

HB

363

HFIN

FILE

(11)

HOUSE COMMITTEE REPORT

Date Referred to Committee: March 8, 2000

FURTHER REFERRALS:

Date of Committee Action: 3/28/00

The FINANCE Committee considered:

HB 363

HOUSE BILL NO. 363

SALMON PRICE REPORTS

"An Act relating to salmon product reports; and providing for an effective date."

recommends it be replaced with the following committee substitute

CS HB 363 (FIN)

the same title
 a new title

additional referral to _____ Committee

attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept)

APPROVES PREVIOUS: (Dept/Date)

fiscal note(s) Revenue

fiscal note(s) _____

zero fiscal note(s) _____

zero fiscal note(s) _____

SIGNING WITH RECOMMENDATIONS		DP	DNP	NR	AM
<i>Gene Theriault</i>	Theriault			X	
<i>Don Mulder</i>	Mulder			X	
<i>Alan Austerman</i>	Austerman	X			
<i>J. Davis</i>	J. Davis			X	
<i>Ben Grossindorf</i>	Grossindorf			X	
<i>Alfred Moses</i>	Moses			X	
<i>G. Davis</i>	G. Davis		X		
<i>Bill Williams</i>	Williams	X			
<i>Phillips</i>	Phillips			X	
<i>Justin</i>	Justin			X	

CO CHAIR'S SIGNATURE

Gene Theriault
Theriault

Don Mulder
Mulder

FISCAL NOTE

BILL NO. CSHB 363

2000 LEGISLATIVE SESSION

Revision Date/Time (Note if correction) _____	Dept. Affected	Revenue
Title <u>Salmon Product Reports</u>	BRU	Revenue Operations
	Component	Income and Excise Audit
Sponsor <u>Representative Austerman</u>		
Requester <u>(H) Finance</u>	Component Serial No.	<u>113</u>

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Personal Services	43.8	43.8	43.8	43.8	43.8	43.8
Travel	0.0	0.0	0.0	0.0	0.0	0.0
Contractual	1.0	1.0	1.0	1.0	1.0	1.0
Supplies	1.0	1.0	1.0	1.0	1.0	1.0
Equipment	3.5					
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING*	49.3	45.8	45.8	45.8	45.8	45.8
CAPITAL EXPENDITURES	**	0.0	0.0	0.0	0.0	0.0
CHANGE IN REVENUES ()	0.0	0.0	0.0	0.0	0.0	0.0

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL						

Estimate of current year (FY00) cost: 0.0

POSITIONS

Full-time	/	/	/	/	/	/
Part-time						
Temporary						

ANALYSIS: (see attached analysis and tables)
 ** Because of the short time frame available, we were not able to estimate the cost of contracting out the development of a database. However, from previous experience, we believe this cost would be at least \$20,000. This is a one-time cost that would occur in FY 2001.

Prepared by <u>Brett Fried, Economist and Carl Meyer, Chief of Appeals</u>	Phone <u>465-3682 or 465-2343</u>
Division <u>Income and Excise Audit</u>	Date/Time <u>March 28, 2000</u>
Approved by <u>Wilson L. Condon</u>	Date <u>March 28, 2000</u>
Commissioner <u>Wilson L. Condon</u>	
Agency <u>Department of Revenue</u>	

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Bill Analysis

Section 1 amends AS 43.80.050(a) to require all fisheries businesses selling more than 240,000 pounds of salmon products at wholesale in a calendar year to report to the department for each 4 month period the prices received and the quantities of the products involved in the sales, including sales by affiliates. Under current law, reporting is only required for the prices and quantities of thermally processed salmon products sold at wholesale.

Section 2 repeals and reenacts AS 43.80.050(b) to require the fisheries businesses to include in the reports:

- ◆ The total quantity of each salmon product form sold by area of production and by species; and,
- ◆ The wholesale price received.

This reporting would be required for the following product forms:

- ◆ Thermally processed salmon products by the number of each size of container
- ◆ Fresh headed and gutted salmon products by pounds
- ◆ Fresh fillet salmon products by pounds
- ◆ Frozen headed and gutted salmon products by pounds
- ◆ Frozen fillet salmon products by pounds
- ◆ Salmon roe products by pounds

Section 3 amends AS 43.80.050(c) to require all fisheries businesses selling to affiliates to report only the subsequent sales of that salmon product by the affiliates at wholesale. The information to be reported includes:

- ◆ A description of the products sold;
- ◆ The total quantity of each salmon product form sold by area of production and by species; and,
- ◆ The wholesale price received.

Section 4 amends AS 43.80.050 by adding a new section (f) to require the filing of an annual report. The annual report covers the period from January 1 through December 31 of the calendar reporting year and must be filed by January 31 of the following calendar reporting year. The report is to include a description of the products and the quantity, by size of container for thermally processed salmon and pounds for other salmon product forms, of each salmon product form produced by the processor and affiliates in each area of production and by species.

Section 5 amends AS 43.80.055 to require the department to determine from the reports the average monthly and annual wholesale prices for the sale of salmon products. These averages are to be determined for each pound by area of production by species by

product form, except that for thermally processed salmon products the averages are determined by size of container by species.

Section 6 amends AS 43.80.055 to add a new subsection to require the department to publish the average wholesale prices in a report to be entitled the "Alaska Salmon Price Report".

Section 7 amends AS 43.80.060 to require the department to make the Alaska Salmon Price Report available to the legislature by March 15 of each year. The report is to include the wholesale prices paid and the quantities of salmon products produced during the preceding year.

Section 8 amends AS 43.80.100(5) to provide that the reporting year is the calendar year after the calendar year in which the fisheries business sells more than 240,000 pounds of salmon products at wholesale.

Section 9 amends AS 43.80.100(7) to eliminate deductions in the nature of cash discounts allowed on sales and commissions paid to independent brokers in determining the wholesale price.

Section 10 amends AS 43.80.100 to add new paragraphs to define the following terms: the "area of production" in which a salmon product was processed means specified fisheries areas of the state; "produce" means to process salmon into a salmon product; and "wholesale" means the first sale of a salmon product at wholesale after the fisheries business tax was paid or payable on the salmon from which the product was produced. One problem with the definition of 'wholesale' is that 'wholesale' is also included in the meaning presenting a circular conundrum. Another problem is that since the fisheries business tax is neither paid nor payable until March 31st of the following calendar year, an argument could be made that sales made before this date are not reportable. We believe the intent, however, is that wholesale is to mean the first sale of a salmon product to a person other than the final consumer that occurs after the liability for the fisheries business tax is incurred on the salmon from which the product was produced.

Section 11 repeals Section 12, ch. 37, SLA 1998, which would have repealed AS 43.80.050 – 100 on July 1, 2003.

Section 12 amends the uncodified law to add a new section to provide that the first report required by AS 43.80.050 is due on September 30, 2000 for the period beginning May 1, 2000 and ending August 31, 2000, and must be filed by a fisheries business that sold more than 240,000 pounds of salmon products at first wholesale during the 12 months ending August 31, 2000.

Section 13 provides a September 1, 2000 effective date.

Operating Expenditures

The following functions must be performed by DOR to meet the requirements of this bill: (1) public service (responding to questions from the public and processors), (2) data entry, (3) report production, (4) report and form dissemination, (5) accuracy and confidentiality checks, (6) non-filer identification, and (5) programming. We already perform these functions for the relatively simple average wholesale thermally processed salmon report (2 page report and 4 page report form). We produce this report three times a year and it takes the equivalent of one month for one individual.

The increase in estimated form length, from 4 to 20 pages does not address the increase in complexity. Table 1 (see attached spreadsheet) provides some help in understanding the change in the level of complexity. The 20 page number assumes that each page of the form includes production area, pounds, wholesale price and product form by species by month. Consequently, there is a potential for 48 rows of data (8 production areas times 6 product forms). We are, however, assuming that, at most we will need to accommodate 32 rows per page. With 4 months of data and 5 species of salmon we have 20 pages. We will also have to produce an annual report using annual data. This form should be approximately 5 pages long.

Not only will the number of filers increase, by at least 4 times, but the amount of information they must report will increase from 1 to 6 product forms, and from statewide to by 8 different regions. This increase in complexity compounds the difficulty associated with accuracy and confidentiality checks.

Because of the large increase in complexity and amount of data, we are requesting one position to meet our obligations under this bill. An Analyst Programmer I (@\$43,800) will be needed to do the following: (1) query development and execution, (2) non-filer identification, (3) data base maintenance, (4) data entry, (5) report and form development, dissemination, and production, (6) accuracy and confidentiality checks, (7) special projects and (8) public service. Equipment, supplies and contractual obligations will be \$5,500 the first year because of a one-time cost of \$3,500 for computers and other equipment. After the first year, equipment costs will be zero and contractual and supply costs will be \$2,000 a year.

Another way to approach this issue is to examine how this cost compares to the cost of other tax programs that the tax division currently administers. The fisheries business tax return is the closest in similarity (in terms of complexity) to the proposed Salmon Product Report. Table 2 provides a comparison of the attributes of both of these programs.

Clearly, the fisheries business tax has more returns, species, and reporting areas. Additionally, the cost of the program includes accounting and collections costs, which would not be an issue for the Salmon Product Report. However, the fisheries business

data is annual not monthly, does not include product forms, and is only received once a year, not 3 times a year. Also, because firms filing the report will be larger fishery businesses, the reports will be more comparable to the most complex of the fisheries business tax returns. Additionally, in our experience, fisheries businesses tend to fill out their tax returns more carefully than informational reports. This then requires more vigilance and time on the part of DOR. The total administrative cost of the fisheries business tax is \$229,174, which is 5.0 times the estimated \$45,800 operating cost associated with this bill.

Capital Expenditures

The only capital expenditure would be the contract for creating a database and the associated data entry interface. We currently use an excel workbook because we only need 48 spreadsheets to accommodate the current information. At a maximum we would need 1,020 spreadsheets (4 months x 5 species x 51 processors) to accommodate the sales data and 255 spreadsheets (5 species x 51 processors) for the production data. Each processor would have a separate spreadsheet for each month recording the pounds, product form and production area for a particular species. Although we know we would not need this many spreadsheets, even doubling the current number of spreadsheets would be too cumbersome to do in an excel workbook. We will also need to be able to execute relatively complex queries and to have a simple data entry interface.

Another advantage of using a database is it opens up the possibility of electronic filing. If electronic filing was required, we believe operating expenditures would decrease. Although we have not had time to estimate the cost of contracting out for the development of a database, from previous experience we believe it would be at least a one-time cost of \$20,000. After the database system is set up, we believe the analyst programmer will be able to maintain the system and adjust it for changes.

Revenue

There is no direct revenue effect of this bill.

ALASKA DEPARTMENT OF REVENUE

Salmon Price Reports
CSHB 363

Page 6 of 7

TABLE 1 - CHANGES TO REPORTING REQUIREMENTS: CSHB 363

	<u>Status Quo</u>	<u>CSHB 363 Estimates</u>
Number of processors reporting ¹	12	51
Number of product forms ²	1	6
Number of reporting areas ³	1	8
Number of species ⁴	5	5
Reporting point ⁵	sale	sale and prod.
Reporting time period ⁶	monthly	monthly
Report due ⁶	3 times a year	3 times a year
Report threshold ⁷	240,000 lbs.	240,000 lbs.
Pages per report form ⁸	4	20
Software ⁹	excel	database

¹ According to the Alaska Department of Fish and Game, 51 processors exceed the minimum reporting threshold

² The following product forms are to be reported: (1) fresh headed and gutted, (2) thermally processed, (3) fresh fillet salmon products, (4) frozen headed and gutted, (5) frozen fillet and (6) salmon roe. Because thermally processed salmon products must be reported by the size of the container in which they are sold, they must be broken out separately from the other product forms. Although there are a large number of sizes, the vast majority of thermally processed salmon will fall under the four most common can sizes.

³ The eight areas of production are (1) Southeastern and Yakutat, (2) Prince William Sound, (3) Cook Inlet, (4) Kodiak, (5) Chignik, (6) Aleutian Islands, Atka-Amlia Islands and Alaska Peninsula, (7) Bristol Bay, (8) Kuskokwim, Yukon-Northern, Norton Sound-Port Clarence, and Kotzebue.

⁴ Under CSHB 363, there are the following five species of salmon (1) Chinook, (2) Sockeye, (3) Coho, (4) Pink, and (5) Chum.

⁵ Under CSHB 363, the total quantity of salmon products produced and sold must be reported. However, production must only be reported once a year on an annual (not monthly basis).

⁶ The processor must provide monthly sales data every four months to the Department of Revenue and annual production data once a year.

⁷ A processor only has to fill out the report if during the previous calendar year the processor has sold more than 240,000 pounds at wholesale.

⁸ Because of the increase in the number of product forms (from 1 to 6), and the reporting by production area (8 production areas), we estimate that the report length will increase by a factor of 5. Additionally, it will increase in complexity. For example, for thermally processed salmon it will increase from three data fields (pounds or size, value and months) to 5 (pounds or size, value, months, product form and production area) data fields.

⁹ An excel spreadsheet with 48 pages linked to a summary page is all that is currently necessary. This will no longer work with 51 processors reporting 6 product forms, by 8 production areas, by species and by month (see operating expenditures discussion).

Salmon Price Reports
CSHB 363

Page 7 of 7

TABLE 2 - A COMPARISON OF CSHB 363 REPORT & FISH. BUS. TAX

	<u>Fisheries Business</u>	<u>CSHB 363 Estimates</u>
Number of processors reporting ¹	449	51
Number of product forms ²	0	6
Number of reporting areas ³	54	8
Number of species ⁴	all	5
Reporting point ⁵	proc. or trans.	sale and prod.
Reporting time period ⁶	annual	monthly
Report due ⁶	once a year	3 times a year
Report threshold ⁷	none	240,000 lbs.
Pages per report form ⁸	26	20
Software ⁹	database	database

¹ According to the Alaska Department of Fish and Game, 51 processors exceed the minimum reporting threshold.

² Under CSHB 363, the following product forms are to be reported: (1) fresh headed and gutted, (2) thermally processed, (3) fresh fillet salmon products, (4) frozen headed and gutted, (5) frozen fillet and (6) salmon roe. Because thermally processed salmon products must be reported by the size of the container in which they are sold, they must be broken out separately from the other product forms. Although there are a large number of sizes, the vast majority of thermally processed salmon will fall under the four most common can sizes.

³ The eight areas of production are (1) Southeastern and Yakutat, (2) Prince William Sound, (3) Cook Inlet, (4) Kodiak, (5) Chignik, (6) Aleutian Islands, Atka-Amlia Islands and Alaska Peninsula, (7) Bristol Bay, and (8) Kuskokwim, Yukon-Northern, Norton Sound-Port Clarence, and Kotzebue. For the fisheries business tax, we have included the number of communities that received fisheries business shared tax revenue in FY 99.

⁴ Under CSHB 363, there are the following five species of salmon (1) Chinook, (2) Sockeye, (3) Coho, (4) Pink and (5) Chum. Species are listed by species code on the fisheries business tax return.

⁵ Under CSHB 363, the total quantity of salmon products produced and sold must be reported. Because both of these separate events occur at different points in time, they will be reported separately. However, production must only be reported once a year on an annual (not monthly) basis. For the fisheries business tax, pounds and value must be reported once, either when the fish is processed or transported out-of-state unprocessed.

⁶ Under CSHB 363, the processor must provide monthly data every four months to the Department of Revenue. The fisheries business tax return is due once a year.

⁷ A processor only has to fill out the report if during the previous calendar year the processor has sold more than 240,000 pounds of salmon products at wholesale. All individuals or businesses that process fisheries resources in Alaska or transport unprocessed fisheries resources out of Alaska must file the fisheries business return.

⁸ Because of the increase in the number of product forms (from 1 to 6), the reporting of salmon products produced and sold (from just sold) and the reporting by production area (8 production areas), we estimate that the report length will be 20 pages. Currently, the fisheries business tax return is 26 pages long.

