the Senate Resources Committee at the earliest opportunity.

SB 311 authorizes a tax credit for non-community Development Quota harvesters for purposes of funding education and training programs. Last session HB 264 was passed creating the Fishery Resource Landing Tax. The landing tax is 3.3% of the ex-vessel harvest value.

SB 311 would allow for a tax credit from the Landing Tax for non-profit organization who contributes to a philanthropic purpose defined by AS 43.77.040. The tax credit would be up to 15% of the total tax of 3.3%.

It is estimated the landing tax will provide approximately ~~\$8-10~~ million annually shared by the state and municipalities impacted. The tax credit in SB 311 will be taken from the landing tax proceeds.

If you need further information please contact Bryce Edgmon at 465-4942.

City of Goodnews Bay
P.O. Box 70
Goodnews Bay, Alaska 99589-0070

March 29, 1994

Senate Finance Committee
Senator George Jacko
Room 125, State Capitol (MS 3100)
Juneau, Alaska 99801-1182

Re: Senate Bill 311

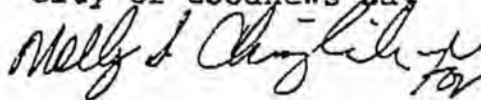
Dear Senator Jacko;

The community of Goodnews Bay give support for the Fishery Resource Landing Tax Bill. Goodnews Bay is a small quiet community with five main job sources during the long winter months. The summer months of May, June, July and August are the months in-which, the unemployment is at it's lowest. Any kind of income is most welcome in the village of Goodnews Bay.

The letter from BERING SEA COMMERCIAL FISHERIES DEVELOPMENT FOUNDATION with news of possible revenues for the communities of Western Alaska has been viewed with open support from the City of Goodnews Bay.

We stand behind Senator George Jacko to help pass SB 311.

City of Goodnews Bay



Mayor Christian Small

cc.
Senator Mike Miller
Bering Sea Commercial Fisheries Development Foundation
file



CHOGGIUNG LIMITED

VILLAGE CORPORATION

P.O. BOX 330 MAIN STREET DILLINGHAM, ALASKA 99576
PHONE (907) 842-5218 FAX (907) 842-5462

March 31, 1994

Senator George Jacko
Alaska State Legislature
State Capitol (MS 3100)
Juneau, Alaska 99801-1182
Fax 465-2997

Re: SB 311

Dear Senator Jacko:

We would like to take this opportunity to support your efforts toward passage of SB 311. This bill will provide direct benefits to our community and others in western Alaska which in the current economic climate is greatly needed.

Thank you for your efforts.

Sincerely,

A handwritten signature in cursive script, appearing to read "Judith Nelson".

Judith Nelson
CEO

cc: BBEDC
BCFDF
City of Dillingham

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NATIVE VILLAGE OF MEKORYUK

Indian Reorganization Act Council

P.O. Box 66

Mekoryuk, AK 99630

TEL. (907) 827-8809

FAX (907) 827-8133

MEMORANDUM

MAR 21 1997

TO: SEN. BILL

Room 115

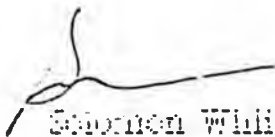
State Capitol (MS 3100)

Juneau, AK 99801-1182

FAX (907) 465-3997

The Native Village of Mekoryuk is very much in favor and fully support the passage of Senate Bill No. 311 (SB 311), because it will greatly benefit the economic conditions associated with the fisheries in the Western Alaska villages. The generated funds from the Fishery Resource Landing Tax will definitely help resolve the funding difficulties we experience out here in coastal villages.

Sincerely,



Solomon Williams

President

SENATOR GEORGE JACKO D11
ALASKA STATE SENATE
STATE CAPITOL, ROOM 125
JUNEAU AK 99801

FEB 28 1994

■ **Opinion:** Just where are the pavement police when you need them?
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Soup Off fund-raiser.
Page 6.

old its annual

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■ Sports.....page 8
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- Nelson
- Sand Point

Unalaska, Alaska

Volume 2 Number 10

Friday, February 25, 1994

75 cents

Offshore processors to pay taxes

By Ann Touza
For the Fisherman

How much — and in what ways — does the Seattle-based factory trawler fleet contribute to Alaska's economy?

