

**SCOMM**

**95:17**

# LEGAL SERVICES

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

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

130 Seward Street, Suite 409  
Juneau, Alaska 99801-2105

### MEMORANDUM

February 23, 1996

**SUBJECT:** Sectional Summary of CSHB 118(FSH); An Act relating to seafood marketing, to the definition of "seafood" for purposes of the Alaska Seafood Marketing Institute, to an aquatic farm product marketing assessment, and to the salmon marketing tax.

**TO:** Representative Alan Austerman

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

You have requested a sectional summary of CSHB 118(FSH); An Act relating to seafood marketing, to the definition of "seafood" for purposes of the Alaska Seafood Marketing Institute, to an aquatic farm product marketing assessment, and to the salmon marketing tax.

As a preliminary matter, please 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 16.51.090 by authorizing the board of directors of the Alaska Seafood Marketing Institute to establish committees related to the marketing of seafood and seafood products.

**Section 2** of the bill adds a new section to AS 16.51 which defines "seafood" for the purposes of AS 16.51.120 - 16.51.161, seafood marketing assessment.

**Section 3** of the bill adds a new section to AS 16.51 establishing a marketing assessment of 0.3 percent of the value of aquatic farm products sold by aquatic farms.

**Section 4** of the bill amends AS 16.51.170 to provide that AS 43.05 and AS 43.10 apply for the enforcement and collection of the aquatic farm product assessment established by sec. 3 of the bill.

**Section 5** of the bill amends the general definition of "seafood" for AS 16.51 to include aquatic farm products.

**Section 6** of the bill adds a definition of "aquatic farm product" for purposes of AS 16.51.

Representative Alan Austerman  
February 23, 1996  
Page 2

**Section 7** of the bill amends AS 43.76.110 to provide that persons (private nonprofit hatcheries under AS 16.10.400) who have special harvest area entry permits must pay the salmon marketing tax.

**Section 8** of the bill provides that the bill takes effect immediately under AS 01.10.070(c).

GU:glc:klb  
96-114.glc

# ALASKA STATE LEGISLATURE

Senate Health, Education and  
Social Services Committee

Senate Judiciary Committee

Department of Health and Social  
Services Budget Subcommittee

Department of Law  
Budget Subcommittee



While in Session:  
State Capitol, Rm. 9  
Juneau, Alaska 99801  
(907) 465-3704  
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While in Anchorage:  
716 West 4th Ave., Ste. 440  
Anchorage, Alaska 99501  
(907) 258-8182  
fax: (907) 258-5571

## SENATOR JOHNNY ELLIS

### MEMORANDUM

TO: All Legislators

FROM: Senator Johnny Ellis

DATE: April 10, 1995

RE: Shellfish Mariculture Research Center

A handwritten signature, likely of Senator Johnny Ellis, consisting of stylized initials "JE".

A handwritten signature, possibly "Amy", written in cursive.

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In 1987, I proposed legislation that eventually passed which legalized shellfish farming in Alaska.

In January of 1993, I sponsored legislation to provide funding for a Mariculture Technical Center, which would provide much needed research and technical assistance to shellfish growers in Alaska. Funding for this exciting project was approved, and construction should begin this spring. The attached article from the *Alaska Journal of Commerce* describes the project in more detail, and outlines some of the benefits that the Mariculture Technical Center will provide for this growing industry and for Alaska's economy.

Sometimes it takes a long time to see the results of the efforts we make here in Juneau, but it's almost always worth the wait!

## New research center in Seward to support state mariculture

By Andrew Arenson

*Special to the Journal of Commerce*



State mariculture research center adviser Ray RaLonde checks oyster spat growing in a lantern net.

**F**AIRBANKS — Alaska's fledgling shellfish industry could grow dramatically in coming years with the help of research to be done at a new \$3.2 million mariculture center set to be built in Seward beginning in August.

The purpose of the state-run facility, according to the Alaska Department of Fish and Game, which will staff and supervise operations at the research center, will be to help shellfish farmers develop a stronger and more diverse industry through practical research and development of oysters, clams and scallops. A shellfish hatchery also will be built on the center site to provide a long-awaited in-state source of commercial seed stock for farmers.

Fish and Game predicted the center will employ three full-time staffers and one half-time worker, while the hatchery is be leased out to independent mariculture operators.

The shellfish industry in Alaska had a potential net worth of nearly \$4 million in 1994.

Oyster farmer Jeff Hetrick, who started the state's first successful oyster hatchery in Seward in 1993 — the Qutekcak shellfish hatchery — said the

Continued on Page 7

# New research center may lead to shellfish boom

Continued from Page 1

proposed research center has the potential of contributing immediate results to shellfish farmers around the state.

"Hopefully, the center will help to produce larger and more reliable seed," Hetrick said. "Right now we're looking at developing new species like Little Neck clams and scallops because we've found there is a tremendous potential in Alaska for both species."

"In Chile, the scallop industry alone employs over 14,000 people," he said.

Hetrick, along with other mariculture specialists in Alaska, believes that diversity is one of two primary components in successful farming of shellfish in Alaska. The other factor, he said, is to continue developing new sources of spat, shellfish spawn, to sell to Alaska farmers.

Currently, there is only one in-state source providing spat for Alaska farmers — the Qutekcak hatchery in Moose Pass. That facility, which is gearing up to begin its second season, will try to sell 1 million baby oysters to farmers throughout Alaska. Prior to its existence, Alaska farmers had no in-state source of spat and relied heavily on hatcheries in the Pacific Northwest, mainly in Washington state.