⁹ An excel spreadsheet with 48 pages linked to a summary page is all that is currently necessary. This will no longer work with 51 processors reporting 6 product forms, by 8 production areas, by species and by month (see operating expenditures discussion).

CS FOR HOUSE BILL NO. 363(FSH)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FIRST LEGISLATURE - SECOND SESSION

BY THE HOUSE SPECIAL COMMITTEE ON FISHERIES

Offered: 3/8/00
Referred: Finance

Sponsor(s): REPRESENTATIVES AUSTERMAN, Harris, Smalley

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to salmon product reports; and providing for an effective date."

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

3 * Section 1. AS 43.80.050(a) is amended to read:

4 (a) A fish processor engaged in the business of selling [THERMALLY
5 PROCESSED] salmon products at wholesale and whose business sells more than
6 ~~240,000~~ pounds of [THERMALLY PROCESSED] salmon products at wholesale
7 during a calendar year shall submit to the department during the following calendar
8 year, on a form provided by the department, reports of the prices received for and
9 quantity of salmon products sold at wholesale by the processor or an affiliate of the
10 processor [FOR THE SALE OF THERMALLY PROCESSED SALMON]. Not later
11 than May 31 of each reporting year, a processor shall submit a report for the period
12 January 1 through April 30 of the reporting year. Not later than September 30 of each
13 reporting year, a processor shall submit a report for the period May 1 through
14 August 31 of the reporting year. Not later than January 31 of each reporting year, a
15 processor shall submit a report for the period September 1 through December 31 of the

Fall 00

adopted 9

1 reporting year.

2 * Sec. 2. AS 43.80.050(b) is repealed and reenacted to read:

3 (b) A report submitted by a processor under (a) or (c) of this section must
4 include

5 (1) the requested information for the following salmon product forms:

6 (A) thermally processed salmon products;

7 (B) fresh headed and gutted salmon products;

8 (C) fresh fillet salmon products;

9 (D) frozen headed and gutted salmon products;

10 (E) frozen fillet salmon products;

11 (F) salmon roe products;

12 (2) the requested information regarding the total quantity of each
13 salmon product form sold by providing the total number of

14 (A) each size of container in which thermally processed salmon
15 products were sold by the processor or its affiliate; and

16 (B) pounds for each of the other salmon product forms sold by
17 the processor or its affiliate; and

18 (3) for sales to buyers that are not affiliates of the processor, the total
19 quantity of each salmon product form sold by area of production by species, and the
20 wholesale price received.

21 * Sec. 3. AS 43.80.050(c) is amended to read:

22 (c) A sale to an affiliate of the processor may not be included in a report
23 submitted under this section by a processor. However, the processor shall report sales
24 by an affiliate at wholesale of [THERMALLY PROCESSED] salmon products that
25 were [WAS] obtained from the processor. The report must [SHALL] include a
26 description of the products and the total quantity of each salmon product form sold
27 by the affiliate by area of production by species and [BY THE SIZE OF THE
28 CONTAINER IN WHICH THE SALMON IS SOLD AND] the wholesale prices
29 received by the affiliate.

30 * Sec. 4. AS 43.80.050 is amended by adding a new subsection to read:

31 (f) Each fish processor who submits a report under (a) of this section during

1 a reporting year shall also submit an annual report of the quantity of salmon products
 2 produced by the processor or an affiliate of the processor between January 1 and
 3 December 31 of the reporting year. The report shall be submitted to the department
 4 not later than January 31 of the following reporting year. The report must include

5 (1) a description of the products and the total quantity of each salmon
 6 product form produced by area of production by species for each of the salmon
 7 product forms listed in (b)(1) of this section; and

8 (2) the requested information regarding the total quantity of each
 9 salmon product form produced by providing the total number of

10 (A) each size of container in which thermally processed salmon
 11 products were produced by the processor or its affiliate; and

12 (B) pounds for each of the other salmon product forms
 13 produced by the processor or its affiliate.

14 * Sec. 5. AS 43.80.055 is amended to read:

15 **Sec. 43.80.055. Wholesale price averages; Alaska salmon price report.** (a)
 16 Based on the information provided in reports submitted under AS 43.80.050, the
 17 department shall determine the [STATEWIDE] average wholesale prices paid to fish
 18 processors and their affiliates for the sale of [THERMALLY PROCESSED] salmon
 19 products.

20 (b) The department shall determine under this section the monthly and annual
 21 wholesale price averages for

22 (1) each species of [THERMALLY PROCESSED] salmon for each size
 23 of the container in which thermally processed [THE] salmon products are [IS] sold;

24 (2) each pound of other salmon products by area of production by
 25 species by product form.

26 * Sec. 6. AS 43.80.055 is amended by adding a new subsection to read:

27 (c) The department shall publish the average wholesale prices paid for salmon
 28 products in a report entitled the "Alaska Salmon Price Report."

29 * Sec. 7. AS 43.80.060 is amended to read:

30 **Sec. 43.80.060. Report to the legislature.** Not later than March 15 [THE
 31 15TH DAY] of each year [REGULAR LEGISLATIVE SESSION], the department

1 shall make available to the legislature a report of [STATEWIDE] average wholesale
 2 [THERMALLY PROCESSED SALMON] prices paid for salmon products and a
 3 report of the quantity of salmon products produced during the preceding calendar
 4 year. The department shall notify the legislature that the report is available.

5 * Sec. 8. AS 43.80.100(5) is amended to read:

6 (5) "reporting year" means the calendar year after the calendar year in
 7 which a fish processor's business sells more than 240,000 pounds of [THERMALLY
 8 PROCESSED] salmon products at wholesale;

9 * Sec. 9. AS 43.80.100(7) is amended to read:

10 (7) "wholesale price" includes all receipts, whether in the form of
 11 money, credits, or other consideration, from the sale of a [FINISHED THERMALLY
 12 PROCESSED] salmon product at wholesale [LESS THAN RETAIL], without
 13 deduction for the costs of property sold, materials used, insurance, labor services,
 14 labeling, transportation, storage, interest, taxes, losses, or any other expense [EXCEPT

15 (A) CASH DISCOUNTS ALLOWED ON SALES, NOT TO
 16 EXCEED TWO PERCENT; AND

17 (B) COMMISSIONS ACTUALLY PAID TO INDEPENDENT
 18 BROKERS, NOT TO EXCEED FIVE PERCENT].

19 * Sec. 10. AS 43.80.100 is amended by adding new paragraphs to read:

20 (8) "area of production" means the area in which a salmon product was
 21 processed by a fish processor; in this paragraph, "area" means one of the following
 22 areas:

23 (A) Southeastern and Yakutat;

24 (B) Prince William Sound;

25 (C) Cook Inlet;

26 (D) Kodiak;

27 (E) Chignik;

28 (F) Aleutian Islands, Atka-Amlia islands, and Alaska Peninsula;

29 (G) Bristol Bay; or

30 (H) Kuskokwim, Yukon-Northern, Norton Sound-Port Clarence,

31 and Kotzebuc;

1 (9) "produce" means to process salmon into a salmon product;

2 (10) "wholesale" means the first sale of a salmon product at wholesale
3 after the fishery business tax was paid or became payable on the salmon from which
4 the salmon product was produced.

5 * Sec. 11. Section 12, ch. 37, SLA 1998, is repealed.

6 * Sec. 12. The uncodified law of the State of Alaska is amended by adding a new section
7 to read:

8 TRANSITION. The first report required by AS 43.80.050, as amended by secs. 1 -
9 3 of this Act, is due September 30, 2000, must cover the period of May 1, 2000, through
10 August 31, 2000, and must be filed by a fish processor whose business sold more than
11 240,000 pounds of salmon products at first wholesale during the 12-month period ending
12 August 31, 2000.

13 * Sec. 13. This Act takes effect September 1, 2000.

1-LS12981.1
Utermohle
3/28/00

adopted N10.

AMENDMENT #1

Mulder

OFFERED IN THE HOUSE

TO: CSHB 363(FSH)

1 Page 1, line 1, following "reports":

2 Insert "and to the sale of fish"

3 Page 1, following line 2:

4 Insert new bill sections to read:

5 **** Section 1.** AS 16.05.680 is amended by adding a new subsection to read:

6 (b) A person may not sell salmon that was not harvested under the authority
7 of the entry permit, interim-use permit, or landing permit under which the salmon is
8 sold.

9 *** Sec. 2.** AS 16.05.690(a) is amended to read:

10 (a) Each buyer of fish shall keep a record of each purchase showing the name
11 or number of the vessel from which the catch involved is taken, the date of landing,
12 vessel license number, pounds purchased of each species, number of each species, and
13 the Department of Fish and Game [WHERE POSSIBLE,] statistical area in which
14 the fish were taken, and other information the department requires. Records may be
15 kept on forms provided by the department. Each person charged with keeping the
16 records shall report them to the department in accordance with regulations adopted by
17 the department [IT]."

18 Page 1, line 3:

19 Delete "Section 1."

20 Insert "Sec. 3."

21 Renumber the following bill sections accordingly.

1-LS1298V.1

- 1 Page 5, lines 8 - 9:
- 2 Delete "secs. 1 - 3"
- 3 Insert "secs. 3 - 5"

FISCAL NOTE

BILL NO. CSHB 363

2000 LEGISLATIVE SESSION

Revision Date/Time (Note if correction) _____ Dept. Affected Revenue
 Title Salmon Product Reports BRU Revenue Operations
 Component Income and Excise Audit
 Sponsor Representative Austerman
 Requester (H) Finance Component Serial No. 113

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Personal Services	43.8	43.8	43.8	43.8	43.8	43.8
Travel	0.0	0.0	0.0	0.0	0.0	0.0
Contractual	1.0	1.0	1.0	1.0	1.0	1.0
Supplies	1.0	1.0	1.0	1.0	1.0	1.0
Equipment	3.5					
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING*	49.3	45.8	45.8	45.8	45.8	45.8

CAPITAL EXPENDITURES	**	0.0	0.0	0.0	0.0	0.0
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CHANGE IN REVENUES ()	0.0	0.0	0.0	0.0	0.0	0.0
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL						

Estimate of current year (FY00) cost: 0.0

POSITIONS

Full-time	/	2	/	2	/	2	/	2	/	2	/	2
Part-time												
Temporary												

ANALYSIS: (see attached analysis and tables)
 ** Because of the short time frame available, we were not able to estimate the cost of contracting out the development of a database. However, from previous experience, we believe this cost would be at least \$20,000. This is a one-time cost that would occur in FY 2001.

Prepared by Brett Fried, Economist and Carl Meyer, Chief of Appeals Phone 465-3682 or 465-2343
 Division Income and Excise Audit Date/Time March 28, 2000
 Approved by Wilson L. Condon Date March 28, 2000
 Commissioner Department of Revenue
 Agency Department of Revenue

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Bill Analysis

Section 1 amends AS 43.80.050(a) to require all fisheries businesses selling more than 240,000 pounds of salmon products at wholesale in a calendar year to report to the department for each 4 month period the prices received and the quantities of the products involved in the sales, including sales by affiliates. Under current law, reporting is only required for the prices and quantities of thermally processed salmon products sold at wholesale.

Section 2 repeals and reenacts AS 43.80.050(b) to require the fisheries businesses to include in the reports:

- ◆ The total quantity of each salmon product form sold by area of production and by species; and,
- ◆ The wholesale price received.

This reporting would be required for the following product forms:

- ◆ Thermally processed salmon products by the number of each size of container
- ◆ Fresh headed and gutted salmon products by pounds
- ◆ Fresh fillet salmon products by pounds
- ◆ Frozen headed and gutted salmon products by pounds
- ◆ Frozen fillet salmon products by pounds
- ◆ Salmon roe products by pounds

Section 3 amends AS 43.80.050(c) to require all fisheries businesses selling to affiliates to report only the subsequent sales of that salmon product by the affiliates at wholesale. The information to be reported includes:

- ◆ A description of the products sold;
- ◆ The total quantity of each salmon product form sold by area of production and by species; and,
- ◆ The wholesale price received.

Section 4 amends AS 43.80.050 by adding a new section (f) to require the filing of an annual report. The annual report covers the period from January 1 through December 31 of the calendar reporting year and must be filed by January 31 of the following calendar reporting year. The report is to include a description of the products and the quantity, by size of container for thermally processed salmon and pounds for other salmon product forms, of each salmon product form produced by the processor and affiliates in each area of production and by species.

Section 5 amends AS 43.80.055 to require the department to determine from the reports the average monthly and annual wholesale prices for the sale of salmon products. These averages are to be determined for each pound by area of production by species by

product form, except that for thermally processed salmon products the averages are determined by size of container by species.

Section 6 amends AS 43.80.055 to add a new subsection to require the department to publish the average wholesale prices in a report to be entitled the "Alaska Salmon Price Report".

Section 7 amends AS 43.80.060 to require the department to make the Alaska Salmon Price Report available to the legislature by March 15 of each year. The report is to include the wholesale prices paid and the quantities of salmon products produced during the preceding year.

Section 8 amends AS 43.80.100(5) to provide that the reporting year is the calendar year after the calendar year in which the fisheries business sells more than 240,000 pounds of salmon products at wholesale.

Section 9 amends AS 43.80.100(7) to eliminate deductions in the nature of cash discounts allowed on sales and commissions paid to independent brokers in determining the wholesale price.

Section 10 amends AS 43.80.100 to add new paragraphs to define the following terms: the "area of production" in which a salmon product was processed means specified fisheries areas of the state; "produce" means to process salmon into a salmon product; and "wholesale" means the first sale of a salmon product at wholesale after the fisheries business tax was paid or payable on the salmon from which the product was produced. One problem with the definition of 'wholesale' is that 'wholesale' is also included in the meaning presenting a circular conundrum. Another problem is that since the fisheries business tax is neither paid nor payable until March 31st of the following calendar year, an argument could be made that sales made before this date are not reportable. We believe the intent, however, is that wholesale is to mean the first sale of a salmon product to a person other than the final consumer that occurs after the liability for the fisheries business tax is incurred on the salmon from which the product was produced.

Section 11 repeals Section 12, ch. 37, SLA 1998, which would have repealed AS 43.80.050 – 100 on July 1, 2003.

Section 12 amends the uncodified law to add a new section to provide that the first report required by AS 43.80.050 is due on September 30, 2000 for the period beginning May 1, 2000 and ending August 31, 2000, and must be filed by a fisheries business that sold more than 240,000 pounds of salmon products at first wholesale during the 12 months ending August 31, 2000.

Section 13 provides a September 1, 2000 effective date.

Operating Expenditures

The following functions must be performed by DOR to meet the requirements of this bill: (1) public service (responding to questions from the public and processors), (2) data entry, (3) report production, (4) report and form dissemination, (5) accuracy and confidentiality checks, (6) non-filer identification, and (5) programming. We already perform these functions for the relatively simple average wholesale thermally processed salmon report (2 page report and 4 page report form). We produce this report three times a year and it takes the equivalent of one month for one individual.

The increase in estimated form length, from 4 to 20 pages does not address the increase in complexity. Table 1 (see attached spreadsheet) provides some help in understanding the change in the level of complexity. The 20 page number assumes that each page of the form includes production area, pounds, wholesale price and product form by species by month. Consequently, there is a potential for 48 rows of data (8 production areas times 6 product forms). We are, however, assuming that, at most we will need to accommodate 32 rows per page. With 4 months of data and 5 species of salmon we have 20 pages. We will also have to produce an annual report using annual data. This form should be approximately 5 pages long.

Not only will the number of filers increase, by at least 4 times, but the amount of information they must report will increase from 1 to 6 product forms, and from statewide to by 8 different regions. This increase in complexity compounds the difficulty associated with accuracy and confidentiality checks.

