

**HB**

**390**

HFIN

FILE



# FISCAL NOTE

**STATE OF ALASKA**  
**2002 LEGISLATIVE SESSION**

Fiscal Note Number: 1  
 Bill Version: HB 390  
 (H) Publish Date: 2/27/02

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: DCED  
 Title Reauthorization of the 1% Salmon Tax BRU Alaska Seafood Marketing Institute (126)  
 Component Alaska Seafood Marketing Institute  
 Sponsor Representative McGuire  
 Requester \_\_\_\_\_ Component No. 393

**Expenditures/Revenues** (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services	226.0	226.0	226.0	226.0	226.0	226.0
Travel	74.0	74.0	74.0	74.0	74.0	74.0
Contractual	1,467.0	1,467.0	1,467.0	1,467.0	1,467.0	1,467.0
Supplies	32.0	32.0	32.0	32.0	32.0	32.0
Equipment	1.0	1.0	1.0	1.0	1.0	1.0
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>1,800.0</b>	<b>1,800.0</b>	<b>1,800.0</b>	<b>1,800.0</b>	<b>1,800.0</b>	<b>1,800.0</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>						
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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						
1156 Receipt Supported Services	1,800.0	1,800.0	1,800.0	1,800.0	1,800.0	1,800.0
<b>TOTAL</b>	<b>1,800.0</b>	<b>1,800.0</b>	<b>1,800.0</b>	<b>1,800.0</b>	<b>1,800.0</b>	<b>1,800.0</b>

Estimate of any current year (FY2002) cost: 0.0  
 Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

**POSITIONS**

Full-time	18	18	18	18	18	18
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

The Receipt Supported Services fund source stated here is derived from the collection of the 1% Salmon Marketing Tax. The 1% Salmon Marketing Tax is calculated on the actual Annual Harvest ex-vessel value of all salmon harvested in Alaska in any given year. Because of the varying cyclic nature of the salmon harvests from year to year, an average salmon ex vessel harvest value of \$180,000,000 per year of which 1% Salmon Marketing Tax equals \$ 1,800,000 has been used as the estimated collectable revenue for ASMI.

The estimated expenditures are based on a percentage ratio .

Prepared by: Barbara Balknap, Director Phone 907-465-5570  
 Division Alaska Seafood Marketing Institute Date/Time 2/11/02 4:26 PM  
 Approved by: Deborah B. Sedwick, Commissioner Date 2/11/2002  
 Agency Department of Community & Economic Development

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<b>CAPITAL EXPENDITURES</b>						
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Prepared by: Barbara Belknap, Director Phone 907-465-5570  
 Division Alaska Seafood Marketing Institute Date/Time 2/11/02 4:26 PM  
 Approved by: Deborah B. Sedwick, Commissioner Date 2/11/2002  
 Agency Department of Community & Economic Development

# Alaska State Legislature

Session  
State Capitol Building, Room 418  
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Chair, House Special Committee  
on Economic Development, Trade  
and Tourism

Chair, Joint House and Senate  
Administrative Regulation and  
Review Committee

Member  
Resources Committee  
Rules Committee

## Representative Lesil McGuire *House District 17*

### SPONSOR STATEMENT

#### HB 390

**“An Act extending the termination dates of certain activities and salmon marketing programs of the Alaska Seafood Marketing Institute and of the salmon marketing tax; expanding the allowable use of that tax for the salmon marketing programs of the Alaska Salmon Marketing Institute; relating to the Alaska Seafood Marketing Institute’s salmon marketing committee; and providing for an effective date.”**

HB 390 extends the termination date of certain activities and salmon marketing programs of the Alaska Seafood Marketing Institute, and the salmon marketing tax.

Under current uncodified law, the salmon marketing activities and programs of the Alaska Seafood Marketing Institute described in AS 16.51.100 (7) – (9) terminate on June 30, 2004. The salmon marketing tax described in AS 43.76.110 – 43.76.130, which supports certain ASMI activities and the ASMI’s domestic salmon marketing program, terminates June 30, 2003. HB 390 would extend those activities and programs, and the tax for an additional five years.

