

SB

322

HFIN

FILE

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: HCS CSSB 322 (FIN)
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
Title Salmon Enhancement Tax BRU Revenue Programs & Services
Component Tax Division
Sponsor Senator Ben Stevens
Requester House Finance Committee Component No. 2476

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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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--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2004) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

Prepared by: _____ Phone 465-3424
Rep. Williams, Co-Chair *[Signature]* Date/Time 4/29/04 12:45 PM
Rep. Harris, Co-Chair *[Signature]* Date 4/29/2004

Alaska State Legislature



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SPONSOR STATEMENT

Senate Bill 322

“An Act relating to the rate of the salmon enhancement tax.”

Senate Bill 322 modifies AS 43.76 by adding additional tax rates of **30, 20, 15, 10, 9, 8, 7, 6, 5, and 4 percent** to the salmon enhancement tax.

Under current law, commercial salmon interim-use and entry permit holders organized under Regional Aquaculture Associations (AS 16.10.380) may vote to tax themselves at the rate of one, two or three percent of the value of their harvest. These monies are collected by the Department of Revenue and deposited in the general fund. The legislature may make appropriations based on this deposit to the Department of Community and Economic Development for the purpose of providing financing for qualified regional aquaculture associations.

The decline in the value of salmon due to changing market dynamics has led to increased costs for regional aquaculture associations. In order to meet their continuing costs, many have increased the amount of fish harvested for “cost-recovery.” Fishermen would like the opportunity to raise their tax rate to avoid increased cost-recovery harvests.

Qualified regional aquaculture associations are permitted in statute (AS 43.76.015) to conduct an election to approve or terminate a salmon enhancement tax. The statute requires approval by a majority vote of the eligible interim-use permit and entry permit holders voting in an election.

Senate Bill 322 provides some flexibility for regional aquaculture associations to organize their operations and respond to the changing conditions in the salmon industry.

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: SB 322
(S) Publish Date: 3/3/04

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
Title Salmon Enhancement Tax RDU Revenue Programs & Services
Component Tax Division
Sponsor Senator Ben Stevens
Requester Senate Labor & Commerce Component No. 2476

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	*	*	*	*	*	*

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()	*	*	*	*	*	*
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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--Do not abbreviate)						
TOTAL	*	*	*	*	*	*

Estimate of any current year (FY2004) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

See page 2

Prepared by: Chuck Harlamert Phone 465-2320
Division Tax Division Date/Time 2/23/04 1:11 PM
Approved by: Steve Porter, Deputy Director Date 2/23/2004
Agency Department of Revenue

FISCAL NOTE #1

STATE OF ALASKA
2004 LEGISLATIVE SESSION

BILL NO. SB 322

ANALYSIS CONTINUATION

Cost Discussion

Increased tax rates will increase our costs to administer the Salmon Enhancement Tax. The tax rates authorized under the legislation, if approved within individual regions, can significantly increase compliance risk. Our costs to maintain compliance would necessarily grow to maintain compliance. However, we are unable to predict which regions, if any, will approve the higher tax rates authorized by the bill, the year of approval, or the rates ultimately approved within any region. We are therefore unable to estimate our costs associated with this legislation.

Revenue Discussion

Existing law provides the option of imposing the Salmon Marketing tax at 1%, 2%, or 3%. The bill creates ten additional rate options: 4%, 5%, 6%, 7%, 8%, 9%, 10%, 15%, 20%, and 30%. Six aquaculture regions have approved a Salmon Enhancement Tax, two at the rate of 3% and four regions at 2%. These six regions generated \$2.4 million of Salmon Enhancement Tax during FY03. The revenue generated by these regions at the 30% rate authorized by the bill would have been approximately \$30 million based on FY03 activity. The revenue impact of the bill therefore could range between zero and \$27.6 million based on FY03 activity and dependent on the rates approved within individual regions.

