

**ALASKA LEGISLATURE**

**2713**

**HOUSE and SENATE FINANCE COMMITTEE FILES, 2003-2004**

Feb 18, 2003

Dear Senator Gary Stevens;

Senate Bill 273 sections 1-3 should reflect the true makeup of the Alaska seafood industry. However, In regard to the composition of the board we do agree it should be smaller but the number nine is far too small. We say this because of the huge number of stakeholders we have throughout Alaska that still make their living from this industry. Over the last several years we witnessed the positive outreach that the ASMI board has accomplished and our fishermen count on ASMI's leadership role in representing our fishermen and support on many issues relating to the fishing industry. We would lose this capability with a very small 9 member board.

We are proposing a 15 member board which at least will provide for appointments for smaller processors and fishing communities throughout Alaska. In addition, the proposed tax portion of SB 273 will probably pass with little or no representation from the stakeholders in rural Alaska who pay for part of it.

Over the last two decades we have seen tremendous change in the industry. Large processors have left rural communities and dropped village fishermen, particularly the past few years. In many villages, the industry that was such a part of their lives no longer exists or is barely alive. Now our rural fishermen and the seafood industry are faced with supporting a tax and composition of this board that may have no participation from Village Alaska but take their tax. This is wrong and we recommend that our State Legislators approve our position of a 15 member ASMI board. At least this number would provide a policy-making voice for village stakeholders and other groups that will find themselves "left out" under the current number.

Thank you for considering our recommendations on SB 273. I can be contacted at 723-0260 or contact my staff member, Don Bremner at 463-7341 for any questions you may have.

Sincerely,

Matt Kookesh, Chair  
S.E. Alaska inter-tribal Fish and Wildlife Commission

Cc/ Alaska Senate  
Gordon Jackson, Manager, Business and Economic Development

**SB**

**273**

SFIN

FILE

## SENATE FINANCE COMMITTEE REPORT

DATE: 2/11/04

REPORTED OUT  
  
MAR 2 2 2004  
  
SENATE FINANCE  
COMMITTEE  
  
SENATE BILL NO. 273

FURTHER:

DATE TURNED IN TO OFFICE: 22 March 2004

Finance Committee considered

### SB 273 ASMI BOARD/ SEAFOOD TAXES & ASSESSMENTS

"An Act relating to the Alaska Seafood Marketing Institute, the seafood marketing assessment, the seafood marketing tax, and the seafood product tax; and providing for an effective date."

and recommends:

- be replaced with \_\_\_\_\_ CS SB 273 (FIN)
- adopt previous \_\_\_\_\_ CS to be forthcoming (\_\_\_\_\_)
- attached amendment(s)
- adopt Letter of Intent by \_\_\_\_\_ Committee
- further referral to \_\_\_\_\_ Committee

**Senate Bill:**  
 Same Title  
 New Title

**House Bill:**  
 Same Title  
 Technical Title Change  
 New Title w/ SCR # \_\_\_\_\_

**NEW FISCAL NOTE(S):**

Department	Date	Fiscal	Zero	Indet.	FN#
Revenue	3/12/04		✓		
Electims	3/12/04		✓		
	forthcoming				
	file				
	9/08				

**PREVIOUS FISCAL NOTE(S):**

Department	Date	Fiscal	Indet.	Zero	FN#

APF

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<i>[Signature]</i>	✓			
<i>[Signature]</i>			✓	
<i>[Signature]</i>			✓	
<i>[Signature]</i>	✓			
COCHAIR: <i>[Signature]</i>			✓	
COCHAIR: <i>[Signature]</i>	✓			

CS FOR SENATE BILL NO. 273(FIN)  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
TWENTY-THIRD LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:  
Referred:

Sponsor(s): SENATOR GARY STEVENS BY REQUEST OF THE JOINT LEGISLATIVE SALMON  
INDUSTRY TASK FORCE

A BILL  
FOR AN ACT ENTITLED

1 "An Act amending the size, membership, and powers of the board of directors of the  
2 Alaska Seafood Marketing Institute and making a corresponding change in the quorum  
3 requirement; authorizing the establishment of the seafood marketing assessment at a  
4 rate of 0.5 percent or 0.6 percent of the value of seafood products produced; providing  
5 for an election to retain, terminate, or increase the seafood marketing assessment;  
6 providing for the repeal of the salmon marketing tax and provisions related to the  
7 salmon marketing tax; and providing for an effective date."

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

9 \* Section 1. AS 16.43.160(e)(2)(A)(ix) is amended to read:

10 (ix) Department of Revenue - fisheries business tax  
11 program, fishery resource landing tax program, salmon enhancement  
12 tax program, [SALMON MARKETING TAX PROGRAM,] and dive  
13 fishery management assessment program;

1 \* **Sec. 2.** AS 16.51.020(a) is amended to read:

2 (a) The governing body of the institute is a board of directors. The board  
3 consists of seven [25] voting members appointed by the governor. In making  
4 appointments to the board, the governor shall consider, but need not appoint, nominees  
5 presented by persons engaged in fish processing, the financing of fish processing, or  
6 commercial fishing.

7 \* **Sec. 3.** AS 16.51.020(a) is amended to read:

8 (a) The governing body of the institute is a board of directors. The board  
9 consists of nine [SEVEN] voting members appointed by the governor. In making  
10 appointments to the board, the governor shall consider, but need not appoint, nominees  
11 presented by persons engaged in fish processing, the financing of fish processing, or  
12 commercial fishing.

13 \* **Sec. 4.** AS 16.51.020(b) is amended to read:

14 (b) Five [TWELVE] members of the board shall be seafood processors: four  
15 [EIGHT] of the seafood processors must have an annual payroll in the state of more  
16 than \$2,500,000; one [FOUR] of the seafood processors must have an annual payroll  
17 in the state of \$50,000 - \$2,500,000. Two [TWELVE] members of the board must be  
18 engaged in commercial fishing. [THE GOVERNOR, TO THE EXTENT  
19 PRACTICABLE, SHALL APPOINT AS COMMERCIAL FISHING MEMBERS OF  
20 THE BOARD PERSONS ENGAGED IN COMMERCIAL FISHING IN A FISHERY  
21 MANAGEMENT REGION OF THE STATE IN THE SAME PROPORTION THAT  
22 THE REGION CONTRIBUTES, OR IS EXPECTED TO CONTRIBUTE DURING  
23 THE NEXT YEAR, TO THE TOTAL SALMON MARKETING TAX COLLECTED  
24 UNDER AS 43.76.110 - 43.76.130. ONE MEMBER OF THE BOARD SHALL BE A  
25 LAY PERSON SELECTED BY THE GOVERNOR.]

26 \* **Sec. 5.** AS 16.51.020(b) is amended to read:

27 (b) Five members of the board shall be seafood processors: four of the seafood  
28 processors must have an annual payroll in the state of more than \$2,500,000; one of  
29 the seafood processors must have an annual payroll in the state of \$50,000 -  
30 \$2,500,000. Four [TWO] members of the board must be engaged in commercial  
31 fishing.

1 \* **Sec. 6.** AS 16.51.050 is amended to read:

2           **Sec. 16.51.050. Quorum.** Four [FOURTEEN] members of the board  
3 appointed under AS 16.51.020 constitute a quorum for the transaction of business and  
4 the exercise of the powers and duties of the board.

5 \* **Sec. 7.** AS 16.51.050 is amended to read:

6           **Sec. 16.51.050. Quorum.** Five [FOUR] members of the board appointed  
7 under AS .6.51.020 constitute a quorum for the transaction of business and the  
8 exercise of the powers and duties of the board.

9 \* **Sec. 8.** AS 16.51.120(a) is amended to read:

10           (a) A seafood marketing assessment shall be levied on the value of seafood  
11 products produced in Alaska as provided in (b), (c), (d), [OR] (e), (h), or (i) of this  
12 section if an election is held under AS 16.51.140 at which the assessment is approved  
13 by eligible processors who together produce at least 51 percent of the value of seafood  
14 products produced in Alaska in the calendar year.

15 \* **Sec. 9.** AS 16.51.120(f) is amended to read:

16           (f) An election under (a) of this section shall be held if the proposed election  
17 for the levying of an assessment under (b), (c), (d), [OR] (e), (h), or (i) of this section  
18 is approved by a majority of the whole membership of the board at a regularly  
19 scheduled meeting.

20 \* **Sec. 10.** AS 16.51.120(g) is amended to read:

21           (g) Notwithstanding (a) - (e), (h), and (i) of this section and AS 16.51.150(c),  
22 a processor is not subject to, or liable for payment of, an assessment under this section  
23 on the value of the seafood products produced in Alaska if the value of seafood  
24 products produced in Alaska by the processor is less than \$50,000 in a calendar year.  
25 This subsection does not exempt a processor from liability for payment of taxes  
26 imposed under AS 43.75 or AS 43.77.

27 \* **Sec. 11.** AS 16.51.120 is amended by adding new subsections to read:

28           (h) Each processor shall pay a seafood marketing assessment of .5 percent of  
29 the value of seafood products produced in Alaska by the processor.

30           (i) Each processor shall pay a seafood marketing assessment of .6 percent of  
31 the value of seafood products produced in Alaska by the processor.

1 \* **Sec. 12.** AS 16.51.130(a) is amended to read:

2 (a) A seafood marketing assessment levied under AS 16.51.120(b), (c), (d),  
3 [OR] (e), (h), or (i) shall be terminated by the commissioner of revenue if

4 [(1)] an election is held under AS 16.51.140 in which the termination  
5 is approved by eligible processors who together produce at least 51 percent of the total  
6 value of seafood products produced in Alaska during the calendar year [; OR

7 (2) THE BOARD, AT A REGULARLY SCHEDULED MEETING,  
8 ADOPTS A RESOLUTION APPROVED BY TWO-THIRDS OF THE VOTING  
9 MEMBERSHIP OF THE BOARD REQUESTING THE COMMISSIONER OF  
10 REVENUE TO TERMINATE THE ASSESSMENT].

11 \* **Sec. 13.** AS 16.51.130(b) is amended to read:

12 (b) An election under (a) [(a)(1)] of this section shall be held if

13 (1) the proposed election for the termination of the assessment is  
14 approved by a majority of the whole membership of the board at a regularly scheduled  
15 meeting; or

16 (2) a petition is presented to the director of elections requesting  
17 termination of the assessment by eligible processors who together produce at least 25  
18 percent of the total value of seafood products produced in Alaska during the calendar  
19 year.

20 \* **Sec. 14.** AS 16.51.140(b) is amended to read:

21 (b) In conducting the election under this section, the institute shall adopt the  
22 following procedures:

23 (1) the proposed levy or termination of the assessment shall be adopted  
24 at a regularly scheduled meeting of the board held not less than 60 days before the  
25 date on which the ballots must be postmarked to be counted unless the election is for  
26 termination of the assessment and has been initiated by a petition under  
27 AS 16.51.130(b)(2);

28 (2) the institute shall hold at least one meeting, not less than 30 days  
29 before the date on which ballots must be postmarked to be counted, to explain the  
30 reason for the proposed seafood marketing assessment or termination of the  
31 assessment and to explain the voting procedure to be used in the election; the institute

1 shall provide notice of the meeting by

2 (A) mailing the notice to each eligible processor; and

3 (B) publishing the notice in at least one newspaper of general  
4 circulation in each region of the state at least two weeks before the meeting;

5 (3) the institute shall mail ballots to each eligible processor not more  
6 than 45 days before the date specified as the date ballots must be postmarked;

7 (4) the ballot must

8 (A) indicate whether the assessment is to be levied under  
9 AS 16.51.120(b), (c), (d), [OR] (e), (h), or (i) and must state the percentage of  
10 the assessment;

11 (B) indicate the effective date of the levy of the assessment or  
12 termination of the assessment;

13 (C) ask whether the assessment shall be levied or, if the  
14 election is to terminate the assessment, whether the assessment shall be  
15 terminated;

16 (5) the ballots shall be returned by mail and shall be counted by the  
17 director of elections or a representative.

18 \* **Sec. 15.** AS 37.05.146(c)(25) is amended to read:

19 (25) receipts from the seafood marketing assessment under  
20 AS 16.51.120 - 16.51.170 [, THE SALMON MARKETING TAX UNDER  
21 AS 43.76.110 - 43.76.130,] and [OTHER] receipts of the Alaska Seafood Marketing  
22 Institute;

23 \* **Sec. 16.** REPEAL OF SALMON MARKETING TAX. (a) Section 9, ch. 55, SLA 1993,  
24 as amended by sec. 1, ch. 111, SLA 1998, and sec. 3, ch. 136, SLA 2002, is amended to read:

25 Sec. 9. AS 43.76.110, 43.76.120, and 43.76.130 are repealed December 31,  
26 2005 [JUNE 30, 2008].

27 \* **Sec. 17.** REPEAL OF MISCELLANEOUS PROVISIONS RELATED TO THE  
28 SALMON MARKETING TAX. Sections 3, 8(c), and 12, ch. 55, SLA 1993, are repealed.

29 \* **Sec. 18.** The uncodified law of the State of Alaska is amended by adding a new section to  
30 read:

31 TRANSITION FOR MEMBERS OF THE BOARD OF DIRECTORS OF THE

1 ALASKA SEAFOOD MARKETING INSTITUTE. (a) Notwithstanding AS 16.51.030, the  
2 terms of office of all persons who are serving as members of the board of directors of the  
3 Alaska Seafood Marketing Institute on the day before the effective date of sec. 2 of this Act  
4 expire on the effective date of sec. 2 of this Act.

5 (b) The governor shall appoint qualified persons to serve on the board of directors of  
6 the Alaska Seafood Marketing Institute, as restructured under AS 16.51.020, as amended by  
7 sec. 2 of this Act, as soon as practicable on or after the effective date of sec. 2 of this Act.  
8 The governor shall appoint persons to initial terms in accordance with AS 39.05.055(5). To  
9 the extent possible, the governor shall maintain staggered terms for members of each class of  
10 board members.

