

738

HCRA

HJR 65

- SB

132

738

HJR

65

COMMITTEE REPORT

(7)

HOUSE

2/14/80

FURTHER:

Date: Feb 17 1980

Mr. Speaker:

The Committee on COMMUNITY AND REGIONAL AFFAIRS has had HJR 65

"Expressing gratitude to the Canadian government and the Canadian citizens involved in the rescue of six Americans from Iran."

under consideration and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass do not pass
- do pass with attached amendments(s)
- replace with CS for _____ same title
 new title
- and recommends _____
- AND attaches a "Letter of Intent" New Fiscal Note
- reports it back without recommendation
- referred to the _____ Committee

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS:

CHAIRMAN



Alaska State Legislature

House of Representatives

Committee on

Community & Regional Affairs

Pouch V
State Capitol
Juneau, Alaska 99811

Official Business

BILL NUMBER AND TITLE: HJR 65 Commending Canadians for rescue of
Americans

ORIGINAL SPONSOR: All member of House OTHER SPONSORS: _____
RECEIVED FROM: _____ FURTHER REFERRALS: _____

HEARING DATE: 3/10/80

MEMBERS PRESENT:	Bill Parker	X	Pat Carney	X
	Margaret Branson	X	Charlie Parr	X
	Pat O'Connell	X	Fred Zharoff	X
			Ray Metcalfe	X

Committee moves to pass out resolution with changed names to reflect newly elected leadership in Canada.

COMMITTEE ACTION: Resolution passed out.

TAPE # 2 SIDE k Footage 0-46

SB

132

(7)

COMMITTEE REPORT

HOUSE

FURTHER: RESOURCES

March 22 1979

Date: 5-2-79

Mr. Speaker:

The Committee on C&RA has had CSSB 132 (Rules)

"An Act relating to fisheries taxes; eff. date."

under consideration and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass do not pass
- do pass with attached amendments(s)
- replace with CS for CS 132 same title
 new title
- and recommends amendments
- AND attaches a "Letter of Intent" New Fiscal Note
- reports it back without recommendation
- referred to the _____ Committee

**MEMBERS SIGNING
DO PASS.**

**MEMBERS HAVING
OTHER RECOMMENDATIONS:**

_____ CHAIRMAN



Official Business

Alaska State Legislature

House of Representatives

Committee on

Community & Regional Affairs

Pouch V
State Capitol
Juneau, Alaska 99811

DOCUMENTS RELATED TO CSSB132

1. CSSB 132 (Rules)
2. Letter to Senator Tillion from Senator Ziegler re constitutionality questions.
3. Letter to Senator Tillion from Joseph Donahue, Assistant A.G., re constitutionality questions.
4. Letter to Rep. Osterback from John Messenger, Acting Commissioner of Revenue, re revenue sharing projections.
5. Fiscal Note -- Dept. of Revenue re Shared Taxes
6. Fiscal Note -- Dept. of Revenue re Revenue Collection and Management.
7. Review of various versions of SB132 with reference to local government refund provisions.
8. Letter to Senator Sackett from John Messenger re fisheries tax structure.
9. Letter of intent re SB 132 from Senate C&RA Committee.
10. Minutes -- Senate Finance Committee 3/9/79
11. Minutes -- Senate Finance Committee 3/10/79
12. July 1977 Memo--From: Avrum Gross, A.G., To: Roger Pegues Assist A.G.. RE: Municipal revenue sharing, fish processing taxes
13. Department of Revenue Guideline
14. Fiscal Note--Dept. of Revenue; requested by Osterback
Re: Revenue Collection and Management

1 * Sec. . AS 43.75.130 is amended to read:

2 Sec. 43.75.130. REFUND TO LOCAL GOVERNMENTS. The commissioner of
 3 revenue shall pay to each organized borough, to [AND] each city, and to
 4 each municipality unified under AS 29.68.240 - 29.68. 40, 20 [OF THE FIRST
 5 CLASS 10] per cent of the amount of tax revenue collected in the municipal-
 6 ity [BOROUGH OR CITY] from taxes levied by AS 43.75 [AS 43.75.010 - 43.75.-
 7 090]. If tax revenue is collected in a city within a borough, the depart-
 8 ment shall pay an amount equal to 10 per cent of the amount of revenue
 9 collected in the city within the borough to the city and the same amount to
 10 the borough.

11
12
13 * Sec. . AS 43.18 is amended by adding new sections to read:

14 ARTICLE 5. GRANTS FOR FISHERIES PROJECTS.

15 Sec. 43.18.500. GRANTS FOR FISHERIES PROJECTS. (a) The fisheries
 16 facilities grant account is established in the general fund. An amount to
 17 carry out the provisions of (b) of this section may be appropriated annually
 18 by the legislature to the account.

19 (b) Within the limits of legislative appropriations for this purpose,
 20 the commissioner may make grants to municipalities receiving shared fish-
 21 eries tax revenues under AS 43.75.130. A grant provided under this section
 22 may not exceed 13 1/3 per cent of the amount of revenue collected in the
 23 municipality from the tax levied and collected under AS 43.75. The commis-
 24 sioner may make a grant to a municipality under this section only if the
 25 municipality demonstrates to the commissioner's satisfaction that the grant
 26 will be used on a fisheries project.

27 (c) In this section,

28 (1) "commissioner" means the commissioner of |];

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(2) "fisheries project" means a dock or comparable facility which may be used for the transfer or transportation of fishery products, including all utilities necessary to service the project;

(3) "municipality" means a borough, home rule or general law city, or a municipality unified under AS 29.68.240 - 29.68.440;



Official Business

Senate
Office of the Secretary

March 13, 1979

Pouch V
State Capitol
Juneau, Alaska 99811

MEMORANDUM TO: Rules Committee

From: Secretary of the Senate *gm*

Subject: COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 132
(relating to fisheries taxes) - Conclusion
on by Senate Judiciary Committee Chairman

President Tillion referred the above message to the Rules Committee this date.



Official Business

Senate
Committee on Judiciary

Pouch V
State Capitol
Juneau, Alaska 99801

March 12, 1979

The Honorable Clem Tillion
President of the Senate
Alaska State Legislature

Re: CSSB 132

Dear Mr. President:

On March 9, 1979, you requested me, in my capacity as chairman of the Senate Judiciary committee, to review the captioned bill and to report to the Senate as to its constitutionality.

At the outset, I should state that the following comments are mine and mine alone; I do not profess to speak for the other members of the Judiciary committee. It should likewise be noted that I do not claim any special expertise in the field of constitutional law, nor have I had sufficient time to devote to the research which would ordinarily be entailed in analyzing this bill.

A close reading of CSSB 132 indicates two sections of the bill would run afoul of the Alaska Constitution. Those two are 43.75.136, providing for payments to the Commercial Fishing and Agriculture Bank, and 43.75.131, making increased refunds to local government.

Article IX, sec. 7 of the Alaska Constitution provides as follows:

"The proceeds of any state tax or license shall not be dedicated to any special purpose except when required by the federal government for state participation in federal programs. This provision shall not prohibit the continuance of any dedication for special purposes existing upon the date of ratification of the constitution by the people of Alaska."

I was assisted in my efforts to check the constitutionality of the questioned sections of the bill by the opinions of two Attorneys General dated, respectively, April 4, 1969 and May 2, 1975. Both opinions not only considered the case law of this and other jurisdictions, sparse as it is, but they also reviewed the minutes of the Alaska Constitutional Convention and committees thereof. It is evident, in both these opinions, that the framers of our constitution did not want to have additional taxes earmarked or dedicated to special purposes.

A dedication of ten per cent of the fish tax existed at the time of the ratification of the Constitution, and the dedication clearly falls within the exemption. Problems arise when that ten per cent is increased, as in the instant bill, to thirty-three and one-third per cent. The issue of the constitutionality of increasing the percentage of an existing dedicated fund was not specifically addressed by either of the opinions reviewed. However, material contained in these opinions strongly suggests that increasing an existing dedicated fund was not intended by the Constitution.

It is equally clear that payments to the Commercial Fishing and Agriculture Bank and earmarking state tax revenue for the construction of docks, etc. by local governmental units would do violence to the Constitution of the State of Alaska.

The Attorney General's opinion of April 4, 1969 holds:

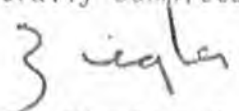
"The proceeds of any state tax or license which must be shared with local governmental units are dedicated to a special purpose and are in violation of Article IX, sec. 7 of the Alaska Constitution."

The Attorney General's opinion of May 2, 1975 states:

"Accordingly, it is our conclusion that the dedication of any source of public revenue: tax, license, rental, sale, bonus-royalty, royalty, or whatever is limited by the state Constitution to those existing when the Constitution was ratified or required for participation in federal programs."

Conclusion: CSSB 132, as written, is patently unconstitutional.

Respectfully submitted,


Robert H. Ziegler, Sr.
Chairman
Senate Judiciary Committee

RHZ/pkz

STATE OF ALASKA

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

3
JAY S. HAMMOND, GOVERNOR

POUCH K-STATE CAPITOL
JUNEAU, ALASKA 99811

March 14, 1979

The Honorable Clem Tillien
President of the Senate
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Re: CSSB 132 (FINANCE), relating to fish-
processing taxes

Dear Senator Tillion:

In your letter of March 12, 1979, you requested that this office review AS 43.75.131 and 135 as proposed in the above-referenced bill in light of the comments of Senator Ziegler, Chairman, Senate Judiciary Committee, who raised substantial concerns regarding the constitutionality of these provisions under Article 9, Section 7 of the Alaska Constitution. That provision states:

The proceeds of any state tax or license shall not be dedicated to any special purpose, except as provided in section 15 of this article or when required by the federal government for state participation in federal programs. This provision shall not prohibit the continuance of any dedication for special purposes existing upon the date of ratification of this section by the people of Alaska.