Because of the large increase in complexity and amount of data, we are requesting one position to meet our obligations under this bill. An Analyst Programmer I (@\$43,800) will be needed to do the following: (1) query development and execution, (2) non-filer identification, (3) data base maintenance, (4) data entry, (5) report and form development, dissemination, and production, (6) accuracy and confidentiality checks, (7) special projects and (8) public service. Equipment, supplies and contractual obligations will be \$5,500 the first year because of a one-time cost of \$3,500 for computers and other equipment. After the first year, equipment costs will be zero and contractual and supply costs will be \$2,000 a year.

Another way to approach this issue is to examine how this cost compares to the cost of other tax programs that the tax division currently administers. The fisheries business tax return is the closest in similarity (in terms of complexity) to the proposed Salmon Product Report. Table 2 provides a comparison of the attributes of both of these programs.

Clearly, the fisheries business tax has more returns, species, and reporting areas. Additionally, the cost of the program includes accounting and collections costs, which would not be an issue for the Salmon Product Report. However, the fisheries business

data is annual not monthly, does not include product forms, and is only received once a year, not 3 times a year. Also, because firms filing the report will be larger fishery businesses, the reports will be more comparable to the most complex of the fisheries business tax returns. Additionally, in our experience, fisheries businesses tend to fill out their tax returns more carefully than informational reports. This then requires more vigilance and time on the part of DOR. The total administrative cost of the fisheries business tax is \$229,174, which is 5.0 times the estimated \$45,800 operating cost associated with this bill.

Capital Expenditures

The only capital expenditure would be the contract for creating a database and the associated data entry interface. We currently use an excel workbook because we only need 48 spreadsheets to accommodate the current information. At a maximum we would need 1,020 spreadsheets (4 months x 5 species x 51 processors) to accommodate the sales data and 255 spreadsheets (5 species x 51 processors) for the production data. Each processor would have a separate spreadsheet for each month recording the pounds, product form and production area for a particular species. Although we know we would not need this many spreadsheets, even doubling the current number of spreadsheets would be too cumbersome to do in an excel workbook. We will also need to be able to execute relatively complex queries and to have a simple data entry interface.

Another advantage of using a database is it opens up the possibility of electronic filing. If electronic filing was required, we believe operating expenditures would decrease. Although we have not had time to estimate the cost of contracting out for the development of a database, from previous experience we believe it would be at least a one-time cost of \$20,000. After the database system is set up, we believe the analyst programmer will be able to maintain the system and adjust it for changes.

Revenue

There is no direct revenue effect of this bill.

Salmon Price Reports
CSHB 363

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TABLE 1 - CHANGES TO REPORTING REQUIREMENTS: CSHB 363

	<u>Status Quo</u>	<u>CSHB 363 Estimates</u>
Number of processors reporting ¹	12	51
Number of product forms ²	1	6
Number of reporting areas ³	1	8
Number of species ⁴	5	5
Reporting point ⁵	sale	sale and prod.
Reporting time period ⁶	monthly	monthly
Report due ⁶	3 times a year	3 times a year
Report threshold ⁷	240,000 lbs.	240,000 lbs.
Pages per report form ⁸	4	20
Software ⁹	excel	database

¹ According to the Alaska Department of Fish and Game, 51 processors exceed the minimum reporting threshold

² The following product forms are to be reported: (1) fresh headed and gutted, (2) thermally processed, (3) fresh fillet salmon products, (4) frozen headed and gutted, (5) frozen fillet and (6) salmon roe. Because thermally processed salmon products must be reported by the size of the container in which they are sold, they must be broken out separately from the other product forms. Although there are a large number of sizes, the vast majority of thermally processed salmon will fall under the four most common can sizes.

³ The eight areas of production are (1) Southeastern and Yakutat, (2) Prince William Sound, (3) Cook Inlet, (4) Kodiak, (5) Chignik, (6) Aleutian Islands, Alka-Amlia Islands and Alaska Peninsula, (7) Bristol Bay, (8) Kuskokwim, Yukon-Northern, Norton Sound-Port Clarence, and Kotzebue.

⁴ Under CSHB 363, there are the following five species of salmon (1) Chinook, (2) Sockeye, (3) Coho, (4) Pink, and (5) Chum.

⁵ Under CSHB 363, the total quantity of salmon products produced and sold must be reported. However, production must only be reported once a year on an annual (not monthly basis).

⁶ The processor must provide monthly sales data every four months to the Department of Revenue and annual production data once a year.

⁷ A processor only has to fill out the report if during the previous calendar year the processor has sold more than 240,000 pounds at wholesale.

⁸ Because of the increase in the number of product forms (from 1 to 6), and the reporting by production area (8 production areas), we estimate that the report length will increase by a factor of 5. Additionally, it will increase in complexity. For example, for thermally processed salmon it will increase from three data fields (pounds or size, value and months) to 5 (pounds or size, value, months, product form and production area) data fields.

⁹ An excel spreadsheet with 48 pages linked to a summary page is all that is currently necessary. This will no longer work with 51 processors reporting 6 product forms, by 8 production areas, by species and by month (see operating expenditures discussion).

ALASKA DEPARTMENT OF REVENUE

Salmon Price Reports
CSHB 363

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TABLE 2 - A COMPARISON OF CSHB 363 REPORT & FISH. BUS. TAX

	<u>Fisheries Business</u>	<u>CSHB 363 Estimates</u>
Number of processors reporting ¹	449	51
Number of product forms ²	0	6
Number of reporting areas ³	54	8
Number of species ⁴	all	5
Reporting point ⁵	proc. or trans.	sale and prod.
Reporting time period ⁶	annual	monthly
Report due ⁶	once a year	3 times a year
Report threshold ⁷	none	240,000 lbs.
Pages per report form ⁸	26	20
Software ⁹	database	database

¹ According to the Alaska Department of Fish and Game, 51 processors exceed the minimum reporting threshold.

² Under CSHB 363, the following product forms are to be reported: (1) fresh headed and gutted, (2) thermally processed, (3) fresh fillet salmon products, (4) frozen headed and gutted, (5) frozen fillet and (6) salmon roe. Because thermally processed salmon products must be reported by the size of the container in which they are sold, they must be broken out separately from the other product forms. Although there are a large number of sizes, the vast majority of thermally processed salmon will fall under the four most common can sizes.

³ The eight areas of production are (1) Southeastern and Yakutat, (2) Prince William Sound, (3) Cook Inlet, (4) Kodiak, (5) Chignik, (6) Aleutian Islands, Atka-Amli Islands and Alaska Peninsula, (7) Bristol Bay, and (8) Kuskokwim, Yukon-Northarm, Norton Sound-Port Clarence, and Kotzebue. For the fisheries business tax, we have included the number of communities that received fisheries business shared tax revenue in FY 99.

⁴ Under CSHB 363, there are the following five species of salmon (1) Chinook, (2) Sockeye, (3) Coho, (4) Pink and (5) Chum. Species are listed by species code on the fisheries business tax return.

⁵ Under CSHB 363, the total quantity of salmon products produced and sold must be reported. Because both of these separate events occur at different points in time, they will be reported separately. However, production must only be reported once a year on an annual (not monthly basis). For the fisheries business tax, pounds and value must be reported once, either when the fish is processed or transported out-of-state unprocessed.

⁶ Under CSHB 363, the processor must provide monthly data every four months to the Department of Revenue. The fisheries business tax return is due once a year.

⁷ A processor only has to fill out the report if during the previous calendar year the processor has sold more than 240,000 pounds of salmon products at wholesale. All individuals or businesses that process fisheries resources in Alaska or transport unprocessed fisheries resources out of Alaska must file the fisheries business return.

⁸ Because of the increase in the number of product forms (from 1 to 6), the reporting of salmon products produced and sold (from just sold) and the reporting by production area (8 production areas), we estimate that the report length will be 20 pages. Currently, the fisheries business tax return is 26 pages long.

⁹ An excel spreadsheet with 48 pages linked to a summary page is all that is currently necessary. This will no longer work with 51 processors reporting 6 product forms, by 8 production areas, by species and by month (see operating expenditures discussion).

Salmon Product Forms

Fresh

Fresh Chum Bright No. 1
Fresh Chum Dark GMC No. 1
Fresh Chum Round Ocean-Run

Fresh Fillet Chum S/on No. 1
Fresh Fillet King Red S/on No. 1
Fresh Fillet Silver S/on No. 1

Fresh Green Roe Chum
Fresh Green Roe King
Fresh Green Roe Pink
Fresh Green Roe Silver
Fresh Green Roe Sockeye

Fresh King Red Bright No. 1
Fresh King Red SB No. 1
Fresh King Troll Red H/on No. 1
Fresh King Troll White H/on No. 1
Fresh King White Bright No. 1
Fresh King White SB No. 1

Fresh Pink Round Ocean-Run
Fresh Silver Blush No. 1
Fresh Silver Bright No. 1
Fresh Silver Round Ocean-Run
Fresh Silver Troll No. 1

Fresh Sockeye H/on No. 1
Fresh Sockeye No. 1
Fresh Sockeye Round Ocean-Run

FROZEN

Frozen Chum H/on A NS IQF
Frozen Chum H/on No. 1 2/4 IQF
Frozen Chum H/on No. 1 4/6 IQF
Frozen Chum H/on No. 1 6/9 IQF
Frozen Chum H/on NS NG IQF
Frozen Chum Bright A 2/4 IQF
Frozen Chum Bright A 4/6 IQF
Frozen Chum Bright A 6/9 IQF

Frozen Chum Bright No. 1 4/6 IQF
Frozen Chum Bright No. 1 6/9 IQF
Frozen Chum Bright No. 1 9/up IQF
Frozen Chum Bright No. 1 NS IQF
Frozen Chum Dark GMC No. 1 2/4 IQF
Frozen Chum Dark GMC No. 1 4/6 IQF
Frozen Chum Dark GMC No. 1 6/9 IQF
Frozen Chum Dark GMC No. 1 9/up IQF

Frozen Chum Bright A 9/up IQF
Frozen Chum Bright No.1 2/4 IQF
Frozen Chum Dark PMC No.1 4/6 IQF
Frozen Chum Dark PMC No.1 6/8 IQF
Frozen Chum Dark PMC No.1 8/Up IQF
Frozen Chum Dark PMC NS NG IQF
Frozen Chum Dark JMC NS NG IQF

Frozen Chum NS A IQF
Frozen Chum NS B IQF
Frozen Chum NS NG IQF
Frozen Chum SB A 2/4 IQF
Frozen Chum SB A 4/6 IQF
Frozen Chum SB A 6/9 IQF
Frozen Chum SB A 9/up IQF
Frozen Chum SB A NS IQF
Frozen Chum SB No.1 2/4 IQF
Frozen Chum SB No.1 4/6 IQF
Frozen Chum SB No.1 6/9 IQF
Frozen Chum SB No.1 9/up IQF
Frozen Chum SB No.1 NS IQF

Frozen Chum Portions S/on PBO
Frozen Chum Portions S/off PBO

Frozen King Red A-/11 IQF
Frozen King Red A 11/18 IQF
Frozen King Red A 18/UP IQF
Frozen King Red A NS IQF
Frozen King Red Blush NS NG IQF
Frozen King Red Dark NS NG IQF
Frozen King Red H/ON NS NG IQF
Frozen King Red NO.1 -/11 IQF
Frozen King Red NO.1 11/18 IQF
Frozen King Red NO.1 18/UP IQF
Frozen King Red NO.1 NS IQF
Frozen King Red NS NG IQF

Frozen King White Blush NS NG IQF
Frozen King White Bright A NS IQF
Frozen King White Bright NO.1 NS IQF
Frozen King White Dark NS NG IQF

Frozen Kings Troll Red Blush A -/11 IQF
Frozen Kings Troll Red Blush A 11/18 IQF
Frozen Kings Troll Red Blush A 18/UP IQF

Frozen Churn Dark GMC NS NG IQF
Frozen Churn Dark PMC No.1 2/4 IQF
Frozen Fillet Chum PBO S/Off A IQF
Frozen Fillet Chum PBO S/Off NS NG IQF
Frozen Fillet Chum PBO S/Off 1.5-2.5 NO.1 IQF
Frozen Fillet Chum PBO S/Off 2.5-3.5 NO.1 IQF
Frozen Fillet Chum PBO S/Off 3.5-UP NO.1 IQF
Frozen Fillet Chum PBO S/ON 1.5-2.5 NO.1 IQF
Frozen Fillet Chum PBO S/ON 2.5-3.5 NO.1 IQF
Frozen Fillet Chum PBO S/ON 3.5-UP NO.1 IQF
Frozen Fillet Chum PBO S/ON A IQF
Frozen Fillet Chum PBO S/ON NS NG IQF

Frozen Fillet Chum S/Off 1.0-2.5 NO.1 IQF
Frozen Fillet Chum S/Off 2.5-3.5 NO.1 IQF
Frozen Fillet Chum S/Off 3.5-UP NO.1 IQF
Frozen Fillet Chum S/Off A IQF
Frozen Fillet Chum S/Off NS NG IQF
Frozen Fillet Chum S/On 1.5-2.5 NO.1 IQF
Frozen Fillet Chum S/On 2.5-3.5 NO.1 IQF
Frozen Fillet Chum S/On 3.5-UP NO.1 IQF
Frozen Fillet Chum S/On A IQF
Frozen Fillet Chum S/On NS NG IQF
Frozen Fillet Chum S/On SMC NS IQF
Frozen Fillet Chum VP PBO S/OFF 1.0-2.5 no.1
Frozen Fillet Chum VP PBO S/OFF 2.5-3.5 NO.1
Frozen Fillet Chum VP PBO S/OFF 3.5-UP NO.1
Frozen Fillet Chum VP PBO S/OFF A
Frozen Fillet Chum VP PBO S/OFF NS NG
Frozen Fillet Chum VP PBO S/ON 1.0-2.5 NO.1
Frozen Fillet Chum VP PBO S/ON 2.5-3.5 NO.1
Frozen Fillet Chum VP PBO S/ON 3.5-UP NO.1
Frozen Fillet Chum VP PBO S/ONA
Frozen Fillet Chum VP PBO S/ON NS NG
Frozen Fillet Chum VP S/OFF 1.0-2.5 NO.1
Frozen Fillet Chum VP S/OFF 2.5-3.5 NO.1
Frozen Fillet Chum VP S/OFF 3.5-UP NO.1
Frozen Fillet Chum VP S/OFF A
Frozen Fillet Chum VP S/OFF NS NG
Frozen Fillet Chum VP S/ON 1.5-2.5 NO.1
Frozen Fillet Chum VP S/ON 2.5-3.5 NO.1
Frozen Fillet Chum VP S/ON 3.5-UP NO.1
Frozen Fillet Chum VP S/ON NS NG

Frozen Fillet King Red S/On A IQF
Frozen Fillet King Red VP S/On NS NG

Frozen Kings Troll Red Blush NO.1 -11IQF
Frozen Kings Troll Red Blush NO1 11/18 IQF
Frozen Kings Troll Red Blush NO1 18/UP IQF
Frozen Kings Troll Red Bright A -11IQF
Frozen Kings Troll Red Bright A 11/18 IQF
Frozen Kings Troll Red Bright A 18/UP IQF
Frozen Kings Troll Red Bright A NS IQF
Frozen Kings Troll Red Bright NO1 -11 IQF
Frozen Kings Troll Red Bright NO1 11/18 IQF
Frozen Kings Troll Red Bright NO1 18/UP IQF
Frozen Kings Troll Red Bright NO1 NS IQF
Frozen Kings Troll Red Bright NS NG IQF
Frozen Kings Troll White Bright NO1 -18 IQF
Frozen Kings Troll White Bright NO1 18/UP IQF
Frozen Kings Troll White Bright A NS IQF
Frozen Kings Troll White Blush NO1 NS IQF
Frozen Kings Troll White Blush A NS IQF