11 \* Sec. 19. The uncodified law of the State of Alaska is amended by adding a new section to  
12 read:

13 APPOINTMENT OF MEMBERS OF THE BOARD OF DIRECTORS OF THE  
14 ALASKA SEAFOOD MARKETING INSTITUTE FOLLOWING THE ELECTION HELD  
15 UNDER SECTION 20 OF THIS ACT. The governor shall appoint qualified persons to fill  
16 the two commercial fishermen memberships created on the board of directors of the Alaska  
17 Seafood Marketing Institute under AS 16.51.020, as amended by sec. 3 of this Act, as soon as  
18 practicable on or after the effective date of sec. 3 of this Act. The governor shall appoint the  
19 two commercial fisherman members to initial terms of one, two, or three years, as the  
20 governor determines appropriate to provide for staggered terms for the commercial fishermen  
21 members of the board.

22 \* Sec. 20. The uncodified law of the State of Alaska is amended by adding a new section to  
23 read:

24 SEAFOOD MARKETING ASSESSMENT; ELECTION. (a) Notwithstanding  
25 AS 16.51.120 - 16.51.170, the seafood marketing assessment that is in effect on the day  
26 before the effective date of this section shall remain in effect until December 31, 2005. After  
27 December 31, 2005, a levy of the seafood marketing assessment under AS 16.51.120 shall be  
28 retained, amended, or terminated in accordance with the results of the election held under this  
29 section by the Alaska Seafood Marketing Institute.

30 (b) Notwithstanding AS 16.51.120 - 16.51.140, the Alaska Seafood Marketing  
31 Institute shall conduct an election under this section for the retention, termination, and

1 amendment of the levy of the seafood marketing assessment under AS 16.51.120.

2 (c) In conducting the election under this section, the Alaska Seafood Marketing  
3 Institute and the director of elections shall adopt the following procedures:

4 (1) by January 1, 2005, the director of elections shall approve

5 (A) the notice of the election to be published by the institute;

6 (B) the ballot to be used in the election; and

7 (C) the registration and voting procedures for the election;

8 (2) the institute shall hold at least one meeting before February 28, 2005, to  
9 explain the reason for the election and to explain the voting procedure to be used in the  
10 election; the institute shall provide notice of the meeting by

11 (A) mailing the notice of the meeting to each eligible processor; and

12 (B) publishing the notice in at least one newspaper of general  
13 circulation in each region of the state at least two weeks before the meeting;

14 (3) the institute shall mail ballots to each eligible processor not earlier than  
15 February 15, 2005;

16 (4) the ballot must ask two questions as follows:

17 (A) the first ballot question must ask whether the seafood marketing  
18 assessment shall be retained; the ballot question must be written so that a yes vote is  
19 for retention of the levy of the seafood marketing assessment and a no vote is for  
20 termination of the levy of the seafood marketing assessment;

21 (B) the second ballot question must ask whether the seafood marketing  
22 assessment shall be levied under AS 16.51.120(h) at a rate of .5 percent of the value of  
23 seafood products produced in Alaska by a processor; the ballot question must be  
24 written so that a yes vote is for approval of the levy of the assessment under  
25 AS 16.51.120(h) and a no vote is for retention of the levy under AS 16.51.120 that is  
26 in effect on the day before the effective date of this section; the ballot must indicate  
27 that the effective date of the levy of the assessment under AS 16.51.120(h) is  
28 January 1, 2006, if the levy is approved;

29 (5) the ballots must be postmarked on or before March 31, 2005, and received  
30 by the institute on or before April 15, 2005, to be counted in the election;

31 (6) the ballots shall be returned by mail;

1 (7) the ballots shall be counted by the director of elections or the director's  
2 representative; the director or the director's representative, with the assistance of the  
3 commissioner of revenue, shall first determine whether the retention of the levy of the seafood  
4 marketing assessment is approved by eligible processors who together produce at least 51  
5 percent of the value of seafood products produced in Alaska in the previous calendar year;  
6 only if the retention of the levy of the assessment is approved, the director or the director's  
7 representative, with the assistance of the commissioner of revenue, shall determine the results  
8 of the voting on the second ballot question;

9 (8) if the retention of the levy of the seafood marketing assessment under  
10 AS 16.51.120 is not approved by eligible processors who together produce at least 51 percent  
11 of the value of seafood products produced in Alaska in the previous calendar year, the levy of  
12 the assessment is terminated December 31, 2005;

13 (9) if the retention of the levy of the seafood marketing assessment under  
14 AS 16.51.120 is approved by eligible processors who together produce at least 51 percent of  
15 the value of seafood products produced in Alaska in the previous calendar year and if the levy  
16 of the seafood marketing assessment under AS 16.51.120(h) is approved by eligible  
17 processors who together produce at least 51 percent of the value of seafood products produced  
18 in Alaska in the previous calendar year, the levy of the seafood marketing assessment under  
19 AS 16.51.120(h) takes effect January 1, 2006; and

20 (10) if the retention of the levy of the seafood marketing assessment under  
21 AS 16.51.120 is approved by eligible processors who together produce at least 51 percent of  
22 the value of seafood products produced in Alaska in the previous calendar year and if the levy  
23 of the seafood marketing assessment under AS 16.51.120(h) is not approved by eligible  
24 processors who together produce at least 51 percent of the value of seafood products produced  
25 in Alaska in the previous calendar year, the levy under AS 16.51.120 that is in effect on the  
26 day before the effective date of this section remains in effect until amended or terminated  
27 under AS 16.51.120 - 16.51.140.

28 (d) The director of elections shall certify the results of an election under this section if  
29 the director determines that the requirements of (c) of this section have been satisfied. The  
30 director shall provide the certified results of the election to the commissioner of revenue, the  
31 Alaska Seafood Marketing Institute, the lieutenant governor, and the revisor of statutes.

1 (e) Following the election conducted under this section, a seafood marketing  
2 assessment may be approved, amended, or terminated in accordance with the procedures set  
3 out under AS 16.51.120 - 16.51.150, as amended by secs. 8 - 14 of this Act.

4 (f) For purposes of AS 16.51.120(a), the election held under this section shall be  
5 considered to be an election held under AS 16.51.140.

6 \* **Sec. 21.** The uncodified law of the State of Alaska is amended by adding a new section to  
7 read:

8 **TERMINATION OF THE SEAFOOD MARKETING ASSESSMENT.**  
9 Notwithstanding AS 16.51.120 - 16.51.140, the seafood marketing assessment levied under  
10 AS 16.51.120 that is in effect on the day before the effective date of sec. 20 of this Act is  
11 terminated December 31, 2005.

12 \* **Sec. 22.** The uncodified law of the State of Alaska is amended by adding a new section to  
13 read:

14 **CONTINGENT EFFECT -- TERMINATION OF SEAFOOD MARKETING**  
15 **ASSESSMENT.** (a) Section 21 of this Act takes effect only if the director of elections  
16 certifies that the retention of the levy of the seafood marketing assessment under  
17 AS 16.51.120 is not approved by eligible processors who together produce at least 51 percent  
18 of the value of seafood products produced in Alaska in the previous calendar year at the  
19 election held under sec. 20 of this Act.

20 (b) Sections 3, 5, 7, and 19 of this Act take effect if the director of elections certifies  
21 that the retention of the levy of the seafood marketing assessment under AS 16.51.120 was  
22 not approved by eligible processors who together produce at least 51 percent of the value of  
23 seafood products produced in Alaska in the previous calendar year at the election held under  
24 sec. 20 of this Act.

25 \* **Sec. 23.** The uncodified law of the State of Alaska is amended by adding a new section to  
26 read:

27 **CONTINGENT EFFECT -- APPROVAL OF LEVY UNDER AS 16.51.120(h).** (a)  
28 Section 16 of this Act takes effect only if the director of elections certifies that the levy of the  
29 seafood marketing assessment under AS 16.51.120(h) is approved by eligible processors who  
30 together produce at least 51 percent of the value of seafood products produced in Alaska in  
31 the previous calendar year at the election held under sec. 20 of this Act.

1 (b) Sections 1 and 15 of this Act take effect only if the director of elections certifies  
2 that the levy of the seafood marketing assessment under AS 16.51.120(h) is approved by  
3 eligible processors who together produce at least 51 percent of the value of seafood products  
4 produced in Alaska in the previous calendar year at the election held under sec. 20 of this Act.

5 \* **Sec. 24.** The uncodified law of the State of Alaska is amended by adding a new section to  
6 read:

7 **CONTINGENT EFFECT -- DISAPPROVAL OF LEVY UNDER AS 16.51.120(h).**  
8 Sections 3, 5, 7, and 19 of this Act take effect if the director of elections certifies that the levy  
9 of a seafood marketing assessment under AS 16.51.120(h) was not approved by eligible  
10 processors who together produce at least 51 percent of the value of seafood products produced  
11 in Alaska in the previous calendar year at the election held under sec. 20 of this Act.

12 \* **Sec. 25.** If sec. 16 of this Act takes effect under sec. 23 of this Act, it takes effect on the  
13 day after the director of elections certifies the result of the election held under sec. 20 of this  
14 Act.

15 \* **Sec. 26.** If secs. 1 and 15 of this Act take effect under sec. 23 of this Act, they take effect  
16 December 31, 2005.

17 \* **Sec. 27.** If secs. 3, 5, 7, and 19 of this Act take effect under sec. 22 or 24 of this Act, they  
18 take effect on the day after the director of elections certifies the result of the election held  
19 under sec. 20 of this Act.

20 \* **Sec. 28.** If sec. 21 of this Act takes effect under sec. 22 of this Act, it takes effect on the  
21 day after the director of elections certifies the result of the election held under sec. 20 of this  
22 Act.

23 \* **Sec. 29.** Except as provided in secs. 25 - 28 of this Act, this Act takes effect immediately  
24 under AS 01.10.070(c).

MAR 22 2004

SENATE FINANCE  
COMMITTEE

# FISCAL NOTE

STATE OF ALASKA  
2004 LEGISLATIVE SESSION

Fiscal Note Number: \_\_\_\_\_  
Bill Version: CSSB 273  
( ) Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Revenue  
Title ASMI Board/Seafood Taxes & Assessments RDU Revenue Programs & Services  
Component Tax Division  
Sponsor Sen. Gary Stevens/JT Salr Task Fr \_\_\_\_\_  
Requester Senate Finance 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						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</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						
Other (Specify Type--Do not abbreviate)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

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 for analysis.

Prepared by: Chuck Harlamert Phone 465-2320  
Division: Tax Division Date/Time 3/12/04 8:20 AM  
Approved by: Steve Porter, Deputy Commissioner Date 3/12/2004  
Agency: Department of Revenue

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FISCAL NOTE

STATE OF ALASKA  
2004 LEGISLATIVE SESSION

BILL NO. CSSB 273

ANALYSIS CONTINUATION

**Revenue Analysis**

The bill authorizes two additional Seafood Marketing Assessment rates, .5% and .6%. An election is mandated in which processors will first vote to retain the existing assessment or eliminate it. If the assessment is retained, a second vote determines whether the assessment shall remain at .3% or increase to .5% effective January 1, 2006. If the second vote increases the assessment to .5%, the 1% Salmon Marketing Tax is repealed as of December 31, 2005.

The following revenue estimates are based on FY03 data and reflect the combined revenues from the Seafood Marketing Assessment and the Salmon Marketing Tax (ASMI funding) and the change in revenues compared to current law:

Scenario	Revenue		
	FY05	FY06	FY07...
Eliminate Seafood Marketing Assessment	\$4,401,972	\$4,401,972	\$1,412,041
Change in Revenue	None	None	(\$2,989,931)
Retain Existing .3% Seafood Marketing Assessment	\$4,401,972	\$4,401,972	\$4,401,972
Change in Revenue	None	None	None
Increase Seafood Marketing Assessment to .5%	\$4,401,972	\$4,261,956	\$4,983,220
Change in Revenue	None	(\$140,016)	\$581,248

The temporary dip in revenues under the .5% Seafood Marketing Assessment scenario is due to the difference in timing of revenues between the Seafood Marketing Assessment and the Salmon Marketing Tax. The .2% increase in the Seafood Marketing Assessment and the repeal of the Salmon Marketing Tax are both effective in calendar year 2006. However, the Seafood Marketing Tax is an annual tax paid on March 31 of the following calendar year. The rate increase effective for 2006 is therefore realized in FY07 (March of 2007). The Salmon Marketing Tax is paid monthly with 90% of the revenue for a calendar year being paid during the July-December period. FY06 revenues are reduced from current levels by the amount of Salmon Marketing Tax otherwise due during the first six months of 2006. Detail of revenue changes by tax type under the .5% Seafood Marketing Assessment scenario are as follows:

Tax Type	Change in Revenue		
	FY05	FY06	FY07...
Seafood Marketing Assessment Change	No Change	No Change	\$1,993,289
Salmon Marketing Tax Change	No Change	(\$140,016)	(\$1,412,041)
Total Change in Revenue	No Change	(\$140,016)	\$581,248

# FISCAL NOTE

STATE OF ALASKA  
2004 LEGISLATIVE SESSION

REPORTED OUT  
MAR 22 2004  
SENATE FINANCE  
COMMITTEE

Fiscal Note Number: \_\_\_\_\_  
Bill Version: CSSB273  
( ) Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: OOG  
Title An Act amending the size, membership, and RDU Elections  
powers of the board of directors of ASMI Component Elections  
Sponsor Senator Gary Stevens  
Requester Senate Finance Committee Component No. 21

## 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	0.0					
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES ( )						
------------------------	--	--	--	--	--	--

## FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	0.0					
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2004) cost: 0.0  
Mark 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)

The fiscal impact on the Division of Elections is estimated at zero based on CS SB273 as written.