AS 43.75 130 and 135 in the present fish processing tax chapter presently provide that the "commissioner of revenue shall pay to each organized borough and each city of the first class [twenty percent] of the amount of tax revenue" collected under this chapter. Since § 130 was originally enacted in 1962 (§ 6, ch. 155, SLA 1962) and § 135 in 1963 (§ 1, ch. 89, SLA 1963) neither of the refund provisions qualify under the grandfather clause in the second sentence of the constitutional provision. This mandatory language ("shall pay") was carried over into the new proposal AS 43.75.131 which requires the following distributions:

DRAFT

It is the intent of this committee that the revenue shared with the local municipalities pursuant to AS 43.75.131 be used for docks and other fisheries related projects. It is believed that such improvements would operate as an incentive to the development of a bottomfishing industry in the state as well as to improve and further develop the fisheries currently being exploited. This committee recognizes that AS 43.75.131 and 136 merely reflect the policy of the current legislature and that future legislatures would be free to disregard the formula set forth therein. Future legislatures should examine the extent to which municipalities which have received these revenues have made reasonable efforts to meet the demand for fishery related facilities. If future legislatures find that needed fisheries development programs have not been implemented, the revenue sharing program reflected in AS 43.75.131 should be reevaluated.

STATE OF ALASKA

4
JAY S. HAMMOND, GOVERNOR

DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

POUCH 5 - JUNEAU 99811

March 8, 1979

The Honorable Alvin Osterback
Co-Chairman
House Resource Committee
Alaska State Legislature
Pouch V
Juneau, AK 99811

Dear Representative Osterback:

You have requested the Department of Revenue look at fish tax receipts that would be collected if a tax rate based on the effective current canned salmon rate was applied uniformly.

The breakdown of revenues on the attached sheets is based on a tax rate of 4.45 percent. This rate was arrived at by taking the raw value of salmon used by canneries, \$121,758,700 (based on Fish and Game Catch Estimates) and dividing it by the FY 1978 tax collected from canneries, \$5,420,438.

The total amount of revenue that would be collected using a 4.45 percent rate would be \$15,205,850. A further breakdown of this total is attached for your information.

Sincerely,



John R. Messenger
Acting Commissioner

Use 4.45% rather
than 6%

GENERAL FUND PORTION
(1977-1978)
Based on 4.45%

EXISTING SYSTEM

\$7,097,820

PROPOSED SYSTEM

\$6,139,472

COMMERCIAL FISHING AND AGRICULTURE BANK
(1977-1978)

EXISTING SYSTEM

\$ -0-

PROPOSED SYSTEM

\$5,068,617

REVENUE SHARING
(1977-1978)

EXISTING SYSTEM

\$1,202,180

PROPOSED SYSTEM

\$3,997,761

TOTALS
(1977-1978)

EXISTING SYSTEM

\$8,300,000

PROPOSED SYSTEM

\$15,205,850

FISH TAX PROPOSAL
(1977-1978)
Based on 4.45%

COMMUNITIES	REVENUE SHARED	
	EXISTING (20%)	PROPOSED (33-1/3%)
ANCHORAGE CITY & BOROUGH	\$ 40,519.66	\$130,868.76
BRISTOL BAY	92,780.60	157,318.90
CORDOVA	111,744.77	244,183.72
CRAIG	2,814.75	20,793.45
DILLINGHAM	32,802.06	742,915.29
HAINES BOROUGH*	35,471.84	79,277.08
HAINES	4.53	18.16
HOMER	6,467.84	31,544.62
HOONAH	2,239.25	16,560.33
HYDABURG	1,564.03	11,557.42
JUNEAU CITY & BOROUGH	8,032.77	59,424.20
KENAI BOROUGH*	132,326.36	388,598.59
KENAI	34,008.00	73,347.27
KETCHIKAN GATEWAY BOROUGH*	70,299.04	144,634.06
KETCHIKAN	15,652.76	44,418.73
KING COVE	11,608.46	62,039.79
KLAWOCK	22,721.11	27,811.93
KODIAK BOROUGH	182,757.95	558,936.10
KODIAK	99,510.10	420,025.56
NENANA	13.93	72.31
PELICAN	11,916.11	88,196.89
PETERSBURG	99,651.09	267,915.01
ST. MARY'S	235.00	1,710.31
SAND POINT	14,533.00	60,817.00
SELDOVIA	1,151.34	8,499.72
SEWARD	25,281.78	82,022.13
SITKA CITY & BOROUGH	7,308.47	54,057.69
UNALASKA	140,269.07	720,077.51
WRANGELL	11,565.98	36,207.38
YAKUTAT	1,460.59	10,729.25

* Includes additional Revenue Sharing from cities within borough.

Figures are based upon 1978 collections for the 1977 tax year and may differ from budget figures based upon fiscal year cutoff.

5

THE LEGISLATURE OF THE STATE OF ALASKA
ELEVENTH LEGISLATURE

FISCAL NOTE

I. REQUEST
 Bill/Resolution No. SB 132
 Title Raw Fish Tax
 Requested by Community & Regional Affairs & Finance Date 2-12-79

II. FISCAL DETAIL
 Agency Affected _____ Revenue _____
 Program Category Affected Development
 Budget Request Unit(s) Affected Shared Taxes

EXPENDITURES (Thousands of Dollars)

	FY 79	FY 80	FY 81	FY 82	FY 83	FY 84
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL						

FUNDING (Thousands of Dollars)

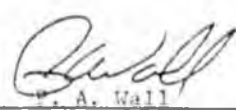
GENERAL FUND	(1,500.0)	(1,500.0)	(1,500.0)	(1,500.0)	(1,500.0)	(1,500.0)
FEDERAL FUNDS						
OTHER (Specify)						

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

There is no additional cost to administer the Bill. The General Fund will decrease in the amount shown as the additional raw fish tax revenue is shared.

IV. DATE 2-16-79 PREPARED BY 
 AGENCY Revenue
 Original Legislative Finance PHONE 465-2313
 cc: Budget and Management
Prime Sponsor (First Legislator Named)

Fisheries Tax (Con't.)

Cities	FY 77 Actual	Actual FY 77 @ 25%	FY 78 Actual	Actual FY 78 @ 25%	Authorized	Est. FY 79 @ 25%	FY 80 Request	Est FY 80 @ 25%
Wrangell	6482	16,205.0	11571	28,927.5	5000	12,500.0	6745	16,862.5
Yakutat	1227	3,067.5	1456	3,640.0	2000	5,000.0	1277	3,192.5
Total Cities	529748	1,324,370.0	661279	1,653,197.5	481115	1,202,787.5	551254	1,378,135.0
Boroughs								
North Star	15	37.5	3	7.5	100	250.0	16	110.0
Anchorage	25367	63,417.5	40525	101,312.5	35000	87,500.0	26397	65,742.5
Bristol Bay	93101	232,752.5	92881	232,202.5	100000	250,000.0	96831	242,202.5
Fairbanks	-0-	-0-	-0-	-0-	100	250.0	-0-	-0-
Haines	4669	11,672.5	35467	88,667.5	6000	15,000.0	4859	12,147.5
Jureau	7054	17,635.0	8159	20,397.5	10000	25,000.0	7340	18,350.0
Kenai	68248	170,620.0	133925	334,812.5	75000	187,500.0	71019	177,547.5
Ketchikan	34018	85,045.0	81946	204,865.0	40000	100,000.0	35399	88,497.5
Kodiak	251716	629,290.0	182348	455,870.0	232685	581,712.5	261968	654,920.0
Mat-Su	-0-	-0-	-0-	-0-	10000	25,000.0	-0-	-0-
Sitka	5734	14,335.0	8289	20,722.5	10000	25,000.0	5967	14,917.5
Total Boroughs	489922	1,224,805.0	583544	1,458,860.0	518885	1,297,212.5	509846	1,274,615.0
Total Cities & Boroughs	1019670	2,549,175.0	1244821	3,112,052.5	1000000	2,500,000.0	1061100	2,652,750.0

AGENCY Revenue

BRU Shared Taxes

COMPONENT Fisheries Tax

DATE
REVISED

CONTINUED

Page 2 of 2 name Form

Fisheries Tax

Cities	FY 77 Actual	Actual FY 77 @ 25%	FY 78 Actual	Actual FY 78 @ 25%	FY 79 Authorized	Est. FY 79 @ 25%	FY 80 Request	Est. FY 80 @ 25%
Cordova	86477	216,197.5	111791	279,477.5	69500	173,750.0	89988	224,770.0
Craig	4260	10,650.0	3273	8,182.5	5000	12,500.0	4433	11,082.5
Dillingham	29669	74,172.5	32192	81,980.0	30000	75,000.0	30874	77,185.0
Fairbanks	15	37.5	3	7.5	15	37.5	16	40.0
Haines	-0-	-0-	5	12.5	-0-	-0-	-0-	-0-
Hoonah	1952	4,880.0	2249	5,622.5	2000	5,000.0	2031	5,077.5
Homer	2697	6,742.5	6475	16,187.5	2000	5,000.0	2806	7,015.0
Hydaburg	1659	4,147.5	1564	3,910.0	2000	5,000.0	1726	4,315.0
Kake	391	977.5	-0-	-0-	500	1,250.0	407	1,017.5
Kenai	35639	89,097.5	34010	85,025.0	30000	75,000.0	37086	92,715.0
Ketchikan	14860	37,150.0	27290	68,225.0	15000	37,500.0	15463	38,657.5
King Cove	85810	214,525.0	11593	28,982.5	80000	200,000.0	89294	223,235.0
Klawock	10858	27,145.0	22716	56,790.0	10000	25,000.0	11299	28,247.5
Kodiak	74439	186,097.5	98465	246,112.5	70000	175,000.0	77461	193,650.0
Konana	92	230.0	79	197.5	100	250.0	96	240.0
Kolican	12447	31,117.5	13153	32,882.5	12000	30,000.0	12952	32,375.0
Petersburg	36904	92,260.0	99651	249,127.5	35000	87,500.0	38402	96,005.0
Seldovia	1233	3,082.5	1151	2,877.5	1000	2,500.0	1283	3,207.5
Seward	21220	53,050.0	26850	67,125.0	20000	50,000.0	27081	67,202.5
St. Marys	-0-	-0-	235	587.5	-0-	-0-	0-	0-
Unalaska	101417	253,542.5	154901	387,252.5	90000	225,000.0	105534	263,835.0
Valdez	-0-	-0-	5	12.5	-0-	-0-	-0-	-0-

AGENCY Revenue DRU Shared Taxes COMPONENT Fisheries Tax DATE REVISED

CONTINUED

1

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name Form

Fisheries Tax (Con't.)