Table 2

Alaska Hatchery Commercial Common Property & Cost Recovery Return Data- 1993-2003

Alaska Department of Fish and Game, contact: Craig Farrington (907) 465-6154

RegName	Agency	Data	Recovery										Grand Total	
			1993	1994	1995	1996	1997	1998	1999	2000	2001	2002		2003
Cook Inlet	CIAA	Sum of Comn	608,014	863,971	1,548,832	309,037	178,926	616,210	570,452	222,229	765,044	744,903	1,059,843	6,485,618
		Sum of CR	469,014	1,040,877	1,310,026	503,427	2,442,807	858,397	1,042,052	1,143,741	491,070	874,069	713,948	10,178,300
		CR Percent	44%	55%	46%	58%	03%	58%	65%	84%	39%	54%	40%	61%
		Commercial F	56%	45%	54%	42%	7%	42%	35%	16%	61%	46%	60%	39%
	PGHC	Sum of Commercial			2,200	15,894	82,679	0	0	2,500	0	19,407	24,665	147,435
		Sum of CR			0	5,734	94,378	0	660	0	0	255,042	46,088	403,403
		CR Percent			0%	27%	53%		100%	0%		93%	68%	73%
		Commercial Percent			100%	73%	47%		0%	100%		7%	34%	27%
Cook Inlet Sum of Commercial			608,014	863,971	1,551,032	384,931	259,605	616,210	570,452	224,729	765,044	764,400	1,084,508	6,608,388
Cook Inlet Sum of CR			469,014	1,040,877	1,310,926	509,161	2,537,186	858,397	1,042,712	1,143,741	491,070	1,129,711	760,036	10,532,705
Cook Inlet CR Percent			44%	55%	46%	57%	81%	59%	84%	30%	60%	41%	61%	
Cook Inlet Commercial Percent			56%	45%	54%	43%	9%	42%	35%	16%	61%	40%	39%	
Kodiak & AK	KRAA	Sum of Comn	12,112,300	2,387,284	4,951,239	1,555,829	1,591,956	8,783,164	5,019,191	4,422,702	13,917,896	7,620,338	6,407,418	60,361,899
		Sum of CR	0	4,188	0	0	0	0	0	0	0	0	1,581,111	4,188
		CR Percent	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	20%	0%
		Commercial F	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	80%	100%
Kodiak & AK Peninsula Sum of Commercial			12,112,300	2,387,284	4,951,239	1,555,829	1,591,956	8,783,164	5,019,191	4,422,702	13,917,896	7,620,338	6,407,418	60,361,899
Kodiak & AK Peninsula Sum of CR			0	4,188	0	0	0	0	0	0	0	1,581,111	4,188	
Kodiak & AK Peninsula CR Percent			0%	0%	0%	0%	0%	0%	0%	0%	0%	20%	0%	
Kodiak & AK Peninsula Commercial Percent			100%	100%	100%	100%	100%	100%	100%	100%	100%	80%	100%	
Prince William	PWSAC	Sum of Comn	3,450,605	12,345,232	6,001,874	11,035,353	12,789,617	16,139,814	17,260,146	17,883,882	8,518,555	12,110,855	25,318,483	115,548,133
		Sum of CR	1,310,981	5,305,412	2,899,870	7,232,116	8,402,921	8,029,625	9,790,786	8,743,758	6,046,395	9,116,994	10,553,904	68,874,836
		CR Percent	28%	30%	33%	40%	40%	27%	36%	33%	60%	43%	29%	37%
		Commercial F	72%	70%	67%	60%	60%	73%	64%	67%	40%	57%	71%	63%
	VFDA	Sum of Comn	674	9,647,154	3,891,199	5,255,130	4,308,064	1,244,032	9,532,610	7,978,071	11,605,958	416,481	11,934,158	53,869,353
		Sum of CR	1,375,815	3,379,284	2,635,927	2,280,874	2,497,104	3,193,600	4,523,363	4,094,038	4,043,325	4,438,173	4,180,560	32,481,509
		CR Percent	100%	26%	40%	30%	37%	72%	32%	34%	26%	91%	26%	38%
		Commercial F	0%	74%	60%	70%	63%	28%	68%	66%	74%	9%	74%	62%
Prince William Sound Sum of Commercial			3,451,279	21,092,386	9,893,073	16,290,483	17,107,681	17,383,546	26,792,756	25,862,053	18,124,513	12,527,316	37,252,839	169,415,488
Prince William Sound Sum of CR			2,686,776	8,774,696	5,535,797	9,512,990	10,900,025	8,223,225	14,320,185	12,837,784	13,989,720	13,555,167	14,734,464	101,336,345
Prince William Sound CR Percent			44%	20%	36%	37%	37%	35%	35%	33%	44%	46%	37%	
Prince William Sound Commercial Percent			56%	71%	64%	63%	61%	65%	65%	67%	56%	48%	63%	
Southeast	AAI	Sum of Comn	232,560	565,357	350,727	828,008	61,870	0	560,303	13,627				2,612,392
		Sum of CR	41,133	183,200	51,758	119,755	677,175	147,629	222,350	0				1,443,000
		CR Percent	15%	24%	13%	13%	92%	100%	28%	0%				36%
		Commercial F	85%	76%	87%	87%	8%	0%	72%	100%				64%
	AKI	Sum of Comn	127,795	503,083	829,343	557,203	812,277	804,042	817,366	107,151	1,174,532	945,398	501,075	6,478,210