*Note this note replaced with new FN# 4 dated 3/24/04 9:31 AM*

Prepared by: Leonard G. Jones  
Division: Division of Elections  
Approved by: Laura A. Glaiser, Director  
Agency: Office of the Lt. Governor, Division of Elections

Phone 465-3051  
Date/Time 3/24/04 7:46 AM  
Date 3/24/2004

Forthcoming Fiscal Note  
for Calendar backup:

Re: SB 273

# FISCAL NOTE

REPORTED OUT  
  
 MAR 22 2004  
  
 SENATE FINANCE  
 COMMITTEE

To Be Published Today  
**STATE OF ALASKA**  
**2004 LEGISLATIVE SESSION**

Fiscal Note Number: 4  
 Bill Version: CSSB 273(FIN)  
 (S) Publish Date: 3/24/04

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: OOG  
 Title An Act relating to the Alaska Seafood RDU Elections  
 Marketing Institute.... \_\_\_\_\_ Component Elections  
 Sponsor Senator Gary Stevens  
 Requester Senate Rules Committee Component No. 21

**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	0.0					
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
-----------------------------	--	--	--	--	--	--

<b>CHANGE IN REVENUES ( )</b>						
-------------------------------	--	--	--	--	--	--

**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	0.0					
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2004) cost: 0.0

Mark 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)

The fiscal impact on the Division of Elections is estimated at zero based on CS SB273(FIN) as written.

Prepared by: Leonard G. Jones Phone 465-3051  
 Division: Division of Elections Date/Time 3/24/04 9:31 AM  
 Approved by: Laura A. Glaiser, Director Date 3/24/2004  
 Agency: Office of the Lt. Governor, Division of Elections

Robin -

Here's a copy of this  
note for your file.

The electronic version we  
rec'd was slightly different than  
the paper copy. (see highlighted  
areas). Annette ok'd this for  
publication as it was  
substantially the same.

NS

3/24/04  
11 AM

Adopted 3/10/04

WORK DRAFT

WORK DRAFT

WORK DRAFT

23-LS1366E  
Utermohle  
3/9/04

CS FOR SENATE BILL NO. 273( )  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
TWENTY-THIRD LEGISLATURE - SECOND SESSION

BY

Offered:  
Referred:

Sponsor(s): SENATOR GARY STEVENS BY REQUEST OF THE JOINT LEGISLATIVE SALMON  
INDUSTRY TASK FORCE

A BILL  
FOR AN ACT ENTITLED

1 "An Act amending the size, membership, and powers of the board of directors of the  
2 Alaska Seafood Marketing Institute and making a corresponding change in the quorum  
3 requirement; authorizing the establishment of the seafood marketing assessment at a  
4 rate of 0.5 percent or 0.6 percent of the value of seafood products produced; providing  
5 for an election to retain, terminate, or increase the seafood marketing assessment;  
6 providing for the repeal of the salmon marketing tax and provisions related to the  
7 salmon marketing tax; and providing for an effective date."

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

9 \* Section 1. AS 16.43.160(e)(2)(A)(ix) is amended to read:

10 (ix) Department of Revenue - fisheries business tax program, fishery resource  
11 landing tax program, salmon enhancement tax program, [SALMON MARKETING  
12 TAX PROGRAM,] and dive fishery management assessment program;

13 \* Sec. 2. AS 16.51.020(a) is amended to read:

1 (a) The governing body of the institute is a board of directors. The board  
2 consists of seven [25] voting members appointed by the governor. In making  
3 appointments to the board, the governor shall consider, but need not appoint, nominees  
4 presented by persons engaged in fish processing, the financing of fish processing, or  
5 commercial fishing.

6 \* Sec. 3. AS 16.51.020(a) is amended to read:

7 (a) The governing body of the institute is a board of directors. The board  
8 consists of nine [SEVEN] voting members appointed by the governor. In making  
9 appointments to the board, the governor shall consider, but need not appoint, nominees  
10 presented by persons engaged in fish processing, the financing of fish processing, or  
11 commercial fishing.

12 \* Sec. 4. AS 16.51.020(b) is amended to read:

13 (b) Five [TWELVE] members of the board shall be seafood processors: four  
14 [EIGHT] of the seafood processors must have an annual payroll in the state of more  
15 than \$2,500,000; one [FOUR] of the seafood processors must have an annual payroll  
16 in the state of \$50,000 - \$2,500,000. Two [TWELVE] members of the board must be  
17 engaged in commercial fishing. [THE GOVERNOR, TO THE EXTENT  
18 PRACTICABLE, SHALL APPOINT AS COMMERCIAL FISHING MEMBERS OF  
19 THE BOARD PERSONS ENGAGED IN COMMERCIAL FISHING IN A FISHERY  
20 MANAGEMENT REGION OF THE STATE IN THE SAME PROPORTION THAT  
21 THE REGION CONTRIBUTES, OR IS EXPECTED TO CONTRIBUTE DURING  
22 THE NEXT YEAR, TO THE TOTAL SALMON MARKETING TAX COLLECTED  
23 UNDER AS 43.76.110 - 43.76.130. ONE MEMBER OF THE BOARD SHALL BE A  
24 LAY PERSON SELECTED BY THE GOVERNOR.]

25 \* Sec. 5. AS 16.51.020(b) is amended to read:

26 (b) Five members of the board shall be seafood processors: four of the seafood  
27 processors must have an annual payroll in the state of more than \$2,500,000; one of  
28 the seafood processors must have an annual payroll in the state of \$50,000 -  
29 \$2,500,000. Four [TWO] members of the board must be engaged in commercial  
30 fishing.

31 \* Sec. 6. AS 16.51.050 is amended to read:

1           **Sec. 16.51.050. Quorum.** Four [FOURTEEN] members of the board  
2 appointed under AS 16.51.020 constitute a quorum for the transaction of business and  
3 the exercise of the powers and duties of the board.

4 \* **Sec. 7.** AS 16.51.050 is amended to read:

5           **Sec. 16.51.050. Quorum.** Five [FOUR] members of the board appointed  
6 under AS 16.51.020 constitute a quorum for the transaction of business and the  
7 exercise of the powers and duties of the board.

8 \* **Sec. 8.** AS 16.51.120(a) is amended to read:

9           (a) A seafood marketing assessment shall be levied on the value of seafood  
10 products produced in Alaska as provided in (b), (c), (d), [OR] (e), (h), or (i) of this  
11 section if an election is held under AS 16.51.140 at which the assessment is approved  
12 by eligible processors who together produce at least 51 percent of the value of seafood  
13 products produced in Alaska in the calendar year.

14 \* **Sec. 9.** AS 16.51.120(f) is amended to read:

15           (f) An election under (a) of this section shall be held if the proposed election  
16 for the levying of an assessment under (b), (c), (d), [OR] (e), (h), or (i) of this section  
17 is approved by a majority of the whole membership of the board at a regularly  
18 scheduled meeting.

19 \* **Sec. 10.** AS 16.51.120(g) is amended to read:

20           (g) Notwithstanding (a) - (e), (h), and (i) of this section and AS 16.51.150(c),  
21 a processor is not subject to, or liable for payment of, an assessment under this section  
22 on the value of the seafood products produced in Alaska if the value of seafood  
23 products produced in Alaska by the processor is less than \$50,000 in a calendar year.  
24 This subsection does not exempt a processor from liability for payment of taxes  
25 imposed under AS 43.75 or AS 43.77.

26 \* **Sec. 11.** AS 16.51.120 is amended by adding new subsections to read:

27           (h) Each processor shall pay a seafood marketing assessment of .5 percent of  
28 the value of seafood products produced in Alaska by the processor.

29           -- (i) Each processor shall pay a seafood marketing assessment of .6 percent of  
30 the value of seafood products produced in Alaska by the processor.

31 \* **Sec. 12.** AS 16.51.130(a) is amended to read:

1 (a) A seafood marketing assessment levied under AS 16.51.120(b), (c), (d),  
2 [OR] (e), (h), or (i) shall be terminated by the commissioner of revenue if

3 [(1)] an election is held under AS 16.51.140 in which the termination  
4 is approved by eligible processors who together produce at least 51 percent of the total  
5 value of seafood products produced in Alaska during the calendar year [; OR

6 (2) THE BOARD, AT A REGULARLY SCHEDULED MEETING,  
7 ADOPTS A RESOLUTION APPROVED BY TWO-THIRDS OF THE VOTING  
8 MEMBERSHIP OF THE BOARD REQUESTING THE COMMISSIONER OF  
9 REVENUE TO TERMINATE THE ASSESSMENT].

10 \* Sec. 13. AS 16.51.130(b) is amended to read:

11 (b) An election under (a) [(a)(1)] of this section shall be held if

12 (1) the proposed election for the termination of the assessment is  
13 approved by a majority of the whole membership of the board at a regularly scheduled  
14 meeting; or

15 (2) a petition is presented to the director of elections requesting  
16 termination of the assessment by eligible processors who together produce at least 25  
17 percent of the total value of seafood products produced in Alaska during the calendar  
18 year.

19 \* Sec. 14. AS 16.51.140(b) is amended to read:

20 (b) In conducting the election under this section, the institute shall adopt the  
21 following procedures:

22 (1) the proposed levy or termination of the assessment shall be adopted  
23 at a regularly scheduled meeting of the board held not less than 60 days before the  
24 date on which the ballots must be postmarked to be counted unless the election is for  
25 termination of the assessment and has been initiated by a petition under  
26 AS 16.51.130(b)(2);

27 (2) the institute shall hold at least one meeting, not less than 30 days  
28 before the date on which ballots must be postmarked to be coun ed, to explain the  
29 reason for the proposed seafood marketing assessment or termination of the  
30 assessment and to explain the voting procedure to be used in the election; the institute  
31 shall provide notice of the meeting by

- 1 (A) mailing the notice to each eligible processor; and  
2 (B) publishing the notice in at least one newspaper of general  
3 circulation in each region of the state at least two weeks before the meeting;  
4 (3) the institute shall mail ballots to each eligible processor not more  
5 than 45 days before the date specified as the date ballots must be postmarked;  
6 (4) the ballot must  
7 (A) indicate whether the assessment is to be levied under  
8 AS 16.51.120(b), (c), (d), [OR] (e), (h), or (i) and must state the percentage of  
9 the assessment;  
10 (B) indicate the effective date of the levy of the assessment or  
11 termination of the assessment;  
12 (C) ask whether the assessment shall be levied or, if the  
13 election is to terminate the assessment, whether the assessment shall be  
14 terminated;  
15 (5) the ballots shall be returned by mail and shall be counted by the  
16 director of elections or a representative.

17 \* **Sec. 15.** AS 37.05.146(c)(25) is amended to read:

18 (25) receipts from the seafood marketing assessment under  
19 AS 16.51.120 - 16.51.170 [, THE SALMON MARKETING TAX UNDER  
20 AS 43.76.110 - 43.76.130,] and [OTHER] receipts of the Alaska Seafood Marketing  
21 Institute;

22 \* **Sec. 16.** REPEAL OF SALMON MARKETING TAX. (a) Section 9, ch. 55, SLA 1993,  
23 as amended by sec. 1, ch. 111, SLA 1998, and sec. 3, ch. 136, SLA 2002, is amended to read:

24 Sec. 9. AS 43.76.110, 43.76.120, and 43.76.130 are repealed December 31,  
25 2005 [JUNE 30, 2008].

26 \* **Sec. 17.** REPEAL OF MISCELLANEOUS PROVISIONS RELATED TO THE  
27 SALMON MARKETING TAX. Sections 3, 8(c), and 12, ch. 55, SLA 1993, are repealed.

28 \* **Sec. 18.** The uncodified law of the State of Alaska is amended by adding a new section to  
29 read:

30 TRANSITION FOR MEMBERS OF THE BOARD OF DIRECTORS OF THE  
31 ALASKA SEAFOOD MARKETING INSTITUTE. (a) Notwithstanding AS 16.51.030, the

1 terms of office of all persons who are serving as members of the board of directors of the  
2 Alaska Seafood Marketing Institute on the day before the effective date of sec. 2 of this Act  
3 expire on the effective date of sec. 2 of this Act.

4 (b) The governor shall appoint qualified persons to serve on the board of directors of  
5 the Alaska Seafood Marketing Institute, as restructured under AS 16.51.020, as amended by  
6 sec. 2 of this Act, as soon as practicable on or after the effective date of sec. 2 of this Act.  
7 The governor shall appoint persons to initial terms in accordance with AS 39.05.055(5). To  
8 the extent possible, the governor shall maintain staggered terms for members of each class of  
9 board members.

10 \* Sec. 19. The uncodified law of the State of Alaska is amended by adding a new section to  
11 read:

12 APPOINTMENT OF MEMBERS OF THE BOARD OF DIRECTORS OF THE  
13 ALASKA SEAFOOD MARKETING INSTITUTE FOLLOWING THE ELECTION HELD  
14 UNDER SECTION 20 OF THIS ACT. The governor shall appoint qualified persons to fill  
15 the two commercial fishermen memberships created on the board of directors of the Alaska  
16 Seafood Marketing Institute under AS 16.51.020, as amended by this Act, as soon as  
17 practicable on or after the effective date of sec. 3 of this Act. The governor shall appoint the  
18 two commercial fisherman members to initial terms of one, two, or three years, as the  
19 governor determines appropriate to provide for staggered terms for the commercial fishermen  
20 members of the board.

21 \* Sec. 20. The uncodified law of the State of Alaska is amended by adding a new section to  
22 read:

23 SEAFOOD MARKETING ASSESSMENT; ELECTION. (a) Notwithstanding  
24 AS 16.51.120 - 16.51.170, the seafood marketing assessment that is in effect on the day  
25 before the effective date of this section shall remain in effect until December 31, 2005. After  
26 December 31, 2005, a levy of the seafood marketing assessment under AS 16.51.120 shall be  
27 retained, amended, or terminated in accordance with the results of the election held under this  
28 section by the Alaska Seafood Marketing Institute.

29 (b) Notwithstanding AS 16.51.120 - 16.51.140, the Alaska Seafood Marketing  
30 Institute shall conduct an election under this section for the retention, termination, and  
31 amendment of the levy of the seafood marketing assessment under AS 16.51.120.