In recent years, the question has been often raised and sometimes argued vehemently in the state Legislature and at North Pacific Fisheries Management Council meetings. Industry representatives and coastal residents have also joined the debate.

Every year offshore processors profit from hundreds of thousands of metric tons of fish harvested in the Bering Sea.

Part of the profits end up in Alaskan coastal

communities through fuel sales, wages, grocery and supply sales, dock fees and ship repair, but opponents of the factory trawlers say most of the profits end up in Seattle.

"They use our facilities and don't pay any tax," said Rep. Carl Moses, author of the bill. The shore-based processors were already paying a similar tax, and this gave the offshore fleet an unfair economic advantage over the shore-based processors, Moses said.

Last year the Alaska Legislature passed a bill, which Mickel signed into law, that assesses a 3.3 percent tax on the offshore fleet based on the value of product landed at Alaskan ports.

Assessments began this year, and the offshore fleet is expected to begin paying the esti-

mated \$7 million to \$9 million next year.

How the money will be spent has not been finalized, but legislators have proposed that about half of it be placed in the state's general fund. Most of the remainder would go to the communities where the product is landed, while 0.3 percent would go to the Alaska Seafood Marketing Institute.

The American Factory Trawler Association recently filed a lawsuit against this tax, which AFTA says is unfair based on the amount of time factory trawlers spend in Alaskan ports. The shore-based processors make use of community water, roads and landfills all year, while

See Foundation, page 2

Food costs eat away pocketbook

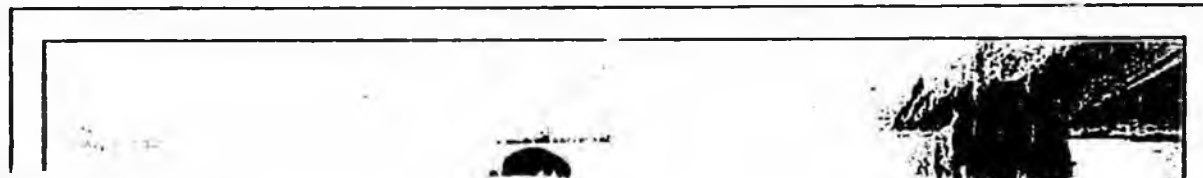
By Debby Ross
Fisherman Staff

Food costs in Unalaska Harbor are nearly double Anchorage but are less than other rural communities, according to a recent survey by the Alaska Cooperative Extension at the University of Alaska, Fairbanks.

Unalaska resident Pam Brantley researched the food and utility cost figures for the quarterly survey completed in December. Past surveys have not included costs from Unalaska/Dutch Harbor.

According to the survey a family of four with elementary school children pays \$166.92 a week for food and utility costs in Dutch Harbor.

Pollock haul a mixed bag



THE DUTCH HARBOR FISHERMAN 2/25/94

Foundation

From page 1

factory trawlers come in to offload maybe five or six times a year. Blum said.

AFTA members currently include 14 factory trawler companies with 38 vessels.

AFTA Executive Director Joe Blum emphasizes the amount of money factory trawlers spend yearly in Alaskan ports, such as the \$62 million spent in Dutch Harbor/Unalaska last year.

AFTA also provides economic benefits to Western Alaska communities through the Bering Sea Commercial Fisheries Development Foundation. Blum said.

This Anchorage-based foundation formed in 1991 as debate over the inshore-offshore pollock allocation raged at the NPFMC meetings.

The board of directors includes John Binkley, Harold Samuelsen, Edward Crane, T. Edward Luttrell, Stanley Simonson, Agrafon Krukoff, Timothy Towarak and John White. AFTA members agreed to voluntarily assess themselves 75 cents per metric ton of groundfish caught in the Bering Sea and to use this money for development projects in Western Alaska.

Dewey Schwalenberg, executive director for the foundation, says the 3.3 percent tax could jeopardize the foundation's work.

Factory trawlers companies, already facing financial hard times, may find it hard to contribute to the foundation and pay the 3.3 percent tax. Schwalenberg said.

"When we see 3.3 percent taxes thrown onto the industry it makes it very hard for me to do my job," he said. He said he went to the Legislature last year and told them that this tax may be good for state but will be hard on communities in Western Alaska.

"What it amounts to is the poor get poorer and the rich get richer," he said.

Schwalenberg believes the problem with the tax is that fish-

eries money is used to offset declining revenues and to build up the infrastructure in communities rather than going back into fisheries development.

