

HB

218



REPRESENTATIVE BILL THOMAS

ALASKA STATE LEGISLATURE DISTRICT 5

e-mail: Representative.Bill.Thomas@legis.state.ak.us webpage: www.akrebublicans.org/thomas/

State Capitol

Juneau AK, 99801-1182

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Sponsor Statement HB 218

"An Act relating to cost recovery fisheries for private nonprofit hatchery facilities"

Salmon hatcheries in Alaska are successful examples of state assisted economic development programs. Over the years, hatcheries have provided great benefit to our commercial fishing industry and to other users of fish by enhancing the strength of salmon returns and by creating jobs in our communities. The commercial salmon industry has paid into this program through the Salmon Enhancement Tax since 1980.

HB 218 relates to the methods by which hatcheries generate revenue to cover their operating and capital expenses. These methods are referred to as "cost recovery." Under current practices, hatcheries generally contract with processors to purchase part of the returning run of fish that are caught in areas known as Special Harvest Areas immediately in front of hatcheries or at remote release sites where enhanced runs of fish have been developed. Typically only a handful of commercial vessels actually participate in the harvest of these cost recovery fish.

HB 218 provides language that would allow hatchery operators to choose to recover their costs through fisheries open to commercial fishermen, allowing the fleet to access more fish. Because each hatchery has a unique financial situation, this alternative type of cost recovery may not be applicable to all hatcheries. For this reason, HB 218 merely provides permissive language. It in no way will force a hatchery to change its current practices. However, the intent language in Section 1 of the bill states that the hatcheries should maximize the harvest of returning fish to fishermen and minimize the direct sale of salmon by the hatcheries themselves. This refers to the fact that hatcheries were created to enhance the productivity of salmon runs; productivity that should primarily benefit the users of the resource.

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: HB 218
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Commerce
 Title Private Hatchery Cost Recovery Fisheries RDU Investments (122)
 Component Investments
 Sponsor Thomas
 Requester House Fisheries Component No. 383

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
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 ()						
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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 (FY2005) cost: 0.0
 Mark this box () if funding for this bill is included in the Governor's FY 2006 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This legislation would allow private non-profit aquaculture associations to utilize a new method of conducting their cost recovery operations. Although the Alaska Division of Investments (division) provides financing to private non-profit aquaculture associations under the Fisheries Enhancement Revolving Loan Fund, the associations make all cost recovery decisions without input from the division. As a result this bill will have no fiscal impact on the division.

Prepared by: Greg Winegar, Director Phone 907.465.2510
 Division: Investments Date/Time 4/14/05 7:08 PM
 Approved by: Edgar Blatchford, Commissioner Date 4/14/2005
 Agency: Commerce, Community, and Economic Development

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: H.B. 218
April 13, 2005 Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Fish and Game
Title: An act relating to cost recovery RDU: Commercial Fisheries
hatcheries for private non-profits Component: SE, Central, and Westward Regions
Sponsor: Representative Bill Thomas Fish Management
Requester: House Fisheries Committee Component No.: 2167, 2168, 2170

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
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	0.0	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--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2005) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This legislation is enabling legislation and creates no additional expenses for the Alaska Department of Fish and Game (ADF&G). The promulgation of the regulations required by this legislation is already covered by ADF&G's existing budget. A zero fiscal note assumes that ADF&G will not be conducting hold inspections and that the reporting of harvests and sales taken within the special harvest area will be accomplished through the existing fish ticket catch reporting system.

Prepared by: Doug Mecum, Director
Division: Division of Commercial Fisheries
Approved by: McKie Campbell, Commissioner
Agency: Department of Fish and Game

Phone 465-6100
Date/Time 4/14/05 4:11 PM
Date 4/14/2005

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: H8218-DPS-ASTD-4-14-05
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Public Safety
 Title: "An Act relating to cost recovery fisheries for private nonprofit hatchery facilities." RDU: Alaska State Troopers
 Component: AST Detachments
 Sponsor: Representative Thomas
 Requester: House Fisheries Component No.: 2325

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
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 ()						
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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 (FY2005) cost: 0.0
 Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

In part, Section 2 outlines that hatchery permit holders can harvest salmon for the facility in special harvest areas using agents, contractees, or employees of the permit holder or through common property fisheries. A person who violates a regulation adopted under this section is guilty of a class A misdemeanor.

Currently the Department of Public Safety (DPS) does not expend any resources enforcing cost recovery fisheries. DPS does enforce fisheries opened by Department of Fish and Game in special harvest areas, and terminal harvest areas on a limited basis. These efforts are dependent upon other ongoing enforcement needs and public safety emergencies.