Cities	FY 77 Actual	Actual FY 77 @ 25%	FY 78 Actual	Actual FY 78 @ 25%	Authorized	Est. FY 79 @ 25%	FY 80 Request	Est FY 80 @ 25%
Wrangell	6482	16,205.0	11571	28,927.5	5000	12,500.0	6745	16,962.5
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Boroughs								
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Fairbanks	-0-	-0-	-0-	-0-	100	250.0	-0-	-0-
Haines	4669	11,672.5	35467	88,667.5	6000	15,000.0	4859	12,147.5
Juneau	7054	17,635.0	8159	20,397.5	10000	25,000.0	7340	18,350.0
Kenai	68248	170,620.0	133925	334,812.5	75000	187,500.0	71019	177,547.5
Ketchikan	34018	85,045.0	81946	204,865.0	40000	100,000.0	35399	88,497.5
Kodiak	251716	629,290.0	182348	455,870.0	232685	581,712.5	261968	654,920.0
Mat-Su	-0-	-0-	-0-	-0-	10000	25,000.0	-0-	-0-
Sitka	5734	14,335.0	8289	20,722.5	10000	25,000.0	5967	14,917.5
Total Boroughs	489922	1,224,805.0	583544	1,458,860.0	518885	1,297,212.5	509846	1,274,615.0
Total Cities & Boroughs	1019670	2,549,177.0	1244821	3,112,052.5	1000000	2,500,000.0	1061100	2,652,750.0

AGENCY Revenue BRU Shared Taxes COMPONENT Fisheries Tax DATE REVISED

FISCAL NOTE

I. REQUEST

Bill/Resolution No. _____
 Title An Act relating to fisheries taxes
 Requested by _____ Date _____

II. FISCAL DETAIL

Agency Affected Department of Revenue
 Program Category Affected Revenue Collection and Management
 BRU, Program, or Subprogram(s) Affected Audit Division
 (Note: If more than one budget component is affected, separate in item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 79	FY 80	FY 81	FY 82	FY 83	FY 84
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

FUNDING (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify Fund Source)						
	-0-	-0-	-0-	-0-	-0-	-0-


POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

It is estimated that this bill will raise an additional 12 million dollars and bring total fish tax collections to 20 million dollars. These collections will be split evenly among the general fund, revenue sharing to municipalities, and the commercial fishing and agriculture bank, until fully capitalized. It is estimated that revenue sharing to municipalities would be increased by about 4 million dollars as shown in the attached breakdown. It would also allow an annual appropriation to the commercial fishing and agriculture bank of approximately 7 million dollars. Revenue to the general fund would be increased by approximately 1 million dollars and then by a greater amount when the commercial fishing and agriculture bank is fully capitalized. A breakdown of the distribution of revenues is shown in the attached pages.

IV. DATE 2/26/79

PREPARED BY 
 AGENCY Department of Revenue
 PHONE 465-2300

Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

1977 Prices

670

GENERAL FUND PORTION
(1977-1978)

year 77

EXISTING SYSTEM

\$7,097,820

PROPOSED SYSTEM

\$8,277,936

COMMERCIAL FISHING AND AGRICULTURE BANK
(1977-1978)

EXISTING SYSTEM

\$ -0-

PROPOSED SYSTEM

\$6,834,037

million
must be
- 1/2 year
- 31/2
must be
- Alaska
- 100
- 100

REVENUE SHARING
(1977-1978)

EXISTING SYSTEM

\$1,202,180

PROPOSED SYSTEM

\$5,390,238

TOTALS
(1977-1978)

year 77

EXISTING SYSTEM

\$8,300,000

PROPOSED SYSTEM

\$20,502,261

FISH TAX PROPOSAL
(1977-1978)

COMMUNITIES	TOTAL REVENUE COLLECTED		REVENUE SHARED	
	EXISTING	PROPOSED	EXISTING (20%)	PROPOSED (33-1/3%)
ANCHORAGE CITY & BOROUGH	\$ 202,598.29	\$ 529,886.46	\$ 40,519.56	\$176,452.19
BRISTOL BAY	463,903.02	636,982.85	92,780.60	212,115.28
CORDOVA	558,723.88	988,707.05	111,744.77	329,239.44
CRAIG	14,073.75	84,192.50	2,814.75	28,036.10
DILLINGHAM	164,010.31	983,561.86	32,802.06	327,526.09
HAINES BOROUGH*	177,336.56	320,918.67	35,471.34	106,890.40
HAINES	45.34	147.04	4.53	24.48
HOMER	64,678.37	255,447.72	6,467.84	42,532.05
HOONAH	11,196.27	67,052.62	2,239.25	22,328.52
HYDABURG	7,820.15	46,795.90	1,564.03	15,583.03
JUNEAU CITY & BOROUGH	40,163.84	240,608.04	8,032.77	80,122.48
KENAI BOROUGH*	327,087.01	782,202.92	132,326.36	523,952.65
KENAI	340,080.00	593,964.91	34,008.00	98,895.16
KETCHIKAN GATEWAY BOROUGH*	273,231.39	405,771.01	70,299.04	195,012.13
KETCHIKAN	156,529.99	359,702.03	15,652.76	59,890.39
KING COVE	58,042.28	251,193.57	11,608.46	83,649.12
KLANOK	113,605.53	153,100.14	22,721.11	50,982.35
KODIAK BOROUGH*	416,239.21	562,447.54	182,757.95	752,621.38
KODIAK	995,101.01	3,401,359.50	99,510.10	566,326.35
KENAI	69.63	292.73	13.93	97.50
PELICAN	59,580.57	357,103.42	11,916.11	118,917.10
PETERSBURG	498,258.45	1,084,785.50	99,651.69	361,233.57
ST. MARY'S	1,175.00	6,925.00	235.00	2,306.03
SELDOVIA	11,513.43	68,830.58	1,151.34	11,460.29
SEWARD	252,817.79	664,213.70	25,281.78	110,591.58
SITKA CITY & BOROUGH	36,542.35	218,879.10	7,308.47	72,886.74
UNALASKA	701,345.38	2,915,587.34	140,269.07	970,890.60
WRANGELL	57,829.92	146,603.37	11,565.98	48,818.92
YAKUTAT	7,302.94	43,442.64	1,460.59	14,466.40
<i>Island Point</i>			<i>14,533.⁰⁰</i>	<i>57,200.⁰⁰</i>

* Includes additional Revenue Sharing from cities within borough.

Figures are based upon 1978 collections for the 1977 tax year and may differ from budget figures based upon fiscal year cutoff.



Alaska State Legislature

House of Representatives

Committee on

Community & Regional Affairs

Pouch V
State Capitol
Juneau, Alaska 99811

Official Business

Date: 4/3/79
TO: C&RA Committee
FROM: Rep. Bill Parker, Chairman
RE: CSSB 132 Relating to Fisheries Taxes

For your background information, below are listed the various versions of the section of SB 132 related to "refund to local governments."

Existing Law -- AS 43.75.130 Attached

Senate Bill No. 132 -- Original version introduced on 2/12/79 by Sen.Kerttula Attached

CS SB132 -- Offered 3/8/79 by Community and Regional Affairs Committee

Sec. 43.75.131 REFUND TO LOCAL GOVERNMENTS. (a)The department shall pay to each borough, to each city of the first class, and to each municipality unified under AS 29.68.240 - 29.68.440, an amount equal to 33 1/3 per cent of the amount of tax revenue collected in the municipality from taxes levied in this chapter. In the case of tax revenue collected inside a city within a borough, the revenue to be shared shall be divided equally between the city and the borough.

(b) One-half of the revenue shared with a borough or city of the first class shall be used for docks or other fishery enhancement projects and those expenditures must be certified and reported to the department annually no later than January 30.

CS SB132 (Finance) Offered 3/12/79 by the Finance Committee

Same as in CS SB132 by C&RA (See above)

CS SB 132 (Rules) Offered 3/17/79 by the Rules Committee

Sec. 43.75.131 TAX SHARING WITH MUNICIPALITIES. The legislature may annually appropriate to each borough, to each city of the first class, and to each municipality unified under AS 29.68.240 - 29.68.440, an amount equal to 33 1/3 per cent of the amount of tax revenue collected in the municipality from taxes levied in this chapter. If tax revenue is collected in a city within a borough, the legislature may divide the tax revenue appropriated under this section between the city and the borough.

If a receiver, trustee, or assign is operating the property or business, he shall make the return for the person. A tax due on the basis of such return shall be collected in the same manner as if collected from the person of whose business he has custody and control. The requirements for time and place of payment of tax, and the obligation to keep records and make the records available to the commissioner of revenue are the same as those prescribed in the business license tax law for salmon canneries. (§ 2 ch 190 SLA 1959)

Sec. 43.75.120. Violations and penalties. (a) The liability to file returns and pay interest and deficiency assessments, and the subjection of property to liens is the same as prescribed in the business license tax law for salmon canneries.

(b) A violation of §§ 100 — 120 of this chapter or the regulations issued under §§ 100 — 120 of this chapter is a misdemeanor subject to punishment as prescribed in the business license tax law for salmon canneries. (§ 3 ch 190 SLA 1959)

Article 4. General Provisions.

Section

130. Refund to local governments

135. Additional refund to boroughs and cities

Sec. 43.75.130. Refund to local governments. The commissioner of revenue shall pay to each organized borough and each city of the first class 10 per cent of the amount of tax revenue collected in the borough or city from taxes levied by §§ 10 — 90 of this chapter. (§ 6 ch 155 SLA 1962; am § 75 ch 69 SLA 1970; am § 10 ch 218 SLA 1976)

Effect of amendment. — The 1976 amendment substituted "city of the first class" for "city of the first, second, and third classes."

Legislative committee report. — For report on ch. 69, SLA 1970 (HR 564), see 1970 House Journal Supplement No. 2, p. 7.

Sec. 43.75.135. Additional refund to boroughs and cities. In addition to the payment allowed in § 130 of this chapter the commissioner of revenue shall pay to each organized borough 10 per cent of the amount of tax revenue collected in the borough from taxes levied by §§ 10 — 90 of this chapter and shall pay to each city of the first class located in the unorganized borough 10 per cent of the amount of the tax revenue collected in the city from taxes levied by §§ 10 — 90 of this chapter. (§ 1 ch 89 SLA 1963; am § 1 ch 120 SLA 1969; am § 11 ch 213 SLA 1976)

Effect of amendment. — The 1976 amendment substituted "city of the first

class" for "city of the first, second, and third classes."

STATE OF ALASKA

JAY S. HAMMOND, GOVERNOR

DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

POUCH 5 - JUNEAU 99811

March 9, 1979

The Honorable John C. Sackett
Chairman
Senate Finance Committee
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Dear Senator Sackett:

CS SB 132 would reform the Alaska fishery taxes by making them more equitable and uniform among types of processing while at the same time raising additional revenue for the state and municipalities for fishery & enhancement programs.