		Sum of CR	262,662	1,127,800	419,380	604,395	1,087,920	1,260,989	3,169,782	55,252	1,267,230	1,072,758	405,298	10,328,168
		CR Percent	67%	59%	34%	52%	64%	61%	79%	34%	52%	53%	45%	61%
		Commercial F	33%	31%	66%	48%	36%	39%	21%	66%	48%	47%	55%	39%
	BCF	Sum of Comn	191	2,517	1,248	664	675	703	1,345		167	4		7,514
		Sum of CR	0	0	0	0	0	0	0	0	51	0		91
		CR Percent	0%	0%	0%	0%	0%	0%	0%	0%	35%	0%		1%
		Commercial F	100%	100%	100%	100%	100%	100%	100%	100%	65%	100%		99%
	DIPAC	Sum of Comn	268,969	1,110,122	596,142	709,802	647,078	512,722	775,269	1,374,945	741,624	931,222	709,744	7,657,895
		Sum of CR	40,367	2,938,842	597,368	1,002,082	594,701	817,045	952,788	1,947,051	715,913	1,299,326	2,056,146	11,305,482
		CR Percent	13%	73%	50%	59%	61%	61%	55%	59%	40%	58%	74%	60%
		Commercial F	87%	27%	50%	41%	39%	39%	45%	41%	51%	42%	26%	40%
	Kake	Sum of Comn	32,469	165,938	18,300	16,290	29,210	65,626	119,572	185,325	35,894	75,539	147,644	892,207
		Sum of CR	32,167	70,619	31,749	132,180	319,145	204,626	229,210	429,053	249,519	241,830	1,220,592	3,168,690
		CR Percent	50%	32%	63%	89%	92%	78%	66%	70%	87%	76%	87%	78%
		Commercial F	50%	68%	37%	11%	8%	24%	34%	30%	13%	24%	11%	22%
	KTHC	Sum of Comn	4,202	5,324	3,407	14,006	4,585	5,609	6,106	3,977	4,450	3,109	2,903	54,775
		Sum of CR	0	0	41	0	0	0	0	0	0	0	0	310
		CR Percent	0%	0%	1%	0%	0%	0%	0%	0%	0%	0%	0%	10%
		Commercial F	100%	100%	99%	100%	100%	100%	100%	100%	100%	100%	90%	100%
	NSRAA	Sum of Comn	2,825,445	4,106,357	4,579,861	8,009,205	3,772,730	4,677,316	5,956,186	6,075,016	2,177,029	1,977,401	2,286,107	42,158,855
		Sum of CR	539,708	647,592	551,884	878,947	616,613	749,780	862,506	717,023	594,418	840,960	1,077,781	7,000,031
		CR Percent	16%	14%	11%	13%	14%	14%	13%	11%	21%	30%	32%	14%
		Commercial F	84%	86%	89%	87%	88%	86%	87%	89%	79%	70%	68%	85%
	POWHA	Sum of Comn	51,122	36,632	1,312	15,158	48,136	9,358	22,225	33,152	18,958	12,148	39,446	248,201
		Sum of CR	7,960	1,683	0	2,974	2,178	144	4,992	27,364	14,167	23,621	17,543	85,052
		CR Percent	13%	4%	0%	16%	4%	2%	18%	45%	43%	66%	31%	26%
		Commercial F	87%	96%	100%	84%	96%	98%	82%	55%	57%	34%	69%	74%
	SJC	Sum of Comn	1,792	148,682	5,165	172,764	128,963	77,189	21,546	88,313	52,897	44,608	11,100	741,910
		Sum of CR	31	82,323	400	19,512	16,518	122,785	107,453	124,814	6,124	0	0	470,980
		CR Percent	2%	36%	7%	10%	11%	61%	83%	59%	10%	0%	0%	39%
		Commercial F	98%	64%	93%	90%	89%	39%	17%	41%	90%	100%	100%	61%
	SSRAA	Sum of Comn	1,112,512	1,064,735	1,208,588	1,950,217	2,025,277	3,168,308	1,150,804	1,206,733	1,278,877	732,037	1,415,920	14,603,888
		Sum of CR	759,247	983,528	982,450	1,759,081	2,143,867	2,102,365	1,650,223	1,681,485	1,069,540	836,743	1,174,350	14,037,527
		CR Percent	41%	48%	45%	47%	51%	41%	59%	58%	46%	46%	49%	49%
		Commercial F	59%	52%	55%	53%	40%	50%	41%	42%	54%	47%	55%	51%
Southeast Sum of Commercial			4,656,997	7,708,747	7,584,193	10,281,317	7,330,810	9,318,873	9,430,742	9,086,230	5,484,226	4,721,866	5,113,939	75,608,012
Southeast Sum of CR			1,683,224	6,043,585	2,635,030	4,518,826	5,858,117	5,465,361	7,208,304	4,081,642	3,917,022	4,315,238	5,952,020	46,627,451
Southeast CR Percent			27%	44%	24%	28%	44%	37%	35%	42%	48%	54%	38%	
Southeast Commercial Percent			73%	56%	74%	69%	56%	63%	57%	58%	52%	46%	62%	
Total Sum of Commercial			20,829,590	32,052,388	23,969,537	28,512,560	28,200,052	34,102,103	41,813,141	39,597,723	38,201,681	25,633,020	40,858,504	311,091,785
Total Sum of CR			4,839,014	15,863,340	9,481,753	14,541,077	16,205,328	15,546,885	22,571,171	18,964,177	18,397,812	19,000,118	23,028,531	158,503,779
Total CR Percent			19%	32%	28%	34%	42%	31%	35%	32%	32%	43%	32%	
Total Commercial Percent			81%	68%	72%	66%	58%	69%	65%	68%	68%	57%	68%	