1 (c) In conducting the election under this section, the Alaska Seafood Marketing  
2 Institute and the director of elections shall adopt the following procedures:

3 (1) by January 1, 2005, the director of elections shall approve

4 (A) the notice of the election to be published by the institute;

5 (B) the ballot to be used in the election; and

6 (C) the registration and voting procedures for the election;

7 (2) the institute shall hold at least one meeting before February 28, 2005, to  
8 explain the reason for the election and to explain the voting procedure to be used in the  
9 election; the institute shall provide notice of the meeting by

10 (A) mailing the notice of the meeting to each eligible processor; and

11 (B) publishing the notice in at least one newspaper of general  
12 circulation in each region of the state at least two weeks before the meeting;

13 (3) the institute shall mail ballots to each eligible processor not earlier than  
14 February 15, 2005;

15 (4) the ballot must ask two questions as follows:

16 (A) the first ballot question must ask whether the seafood marketing  
17 assessment shall be retained; the ballot question must be written so that a yes vote is  
18 for retention of the levy of the seafood marketing assessment and a no vote is for  
19 termination of the levy of the seafood marketing assessment;

20 (B) the second ballot question must ask whether the seafood marketing  
21 assessment shall be levied under AS 16.51.120(h) at a rate of .5 percent of the value of  
22 seafood products produced in Alaska by a processor; the ballot question must be  
23 written so that a yes vote is for approval of the levy of the assessment under  
24 AS 16.51.120(h) and a no vote is for retention of the levy under AS 16.51.120 that is  
25 in effect on the day before the effective date of this section; the ballot must indicate  
26 that the effective date of the levy of the assessment under AS 16.51.120(h) is  
27 January 1, 2006, if the levy is approved;

28 (5) the ballots must be postmarked on or before March 31, 2005, and received  
29 by the institute on or before April 15, 2005, to be counted in the election;

30 (6) the ballots shall be returned by mail;

31 (7) the ballots shall be counted by the director of elections or the director's

1 representative; the director or the director's representative, with the assistance of the  
2 commissioner of revenue, shall first determine whether the retention of the levy of the seafood  
3 marketing assessment is approved by eligible processors who together produce at least 51  
4 percent of the value of seafood products produced in Alaska in the previous calendar year;  
5 only if the retention of the levy of the assessment is approved, the director or the director's  
6 representative, with the assistance of the commissioner of revenue, shall determine the results  
7 of the voting on the second ballot question;

8 (8) if the retention of the levy of the seafood marketing assessment under  
9 AS 16.51.120 is not approved by eligible processors who together produce at least 51 percent  
10 of the value of seafood products produced in Alaska in the previous calendar year, the levy of  
11 the assessment is terminated December 31, 2005;

12 (9) if the retention of the levy of the seafood marketing assessment under  
13 AS 16.51.120 is approved by eligible processors who together produce at least 51 percent of  
14 the value of seafood products produced in Alaska in the previous calendar year and if the levy  
15 of the seafood marketing assessment under AS 16.51.120(h) is approved by eligible  
16 processors who together produce at least 51 percent of the value of seafood products produced  
17 in Alaska in the previous calendar year, the levy of the seafood marketing assessment under  
18 AS 16.51.120(h) takes effect January 1, 2006; and

19 (10) if the retention of the levy of the seafood marketing assessment under  
20 AS 16.51.120 is approved by eligible processors who together produce at least 51 percent of  
21 the value of seafood products produced in Alaska in the previous calendar year and if the levy  
22 of the seafood marketing assessment under AS 16.51.120(h) is not approved by eligible  
23 processors who together produce at least 51 percent of the value of seafood products produced  
24 in Alaska in the previous calendar year, the levy under AS 16.51.120 that is in effect on the  
25 day before the effective date of this section remains in effect until amended or terminated  
26 under AS 16.51.120 - 16.51.140.

27 (d) The director of elections shall certify the results of an election under this section if  
28 the director determines that the requirements of (c) of this section have been satisfied. The  
29 director shall provide the certified results of the election to the commissioner of revenue, the  
30 Alaska Seafood Marketing Institute, the lieutenant governor, and the revisor of statutes.

31 (e) Following the election conducted under this section, a seafood marketing

1 assessment may be approved, amended, or terminated in accordance with the procedures set  
2 out under AS 16.51.120 - 16.51.150, as amended by secs. 8 - 14 of this Act.

3 (f) For purposes of AS 16.51.120(a), the election held under this section shall be  
4 considered to be an election held under AS 16.51.140.

5 \* Sec. 21. The uncodified law of the State of Alaska is amended by adding a new section to  
6 read:

7 TERMINATION OF THE SEAFOOD MARKETING ASSESSMENT.  
8 Notwithstanding AS 16.51.120 - 16.51.140, the seafood marketing assessment levied under  
9 AS 16.51.120 that is in effect on the day before the effective date of sec. 20 of this Act is  
10 terminated December 31, 2005.

11 \* Sec. 22. The uncodified law of the State of Alaska is amended by adding a new section to  
12 read:

13 CONTINGENT EFFECT -- TERMINATION OF SEAFOOD MARKETING  
14 ASSESSMENT. (a) Section 21 of this Act takes effect only if the director of elections  
15 certifies that the retention of the levy of the seafood marketing assessment under  
16 AS 16.51.120 is not approved by eligible processors who together produce at least 51 percent  
17 of the value of seafood products produced in Alaska in the previous calendar year at the  
18 election held under sec. 20 of this Act.

19 (b) Sections 3, 5, 7, and 19 of this Act take effect if the director of elections certifies  
20 that the retention of the levy of the seafood marketing assessment under AS 16.51.120 was  
21 not approved by eligible processors who together produce at least 51 percent of the value of  
22 seafood products produced in Alaska in the previous calendar year at the election held under  
23 sec. 20 of this Act.

24 \* Sec. 23. The uncodified law of the State of Alaska is amended by adding a new section to  
25 read:

26 CONTINGENT EFFECT -- APPROVAL OF LEVY UNDER AS 16.51.120(h). (a)  
27 Section 16 of this Act takes effect only if the director of elections certifies that the levy of the  
28 seafood marketing assessment under AS 16.51.120(h) is approved by eligible processors who  
29 together produce at least 51 percent of the value of seafood products produced in Alaska in  
30 the previous calendar year at the election held under sec. 20 of this Act.

31 (b) Sections 1 and 15 of this Act take effect only if the director of elections certifies

1 that the levy of the seafood marketing assessment under AS 16.51.120(h) is approved by  
2 eligible processors who together produce at least 51 percent of the value of seafood products  
3 produced in Alaska in the previous calendar year at the election held under sec. 20 of this Act.

4 \* Sec. 24. The uncodified law of the State of Alaska is amended by adding a new section to  
5 read:

6 CONTINGENT EFFECT -- DISAPPROVAL OF LEVY UNDER AS 16.51.120(h).  
7 Sections 3, 5, 7, and 19 of this Act take effect if the director of elections certifies that the levy  
8 of a seafood marketing assessment under AS 16.51.120(h) was not approved by eligible  
9 processors who together produce at least 51 percent of the value of seafood products produced  
10 in Alaska in the previous calendar year at the election held under sec. 20 of this Act.

11 \* Sec. 25. If sec. 16 of this Act takes effect under sec. 23 of this Act, it takes effect on the  
12 day after the director of elections certifies the result of the election held under sec. 20 of this  
13 Act.

14 \* Sec. 26. If secs. 1 and 15 of this Act take effect under sec. 23 of this Act, they take effect  
15 December 31, 2005.

16 \* Sec. 27. If secs. 3, 5, 7, and 19 of this Act take effect under sec. 22 or 24 of this Act, they  
17 take effect on the day after the director of elections certifies the result of the election held  
18 under sec. 20 of this Act.

19 \* Sec. 28. If sec. 21 of this Act takes effect under sec. 22 of this Act, it takes effect on the  
20 day after the director of elections certifies the result of the election held under sec. 20 of this  
21 Act.

22 \* Sec. 29. Except as provided in secs. 25 - 28 of this Act, this Act takes effect immediately  
23 under AS 01.10.070(c).



Official Business

# Alaska State Senate

## Senate Finance Committee

Mail Stop 3100  
State Capitol  
Juneau, Alaska 99801-1182

### FAX COVER SHEET

DATE: 22 March 2004 TIME: 9:45 am

TO: Legal

NUMBER OF PAGES, INCLUDING COVER SHEET: 1

FROM: MINDY ROWLAND  
SENATE FINANCE COMMITTEE SECRETARY  
PHONE: 465-4935  
FAX: 465-2187

NOTES: Final Please

CS SB 273 (FIN) 23-LS1366\ E

Utermohle 3/9/04

no changes

Thx.

Mindy

\_\_\_\_\_

	Current Tax Structure (FY04 Budget)	CS SB 273 (If the .5% is approved)	CS SB 273 (If the .5% is not approved)	CS SB 273 (If the processors vote to eliminate their assessment)
Salmon Marketing Tax	\$1,575,000	\$0	\$1,575,000	\$1,575,000
Processors Assessment	\$2,999,284	\$5,000,000	\$3,000,000	\$0
Fed Funds from Fisheries Marketing Board	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000
Size of the ASMI Board	25	7	9	7
Total	\$6,574,284	\$7,000,000	\$6,575,000	\$3,575,000

Provided by Sen. Gary Stevens' Office

# LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES  
LEGISLATIVE AFFAIRS AGENCY  
STATE OF ALASKA

(907) 465-3867 or 465-2450  
FAX (907) 465-2029  
Mail Stop 3101


State Capitol  
Juneau, Alaska 99801-1182  
Deliveries to: 129 6th St., Rm. 329

## MEMORANDUM

March 11, 2004

**SUBJECT:** Sectional summary of draft CSSB 273( ), version E; An Act amending the size, membership, and powers of the board of directors of the Alaska Seafood Marketing Institute and making a corresponding change in the quorum requirement; authorizing the establishment of the seafood marketing assessment at a rate of 0.5 percent or 0.6 percent of the value of seafood products produced; providing for an election to retain, terminate, or increase the seafood marketing assessment; providing for the repeal of the salmon marketing tax and provisions related to the salmon marketing tax (Work Order No. 23-LS1366\E)

**TO:** Senator Gary Stevens  
Attn: Katrina Matheny

**FROM:** George Utermohle   
Legislative Counsel

You have requested a sectional summary of draft CSSB 273( ), version E; An Act amending the size, membership, and powers of the board of directors of the Alaska Seafood Marketing Institute and making a corresponding change in the quorum requirement; authorizing the establishment of the seafood marketing assessment at a rate of 0.5 percent or 0.6 percent of the value of seafood products produced; providing for an election to retain, terminate, or increase the seafood marketing assessment; providing for the repeal of the salmon marketing tax and provisions related to the salmon marketing tax.

As a preliminary matter, note that a sectional summary of a bill is not an authoritative interpretation of the bill. The bill itself is the best statement of its contents.

The bill makes a number of changes to laws relating to the Alaska Seafood Marketing Institute and the salmon marketing tax. Some sections of the bill take effect immediately upon enactment of the bill. Other sections of the bill take effect based on the results of the election, regarding the seafood marketing assessment, that is held under sec. 20 of the bill. Some sections of the bill take effect if the seafood processors vote to terminate the seafood marketing assessment, some take effect if the seafood processors vote to retain the assessment but not to increase the assessment, and still others take effect if the seafood processors vote to retain and increase the assessment. Each of these sections of the bill are discussed in separate parts of this memorandum.

**PART I.** Sections 2, 4, 6, 8 - 14, 17, 18, and 20 of this bill take effect immediately under AS 01.10.070(c).

**Section 2** of the bill amends AS 16.51.020(a) to reduce the size of the board of directors of the Alaska Seafood Marketing Institute from 25 members to seven members.

**Section 4** of the bill amends AS 16.51.020(b) to provide that the seven members of the board of directors of the Alaska Seafood Marketing Institute shall consist of four members who are large seafood processors (annual payroll greater than \$2,500,000), one member who is a small processor (annual payroll of \$50,000 - \$2,500,000), and two members who are commercial fishermen. The lay member of the board has been eliminated.

**Section 6** of the bill amends AS 16.51.050 to provide that the quorum for the seven member board of directors of the Alaska Seafood Marketing Institute is four members.

**Sections 8 - 10** of the bill make technical changes to AS 16.51.120(a), (f), and (g), respectively, to conform to the addition of two new subsections to AS 16.51.120 by sec. 11 of the bill.

**Section 11** of the bill amends AS 16.51.120 by adding two new paragraphs, (h) and (i), to provide the option for seafood processors to approve the levy of a seafood marketing assessment at the rate of .5 percent and .6 percent of the value of seafood products produced in Alaska by each processor.

**Section 12** of the bill amends AS 16.51.130(a) to repeal the option for the board of directors of the Alaska Seafood Marketing Institute to terminate the seafood marketing assessment without holding an election among eligible processors and to conform to the addition of two new subsections to AS 16.51.120 by sec. 11 of the bill.

**Section 13** of the bill makes a technical amendment to AS 16.51.130(b) to conform to the repeal of the authority of the board of directors of the Alaska Seafood Marketing Institute to terminate the seafood marketing assessment without holding an election among eligible processors by sec. 12 of the bill.

**Section 14** of the bill makes a technical amendment to AS 16.51.140(b) to conform to the addition of two new subsections to AS 16.51.120 by sec. 11 of the bill.

**Section 17** of the bill repeals provisions that were to take effect upon the repeal or sunset of the salmon marketing tax. These provisions have become obsolete as a consequence of other amendments to the affected statutes and the changes made by this bill.

**Section 18** of the bill is a transitional provision providing for the immediate expiration of the terms of the current members of the board of directors of the Alaska Seafood

Marketing Institute and for the appointment of new members to the board.

**Section 20** of the bill provides for an election to be held among seafood processors in the state in March - April 2005, as to whether the current seafood marketing assessment of .3 percent is to be retained, terminated, or increased to .5 percent. Many sections of the bill take effect or do not take effect based on the results of this election.

\*

**PART II. Sections 3, 5, 7, 19, and 21** of the bill take effect under secs. 22, 27, and 28 of the bill, if at the election held under sec. 20 of the bill the seafood processors vote to terminate the current seafood marketing assessment. Each of these sections take effect on the day after the director of elections certifies the results of the election held under sec. 20 of the bill.

**Section 3** of the bill amends AS 16.51.020(a), as amended by sec. 2 of this bill, to increase the size of the board of directors of the Alaska Seafood Marketing Institute from seven members to nine members.