Fillet King Troll Red VP NS NG
Fillet King White Troll VP S/On No.1 NS

Frozen Fillet Silver PBO S/Off 1.0-2.5 NO.1 IQF
Frozen Fillet Silver VP S/On 1.5-2.5 NO. 1 IQF
Frozen Fillet Silver PBO S/Off 2.5-3.5 NO.1 IQF
Frozen Fillet Silver PBO S/Off 3.5-UP NO.1 IQF
Frozen Fillet Silver PBO S/Off A IQF
Frozen Fillet Silver PBO S/Off NS NG IQF
Frozen Fillet Silver PBO S/On 1.5-2.5 NO.1 IQF
Frozen Fillet Silver PBO S/On 2.5-3.5 NO.1 IQF
Frozen Fillet Silver PBO S/On 3.5-UP NO.1 IQF
Frozen Fillet Silver PBO S/On A IQF
Frozen Fillet Silver PBO S/On NS NG IQF
Frozen Fillet Silver S/Off 1.0-2.5 NO.1 IQF
Frozen Fillet Silver S/Off 2.5-3.5 No. 1 IQF
Frozen Fillet Silver S/Off 3.5-UP NO.1 IQF
Frozen Fillet Silver S/Off A IQF
Frozen Fillet Silver S/Off NS NG IQF
Frozen Fillet Silver S/On 1.5-2.5 NO.1 IQF
Frozen Fillet Silver S/On 2.5-3.5 NO.1 IQF
Frozen Fillet Silver S/On 3.5-UP NO.1 IQF
Frozen Fillet Silver S/On A IQF
Frozen Fillet Silver S/On NS NG IQF
Frozen Fillet Silver VP PBO S/OFF NS NG
Frozen Fillet Silver VP PBO S/ON 1.5-2.5 NO.1
Frozen Fillet Silver VP PBO S/ON 2.5-3.5 NO.1
Frozen Fillet Silver VP PBO S/ON 3.5-UP NO.1
Frozen Fillet Silver VP PBO S/ON NS NG
Frozen Fillet Silver VP S/Off 1.0-2.5 NO.1
Frozen Fillet Silver VP S/Off 2.5-3.5 NO.1

Fillet Sockeye S/On 1.5-2.5 NO.1 IQF
Fillet Sockeye S/On 2.5-3.5 NO.1 IQF
Fillet Sockeye S/On 3.5-UP NO.1 IQF
Fillet Sockeye S/On A IQF
Fillet Sockeye S/On NS NG IQF
Fillet Sockeye S/On VP S/ON 1.5-2.5 NO1
Fillet Sockeye S/On VP S/ON 2.5-3.5 NO1
Fillet Sockeye S/On VP S/ON 3.5-UP NO

Frozen Ikura Chum Salmon Roe
Frozen Ikura King Salmon Roe
Frozen Ikura Pink Salmon Roe
Frozen Ikura Silver Salmon Roe
Frozen Ikura Sockeye Salmon Roe

Frozen Fillet Silver VP S/Off 3.5-UP NO.1
Frozen Fillet Silver VP S/Off NS NG
Frozen Fillet Silver VP S/On 1.5-2.5 NO.1
Frozen Fillet Silver VP S/On 2.5-3.5 NO.1
Frozen Fillet Silver VP S/On 3.5-UP NO.1
Frozen Fillet Silver VP S/On NS NG

Frozen Pink Bright No1 -/2 IQF
Frozen Pink Bright No1 2/Up IQF
Frozen Pink A NS IQF
Frozen Pink B NS IQF
Frozen Pink NS NG IQF
Frozen Pink NS NG BLK
Frozen Pink NO.1 3/UP IQF
Frozen Pink NO.1 -/2 IQF
Frozen Pink NO.1 2/UP IQF
Frozen Pink A -/2 IQF
Frozen Pink A 2/UP IQF

Frozen Silver Troll Blush A 2/4 IQF
Frozen Silver Troll Blush A 4/6 IQF
Frozen Silver Troll Blush A 6/9 IQF
Frozen Silver Troll Blush A 9/UP IQF
Frozen Silver Troll Blush NO1 2/4 IQF
Frozen Silver Troll Blush NO1 4/6 IQF
Frozen Silver Troll Blush NO1 6/9 IQF
Frozen Silver Troll Blush NO.1 9/UP IQF
Frozen Silver Troll Blush NO1 NS IQF
Frozen Silver Troll Blush NS NG IQF
Frozen Silver Troll Bright A 2/4 IQF
Frozen Silver Troll Bright A 4/6 IQF
Frozen Silver Troll Bright A 6/9 IQF
Frozen Silver Troll Bright A 9/UP IQF
Frozen Silver Troll Bright NO1 2/4 IQF
Frozen Silver Troll Bright NO1 4/6 IQF
Frozen Silver Troll Bright NO1 6/9 IQF
Frozen Silver Troll Bright NO1 9/UP IQF
Frozen Silver Troll NS NG IQF
Frozen Silver Troll Redskin NO1 NS IQF
Frozen Silver Troll Redskin NS NG IQF

Frozen Sujiko Chum Salmon Roe
Frozen Sujiko King Salmon Roe
Frozen Sujiko Silver Salmon Roe
Frozen Sujiko Sockeye Salmon Roe

Frozen Silver A 2/4 IQF
Frozen Silver A 4/6 IQF
Frozen Silver A 6/9 IQF
Frozen Silver A 9/UP IQF
Frozen Silver A NS IQF
Frozen Silver B NS IQF
Frozen Silver NO.1 2/4 IQF
Frozen Silver NO.1 4/6 IQF
Frozen Silver NO1 6/9 IQF
Frozen Silver NO1 9/UP IQF
Frozen Silver NS NG IQF
Frozen Silver Blush A 2/4 IQF
Frozen Silver Blush A 4/6 IQF
Frozen Silver Blush A 9/UP IQF
Frozen Silver Blush NO1 2/4 IQF
Frozen Silver Blush NO1 4/6 IQF
Frozen Silver Blush NO1 6/9 IQF
Frozen Silver Blush NO1 9/UP IQF
Frozen Silver Redskin NO1 2/4 IQF
Frozen Silver Redskin NO1 4/6 IQF
Frozen Silver Redskin NO1 6/9 IQF
Frozen Silver Redskin NO1 9/UP IQF
Frozen Silver Redskin NS NG IQF

Frozen Sockeye H/On A 2/4 IQF
Frozen Sockeye H/On A 4/6 IQF
Frozen Sockeye H/On A 6/9 IQF
Frozen Sockeye H/On NO1 2/4 IQF
Frozen Sockeye H/On NO1 4/6 IQF
Frozen Sockeye H/On NO1 6/9 IQF
Frozen Sockeye H/On NS NG IQF
Frozen Sockeye A 2/4 IQF
Frozen Sockeye A 4/6 IQF
Frozen Sockeye A 6/9 IQF
Frozen Sockeye A NS IQF
Frozen Sockeye NO1 2/4 IQF
Frozen Sockeye NO1 4/6 IQF
Frozen Sockeye NO1 6/9 IQF
Frozen Sockeye B NS BLK FRZ
Frozen Sockeye NO1 NS BLK FRZ
Frozen Sockeye NS B IQF
Frozen Sockeye NS NG IQF
Frozen Sockeye NS S IQF
Frozen Sockeye Round A NS BLK
Frozen Sockeye Round NO1 NS BLK
Frozen Sockeye Round NS NG BLK

FISCAL NOTE

Bill Version: CSHB 363(FSH)
 (H) Publish Date: 3/8/00

2000 LEGISLATIVE SESSION

Revision Date/Time (Note if correction) _____ Dept. Affected Revenue
 Title Salmon Product Reports BRU Revenue Operations
 Component Income and Excise Audit
 Sponsor Representative Austerman
 Requester (H) Special Committee on Fisheries Component Serial No. 113

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Personal Services	80.4	80.4	80.4	80.4	80.4	80.4
Travel	0.0	0.0	0.0	0.0	0.0	0.0
Contractual	2.0	2.0	2.0	2.0	2.0	2.0
Supplies	2.0	2.0	2.0	2.0	2.0	2.0
Equipment	7.0					
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING*	91.4	84.4	84.4	84.4	84.4	84.4
CAPITAL EXPENDITURES	--	0.0	0.0	0.0	0.0	0.0
CHANGE IN REVENUES ()	0.0	0.0	0.0	0.0	0.0	0.0

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL						

Estimate of current year (FY00) cost: 0.0

POSITIONS

Full-time	2	2	2	2	2	2
Part-time						
Temporary						

ANALYSIS: (see attached analysis and tables)

* Operating costs could be reduced by approximately \$22 thousand a year if electronic filing is required in the bill.
 ** Because of the short time frame available, we were not able to estimate the cost of contracting out the development of a database. However, from previous experience, we believe this cost would be at least \$20,000. This is a one-time cost that would occur in FY 2001.

Prepared by Brett Fried, Economist and Carl Meyer, Chief of Appeals Phone 465-3682 or 465-2343
 Division Income and Excise Audit Date/Time February 25, 2000
 Approved by Wilson L. Condon Date February 25, 2000
 Commissioner Department of Revenue
 Agency

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Bill Analysis

Section 1 amends AS 43.80.050(a) to require all fisheries businesses selling more than 240,000 pounds of salmon products at wholesale in a calendar year to report to the department the prices received and the quantities of the products involved in the sales, including sales by affiliates. In addition, the fisheries business must report for each 4 month period the total quantities of salmon products produced by the fisheries business and affiliates by month. Under current law, reporting is only required for the prices and quantities of thermally processed salmon products sold at wholesale.

Section 2 repeals and reenacts AS 43.80.050(b) to require the fisheries businesses to include in the reports:

- ◆ A description of the products produced and sold;
- ◆ The total quantity of each salmon product form produced and sold by area of production and by species; and,
- ◆ The wholesale price received.

This reporting would be required for the following product forms:

- ◆ Thermally processed salmon products by the number of each size of container
- ◆ Fresh headed and gutted salmon products by pounds
- ◆ Fresh fillet salmon products by pounds
- ◆ Frozen headed and gutted salmon products by pounds
- ◆ Frozen fillet salmon products by pounds
- ◆ Salmon roe products by pounds

Section 3 amends AS 43.80.050(c) to require all fisheries businesses selling to affiliates to report only the subsequent sales of that salmon product by the affiliates at wholesale. The information to be reported includes:

- ◆ A description of the products sold;
- ◆ The total quantity of each salmon product form sold by area of production and by species; and,
- ◆ The wholesale price received.

Section 4 amends AS 43.80.055 to require the department to determine from the reports the average monthly and annual wholesale prices for the sale of salmon products. These averages are to be determined for each pound by area of production by species by product form, except that for thermally processed salmon products the averages are determined by size of container by species.

Section 5 amends AS 43.80.055 to add a new subsection to require the department to publish the average wholesale prices in a report to be entitled the "Alaska Salmon Price Report".

Section 6 amends AS 43.80.060 to require the department to make the Alaska Salmon Price Report available to the legislature by the 15th day of each regular session. This provision, like current law, is unworkable if the intent is to provide the report for the immediately preceding calendar year. Section 1 provides that the reports by the processors for the months from September through December is due on January 31 of the following year, which makes the report to the legislature due before the department receives all the reports. The department will require time to receive the reports from processors, assimilate and review the data, and prepare the reports.

Section 7 amends AS 43.80.100(5) to provide that the reporting year is the calendar year after the calendar year in which the fisheries business sells more than 240,000 pounds of salmon products at wholesale.

Section 8 amends AS 43.80.100(7) to eliminate deductions in the nature of cash discounts allowed on sales and commissions paid to independent brokers in determining the wholesale price.

Section 9 amends AS 43.80.100 to add a new paragraph to define "area of production" in which a salmon product was produced to mean the commercial fishing management area established by the Board of Fisheries by regulation for specific commercial fisheries areas of the state.

Section 10 repeals Section 12, ch. 37, SLA 1998, which would have repealed AS 43.80.050 - 100 on July 1, 2003.

Section 11 amends the uncodified law to add a new section to provide that the first report required by AS 43.80.050 is due on September 30, 2000 for the period beginning May 1, 2000 and ending August 31, 2000, and must be filed by a fisheries business that sold more than 240,000 pounds of salmon products at wholesale during the 12 months ending August 31, 2000.

Section 12 provides a September 1, 2000 effective date.

Operating Expenditures

The following functions must be performed by DOR to meet the requirements of this bill: (1) public service (responding to questions from the public and processors), (2) data entry, (3) report production, (4) report and form dissemination, (5) accuracy and confidentiality checks, (6) non-filer identification, and (5) programming. We already perform these functions for the relatively simple average wholesale thermally processed

salmon report (2 page report and 4 page report form). We produce this report three times a year and it takes the equivalent of one month for one individual.

The increase in estimated form length, from 4 to 48 pages does not address the increase in complexity. Table 1 (see attached spreadsheet) provides some help in understanding the change in the level of complexity. The 48 page number assumes that each page of the form includes production area, pounds, wholesale price and product form by species by month. Consequently, there is a potential for 84 rows of data (14 production areas times 6 product forms per page). We are, however, assuming that, at most we will need to accommodate 32 rows per page. With 4 months of data and 6 species of salmon (including salmon roe) we have 24 pages. We then doubled this number because the data must be collected for both salmon sold and produced.

Not only will the number of filers increase, by at least 4 times, but the amount of information they must report will increase from 1 to 6 product forms, from by sale to by sale and production, and from statewide to by 14 different regions. This increase in complexity compounds the difficulty associated with accuracy and confidentiality checks.

Because of the large increase in complexity and amount of data, we are requesting two positions to meet our obligations under this bill. An Administrative Clerk III (@ \$36,600) will be needed to do all data entry, report and form dissemination, initial accuracy and confidentiality checks and initial public service. An Analyst Programmer I (@\$43,800) will be needed to do the query development and execution, non-filer identification, data base maintenance, final accuracy and confidentiality checks, special projects and responses to more complex public service questions and report production. Equipment, supplies and contractual obligations will be \$11,000 the first year because of a one-time cost of \$7,000 for computers and other equipment. After the first year, equipment costs will be zero and contractual and supply costs will be \$4,000 a year.

Another way to approach this issue is to examine how this cost compares to the cost of other tax programs that the tax division currently administers. The fisheries business tax return is the closest in similarity (in terms of complexity) to the proposed Salmon Product Report. Table 2 provides a comparison of the attributes of both of these programs.

Clearly, the fisheries business tax has more returns, species, and reporting areas. Additionally, the cost of the program includes accounting and collections costs, which would not be an issue for the Salmon Product Report. However, the fisheries business data is annual not monthly, does not include product forms, is not reported two different ways (production and sales) and is only received once a year, not 3 times a year. Also, because firms filing the report will be larger fishery businesses, the reports will be more comparable to the most complex of the fisheries business tax returns. Additionally, in our experience, fisheries businesses tend to fill out their tax returns more carefully than informational reports. This then requires more vigilance and time on the part of DOR

employees. The total administrative cost of the fisheries business tax is \$229,174, which is 2.7 times the estimated \$84,400 operating cost associated with this bill.

Capital Expenditures

The only capital expenditure would be the contract for creating a database and the associated data entry interface. We currently use an excel workbook because we only need 48 spreadsheets to accommodate the current information. At a maximum we would need 2,640 spreadsheets (4 months x 6 species x 55 processors x sold x produced). Each processor would have a separate spreadsheet for each month recording the pounds, product form and production area for a particular species. Each spreadsheet would potentially be 84 rows of data (14 production areas times 6 product forms). Although we know we would not need this many spreadsheets, even doubling the current number of spreadsheets would be too cumbersome to do in an excel workbook. We will also need to be able to execute relatively complex queries and to have a simple data entry interface.

