

HB

354

<TARGET><BILL>HB 354</BILL><SUBJECT>HB
354</SUBJECT><COMM>HFSH30</COMM></TARGET>

REPRESENTATIVE DAN ORTIZ

Alaska State Legislature / Ketchikan, Saxman, Wrangell, Hydaburg, Metlakatla, Hyder, Loring and Meyers Chuck

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Sponsor Statement
House Bill 354

An Act Relating to Dive Fishery Management Assessment Procedures

This bill is necessary for the Southeast Alaska Regional Dive Fisheries Association, the only dive fishery association in the state regulated by AS 43.76.150-210, to amend the process undertaken to modify the tax on the geoduck, sea cucumber and sea urchin fisheries it represents. Each fishery can tax itself at a different rate. At present, a majority of permit holders are required to initiate the petition to change an assessment tax and then vote on the change. Many of the permits are nontransferable and less than half of the CFEC permit holders in these fisheries are actively participating in said fisheries. Due to the low involvement of permit holders, a majority participation of permit holders is unrealistic. The proposed legislation allows for a change in assessment tax to be initiated by a $\frac{3}{4}$ vote from the Board of Directors and the vote to accept the change pass with a majority vote of permit holders participating in the vote.

Fiscal Note

State of Alaska
2018 Legislative Session

Bill Version: HB 354
Fiscal Note Number: _____
() Publish Date: _____

Identifier: HB354-3-3-18
Title: DIVE FISHERY ASSESSMENTS
Sponsor: ORTIZ
Requester: HOUSE FISHERIES COMMITTEE

Department: Department of Revenue
Appropriation: Taxation and Treasury
Allocation: Tax Division
OMB Component Number: 2476

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2019	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2019 Request	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
OPERATING EXPENDITURES	FY 2019	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Fund Source (Operating Only)

None							
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues

None	***	***	***	***	***	***	***
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimated SUPPLEMENTAL (FY2018) cost: 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2019) cost: 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No
If yes, by what date are the regulations to be adopted, amended or repealed?

Why this fiscal note differs from previous version/comments:

Initial version.

Prepared By: <u>Ken Alper, Director</u>	Phone: <u>(907)465-8221</u>
Division: <u>Tax Division</u>	Date: <u>03/02/2018 01:00 PM</u>
Approved By: <u>Mike Barnhill</u>	Date: <u>03/03/18</u>
Agency: <u>Department of Revenue</u>	

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2018 LEGISLATIVE SESSION

BILL NO. HB354

Analysis

HB354 changes certain procedures by which a nonprofit regional dive fisheries associations authorizes an assessment based on the value of their harvest which is used by ADF&G to assess stocks for the purpose of managing the fishery. The tax is collected by the tax division and remitted to ADF&G. The resulting funds are considered designated general funds.

The Department of Revenue envisions no change to the cost of this service we currently provide. There is an indeterminate impact to DGF revenue as the rule changes in HB354 may make it easier for an association to terminate an existing dive fish assessment.



UNITED FISHERMEN OF ALASKA

Mailing Address: PO Box 20229, Juneau AK 99802-0229

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Phone: (907) 586-2820 **Fax:** (907) 463-2545

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March 6, 2018

Representative Louise Stutes, Chair
House Special Committee on Fisheries
Alaska State Legislature
Juneau AK, 99801

Re: United Fishermen Support for HB 354 – Dive Fishery Management

Dear Chair Stutes and Committee Members,

At the spring 2018 Board of Director's meeting, United Fishermen of Alaska (UFA) voted unanimously to support HB 354 in order to allow Southeast Alaska Regional Dive Fisheries Association (SARDFA) to change its voting requirements to change its assessment tax process.

SARDFA is a private non-profit, economic development organization representing the harvest divers, processors, and communities of Southeast Alaska. About two hundred divers make landings in these fisheries, although there are almost 400 CFEC permits issued. The three fisheries have an ex-vessel value of approximately \$10 million a year.

SARDFA was formed in 1998 under Alaska statutes 43.76.150-210. SARDFA works cooperatively with ADF&G in developing its Annual Operating Plan (AOP), which determines how the dive assessments (self-imposed tax on the dive resources) will be spent. Each fishery (sea cucumbers, geoduck clams, and sea urchins), can tax itself at a different rate. Current rates are 5% in the sea cucumber fishery, 7% in the geoduck fishery and 5% in the sea urchin fishery. The taxes are based on ex-vessel value at the time of landing. This is in addition to the 3% State fishery tax.