Our present fish tax structure can be traced back to 1949 and has been changed little since that time. The tax structure contains different tax values and rates according to fish species being processed and the manner of processing. These different rates and values are shown in Attachment 1. Although this tax structure may have been appropriate in 1949, the tax structure as applied to today's economics is extremely unequitable and inefficient and bears no relationship to the value of the resource harvested or the economics of the business. ✓ 1949

The fish tax structure we are proposing first of all standardizes the tax at a rate of 6 percent of the raw value of the product for all species, and all methods of processing. Under this bill an additional \$12 million would be raised the first year and the total of \$20 million would be divided equally between the general fund, the commercial fishing and agriculture bank, and revenue sharing to municipalities.

Secondly, and as important as standardizing the tax structure, the legislation we are proposing will enable the state and municipalities to continue funding fishery enhancement programs, by making an additional amount of revenue available for the development of our

fishery industry. Specifically additional funding would be available to the Commercial Fishing and Agricultural Bank for fishermen and processor loans and additional revenue sharing would be available to fishing communities. The specific amount of this funding is shown in Attachment 2 and 3.

The State has placed a strong emphasis on Renewable Resource Development. Appropriations for fish enhancement programs alone have totaled approximately \$90 million dollars since FY 1977, \$30.5 million of which has been for operating expenditures and another \$58.4 million for capital expenditures. Since FY 1973 fishery loans has totalled \$48 million including \$13 million in FY 1978.

We are all concerned about the state's financial condition. This additional funding will insure that money is available for future fishery enhancement programs.

When the Commercial Fishery and Agricultural Bank goes into operation this year it will have a beginning appropriation of \$2 million. With the \$6.8 million that would be appropriated with this legislation it is estimated that the bank would be able to make approximately \$54 million in loans in its first year of operation. Resident processors as well as fishermen will be able to take advantage of the bank and sums large enough to help a developing bottom fishery will be available within the state.

Municipalities, too, are facing fiscal problems. The amounts of revenue sharing available to municipalities in this legislation will help solve those problems and in some cases enable municipalities to implement projects on their own without having to rely on the passage of general obligation bonds to fund their docks and fish enhancement programs.

Sincerely,

John R. Messenger
Acting Commissioner

EXISTING FISH TAX RATES

CANNERIES

FY 78 Receipts = \$5,420,438

Salmon - 3% of average wholesale price of
canned product during months of
August - December of five years
preceding license year

If figured on raw value would be
an effective tax rate of 4.45%

Crab - 2% of raw value

Clam - 1% of raw value for butter clams
2% of raw value for razor clams

Herring - 1% of raw value

FREEZERSHIPS

FY 78 Receipts = \$1,299,516

- 4% of raw value

COLD STORAGE

FY 78 Receipts = \$1,933,484

- 1% of raw value

TOTAL

FY 1978 RECEIPTS = \$8,653,438

PROPOSED TAX RATES

CANNERIES

Receipts = \$7,305,520

- 6% of Raw Value

FREEZERSHIPS

Receipts = \$1,949,275

- 6% of Raw Value

COLD STORAGES

Receipts = \$11,600,904

- 6% of Raw Value

TOTAL

RECEIPTS = \$20,855,699

FISH TAX PROPOSAL
(1977-1978)

<u>COMMUNITIES</u>	<u>TOTAL REVENUE COLLECTED</u>		<u>REVENUE SHARED</u>	
	EXISTING	----- PROPOSED	EXISTING - (20%)	PROPOSED (33-1/3%)
ANCHORAGE CITY & BOROUGH	\$ 202,598.29	\$ 529,882.46	\$ 40,519.66	\$176,452.19
BRISTOL BAY	463,903.02	636,982.85	92,780.60	212,115.28
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KLAWOCK	113,605.53	153,100.14	22,721.11	50,982.35
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KODIAK	995,101.01	3,401,359.50	99,510.10	566,326.35
NENANA	69.63	292.78	13.93	97.50
PELICAN	59,580.57	357,108.42	11,916.11	118,917.10
PETERSBURG	498,258.45	1,084,785.50	99,651.69	361,233.57
ST. MARY'S	1,275.00	6,925.00	235.00	2,306.03
SAND POINT	43,600.00	261,000.00	14,533.00	82,000.00
SELDOVIA	11,513.43	68,830.58	1,151.34	11,460.29
SEWARD	252,817.79	604,213.70	25,281.78	110,591.58
SITKA CITY & BOROUGH	36,542.35	218,879.10	7,308.47	72,886.74
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WRANGELL	57,829.92	146,603.37	11,565.98	48,818.92
YAKUTAT	7,302.94	43,442.64	1,460.59	14,466.40

* Includes additional Revenue Sharing from cities within borough.

Figures are based upon 1978 collections for the 1977 tax year and may differ from budget figures based upon fiscal year cutoff.

GENERAL FUND PORTION
(1977-1978)

EXISTING SYSTEM

\$7,097,820

PROPOSED SYSTEM

\$8,277,936

COMMERCIAL FISHING AND AGRICULTURE BANK
(1977-1978)

EXISTING SYSTEM

\$ -0-

PROPOSED SYSTEM

\$6,834,087

REVENUE SHARING
(1977-1978)

EXISTING SYSTEM

\$1,202,180

PROPOSED SYSTEM

\$5,390,238

TOTALS
(1977-1978)

EXISTING SYSTEM

\$8,300,000

PROPOSED SYSTEM

\$20,502,261

9

The Commerce Committee considered SENATE BILL NO. 94 (relating to occupational licensing fees) and reports it back as follows: Senator Bradley, Chairman and Senator Sturgulewski signed "do pass". Senators Ferguson and Stimson signed "no recommendation". Senator Kelly signed "do not pass".

SB
94

SENATE BILL NO. 94 was referred to the Finance Committee.

The Resources Committee considered SENATE BILL NO. 113 (waste of wild food animals) and reports it back as follows: Senator Summer, Chairman and Senators Dankworth, Mulcahy and Fahrenkamp signed "do pass".

SR
113

SENATE BILL NO. 113 was referred to the Rules Committee.

The Community and Regional Affairs Committee considered SENATE BILL NO. 132 (refund of raw fish tax receipts to local government) and recommends it be replaced with COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 132, entitled:

SB
132

"An Act relating to fisheries taxes; and providing for an effective date."

and reports it back as follows: Senator Sturgulewski, Chairman and Senators Kelly and Stimson signed "do pass". Senator Rodey signed "no recommendation". Senator Mulcahy signed "do not pass". The Committee further attaches a letter of intent.

SENATE BILL NO. 132 was referred to the Finance Committee.

Letter of intent accompanying SENATE BILL NO. 132 follows:

The Senate Community and Regional Affairs Committee has adopted and passed Committee Substitute for Senate Bill 132 which has a referral to the Senate Finance Committee.

Testimony, received by the Committee, indicates the need for further investigation on the economic ramifications of this legislation, with particular emphasis on the development of bottom fisheries.

By Senate Community and Regional Affairs Committee

Ardis Sturgulewski
Chairman
Bob Mulcahy
Vice-Chairman
Lang Stimson
John Rodey
Tim Kelly



SENATE FINANCE COMMITTEE
March 9, 1979
8:35 a.m.

Chairman Sackett convened the meeting at approximately 8:35 a.m. All committee members were present with the exception of Senator Sumner. Also in attendance were Senators Kerttula, Mulcahy, Tillion, and Stimson, as well as the Governor's Legislative Assistant Keith Specking, Garrey Peska, Administrative Assistant to the Finance Committee, representatives of the media, and individuals listed on the attendance sheet appended to these minutes. PRESENT

Chairman Sackett moved that SB 132 (Act relating to the refund of raw fish tax receipts to local government) be brought up for discussion, advising that Senate President Tillion and Mr. Specking were present to testify concerning the bill. SB 132

Senator Tillion advised that the legislation allows forgiveness of property taxes to municipalities equal to the amount paid for fishery development. He directed committee attention to page 2 of the fiscal note accompanying SB 132, advising that page 2 sets forth current distribution of shared taxes as well as proposed distributions under the subject bill.

Under the above legislation, fisheries would be taxed at basically the same rate for all species. Such taxation would not increase the general fund by a significant amount, but it would make funds available for development of fishery programs.

Senator Tillion advised committee members of the existence of a \$1.684 million fisheries development bank formed last year, advising that funding in the bank can be leveraged through the Spokane Bank of Cooperatives. Development funding covers vessel loans as well as improvements ashore. He further stated that taxes do not fall evenly throughout Alaska. Senator Tillion advised that 60% of the crab caught in Alaska is caught by non-resident fishermen, while nine years ago Alaskans caught 90%. The greatest amount of crab is now caught by fishermen coming out of Seattle.

The program requires five years' residency in Alaska in order to be eligible, during three of which the individual must have participated in Alaskan fisheries. Senator Tillion advised that for the state's long-term good it will be

more beneficial to effect the increased tax now rather than maintain the status quo.

Senator Ray questioned whether revenue derived from the anticipated tax increase would be placed in the renewable resources fund, and Senator Tillion responded "no, last year we formed the bank and put \$2 million into it set up as the Alaska Commercial Fishing and Agriculture Bank under the bank of cooperatives system set up by the federal government."

Mr. Keith Specking next appeared before the committee to comment on the proposed bill (copy of Mr. Specking's verbatim testimony attached to these minutes).

KEITH
SPECKING

Following Mr. Specking's testimony, and in response to a question from Senator Ray, Senator Tillion demonstrated the effect of increased revenue sharing under the proposed legislation, advising that where the Haines Borough currently receives \$35 thousand, under the subject bill it would receive \$106 thousand. Basically, what the state hopes to do through increased revenue sharing is to develop its fisheries industry and take back what has been lost to Seattle. Increased funding will enable local municipalities to float revenue bonds to finance dock improvements. The fisheries industry will thus be bearing the cost of improvements rather than the general public.

Senator Mulcahy next appeared before the committee advising that the subject bill will have "the biggest impact on fisheries that has ever come along." He stated that problems with the legislation center on the fact that there has not been adequate time to develop information, receive input, or conduct research. He further stated that everyone knew the administration was considering a raw fish tax, but no one knew it would be anything as large as the proposed bill. In some areas of the industry the bill would effect a 500% tax increase.