In addition, HB 390 amends AS 43.76.120 (d) to permit salmon marketing tax revenue to be appropriated for use in ASMI’s international salmon marketing program as well as for use in its domestic salmon marketing program. These changes would assure the continuation of the important work of ASMI and would provide greater flexibility in the marketing of Alaska salmon in the international marketplace.



**United Fishermen's Marketing Association, Inc.**

P.O. Box 2917 Kodiak, Alaska 99615

Telephone 486-4568

Fax: 907-486-8362



Representative Lesil McGuire  
House Resources Committee  
Alaska House of Representatives  
Juneau, AK  
Fax: 907-465-6592

March 6, 2002

Dear Representative McGuire,

The United Fishermen's Marketing Association, Inc. (UFMA) supports HB 390. UFMA supports the extension of the salmon marketing tax until June 30, 2003, and the provision to ASMI of the flexibility and authority to utilize salmon marketing tax revenues for the purpose of supporting advertising, public relations and other marketing initiatives for Alaskan Salmon in export markets.

The current environment with regard to Alaskan Salmon is very complex and multidimensional, largely influenced by the quantity of the world supply of salmon that is looking for a market, the relative position of Alaskan Salmon as part of that world salmon supply, and the perceptions, experiences and preferences of domestic and international consumers and customers that impact purchasing decisions with regard to salmon. A strong coherent marketing program for Alaskan Salmon is central to the progress of the Alaskan Salmon industry, and to the success of Alaskan Salmon as a meaningful category in the marketplace. Without a sustained Alaskan Salmon marketing program, where are we? Given the world salmon supply, the Alaskan Salmon supply (including it's oscillations), the comparative cost of other protein, (e.g. poultry, pork, beef, other seafood, etc.) and all of the other factors that affect consumer and institutional buying on the demand side, we must conclude that a strong Alaskan Salmon marketing program is an essential element in any initiative that addresses the survival and profitability of the Alaskan Salmon Industry. An Alaskan Salmon marketing program is needed now, more than ever.

UFMA believes that ASMI has done a superb job of fulfilling its mission. The limited funds that are available to ASMI significantly limit ASMI's ability to provide substantial benefits to the Alaskan Salmon Industry in domestic and export markets. HB 390 provides ASMI with important support that they need to their job; a job that they do very well.

Thank you for your consideration of our support for HB 390.

Sincerely,

Jeffrey R. Stephan



House Resources Committee

March 4, 2002

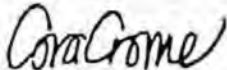
Page 2 of 2

We also support removing the domestic restriction on the one percent assessment. Expanding the allowable use of the salmon tax will allow the marketing experts at ASMI to use the money in regions with the greatest potential for sales. We feel that the judgment of ASMI staff and the oversight of the salmon marketing committee will be sufficient to ensure that these funds are used in such a way that fishermen get the maximum return for their assessment.

It is important to pass this bill in a timely manner. ASMI has many ongoing programs and it is important that they know their funding will be stable. When this bill passes, they will be able to commit to upcoming promotions and plan in advance with their retail partners. Waiting until just before the sunset date will put ASMI in a difficult position and will undermine the stability of their programs.

Again, we feel that the extension of the one percent and the removal of the domestic marketing restriction will greatly benefit the commercial fishing industry. We appreciate your consideration of these comments and request your support in passing this bill. If we can provide more information, please feel free to contact us.

Respectfully,



Cora Crome  
Director



# UNITED FISHERMEN OF ALASKA

February 21, 2002

211 Fourth Street, Suite 110  
Juneau, Alaska 99801-1172  
(907) 586-2820  
(907) 463-2545 Fax  
E-Mail: [ufa@ufa-fish.org](mailto:ufa@ufa-fish.org)  
[www.ufa-fish.org](http://www.ufa-fish.org)

Representative Lesil McGuire  
Alaska State Legislature  
State Capitol (MS 3100)  
Juneau, AK 99801-1182

Re: HB 390 ASMI Salmon Marketing

Dear Representative McGuire:

United Fishermen of Alaska supports passage of this bill to allow renewing the harvester salmon 1% assessment for marketing, authorizing ASMI to lobby for federal funds, and allowing the ASMI board to spend the assessment for marketing worldwide.