**Section 5** of the bill amends AS 16.51.020(b), as amended by sec. 4 of the bill, to provide that two new commercial fishing members are added to the board of directors of the Alaska Seafood Marketing Institute to bring the total number of members to nine.

**Section 7** of the bill amends AS 16.51.050, as amended by sec. 6 of the bill, to provide that the quorum for the nine member board of directors of the Alaska Seafood Marketing Institute is five members.

**Section 19** of the bill provides for the appointment of the two new commercial fishing members who are added to the board under secs. 3 and 5 of the bill.

**Section 21** of the bill provides for the termination of the current seafood marketing assessment on December 31, 2005, to coincide with the end of the tax and calendar years.

\*

**PART III. Sections 3, 5, 7, and 19** of the bill, described above, can also take effect under secs. 24 and 27 of the bill, if at the election held under sec. 20 of the bill the seafood processors vote to retain the current seafood marketing assessment but do not vote to increase the assessment from .3 percent to .5 percent. Each of these sections take effect on the day after the director of elections certifies the results of the election held under sec. 20 of the bill.

\*

**PART IV. Sections 1, 15, and 16** of the bill take effect under secs. 23, 25, and 26, only

Senator Gary Stevens

March 11, 2004

Page 4

if at the election held under sec. 20 of the bill the seafood processors vote to retain the current seafood marketing assessment and to increase the assessment from .3 percent to .5 percent.

**Sections 1 and 15** of the bill make technical changes to AS 16.43.160(e)(2)(A)(ix) and AS 37.05.146(c)(25), respectively, to conform to the repeal of the salmon marketing tax under sec. 16 of the bill. These sections take effect on December 31, 2005, which is the date on which the salmon marketing tax is repealed.

**Section 16** of the bill repeals the salmon marketing tax under AS 43.76.110 - 43.76.130 on December 31, 2005. This section takes effect on the day after the director of elections certifies the results of the election held under sec. 20 of the bill.

\*

**PART V. Sections 22 - 29** of the bill are the contingent effect and effective date sections for the bill.

**Sections 22, 27, and 28** of the bill are the contingent effect and effective date sections for secs. 3, 5, 7, 19, and 21 of the bill to provide that those sections take effect if the seafood processors vote to terminate the current seafood marketing assessment at the election held under sec. 20 of the bill.

**Sections 23, 25, and 26** of the bill are the contingent effect and effective date sections for secs. 1, 15, and 16 of the bill to provide that these sections take effect only if the seafood processors vote to retain the current seafood marketing assessment and also vote to increase the assessment from .3 percent to .5 percent at the election held under sec. 20 of the bill.

**Sections 24 and 27** of the bill are the contingent effect and effective dates for secs. 3, 5, 7, and 19 of the bill to provide that those sections take effect if the seafood processors vote to retain the current seafood marketing assessment but do not vote to increase the assessment from .3 percent to .5 percent.

**Section 28** of the bill provides that secs. 2, 4, 6, 8 - 14, 17, 18, and 20 of the bill take effect immediately under AS 01.10.070(c).

If I may be of further assistance, please advise.

GU:med  
04-285.med

CSSB273-Version E

The day before the effective date of the Act all the members' terms expire

- Seven member board appointed
- Five processors, 4 large, 1 small
- Two fishermen

January 1, 2005

- Director of Elections approves notice, ballot, registration and voting procedures

February 28, 2005

- ASMI needs to hold at least one meeting before this date
- ASMI explains the reason for the election, voting procedure, and they provide notice by mail to each eligible processor, newspapers

Ballots mailed no earlier than February 15, 2005

- Ask whether the Seafood Marketing Assessment (SMA) shall be retained (a no vote will terminate the assessment)
- Secondly, ask whether the SMA shall be levied at the rate of .5%
- A "yes" vote indicates approval
- A "no" vote is for retention of .3%

Ballots are postmarked on or before March 31, 2005, and received by ASMI on or before April 15, 2005

If ballot is approved,

- The new tax rate takes effect January 1, 2006
- The Salmon Marketing Tax (SMT) is repealed on December 31, 2005

If the increase to the SMA is terminated or retained at the .3 level

- The SMT stays in effect
- Two fishermen are appointed to the board
- Creates a board of five processors (4 large, 1 small) and four fishermen

Following the election, the SMA may be amended or terminated

- This bill allows the SMA to be increased to .6 if needed in the future
- To amend or terminate in the future, an election by the same structure listed above must occur

Prepared by Senator Gary Stevens' Office

SESSION ADDRESS:  
Alaska State Capitol  
Juneau, Alaska 99801-1182  
(907) 465-4925  
Fax: (907) 465-3517  
Toll Free: 1-800-821-4925

## Senator Gary Stevens Alaska State Legislature

INTERIM ADDRESS:  
112 Mill Bay Road  
Kodiak, Alaska 99615  
(907) 486-4925  
Fax: (907) 486-5264

### SPONSOR STATEMENT – SB 273

SB 273, "An act relating to the Alaska Seafood Marketing Institute (ASMI), the seafood marketing assessment, the seafood marketing tax, and the seafood product tax", reduces the size of the ASMI board and makes changes to its existing tax structure.

As Chair of the Marketing/Quality Subcommittee of the Salmon Industry Task Force, my main focus was to look at possible restructuring of the organization. The reoccurring theme that I heard over and over again was the need to reduce the size of the board to a more manageable level and provide a stable funding source for the agency. This bill addresses both of those concerns.

This legislation would reduce the size of the ASMI board from 25 members to nine members, consisting of three large processors, one small processor, four commercial fishermen and one public member.

Secondly, this bill changes the tax structure so that additional revenues are available for marketing Alaska seafood. Following is the difference between the current tax structure vs. the proposed tax structure:

#### *Current Tax Structure:*

*Salmon Marketing Tax on harvesters – 1%*  
*Voluntary Seafood Marketing Assessment on the processors - .3%*

#### *Proposed Tax Structure:*

*Seafood Marketing Tax on harvesters, including hatcheries – 1% on salmon and .3% on all other seafood, including mariculture*  
*Mandatory Seafood Product Tax on processors - .3%*  
*Voluntary Seafood Marketing Assessment on processors - up to .4% (in current statute)*

Under this proposal, ASMI would receive approximately \$2.8 million in additional funds.

Alaska needs a strong and adequately funded marketing organization in order to compete in the world marketplace and assist in revitalizing the industry. This bill is a step in that direction and I encourage you to support this important piece of legislation.

# LEGAL SERVICES

JAN 29 2004

DIVISION OF LEGAL AND RESEARCH SERVICES  
LEGISLATIVE AFFAIRS AGENCY  
STATE OF ALASKA

(907) 465-3867 or 465-2450  
FAX (907) 465-2029  
Mail Stop 3101

State Capitol  
Juneau, Alaska 99801-1182  
Deliveries to: 129 6th St., Rm. 329

## MEMORANDUM

January 29, 2004

**SUBJECT:** Sectional summary of SB 273; an Act relating to the Alaska Seafood Marketing Institute, the seafood marketing assessment, the seafood marketing tax, and the seafood product tax (SB 273)

**TO:** Senator Gary Stevens  
Attn: Katrina Matheny

**FROM:** George Utermohle *GU*  
Legislative Counsel

You have requested a sectional summary of SB 273; an Act relating to the Alaska Seafood Marketing Institute, the seafood marketing assessment, the seafood marketing tax, and the seafood product tax.

As a preliminary matter, note that 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 16.43.160(e)(2)(A)(ix) to provide that the Alaska Commercial Fisheries Entry Commission shall consider the cost to the state of operating the seafood product tax program and the seafood marketing tax program in setting the amount of the fee to be charged to nonresident fishermen for interim-use permits and entry permits.

Sections 2 and 3 of the bill amend AS 16.51.020(a) and (b) to reduce the size of the board of directors of the Alaska Seafood Marketing Institute from 25 persons to nine persons and to eliminate the requirement that the number of fishermen members of the board be appointed from regions in the state in the same proportion that those regions account for the total amount of tax collected under the former salmon marketing tax.

Section 4 of the bill amends AS 16.51.050 to establish the quorum of the Alaska Seafood Marketing Institute board of directors as five members.

Section 5 of the bill amends AS 37.05.146(c)(25) to provide that an appropriation of receipts from the seafood product tax or the seafood marketing tax is not made from unrestricted general funds.

Section 6 of the bill adds a new article to AS 43.76 to provide for the establishment and collection of a 0.3 percent seafood product tax to be paid by seafood processors on the

**Sectional Analysis**

Senator Gary Stevens

January 29, 2004

Page 2

value of fishery resources that they acquire to produce seafood products. The fishery resources on which the tax is to be paid include the traditional salmon, halibut, herring, etc., as well as *aquatic farm products and salmon sold by hatcheries*.

Sections 7 - 9 of the bill amend AS 43.76.110, 43.76.120, and 43.76.130 to replace the current salmon marketing tax with the seafood marketing tax. The new tax is to be paid by all fishermen who hold a limited entry permit, interim-use permit, *special harvest permit, landing permit, an aquatic farm permit, or a federal commercial fishing license permit or quota share* and who sell or transfer fishery resources to a buyer in the state. The amount of the tax to be paid is one percent of the value of salmon and 0.3 percent of the value of all other fishery resources. The fishery resources on which the tax is to be paid include the traditional salmon, halibut, herring, etc., as well as *aquatic farm products and salmon sold by hatcheries*.

Section 10 of the bill provides for the repeal of the seafood product tax and the seafood marketing tax on June 30, 2008.

Section 11 of the bill repeals obsolete provisions relating to the repeal of the former salmon marketing tax.

Section 12 of the bill repeals miscellaneous provisions related to the salmon marketing tax.

Section 13 of the bill sets out transitional provisions relating to the reduction of the size of the board of directors of the Alaska Seafood Marketing Institute and to provide for the collection of the seafood marketing assessment for 2004 that may be owed by seafood processors after the assessment is terminated on December 31, 2004.

Section 14 of the bill terminates the current seafood marketing assessment paid by seafood processors under AS 16.51. The amount that seafood processors pay under the current seafood marketing assessment is supplanted by the new seafood product tax that is established under sec. 6 of the bill. The seafood processors will still have the option to reestablish a seafood marketing assessment if they follow the procedures set out under AS 16.51.

Sections 15 and 16 of the bill set out the effective dates for the various sections of the bill.

If I may be of further assistance, please advise.

GU:med

04-107.med

## The Twelve Days of ASMI

A bill analysis

*To be sung to the tune of  
The Twelve Days of Christmas*

On the first day of ASMI,  
The drafters sent to me  
A bill too hard to read!

On the second day of ASMI,  
The drafters sent to me  
Two fishermen, and  
A bill too hard to read!

On the third day of ASMI,  
The drafters sent to me  
Three choices ...  
Two fishermen, and  
A bill too hard to read!

On the fourth day of ASMI,  
The drafters sent to me  
Four fishermen...  
Three choices ...  
Two fishermen, and  
A bill too hard to read!

On the fifth day of ASMI,  
The drafters sent to me  
...Five processors...  
Four fishermen...  
Three choices ...  
Two fishermen, and  
A bill too hard to read!

On the sixth day of ASMI,  
The drafters sent to me  
Six or five or three...  
...Five processors...  
Four fishermen...  
Three choices ...  
Two fishermen, and  
A bill too hard to read!

Distributed by Senator Gary Stevens

On the seventh day of ASMI,  
The drafters sent to me  
Seven members, *maybe*...  
Six or five or three...  
...Five processors...  
Four fishermen...  
Three choices ...  
Two fishermen, and  
A bill too hard to read!

On the eighth day of ASMI,  
The drafters sent to me  
Eight effective dates...  
Seven members, *maybe*...  
Six or five or three...  
...Five processors...  
Four fishermen...  
Three choices ...  
Two fishermen, and  
A bill too hard to read!

On the ninth day of ASMI,  
The drafters sent to me  
Nine members, *maybe*...  
Eight effective dates...  
Seven members, *maybe*...  
Six or five or three...  
...Five processors...  
Four fishermen...  
Three choices ...  
Two fishermen, and  
A bill too hard to read!

On the tenth day of ASMI,  
The drafters sent to me  
Ten pages reading...  
Nine members, *maybe*...  
Eight effective dates...  
Seven members, *maybe*...  
Six or five or three...  
...Five processors...  
Four fishermen...  
Three choices ...  
Two fishermen, and  
A bill too hard to read!

On the eleventh day of ASMI,  
The drafters sent to me  
Eleven contingencies...  
Ten pages reading...  
Nine members, *maybe*...  
Eight effective dates...  
Seven members, *maybe*...  
Six or five or three...  
...Five processors...  
Four fishermen...  
Three choices ...  
Two fishermen, and  
A bill too hard to read!

On the twelfth day of ASMI,  
The drafters sent to me  
Twelve hours running...  
Eleven contingencies...  
Ten pages reading...  
Nine members, *maybe*...  
Eight effective dates...  
Seven members, *maybe*...  
Six or five or three...  
...Five processors...  
Four fishermen...  
Three choices ...  
Two fishermen, and  
A bill too hard to read!