SENATOR
MULCAHY

Senator Mulcahy stated that he believed everyone would agree that there is only one established fishery industry in Alaska--the salmon industry. Therefore the tax in his area is sometimes higher than other fishery areas experience. Some fishery areas are new and need a chance to "develop and get on their feet." Future development appears to be in bottom fisheries. Other areas of the industry have peaked out and are now functioning at a lower level.

Senator Mulcahy alluded to problems in the bottom fish industry revolving around big foreign fleets and cheaper labor markets in foreign countries. If Alaska is going to develop a bottom fish industry, it is going to have to give the on-shore development plant a break. The Bering Sea and Continental Shelf could be the sea port of Alaska if it is only allowed to develop.

He further advised that enactment of SB 132 would kill attempts by Senator Stevens to get \$2 million in funding at the national level, adding that he didn't believe a short-term moratorium would be sufficient since investors will look to a longer term.

Senator Mulcahy allowed that the current tax structure needs looking into. However, he advised that "the name of the game in resource development is that it is going to cost the state something during development." Another thing, he advised, that has helped to develop the fleet is "the existing federal tax set up. A boat owner can take money out of income tax, set it aside, and put it back into the industry."

New fishing vessels over 100 feet in length have primary as well as secondary processing capabilities. SB 132 is going to have a substantial impact on crab processing in Alaska. Senator Mulcahy further advised that he believed the numbers connected to the legislation to be understated, saying that he felt the raw fish tax "is going to generate more than anticipated," and ultimately the state will be hitting the consumer and the fisherman a lot harder than anticipated with the subject bill. He stated that with the fuel tax added on top of the raw fish tax, he felt the state would be placing the crab industry in a bad position, particularly after the peak is over.

Making reference to the Combs (sp?) Report, Senator Mulcahy advocated a bottom fishery industry without tax for the next 10 to 12 years. He further advised that Alaska may end up with 20% of the processing conducted on shore while the remaining (73%) is processed at sea.

Senator Mulcahy further advised that he had no objection to eliminating the Seattle fleet, but feared that under the proposed bill, bottom fisheries would be damaged in Alaska. He stated that impact from the legislation is sufficient enough to demand a good hard look, adding that Alaska will not have a second chance at this industry.industry.

Senator Mulcahy made reference to the fishing industry in the Pribilof Islands and the local desire to get something "going on shore." Under the proposed bill, Senator Mulcahy advised that he could not see how the local effort "would have a chance to get started."

In response, Senator Tillion advised that if Alaska is going to develop a domestic fisheries industry (small boat) it needs financing for development. He added that the small fleet could properly conduct the harvest, but it needs a source of financing. He further attested to the need for Alaskans to get something out of the fishing industry. The subject bill would provide funding assistance to fisheries and to municipalities. He concluded by stating that without funding, there is no way Alaska is going to develop its fisheries.

Senator Ray again raised questions concerning use of revenue generated by the fish tax, and Senator Tillion advised that language contained in federal regulations would allow for a cooperative effort through the Spokane Bank permitting leveraged use of agricultural funds in the Spokane Bank. Two years ago, the federal government expanded the agriculture bank to include fisheries, allowing Alaska to use agriculture funds from other states. Senator Kerttula expanded upon the above statement, advising that since Alaska has such a small percentage of agricultural development, it is allowed to use agricultural funding for fishery projects.

Chairman Sackett advised that SB 132 would be held in committee for review at a later time.

SB 132
HELD OVER

The Chairman next moved that SB 62 (Act making a supplemental appropriation to the special projects office, Office of the Governor, to continue funding the Delta agricultural development project) be brought up for discussion, advising that Bob Palmer from the Governor's Office was before the committee to testify. Mr. Palmer advised that last year the legislature appropriated first-phase funding for the project. Such funding provided money for the clearing operation which is now underway as well as money for the elevator and other items. The administration emphasized that last year's appropriation was for the first phase, and that the administration would be back before the legislature seeking funding for the second phase.

SB 62
BOB PALMER
DELTA
PROJECT

//

SENATE FINANCE COMMITTEE
March 10, 1979
10:00 a.m.

Chairman Sackett called the meeting to order at 10:00 a.m. Senators Dankworth, Bennett, Hackney, Sackett, Ray and Hohman were present. Also present were: Dr. Sherman Carter, VP for Finance, U of A, Don McKnight and Russell Clark from ADF & G, Jack Utton, Director of Natural Resources, Tanana Chiefs, Bob Palmer, Special Projects, Office of the Governor, Jim Farmer, Executive Director, Koyukon Development Corporation, and Robert Shelley, Analyst, Budget & Management.

PRESENT

Senator Sackett advised that the purpose of the meeting was that of a bill session. He then brought up SB 132 (An Act relating to the refund of raw fish tax receipts to local government). He advised the committee that a CS had been prepared which included an amendment offered by Senator Tillion. Chairman Sackett explained the changes made by the CS.

SB 132

Senator Hohman moved that CS SB 132 be passed from committee with individual recommendations. CS SB 132 passed as follows: senators Hackney, Bennett, Dankworth and Sackett voted do pass. Senators Hohman and Ray voted no recommendation.

MOTION

Senator Sackett moved that SB 62 (supplemental appropriations to Special Projects Office, Office of the Governor, to fund Delta Agricultural Development Project) be brought before the committee for discussion. It was so ordered.

SB 62

Senator Sackett introduced Bob Palmer, Special Projects director to give testimony on the bill. Mr. Palmer offered information regarding the bill, and gave information to the committee that had been requested in a previous meeting. Senator Hohman had questions concerning the contract dates. Mr. Palmer stated that 30% of the work had to be completed by May 1980, 60% completed by May 1981, and total preparation and ready for planting had to be completed by May 1982. When asked if they were going to stick by the contract dates, Mr. Palmer replied "most definitely!" He said there might be a couple who would not make the contract date, but he felt most of them would.

CONTRACT
DATES

Senator Sackett explained that a CS had been prepared for the bill. The changes were explained. Senator Hohman made a motion that CS SB 62 be passed from committee with individual recommendations. There being no objection, it was so ordered. CS SB 62 passed as follows: Senators Hohman, Hackney, Bennett, Dankworth and Sackett voted do pass. Senator Ray voted do not pass unless amended.

MOTION

TO: Hon. Sterling Gallagher
Commissioner
Dept. of Revenue

DATE July 6, 1977

FILE NO

TELEPHONE NO

FROM: Avrum M. Gross
Attorney General

SUBJECT: Municipal revenue
sharing, fish pro-
cessing taxes; our
file J-66-687-77

BY: Rodger W. Pegues
Assistant Attorney General

This responds to your request for our opinion on the proper interpretation and application of AS 43.75.130 and 135, which provide for sharing of certain revenues with organized boroughs and first class cities.

AS 43.75.130 was enacted in 1962 and, since amended, reads as follows:

The commissioner of revenue shall pay to each organized borough and each city of the first class 10 per cent of the amount of tax revenue collected in the borough or city from taxes levied by §§ 10 -- 90 of this chapter.

AS 43.75.135 was enacted in 1963 and, since amended, reads as follows:

In addition to the payment allowed in § 130 of this chapter, the commissioner of revenue shall pay to each organized borough 10 per cent of the amount of tax revenue collected in the borough from taxes levied by §§ 10 -- 90 of this chapter and shall pay to each city of the first class located in the unorganized borough 10 per cent of the amount of the tax revenue collected in the city from taxes levied by §§ 10 -- 90 of this chapter.

Under a literal reading of these two sections, as pointed out by the Legislative Audit Division, an organized borough, whether or not there is a first class city within it, would receive 20 percent of the revenue collected from sources within it. However, a literal reading does not arrive at the result the legislature appears to have intended. To better understand how these two statutes came to read as they do, one should read the latter as it was enacted in 1963 before being amended to include cities:

Additional Refund to Boroughs. In addition to the payment allowed in sec. 130 of this chapter, the commissioner of revenue shall pay to each organized borough 10 per cent of the amount of tax revenue collected in the borough from taxes levied by secs. 10 -- 90 of this chapter.

§ 1, ch. 89, SLA 1963.

What happened was that the 1962 statute gave cities 10 percent of the taxes collected within them and organized boroughs 10 percent of the taxes collected within them. Of course, many cities are within organized boroughs, and the taxes collected within those cities are then collected within both. The result was that a city would get the 10 percent if the tax was collected within its limits and so would the borough, for a total local share of 20 percent. */ If the tax were collected solely within a city, i.e., one not in a borough, it would get 10 percent. If the tax were collected from outside the city limits in an organized borough, then the borough would get the 10 percent and nothing went to the city. In other words, the local people got 10 or 20 percent of the tax revenue based entirely on the locus of the tax source and the existence of both a city and an organized borough.

This result was patently unintended and unfair. The tax was to be shared with those municipal entities which levied a local tax to support schools and was designed to reduce their tax burden. Where there is a city and an organized borough, the residents in both pay the same local taxes for schools.

The 1963 Legislature passed ch. 89 to provide for a borough to get an additional 10 percent share when the city did not receive a share so that the total local share would be 20 percent. Finally, in 1969, the statute was again amended to provide the same for cities. In that way, the total local share was uniformly set at 20 percent.

*/ Of course, the original statute could have been interpreted to have a different result, i.e., it could have been viewed as not giving an organized borough any share of the tax collected from within first class cities within the borough. This would have resulted in a total local share of 10 percent. Arguably, the legislature may originally have intended this result. However, the agency interpreted the statute otherwise, and the subsequent acts of the legislature tend to ratify the agency's view.

which--in all likelihood--was what was eventually intended by the legislature.

Our analysis is buttressed by a contemporary agency construction. Under the legislation as originally enacted, when taxes were collected from a source within a city in an organized borough, the Department of Revenue gave both 10 per cent. If they were collected from a source outside the city, the borough got 10 percent and the city, nothing.

After the 1963 enactment, in the first situation given above, both continued to get 10 percent, for a total local share of 20 percent. But in the second situation given above, the borough now got 20 percent, i.e., an additional 10 percent, bringing the total local share in that situation up to an equal 20 percent.

After the 1969 amendment (to give cities as well as organized boroughs an additional 10 percent), the department continued to split 20 percent between the city and the borough when the tax source was a city within a borough (i.e., 10 percent to each), to give the borough 20 percent when the source was within the borough but outside of any city, and then to give a city which was not in an organized borough 20 percent as well. We perceive this latter amendment as tantamount to the ratification of the agency's interpretation. In effect, the legislature said, "Do the same for cities outside of boroughs."