Since the involvement for DPS has not been stipulated by this legislation, we have determined that there is no fiscal impact.

Prepared by: Lieutenant Todd Sharp Phone 907-465-3223
 Division: Alaska State Troopers Date/Time 4/14/05 1:22 PM
 Approved by: Commissioner William Tandeske Date 4/14/2005
 Agency: Department of Public Safety

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: HB 218 (FSH)
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue 04
 Title Private Hatchery Cost Recovery Fishes RDU Tax and Treasury
 Component Tax
 Sponsor Rep. Thomas
 Requester House Resources Component No. 2476

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
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 (FY2005) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2006 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 4/18/05 4:12 PM
 Approved by: Tom Boutin, Deputy Commissioner Date 4/18/2005
 Agency: Revenue

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

BILL NO. HB 218 (FSH)

ANALYSIS CONTINUATION

The bill authorizes hatchery permit holders to recover costs using an assessment against special common property fisheries in lieu of cost recovery harvests. Revenue is charged with setting the assessment rate, not to exceed 40%, in consultation with the Department of Fish and Game, the Department of Commerce, Community, and Economic Development, the hatchery permit holder, and commercial fishermen. Licensed fisheries businesses and participating commercial fishermen remit the assessment to the Department under regulations.

Our interpretation of the bill is that it does not authorize the Revenue to enforce an assessment. The department will not perform audits or otherwise pursue compliance with an assessment. The assessment is not subject to the administrative provisions of Title 43 including penalties, interest, assessments and limitations on assessments, or appeal rights and procedures. The department's authority is restricted to setting the assessment rate, receiving payments, and accounting.

Cost Discussion

Our costs are indeterminant because we cannot predict the number, if any, or complexity of common property cost recovery fisheries that will arise under the bill.

Receipt & Accounting

We are unable to predict the actual number of fisheries that can be handled using existing resources. We estimate that we can receive and account for 2-3 common property cost recovery fisheries using existing resources. It is possible, depending on the number of payors per fishery and the complexity and timing of accounting and distribution requirements, that we could receive and account for additional fisheries using existing resources.

Rate Setting

We are unable to predict the cost of setting rates under the bill. The time and expense attributable to rate setting will be influenced by the knowledge, experience, contributions by the participants, the financial and operational status of the hatchery permit holder, and other factors specific to each fishery and hatchery permit holder. We expect to incur travel expenses with respect to hatcheries and interest groups who are testing the waters as well as for any cost recovery fisheries that actually take place. We are unable to anticipate the level of demand for services associated with rate setting activities, however, the successful establishment of a fishery under the program may not be possible without dedicated staffing.

Revenue Discussion

We are unable to predict the number of cost recovery fisheries that will arise under the bill or receipts associated with a fishery.



UNITED FISHERMEN OF ALASKA

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

April 5, 2005

Representative Thomas, Co-Chair
Representative LeDoux, Co-Chair
House Special Committee on Fisheries
Alaska State Legislature
State Capitol (Mail Stop 3100)
Juneau, AK 99801-1182

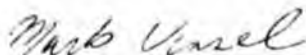
Dear Representative Thomas:

United Fishermen of Alaska (UFA) supports passage of House Bill 218 relating to potential reductions in hatchery cost recovery fisheries and resulting increases in common property fisheries to be accompanied by a voluntary assessment/landing tax collected by the Department of Revenue. The basis for UFA support is three-fold:

1. First and foremost, HB 218 is permissive. That is, the hatchery and its Board of Directors must elect to harvest surplus salmon through the common property fishery. Similarly, commercial fishermen are under no obligation to participate in the common property fishery and pay the additional landing tax.
2. HB 218 does not in any meaningful manner disrupt hatchery finances or in any way impinge upon the hatchery's fiduciary duties. The additional landing tax will generate the same level of net revenue now generated by the cost recovery fishery. The tax rate will be adjusted annually to ensure that the tax reflects the reasonable financial needs of the hatchery.
3. HB 218 is a first step toward reducing the direct sale of salmon by hatcheries. UFA does not oppose hatchery sales and in fact has a number of member hatcheries, including NSRAA and PWSAC. However, UFA does maintain that whenever possible, commercial salmon fishermen must have maximum opportunity to harvest and sell salmon produced at hatcheries or in the wild.

If you have any further questions regarding UFA's support of HB 218, please do not hesitate to contact me.