At the same time, fisheries are "on the verge of collapse," he said.

The way to improve the social welfare of coastal communities is to improve their fisheries. Schwalenberg said.

The focus of the foundation is on education, training and employment. Schwalenberg said. Loans and grants are also made available to fishing groups in small Western Alaska coastal communities.

"We honestly believe the lifeblood of those small communities is their fisheries..." Schwalenberg said. By helping these communities develop their fisheries and by providing employment on factory trawlers, the foundation is "getting very involved in the social welfare of the communities without getting involved in social programs."

Roughly \$1 million has been collected by the foundation so far. About \$246,000 has gone to train people for entry-level positions, usually as processors, on factory trawlers. The training program is held at the Alaska Vocational Technical Center in Seward. Twenty percent of the funding comes from the state Department of Community and Regional Affairs. 80 percent comes from the foundation.

Schwalenberg said 176 people have gone through the program and that 240 people, mostly Natives from 60 Western Alaska communities, have been employed through the foundation.

Contracts are usually for 60 to 90 days at sea, allowing people to also participate in subsistence fishing in their villages. Schwalenberg said.

"The return from salaries alone came in over \$3 million to the communities," he said.

None of the foundation money has been spent in Unalaska/Dutch Harbor, however. Schwalenberg said that is because the foundation "works predominantly in areas

with very limited economic opportunity."

The foundation did provide \$29,000 in start-up grants for the six Community Development Quota groups, including the Central Bering Sea Fisherman's Association based in St. Paul and the Aleutian Pribilof Island Community Development Association based in St. George.

Most of the CDQ groups have factory trawler companies as partners.

A two-year zero-interest loan for \$24,000 was also given to the Atka Fishermen's Association to buy netting equipment to help them participate in the pink salmon fishery.

Most of the loans, around \$40,000, have gone to communities from Bethel to Kotzebue.

About one-third of the money collected is spent on administrative costs.

If the offshore landing tax can't be overturned, Schwalenberg would like to see the factory trawlers be able to get tax credits for contributions to non-profits like the foundation.

The Senate Finance Committee has introduced legislation that would amend the offshore landing tax bill to include a 13.65 percent tax credit option. Sen. George Jacko was the primary sponsor of this amendment.

Moses said this amendment was introduced last year in an effort "to keep the offshore fleet from fighting the offshore landing tax." But with the tight money situation in the state this year, Moses said he is not sure if the amendment will pass.

Schwalenberg said the amendment would allow some of the tax money to continue to go to underdeveloped communities. Otherwise, "the vast majority of the money would go to Dutch Harbor," where most of the fisheries product is landed. Schwalenberg said.

But how much — and in what ways — the offshore fleet will be required to contribute to Alaska's economy remains to be resolved.

Bristol Bay Economic Development Corporation

P.O. Box 1484 • Dillingham, Alaska 99576 • (907) 842 4370 • ГЛА (907) 842-4336 • 1-800-478-4370

March 17, 1994

Senator George Jacko
Alaska State Senate
State Capitol, Room 125
Juneau, Alaska 99801-1182



Dear Senator Jacko:

Thank you for introducing SB 311. The amendment to the Fishery Resource Landing Tax Bill of 1993 makes good sense in these times of declining oil prices and reduced budgets that affect our communities in Western Alaska. The bill is timely and appropriate.

Allowing off-shore processors to gain a tax credit to provide communities with education/training, employment and economic development projects is important to our long-term economic development. I understand that your bill is in Senate Resources at this time. I intend to send a copy of this letter of support to Senator Miller.

As you know, our program is working very well at this time but there is a long way to go. Although the funds from the CDQ program are meeting some of our needs, the dollars needed to bring our area up to parity with the rest of the state are not there. SB 311 will provide the incentive for off-shore processors to increase their financial assistance to help us get more of our people into the work force and off of the welfare rolls. The bill will also assist in providing more funds for vocational and technical training which again will get more Western Alaskans into the work force.

Again, thank you for introducing this bill that will allow our people to become a part of the equitable distribution of fisheries generated revenue to support locally determined fisheries initiatives. This is a creative piece of legislation that is needed.