UFA supports enacting HB 354 which would modify the way a dive association can conduct an election to change the assessment tax.

SARDFA divers have found that the current regulation to change assessment taxes makes it nearly impossible to make the changes. HB 354 would streamline the processes and make it easier to change the assessment taxes.

An example of the difficulty in changing an assessment tax occurred 2 years ago in the sea cucumber fishery. At this time we can lower the assessment tax in the sea cucumber fishery. Over the years the sea cucumber fishery has enough money in its reserve funds to support the fishery at a lower assessment tax. However, under current regulations it was difficult for divers to initiate a petition to change the tax. The other issue is getting enough divers to vote in the election to change the tax. Under HB 354 these problems would be fixed.

Changing the assessment tax would not affect the way SARDFFA does business with the Alaska Department of Fish and Game. SARDFFA taxes are used by the department to conduct resource assessment surveys, manage the fisheries, and do necessary research. SARDFFA would continue to work with the department to develop the AOP and meet its financial obligations to the State. We have talked to the appropriate people within the department and they do not have a problem with this legislation.

HB 354 should only affect the SARDFFA divers. Making it easier to lower the assessment tax will help the business stability in the dive fisheries. Divers can also raise their taxes if necessary for the costs management. It would not cost the State any money, and SARDFFA would continue to meet its financial obligations to the Alaska Department of Fish and Game under the AOP.

Thank-you for your time in this matter.



Jerry McCune
President



Frances H. Leach
Executive Director

CC: Representative Dan Ortiz

MEMBER ORGANIZATIONS

Alaska Bering Sea Crabbers • Alaska Independent Tendermen's Association • Alaska Longline Fishermen's Association • Alaska Scallop Association
Alaska Trollers Association • Alaska Whitefish Trawlers Association • Armstrong Keta • At-sea Processors Association • Bristol Bay Fishermen's Association
Bristol Bay Reserve • Cape Barnabas, Inc. • Concerned Area "M" Fishermen • Cook Inlet Aquaculture Association • Cordova District Fishermen United
Douglas Island Pink and Chum • Freezer Longline Coalition • Golden King Crab Coalition • Groundfish Forum • Kenai Peninsula Fishermen's Association
Kodiak Regional Aquaculture Association • Kodiak Seiners Association • North Pacific Fisheries Association • Northern Southeast Regional Aquaculture Association
Petersburg Vessel Owners Association • Prince William Sound Aquaculture Corporation • Purse Seine Vessel Owner Association
Seafood Producers Cooperative • Southeast Alaska Herring Conservation Alliance • Southeast Alaska Fisherman's Alliance
Southeast Alaska Regional Dive Fisheries Association • Southeast Alaska Seiners • Southern Southeast Regional Aquaculture Association
United Cook Inlet Drift Association • United Southeast Alaska Gillnetters • Valdez Fisheries Development Association



Southeast Alaska Fishermen's Alliance

9369 North Douglas Highway

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Website: <http://www.seafa.org>

March 5, 2018

Representative Dan Ortiz
Alaska House of Representatives
State Capitol, Room 513
Juneau, AK 99801

RE: HB 354 – SUPPORT for Modifying Dive Fishery Self-Assessment Tax

Dear Representative Ortiz,

Southeast Alaska Fishermen's Alliance (SEAFA) is a membership-based association representing our 330+ members involved in the salmon, crab, shrimp and longline fisheries primarily in Southeast Alaska. Many of our members participate in the dive fisheries.

SEAFA supports HB 354 which modifies the way the dive association can conduct an election to change the self-assessment tax rate. The change is to allow a $\frac{3}{4}$ affirmative vote from the Board of Directors to initiate a vote for changing the tax rate. It would still take a majority vote of the permit holders participating in the vote to pass the changed tax rate.

Sincerely,

Kathy Hansen
Executive Director

February 20, 2018

Philip Doherty
Kate Sullivan
Co-Executive Directors
Southeast Alaska Regional Dive Fisheries Association
PPO Box 5417
Ketchikan, AK 99901

Rep. Dan Ortiz
State Capitol Room 513
Juneau AK, 99801

Re: HB 354

Dear Representative Ortiz,

We are writing on behalf of the Southeast Alaska Regional Dive Fisheries Association (SARDFA). SARDFA is a private non-profit, economic development organization representing the harvest divers, processors, and communities of Southeast Alaska. In recent years there are approximately 180 to 200 divers making landings in SE AK, although there are closer to 400 CFEC permits available to fish. The three fisheries have an ex-vessel value of approximately \$10,000,000 a year.