As you are aware, the Alaska salmon industry is facing challenges due to imports of farmed fish, the value of the Japanese yen, the lagging Japanese economy, and inefficiencies in the present harvesting structure. It is import to signal to Alaska's fishery markets and our competitors that we are serious about marketing our product; renewing the assessment now rather than waiting until the last minute in 2003 sends the right message.

The twenty-nine member groups of UFA would appreciate your support in passing this bill.

If you have any questions about our position or if you need additional information, please feel free to contact me.

Sincerely,

Thomas M. Gemmell  
Executive Director

#### MEMBER ORGANIZATIONS

Alaska Longline Fishermen's Association • Alaska Trollers Association • At-sea Processors Association • Bristol Bay Reserve  
Chignik Regional Aquaculture Association • Concerned Area "M" Fishermen • Cook Inlet Aquaculture Association  
Copper River Salmon Producers Association • Cordova District Fishermen United • Douglas Island Pink and Chum  
Kenai Peninsula Fishermen's Association • Kodiak Regional Aquaculture Association • Kodiak Seiners Association • North Pacific Fisheries Association  
Northern Southeast Regional Aquaculture Association • Old Harbor Fisherman's Association • Petersburg Vessel Owners Association  
Prince William Sound Aquaculture Corporation • Pursue Seine Vessel Owners Association • Seafood Producers Cooperative  
Southeast Alaska Regional Dive Fisheries Association • Southeast Alaska Seiners Association • Southern Southeast Regional Aquaculture Association



# Alaska Trollers Association

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

February 25, 2002

Representative Gary Stevens, Co-Chair  
Representative Peggy Wilson, Co-Chair  
House Fisheries Committee  
Alaska State Legislature  
Juneau, AK 99811

Dear Representatives:

**The Alaska Trollers Association (ATA) strongly supports HB 390, which extends the salmon marketing tax through 2008 and allows ASMI the option to use this money on both domestic and foreign marketing programs.**

Recent years have brought a series of challenges for those who harvest and market Alaska seafood. For instance, fishermen have seen their bottom line ravaged by the rapid rise of cheap subsidized farm salmon in the marketplace, combined with numerous regulatory policies restricting their access to salmon. Processors have struggled to maintain old markets, and develop new, in the face of increased production costs and the glut of farmed salmon.

In year 2000, Chile increased its export of farmed salmon by 57%. Canada's new government has just lifted its moratorium on new salmon farms. A look to Norway, Scotland, Ireland, New Zealand, Iceland, and even the US, makes the future painfully clear – salmon farming is here to stay and we must find a way to compete. More farmed species and product forms are in development and will further test our marketing skills. Now more than ever the salmon industry needs to identify its wholesome array of wild-caught fish as uniquely different in the marketplace.

September 11 has proved a fateful day for nearly every business across the globe and brought with it unexpected trials and tribulations for the seafood community. If your firm specializes in security, you're racing to accommodate an unanticipated demand. If you sell trips to far away places, you're dealing with consumer angst and inconvenience. If you sell seafood, you're coping with increased security measures as you transport your fish and try to sell them to people tightening their belts in the face of economic uncertainty. Food safety concerns are heightened. In sum, people just aren't spending as much or eating out as often these days, and that will likely continue in the near term. We must find a way to increase consumer confidence in US harvested salmon and educate them about the advantages of all that Alaska has to offer. This is why precisely why we support continuing our cooperative marketing efforts with ASMI.

**ATA supports the salmon marketing tax.** Alaska fishermen are digging deep into their pockets during this very lean time and choosing to support ASMI through reauthorization of the marketing tax. Our 1% contribution makes up a significant portion of ASMI's budget and we believe this would be the worst time to lose these critical marketing dollars. Of course, we also hope that the legislature will choose to help bolster the state's seafood marketing efforts with a separate appropriation to ASMI.