Another advantage of using a database is it opens up the possibility of electronic filing. If electronic filing was required, we believe operating expenditures would decrease by approximately \$22 thousand a year. Although we have not had time to estimate the cost of contracting out for the development of a database, from previous experience we believe it would be at least a one-time cost of \$20 thousand. After the database system is set up, we believe the analyst programmer will be able to maintain the system and adjust it for changes.

Revenue

There is no direct revenue effect of this bill.

TABLE 1 - CHANGES TO REPORTING REQUIREMENTS: HB 363

	<u>Status Quo</u>	<u>HB 363 Estimates</u>
Number of processors reporting ¹	12	50-60
Number of product forms ²	1	6
Number of reporting areas ³	1	14
Number of species ⁴	5	6
Reporting point ⁵	sale	sale and-prod.
Reporting time period ⁶	monthly	monthly
Report due ⁶	3 times a year	3 times a year
Report threshold ⁷	240,000 lbs.	240,000 lbs.
Pages per report form ⁸	4	48
Software ⁹	Excel	Database

¹ We used fisheries business tax data to approximate the number of processors that would exceed the minimum reporting threshold.

² The following product forms are to be reported: (1) fresh headed and gutted, (2) thermally processed, (3) fresh fillet salmon products, (4) frozen headed and gutted, (5) frozen fillet and (6) salmon roe. Because thermally processed salmon products must be reported by the size of the container in which they are sold, they must be broken out separately from the other product forms. Although there are a large number of sizes, the vast majority of thermally processed salmon will fall under the four most common can sizes.

³ The fourteen areas of production are (1) Southeastern, (2) Yakutat, (3) Prince William Sound, (4) Cook Inlet, (5) Kodiak, (6) Chignik, (7) Aleutian Islands, (8) Atka-Amli Islands, (9) Alaska Peninsula, (10) Kuskokwim, (11) Bristol Bay, (12) Yukon-Northern, (13) Norton Sound-Port Clarence, and (14) Kotzebue.

⁴ Under HB 363, there are the following five species of salmon (1) Chinook, (2) Sockeye, (3) Coho, (4) Pink, (5) Chum and (6) Roe. Under the existing report, salmon roe is not reported.

⁵ Under HB 363, the total quantity of salmon products produced and sold must be reported. Because both of these events occur at different points in time, they will be reported separately. This effectively doubles the reporting requirement.

⁶ The processor must provide monthly data every four months to the Department of Revenue.

⁷ A processor only has to fill out the report if during the previous calendar year the processor has sold more than 240,000 pounds at wholesale.

⁸ Because of the increase in the number of product forms (from 1 to 6), the reporting of salmon products produced and sold (from just sold) and the reporting by production area (14 production areas), we estimate that the report length will increase by a factor of 12. Additionally, it will increase in complexity. For example, for thermally processed salmon it will increase from four data fields (pounds, value, months and size) to 7 (pounds, value, months, product form, production area, sold or produced and size) data fields.

⁹ An excel spreadsheet with 48 pages linked to a summary page is all that is currently necessary. This will no longer work with at least 50 processors reporting 6 product forms, by production area, by species and by month (see operating expenditures discussion).

TABLE 2 - A COMPARISON OF HB 363 REPORT & FISH. BUS. TAX

	<u>Fisheries Business</u>	<u>HB 363 Estimates</u>
Number of processors reporting ¹	449	50-60
Number of product forms ²	0	6
Number of reporting areas ³	54	14
Number of species ⁴	all	6
Reporting point ⁵	prod. or trans.	sale and prod.
Reporting time period ⁶	annual	monthly
Report due ⁶	once a year	3 times a year
Report threshold ⁷	none	240,000 lbs.
Pages per report form ⁸	26	48
Software ⁹	database	database

¹ We used fisheries business tax data to approximate the number of processor's that would exceed the minimum reporting threshold.

² Under HB 363, the following product forms are to be reported: (1) fresh headed and gutted, (2) thermally processed, (3) fresh fillet salmon products, (4) frozen headed and gutted, (5) frozen fillet and (6) salmon roe. Because thermally processed salmon products must be reported by the size of the container in which they are sold, they must be broken out separately from the other product forms. Although there are a large number of sizes, the vast majority of thermally processed salmon will fall under the four most common can sizes.

³ Under HB 363, the fourteen areas of production for HB 363 are (1) Southeastern, (2) Yakutat, (3) Prince William Sound, (4) Cook Inlet, (5) Koo'ak, (6) Chignik, (7) Aleutian Islands, (8) Atka-Amli Islands, (9) Alaska Peninsula, (10) Kuskokwim, (11) Bristol Bay, (12) Yukon-Northern, (13) Norton Sound-Port Clarence, and (14) Kotzebue. For the fisheries business tax, we have included the number of communities we share with.

⁴ Under HB 363, there are the following five species of salmon (1) Chinook, (2) Sockeye, (3) Coho, (4) Pink, (5) Chum and (6) Roe. Species are listed by species code on the fisheries business tax return.

⁵ Under HB 363, the total quantity of salmon products produced and sold must be reported. Because both of these separate events occur at different points in time, they will be reported separately. This effectively doubles the reporting requirement. For the fisheries business tax, pounds and value must be reported once, either when the fish is processed or transported out-of-state unprocessed.

⁶ Under HB 363, the processor must provide monthly data every four months to the Department of Revenue. The fisheries business tax return is due once a year.

⁷ A processor only has to fill out the report if during the previous calendar year the processor has sold more than 240,000 pounds of salmon products at wholesale. All individuals or businesses that process fisheries resources in Alaska or transport unprocessed fisheries resources out of Alaska must file the fisheries business return.

⁸ Because of the increase in the number of product forms (from 1 to 6), the reporting of salmon products produced and sold (from just sold) and the reporting by production area (14 production areas), we estimate that the report length will be 48 pages. Currently, the fisheries business tax return is 26 pages long.

⁹ An excel spreadsheet with 48 pages linked to a summary page is all that is currently necessary. This will no longer work with at least 50 processors reporting 6 product forms, by production area, by species and by month (see operating expenditures discussion).



REPRESENTATIVE ALAN AUSTERMAN Alaska State Legislature

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

Committee Substitute
HOUSE BILL 363 (FSH)
SPONSOR STATEMENT

House Bill 363 renames the existing Wholesale Price Report (WPR, also referred to as AWPR or WCPR) to become the Alaska Salmon Price Report (ASPR) by updating it to include all salmon product types. This report will capture the bulk of Alaska's commercial salmon trade information in a timely and accurate manner.

Currently AS 43.80.050 requires processors who sell 240,000 pounds or more of thermally processed salmon in a calendar year to report three times each year, the volume and price of cans sold. The ASPR will reflect the changing times in this industry, which has evolved to include all salmon products, thermally processed plus fresh, frozen, and roe products.

HB 363 expands the information base for ex-vessel value, production, and wholesale price reporting to the state. In order to track the production of the state's resource, the ASPR adds a section that requires processors to report the quantity of each salmon product form and species, by area of production, along with the wholesale prices of product sold.

The tax revenue realized from salmon fishing is generated from the ex-vessel price, which is the price that is paid to the fishermen. Fishery business taxes, raw fish tax, landing tax, ASMI tax and aquaculture assessments are all based on the ex-vessel values of salmon products. The ASPR information is important for anyone planning income streams derived from the sale of Alaska's salmon. For example, legislators budgeting projected revenues to the state or regional aquaculture associations planning production and marketing strategies. The ASPR's accurate and timely information may be used by the university system and by data collectors for up-to-date reporting. It will provide real-time wholesale inventories and values for the public, their decision-makers, and the commercial industry to the benefit of all.

History

This issue has been debated for a long time and in numerous forums. In 1984 the Department of Commerce and Economic Development published a report on the possible development of a program to determine wholesale price averages for salmon products. The arguments that were detailed in that report in 1984 are the same today.

Page Two
CSHB 363 (FSH)
SPONSOR STATEMENT

When mediators suggest that the harvesters and the processors get together to come up with a compromise and find a way to share price information, the processors say that the information is proprietary and the harvesters say that they need a timely point of reference to begin dialogue about markets and how it can be shared. The ASPR is attempting to provide that platform that would supply accurate information without compromising confidentiality.

Introduction of this bill is the direct outcome of recommendations made in recent in-depth forums:

1) In the Governor's Alaska Salmon Forum '99, a focus group, made up of state agencies, processors and fishermen, came to mutually agreed-upon goals. Among the most important items to be addressed were 1) for the processors to "include fishermen in discussions on short and long-term marketing strategies", and 2) to "expand timely collection of salmon wholesale value and harvest information including, at a minimum, one more COAR report."

2) In November 1999, the Alaska Department of Fish and Game (ADF&G), harvesters, and processors attended meeting to directly address the United Salmon Association's proposal for a report on wholesale prices for salmon, and if this could be accomplished in the Commercial Operator's Annual Report (COAR). In that meeting, it was determined that "Option 1" was a direction to follow by adding fresh, frozen, and roe salmon product forms to the Department of Revenue's already existing WPR. HB 363 pursues this avenue.

COAR (ADF&G's Commercial Operators Annual Report)

Currently, Alaska's fresh and frozen salmon information is published in ADF&G's COAR report, which is made available one time per year, approximately 12 months after the previous fishing season. Since there is no definition of FOB (Freight On Board) Alaska nor an enforcement mechanism within ADF&G to substantiate the figures, the belated data therein is not reliable nor is it auditable. The only fresh & frozen salmon data that is available in the year 2000 is from the 1998 fishing season.

ADF&G's COAR report contains information from all processors in Alaska, for all fish species and shellfish, detailed by individual product codes and gear types, and from every commercial fishery management area. Out of the 600-700 processors with an intent-to-operate license, 154 are salmon. This is specific information valuable for ADF&G's uses. With the new ASPR, the cost to the state will be less, compared to the cost of compiling and maintaining the COAR database. The ASPR would require 51 salmon processors to report, those producing over 240,000 pounds in a calendar year (which constitutes 99.1% of the products). These reports would be in aggregate product forms, i.e. all roe products, all fillet products, etc., and the production areas will be consolidated.

CSHB 363 (FSH)
SPONSOR STATEMENT

WPR (Dept. of Revenue's Wholesale Price Report)

In 1997, the WPR was legislatively updated to mandate three times (3x) per year reporting, increased from twice a year. Since that time, the ex-vessel prices (for canned salmon, which is 36% of the market) have remained constant and the wholesale value has fluctuated in relation to pack size and inventory. The increased reporting has allowed harvesters and processors to enter into year-round revenue-sharing contracts. Since 1997 the 3x per year reporting has allowed for a better understanding of the canned product market without causing any disruption with the market or confidentiality concerns.

AWPR (Alaska Wholesale Price Report)

The appropriate vehicle for reporting price information on Alaska's salmon fisheries is the **Alaska Salmon Price Report through the Department of Revenue**. The new ASPR would publish first wholesale price averages from all processors within large geographical production areas based on reported fishery business taxes. This average price would be an aggregate of product forms and the reports would be published 3-6 months after the fish is caught, thus protecting the confidentiality issues raised by the processors. By requiring one annual report on production, released on March 15, processors' proprietary inventory information will be protected, and the information will be published in time for the coming fishing season negotiations in order provide the harvesters and others with the information that is required.

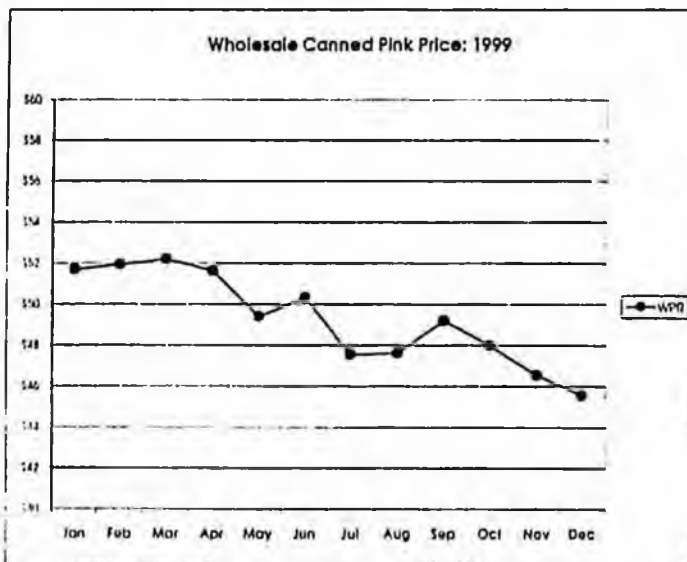
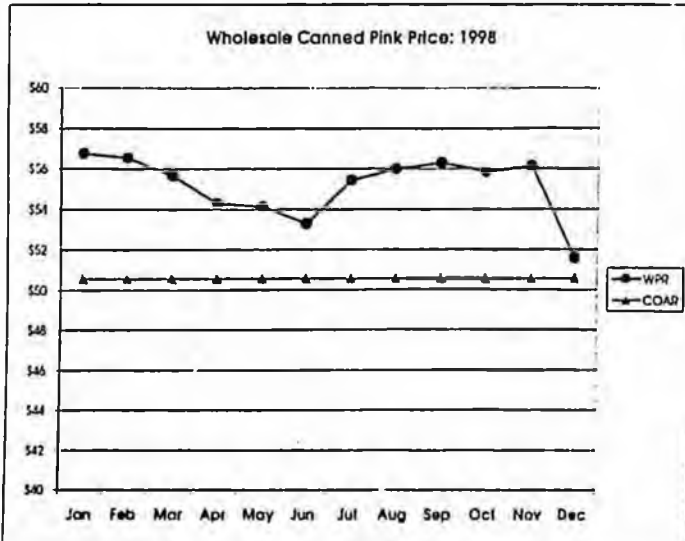
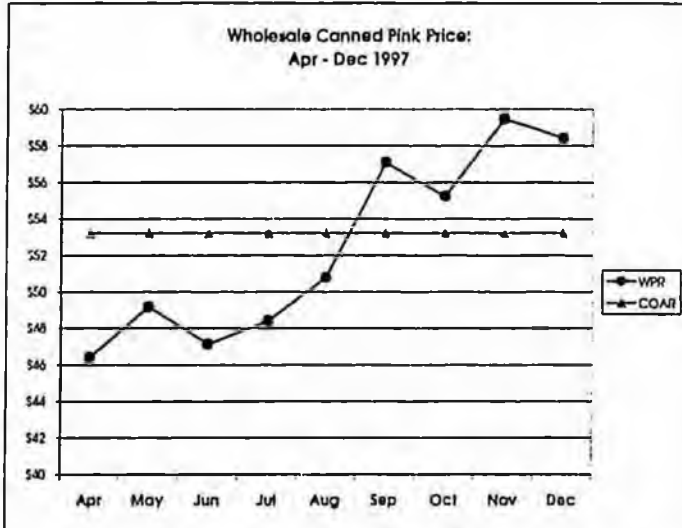
Finally, the information provided through the ASPR will give the State of Alaska accurate information regarding the fish taxes coming to the state for general fund use.

Passage of HB 363 should help fishermen and others in their pursuit of better information. As industry contracts become the norm, sophistication involving product form and marketing partnerships will become more and more dependent on the state's collection of wholesale data. This process, in turn, should gradually bring a rise to ex-vessel prices, thus benefiting the communities and, in turn, by raising revenue, benefiting the state.