While the precise language and history of the statute are obscure, we believe that the department's practical, longstanding and consistent interpretation of the statute and the legislature's apparent ratification of that interpretation are pretty much conclusive. Accordingly, and despite the literal terms of the statute, the department should continue to apply it as it has been doing.

RWP:chp

CHAPTER 218, Sec. 11 Session Laws of Alaska 1976

Sec. 10 AS 43.75.130 is amended to read:

Sec. 43.75.130 REFUND TO LOCAL GOVERNMENTS. The commissioner of revenue shall pay to each organized borough and each city of the first class 10 per cent of the amount of tax revenue collected in the borough or city from taxes levied by secs 10 - 90 of this chapter.

Sec. 11. AS 43.75.135 ADDITIONAL REFUND TO BOROUGH AND CITIES. In addition to the payment allowed in sec. 130 of this chapter, the commissioner of revenue shall pay to each organized borough 10 per cent of the amount of tax revenue collected in the borough from taxes levied by secs 10 - 90 of this chapter and shall pay to each city of the first class located in the unorganized borough 10 per cent of the amount of the tax revenue collected in the city from taxes levied by secs 10 - 90 of this chapter.

Dept of Revenue Guiding

TO SHARE RAW FISH TAX

Raw Fish tax should be shared as soon as possible after July 1 of each year. This tax is shared with boroughs, home rule cities and first class incorporated cities only.

- A. Incorporated cities within an unincorporated borough receive 20%
- B. First class cities in an incorporated borough receive 10%
- D. The organized borough [outside of any city] receives 20%
- C. The organized borough of a first class city receive 10%
- E. Tax collected outside of any borough is not shared.
- F. Penalty and Interest only is not shared

REQUEST

Bill/Resolution No. _____
Title An Act relating to fisheries taxes
Requested by Representative Alvin Osterback Date _____

II. FISCAL DETAIL

Agency Affected Department of Revenue
Program Category Affected Revenue Collection and Management
BRU, Program, or Subprogram(s) Affected Audit Division

(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 79	FY 80	FY 81	FY 82	FY 83	FY 84
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

FUNDING (Thousands of Dollars)

	FY 79	FY 80	FY 81	FY 82	FY 83	FY 84
GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify Fund Source)						
	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS

	FY 79	FY 80	FY 81	FY 82	FY 83	FY 84
FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

If a tax rate of 4.45 percent is used as a base, an additional \$7 million would be raised bringing the total fish tax collections to \$15.2 million. These collections will be split evenly among the general fund, revenue sharing to municipalities, and the commercial fishing and agriculture bank, until fully capitalized. It is estimated that revenue sharing to municipalities would be increased by about 3 million dollars as shown in the attached breakdown. It would also allow an annual appropriation to the commercial fishing and agriculture bank of approximately 5 million dollars. With a 4.45 percent rate, revenue to the general fund would decrease by about \$1 million dollars, but would increase considerably when the commercial fishing and agriculture bank is fully capitalized in a few years. A breakdown of the distribution of revenue is shown on the attached pages.

John S. Messenger

IV. DATE _____ PREPARED BY John S. Messenger
AGENCY Department of Revenue
PHONE 465-2300

Original: Legislative Finance
cc: Budget and Management
Prime Sponsor (First Legislator Named)



Alaska State Legislature

House of Representatives

Committee on

Community & Regional Affairs

COMMITTEE MINUTES

Pouch V
State Capitol
Juneau, Alaska 99811

Official Business

DATE: 4/6/79

BILL NUMBER AND TITLE: CSSB132 Related to taxes on fisheries

ORIGINAL SPONSOR :

OTHER SPONSORS:

RECEIVED FROM:

FURTHER REFERRALS:

MEMBERS PRESENT: Parker
Carney (for a short period)
Branson Zharoff
Metcalf O'Connell

MEMBERS ABSENT:

Parr

INDIVIDUALS CONTACTED:

WITNESSES TESTIFYING:

Jack Chenoweth - Discusses history of 10% allocation to municipalities. His research showed that while the provision was originally established in 1953 it was repealed in 1962. Ch. 55 assigned a new 10% repayment statute which was in fact discretionary. Referred to opinion by Assistant A.G. Donough which stated that the 10% was discretionary. Chenoweth reviewed proposed amendment which would provide for a 20% allocation to the municipalities with 13 1/3% given to the municipalities specifically for fishery enhancement projects. He pointed out that it would be difficult to guarantee that 13 1/3% would be used for fisheries projects.

Palmer McCarter
Opposed to limit the amount which could be applied for. Some municipalities don't have the power to operate port facilities. Other communities might need more and they would be limited to 13 1/3 %. Suggests that C&RA be given discretionary powers in filling applications. Leave out limit Line 22.

Rep. Nels Anderson - Suggests incorporation of HB300 provisions which would provide for a minimum entitlement of \$25,000.

John Messenger, Dept. of Revenue
The repealer would have to be removed. A letter of intent could be added to specify that an amount over 20% would have to be used for fisheries projects when it was received.

Anderson again raises concept in HB300. It is the consensus that this addition would stretch the "germaine" concept if it were attached to this bill. Instead HB300 will be heard on 4/9/79.

COMMITTEE ACTION: Passed out CS with indicated changes.

TAPE # 7 SIDE 1

Sections 10 - 933

Committee agrees to make entitlement to municipalities 33 1/3% (also to include 2nd Class Cities); change title of the section; and take out the repealer citation which would now be irrelevant. The CS with these changes is agreed to.



Alaska State Legislature

House of Representatives

Committee on

Community & Regional Affairs

Pouch V
State Capitol
Juneau, Alaska 99811

Official Business

COMMITTEE MINUTES

DATE: 4/4/79

BILL NUMBER AND TITLE: CSSB 132 relating to fisheries tax

ORIGINAL SPONSOR: Kertulla

OTHER SPONSORS: C&RA Substitute
Finance CS, Rules CS (final version)
FURTHER REFERRALS:

RECEIVED FROM:

MEMBERS PRESENT: Parker O'Connell
Metcalfe
Branson
Zharoff

MEMBERS ABSENT: Carney
Parr

INDIVIDUALS CONTACTED:

WITNESSES TESTIFYING:

Rep. Parker -- Announced that the C&RA Committee would concentrate on the local government provisions of the fisheries taxes bill.

Ernie Haugen -- Abrupt raise. Original SB 132 only dealt with refund to local governments. Present bill is such an expansion of original bill that no one knows what it is all about. It will have a dramatic impact on local employment. The 6% tax will send the fishermen to Prince Rupert to sell fish. A tax incentive should be considered. Fully supports the idea of a tax study of the whole fisheries taxation question. The industry would cooperate in putting together a workable tax structure.

John Messenger, Acting Commissioner of Revenue
Concentrating remarks on revenue sharing section. Proposal in CSSB132 is different than original bill. Constitutional question was discussed by Messenger. Administration of current program was discussed.

Branson questions why second class cities are not receiving revenue monies based on the fish tax. Response from Jack Chenoweth is that originally, from the time of statehood, first, second and third class cities received revenue, but in 1972 a change was made with the reclassification of cities and the second class cities were eliminated as they do not have educational functions and the original designated fund justification was tied to education.

Rep. Zharoff expressed concern with the lack of an incentive fishermen would have to sell fish on-shore. With the emphasis on fresh, and frozen products, there would be an impetus set up for operations to move off shore.

COMMITTEE ACTION: Another hearing scheduled on 4/6/79 as a "mark-up" session.

TAPE # 6 SIDE 2

Sections 32-812

Rick Lauber, Alaska Manager of the Alaska Seafood Processors

Ak. Seafood Processors handle 65% of fish processed in the state. Dedicated fund provision --10% of the dedicated fund is constitutional. Additional 10% questionable. By repealing the original provision, the municipalities would not be in a safe position. It might be acceptable to add 10% or so on top of the 10% specified in current law.

Lauber questions revenue sharing projections saying they are only estimates and the accuracy of them is questionable. There won't be a change in the revenue sharing entitlement of a community which depends on canned salmon at the present time.. A 5 or 10X increase is most questionable.

The bill is touted as an aid to bottomfish development. SB won't do that as revenue sharing is based on present processing within communities. There is no guarantee that bottomfish will locate in the same places. Yakutat and Sitka would be likely places to share in revenue but they wouldn't get enough and would still come to the state for additional money.

The current tax system is not necessarily outdated. The value of fish has risen and so the tax has also risen accordingly. The given figures should be checked for accuracy.

Any increases of the tax on the bottomfish industry would preclude the industry's ever developing. Bottomfish is part of an international market so the prices have to be kept marketable.

There should be consideration given to the idea of a tax incentive for the bottomfish industry.

The Legislature should stand behind the fish study bill, HB 36, which was passed by the House.

Ginney Chitwood, Executive Director of the Municipal League

No position on the increase in the raw fish tax. Concerned about removing the constitutional dedication of funds to the municipality. Gross business license tax repeal is a case in point. The corporate income tax was to take its place. The municipalities have never received the 150% promised. Nor the 10% of corporate income promised. Again, revenue sharing is not funded at 100% by the legislature (or Gov.)

Sen. Mulcahy -- Greatest concern is the impact this bill would have on communities. Outdated information on figures is being used, the projections are not accurate. Income is substantially greater than that shown.

M E M O R A N D U M

January 25, 1979

SUBJECT: Fisheries tax rebates
(Work Order #6047)

TO: Representative Margaret Branson

FROM: John B. Chenoweth, Legislative Counsel

Here are the several versions of last year's HB 256. The approaches taken may help you reach a decision.

HB 256 increases the amount of rebate to 20 percent only to organized boroughs, and only under AS 43.75.135. It would extend no additional assistance to cities. (That is not to say that, in meeting the request of the Municipal League, the bill could not be drafted in such a way as to extend increased aid only to cities).

CSHB 256 increases aid to only school districts (i.e., boroughs and home rule and first class cities of the un-organized borough) by increasing the percentage rebate to 20 percent.

CSHB 256 ~~am~~ gives every municipality (second class cities, too) 20 percent, and repeals the "additional refund" section, AS 43.75.135.

Also examined last year was HB 696 which, if enacted as offered, would have provided for a rebate to second class cities on the same basis as is now provided in law for first class cities.