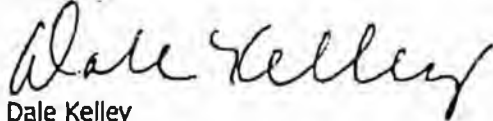
Seafood is Alaska's first industry. It is the business that has directly and indirectly provided more jobs and income than any other to Alaskans and the state for well over 100 years. When the fishing industry loses market share the entire state feels the pain of reduced employment and income for our communities and the general fund. We harvest more fish in this state than most countries and are competing head to head with entire nations that invest millions and millions of dollars to market fisheries product. This year the Norwegian fish farm industry estimates it will need \$100 million to market in the face of some of the problems it faces. Norway is already known to invest \$40 million plus each year to help their industry move fish. Obviously they recognize a strong reliance on seafood. I can't imagine that you don't see a similar link between Alaska seafood and the economic success of this state. In the face of significant market challenges, the seafood industry still contributed \$52 million dollars to the general fund in FY01.

**ATA supports allowing ASMI the opportunity to use salmon marketing tax money in foreign markets.** We think that providing ASMI the flexibility to search out the best marketing opportunities just makes good business sense. ATA doesn't view this provision as contrary to our long term goal of expanding markets in the USA, but as a necessary element to the successful design of strategic marketing plans that best serve Alaska's interest now and into the future.

Let's work in partnership to ensure the long-term health of this industry that has been, and can continue to be, a cornerstone of Alaska's economy.

**Thanks in advance for your support of HB 390.** If I can be of assistance on this or other issues, please don't hesitate to contact me.

Sincerely,



Dale Kelley  
Executive Director

HB390

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Chairman Mylder

I AM OPPOSED TO THE REAUTHORIZATION OF THE A.S.M.I. TAX BY THE LEGISLATURE, LETS BE FRANK NO ONE LIKES TO PAY TAXES, TO BE FORCED TO PAY A TAX THAT IS PROVIDING NO DIRECT BENEFIT TO YOU PERSONALLY OR FINANCIALLY IS UNPLEASANT.

SINCE THE INCEPTION OF THIS TAX IT HAS TRANSFERRED \$2,800,000 OUT OF KODIAK'S ECONOMY INTO ECONOMIC DEVELOPMENT FOR JUNEAU AND BELLINGHAM, WASHINGTON THROUGH A.S.M.I.

IT IS TIME TO REEXAMINE ALL ASPECTS OF THE SALMON INDUSTRY AS.M.I. ALSO NEEDS TO COME UNDER SCRUTINY.

NO OTHER FISHERY IN THE STATE PAYS A 1% MARKETING TAX, HATCHERY COST RECOVERY FISH ARE EXEMPT FROM THIS TAX.

THIS SPEAKS TO THE LACK OF CONFIDENCE IN AS.M.I. AND ITS ABILITY TO MARKET FISH.

IT MAY BE THAT SOMEONE IS BENEFITTING FROM THIS TAX,

(2)

A broker or grocery chain, it is definitely not the harvester, or the state of AK,

Raw fish tax is extracted off the exvessel value, the price paid to the harvester. our exvessel value does not reflect any benefit from this tax.

Asmi. has no product to sell and most processors could care less about generic marketing.

The tax has never been put to a vote of salmon permit holders, those whose pockets it comes from as the aquaculture tax was, a tax you can vote in or out through process,

You have to be in the good graces of the governor to get appointed to the Asmi. board, which is ridiculous, being the state hasn't put money into Asmi. for years and probably never will again.

On a final note, the domestic market is where it is at, that was the original intent of use for the tax, deviation from this hopefully would kill the tax.

(3)

10 yrs is a long enough to try a program, it is not working.

In comparison I wouldn't mind paying a road tax if I saw it paving Roads and filling pot holes, The asmi TAX SEEMS to be funding Ruts and digging them deeper.

Chris BERNIS

32 yr salmon fisherman

42 yr AK resident

Father of 5