COAR/WPR COMPARISON

Illustrating the insufficient price data supplied by COAR

Charts & graphs provided for United Salmon Association
by the Salmon Market Information Service (March, 2000)



Canned Pink Wholesale Case Price
all sizes, converted to 48-lob case equivalent

	1997 case volume	1997 value	1997 WPR price	1997 COAR
Jan				
Feb				
Mar				
Apr	222,203	\$ 10,314,632	\$ 46.42	\$ 53.23
May	119,657	\$ 5,882,405	\$ 49.16	\$ 53.23
Jun	173,072	\$ 8,158,146	\$ 47.14	\$ 53.23
Jul	150,957	\$ 7,307,643	\$ 48.41	\$ 53.23
Aug	170,328	\$ 8,652,021	\$ 50.80	\$ 53.23
Sep	204,817	\$ 11,692,446	\$ 57.09	\$ 53.23
Oct	212,719	\$ 11,748,360	\$ 55.23	\$ 53.23
Nov	197,552	\$ 11,749,878	\$ 59.48	\$ 53.23
Dec	474,112	\$ 24,768,338	\$ 58.40	\$ 53.23
Total	1,875,417	\$ 100,273,869	\$ 53.47	\$ 53.23

source: Alaska Department of Revenue Average Wholesale Price Report

Commercial Operators Annual Report (COAR)

	1997 poundage	1997 value	1997 case price
	114,206,145	\$ 137,382,105	\$ 53.23

source: ADF&G Commercial Operators Annual Report

Canned Pink Wholesale Case Price
all sizes, converted to 48-lob case equivalent

	1998 case volume	1998 value	1998 WPR price	1998 COAR
Jan	245,240	\$ 13,919,444	\$ 56.76	\$ 50.56
Feb	335,559	\$ 18,973,140	\$ 56.54	\$ 50.56
Mar	262,053	\$ 14,586,394	\$ 55.66	\$ 50.56
Apr	118,993	\$ 6,400,112	\$ 54.29	\$ 50.56
May	89,501	\$ 4,864,125	\$ 54.12	\$ 50.56
Jun	142,674	\$ 7,601,516	\$ 53.28	\$ 50.56
Jul	128,991	\$ 7,151,206	\$ 55.44	\$ 50.56
Aug	122,908	\$ 6,882,916	\$ 56.00	\$ 50.56
Sep	185,115	\$ 10,420,612	\$ 56.29	\$ 50.56
Oct	331,058	\$ 18,492,325	\$ 55.86	\$ 50.56
Nov	280,319	\$ 15,733,950	\$ 56.13	\$ 50.56
Dec	412,038	\$ 21,248,870	\$ 51.57	\$ 50.56
Total	2,654,459	\$ 146,314,610	\$ 55.12	\$ 50.56

source: Alaska Department of Revenue Average Wholesale Price Report

Commercial Operators Annual Report (COAR)

	1998 poundage	1998 value	1998 case price
COAR	181,404,345	\$ 207,256,357	\$ 50.56

source: ADF&G Commercial Operators Annual Report

Canned Pink Case Price
all sizes, converted to 48-lob case equivalent

	1999 case volume	1999 value	1999 WPR price	1999 COAR
Jan	312,763	\$ 16,164,022	\$ 51.68	at known
Feb	317,162	\$ 16,469,738	\$ 51.93	at known
Mar	262,947	\$ 13,725,890	\$ 52.20	at known
Apr	112,946	\$ 12,074,657	\$ 51.62	at known
May	163,497	\$ 8,077,023	\$ 49.40	at known
Jun	224,437	\$ 11,295,825	\$ 50.33	at known
Jul	266,159	\$ 12,655,140	\$ 47.55	at known
Aug	233,160	\$ 11,101,097	\$ 47.61	at known
Sep	211,742	\$ 10,417,191	\$ 49.20	at known
Oct	303,184	\$ 14,549,072	\$ 47.99	at known
Nov	314,931	\$ 14,660,958	\$ 46.55	at known
Dec	471,727	\$ 21,486,800	\$ 45.55	at known
Total	3,314,645	\$ 162,627,413	\$ 49.06	

source: Alaska Department of Revenue Average Wholesale Price Report

Commercial Operators Annual Report (COAR)

	1999 poundage	1999 value	1999 case price
COAR	information available from 2000		

source: ADF&G

Final Average Wholesale Price Report Recipients

US Department of Commerce, NOAA Fisheries Development Division
National Marine Fisheries Service/Statistics & Economic Division
Alaska Department of Fish and Game
Alaska Board of Fisheries
Department of Commerce and Economic Development
University of AK-Anchorage/ Gunnar Knapp
Alaska SeaGrant – Craig Weise
McDowell Group
The Fisherman
Seafood Trend Newsletter
United Fishermen's Marketing Association.
United Salmon Association
SE AK Seiners Association
C.D.F.U. – Chris Nerison
National Food Processors Association
Alaska General Seafoods
Deep Creek Custom Packing Inc.
Icicle Seafoods Inc.
Kodiak Salmon Packers
Nelbro Packing Company
Norquest Seafoods Inc.
North Pacific Processors Inc.
Ocean Beauty Seafoods Inc.
Peter Pan Seafoods Inc.
Polar Equipment/Cook Inlet Processing
Royal Pacific Canning
Sea Catch, Inc
Trident Seafoods Corporation
Ward Cove Packing Company
Wrangell Seafoods Inc.
Woodbine Alaska Fish Company
Senator Jerry Mackie
Representative Alan Austerman

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MEMORANDUM

March 14, 2000

SUBJECT: Sectional Summary of CSHB 363(FSH), An Act relating to salmon product reports (HB 363)

TO: Representative Alan Austerman
Attn: Joanie Waller

FROM: George Utermohle *GU*
Legislative Counsel

You have requested a sectional summary of CSHB 363(FSH), An Act relating to salmon product reports.

A sectional summary of a bill is not an authoritative interpretation of the bill. The bill itself is the best statement of its contents.

Section 1 of the bill amends AS 43.80.050(a) to require that certain fish processors must provide information to the Department of Revenue regarding the price and quantity of salmon products sold at wholesale.

Section 2 of the bill repeals and reenacts AS 43.80.050(b) to describe the information that must be included in the salmon product reports required under AS 43.80.050(a) and (c).

Section 3 of the bill amends AS 43.80.050(c) to require that fish processors file reports on sales of salmon products made by their affiliates. The reports must provide information on each product form sold by the affiliate by the area of production by species of salmon. The reports must also include information on the wholesale prices received for those salmon products by the affiliate.

Section 4 of the bill adds a new subsection to AS 43.80.050 to provide that fish processors who submit reports under AS 43.80.050(a) must also submit an annual report on the quantity of salmon products produced.

Section 5 of the bill amends AS 43.80.055 to provide that the Department of Revenue shall determine average wholesale prices paid for salmon products. The wholesale price averages shall be determined for each size of container in which thermally processed salmon are sold and for each pound of salmon that is produced by means other than thermal processing.

Representative Alan Austerman
March 14, 2000
Page 2

Section 6 of the bill amends AS 43.80.055 by adding a new subsection providing that the report of average wholesale prices paid for salmon products shall be called the "Alaska Salmon Price Report."

Section 7 of the bill amends AS 43.80.060 to provide that the Department of Revenue shall annually make a report available to the legislature on average wholesale prices paid for salmon products and on the quantity of salmon products produced in the preceding calendar year..

Sections 8 and 9 of the bill amend AS 43.80.100(5) and (7) to amend the definitions of "reporting year" and "wholesale price".

Section 10 of the bill adds new paragraphs to AS 43.80.100 to add definitions of "area of production", "produce", and "wholesale".

Section 11 of the bill repeals the sunset provision for the salmon price reporting system established under AS 43.80.050 - 43.80.100.

Section 12 of the bill provides that the first salmon product price report under this bill is due September 30, 2000 and must cover the period between May 1, 2000 and August 31, 2000.

Section 13 of the bill provides that the bill takes effect September 1, 2000.

GU:jdr:glc
00-109.jdr

Comparison
HB 363 and CS HB 363 (FSH)

Section 1:

The **reporting requirements** for (2) the quantity of salmon products produced by the processor or an affiliate of the processor **was reduced from three times a year to a single annual report**, due on January 31 of each reporting year. The purpose of this amendment is to protect the confidentiality of the processors' inventory information AND to bring down the fiscal note impact. (This change is reflected in the CS in Section 4.)

Section 6:

The report to the legislature by the department was changed from being due not later than the 15th day of each regular legislative session **to being due on a set date of March 15** of each year. (This change is reflected in the CS in Section 7.)

Section 9:

(8) The "area of production" was changed **from 14 individual areas** (as outlined by the Board of Fisheries, by regulation, for the management of commercial fisheries), **to be consolidated into 8 production areas**. The purpose of this amendment is to protect the confidentiality of the processors' information AND to bring down the fiscal note impact. (This change is reflected in the CS in Section 10 (8).)

CS Section 9: (9) The definition of "produce" **was added** to clarify that produce means to be processed.

CS Section 9: (10): The definition of "wholesale" **was added** to clarify that the price reported is the first sale of a salmon product after which the fishery business tax was paid.

Excerpts from the MEETING NOTES from COAR Meeting
November 9-10, 1999

*Entire meeting notes available upon request from Sponsor

Meeting focus: Discussions of potential changes to the Commercial Operators Annual Report database, processor reporting requirements, and United Salmon Association proposal for a report on wholesale prices for salmon products.

Options

1. Add product forms to Revenue WPR
2. USA Proposal to use COAR.
3. Tune-up COAR
4. 3rd party reporting directly to fishermen/ processors subject to contract.

Larry Persily arrived; the group resumed discussion of Option 1 – Add product forms to WPR. Larry felt that the WPR was not a Revenue function. Revenue doesn't audit these reports nor do they have the staff to do audits. Scott and Bruce d. agreed. Every tax dollar is at the exvessel level. Expansion to the wholesale level is a proprietary black hole. Harvesters pay ASMI and other taxes and it gives us a tool to negotiate and increase the exvessel price. It is in our best interest to increase world market share. This will bring up the tax base.

Larry said it would take the equivalent of one person or \$60,000. And that would not include any auditing capabilities. Revenue would have to respect confidentiality. Revenue will release summarized information for 3 or more taxpayers.

Option 1 – Add product forms (fresh, frozen, roe) to WPR

Goals/ Objectives

- a) Provide fishermen information they need
- b) Doesn't change COAR
- c) Good fit between WPR and additional reporting
- d) Reporting frozen, fresh, roe by ADF&G area

Option 1 – Add product forms (fresh, frozen, roe) to WPR

Method to achieve objectives

- a) Seek legislation
- b) Seek funding
- c) Industry agreement to support this option and the means to achieve – lobby for it

Option 1 – Add product forms (fresh, frozen, roe) to WPR

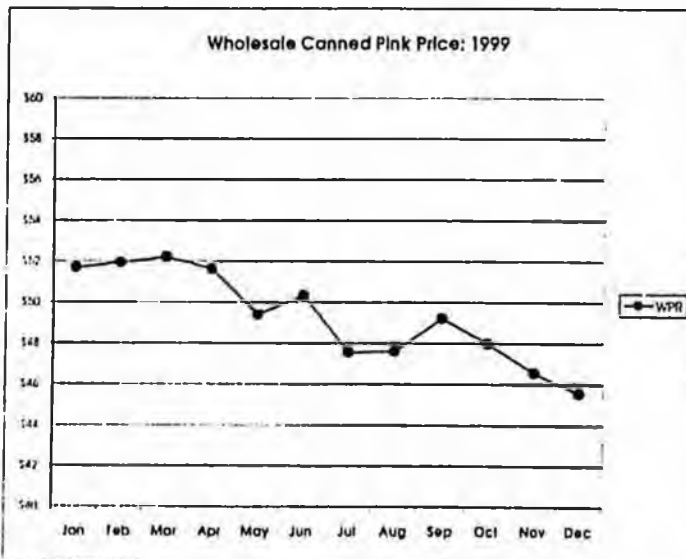
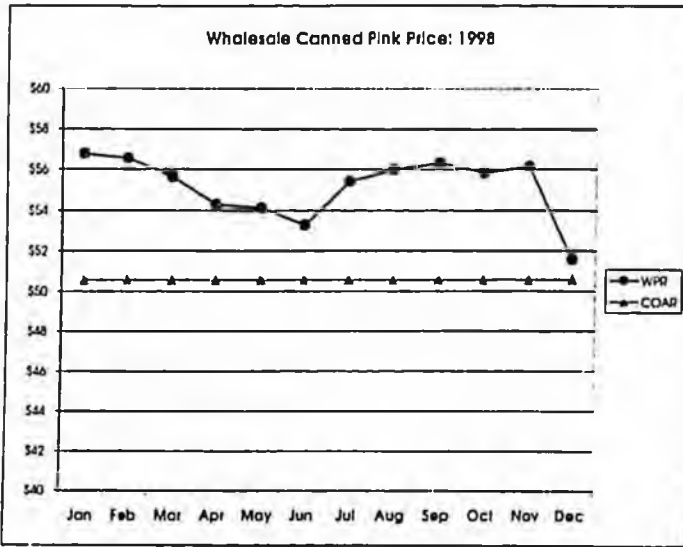
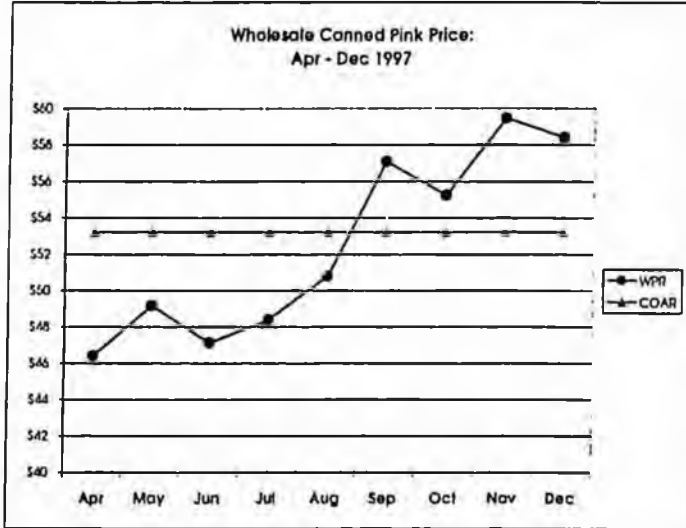
What are intended uses/ Who uses

- a) Fishermen
- b) Customers of processors
- c) Academics/ researchers
- d) Salmon Marketing Information Service
- e) Any member of the public

COAR/WPR COMPARISON

Illustrating the insufficient price data supplied by COAR

Charts & graphs provided for United Salmon Association by the Salmon Market Information Service (March, 2000)



Canned Pink Wholesale Case Price
all sizes, converted to 48-tall case equivalent

	1997 case volume	1997 value	1997 WPR price	1997 COAR
Jan				
Feb				
Mar				
Apr	722,203	\$ 10,314,632	\$ 46.42	\$ 53.23
May	119,657	\$ 5,882,405	\$ 49.16	\$ 53.23
Jun	173,072	\$ 8,158,146	\$ 47.14	\$ 53.23
Jul	150,957	\$ 7,307,643	\$ 48.41	\$ 53.23
Aug	170,378	\$ 8,652,091	\$ 50.80	\$ 53.23
Sep	204,817	\$ 11,692,446	\$ 57.09	\$ 53.23
Oct	212,719	\$ 11,748,360	\$ 55.23	\$ 53.23
Nov	197,552	\$ 11,749,878	\$ 59.48	\$ 53.23
Dec	424,112	\$ 24,768,338	\$ 58.40	\$ 53.23
Total	1,875,417	\$ 100,273,869	\$ 53.47	\$ 53.23

source: Alaska Department of Revenue Average Wholesale Price Report

Commercial Operator Annual Report (COAR)