JBC:nem

Enclosures

VERBATIM TRANSCRIPT

KEITH SPECKING ON SENATE BILL 132

March 9, 1979

SF-79 Tape No. 19, Side 2

Chairman:

Mr. Specking you have the floor.

Specking: Thank you Mr. Chairman. Mr. Chairman, I think the Senator's recognized background in fisheries management far exceeds mine. However, I would like to point out that we would have no problem with the proposed amendment except that we would like our legal people to examine the language more closely. I suspect that philosophically the Governor's view is that some form of severance of this valuable resource should be made available for wider distribution to all the citizens of Alaska. I think the Senator pointed out that we're spending somewhere in the neighborhood of--or requesting--or spending nearly \$30 million annually. The recovery from the present tax structure is minimal. Related to that, I would point out that the present system of taxation is a scattered system developed over a long period--much of it very old. The proposed tax increase would-- To the best of our calculations, the existing percentage rate on canned salmon is 4.45%. The system of taxing that is 3% of the average wholesale price for the canned product for a five-month period for five years.

The net effective rate is 4.45%. This would bring an increase of 1.55%. Crab is taxed at 2% of the raw value. This would be an increase of 4%. Clams at 1% for butter clams, 2% for razor clams, herring 1% of its value, etc. So that creates a very difficult situation. We have taxed freezer ships at 4%. This would be an increase of 2%. Cold storages at 1%. The whole situation of the processing industry has changed with relationship to the volume of the product processed since the time that these tax structures were created. The Senator pointed out the differences very well.

Included in your packet is a suggested distribution to boroughs and municipalities if the tax were enacted, compared against the present distribution of the raw fish tax.

I would like to suggest that where the wording on the front page says for fishery enhancement programs we are not talking about enhancement programs (inaudible portion of the tape) but rather that language might better be for fishery related development programs.

Chairman: Where are you talking about?

Specking: On the first page of the letter presented to you, Mr. Chairman.

Chairman: Of the amendment?

Specking: No, on the packet that was handed out by--

Hohman: The Department of Revenue letter?

Specking: Yes, the first page where we say fishery enhancement programs, we didn't mean to imply that these were fish hatcheries. Better language might be for fishery related development programs. And we would like to correct that language in the bill, so that it reflects that we're not talking about fish hatcheries per se.

On page 2, the language reads one-half the revenue shared with a borough or city of the first class shall be used for docks or other fishery enhancement projects, would like to change that to other fishery development related projects.

Chairman: Anything else?

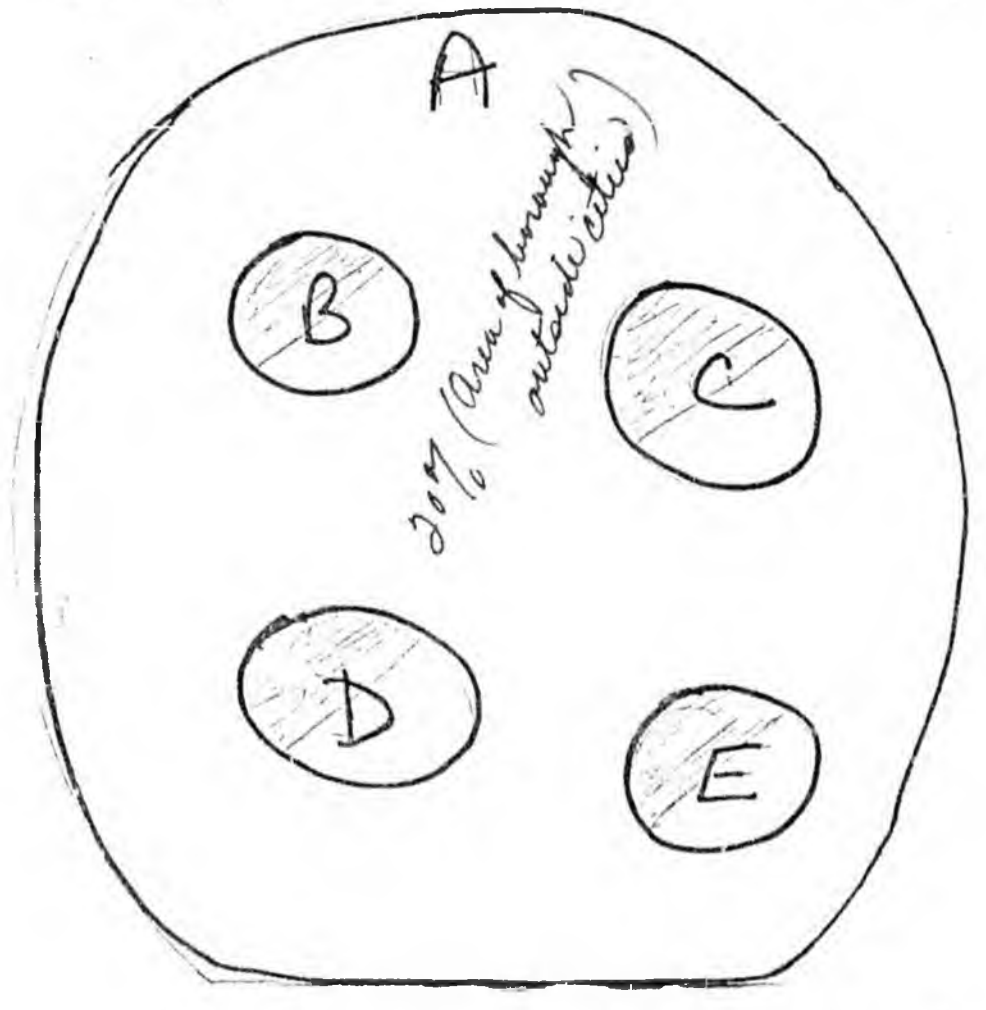
Specking: I might tell you briefly that the capitalization of the fisheries and agriculture bank is very desirable. Members to that board have been appointed and they are working with the Department of Commerce and searching for an executive director. We hope to have that bank operative sometime within the next two months.

Thank you, Mr. Chairman.

Set

- Set A - total area - borough
- B - city
- C - city
- D - city
- E - city

$$\text{Set } A_1 = \text{set } A - (B + C + D + E)$$



Set

- a = total tax collected in set A
- b = " " " " B
- c = " " " " C
- d = " " " " D
- e = " " " " E
- a_1 = " " " " A_1

allocation of revenues - present method

$$\text{Borough A, receives } \frac{a_1}{5} + \frac{b}{10} + \frac{c}{10} + \frac{d}{10} + \frac{e}{10}$$

$$\text{or Borough A, receives } \frac{a_1}{5} + \frac{1}{2} \left(\frac{b}{10} + \frac{c}{10} + \frac{d}{10} + \frac{e}{10} \right)$$

$$\text{City B receives } \frac{b}{10}$$

$$\text{City C " } \frac{c}{10}$$

$$\text{City D " } \frac{d}{10}$$

$$\text{City E " } \frac{e}{10}$$

allocation of revenues - HB 306
CSB 132

$$\frac{a}{3} = \frac{b}{3} + \frac{c}{3} + \frac{d}{3} + \frac{e}{3}$$

Borough A receives $\frac{a}{3} + \frac{1}{2} \left(\frac{b}{3} + \frac{c}{3} + \frac{d}{3} + \frac{e}{3} \right)$

City B receives $\frac{1}{2} \left(\frac{b}{3} \right)$

" C " $\frac{1}{2} \left(\frac{c}{3} \right)$

" D " $\frac{1}{2} \left(\frac{d}{3} \right)$

" E " $\frac{1}{2} \left(\frac{e}{3} \right)$



Borough - area outside cities

Raw Fish Jan

City
City

A
B

100 -
200 -

Borough G

200

total borough

500

1 * Sec. . AS 43.75.130 is amended to read:

2 Sec. 43.75.130. REFUND TO LOCAL GOVERNMENTS. The commissioner of
3 revenue shall ~~pay~~ ^{be paid} to each organized borough, to [AND] each city, and to
4 each municipality unified under AS 29.68.240 - 29.68.440, 20 [OF THE FIRST
5 CLASS 10] per cent of the amount of tax revenue collected in the municipal-
6 ity [BOROUGH OR CITY] from taxes levied by AS 43.75 [AS 43.75.010 - 43.75.-
7 090]. If tax revenue is collected in a city within a borough, the depart-
8 ment shall pay an amount equal to 10 per cent of the amount of revenue
9 collected in the city within the borough to the city and the same amount to
10 the borough.

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13 * Sec. . AS 43.18 is amended by adding new sections to read:

14 ARTICLE 5. GRANTS FOR FISHERIES PROJECTS.

15 Sec. 43.18.500. GRANTS FOR FISHERIES PROJECTS. (a) The fisheries
16 facilities grant account is established in the general fund. An amount to
17 carry out the provisions of (b) of this section may be appropriated annually
18 by the legislature to the account.

19 (b) Within the limits of legislative appropriations for this purpose,
20 the commissioner may make grants to municipalities receiving shared fish-
21 eries tax revenues under AS 43.75.130. A grant provided under this section
22 may not exceed 13 1/3 per cent of the amount of revenue collected in the
23 municipality from the tax levied and collected under AS 43.75. The commis-
24 sioner may make a grant to a municipality under this section only if the
25 municipality demonstrates to the commissioner's satisfaction that the grant
26 will be used on a fisheries project.

27 (c) In this section,

28 (1) "commissioner" means the commissioner of [] ;

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(2) "fisheries project" means a dock or comparable facility which may be used for the transfer or transportation of fishery products, including all utilities necessary to service the project;

(3) "municipality" means a borough, home rule or general law city, or a municipality unified under AS 29.68.240 - 29.68.440;

~~10% discretionary~~
~~now - each city will receive 20% (no longer confined to 1st class) city regardless of location -~~

last - change 10% to 33 1/2% (line 4)
 10% " 16 2/3% (line 9)

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~~(b) Within the limits of legislative appropriations for this purpose, the commissioner may make grants to municipalities receiving shared fisheries tax revenues under AS 43.75.130. A grant provided under this section may not exceed 13 1/3 per cent of the amount of revenue collected in the municipality from the tax levied and collected under AS 43.75. The commissioner may make a grant to a municipality under this section only if the municipality demonstrates to the commissioner's satisfaction that the grant will be used on a fisheries project.~~

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Summit for 1911, also for 1912
for 1913

Kotzebue	inc. & League member	2,431
Togiak	inc.	419
Ugashlik	-	
Chugnik	-	
Aniak	inc.	323
Akutan	-	
Egigik	-	
Squaw Harbor	-	
False Pass	-	
Chignik	-	
Manley Hot Springs	-	
Whittier	inc. & League member	272
Eamonak	inc.	524
Mountain Village	inc.	213
Hawk Inlet	-	
Colovin	inc.	115
Pilot Point	(Pilot Station is inc.)	
Ekok	-	
Fortuna Ledge	inc.	200
Basket	League member	3,004

Summit for 1911, also for 1912

John M. ... - 2,371



A M E N D M E N T

Offered in the HOUSE

By Osterbac

TO: HOUSE BILL NO. 306

Page 3, line 7:

After "by-products," delete the remainder of the paragraph and insert:

except fish species which have been designated by the commissioner of fish and game as a developing commercial species under AS 16.05.050(12);

Page 6, following line 20, insert:

* Sec. 13. AS 16.05.050 is amended by adding a new paragraph to read:

(12) not later than October 31 of each year, designate and provide to the commissioner of revenue the names of those species of fish of which there is a significant supply and for which there is a developing commercial market.