## SENATE COMMITTEE REPORT First Committee of Referral

DATE: 1/23/04

FURTHER: Finance

Date of 5-Day Notice: 1/29/04  
(in accordance with Uniform Rule 23)

DATE TURNED  
IN TO OFFICE: 2/10/04

Labor and Commerce Committee considered SENATE BILL NO. 273

### SB 273 ASMI BOARD/ SEAFOOD TAXES & ASSESSMENTS

"An Act relating to the Alaska Seafood Marketing Institute, the seafood marketing assessment, the seafood marketing tax, and the seafood product tax; and providing for an effective date."

and recommends:

- be replaced with \_\_\_\_\_ CS \_\_\_\_\_ (\_\_\_\_\_)
- adopt previous \_\_\_\_\_ CS \_\_\_\_\_ (\_\_\_\_\_)
- attached amendment(s)
- adopt Letter of Intent by \_\_\_\_\_ Committee
- further referral to \_\_\_\_\_ Committee

**Senate Bill:**  
 Same Title  
 New Title

**House Bill:**  
 Same Title  
 Technical Title Change  
 New Title w/ SCR # \_\_\_\_\_

**NEW FISCAL NOTE(S):**

Department	Date	Fiscal	Indet.	Zero	FN#
Rev	2/3/04	✓			1
006	2/2/04			✓	2

**PREVIOUS FISCAL NOTE(S):**

Department	Date	Fiscal	Indet.	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
French			X	
G. Stevens	X			
Bunde CHAIR:			✓	



SENATE FINANCE COMMITTEE

SIGN-IN

SB 273-ASMI BOARD/ SEAFOOD TAXES & ASSESSMENTS

NAME: Chuck Harlamer + Subject/Bill No: SB 273  
Co./Dept./Title: DOR Phone: 2326  
Address: \_\_\_\_\_ Zip: \_\_\_\_\_  
Do you wish to testify?  Yes  No  Respond To Questions

NAME: \_\_\_\_\_ Subject/Bill No: \_\_\_\_\_  
Co./Dept./Title: \_\_\_\_\_ Phone: \_\_\_\_\_  
Address: \_\_\_\_\_ Zip: \_\_\_\_\_  
Do you wish to testify?  Yes  No  Respond To Questions

NAME: \_\_\_\_\_ Subject/Bill No: \_\_\_\_\_  
Co./Dept./Title: \_\_\_\_\_ Phone: \_\_\_\_\_  
Address: \_\_\_\_\_ Zip: \_\_\_\_\_  
Do you wish to testify?  Yes  No  Respond To Questions

NAME: \_\_\_\_\_ Subject/Bill No: \_\_\_\_\_  
Co./Dept./Title: \_\_\_\_\_ Phone: \_\_\_\_\_  
Address: \_\_\_\_\_ Zip: \_\_\_\_\_  
Do you wish to testify?  Yes  No  Respond To Questions

SENATE FINANCE COMMITTEE

SIGN-IN

SB 273-ASMI BOARD/ SEAFOOD TAXES & ASSESSMENTS

NAME: Chuck Harlament Subject/Bill No: SB 273  
Co./Dept./Title: Dept. of Revenue Phone: 465-2320  
Address: SOB Zip: \_\_\_\_\_

Do you wish to testify?  Yes  No  Respond To Questions

NAME: \_\_\_\_\_ Subject/Bill No: \_\_\_\_\_  
Co./Dept./Title: \_\_\_\_\_ Phone: \_\_\_\_\_  
Address: \_\_\_\_\_ Zip: \_\_\_\_\_

Do you wish to testify?  Yes  No  Respond To Questions

NAME: \_\_\_\_\_ Subject/Bill No: \_\_\_\_\_  
Co./Dept./Title: \_\_\_\_\_ Phone: \_\_\_\_\_  
Address: \_\_\_\_\_ Zip: \_\_\_\_\_

Do you wish to testify?  Yes  No  Respond To Questions

NAME: \_\_\_\_\_ Subject/Bill No: \_\_\_\_\_  
Co./Dept./Title: \_\_\_\_\_ Phone: \_\_\_\_\_  
Address: \_\_\_\_\_ Zip: \_\_\_\_\_

Do you wish to testify?  Yes  No  Respond To Questions

**SB**

**274**

**HFIN**

**FILE**



# FISCAL NOTE

STATE OF ALASKA  
2004 LEGISLATIVE SESSION

Fiscal Note Number: 1  
Bill Version: SB 274  
(S) Publish Date: 1/23/04

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Revenue  
Title AHFC Housing Assistance Loan RDU Alaska Housing Finance Corp.  
Fund \_\_\_\_\_ Component Operations  
Sponsor Rules Committee  
Requester Governor Component No. 110

**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						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
-----------------------------	--	--	--	--	--	--

<b>CHANGE IN REVENUES ( )</b>						
-------------------------------	--	--	--	--	--	--

**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)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2004) cost: 0.0

Mark 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)

This legislation would remove language establishing the housing assistance loan fund and replace it with language establishing the housing assistance loan program. Under the changes, AHFC would continue to originate, purchase, and refinance loans for small community housing as well as building materials for and renovations and improvement to small community housing.

This legislation would also replace highly restrictive provisions for teacher housing loans with more general provisions for multi-family housing where the multi-family residence may be either owner-occupied or nonowner-occupied, with no restrictions on the latter. This would result in replacing an ineffective program by providing financing for needed rural multi-family housing, including housing for teachers.

The expected loan activity increase with this program would be handled by current mortgage staff.

Prepared by: Bryan Butcher, Legislative Liaison/Special Assistant Phone 330-8445  
Division: Alaska Housing Finance Corporation Date/Time 12/22/03 1:21 PM  
Approved by: Tom Boutin, Deputy Commissioner Date 12/22/2003  
Agency: Department of Revenue

FRANK H. MURKOWSKI  
GOVERNOR

GOVERNOR@GOV.STATE.AK.US



STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

SB274  
P.O. Box 110001  
JUNEAU, ALASKA 99811-0001  
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FAX (907) 465-3532  
WWW.GOV.STATE.AK.US

January 22, 2004

The Honorable Gene Therriault  
President of the Senate  
Alaska State Legislature  
State Capitol, Room 107  
Juneau, AK 99801-1182

Dear President Therriault:

Under the authority of article III, section 18, of the Alaska Constitution, I am transmitting a bill relating to the housing assistance loan fund in the Alaska Housing Finance Corporation, creating the housing assistance loan program, repealing loans for teacher housing, and providing loans for multi-family housing.

The bill would amend AS 18.56 to remove language establishing the housing assistance loan fund and replace it with language establishing the housing assistance loan program. Under the changes, the Alaska Housing Finance Corporation would continue to originate, purchase, and refinance loans for small community housing as well as building materials for and renovations and improvement to small community housing. Repayment of these loans would be directed to the Alaska Housing Finance Revolving Fund under AS 18.56.082.

The bill would replace highly restrictive provisions for teacher housing loans, which currently exist under AS 18.56.580 (Rural Teacher Housing Loan Program), with more general provisions for multi-family housing where the multi-family residence may be either owner-occupied or nonowner-occupied, with no restrictions on the latter. Further, the bill would replace an ineffective program by providing financing for needed rural multi-family housing, including housing for teachers. The bill would permit the Alaska Housing Finance Corporation to purchase, develop, participate, and refinance loans for multi-family housing, which would include residences with two or more units.

I urge your prompt and favorable action on this measure.

Sincerely yours,

A handwritten signature in black ink that reads "Frank H. Murkowski".

Frank H. Murkowski  
Governor

Enclosure



**Headquarters:**  
4300 Boniface Parkway  
Anchorage, AK 99504  
907-338-6100

**Mailing Address:**  
PO Box 101020  
Anchorage, AK 99510

**Internet Web Site:**  
<http://www.ahfc.state.ak.us>

## Senate Bill 274

Senate Bill 274 will replace the Housing Assistance Loan Fund with a new Housing Assistance Loan Program. This bill will also repeal the Rural Teacher Housing Loan Program and replace it with a Rural Multi-Family Loan Program.

### **The Housing Assistance Loan Program**

When the rural and energy efficiency programs of the Department of Community and Regional Affairs were merged into Alaska Housing Finance Corporation in 1992, the Corporation purchased the rural Housing Assistance Loan Fund (the "HALF") from the State for approximately \$200 million. The HALF is currently a revolving fund within the Corporation from which loan payments can only be used to purchase new loans under our rural loan program. That revolving feature has begun to cause liquidity concerns at AHFC.

With the Dividend plan written into Statute during the last legislative session with House Bill 256, the Corporation is obligated to pay dividends to the State General Fund of \$103 million for the next two fiscal years, and percentages of its Change in Net Assets (net income) thereafter. Since the HALF has only unleveraged assets in it, the percentage of AHFC's net income that is unavailable from which to make Dividend payments has grown with the Fund.

At June 30, 2003, there was \$544 million in assets in the Fund, with net income generated of \$25 million—in excess of 35% of the Corporation's total net income. That net income is included in the determination of the Dividend to be paid, but unavailable to actually make a payment. The result is the Corporation's working capital—the amount of liquid assets available for day-to-day mortgage purchases and operations of the Corporation—is declining at an accelerated rate.

In addition, the "revolving" fund hasn't really revolved for several years. The new loans made under the HALF have exceeded the amount of cash available in the Fund causing the Corporation to use its working capital to purchase and hold loans for reimbursement from the Fund as money becomes available.

What this legislation will allow the Corporation to do is to leverage those assets by selling bonds and replenish the working capital borrowed by the HALF. Without the legislation, the working capital of the Corporation will continue to be eroded to such a point that it will affect the other successful programs throughout the State.

Other than this change the program will continue to operate in the same way.



### **The Rural Multifamily Loan Program**

Prior to 2002, a feature of the Rural Loan Program was a program called the Rural Non-Owner Occupied Loan Program (the "Program"). The Program accounted for approximately 2.5% of the Rural Loan Program activity. The Program provided loans for construction, purchase, or rehabilitation of rental units. The property could be rented to any tenant without regard to occupation, but the borrower could not occupy it.

Senate Bill 181 became law in 2002 and replaced the Program with the Rural Teacher Housing Loan Program (the "Teacher Program"). The Teacher Program provides loans for construction, purchase, or rehabilitation of housing that must be occupied by teachers and other education professionals. The properties may be owner occupied or non-owner occupied duplexes and above. Each unit must have at least one occupant who is employed as a teacher or other education professional in a public elementary or secondary school in a small community and holds a valid (unexpired) teacher certificate under AS 14.20 and 4 AAC 12.010-12.900.

If at any time before the loan is paid in full, the borrower fails to comply with the occupancy requirement of this section, the interest rate on the remaining balance of the loan amount will be increased to the AHFC Taxable Program rate in effect on the date the mortgage loan was submitted to the Corporation for commitment. Lenders are required to certify occupancy on an annual basis.

The Teacher Program became effective October 3, 2002 and since that time no loans have been made or committed to. It is surmised that the reason for this is three-fold: (i) the requirement that all units be occupied by a teacher or other education professionals; (ii) if tenants other than teachers or education professionals occupy a unit, the interest rate on the remaining balance of the loan amount will be increased as stated above; and (iii) the additional burden placed on a lender to certify occupancy on an annual basis.

Restricting the occupancy to only teachers or other educational professionals significantly increases the risk of the borrower; in that, it severely limits the universe of tenants to draw from. Additionally, it is very common that teachers and other educational professionals in rural areas leave the area for the summer and return in the fall when school starts. Therefore, unless the borrower can find other teachers or educational professionals to occupy the units, they will sit vacant until school begins. This in itself seriously affects the financial feasibility of the rental property but when combined with the restriction of renting to only teachers or other educational professionals, as well as the increased interest rate penalty in event the borrower has to rent to other than teachers or other education professionals to "make ends meet," creates a risk which apparently no borrower is willing to accept; therefore, resulting in an ineffective program.

This legislation will replace the Teacher Program with a Rural Multi-Family Loan Program which would be very similar to what the Rural Non-Owner Occupied program was but would allow the borrower to occupy the property. The Rural Non-Owner Occupied program has already proven to be effective. Additionally, to allow a borrower to occupy the property adds an attractive feature to the program. Finally, the occupation of the tenants would not be restricted and would include all occupations, including teachers and other educational professionals.



**SB**

**274**

**SFIN**

**FILE**

**SENATE FINANCE COMMITTEE REPORT**

DATE: 2/27/04

REPORTED OUT  
  
MAR 22 2004  
  
SENATE FINANCE  
COMMITTEE

FURTHER:

DATE TURNED  
IN TO OFFICE: 3/22/04

Finance Committee considered

SENATE BILL NO. 274

**SB 274 HOUSING PROGRAMS**

"An Act relating to the housing assistance loan fund in the Alaska Housing Finance Corporation; creating the housing assistance loan program; repealing loans for teacher housing and providing for loans for multi-family housing; making conforming amendments; and providing for an effective date."

and recommends:

- be replaced with \_\_\_\_\_ CS \_\_\_\_\_ (\_\_\_\_\_)
- adopt previous \_\_\_\_\_ CS \_\_\_\_\_ (\_\_\_\_\_)
- attached amendment(s)
- adopt Letter of Intent by \_\_\_\_\_ Committee
- further referral to \_\_\_\_\_ Committee

<b>Senate Bill:</b>	
<input type="checkbox"/>	Same Title
<input type="checkbox"/>	New Title
<b>House Bill:</b>	
<input type="checkbox"/>	Same Title
<input type="checkbox"/>	Technical Title Change
<input type="checkbox"/>	New Title w/ SCR # _____

**NEW FISCAL NOTE(S):**

Department	Date	Fiscal	Indet.	Zero.	FN#

**PREVIOUS FISCAL NOTE(S):**

Department	Date	Fiscal	Indet.	Zero	FN#
REV	12/22/03			✓	1

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	Do PASS	Do NOT PASS	No REC	AMEND
<i>Frank...</i>	✓			
<i>...</i>	✓			
<i>...</i>			✓	
<i>Ben...</i>			✓	
COCHAIR: <i>Lyle Green</i>	✓			
COCHAIR: <i>Gary...</i>	✓			

REPORTED OUT

MAR 22 2004

SENATE FINANCE  
COMMITTEE

# FISCAL NOTE

STATE OF ALASKA  
2004 LEGISLATIVE SESSION

Fiscal Note Number: 1  
Bill Version: SB 274  
(S) Publish Date: 1/23/04

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Revenue  
Title AHFC Housing Assistance Loan RDU Alaska Housing Finance Corp.  
Fund \_\_\_\_\_ Component Operations  
Sponsor Rules Committee  
Requester Governor Component No. 110

**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						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

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)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2004) cost: 0.0  
Mark 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)

This legislation would remove language establishing the housing assistance loan fund and replace it with language establishing the housing assistance loan program. Under the changes, AHFC would continue to originate, purchase, and refinance loans for small community housing as well as building materials for and renovations and improvement to small community housing.