"Little Neck clams were a big success for us last year. They helped open a lot of doors for us," said Carmen Young, the hatchery's manager. "Farmers are very excited because permitting doesn't allow farming of non-native species — except for oysters — so they are limited (in) what they can grow."

The importation of live shellfish is closely regulated by the state Board of Fisheries, which allows only commercially cultured oysters of a certain size to be imported.

"The board must do this to protect wild stocks of oysters in Alaska from an intestinal parasite called 'mytilicola' which develops in oysters over 20 millimeters in size," said Ray RaLonde, an aquaculture specialist for the University of Alaska Marine Advisory Program and advisor on the Seward project.

RaLonde explained that regulating imported spat is necessary but because of the size restriction, Alaska farmers often get the short end of the stick. He said more often than not, the small seed oysters are the runts — or inferior stock.

He added that growth cycles of oysters in Alaska differ from their counterparts in the Pacific Northwest. Washington state hatcheries, he said, can only sell their product in the winter because their oysters' natural spawning cycle is in the summer. While they are spawning, they are not fit to eat.

Oysters rarely spawn naturally in Alaska because the species requires a sustained water temperature of 68 to 72 degrees for approximately one month to reproduce.

This biological fact has both good and bad implications for the Alaska farmer. Because they do not spawn, oysters grown in Alaska

stay fat and succulent and do not become mushy and bitter as they do in regions where spawning occurs naturally. Raft culture techniques, which allow oysters to feed around the clock instead of between tides as is the case with beach culture methods, offer a very intense April to October growing season. Most importantly, an abundance of nutrient-rich clean water in Alaska is a natural advantage over oyster farming in other states where pollution problems are gradually bringing the Pacific Northwest shellfish industry to a halt.

Jim Cochran, mariculture coordinator for Fish and Game and project manager for the new research center, said the facility will finally enable state officials to do practical shellfish research and look into ways of expanding the industry. "Our first direction is to protect our wild stocks," Cochran said. "We are seeing problem after problem in Washington state hatcheries. This new facility will enable the state to do practical research and development as opposed to the theoretical studies done by the university."

Alaska currently has 57 mariculture farms, down from 63 in 1994. The shellfish industry

sold \$250,000 worth of oysters last year, while \$3.5 million worth did not become marketable, according to Fish and Game's 1994 annual report.

Cochran estimated that with the help of the new center's findings, the industry could easily net \$3 million to \$5 million annually.

The \$3.2 million for construction of the research facility were earmarked last summer in the \$900 million Exxon Valdez oil-spill settlement, officials said. The center is to be located adjacent to UAF's Institute for Marine Science, which is next door to the Alaska Marine Ferry terminal in Seward.

Construction, originally slated for an April startup, likely will begin in August because project organizers are still waiting for confirmation of the center's building design from the architectural firm of Kramer, Chin and Mao in Juneau.

Once the negotiation process is complete and a design is confirmed, officials said the construction will go out for bid.

Cochran is confident that although the center's start-up date is being postponed, scheduled completion will still be May '96.

# AK AQUACULTURE ASSOC.

## ~~Academic Shellfish Company~~

~~Product: Half Shell Pacific Oysters  
Type of Company: Grower  
Farm Location: Southeast Alaska (Petersburg)  
Sales Manager: Brian Paust  
Address: P.O. Box 962  
Petersburg, AK 99833  
(907) 772-3381 w; (907) 772-3227 h  
Fax: (907) 772-4431~~

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A. S. M. I.

## Alaska AquaFarms

Market Name: Arctic Oysters™/Sourdoughs™  
Product: Half Shell Pacific Oysters  
Type of Company: Grower  
Farm Location: Prince William Sound  
(Fairmount Island)  
Sales Manager: Jeff Hetrick  
Address: P.O. Box 7  
Moose Pass, AK 99631  
Telephone: (907) 288-3667  
Fax: (907) 288-3667

## Aquabionics

Product: Half Shell Pacific Oysters  
Cultured Blue Mussels  
Type of Company: Grower  
Farm Location: Prince William Sound  
(Perry Island)  
Sales Manager: Jack Van Hyning  
Address: P.O. Box 80165  
Fairbanks, AK 99708  
Telephone: (907) 479-2476  
Fax: (907) 376-9666

## Bay Blue Mussel Farm

Product: Cultured Blue Mussels  
Type of Company: Grower  
Farm Location: Kachemak Bay  
(Halibut Cove Lagoon)  
Sales Manager: Brenda Hays  
Address: P.O. Box 6458  
Halibut Cove, AK 99603  
Telephone: (907) 235-2165

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### **Klawock Heenya Corporation**

**Market Name:** Shinaku Oysters  
**Product:** Half Shell Pacific Oysters  
**Type of Company:** Grower  
**Farm Location:** Southeast Alaska (Klawock)  
**Sales Manager:** John Skan  
**Address:** P.O. Box 129  
Klawock, AK 99925  
**Telephone:** (907) 755-2270  
**Fax:** (907) 755-2966

### **Pristine Products**

**Market Name:** Pristine's  
**Product:** Half Shell Pacific Oysters  
**Type of Company:** Grower  
**Farm Location:** Prince William Sound (Seward)  
**Sales Manager:** Susie Sczawinski  
**Address:** P.O. Box 1272  
Seward, AK 99664  
**Telephone:** (Marine Radio) (907) 726-2826  
Nomad II WAS 8974