Sincerely yours,

Nels A. Anderson, Jr.
Nels A. Anderson, Jr.

cc: Senator Miller



EMMONAK TRIBAL COUNCIL

P.O. Box 126
Emmonak, Alaska 99581
(907) 949-1720
FAX (907) 949-1926

MAR 21 1994

March 18, 1994

Honorable Senator George Jacko
Room 125, State Capitol (MS 3100)
Juneau, Alaska 99801-1182

RE: IN SUPPORT OF SENATE BILL 311.

Dear Senator Jacko,

The Emmonak Tribal Council would like to express its full support of the Senate Bill 311.

Emmonak has been directly impacted as a result of the Western Alaska fisheries situation.

We support programs that will help our people with jobs and alternative means to meet our daily needs.

Please feel free call our office for any questions or comments. reference to our support for Senate Bill #311.

WITH REGARDS,
Billy A. Charles (Pres)
Billy A. Charles, President
EMMONAK TRIBAL COUNCIL

ETC/lda
cc Bering Sea Commercial Fisheries
Development Foundation

file

Post-It [®] brand fax transmittal memo 7671		# of pages
To	Office of	From
Co.	Sen. George Jacko	Co.
Dept.		Co.
Fax	(907) 465-2997	Phone #
		Fax #



MAR 21 1994

**AKUTAN FISHERIES
ASSOCIATION, Inc.
P.O. BOX 89
AKUTAN, AK. 99553
PH. (907) 698-2300
FAX (907) 698-2301**

**JACOB STEPETIN, PRES.
JOE HERESKIN, V. PRES.
TERRY COOK, SEC/TREAS
THOMAS STEPETIN, BOARD MEMBERS
DEMETRI TCHERIPANOFF
JENNIE ROBINSON**

Senator George Jacko
State Capitol (MS 3100)
Juneau, AK. 99801-1182

BY Fax # 465-2997

March 21, 1994

Dear Senator,

The Akutan Fisheries Association is incorporated under the Non-Profit Laws of the State of Alaska, and as such and representing Akutan's Fishermen, we support and urge the passage of SB 311 amending AS 43.77.040(b).

We are pursuing an economic development project that would involve the processing of our fishermen's catch by adding value such as direct selling and smoking of our products.

We would benefit if this SB 311 is passed by enabling the contributions to help cover some overhead expenses incurred in the development and operations of economic projects that in the end enhance the quality of life for all Akutan residents.

Thank you for your support and please relay this message to Senator Mike Miller.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Terry A. Cook".

Terry A. Cook, Sec/Treas.
Akutan Fisheries Association, Inc.

March 17, 1994

MAR 17 1994

Jerry Ivanoff
NSEDC EET Coordinator
Box 193
Unalakleet, Alaska 99684

Senator George Jacko
Room 125, State Capitol (MS 3100)
Juneau, Alaska 99801-1182

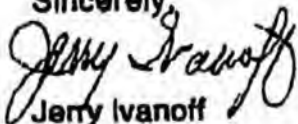
Re: Support of Senate Bill 311

Dear Honorable Jacko,

With this letter, please feel a lot of support from the Norton Sound Economic Development Corporation Education, Employment, and Training office for Senate Bill No. 311 in the Legislature of the State of Alaska Eighteenth Legislature-Second Session. A bill for an act entitled "An Act authorizing a credit against the fishery resource landing tax for certain contributions made by taxpayers not harvesting fisheries resources not harvested under a quota and for contributions based on fishery resources under a community development quota, amending the manner of calculating the amount available for revenue sharing by operation of this credit, and expediting agency review of the credit applications under that tax; and providing for an effective date."

It is my understanding that an amendment to the Fishery Resource Landing Tax of 1993 provides for 13.65 % of the taxes collected from off-shore seafood processors to be available to non-profit entities for support of fisheries related education/training, employment, and economic development projects. If this monies would be available for these particular reasons, the Norton Sound region would be happy for some assistance to train our local (newly-forming) crabbing and halibut fleet in marine crew safety, electronic navigation, and new fishing technology for the harvesting of the crab and halibut in Area 4d North and the whole Norton Sound. As the opportunities continue to expand our fishing and harvesting capabilities for the residents of our region, we have encountered more stringent safety requirements for our vessels and fishermen, which are quite expensive for compliance. To crab and halibut fish, we will be required to have EPIRB's, fire extinguishers, survival suits for each person on board, flares, vhf radio, and GPS or loran capabilities for finding our gear. At our low and depressed salmon prices today, our fishermen are having some difficulty gearing up to harvest a resource right in our back door, so to speak. Thank you for your time and effort to push for this bill this session!!