This legislation would also replace highly restrictive provisions for teacher housing loans with more general provisions for multi-family housing where the multi-family residence may be either owner-occupied or nonowner-occupied, with no restrictions on the latter. This would result in replacing an ineffective program by providing financing for needed rural multi-family housing, including housing for teachers.

The expected loan activity increase with this program would be handled by current mortgage staff.

Prepared by: Bryan Butcher, Legislative Liaison/Special Assistant Phone 330-9445  
Division: Alaska Housing Finance Corporation Date/Time 12/22/03 1:21 PM  
Approved by: Tom Boutin, Deputy Commissioner Date 12/22/2003  
Agency: Department of Revenue



**Headquarters:**  
4300 Boniface Parkway  
Anchorage, AK 99504  
907-338-6100

**Mailing Address:**  
PO Box 101020  
Anchorage, AK 99510

**Internet Web Site:**  
<http://www.ahfc.state.ak.us>

## Senate Bill 274

Senate Bill 274 will replace the Housing Assistance Loan Fund with a new Housing Assistance Loan Program. This bill will also repeal the Rural Teacher Housing Loan Program and replace it with a Rural Multi-Family Loan Program.

### **The Housing Assistance Loan Program**

When the rural and energy efficiency programs of the Department of Community and Regional Affairs were merged into Alaska Housing Finance Corporation in 1992, the Corporation purchased the rural Housing Assistance Loan Fund (the "HALF") from the State for approximately \$200 million. The HALF is currently a revolving fund within the Corporation from which loan payments can only be used to purchase new loans under our rural loan program. That revolving feature has begun to cause liquidity concerns at AHFC.

With the Dividend plan written into Statute during the last legislative session with House Bill 256, the Corporation is obligated to pay dividends to the State General Fund of \$103 million for the next two fiscal years, and percentages of its Change in Net Assets (net income) thereafter. Since the HALF has only unleveraged assets in it, the percentage of AHFC's net income that is unavailable from which to make Dividend payments has grown with the Fund.

At June 30, 2003, there was \$544 million in assets in the Fund, with net income generated of \$25 million—in excess of 35% of the Corporation's total net income. That net income is included in the determination of the Dividend to be paid, but unavailable to actually make a payment. The result is the Corporation's working capital—the amount of liquid assets available for day-to-day mortgage purchases and operations of the Corporation—is declining at an accelerated rate.

In addition, the "revolving" fund hasn't really revolved for several years. The new loans made under the HALF have exceeded the amount of cash available in the Fund causing the Corporation to use its working capital to purchase and hold loans for reimbursement from the Fund as money becomes available.

What this legislation will allow the Corporation to do is to leverage those assets by selling bonds and replenish the working capital borrowed by the HALF. Without the legislation, the working capital of the Corporation will continue to be eroded to such a point that it will affect the other successful programs throughout the State.

Other than this change the program will continue to operate in the same way.



### **The Rural Multifamily Loan Program**

Prior to 2002, a feature of the Rural Loan Program was a program called the Rural Non-Owner Occupied Loan Program (the "Program"). The Program accounted for approximately 2.5% of the Rural Loan Program activity. The Program provided loans for construction, purchase, or rehabilitation of rental units. The property could be rented to any tenant without regard to occupation, but the borrower could not occupy it.

Senate Bill 181 became law in 2002 and replaced the Program with the Rural Teacher Housing Loan Program (the "Teacher Program"). The Teacher Program provides loans for construction, purchase, or rehabilitation of housing that must be occupied by teachers and other education professionals. The properties may be owner occupied or non-owner occupied duplexes and above. Each unit must have at least one occupant who is employed as a teacher or other education professional in a public elementary or secondary school in a small community and holds a valid (unexpired) teacher certificate under AS 14.20 and 4 AAC 12.010-12.900.

If at any time before the loan is paid in full, the borrower fails to comply with the occupancy requirement of this section, the interest rate on the remaining balance of the loan amount will be increased to the AHFC Taxable Program rate in effect on the date the mortgage loan was submitted to the Corporation for commitment. Lenders are required to certify occupancy on an annual basis.

The Teacher Program became effective October 3, 2002 and since that time no loans have been made or committed to. It is surmised that the reason for this is three-fold: (i) the requirement that all units be occupied by a teacher or other education professionals; (ii) if tenants other than teachers or education professionals occupy a unit, the interest rate on the remaining balance of the loan amount will be increased as stated above; and (iii) the additional burden placed on a lender to certify occupancy on an annual basis.

Restricting the occupancy to only teachers or other educational professionals significantly increases the risk of the borrower; in that, it severely limits the universe of tenants to draw from. Additionally, it is very common that teachers and other educational professionals in rural areas leave the area for the summer and return in the fall when school starts. Therefore, unless the borrower can find other teachers or educational professionals to occupy the units, they will sit vacant until school begins. This in itself seriously affects the financial feasibility of the rental property but when combined with the restriction of renting to only teachers or other educational professionals, as well as the increased interest rate penalty in event the borrower has to rent to other than teachers or other education professionals to "make ends meet," creates a risk which apparently no borrower is willing to accept; therefore, resulting in an ineffective program.

This legislation will replace the Teacher Program with a Rural Multi-Family Loan Program which would be very similar to what the Rural Non-Owner Occupied program was but would allow the borrower to occupy the property. The Rural Non-Owner Occupied program has already proven to be effective. Additionally, to allow a borrower to occupy the property adds an attractive feature to the program. Finally, the occupation of the tenants would not be restricted and would include all occupations, including teachers and other educational professionals.





FRANK H. MURKOWSKI  
GOVERNOR

GOVERNOR@GOV.STATE.AK.US

STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

SB274  
P.O. BOX 110001  
JUNEAU, ALASKA 99811-0001  
(907) 465-3500  
FAX (907) 465-3532  
WWW.GOV.STATE.AK.US

January 22, 2004

The Honorable Gene Therriault  
President of the Senate  
Alaska State Legislature  
State Capitol, Room 107  
Juneau, AK 99801-1182

Dear President Therriault:

Under the authority of article III, section 18, of the Alaska Constitution, I am transmitting a bill relating to the housing assistance loan fund in the Alaska Housing Finance Corporation, creating the housing assistance loan program, repealing loans for teacher housing, and providing loans for multi-family housing.

The bill would amend AS 18.56 to remove language establishing the housing assistance loan fund and replace it with language establishing the housing assistance loan program. Under the changes, the Alaska Housing Finance Corporation would continue to originate, purchase, and refinance loans for small community housing as well as building materials for and renovations and improvement to small community housing. Repayment of these loans would be directed to the Alaska Housing Finance Revolving Fund under AS 18.56.082.

The bill would replace highly restrictive provisions for teacher housing loans, which currently exist under AS 18.56.580 (Rural Teacher Housing Loan Program), with more general provisions for multi-family housing where the multi-family residence may be either owner-occupied or nonowner-occupied, with no restrictions on the latter. Further, the bill would replace an ineffective program by providing financing for needed rural multi-family housing, including housing for teachers. The bill would permit the Alaska Housing Finance Corporation to purchase, develop, participate, and refinance loans for multi-family housing, which would include residences with two or more units.

I urge your prompt and favorable action on this measure.

Sincerely yours,

Frank H. Murkowski  
Governor

Enclosure

## SENATE COMMITTEE REPORT First Committee of Referral

DATE: 1/23/04

FURTHER: Finance

Date of 5-Day Notice: 2/12/04  
(in accordance with Uniform Rule 23)

DATE TURNED  
IN TO OFFICE: 2.25.04

Health, Education and Social Services Committee considered

SENATE BILL NO. 274

### SB 274 HOUSING PROGRAMS

"An Act relating to the housing assistance loan fund in the Alaska Housing Finance Corporation; creating the housing assistance loan program; repealing loans for teacher housing and providing for loans for multi-family housing; making conforming amendments; and providing for an effective date."

and recommends:

- be replaced with \_\_\_\_\_ CS \_\_\_\_\_ (\_\_\_\_\_)
- adopt previous \_\_\_\_\_ CS \_\_\_\_\_ (\_\_\_\_\_)
- attached amendment(s)
- adopt Letter of Intent by \_\_\_\_\_ Committee
- further referral to \_\_\_\_\_ Committee

**Senate Bill:**  
 Same Title  
 New Title

**House Bill:**  
 Same Title  
 Technical Title Change  
 New Title w/ SCR # \_\_\_\_\_

**NEW FISCAL NOTE(S):**

Department	Date	Fiscal	Indet.	Zero	FN#

**PREVIOUS FISCAL NOTE(S):**

Department	Date	Fiscal	Indet.	Zero	FN#
REV	12/22			✓	1

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
Guess <i>[Signature]</i>			✓	
Green <i>[Signature]</i>	✓			
Wilken <i>[Signature]</i>	✓			
CHAIR: <i>[Signature]</i>	✓			

Guess  
Green  
Wilken  
Dyson

SENATE FINANCE COMMITTEE

SIGN-IN

SB 274-HOUSING PROGRAMS

NAME: Dan Fyuske, Bryan Bytcher, Joe Duhler Subject/Bill No: \_\_\_\_\_

Co./Dept./Title: AHFC Phone: \_\_\_\_\_

Address: \_\_\_\_\_ Zip: \_\_\_\_\_

Do you wish to testify?  Yes  No  Respond To Questions

NAME: \_\_\_\_\_ Subject/Bill No: \_\_\_\_\_

Co./Dept./Title: \_\_\_\_\_ Phone: \_\_\_\_\_

Address: \_\_\_\_\_ Zip: \_\_\_\_\_

Do you wish to testify?  Yes  No  Respond To Questions

NAME: \_\_\_\_\_ Subject/Bill No: \_\_\_\_\_

Co./Dept./Title: \_\_\_\_\_ Phone: \_\_\_\_\_

Address: \_\_\_\_\_ Zip: \_\_\_\_\_

Do you wish to testify?  Yes  No  Respond To Questions

NAME: \_\_\_\_\_ Subject/Bill No: \_\_\_\_\_

Co./Dept./Title: \_\_\_\_\_ Phone: \_\_\_\_\_

Address: \_\_\_\_\_ Zip: \_\_\_\_\_

Do you wish to testify?  Yes  No  Respond To Questions



**SB**

**276**

**HFIN**

**FILE**



# FISCAL NOTE

STATE OF ALASKA  
2004 LEGISLATIVE SESSION

Fiscal Note Number: 4  
Bill Version: SB 276  
(S) Publish Date: 1/23/04

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: DCED  
Title AIGA Assessment RDU AIDEA (125)  
Component AIDEA  
Sponsor Rules  
Requester By Request of the Governor Component No. 1234

**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	0.0	0.0	0.0	0.0	0.0	0.0
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</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						
Other (Specify Type--Do not abbreviate)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2004) cost: 0.0  
Mark 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)

This legislation authorizes Alaska Industrial Development and Export Authority (AIDEA) to guarantee loans to the Alaska Insurance Guaranty Association (AIGA) needed to make the association financially able to meet cash flow needs. AIDEA guarantees for association loans are limited to a maximum outstanding principal balance at any time of \$30 million on all loans. There is no financial impact on the operations of AIDEA.

Prepared by: Ron Miller, Executive Director Phone (907) 269-3000  
Division: AIDEA/AEA Date/Time 12/24/03 9:00 AM  
Approved by: Edgar Blatchford, Commissioner Date 12/24/2003  
Agency: Community & Economic Development

# FISCAL NOTE

STATE OF ALASKA  
2004 LEGISLATIVE SESSION

Fiscal Note Number: 5  
Bill Version: SB 276  
(S) Publish Date: 1/23/04

Revision Date/Time (Note if correction): \_\_\_\_\_ Department: Labor and Workforce Development  
Title: "An Act relating to the RDU: Workers' Compensation  
Alaska Insurance Guaranty Association..." Component: Workers' Compensation  
Sponsor: Rules Committee  
Requester: Governor Component Number: 344

**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						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>						
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**FUND SOURCE** (Thousand's of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2004) cost: None  
Mark 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)

There is no anticipated fiscal impact to the department as a result of this legislation.

Prepared by: Paul Grossl, Director Phone 465-2790  
Division: Workers' Compensation Division Date/Time 12/31/03 9:17 AM  
Approved by: Greg U'Claray, Commissioner Date 12/31/2003  
Agency: Department of Labor and Workforce Development

# FISCAL NOTE

STATE OF ALASKA  
2004 Legislative Session

Fiscal Note Number: 6  
Bill Version: CSSB 276(L&C)  
(S) Publish Date: 2/18/04

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Revenue  
Title AK Insurance Guaranty Assn. BRU AK Permanent Fund Corporation  
Component Earnings Reserve  
Sponsor Governor  
Requester Senate Labor and Commerce Component No. \_\_\_\_\_

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

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

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

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>						
-------------------------------	--	--	--	--	--	--

**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
1041 PF Earnings	8,890.7					
<b>TOTAL</b>	<b>8,890.7</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2004) cost: 5,828.5  
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: Jane Alberts Phone 465-3844  
Division: Labor & Commerce Committee Staff Date/Time 2/18/04 11:23 AM  
Approved by: Senator Con Bunde, L&C Chair Date 2/18/2004  
Agency: Legislature

# FISCAL NOTE

STATE OF ALASKA  
2004 LEGISLATIVE SESSION

Fiscal Note Number: 7  
Bill Version: CSSB 276 (FIN)  
(S) Publish Date: 3/26/04

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Administration  
Title An Act relating to AK Insurance Guaranty Assoc. BRU Risk Management  
Component Risk Management  
Sponsor Senate Rules by request of the Governor  
Requester \_\_\_\_\_ Component No. 71

**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						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
-----------------------------	--	--	--	--	--	--

<b>CHANGE IN REVENUES ( )</b>						
-------------------------------	--	--	--	--	--	--

**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1007 I/A Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

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 2004 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

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

This legislation no longer requires an assessment fee on self insured employers and therefore has no fiscal impact to Risk Management.