### **Select Seafoods of Alaska**

**Product:** Cultured Blue Mussels  
**Type of Company:** Grower  
**Farm Location:** Kachemak Bay (Halibut Cove)  
**Sales Manager:** Mark Bradley  
**Address:** HCO1 Box 1595-8  
Kenai, AK 99611  
**Telephone:** (907) 776-5498

### **Sunny Cove Mariculture, Inc.**

**Product:** Half Shell Pacific Oysters  
**Type of Company:** Grower  
**Farm Location:** Southeast Alaska (Cholmondeley Sound)  
**Sales Manager:** Rich Andrew, Carol Taylor  
**Address:** P.O. Box 5235  
Ketchikan, AK 99901  
**Telephone:** (907) 225-3751 or 225-2463

### **Blue Lagoon Mussels**

**Product:** Cultured Blue Mussels  
**Type of Company:** Grower  
**Farm Location:** Kachemak Bay  
(Halibut Cove Lagoon)  
**Sales Manager:** Diana Tillion  
**Address:** P.O. Box 6409  
Halibut Cove, AK 99603  
**Telephone:** (907) 296-2207

### **Benson Sea Farms**

**Product:** Half Shell Pacific Oysters  
Littleneck Clams  
**Type of Company:** Grower  
**Farm Location:** Southeast Alaska (Kake)  
**Sales Manager:** Wolf Benson  
**Address:** P.O. Box 1541  
Petersburg, AK 99833  
**Telephone:** (907) 772-4490

### **Canoe Lagoon Oyster Company**

**Market Name:** ALASKA STERLING  
**Product:** Half Shell Pacific Oysters  
**Type of Company:** Grower  
**Farm Location:** Southeast Alaska (Coffman Cove)  
**Sales Manager:** SHARON GRAY  
**Address:** P.O. Box 18062  
Coffman Cove, AK 99918  
**Telephone:** (907) 329-2253  
**Fax:** (907) 329-2202

### **Chenega Bay Mariculture**

**Product:** Half Shell Pacific Oysters  
**Type of Company:** Grower  
**Farm Location:** Prince William Sound  
(Chenega Bay)  
**Sales Manager:** David Daisy  
**Address:** P.O. Box 8079  
Chenega Bay, AK 99574-9999  
**Telephone:** (907) 573-5132  
**Fax:** (907) 574-5120

### **Eagle Rock SeaFarms**

**Product:** Half Shell Pacific Oysters  
Cultured Blue Mussels  
**Type of Company:** Grower  
**Farm Location:** Kachemak Bay (Seldovia)  
**Sales Manager:** Joe Banta  
**Address:** 12304 Hilltop Drive  
Anchorage, AK 99515  
**Telephone:** (907) 522-3808  
**Fax:** (907) 277-4523

### **Favco, Inc.**

**Product:** Half Shell Pacific Oysters  
Cultured Blue Mussels  
**Type of Company:** Distributor  
**Sales Manager:** Jim O'Neill  
**Address:** P.O. Box 190968  
Anchorage, AK 99519-0968  
**Telephone:** (907) 278-1525  
**Fax:** (907) 276-6626

### **Glacier Fresh Aquatic Farms**

**Market Name:** Northern Lights Oyster Co.  
**Product:** Half Shell Pacific Oysters  
**Type of Company:** Grower  
**Farm Location:** Kachemak Bay (Seldovia)  
**Sales Manager:** Sherry Bess  
**Address:** P.O. Box 1140  
Homer, AK 99603  
**Telephone:** (907) 235-7133  
**Fax:** (907) 235-7133

### **Kachemak Bay Oyster Company**

**Market Name:** Kachemak Oysters  
**Product:** Half Shell Pacific Oysters  
**Type of Company:** Grower  
**Farm Location:** Kachemak Bay (Seldovia)  
**Sales Manager:** Heidi Borson Paine  
**Address:** 17740 Kiloana Circle  
Eagle River, AK 99577  
**Telephone:** (907) 696-7288  
**Fax:** (907) 696-7288

### **Tatitlek Mariculture**

|                         |                                      |
|-------------------------|--------------------------------------|
| <b>Product:</b>         | Half Shell Pacific Oysters           |
| <b>Type of Company:</b> | Grower                               |
| <b>Farm Location:</b>   | Prince William Sound<br>(Tatitlek)   |
| <b>Sales Manager:</b>   | David Daisy                          |
| <b>Address:</b>         | 3300 C Street<br>Anchorage, AK 99503 |
| <b>Telephone:</b>       | (907) 325-2311                       |
| <b>Fax:</b>             | (907) 325-2298                       |

### **Tenass Pass Shellfish**

|                         |                                                    |
|-------------------------|----------------------------------------------------|
| <b>Product:</b>         | Half Shell Pacific Oysters                         |
| <b>Type of Company:</b> | Grower                                             |
| <b>Farm Location:</b>   | Southeast Alaska (Sea Otter Sound)                 |
| <b>Sales Manager:</b>   | Rodger Painter                                     |
| <b>Address:</b>         | 130 Seward St., Suite 504<br>Juneau, AK 99801-2106 |
| <b>Telephone:</b>       | (907) 463-3600                                     |
| <b>Fax:</b>             | (907) 463-3601                                     |