Sec. 43.76.015. Election to approve or terminate salmon enhancement tax.

(a) A qualified regional association may conduct an election under this section after the commissioner of community and economic development approves

- (1) the notice to be published by the qualified regional association;
- (2) the ballot to be used in the election; and
- (3) the registration and voting procedure for the approval or termination of the salmon enhancement tax.

(b) The salmon enhancement tax is levied under AS 43.76.010, 43.76.011, or 43.76.012 in a region on the effective date stated on the ballot if

- (1) it is approved by a majority vote of the eligible interim-use permit and entry permit holders voting in an election held under this section in the region; and
- (2) the election results are certified by the commissioner of community and economic development.

(c) In conducting an election under this section, a qualified regional association shall adopt the following procedures:

(1) the qualified regional association for the region shall hold at least one public meeting not less than 30 days before the date on which ballots must be postmarked to be counted in the election to explain the reason for the proposed salmon enhancement tax and to explain the registration and voting procedure to be used in the election; the qualified regional association shall provide notice of the meeting by

- (A) mailing the notice to each eligible interim-use permit and entry permit holder;
- (B) posting the notice in at least three public places in the region; and
- (C) publishing the notice in at least one newspaper of general circulation in the region at least once a week for two consecutive weeks before the meeting;

(2) the qualified regional association shall mail two ballots to each eligible interim-use permit and entry permit holder; the first ballot shall be mailed not more than 45 days before the dates ballots must be postmarked to be counted in the election; the second ballot shall be mailed not less than 15 days before the date ballots must be postmarked to be counted in the election; the qualified regional association shall adopt procedures to ensure that only one ballot from each eligible interim-use permit and entry permit holder is counted in the election;

(3) the ballot must

(A) indicate whether the election relates to a salmon enhancement tax under AS 43.76.010, to a salmon enhancement tax under AS 43.76.011, or to a salmon enhancement tax under AS 43.76.012;

(B) ask the question whether the salmon enhancement tax shall be levied;

(C) indicate the boundaries of the region in which the salmon enhancement tax will be levied;

(D) provide an effective date for the levy of the salmon enhancement tax; and

(E) indicate the date on which returned ballots must be postmarked in order to be counted;

(4) the ballots shall be returned by mail and shall be counted by the commissioner of community and economic development or by a person approved by the commissioner of community and economic development.

(d) The commissioner of community and economic development shall certify the results of an election under this section if the commissioner determines that the requirements of (a) and (c) of this section have been satisfied.

(e) Except as provided in AS 43.76.020(b)(2), an election to terminate a salmon enhancement tax shall be conducted under the same procedures established under (a), (c) and (d) of this section for an election to approve a salmon enhancement tax.

