

HB

140

Revision Date: _____ Dept. Affected: Revenue
 Title: Small Fish Processor Surety Bonds BRU: Audit Operations
 Component: Income and Excise Audit
 Sponsor: Rep. Austerman
 Requestor: (H) FSH COMPONENT SERIAL NO. 113

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
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:	0.0	0.0	0.0	0.0	0.0	0.0

FUNDING (Thousands of Dollars)

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

POSITIONS

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of Current (FY95) impact \$ 0.0

ANALYSIS: (Attach a separate page if necessary)

(See Attached Analysis)

Prepared by: Robert N. Barnard, Security Director *Robert N. Barnard* Phone: 465-2320
 Division: Income and Excise Audit Date: 2/9/95
 Approved by Commissioner: *[Signature]* Date: 2/9/95
 Agency: Department of Revenue

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Bill Analysis

This bill reduces the amount of surety bond required for small fish processors that process 30,000 pounds or less of fish a year from \$10,000 to \$2,000. Processors who initially filed a \$2,000 bond under this bill and then process more than 30,000 pounds of fish in a year are required to notify the Department and comply with the \$10,000 bond requirement.

In lieu of the surety bond, small processors may file a cash deposit or other negotiable security acceptable to the Department in the amount specified for the bond.

Operating Costs

Department of Revenue does not anticipate any additional operating costs for implementing the provisions of this bill. This bill only affects the dollar amount of surety bonds required for small processors and will not establish new filing requirements for processors.

Revenue

This bill does not impact revenue because surety bonds, cash deposits and other negotiable securities filed under the surety bond program are filed as security and held in trust for the period of time specified under statutes.

WALTER J. HICKEL, GOVERNOR

DEPARTMENT OF COMMERCE AND
ECONOMIC DEVELOPMENT

DIVISION OF ECONOMIC DEVELOPMENT

P.O. BOX 110804
JUNEAU, ALASKA 99811-0804
PHONE: (907) 465-2017

DCED Comments on House Bill 140

This bill reduces the amount of surety bond required for small fish processors that process 30,000 pounds or less of fish a year from \$10,000 to \$2,000. Processors, who initially filed a \$2,000 bond under this bill and then process more than 30,000 pounds of fish in a year, are required to notify the department and comply with the \$10,000 bond requirement.

The purpose of the bond is to protect fishermen and processing workers from processing companies that do not pay them in full at the end of the fishing season. The bond payment is made to the Department of Revenue and, according to agency officials, is rarely activated.

Changes in market conditions and fishery management have caused many fishermen to consider marketing their own fish. One of the biggest impediments to the development of these entrepreneurial enterprises are the costs of permits, licenses and bonding requirements which were designed for compliance by large processing companies. Furthermore, operations that process less than 30,000 pounds of fish annually are likely processing the fish harvested by their own fishing operation and bonds posted to protect them from nonpayment to themselves would be rendered meaningless.

HB 140 will significantly help reduce capital investment costs for small direct marketing operations and increase their likelihood for success.

SENATE COMMITTEE REPORT

DATE: 3/14/95

FURTHER: Finance

DATE TURNED INTO OFFICE: 4-24-95

Resources Committee considered CS FOR HOUSE B'LL NO. 140(FSH)

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

and recommends:

- be replaced with _____ CS _____ (_____)
- adopt previous _____ CS _____ (_____)
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to the _____ Committee

Senate Bill:

same title

new title

House Bill:

same title

technical change

new: SCR* _____

SIGNING <u>DO PASS</u>	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
<i>[Signature]</i>					
<i>[Signature]</i>	✓				
<i>[Signature]</i>	✓				
<i>[Signature]</i>	✓				
CHAIR: <i>[Signature]</i>	✓				

NEW FISCAL NOTE(S):

Department Date Zero Fiscal

PREVIOUS FISCAL NOTE(S):*

Department Date Zero Fiscal

<i>Revenue</i>	<i>2/92</i>	✓	

APPROPRIATION -- no fiscal note

*include fiscal notes accompanying Governor's bill



REPRESENTATIVE ALAN AUSTERMAN Alaska State Legislature

P.O. Box 2368, Kodiak, Alaska 99615 (907) 486-5930 • Session: State Capitol, Juneau, Alaska 99801 465-2487

SPONSOR STATEMENT

HB 140 - "SMALL FISH PROCESSOR SURETY BONDS"

February 14, 1995

House Bill 140 reduces the surety bond or cash deposit that small processors pay to the Department of Revenue if the processor processes 30,000 pounds of fish or less annually. These businesses would otherwise have a \$10,000 surety bond obligation or cash deposit.