### **Yakutat Mariculture, Inc.**

|                         |                                   |
|-------------------------|-----------------------------------|
| <b>Market Name:</b>     | St. Elias Oysters                 |
| <b>Product:</b>         | Half Shell Pacific Oysters        |
| <b>Type of Company:</b> | Grower                            |
| <b>Farm Location:</b>   | Southeast Alaska (Yakutat)        |
| <b>Address:</b>         | P.O. Box 416<br>Yakutat, AK 99689 |
| <b>Telephone:</b>       | (907) 784-3335                    |
| <b>Fax:</b>             | (907) 784-3622                    |



## **REPRESENTATIVE ALAN AUSTERMAN** Alaska State Legislature

P.O. Box 2368, Kodiak, Alaska 99615 (907) 486-5930 • Session: State Capitol, Juneau, Alaska 99801 465-2487

### **SPONSOR STATEMENT**

#### **CSHB 118 - "SEAFOOD MARKETING / AQUATIC PRODUCT TAX"**

**March 3, 1996**

CSHB 118 brings ASMI two new sources of revenue to ASMI.

First, this bill imposes an aquatic farm product marketing assessment at the rate of .3 percent on the value of aquatic farmers' product. The aquatic farmers' assessment would be remitted to the Department of Revenue annually by April 1 of the calendar year following the sales. Oysters, mussels and clams are permitted for aquatic farming; however, at present, only oysters are being sold in any significant amount.

Second, CSHB 118 amends AS 43.76.110 so that special harvest area permit holders would be subject to the 1 percent salmon marketing tax. Special harvest area permit holders are those fishermen who harvest cost recovery salmon for the hatcheries. The salmon put on the market through this method enter and effect the salmon market and should contribute to our ailing salmon markets.

**Table 1. 1995 Aquatic farm permit data.**

|                                                          | <u>Southeast</u> | <u>Southcentral</u> | <u>TOTAL</u>    |
|----------------------------------------------------------|------------------|---------------------|-----------------|
| <b>OPERATIONS</b>                                        |                  |                     |                 |
| Aquatic farm permit applications                         | 2                | 7                   | 9               |
| New Farm Permits issued                                  | 1                | 3                   | 4 <sup>1)</sup> |
| Permits pending<br>or still in process                   | 1                | 4                   | 5               |
| Total permitted aquatic farms                            | 15               | 41                  | 56              |
| Shellfish hatcheries/nurseries                           | 1                | 1                   | 2               |
| Farm/Hatchery Major Amendment<br>Applications            | 2                | 1                   | 3               |
| Farms reporting activity                                 | 13               | 31                  | 44              |
| Farm permit renewals received                            | 2                | 7 <sup>2)</sup>     | 9               |
| Farm permit renewals issued                              | 4                | 11                  | 15              |
| 1994 renewals pending/still in process                   | 1                | 4                   | 5               |
| Acreage permitted for aquatic farming                    | 46               | 163 <sup>3)</sup>   | 209             |
| <b>RESEARCH</b>                                          |                  |                     |                 |
| Permit applications                                      | 11               | 26                  | 37              |
| <b>SHELLFISH AND AQUATIC PLANT ACQUISITION/TRANSPORT</b> |                  |                     |                 |
| Permit applications                                      | 30               | 47                  | 77              |
| Permits issued                                           | 27               | 44                  | 71              |
| Permits pending<br>or still in process                   | 3                | 1                   | 4               |

1) From 1994 applications.

2) Includes one shellfish hatchery renewal application.

3) Includes 20 acres in Kachemak Bay State Park.

Table 2. 1995 Aquatic farm operations data.

|                                                | Southeast       | Southcentral            | TOTAL            |
|------------------------------------------------|-----------------|-------------------------|------------------|
| <b>MARKET SALES</b>                            |                 |                         |                  |
| Oysters                                        | 599,106         | 267,866 <sup>1)</sup>   | 866,972          |
| Value                                          | \$185,723       | \$110,302               | \$296,025        |
| Mussels (lbs)                                  | 100             | 4,235                   | 4,335            |
| Value                                          | — <sup>3)</sup> | \$10,458                | \$10,458         |
| Total aquatic farm market sales                |                 |                         | \$306,483        |
| <b>HATCHERY/NURSERY SALES</b>                  |                 |                         |                  |
| Oysters                                        | 0               | 43,370                  | 43,370           |
| Value                                          | \$0             | — <sup>3)</sup>         | — <sup>3)</sup>  |
| <b>SEEDSTOCK PURCHASED</b>                     |                 |                         |                  |
| Oyster spat                                    | 1,779,752       | 2,404,000 <sup>1)</sup> | 4,183,752        |
| Oyster larvae                                  | 0               | 4,000,000               | 4,000,000        |
| <b>END OF YEAR INVENTORY <sup>2)</sup></b>     |                 |                         |                  |
| Oysters                                        | 3,506,064       | 6,809,002 <sup>1)</sup> | 10,315,066.00    |
| Value                                          | \$1,086,879     | \$2,655,510             | \$3,742,389      |
| Mussels (lbs)                                  | 1,000           | 73,210 <sup>4)</sup>    | 74,210           |
| Value                                          | — <sup>3)</sup> | \$179,365               | \$179,365        |
| Total End-of-Year Aquatic Farm Inventory Value |                 |                         | \$3,921,754      |
| Oysters(hatchery/nursery)                      | 33,800          | 94,000                  | 127,800.00       |
| Value                                          | — <sup>3)</sup> | — <sup>3)</sup>         | — <sup>3)</sup>  |
| Littleneck clams (hatchery stock)              | 0               | 34,000                  | 34,000           |
| Value                                          | \$0             | — <sup>3)</sup>         | — <sup>3)</sup>  |
| <b>EMPLOYMENT SUMMARY</b>                      |                 |                         |                  |
| Number of employees                            | 24              | 50                      | 74 <sup>5)</sup> |
| Days worked                                    | 1,342           | 2,887                   | 4,229            |