Sincerely,


Jerry Ivanoff



February 4, 1994

Senator Mike Miller
Alaska State Senate
Room 423, State Capitol (MS 3100)
Juneau, Alaska 99801-1182

Dear Senator Miller:

The fishing communities of Western Alaska continue to experience declines in economic revenues, reductions in various salmon runs and problems associated with other fisheries stocks. The impact of these problems surfaces as loss of jobs and loss of self-esteem, but manifests itself through alcohol and drug abuse, domestic violence, teen pregnancies, and the ultimate disaster -- suicide. We cannot overlook the social welfare significance of the desperate situation that is facing Western Alaska fishing communities.

The Bering Sea Commercial Fisheries Development Foundation (Foundation) has recognized this relationship because it is made up of Alaskan people who are experiencing these social and economic realities in their communities and industry representatives who are committed to the betterment of the affected communities.

We are aware of the provisions of the Fishery Resource Landing Tax Bill passed in 1993 and are dismayed by the lack of opportunity for taxpayers to elect a tax credit option for contributions directly to non-profit fisheries development organizations such as the Foundation. Surely, taxes on the fishing industry should be accrued for the benefit of all coastal communities who are experiencing social and economic hardships. In fact, the Bill excludes financial assistance to many of the smaller communities who are the most adversely impacted by this situation. These are the communities and people who stand to benefit from the fisheries development education, training, and employment activities of groups such as the Foundation.



February 4, 1994

Senator Mike Miller
Alaska State Senate
Room 423, State Capitol (MS 3100)
Juneau, Alaska 99801-1182

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We realize that under the current fiscal situation in Alaska, dollars are scarce and must be used effectively where the need may be. This presents you, as a legislator, with the responsibility to appropriate these tax revenues to where it can provide the maximum benefit. I submit that providing tax credits to companies who will contribute through Alaska non-profit corporations such as the Foundation provides the best way for these dollars to be matched by private sector industry, public charitable philanthropic organizations, and community-based funding institutions. For every state dollar that becomes available through this tax credit, we should be able to match three dollars to the community from other sources.

Without an adequate tax credit, the incentives to the private sector, community, and philanthropic organizations does not exist. Philosophically, at the very least, the government responsibilities to its constituents should lead legislators to form working partnerships with private sector to maximize funding and to meet the social well being needs of the communities and members who need it the most.

Please consider supporting the enclosed Amendment to the Fishery Resource Landing Tax Bill to allow organizations such as the Foundation to continue to exist and support rural Alaskan communities. To assist you in your deliberations, I have included the enclosed information which more specifically explains the projects that the Foundation has undertaken during the past two years and the benefits received by people in Western Alaska. I have also included a copy of the draft amendment that Senator George Jacko is planning to introduce in the Senate to accomplish these stated objectives. We have asked Representative Carl Moses to consider introducing a similar bill in the House.

Thank you for your consideration of this most important initiative.

Sincerely,


Dewey Schwalenberg
Executive Director

enc. 3

FOUNDATION

S U P P L E M E N T

Dear Legislator...

During the last legislative session, the Alaska Legislature passed the Fisheries Landing Tax bill of 1993. The intent was to recover revenues from the off-shore fishing industry for landing fish products near Western Alaska coastal communities. Fifty percent of the tax revenue will accrue to the state General Fund, and approximately 50 percent to the communities where landings will be made, with .3 percent being provided to the Alaska Seafood Marketing Institute for Alaska seafood promotion. A very limited amount will support Community Development Quota (CDQ) programs.

We believe that an important aspect of the relationship between the resources of the Bering Sea, the fisheries industry and the Western Alaska coastal communities has been overlooked.

The American Factory Trawler Association (AFTA) has for the past two years, voluntarily contributed more than \$850,000 through the Foundation to projects in the most economically depressed Western Alaska communities. Projects that provided job training and employment have placed more than 240 persons in seafood processing contracts. These

contracts have led to more than \$3 million in wages to community members and their families. The results of these jobs and the wages have had an immeasurable effect on the social well-being of these community members.