SARDFA was formed in 1998 under Alaska statutes 43.76.150-210. SARDFA works cooperatively with ADF&G in developing its Annual Operating Plan (AOP), which determines how the dive assessments (self-imposed tax on the dive resources) will be spent.

Each fishery, sea cucumbers, geoduck clams, and sea urchins, can tax itself at a different rate. The commercial divers have voted to tax themselves at 5% in the sea cucumber fishery, 7% in the geoduck fishery and 5% in the sea urchin fishery. The taxes are based on ex-vessel value at the time of landing. This is in addition to the 3% State fishery tax.

SARDFA supports enacting HB 354 which would modify the way a dive association can conduct an election to change the assessment tax.

SARDFA divers have found that the current regulation to change assessment taxes makes it nearly impossible to make the changes.

Changing the assessment tax would not affect the way SARDFA does business with the Alaska Department of Fish and Game. SARDFA taxes are used by the department to conduct resource assessment surveys, manage the fisheries, and do necessary research. SARDFA would continue to work with the department to develop the AOP and meet its financial obligations to the State.

Thank-you for your time in this matter.

Philip Doherty
Kate Sullivan
Co-Executive Directors – SARDFA

February 23, 2018

Jeremy Leighton
Box 1176
Ward Cove, AK 99928

Rep. Dan Ortiz
State Capitol Room 513
Juneau AK, 99801

Re: HB 354

Dear Representative Ortiz,

First we'd like to thank you for your time and help on this legislation. I am presently the President of the SARDFFA Board of Directors. I am also the Chairperson of the SARDFFA Sea Cucumber and Geoduck Clam Committees. I have been a commercial harvest diver in Ketchikan for over 20 years.

As you know SARDFFA is looking to streamline the process on changing the amount we assess ourselves in our fisheries. The last time we tried to lower the assessment tax in the Sea Cucumber fishery we found it impossible to follow the existing regulations. We feel that by initiating the assessment tax change through the Board of Directors, setting a floor for the number of divers that need to vote, and having the majority of returned votes carry the day would fix the problems in the old legislation while still maintaining the integrity of the voting process.

At this time in the Sea Cucumber banking account has sufficient money to meet our financial obligations to the State of Alaska for years and still lower the assessment tax. By reducing the assessment tax the divers that participate in the sea cucumber fishery would realize real money back to their pockets starting in the 2018_19 season. The commercial divers still pay a 3% fisheries tax on top of the Assessment tax.

During the 2016_17 season the sea cucumber fishery had an ex-vessel value of \$5,354,246. Sea cucumber divers paid a 5% assessment tax, or \$267,712. If, for example, the assessment tax had been 1% the divers would have been taxed \$53,542 or a savings of \$214,170. During that season 169 divers landed sea cucumbers. This would have saved the average diver \$1,267.

The three SARDFFA fisheries (geoduck clams, sea cucumbers, and red sea urchins) will always meet their financial obligation to the State. If we don't we would not have a fishery that year. This Bill does not change that obligation. Successful passage of this Bill would have no effect on the State or any other organizations.

Again, thank you our efforts on our behalf.

Sincerely,

Jeremy Leighton

February 23, 2018

Tom Carruth
Box 8641
Ketchikan, AK 99901

Rep. Dan Ortiz
State Capitol Room 513
Juneau AK, 99801

Re: HB 354

Dear Representative Ortiz,

I have been a commercial harvest diver in Ketchikan for over 20 years. I presently am a member of the SARDFFA Sea Cucumber Committee and the Geoduck Committee.

I support HB 354. It would greatly streamline the method SARDFFA members can change the assessment tax we pay on sea cucumbers, geoducks, and red sea urchins. We recently tried to lower the sea cucumber assessment tax, but due to the way the 1998 regulations were written it was difficult to do and in the end we did not lower the 5% assessment tax in the sea cucumber fishery. I believe the changes in HB 354 will allow us to make that change.

At this time in the Sea Cucumber reserve funds have sufficient money to meet our financial obligations to the State of Alaska for years and still lower the assessment tax. By reducing the assessment tax the divers that participate in the sea cucumber fishery would realize real money back to their pockets starting in the 2018_19 season. The commercial divers still pay a 3% fisheries tax on top of the Assessment tax.

The three SARDFFA fisheries (geoduck clams, sea cucumbers, and red sea urchins) will always meet their financial obligation to the State. If we don't we would not have a fishery that year. This Bill does not change that obligation. Successful passage of this Bill would have no effect on the State or any other organizations.

Again, thank you on your efforts on our behalf.

Sincerely,

Tom Carruth