1) Southcentral production data preliminary

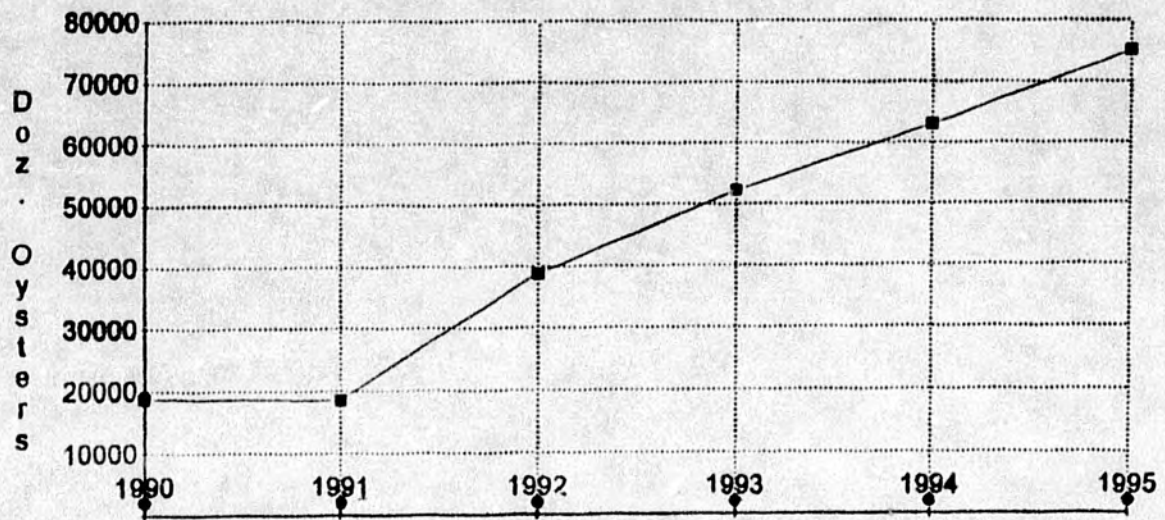
2) A small inventory of other species, primarily scallops (&lt;5,000 organisms) exists.

3) Single producer, financial information confidential.

4) Estimate. Mussel inventory methods vary widely between farms.

5) Does not include owner/operator work days.

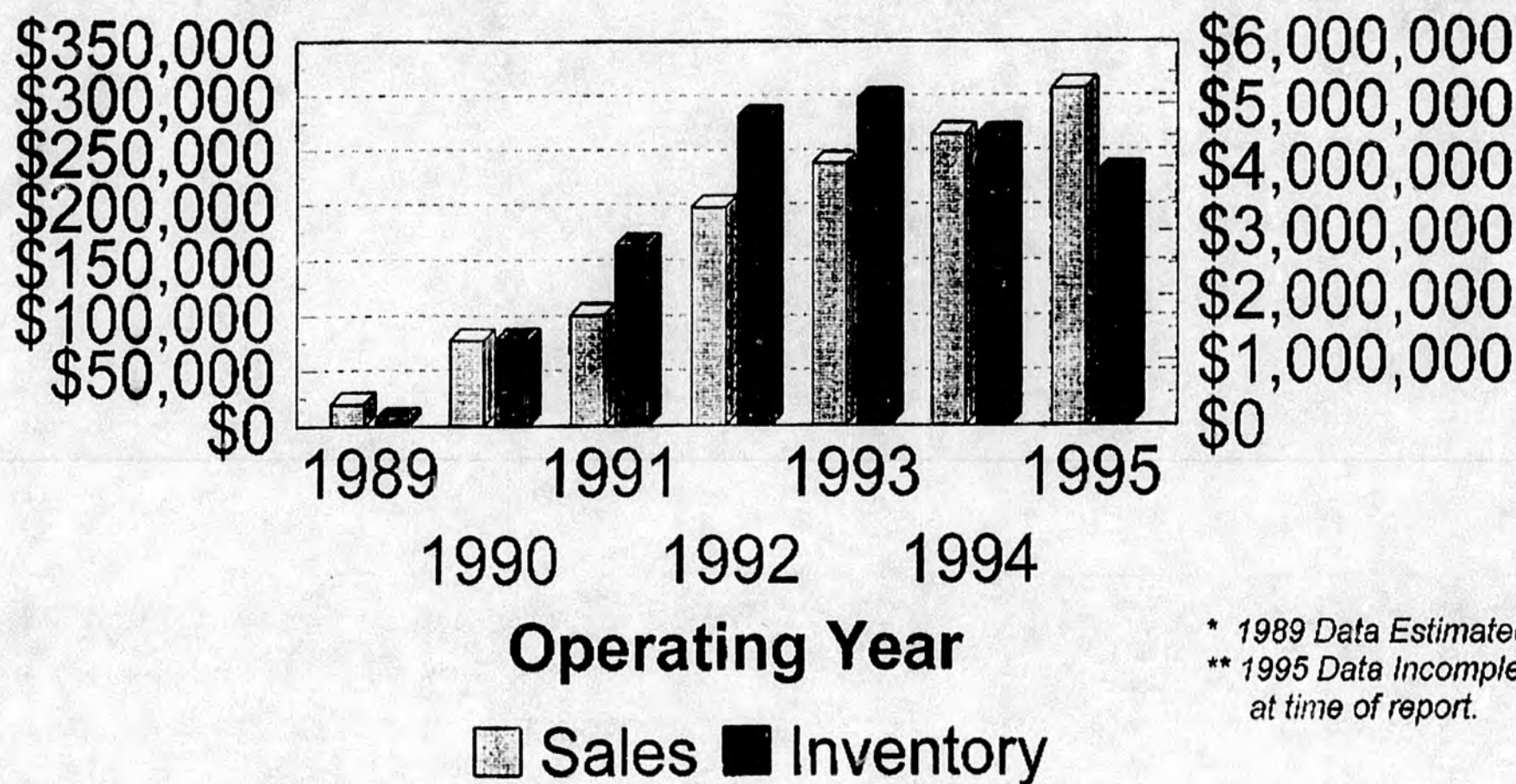
**Alaska Oyster Sales 1990-1995**  
(1995 estimated)