The Foundation also has provided grants and zero-percent interest loans to remote communities in Western Alaska to support economic development. Through our loan program, Nunivak Island Seafoods now has the equipment to transport its processed halibut to market and provide fishing opportunities to the community fishermen. In Kotzebue, the fishermen have formed the Chukchi Sea Fishermen's Cooperative. With a grant from the Foundation, they have operated their own salmon buying station. This project raised the price to the fishermen by \$.20 a pound in one year. More than 200,000 pounds were purchased by the cooperative, which also provided employment to five workers during the season.

In addition, the Foundation was the first institution to provide support funding to communities that were eligible for the Community Development Quota (CDQ) program. Our initial \$30,000 allowed the 53 community representatives to meet to form the

FOUNDATION

S U P P L E M E N T

CDQ community organizations that went on to establish economic development joint ventures with the fishing industry.



The Foundation has supported other projects that allowed fishermen to increase their opportunities to participate in fisheries. The Atka Fishermen's Association members now participate in a pink salmon fishery as a result of an equipment loan made by the Foundation. Savoonga and Gambell fishermen now participate in a halibut fishery as a result of a training grant that the Foundation made.



Finally, the Foundation has worked with numerous communities to strengthen the cooperative relationship between the fishermen who ultimately must work together for their common good. Inuit Fish Marketing, Ltd., was established to bring fishermen from Kotzebue, Unalakleet, Emmonak and Bethel to a common marketing effort of 1 million pounds of chum salmon. Although the group formed and worked cooperatively toward this common sales goal, the disastrous chum salmon runs of this past season allowed a limited success for this project. This effort underscores the continued need for the Foundation, its projects and the financial support of the off-shore fishing industry such as the AFTA members.



We must find ways to support more partnerships between industry, Alaska and the Western Alaskan communities. To do this, we believe that the Fish Landing Tax Bill of 1993 must be amended to include a provision that will provide a tax credit to companies

that contribute to the Bering Sea Commercial Fisheries Development Foundation. These contributions will allow the Foundation to form matching challenge grant partnerships with federal, state, industry, communities and private philanthropic organizations.

The projects that the Foundation then is able to sponsor in Western Alaska will be used to benefit the most economically depressed communities.



The disastrous fishing season this year for the Bering Sea communities should serve to focus our attention. The Foundation believes that industry is willing to assist and has shown this willingness for the past two years. The Governor's proclamation of an economic disaster in the Yukon-Kuskokwim region indicates only the beginning of the problems for these communities. If the Landing Tax Bill is allowed to divert all the fisheries revenues from the economically disadvantaged communities to the state General Fund and the economically sound communities, the off-shore fishing industry with its current economic difficulties, will have no ability to assist the communities that need it the most. We suggest setting aside a portion of the revenues (perhaps 15 percent) for reinvestment into economically depressed Western Alaskan communities through the Foundation.



Please consider supporting an amendment to the Fisheries Landing Tax Bill of 1993 in the 1994 legislative session. I have included additional information about the Foundation and the community projects that we have supported. If you have any questions, please feel free to contact us.

gmr

MINUTE COMMITTEE REPORT

FIRST COMMITTEE OF REFERRAL

FURTHER: Finance

DATE: 2/14/94

Date of 5-Day Notice: 3.17.94
(in accordance with Uniform Rule 23)

DATE TURNED INTO OFFICE: 3.28.94

Resources Committee considered SB 311

Authorizir SB 311 CREDIT TO FISHERY RESOURCE LANDING TAX contributions made by taxpayers ... quota and for contributions based on fishery resources not harvested under a quota made by taxpayers harvesting fisheries resources under a community development quota, amending the manner of calculating the amount available for revenue sharing by operation of this credit, and expediting agency review of the credit applications under that tax; efd. and recommends:

replace with _____ CS _____ and report it back as follows _____

same title
 new title
 technical title change (HB only)

attaches amendment(s)

adopts _____ Letter of Intent

further referral to the _____

do pass

do not pass

no recommendation

individual recommendations

[Handwritten signature]

FISCAL NOTE INFORMATION

Department	Date	Zero	Fiscal
Dept. Revi.	3.22.94	0	✓

Department	Date	Zero	Fiscal

Appropriation No Fiscal Note

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

DO PASS:

OTHER RECOMMENDATIONS:

② Donnie Frank

① Inealance No Rec
① P. J. Gandy No Rec

① Mike Miller No Rec

Chair: Signature and Recommendation