(f) In this section, "eligible interim-use permit and entry permit holder" means an individual who, 90 days before the date ballots must be postmarked to be counted in an election under this section, is listed in the records of the Alaska Commercial Fisheries Entry Commission as the legal owner of an interim-use permit or an entry permit which authorizes the individual to fish commercially in an administrative area established by the Alaska Commercial Fisheries Entry Commission under AS 16.43.200, which is included, in whole or in part, in the region in which the election is held.

History -

(Sec. 2 ch 154 SLA 1980; am Sec. 2, 3 ch 33 SLA 1989)

Revisors Notes -

In 1999, in this section, "commissioner of commerce and economic development" was changed to "commissioner of community and economic development" in accordance with Sec. 88, ch. 58, SLA 1999.

Sec. 43.76.020. Termination of salmon enhancement tax.

(a) The salmon enhancement tax levied under AS 43.76.010, 43.76.011, or 43.76.012 may be terminated by the commissioner of revenue upon majority vote at an election held under AS 43.76.015 in the region in which the salmon enhancement tax is levied.

(b) A salmon enhancement tax shall be terminated by the commissioner of revenue under (a) of this section following an election in a region if

(1) a petition is presented to the commissioner of community and economic development requesting termination of the salmon enhancement tax which is signed by at least 25 percent of the number of persons who voted under AS 43.76.015 in the election approving the salmon enhancement tax in the region;

(2) the commissioner of community and economic development determines that there are no outstanding loans to the qualified regional association under AS 16.10.510 that are secured by the tax;

(3) an election is held in accordance with AS 43.76.015; the ballot must ask the question whether the salmon enhancement tax for the region shall be terminated; the ballot must be worded so that a "yes" vote is for continuation of the salmon enhancement tax and a "no" vote is for termination of the salmon enhancement tax;

(4) a majority of the eligible interim-use permit and entry permit holders who vote in the election cast a ballot for the termination of the salmon enhancement tax; and

(5) the qualified regional association provides notice of the election in accordance with AS 43.76.015 within two months after receiving notice from the commissioner of community and economic development that a valid petition under (1) of this subsection has been received.

History -

(Sec. 2 ch 154 SLA 1980; am Sec. 15 ch 117 SLA 1981; am Sec. 4, 5 ch 33 SLA 1989)

Revisors Notes -

In 1999, in this section, "commissioner of commerce and economic development" was changed to "commissioner of community and economic development" in accordance with Sec. 88, ch. 58, SLA 1999.

Sec. 43.76.025. Collection of tax and disposition of proceeds.

(a) A buyer who acquires fisheries resources that are subject to a salmon enhancement tax imposed by AS 43.76.010, 43.76.011, or 43.76.012 shall collect the salmon enhancement tax at the time of purchase, and shall remit the total salmon enhancement tax collected during each month to the department by the last day of the next month.

(b) A buyer who collects the salmon enhancement tax shall

(1) maintain records reflecting the region designated under AS 16.10.375 in which the fishery resource was caught; and

(2) report to the Department of Revenue by March 1 of each year the total value, as defined in AS 43.75.290, of the salmon caught in each region designated under AS 16.10.375 which the buyer has acquired during the preceding year.

(c) The salmon enhancement tax collected under AS 43.76.010 - 43.76.028 shall be deposited in the general fund. The legislature may make appropriations based on this revenue to the Department of Community and Economic Development for the purpose of providing financing for qualified regional associations. The legislature may base an appropriation for a qualified regional association operating within a region designated under AS 16.10.375 on the value of the fisheries resources caught in that region rather than the value of the fisheries resources sold in that region if those values differ.

History -

(Sec. 2 ch 154 SLA 1980; am Sec. 16, 17 ch 117 SLA 1981; am Sec. 6 ch 33 SLA 1989; am Sec. 14 ch 6 SLA 1998)

Revisors Notes -

In 1999, in this section, "Department of Commerce and Economic Development" was changed to "Department of Community and Economic Development" in accordance with Sec. 88, ch. 58, SLA 1999.

Amendment Notes -

The 1998 amendment, effective June 28, 1998, made section reference substitutions in subsection (c).

AG Opinions -

It would be an inappropriate use of public funds for the Department of Commerce and Economic Development to disburse funds to the Bristol Bay Regional Aquaculture Association, knowing that these funds are not to be used to finance current salmon rehabilitation and enhancement projects, but rather are to be used as investment capital. March 19, 1987 Op. Att'y Gen.

SB 322 : re rate of salmon enhancement tax
(Sen. Ben Stevens)

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