# AQUATIC FARM SALES AND INVENTORY

## Total Farm Sales

## End of Year Inventory



• 1995 Reporting Year



**REPRESENTATIVE ALAN AUSTERMAN** Alaska State Legislature

P.O. Box 2368, Kodiak, Alaska 99615 (907) 486-5930 • Session: State Capitol, Juneau, Alaska 99801 465-2487

**SPONSOR STATEMENT**

**CSHB 118 - "SEAFOOD MARKETING / AQUATIC PRODUCT TAX"**

by Rep. Alan Austerman

January 27, 1996

CSHB 118 would impose an aquatic farm product marketing assessment at the rate of .3 percent of the value of aquatic farmers' product. The aquatic farmers' assessment would be remitted to the Department of Revenue annually by April 1 of the calendar year following the sale. Oysters, mussels and clams are permitted for aquatic farming; however, at present, only oysters are being sold in any significant amount.

The CSHB 118 draft provides for the aquatic farm producers to contribute to ASMI under the seafood marketing assessment of .3 percent. The original bill included these producers under the 1 percent salmon marketing tax.

**AMENDMENT**

OFFERED IN THE HOUSE

BY REPRESENTATIVE AUSTERMAN

TO: CSHB 118( ); version "K"

- 1 Page 6, lines 12 - 13:
- 2 Delete all material.
- 3 Renumber the following bill section accordingly.

**AMENDMENT**

OFFERED IN THE HOUSE

BY REPRESENTATIVE AUSTERMAN

TO: CSHB 118( ); version "K"

1 Page 2, line 23, through page 6, line 2:

2 Delete all material.

3 Insert new bill sections to read:

4 "\* Sec. 2. AS 16.51 is amended by adding a new section to read:

5 Sec. 16.51.161. DEFINITION FOR AS 16.51.120 - 16.51.161. In  
6 AS 16.51.120 - 16.51.161, "seafood" has the meaning given in AS 16.51.180, but does  
7 not include aquatic farm products.

8 \* Sec. 3. AS 16.51 is amended by adding a new section to read:

9 Sec. 16.51.165. AQUATIC FARM PRODUCT MARKETING  
10 ASSESSMENT. (a) A person who holds an aquatic farm permit under AS 16.40.100  
11 shall pay an aquatic farm product marketing assessment of three-tenths of one percent  
12 of the value of aquatic farm products sold by the permit holder.

13 (b) A permit holder shall remit to the Department of Revenue by April 1 of  
14 each year the total amount of the aquatic farm product marketing assessment owed  
15 on the value of aquatic farm products sold by the permit holder in the previous  
16 calendar year.

17 (c) In this section,

18 (1) "permit holder" means a person who holds an aquatic farm permit  
19 under AS 16.40.100;

20 (2) "value" means the actual price received by a permit holder for the  
21 sale of aquatic farm products."

22 Renumber the following bill sections accordingly.

23 Page 6, line 11:

1 Delete "as defined in AS 16.40.199"

2 Insert "[AS DEFINED IN AS 16.40.199]"

3 Page 6, lines 12 - 13:

4 Delete all material and insert a new bill section to read:

5 **"\* Sec. 6.** AS 16.51.180 is amended by adding a new paragraph to read:

6 (7) "aquatic farm product" has the meaning given in AS 16.40.199."

7 Renumber the following bill section accordingly.

8 Page 6, line 14:

9 Delete "2 and 3"

10 Insert "3 and 4"



# UNITED FISHERMEN OF ALASKA

211 Fourth Street, Suite 112  
Juneau, Alaska 99801  
907/586-2820  
Fax: 907/463-2545

## POSITION PAPER

TO: House Resources Committee  
Hon. Bill Williams, Co-Chairman

RE: HB 118 Seafood Marketing/Aquatic Products Tax

By the United Fishermen of Alaska

March 12, 1996

The United Fishermen of Alaska supports the passage of HB 118, which would direct a portion of the proceeds of cost recovery harvest by fish hatcheries and oyster farms to the general fund and which, if appropriated by the legislature, could be used by the Alaska Seafood Marketing Institute for its seafood marketing programs.