HB 140 is an economic development bill for Alaska. It benefits the smallest of potential fish processing operations by lowering the bond amount from \$10,000 to \$2,000, and thereby providing an incentive for value-added businesses to establish themselves in the fishing industry.

This bill originated from a SWAMC resolution which later passed unianimously as an AML resolution. The AML version revised the annual poundage to 100,000 pounds.

Sponsor Statement



Southwest Alaska Municipal Conference

Putting Resources to Work For People

3300 Arctic Blvd., Suite 203 • Anchorage, Alaska 99503 • (907) 562-7380 • FAX (907) 562-0438

RESOLUTION 94-19

A RESOLUTION REGARDING BONDING REQUIREMENTS FOR SMALL PROCESSORS

Whereas, communities in Southwest Alaska are involved in the seafood and fishing industries and;

Whereas, declines in fish prices have forced fishermen to look for alternative markets or processes that would allow for higher prices for their fish and;

Whereas, the amount of bonding required by the State of Alaska is the same for a small processor as a large processor and;

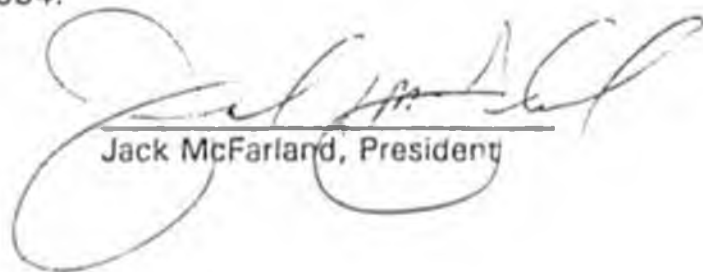
Whereas, small processors do not have the same financial resources as large processors and;

Whereas, allowing a lesser amount of bond for small processors would alleviate much of the financial burden to mom and pop processing operations and;

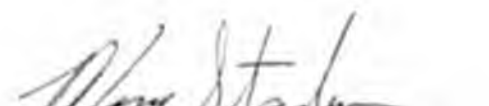
Be It Resolved that a small processor that processes 30,000 lbs. or less of fish a year shall pay a \$2,000 bond to the State of Alaska and;

Be It Further Resolved that SWAMC respectfully requests its legislators to introduce and push legislation for the bond requirement for small processors.

PASSED AND APPROVED BY THE SOUTHWEST ALASKA MUNICIPAL CONFERENCE
THIS 19th DAY OF SEPTEMBER, 1994.



Jack McFarland, President



Mary Stadum, Executive Director

94-19-01-0438

Support Letter

Representing the Bristol Bay, Pribilof, Kodiak Island and Aleutian Island areas.



217 Second Street Suite 200 • Juneau Alaska 99801 • Tel: (907) 586-1325 Fax: (907) 586-5487

February 9, 1995

TO: Representative Alan Austerman
Chairman, Fisheries Committee

FROM: *Kevin C. Fitchie*
Executive Director

RE: HB 140 - Surety Bonds Required of Certain Fish Processors

Attached please find a copy of the Alaska Municipal League Resolution 95-19 regarding bonding requirements for small processors. This resolution passed at the Alaska Municipal League Conference in November 1994

A revision was made to the resolution on the floor of the annual meeting to change the number from "30,000 pounds to 100,000 pounds or less of fish a year" There were no objections

The League supports allowing a lesser amount of bond for the smaller fish processors because they don't have the financial resources of the larger processors

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Support Letter

Resolution of the Alaska Municipal League

Resolution No. 95-19

A RESOLUTION REGARDING BONDING
REQUIREMENTS FOR SMALL PROCESSORS

WHEREAS, communities in Alaska are involved in the seafood and fishing industries; and

WHEREAS, declines in fish prices have forced fishermen to look for alternative markets or processes that would allow for higher prices for their fish; and

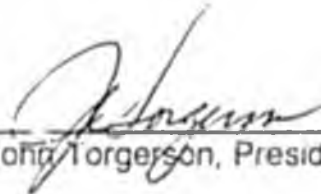
WHEREAS, the amount of bonding required by the State of Alaska is the same for a small processor as a large processor; and

WHEREAS, small processors do not have the same financial resources as large processors; and

WHEREAS, allowing a lesser amount of bond for small processors would alleviate much of the financial burden to "mom and pop" processing operations:

NOW, THEREFORE, BE IT RESOLVED, that a small processor that processes 100,000 pounds or less of fish a year shall pay a \$2,000 bond to the State of Alaska.

BE IT FURTHER RESOLVED that the Alaska Municipal League respectfully requests its legislators to introduce and push legislation for the bond requirement for small processors.



John Torgerson, President

ATTEST



Kevin C. Ritchie, Executive Director