	1997 poundage	1997 value	1997 case price
Total	114,205,145	\$ 137,382,105	\$ 53.23

source: ADF&G Commercial Operator Annual Report

Canned Pink Wholesale Case Price
all sizes, converted to 48-tall case equivalent

	1998 case volume	1998 value	1998 WPR price	1998 COAR
Jan	245,240	\$ 13,919,444	\$ 56.78	\$ 50.56
Feb	335,559	\$ 18,973,140	\$ 56.54	\$ 50.56
Mar	262,053	\$ 14,586,394	\$ 55.66	\$ 50.56
Apr	118,993	\$ 6,460,112	\$ 54.29	\$ 50.56
May	89,501	\$ 4,844,125	\$ 54.12	\$ 50.56
Jun	142,674	\$ 7,601,516	\$ 53.28	\$ 50.56
Jul	128,991	\$ 7,151,206	\$ 55.44	\$ 50.56
Aug	122,908	\$ 6,882,916	\$ 56.00	\$ 50.56
Sep	185,115	\$ 10,420,612	\$ 56.29	\$ 50.56
Oct	331,068	\$ 18,492,325	\$ 55.86	\$ 50.56
Nov	280,319	\$ 15,733,950	\$ 56.13	\$ 50.56
Dec	412,038	\$ 21,248,870	\$ 51.57	\$ 50.56
Total	2,654,450	\$ 146,314,610	\$ 55.12	\$ 50.56

source: Alaska Department of Revenue Average Wholesale Price Report

Commercial Operator Annual Report (COAR)

	1998 poundage	1998 value	1998 case price
COAR	181,404,345	\$ 207,256,357	\$ 50.56

source: ADF&G Commercial Operator Annual Report

Canned Pink Case Price
all sizes, converted to 48-tall case equivalent

	1999 case volume	1999 value	1999 WPR price	1999 COAR
Jan	312,763	\$ 16,164,022	\$ 51.88	not known
Feb	317,162	\$ 16,469,738	\$ 51.93	not known
Mar	262,947	\$ 13,725,890	\$ 52.20	not known
Apr	232,946	\$ 12,024,657	\$ 51.62	not known
May	163,497	\$ 8,077,023	\$ 49.40	not known
Jun	224,432	\$ 11,295,825	\$ 50.33	not known
Jul	266,159	\$ 12,655,140	\$ 47.55	not known
Aug	233,160	\$ 11,101,097	\$ 47.61	not known
Sep	211,742	\$ 10,417,191	\$ 49.20	not known
Oct	303,184	\$ 14,549,000	\$ 47.99	not known
Nov	314,931	\$ 14,660,000	\$ 46.55	not known
Dec	471,722	\$ 21,400,800	\$ 45.55	not known
Total	3,314,645	\$ 162,627,413	\$ 49.06	

source: Alaska Department of Revenue Average Wholesale Price Report

Commercial Operator Annual Report (COAR)

Final Average Wholesale Price Report Recipients

US Department of Commerce, NOAA Fisheries Development Division
National Marine Fisheries Service/Statistics & Economic Division
Alaska Department of Fish and Game
Alaska Board of Fisheries
Department of Commerce and Economic Development
University of AK-Anchorage/ Gunnar Knapp
ASMI - Alaska Seafood Marketing Institute
Alaska SeaGrant – Craig Weise
McDowell Group
The Fisherman
Seafood Trend Newsletter
United Fishermen's Marketing Association.
United Salmon Association
SE AK Seiners Association
C.D.F.U. – Chris Nerison
National Food Processors Association
Alaska General Seafoods
Deep Creek Custom Packing Inc.
Icicle Seafoods Inc.
Kodiak Salmon Packers
Nelbro Packing Company
Norquest Seafoods Inc.
North Pacific Processors Inc.
Ocean Beauty Seafoods Inc.
Peter Pan Seafoods Inc.
Polar Equipment/Cook Inlet Processing
Royal Pacific Canning
Sea Catch, Inc
Trident Seafoods Corporation
Ward Cove Packing Company
Wrangell Seafoods Inc.
Woodbine Alaska Fish Company
Senator Jerry Mackie

STATE OF ALASKA

TONY KNOWLES, GOVERNOR

DEPARTMENT OF FISH AND GAME
DIVISION OF COMMERCIAL FISHERIES

P.O. BOX 25526
JUNEAU, AK 99802-5526
PHONE: (907) 465-6133
FAX: (907) 465-2804

March 2, 2000

Mr. Bruce Schactler
USA
Kodiak, AK 99615

Dear Mr. Schactler:

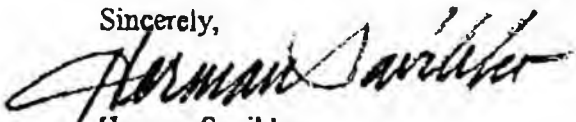
You asked that I run some numbers from our Commercial Operators Annual Report database to determine salmon processing statistics.

I completed those today. While individual data is confidential, I can summarize some numbers for you with reference to HB 363.

The most current available data is for 1998. That year there were 165 companies (unique Federal Identification numbers) processing salmon in Alaska. Using the Alaska Department of Revenue's 240,000-pound limit, there would be 51 companies that fall above that poundage limit. Those 51 companies also process 99.1% of the total production volume for that year (442.7 million pounds net weight was the reported total for salmon production that year). If the cutoff requirement were raised to 540,000 pounds instead of 240,000, there would be 39 companies falling within those limits. If the limit were raised to 1,000,000 pounds then 32 companies would fit that category. Those 32 companies account for nearly 97% of all salmon production in Alaska. Finally, if the limit was 10 million pounds, 12 companies would be involved, accounting for approximately 79% of Statewide salmon production.

If you have any additional questions, please contact me.

Sincerely,



Herman Savikko
Fishery Information Officer/Fishery Biologist
Fisheries Coordination Section



P.O. Box 762 • Kodiak • AK • 99615


Phone: (907) 486-6899 • Fax: (907) 486-7058 • Email: usalmon@ptialaska.net

Six reasons United Salmon Association supports HB 363, that creates the new Alaska Salmon Price Report.

1. So all stake holders will know the full value of Alaska's salmon industry in a timely and accurate accounting of current wholesale values. Existing information sources are outdated and unreliable once they become available.
2. So ASMI can better plan and evaluate marketing strategies. All salmon fishermen pay one percent of their gross into salmon marketing. Without timely wholesale price information there is no way for them to accurately assess the benefits of their marketing efforts.
3. So PNP aquaculture associations may best plan their production and cost recovery efforts. Assessing the results of wholesale prices will be helpful in making good decisions based on timely and accurate market information
4. For the University of Alaska and its ongoing evaluation of commercial fisheries. Where ever the value of Alaska's salmon fisheries is in demand reliable and timely wholesale information is lacking.
5. So the legislature and the board of fish can best assess the value of Alaska's commercial salmon fisheries. Information concerning the economic benefits of commercial salmon fisheries is always sketchy when these two bodies meet to discuss salmon fisheries and their economic benefits.
6. So all stakeholders can better assess the relationship between ex-vessel prices and wholesale markets. Without this information no one knows if ex-vessel prices or the revenues they generate are fair.

Accounting the benefits of commercial fishing revenues and taxes has little meaning to stakeholders and administrators without also accounting wholesale values as a means of evaluating the economic performance of this most important Alaskan industry.

Sincerely,


Bruce Schactler
President



P.O. Box 762 • Kodiak • AK • 99615

Phone: (907) 486-6899 • Fax: (907) 486-7058 • Email: kodiak@unitedsalmon.org

United Salmon Association supports HB363. This creates a wholesale price index for Alaska Salmon products by inserting the wholesale price reporting of other major processed salmon products into existing reporting requirements for canned salmon. It is expected that once this information is available that it will be useful not only to the industry but also to all those engaged in evaluating and regulating this important Alaskan industry.

Before going on it is important to acknowledge that all Alaskans are stakeholders in commercial salmon fisheries. Clearly there is a link between stakeholders and the salmon resources, for the salmon belong to all Alaskans. But the connection between stakeholders other than harvesters and commercial salmon fisheries may not be clear. Given that commercial salmon fisheries generate tax revenues that go into Alaska's general fund, all Alaskans are clearly stakeholders in those fisheries.


Throughout the industry and all those that track and report it, there is no data base that tells us all, in a timely, useable manner, what are the 1st wholesale values and what are the product forms produced from this "Alaska's largest renewable resource".

To properly and accurately account this resource, HB363 has been introduced. The salmon resource is taxed statewide at approximately 8% of ex vessel value (the value, fishermen receive at dockside). This includes raw fish tax, ASMI tax, marketing tax, aquaculture tax, local severance tax and state corporate taxes. HB363 will give all Alaskans a complete picture with which to assess and account all aspects of the salmon fisheries price structure and usage.

This accurate, real time data will build trust between harvesters and processors by filling in the huge gaps in wholesale market information, since ex vessel prices and Alaska's tax base is directly linked to wholesale prices, this database should supply the understanding of how the two prices meet.

HB363 will also provide valuable market information to harvesters and marketers to use to expand and develop new markets. With new understanding and better information the expansion of the salmon industry should raise ex vessel prices, which will increase revenue into the general fund. In 1999, a .01 (cent) increase would be another \$680,000.00 into the general fund.

HB363 is a great step forward for all Alaskans that benefit from the salmon resource. It will finally give the State of Alaska the same price, utilization and volume data that is used in accounting and evaluating all other resources in the state.

Sincerely,

Bruce Schachter
President



P.O. Box 762 • Kodiak • AK • 99615

Phone: (907) 486-6899 • Fax: (907) 486-7058 • Email: kodiak@unitedsalmon.org

2/24/2000

Dear Committee Member,

There have been several arguments made by opponents of HB363 that I thought should be simply addressed. One statement is that the new Alaska Salmon Price Report (ASPR) isn't needed because the Commercial Operators Annual Report (COAR), with in ADF&G, is the same information and is all anyone needs. Another statement is that this information in COAR will be harmful in the market place.

I hope I have simply and adequately addressed these for you. As you can see, both concerns have been delt with in the design of HB363.

At a meeting in November in Anchorage with ADF&G, United Salmon Association and the majority of major processors, "HB363 type" changes to COAR were strongly opposed by processors. Processors made several suggestions such as "aggregate product groups" and putting the new report in "a different venue" than COAR. We have taken those suggestions and made the changes to come up with HB363 as a compromise proposal that will bring this resource information base into the 21st century.

Sincerely,

A handwritten signature in black ink that reads "Bruce Schactler". The signature is written in a cursive style with a large, prominent initial "B".

Bruce Schactler
President



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What HB363 does, that COAR doesn't

- 1) Alaska Salmon Price Report (ASPR) is timely and Commercial Operators Annual Report (COAR) is not.
 - a) ASPR is published (3) times per year by Department of Revenue
 - b) COAR is done (1) per year by ADF&G. COAR information is up to 16 months old by the time it's published as "non-draft".

Example: 1999 season information COAR will not be officially available until late summer of 2000 at the earliest. (This, dependent on level of compliance by reporters)

- 2) ASPR will be accurate and is intended to be a real time price index for assessing and evaluating Alaska's Commercial Salmon harvest. COAR on the other hand was developed in cooperation with the Federal Government (NOAA) and is used for annual accounting purpose.
 - a) HB363 (ASPR) is the ACTUAL "1st wholesale value" of Alaska Salmon and represents the true gross value of Alaska Salmon Industry.
 - b) COAR represents the price "Freight on Board" (F.O.B.) plant in Alaska where produced.
 - 1) This may include product sold thru or on adjusted or theoretical price based on actual sales elsewhere after various unspecified deductions
COAR asks for estimated prices of product in Inventory, once again a price that is not our actual "invoiced" value.
- 3) ADF&G cannot audit COAR, Department of Revenue can audit ASPR information
- 4) COAR doesn't account product production volumes.
 - a) This deficiency makes it impossible to assess and follow market direction as well as changes in market demand as it concerns product development.
 - b) Without this production information, cross-referencing tax revenue with production isn't possible.

- 5) Reporting compliance with COAR is a big problem because of lack of enforcement ability in ADF&G. Compliance is not a problem with Department of Revenue.

Why COAR does not compromise confidentiality with our customers.

- 1) May it first be known that the processor's customers are also the fishermen's customers and that the United Salmon Association is equally concerned about this kind of confidentiality?
- 2) As HB363 is written, once prices are published they will be out dated and too generic for current market price comparisons. ASPR information will only reflect history and have no relevance to real time market values.
- 3) The ASPR does not report individual detailed product information. Instead the new product categories are aggregates of different product forms within each category and are reported as such. For example the category "frozen fillets" will report all frozen fillet products together (as one product). There are many different individual product types; skin on bone in fillets, skin on boneless fillets, skinless-boneless fillets, vacuumed packed, shatter packed and so on that are reported individually in the COAR.
 - a) This new ASPR format will be very useful to many various users of this database but basically worthless to competitors to realize any confidential information that would give them any new market or financial advantages.

Sincerely,



Bruce Schactler
President



P.O. Box 762 • Kodiak • AK • 99616

Phone: (907) 486-8899 • Fax: (907) 486-7058 • Email: kodiak@unitedsalmon.org

Dear Committee Members,

United Salmon Association (USA) would like to address several points of testimony from the February 28, 2000 hearing in House Fisheries concerning HB363.

1) "Who will be required to report and how many will report?"

Although USA and Department of Revenue (DOR) estimated about 50 processors would be reporting, PSPA testified as "fact" that this bill would require 98 reporters. Enclosed please find a report of March 2, 2000 from ADF&G on the actual break down of reporters and the various results of different poundage breaks. As you can see, HB363 as written, would require only 51 of the more than 600 "Processors to report" but would report 99.1% of the production.

2) "Reporting production is not possible"

As you can see in your CSHB363 the word "production" has been changed to "Processed". Testimony was very repetitive that reporting fish by area produced couldn't be done; because tender transfers fish from area to area to be processed and no one can keep track of them. If this were the case, I would hope ADF&G would ask what they are reporting on fish tickets and harvest information. Fish transferred between areas are required by ADF&G to be reported and tracked wherever they go and of course they are for logical business reasons!

But HB363 doesn't refer to round fish anywhere. HB363 is about products produced from Raw Round fish. USA sees this type of negative testimony a only one avenue to confuse the issue and the committee as the intent and content of this bill is obvious.

3) **"Reporting Product and Value by Area produced is Impossible."**

Once again, this is a requirement that the processors are already adhering too.

The Commercial Operators Annual Report (COAR) requires the sale and value of these same products to be not only reported by area, as in HB363, but by the plant at which they were produced within that area. I ask (If it's "Impossible" to report as HB363 asks, then "what have they been reporting in COAR for years?")

Any processing worker can tell you that every box and every can that leaves a processing plant has a code on it that designates "place, date, product description and weight." These are shipped either to a buyer or to storage where they are stored in lots, segregated by species and product. Of course this is all quite logical and it is necessary to comply with ADF&G regulations, as well as marketing and sales demands by customers as they ask for species products from specific area's such as "Copper River" or "Kenai River" sockeye etc...

4) **"Is there competition among Processor for the Raw fish"**

For some species in some areas YES. But for the majority of the harvest, the answer is basically NO.

An economic illustration of this is in Prince William Sound (PWS). PWS has probably the highest exvessel value of the seine fisheries, but the lowest permit value. The reason for this is it is virtually impossible for a new entrant to get a market. South East (S.E.) Alaska seine and Kodiak are nearly the same. USA members across the state report these problems on a regular basis. It is one of the reasons for the continued decline in fleet size in the face of large runs and basically stable price.

HB363 has been designed to consider the least new impact to reporters while taking into consideration the actual business practices as they exist today. There are no new physical or practical requirements placed on reporters in HB363 that will cause any new equipment or policy changes. It may however cause present software and accounting to change for the better.

Finally after listening to the testimony against HB363 and knowing the actual specific practices of the industry, USA can do no more than interpret "We can't do it!" to "We don't want to"

Sincerely,

Bruce Schaefer / USA president



UNITED FISHERMEN OF ALASKA

March 2, 2000

211 Fourth Street, Suite 110
Juneau, Alaska 99801-1172
907/586-2820
Fax: 907/463-2545
E-Mail: ufa@alaska.net

Representative Carl Morgan, Jr.
Representative John Harris
Co-Chairs
House Special Committee on Fisheries
Alaska State Legislature
State Capitol (MS 3100)
Juneau, AK 99801-1182

Dear Representatives Morgan and Harris,

United Fishermen of Alaska represents 23 commercial fishermen's groups and over 8,000 fishermen. We support HB 363.