The UFA board of directors voted on March 4, 1996, to support this legislation because of our belief that salmon hatcheries and other seafood mariculture ventures should contribute to seafood marketing efforts led by ASMI. Mariculture growers themselves support contributions to the ASMI marketing efforts.

While the overall amount collected from this proposed tax is relatively small, we believe that the amounts likely to be collected are larger than some estimates, and are likely to grow in the future as the Alaska oyster harvest increases. We believe the legislation is significant in that it ensures that all parts of the seafood industry help fund efforts to market Alaska seafood products.

### MEMBER ORGANIZATIONS

Alaska Crab Coalition • Alaska Longline Fishermen's Association • Alaska Trollers Association • Area K Seiners Association  
Bristol Bay Driftnetters Association • Concerned Area "M" Fishermen • Cook Inlet Aquaculture Association  
Cordova District Fishermen United • Kenai Peninsula Fishermen's Association • Kodiak Regional Aquaculture Association  
North Pacific Fisheries Association • Northern Southeast Regional Aquaculture Association • Peninsula Marketing Association  
Petersburg Vessel Owners Association • Prince William Sound Aquaculture Corporation • Purse Seine Vessel Owners Association  
Seafood Producers Cooperative • Southeast Alaska Seiners Association • Southern Southeast Regional Aquaculture Association • United Cook Inlet Drift Association

TOTAL P.01



**Rep. Alan Austerman  
Capitol Building  
Juneau, AK 99811**

**Dear Rep. Austerman:**

Thank you for inviting our comments on House Bill 118. The Alaskan Shellfish Growers Association (ASGA) voted unanimously at its annual meeting in October to support this measure if two amendments are adopted. These amendments relate to reporting requirements and the amount of the assessment.

The collection provisions of the legislation would be unduly burdensome and costly to administer. In fact, the Alaska Department of Revenue estimates the administrative cost of the procedures would far exceed the amount collected. These sections would require the reporting to the state of each sale of aquatic farm products, and would impose enormous paperwork requirements on growers and the state.

These sections were based upon the collection requirements of the one percent marketing assessment on salmon fishermen. They work well for that purpose because each purchase of salmon must be recorded on a "fish ticket" and a copy forwarded to the state for other purposes. However, aquatic farmers are not under a "fish ticket" system and to impose a similar system strictly for the marketing assessment would be excessive.

Discussion with Revenue officials suggest that the department would support a single annual report from growers for the purposes of collecting the tax. Shellfish growers currently are required to submit an annual report to the Alaska Department of Fish and Game. The year-end report includes a month-by-month summary of aquatic farm product sales and gross revenues from those sales. It seems that this report could be revised slightly to fit the purposes of this legislation.

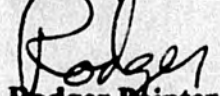
The legislation would impose a one percent marketing tax on aquatic farmers to help support the programs of the Alaska Seafood Marketing Institute (ASMI). While we believe that ASMI is doing a very good job in promoting Alaska oysters, ASGA believes the tax should be fair and equitable to everyone in the industry.

Aquatic farmers are classified by the state for all other purposes as seafood, but HB 118 would put us in a new category. Existing statutes allows seafood processors to set the level of the

assessment through a vote of all licensed processing companies. Currently, this assessment is set at .3 percent. ASGA strongly believes that aquatic farmers should be put under the same assessment as all other seafood processors.

Again, ASGA strongly supports ASMI's marketing efforts, but we believe adoption of both of these amendments are vital. I would be pleased to work with you and your staff to develop legislation acceptable to the industry.

Sincerely,



Rodger Painter

c.c.            Rep. Caren Robinson  
                 Rep. Kim Elton  
                 Art Scheunemann, ASMI

# AQUATIC FARM SALES AND INVENTORY

**Total Farm Sales**

**End of Year Inventory**



• 1995 Reporting Year

\* 1989 Data Estimated  
 \*\* 1995 Data Incomplete  
 at time of report.