Respectfully


Mark D. Vinsel
Executive Director

SUPPORT

MEMBER ORGANIZATIONS

Alaska Crab Coalition • Alaska Drifters Association • Alaska Longline Fishermen's Association • Alaska Trollers Association • Armstrong Keta • At-sea Processors Association • Bristol Bay Reserve Concerned Area "M" Fishermen • Cordova District Fishermen United • Crab Rationalization and Buyback Group • Douglas Island Pink and Chum • Fishing Vessel Owners Association • Groundfish Forum • Kenai Peninsula Fishermen's Association • Kodiak Regional Aquaculture Association • Kodiak Seiners Association • North Pacific Fisheries Association • North Pacific Scallop Cooperative • Northern Southeast Regional Aquaculture Association • Old Harbor Fishermen's Association • Petersburg Vessel Owners Association • Prince William Sound Aquaculture Corporation • Purse Seine Vessel Owners Association • Seafood Producers Cooperative • Southeast Alaska Herring Seiners Marketing Association • Southeast Alaska Regional Dive Fisheries Association • Southern Southeast Regional Aquaculture Association • United Catcher Boats • United Salmon Association • United Southeast Alaska Gillnetters • Valdez Fisheries Development Association • Western Gulf of Alaska Fishermen

VALDEZ FISHERIES DEVELOPMENT ASSOCIATION INC.

P.O. Box 125
Valdez, Alaska 99686
Phone 835-4874 Fax 835-4831



Madam Chairman and Committee

This revised CS for HB218 is by far worse than the previous effort, not better.

Findings:

Sentence 1:

Any hatchery organization run by and for the fishermen already has this as their credo. The word "by" should be replaced by "for".

Sentence 2:

"to the greatest extent feasible, the direct sale of salmon harvested in special harvest areas" This really gets to the bottom of the intent of this legislation. The hatcheries are getting a better price because they can negotiate for direct sales. This puts an upward pressure on price and the processing industry can't justify paying their fishermen less than the fish are truly worth.

Page 2 line 10

"The board" What Board is this? I expect it is the Board of Fish. The Board of Fish is a political board appointed by the Governor who seems to care more for the processor than the individual fisherman. The hatcheries will lose any control over their cost recoveries and be subject to an appropriation that the legislature may honor. The sentence relating to the Board of Fish should be eliminated because the board already has allocative abilities. This sentence puts the hatchery operator in another political arena and introduces a huge financial risk.

Page 3 line 15

We believe that this is the poison pill for this legislation. The legislature may or may not appropriate the money to each individual hatchery. This means that each hatchery would have to travel to Juneau each year to beg for their appropriation. The hatchery would lose any control it has on its revenue stream and could not project anything for the following year or into the future. Valdez Fisheries Development Association would have to change our fiscal year from May 31 to coincide with the state fiscal year in order to be in an appropriation cycle. This would occur right in the middle of our cost recovery and require us to harvest 1/2 of our cost recovery in one year and 1/2 our cost recovery in the following year. This would require that we borrow 18 months of operating expenses from the state, if available, to insure that we had sufficient funds to operate each year subject to legislative appropriations.

THIS BILL MUST HAVE A FISCAL NOTE ATTACHED THAT SHOWS THE FINANCIAL IMPACT ON THE INDIVIDUAL HATCHERIES AND THE STATE OF ALASKA, DEPARTMENT OF REVENUE.

I think this bill is a red herring to get the hatcheries out of the fish sales business, which can only impact the commercial fishermen negatively. If you change two words in this piece of legislation: Page 1 line 11 may to shall; and Page 1 line 15 may to shall then the hatchery system will cease to function and the State of Alaska can come and get the keys to all the PNP hatcheries and the 60 million worth of debt they carry.

Sincerely

Jason C. Wells
Jason Wells
Executive Director

Post-it Fax Note	7671	Date	# of pages 1
To (H) References		From Valdez L10	
Co/Dept		Co	
Phone #		Phone # 835-2111	
Fax # 465-3810		Fax #	

**DEDICATED TO THE UTILIZATION, CONSERVATION,
AND REHABILITATION OF ALASKA'S FISHERY RESOURCE
WITHIN THE 200-MILE LIMIT**

From: Jim Zuanich [loraxinc1@hotmail.com]
Sent: Monday, April 25, 2005 3:24 PM
To: Rep. Jay Ramras
Subject: hb218

Representative Ramras: I am a southeast seiner. Have been for most of last 40 years. I'm a SEAS board member and was Hidden Falls cost recovery volunteer coordinator the last three years. Like practically the entire fleet, I support hb218. 218 does not force any changes down anyone's throat.