This bill is intended to modernize and clarify the economic value of Alaska's commercial salmon fisheries for all stakeholders and to end the mystery of how ex-vessel salmon prices are determined.

All Alaskans are stakeholders in commercial salmon fisheries. There is a clear link between stakeholders and the salmon resources, for the salmon belong to all Alaskans.

But the connection between stakeholders other than harvesters and commercial salmon fisheries may not be so clear. Given that commercial salmon fisheries generate fisheries business taxes that go into Alaska's general fund and 50% is passed on to local government, all Alaskans are clearly stakeholders in those fisheries.

History shows us that for the first seventy years of the last century the salmon industry was the largest industry in Alaska and a major contributor to this nation's food production. Canned salmon was a staple on food shelves particularly through out the British Commonwealth. Through this time a business culture developed between processors and harvesters based on a "buy now settle later" price arrangement. In this arrangement goods prices are paid to fishermen in season, then later when the harvest is over and the bulk of fish have been sold, final payments are made to fishermen based on wholesale prices, known only to the processors.

Also during this time, it was established that the taxes the industry pays are based on ex-vessel prices. This "buy now settle later" price arrangement on which all taxes are paid clearly impacts harvesters and all stakeholders in the outcome of wholesale prices. But to this day stakeholders are denied the price information needed to know and understand their position in wholesale markets that determine salmon prices.

MEMBER ORGANIZATIONS

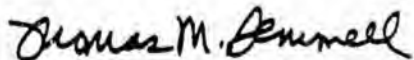
Alaska Longline Fishermen's Association • Alaska Trollers Association • Concerned Area "M" Fishermen
Cook Inlet Aquaculture Association • Copper River Salmon Producers Association • Cordova District Fishermen United
Kenai Peninsula Fishermen's Association • Kodiak Regional Aquaculture Association • Kodiak Seiners Association • North Pacific Fisheries Association
Northern Southeast Regional Aquaculture Association • Northwest Seiners Association • Petersburg Vessel Owners Association
Prince William Sound Aquaculture Corporation • Purse Seine Vessel Owners Association • Seafood Producers Cooperative
Southeast Alaska Seiners Association • Southern Southeast Regional Aquaculture Association

Without knowledge of wholesale prices the "buy now settle later" arrangement between processors and harvesters leaves an unaccounted hole in the price structure of Alaska's salmon industry. This is the mystery of commercial salmon prices. How much money does the commercial salmon harvest generate at first wholesale and how does that compare to ex-vessel prices where taxes are collected? All stakeholders directly or indirectly have an interest in salmon markets and it is important to have a clear picture of this revenue source for the use and benefit of all Alaskans.

Passage of SB 363 will fill this unaccounted hole in salmon pricing and provide all stakeholders in Alaska's most precious natural resource the information they require to know and understand the benefits of the commercial salmon industry.

We are aware of some concerns raised by some processors and are willing to work toward a reasonable resolution of this issue.

Sincerely,



Thomas M. Gemmell
Executive Director

Copy: Representative Alan Austerman

February 23, 2000

This letter is in response to a request made by Representative Austerman's office regarding House Bill 363, a proposal to increase the frequency of wholesale price reporting of certain salmon products. The Salmon Market Information Service (SMIS), as a user of such data, was asked to comment on increased reporting frequency.

The SMIS program would benefit substantially from increased reporting frequency of Alaska production and wholesale salmon prices specified in HB 363. The program would welcome the consistency of such government-compiled data, an improvement over the information that is now available. It should be noted that the absence of this data (the result of present data-release timing) is not a major impediment to the existing program. Market indicators are available from other sources and the program is currently using those sources.

The SMIS researches and reports on market conditions for salmon. The "flagship" of the program is the Salmon Market Bulletin, published 6-7 times annually. Since November 1998, McDowell Group has published eight bulletins, serving a subscription list of just over 3,000. Two times a year, the bulletin is sent to all Alaska salmon permit holders (over 11,000) plus the non-permit holders on the subscriber list.

A comparison of two state-generated reports containing wholesale price and volume data illustrates the usefulness of more frequent reporting. The two reports are:

- The Wholesale Price report (WPR) for thermally processed salmon, including canned salmon. Published three times a year by Alaska Department of Revenue. Between 1989 and 1998, canned salmon made up 36% of Alaska production volume.
- Data from the Commercial Operators Annual Report (COAR) is available through ADF&G, via database queries, usually 5 to 6 months after the end of the calendar-year reporting period. The COAR covers those fresh and frozen salmon products specifically identified in HB 363. Between 1989 and 1998, fresh and frozen salmon made up 61% of Alaska production volume.

The COAR, because of its timing, is of limited use in reporting market trends. We use it primarily for historical analyses of data and for identifying product-form composition of past seasons. Data drawn from the COAR is used in two of our eight bulletins, both times as a source for back-page items in the "bits and pieces" section. By comparison, six of eight salmon market bulletins contain information from the WPR for canned salmon, including two major articles with accompanying tables and graphs. The WPR is more pertinent because of its reporting frequency and we use it to identify volume and pricing trends of the current sales year. It is used frequently in the bulletin, in presentations and to satisfy a large number of data requests.



Consulting and Research in Economics, Business and Marketing

While additional information on salmon markets is always desirable, the data that would result from HB 363 would be especially useful, as fresh and frozen salmon make up over 60% of Alaska production. Such data would enable the SMIS to provide reasonably pertinent reporting and analysis of Alaska production and wholesale price information for over 95% of production. Currently, the SMIS is able to do so for only 36% of production: namely, canned salmon as reported in the WPR three times a year.

A handwritten signature in cursive script, appearing to read "Chris McDowell".

Chris McDowell

Project Manager, Salmon Market Information Service

Background

This paper is a response to a data request made of the Salmon Market Information Service (SMIS) by United Salmon Association. The SMIS was asked to write a brief summary outlining the advantages of more frequent reporting of wholesale salmon price data currently released once a year in the Commercial Operators Annual Report (COAR). The data request followed a meeting held in Anchorage on November 9 and 10, 1999 to discuss potential changes to the COAR.

Discussion

Wholesale Price

If wholesale prices of salmon products are viewed as a river, then the river starts with FOB Alaska first wholesale price as reported in the Commercial Operators Annual Report (COAR). As the product travels "downstream" through brokers, importers, wholesalers and retailers on its way to consumers, cost is added at each level.

Data services such as Bill Atkinson's News Report or Urner-Barry's Seafood Price Current provide useful, consistent and frequent information for identifying trends. However, such pricing information is substantially downstream of FOB Alaska wholesale prices. Shipping, commissions, duties, storage and other factors play substantial roles in setting downstream wholesale prices.

While Alaska processors' production costs remain proprietary and confidential, FOB Alaska wholesale price data represent only one layer of such costs, whereas downstream wholesale prices represent several layers of costs and profit-taking. This in turn makes ex-vessel price less significant in terms of the stated wholesale price. One processor may be able to access his end-use market quite directly, while another may have to support the cost burden of multiple levels of commission and consignment profit-taking before the fish reaches its downstream wholesale price point. In essence, FOB Alaska wholesale price gives fishermen the clearest picture of what their catch actually brought on the market.

Species Targeting

Some salmon fisheries in Alaska have the ability to selectively target different species. In many cases, the decision to target a specific species requires capital investment, gear changes and lost opportunity on other species resulting from commitment of fishing effort or vessel set-up. If the ex-vessel price comes up short, the fisherman stands to lose money on his targeting decision. Increased frequency of FOB Alaska wholesale salmon prices could alleviate some of that risk to fishermen.

Downstream wholesale prices can fluctuate for a variety of reasons, many of which are beyond the control of processors. Some factors include exchange rates, harvest shortfalls in other fisheries, health related consumer issues such as the recent salmonella scare in Japan, and a host of other factors. In the case of a processor who has sold or committed inventory before the market spikes up, that

price spike is of no benefit. So while the downstream wholesale indicator (Atkinson, Urner-Barry, etc.) may go up substantially, the processor's wholesale price (and ability to pay ex-vessel price) remains unchanged.

If a fisherman were to make a targeting decision based on such downstream indicators, he might be operating under an unrealistic expectation of his processor's ability to pay an ex-vessel price. More frequent reporting of FOB Alaska wholesale prices would reduce that risk by providing some indicator of whether or not a price increase traveled back "upstream" to the processor. The current timing of annual reporting renders the COAR useless for pre-season targeting decisions.

Accuracy Relative to Harvest Year, Sales Season

Reporting three times a year would increase the accuracy and pertinence of COAR data. The vast majority of Alaska's salmon harvest occurs during July and August, meaning the sales season for salmon caught during a particular harvest year runs from July of one calendar year through June of the next. Currently, the COAR reporting period follows the calendar year and prices are averaged across the year. Since salmon prices are so responsive to supply levels, this creates the potential for an average price that is very different from actual wholesale prices that occurred during either of the two sales seasons within the calendar year.

For instance, the 1997 harvest season saw landings of 30 million sockeye in Alaska, down from 50 million the previous year. Japan's Tsukiji market wholesale prices for frozen sockeye increased by 33 percent in a single month (August 1997) presumably in response to reduced supply. Given the once-a-year reporting format, the COAR is unable to account for such changes and simply averages the results of two [markedly different] sales seasons for this product form.

As it currently exists, the COAR is unable to distinguish one sales season from the other and as a result is far less accurate than it could be with more frequent reporting. A three-times-a-year reporting structure would provide the ability to track wholesale prices on a month-to-month basis, identifying prices for the sales season rather than averaging portions of two (potentially very different) sales seasons.

Product Form Composition

Quite simply, the COAR is the only accurate source of data that exists for determining the product-form composition and product-form volume of the Alaska salmon harvest.



P.O. Box 1649

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907-424-3115

Fax: 907-424-3116

E-mail: cispa@coppernet.com Web: <http://www.coppernet.com>

Members
Alaska State Legislature
State Capitol (MS 3100)
Juneau, AK 99801

Sent by facsimile to 465-4956

Dear members

The Copper River Salmon Producers Association is in full support of passage of House Bill 363. As the Alaska salmon industry moves into the new millennium, we find ourselves working within an antiquated structure that clearly does not provide timely and meaningful information which harvesters and processors can use to develop pre-season contracts. Pre-season contracts with a higher ex-vessel value results in increased tax benefits to the state and programs dependant on ex-vessel value contributions (i.e., marketing and aquiculture assessments)

Other supporters of this Bill have outlined reasons this should be passed, which we fully support.

Sincerely,

Bill Webber, President

Cordova District Fishermen United

Celebrating 65 Years of Service to Commercial Fishermen in Cordova, Alaska
P.O. Box 939 Cordova, Alaska 99574 / Telephone (907) 424-3447 / Fax (907) 424-3430

February 24, 2000

House Special Committee on Fisheries
State Capitol (MS 3100)
Juneau, AK 99801-1182

SENT VIA FACSIMILE TO 907.465.3799

Dear Members,

Cordova District Fishermen United (CDFU) is pleased to provide comment to you regarding our support for HB 363.

Timely, accurate, and verifiable reporting of the ex-vessel and wholesale values of Alaska's salmon, as well as known production, provides a variety of benefits to our industry, coastal communities, programs dependent upon ex-vessel value assessments, and the State of Alaska. HB 363 provides a proven mechanism for gathering and providing the information that will form the basis for better decision-making by those dependent upon the reporting that this legislation requires.

We are all too well aware of the vagaries of natural resource markets. Access to timely and accurate information regarding the condition of salmon markets will afford more accurate evaluation of the myriad of decisions that are constantly being made by those impacted by Alaska's salmon fisheries.

We urge your support for HB 363.

Respectfully Submitted,



Sue Aspelund
Executive Director

cc: Representative Alan Austerman

F/V RENAISSANCE

Box 3080.

Kodiak, AK.

99615

FAX

Date: 02/24/00

Number of pages including cover sheet: _____

To:

Representative Alan Austerman

Phone: _____

Fax phone: 465-4956

CC: _____

From:

Mary Jacobs

Phone: 907 486-6323

Fax phone: 907 436-4868

REMARKS:

Urgent

For your review

Reply ASAP

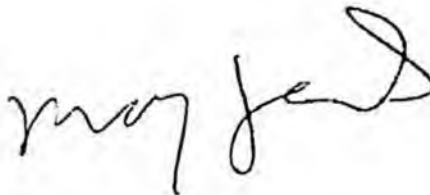
Please comment

Dear Alan,

I just wanted to send a note to support H.B. 363. We really need better reporting of wholesale prices of frozen salmon. That the canned salmon prices are reported on a regular bases and not the frozen exemplifies the outdated system that we are using. Each year frozen salmon is a substantial portion of our market. We, as fishermen would like to be able to base our negotiations on real and current sales figures.

Thanks,

Mary Jacobs



Subject: [Fwd: HB 363]
Date: Wed, 01 Mar 2000 12:11:27 -0900
From: Cliff Stone <Cliff_Stone@legis.state.ak.us>
Organization: Alaska State Legislature
To: Joanie Waller <Joanie_Waller@legis.state.ak.us>

fyi

Subject: HB 363
Date: Tue, 29 Feb 2000 19:03:10 -0900
From: "Toby Sullivan" <tobys@ptialaska.net>
To: "Cliff Stone" <Cliff_Stone@legis.state.ak.us>
CC: "Duncan Fields \ Shoreside Consulting" <dfields@ptialaska.net>,
"Dan Ogg" <danogg@ptialaska.net>, "Bruce Schactler" <kvrg@ptialaska.net>,
"Lacey Berns" <lberns@ptialaska.net>

Dear Cliff

Please let Alan know that the Northwest Setnetters Association supports HB 363, the bill addressing salmon reporting requirements for processors. By refining and expanding the list of processed salmon products, this bill will help fishermen, processors, and the state to better understand where Alaska's fish go once they arrive on the dock. All parties will benefit from a more open and transparent salmon marketplace- a hoped for consequence of this bill.

Toby Sullivan
Board of Directors
Northwest Setnetters Association
d

KODIAK REGIONAL AQUACULTURE ASSOCIATION

BOX 3407 KODIAK, ALASKA 99615

(907) 486-6555

Fax (907) 486-4105



February 23, 2000

Representative John Harris
Alaska State Representative
State Capitol
Juneau 99801-1182

Dear Representative Harris:

House Bill #363, an Act Relating to Salmon Production Reports, was reviewed by the Kodiak Regional Aquaculture Association's Board of Directors, at their meeting of February 22, 2000. The Board voted 9-2 to support passage of this Bill as written.

KRAA, being an active, major financial supporter of Kodiak salmon enhancement projects and an entity whose funding source is directly related to salmon ex-vessel value has a keen interest in developing a clear understanding of how ex-vessel salmon prices are determined.

To that end, we offer our support for passage of House Bill #363.

Sincerely,

Lawrence M. Malloy,
Executive Director

KODIAK SEINERS ASSOCIATION
P.O. Box 2399
Kodiak, Alaska 99615
Phone 907/486-4686 Fax 907/486-7655



Representative Alan Austerman
Representative John Harris

Dear Sirs;

I am writing this letter of support of House Bill 363 " An Act relating to salmon product reports; and providing for an effective date" on behalf of the Kodiak Seiner's Association. I am a member of the board of directors of KSA. Members of our organization seine in the Kodiak salmon management area. Many of our members reside in the Kodiak area but many reside in other parts of the state also. We feel that passage of this bill is necessary to update information gathering for the State of Alaska's salmon industry.

Current reporting requirements don't accurately cover all product forms and aren't available in a timely manner. We feel that harvesters, other industry members, as well as the State and local governments all have an interest in knowing the value of the state's salmon production in a timely manner as provided for in HB 363.

I thank you for sponsoring this bill and all the work you have put into it.

Sincerely;

Oliver N. Holm
Oliver N. Holm