**Alaska Oyster Sales 1990-1995**  
(1995 estimated)

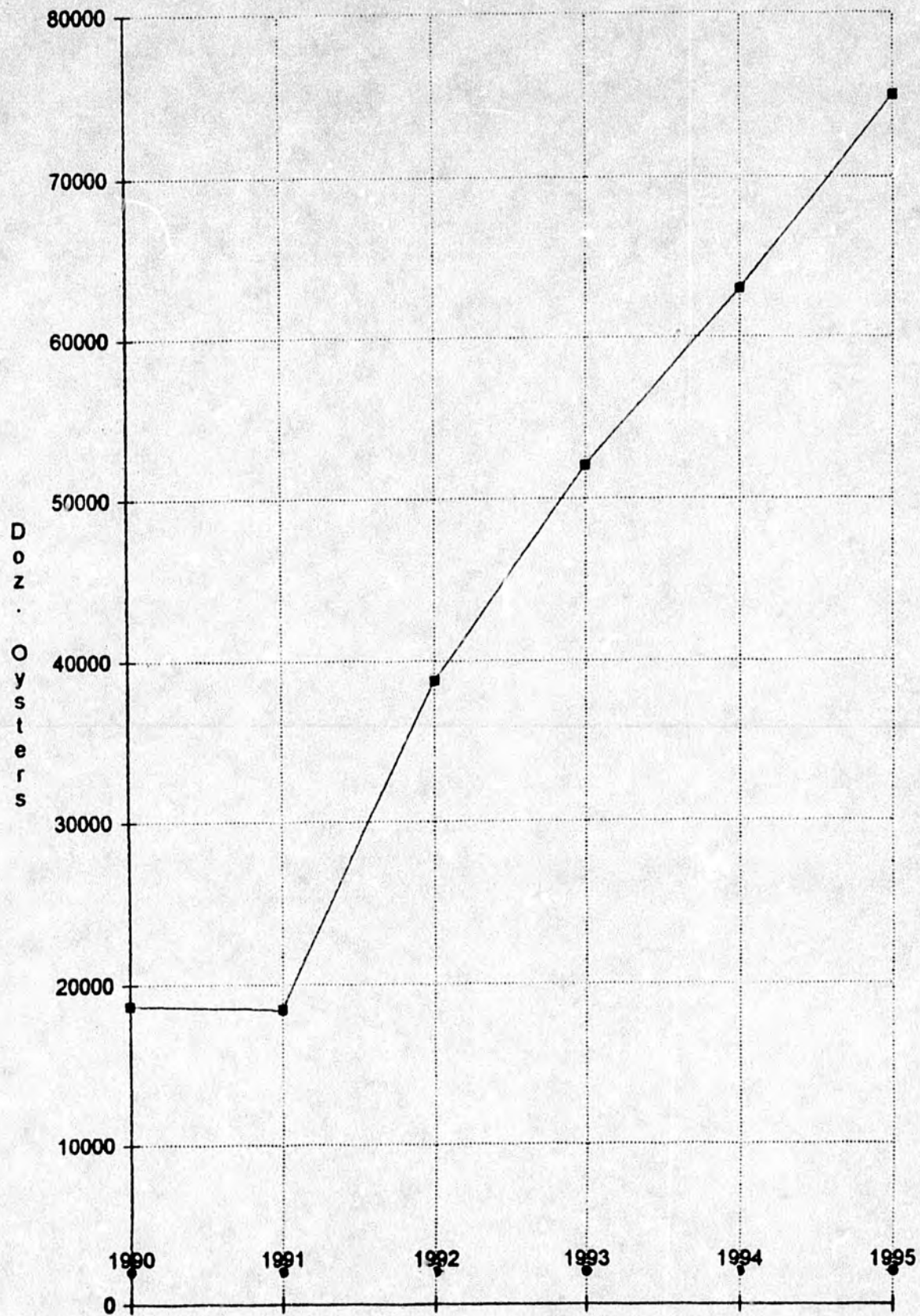


Table 2. 1995 Aquatic farm operations data.

|                                                | Southeast       | Southcentral            | TOTAL            |
|------------------------------------------------|-----------------|-------------------------|------------------|
| <b>MARKET SALES</b>                            |                 |                         |                  |
| Oysters                                        | 599,106         | 214,826 <sup>1)</sup>   | 813,932          |
| Value                                          | \$185,723       | \$83,782                | \$269,505        |
| Mussels (lbs)                                  | 100             | 4,085                   | 4,185            |
| Value                                          | — <sup>3)</sup> | \$10,008                | \$10,008         |
| Total aquatic farm market sales                |                 |                         | \$279,513        |
| <b>HATCHERY/NURSERY SALES</b>                  |                 |                         |                  |
| Oysters                                        | 0               | 43,370                  | 43,370           |
| Value                                          | \$0             | — <sup>3)</sup>         | — <sup>3)</sup>  |
| <b>SEEDSTOCK PURCHASED</b>                     |                 |                         |                  |
| Oyster spat                                    | 1,779,752       | 2,104,800 <sup>1)</sup> | 3,883,752        |
| Oyster larvae                                  | 0               | 4,000,000               | 4,000,000        |
| <b>END OF YEAR INVENTORY</b>                   |                 |                         |                  |
| Oysters                                        | 3,500,064       | 5,284,822 <sup>1)</sup> | 8,778,886.00     |
| Value                                          | \$1,086,879     | \$2,053,281             | \$3,140,160      |
| Mussels (lbs)                                  | 1,000           | 73,060 <sup>4)</sup>    | 74,060           |
| Value                                          | — <sup>3)</sup> | \$178,997               | \$178,997        |
| Oysters (hatchery/nursery)                     | 33,800          | 94,000                  | 127,800.00       |
| Value                                          | — <sup>3)</sup> | — <sup>3)</sup>         | — <sup>3)</sup>  |
| Littleneck clams (hatchery stock)              | 0               | 34,000                  | 34,000           |
| Value                                          | \$0             | — <sup>3)</sup>         | — <sup>3)</sup>  |
| Total End-of-Year Aquatic Farm Inventory Value |                 |                         | \$3,319,157      |
| <b>EMPLOYMENT SUMMARY</b>                      |                 |                         |                  |
| Number of employees                            | 24              | 50                      | 74 <sup>5)</sup> |
| Days worked                                    | 1,342           | 2,887                   | 4,229            |

1) Southcentral production data preliminary

2) A small inventory of other species, primarily scallops (&lt;5,000 organisms) exists.

3) Single producer, financial information confidential.

4) Estimate. Mussel inventory methods vary widely between farms.