It simply allows hatcheries, subject to board approval, more options to finance operations than currently exist. I couldn't tell you why hatchery staff is afraid of it. Jim Zuanich

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April 20, 2005

Jay Ramras
Co-Chair House Committee

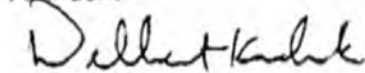
Dear Mr. Jay Ramras:

The Kake's Seiner's Association is in full support of House Bill 218, and thanks for offering us the opportunity to share our opinion.

Sincerely,



Henrich Kadake
President



Delbert Kadake
Seiner



April 19, 2005

Representative Ramras, Co-Chair
 Representative Samuels, Co-Chair
 House Resources Committee
 Alaska State Legislature
 Juneau, AK 99801

Dear Representative Ramras:

We are a group of commercial fishermen asking you to support passage of HB218.

Thank you for taking the time for an issue that is so important to our business. HB218 will allow us to work with a hatchery association to accomplish the following:

1. Improve harvest quality in hatchery special harvest areas.
2. Improve market timing and predictability of harvesting and processing timing.
3. Allowing the commercial hatchery "users" (commercial fishermen) to work with the hatchery to help determine the method of paying their "user fee".
4. A sense of "fairness" in leveling the playing field so that fishermen can take advantage of the predictable volumes and inexpensive cost structures that have benefited the hatcheries under the "old" cost recovery system.

We do not ask that hatcheries be forced to do something they do not wish to do. That is why HB218 has permissive language, so the hatchery has the ability to enter into an arrangement to replace "cost recovery" in a willing and eager fashion. Or not at all.

We're writing today on behalf of the salmon purse seine fishermen of Southeast Alaska. Since 1968, SEAS (Southeast Alaska Seiners Association) has represented the 416 permit holders and approximately 260 vessels and 1000 crew who purse seine for salmon in Southeast. Thank you again for your time and consideration of this important legislation and we ask for swift passage through your committee.

Respectfully yours,

Dan Castle, President, SEAS

Bob Thorntson, Executive Director, SEAS

☉ PO Box 23081, Juneau, AK 99802 ☉ 907-463-5030 ☉ Fax 907-463-5083 ☉

Representative Ramras, Co-chair
House Resource Committee
Alaska State Legislature
Juneau, AK 99801

Mr. Chairman and members of the House Resource committee.
My name is Bill Connor from Petersburg Alaska. I would urge you to pass the HB-218 today; this bill will help us to capitalize on opportunities that we have to recognize as changes come to our fisheries. This bill will enable the hatcheries to receive their cost recovery and allow for a much higher quality product to be put out to market by allowing fish to be harvested in a timely manner, and not in a manner of wait and see if there is enough for a common property harvest.

Thank you for your time.
Bill Connor
Box 1124
Petersburg AK. 99833
907-772-9211

April 19, 2005

Representative Ramras, Co-Chair
House Resources Committee
Alaska State Legislature
Juneau, AK 99801

Dear Representative Ramras:

I am a seine fisherman with permits and experience in multiple areas of Alaska's salmon fisheries. I support HB 218.

I believe 218 presents Alaska's "stake holder owned hatchery associations" a valuable tool to free fishermen from the constraints of hatchery associations micro managing cost recovery efforts and provides them profitable options to perform the same functions while meeting the cost recovery needs of the hatchery. This arrangement could work out well for hatcheries in Southeast Alaska.

Thank you for your consideration in this matter.



Sincerely, Scott McAllister.

April 20, 2005

TESTIMONY FOR HOUSE RESOURCES ON HB 218

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE

THANK YOU FOR THE OPPORTUNITY TO TESTIFY TODAY ON HOUSE BILL 218.

MY NAME IS JIM BACON. I LIVE IN KETCHIKAN ALASKA. I OWN THE FV WAVEDANCER. I HAVE PARTICIPATED IN THE SOUTHEAST ALASKA SALMON FISHERY FOR THE LAST 30 YEARS. I SUPPORT HB 218 AND BELIEVE IT PROVIDE'S AN EXCELLANT TOOL FOR THE AQUACULTURE ASSOCIATIONS TO USE, SHOULD THEY CHOOSE TO. I SERVED ON THE BOARD OF DIRECTORS OF THE SOUTHERN SOUTHEAST REGIONAL AQUACULTURE ASSOCIATION FOR SEVERAL YEARS IN THE 80'S AND APPRECIATE THE POINT THAT THE BILL LEAVES THE FINAL DECISION IN THE HANDS OF THE BOARD OF DIRECTORS OF THE ASSOCIATIONS. . RESPECTFULLY URGE THE COMMITTEE TO PASS HB 218.