Prepared by: J. Brad Thompson, Director  
Division: Risk Management  
Approved by: \_\_\_\_\_  
Agency: Administration

Phone \_\_\_\_\_  
Date/Time: 3/23/04 2:21 PM  
Date: 3/23/2004

# FISCAL NOTE

STATE OF ALASKA  
2004 LEGISLATIVE SESSION

Fiscal Note Number: 8  
Bill Version: CSSB 276(FIN)  
(S) Publish Date: 3/26/04

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: DCED  
Title AIGA Assessment RDU Alaska Railroad Corporation  
Component \_\_\_\_\_  
Sponsor Rules  
Requester By Request of the Governor Component No. \_\_\_\_\_

**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						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES ( )						
------------------------	--	--	--	--	--	--

**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)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2004) cost: 0.0

Mark 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)

The Alaska Railroad Corporation (ARRC) is a public corporation supported by revenues generated through its freight, passenger and real estate services. ARRC does not receive State subsidies for operations or capital improvements from the State.

This legislation has no fiscal impact on the operations of the ARRC.

Prepared by: Wendy Lindskoog, Director of External Affairs Phone 907.269.2498  
Division: Alaska Railroad Corporation Date/Time 3/24/04 4:22 PM  
Approved by: Edgar Blatchford, Commissioner Date 3/24/2004  
Agency: Department of Community & Economic Development

# FISCAL NOTE

STATE OF ALASKA  
2004 LEGISLATIVE SESSION

Fiscal Note Number: 9  
Bill Version: CSSB 276(FIN)  
(S) Publish Date: 3/26/04

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: DCED  
Title AIGA Assessment RDU Insurance (116)  
Component Insurance  
Sponsor Rules  
Requester By Request of the Governor Component No. 354

**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	0.0	0.0	0.0	0.0	0.0	0.0
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES ( )						
------------------------	--	--	--	--	--	--

**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)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2004) cost: 0.0  
Mark 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)

This legislation increases the Alaska Insurance Guaranty Association's (AIGA) ability to pay Alaska claims of insurers who become insolvent. It raises the current assessment limit for insurance companies from two percent to four percent of the member insurers net direct written premiums for a calendar year (AS 21.80). Based on 2002 premium activity for workers compensation insurance, an increase to four percent could generate a maximum assessment of approximately \$8 million annually. The legislation also allows all other lines of business to be assessed up to a maximum of two percent and allows AIDEA to provide guarantees for loans to the AIGA up to a maximum of \$30 million.

This bill has no fiscal impact on the operations of the division.

Prepared by: Linda S. Hall, Director Phone (907) 269-7900  
Division: Insurance Date/Time 3/24/04 2:43 PM  
Approved by: Edgar Blatchford, Commissioner Date 3/24/2004  
Agency: Community & Economic Development



**Division of Insurance**

P.O. Box 110805, Juneau, AK 99811-0805

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### Workers Compensation

There has been a critical development in Alaska workers compensation. In July of 2003, the Alaska Insurance Guaranty Association learned that Fremont Indemnity Company was declared insolvent in Los Angeles Superior court and put into liquidation. The Insurance Commissioner of the State of California was made liquidator by the court to wind up the affairs of the insurance company.

Fremont was a significant writer of workers compensation insurance in the Alaska market for many years prior to the suspension of its authority to write insurance coverage by the Alaska Division of Insurance in early 2001. At its peak, Fremont handled approximately 27% of the Alaska workers compensation business. Fremont also handled claims for policies originally written by Industrial Indemnity Company of Alaska after a merger in 1999. While Fremont has not actively written policies for over two years, approximately \$60,000,000 in claims reserves remained outstanding in July.

The Alaska Insurance Guaranty Association (AIGA) is an association formed under statute and whose members are insurance companies with approval to write property and casualty insurance in Alaska. The purpose of the Association is to "minimize financial loss to claimants or policyholders because of the insolvency of an insurer". The association pays the claims of insurance companies that are put into liquidation by insurance regulators. The funds to make payments on claims come from periodic assessments to the members based on the amount of premium written in Alaska. Statute caps assessments at 2% of written premiums each year. At the current time, the assessment on the written workers compensation premium generates approximately \$4.2 million. There are currently claims of four insolvent insurers being handled by the AIGA. Attached is a cash flow projection chart.

The magnitude of the Fremont insolvency far surpasses any prior insolvency in the Alaska insurance industry and exceeds the resources of the association, thus creating a substantial cash deficit. One of the options authorized by statute when there are insufficient funds to make necessary payments is to prorate claims payments. In August of 2003, notice was received by the Director of the Division of Insurance from the AIGA that workers' compensation claims would need to be pro-rated. This would mean that workers compensation claims would be paid at a pro-rated amount based on the available funds in the AIGA, thus creating a financial burden on claimants. It would mean that injured workers would receive lower weekly wage checks and medical care expenses would not be paid in full. Fortunately, to date, this has not been necessary but the funds in the AIGA are running very low and there will not be sufficient monies to continue to pay claims in the very near future.

Employers would face the financial burden for these claims. Under Alaska statute, the workers compensation obligation is that of the employer, who generally satisfies this obligation with the purchase of a workers' compensation policy. When the insurance company becomes insolvent, the claims are transferred to the Alaska Insurance Guaranty Association. When there are no funds to continue to pay claims, the obligation for benefits to injured workers will fall back to the employer. Employers would now be faced with the costs of both lost wages and medical care benefits.

The dollar amounts of claims currently being handled by the AIGA are substantial. Following is a breakdown of the larger claims:

<u>Dollar Value of Claims</u>		<u>Number of Claims</u>
Over	\$5,000,000	1
Over	\$2,000,000	3
Over	\$1,000,000	3
Over	\$500,000	17
Over	\$100,000	133
Over	\$50,000	136

This additional, unanticipated cost could potentially force small businesses to close their doors or face bankruptcy themselves.

Over time the legislature in Alaska and in every other state in the country has adopted as public policy the creation of a guaranty fund whose goal is to protect policyholders and claimants in the event of an insurance company insolvency. The premise is that the cost of the safety net is spread through the insured population. The mechanism to provide this safety net is the assessment capability of the guaranty fund. The original proposed legislation would allow the current caps on the assessment to be increased and to assess all lines of business to help raise the necessary funds to continue to pay claims. It would also allow AIDEA to become a guarantor of a loan to the Alaska Insurance Guaranty Association.

The solutions originally proposed are painful but the provisions are not as painful as the consequences of no action - we leave 380 Alaskan employers facing a financial obligation that could destroy their business and 598 injured workers who would face at a minimum an interruption in their benefits during a transition period as the financial obligation is given back to the employer.

Alaska Insurance Guaranty Association

Workers Compensation Account  
Cash Flow Projection as of 12/31/03

	<u>Cash Flow Based on Current 2% Assessment Rate</u>
Cash on Hand as of 1/1/04	6,615,301
2004 Assessment Income	4,394,181
2004 Expected Loss and Expense Payments	<u>16,837,942</u>
2004 Projected Shortfall	-5,828,460
2005 Projected Assessment Income	5,325,748
2005 Expected Loss and Expense Payments	<u>14,216,405</u>
2005 Projected Total Shortfall	-14,719,117
2006 Projected Assessment Income	5,592,035
2006 Expected Loss and Expense Payments	<u>9,417,226</u>
2006 Projected Total Shortfall	-18,544,308
2007 Projected Assessment Income	5,871,637
2007 Expected Loss and Expense Payments	<u>7,278,502</u>
2007 Projected Total Shortfall	-19,951,173
2008 Projected Assessment Income	6,165,218
2008 Expected Loss and Expense Payments	<u>6,429,216</u>
2008 Projected Total Shortfall	-20,215,171
2009 Projected Assessment Income	6,473,479
2009 Expected Loss and Expense Payments	<u>5,132,073</u>
2009 Project Total Shortfall	-18,873,765
2010 Projected Assessment Income	6,797,153
2010 Expected Loss and Expense Payments	<u>4,470,723</u>
2010 Projected Total Shortfall	-16,547,335

Alaska Insurance Guaranty Association

Workers' Compensation Account  
Cash Flow Projection as of 12/31/2003

	Cash Flow Based on Current 2% Assessment to WC Fund Only	Funding Sources Based on Proposed Assessments in SB276							
		Cash Flow Based on Proposed SB276	Assessment from WC Fund	Actual WC Assessment (Maximum Rate)	Assessment from Auto Fund	Assessment from Other Fund	Actual Auto & Other Assessment (Maximum 2%)	Maximum 2% Assessment from Self- Insureds & JIAs	AIDEA Backed Loan
Cash on Hand as of 1/1/04	6,615,301	6,615,301							
2004 Expected Loss and Expense Payments	16,837,942	16,837,942							
2004 Assessment Income	4,394,181	10,222,641	8,788,362	4.00%	706,281	727,998	0.19%	0	0
2004 Cash Flow	-5,828,460	0							
2005 Expected Loss and Expense Payments	14,216,405	14,216,405							
2005 Projected Assessment Income	5,325,748	14,216,405	10,651,496	4.00%	1,755,465	1,809,444	0.47%	0	0
2005 Cash Flow	-14,719,117	0							
2006 Expected Loss and Expense Payments	9,417,226	9,417,226							
2006 Projected Assessment Income	5,592,035	9,417,226	9,417,226	3.37%	0	0		0	0
2006 Cash Flow	-18,544,308	0							
2007 Expected Loss and Expense Payments	7,278,502	7,278,502							
2007 Projected Assessment Income	5,871,637	7,278,502	7,278,502	2.48%	0	0		0	0
2007 Cash Flow	-19,951,173	0							
2008 Expected Loss and Expense Payments	6,429,216	6,429,216							
2008 Projected Assessment Income	6,165,218	6,429,216	6,429,216	2.09%	0	0		0	0
2008 Cash Flow	-20,215,171	0							

	Cash Flow Based on Current 2% Assessment to WC Fund Only	Funding Sources Based on Proposed Assessments in SB276						
		Cash Flow Based on Proposed SB276	Assessment from WC Fund	Actual WC Assessment (Maximum 4%)	Assessment from Auto Fund	Assessment from Other Fund	Actual Auto & Other Assessment (Maximum 2%)	Maximum 2% Assessment from Self- Insureds & JIAs
2009 Expected Loss and Expense Payments	5,132,073	5,132,073						
2009 Projected Assessment Income	<u>6,473,479</u>	<u>5,132,073</u>	5,132,073	1.59%	0	0	0	0
2009 Cash Flow	-18,873,765	0						
2010 Expected Loss and Expense Payments	4,470,723	4,470,723						
2010 Projected Assessment Income	<u>6,797,153</u>	<u>4,470,723</u>	4,470,723	1.32%	0	0	0	0
2010 Cash Flow	-16,547,335	0						

The Other Fund consists of insurance such as property, general liability, medical malpractice, homeowners, boatowners, boiler and machinery, earthquake, aircraft, and products liability.

THE  
FOLLOWING  
DOCUMENT(S)  
ARE  
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COPIES

Re: SB 276 AK Insurance Guaranty Assoc.

Frank H. Murkowski, Governor



Division of Insurance

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Email: Insurance@dced.state.ak.us • Website: www.dced.state.ak.us/insurance/

FAX Transmittal

TO: Shella Peterson

DATE: 3-19-04

FAX NUMBER: 465-4714

FROM:

Linda Hall

Total # of pages including cover 4

Attachment:

Attached please find:

- 1. Pages 5 & 6 from the AIGA plan of operation which details the calendar year for assessments to be applied to policies - I have underlined the relevant language.
2. The sample assessment letter sent to insurance companies which also should the 12 month period to surcharge new and renewing policies.

The Division of Insurance approves the plan of operation. It is also our position that the assessments may only be made on new policies or at renewal of existing policies. We would not approve an assessment being charges mid-term in a policy. Let me know if any questions.

Thanks

[Handwritten signature]

If this FAX does not transmit properly, please call the number listed immediately

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Provided by Gary Wilken

the board. The board may use the mailing address of a person, firm or corporation employed to perform administrative functions as the official office address of the Association.

Authority: AS 21.80.070

**100. BANK ACCOUNTS.** (a) The board may open one or more bank accounts for use in Association business. The funds of the Association shall only be invested with federally insured institutions through bank accounts, certificates of deposits, or treasury obligations.

(b) Reasonable delegation of deposit withdrawal authority to Association bank accounts may be made consistent with prudent fiscal policy.

(c) The board may borrow money from any person, organization, or from an appointed servicing facility as the board, in its judgment, deems advantageous for the Association and the public.

Authority: AS 21.80.040  
AS 21.80.060  
AS 21.80.070

**110. ASSESSMENTS AND SURCHARGE PERCENTAGES [REFUNDS].** (a) The board shall determine and may levy assessments to cover the projected reasonable cost of claims and expenses to administer the Association, and shall determine surcharge percentages that may be applied by member insurers to insurance policies. In determining the need for an initial assessment, the board, on at least an annual basis and assisted by an independent actuary, will project the level of funding needed for each of the three accounts referenced in AS 21.80.040(a) during the following calendar year; the board and independent actuary will also project the aggregate net direct written premium of all member insurers and assigned risk pools for the following year on the kinds of insurance in each account. Such projections will take into account any estimated or actual differences between the aggregate assessment and the maximum allowable surcharge amounts from prior years. If funding is needed for any of the accounts, the board, based upon its projections, will determine uniform initial assessment percentages applicable to each account; the board will also determine the uniform surcharge percentages that may be applied by member insurers during the next calendar year to all policies related to an account, and will notify the Director and member insurers of each uniform surcharge percentage. After receipt of a notice of uniform surcharge percentage, member insurers or their rating organizations may apply to the Director for surcharge rates to be applicable to policies issued during the next calendar year.

(b) Initial and adjusted assessments shall be calculated from data provided by member insurers to the Alaska Division of Insurance on each member insurer's Annual Statement, "Exhibit of Premiums and Losses". The "Exhibit of Premiums and Losses" data should include only financial information respecting the transaction of insurance in Alaska. Member insurers who are also acting as servicing carriers for assigned risk pools shall be responsible for reporting to the Association the portion of their total net direct written premium that results from the assigned risk pool accounts serviced by them. If the data is not available for the year preceding the year of initial or adjusted assessment, the most recent data available from the Division will be used.