Remember subsequent sections.

SENATE FINANCE COMMITTEE

March 9, 1979

8:35 a.m.

Chairman Sackett convened the meeting at approximately 8:35 a.m. All committee members were present with the exception of Senator Sumner. Also in attendance were Senators Kerttula, Mulcahy, Tillion, and Stimson, as well as the Governor's Legislative Assistant Keith Specking, Garrey Peska, Administrative Assistant to the Finance Committee, representatives of the media, and individuals listed on the attendance sheet appended to these minutes. PRESENT

Chairman Sackett moved that SB 132 (Act relating to the refund of raw fish tax receipts to local government) be brought up for discussion, advising that Senate President Tillion and Mr. Specking were present to testify concerning the bill. SB 132

Senator Tillion advised that the legislation allows forgiveness of property taxes to municipalities equal to the amount paid for fishery development. He directed committee attention to page 2 of the fiscal note accompanying SB 132, advising that page 2 sets forth current distribution of shared taxes as well as proposed distributions under the subject bill.

Under the above legislation, fisheries would be taxed at basically the same rate for all species. Such taxation would not increase the general fund by a significant amount, but it would make funds available for development of fishery programs.

Senator Tillion advised committee members of the existence of a \$1.684 million fisheries development bank formed last year, advising that funding in the bank can be leveraged through the Spokane Bank of Cooperatives. Development funding covers vessel loans as well as improvements ashore. He further stated that taxes do not fall evenly throughout Alaska. Senator Tillion advised that 60% of the crab caught in Alaska is caught by non-resident fishermen, while nine years ago Alaskans caught 90%. The greatest amount of crab is now caught by fishermen coming out of Seattle.

The program requires five years' residency in Alaska in order to be eligible, during three of which the individual must have participated in Alaskan fisheries. Senator Tillion advised that for the state's long-term good it will be

more beneficial to effect the increased tax now rather than maintain the status quo.

Senator Ray questioned whether revenue derived from the anticipated tax increase would be placed in the renewable resources fund, and Senator Tillion responded "no, last year we formed the bank and put \$2 million into it set up as the Alaska Commercial Fishing and Agriculture Bank under the bank of cooperatives system set up by the federal government."

Mr. Keith Specking next appeared before the committee to comment on the proposed bill (copy of Mr. Specking's verbatim testimony attached to these minutes).

KEITH
SPECKING

Following Mr. Specking's testimony, and in response to a question from Senator Ray, Senator Tillion demonstrated the effect of increased revenue sharing under the proposed legislation, advising that where the Haines Borough currently receives \$35 thousand, under the subject bill it would receive \$106 thousand. Basically, what the state hopes to do through increased revenue sharing is to develop its fisheries industry and take back what has been lost to Seattle. Increased funding will enable local municipalities to float revenue bonds to finance dock improvements. The fisheries industry will thus be bearing the cost of improvements rather than the general public.

Senator Mulcahy next appeared before the committee advising that the subject bill will have "the biggest impact on fisheries that has ever come along." He stated that problems with the legislation center on the fact that there has not been adequate time to develop information, receive input, or conduct research. He further stated that everyone knew the administration was considering a raw fish tax, but no one knew it would be anything as large as the proposed bill. In some areas of the industry the bill would effect a 500% tax increase.

SENATOR
MULCAHY

Senator Mulcahy stated that he believed everyone would agree that there is only one established fishery industry in Alaska--the salmon industry. Therefore the tax in this area is sometimes higher than other fishery areas experience. Some fishery areas are new and need a chance to "develop and get on their feet." Future development appears to be in bottom fisheries. Other areas of the industry have peaked out and are now functioning at a lower level.

Senator Mulcahy alluded to problems in the bottom fish industry revolving around big foreign fleets and cheaper labor markets in foreign countries. If Alaska is going to develop a bottom fish industry, it is going to have to give the on-shore development plant a break. The Bering Sea and Continental Shelf could be the sea port of Alaska if it is only allowed to develop.

He further advised that enactment of SB 132 would kill attempts by Senator Stevens to get \$2 million in funding at the national level, adding that he didn't believe a short-term moratorium would be sufficient since investors will look to a longer term.

Senator Mulcahy allowed that the current tax structure needs looking into. However, he advised that "the name of the game in resource development is that it is going to cost the state something during development." Another thing, he advised, that has helped to develop the fleet is "the existing federal tax set up. A boat owner can take money out of income tax, set it aside, and put it back into the industry."

New fishing vessels over 100 feet in length have primary as well as secondary processing capabilities. SB 132 is going to have a substantial impact on crab processing in Alaska. Senator Mulcahy further advised that he believed the numbers connected to the legislation to be understated, saying that he felt the raw fish tax "is going to generate more than anticipated," and ultimately the state will be hitting the consumer and the fisherman a lot harder than anticipated with the subject bill. He stated that with the fuel tax added on top of the raw fish tax, he felt the state would be placing the crab industry in a bad position, particularly after the peak is over.

Making reference to the Combs (sp?) Report, Senator Mulcahy advocated a bottom fishery industry without tax for the next 10 to 12 years. He further advised that Alaska may end up with 20% of the processing conducted on shore while the remaining (73%) is processed at sea.

Senator Mulcahy further advised that he had no objection to eliminating the Seattle fleet, but feared that under the proposed bill, bottom fisheries would be damaged in Alaska. He stated that impact from the legislation is sufficient enough to demand a good hard look, adding that Alaska will not have a second chance at this industry.

Senator Mulcahy made reference to the fishing industry in the Pribilof Islands and the local desire to get something "going on shore." Under the proposed bill, Senator Mulcahy advised that he could not see how the local effort "would have a chance to get started."

In response, Senator Tillion advised that if Alaska is going to develop a domestic fisheries industry (small boat) it needs financing for development. He added that the small fleet could properly conduct the harvest, but it needs a source of financing. He further attested to the need for Alaskans to get something out of the fishing industry. The subject bill would provide funding assistance to fisheries and to municipalities. He concluded by stating that without funding, there is no way Alaska is going to develop its fisheries.

Senator Ray again raised questions concerning use of revenue generated by the fish tax, and Senator Tillion advised that language contained in federal regulations would allow for a cooperative effort through the Spokane Bank permitting leveraged use of agricultural funds in the Spokane Bank. Two years ago, the federal government expanded the agriculture bank to include fisheries, allowing Alaska to use agriculture funds from other states. Senator Kerttula expanded upon the above statement, advising that since Alaska has such a small percentage of agricultural development, it is allowed to use agricultural funding for fishery projects.

Chairman Sackett advised that SB 132 would be held in committee for review at a later time.

SB 132
HELD OVER

The Chairman next moved that SB 62 (Act making a supplemental appropriation to the special projects office, Office of the Governor, to continue funding the Delta agricultural development project) be brought up for discussion, advising that Bob Palmer from the Governor's Office was before the committee to testify. Mr. Palmer advised that last year the legislature appropriated first-phase funding for the project. Such funding provided money for the clearing operation which is now underway as well as money for the elevator and other items. The administration emphasized that last year's appropriation was for the first phase, and that the administration would be back before the legislature seeking funding for the second phase.

SB 62
BOE PALMER
DELTA
PROJECT

TELEGRAM

RCA ALASKA COMMUNICATIONS, INC.

PHONE: 336-6442

JUNEAU, ALASKA 99802

1979 MAR 4 PM 2 04

14008 KODIAK ALASKA 59 04-04 1100A AST

PMS REP BILL PARKER, CHAIRMAN, COMMUNITY AND REGIONAL
AFFAIRS COMMITTEE

POUCH V

JUN

ON BEHALF OF OUR OFFICERS, DIRECTORS, STAFF AND FISHERMEN,

I WISH TO EXPRESS STRONG OBJECTION AND OPPOSITION TO COMMITTEE
SUBSTITUTES FOR SB132. WE IMPLORE YOUR COMMITTEE TO SERIOUSLY
CONSIDER IMPACT OF SUCH LEGISLATION TO ALASKA PROCESSORS AND
FISHERMEN. WE DO NOT NEED HIGHER TAXES. PLEASE ADVISE ON
COMMITTEE ACTION YOUR EARLIEST CONVENIENCE.

FRANK R PETERSON, PRESIDENT, KODIAK AREA NATIVE ASSN

CC SENATOR BOB GULCAHY

REPRESENTATIVE FRED ZHAROFF

TELEGRAM

CSSB132
H3306

RCA ALASKA COMMUNICATIONS, INC.
PHONE 454-412
JUNEAU, ALASKA 99802

1979 MAR 10 PM 2 07

02004 TDA SANDPOINT ALASKA 59 03-10 859A AST

PMS ALVIN OSTERBACK AND BOB MULCHAY

POUCH Y

JUNEAU AK

REFERENCE FISHERIES BILL INTRODUCED TO THE HOUSE REPEALING THE
RAW FISH TAX AND SUBSTITUTING A NEW TAX OF SIX PERCENT. WE FEEL
THAT THIS IS AN INFLATIONARY MOV'T, AND WOULD HURT THE FISHING
INDUSTRY AS A WHOLE. THIS INCREASE WOULD BE DETRIMENTAL TO BOTH
PROCESSOR AND FISHERMEN. WE ARE OPPOSED TO THIS TAX INCREASE

JACK GRONHOLDT, PENINSULA MARKETING ASSOCIATION

RON HOLOWASKO, PACIFIC PEARL SEAFOODS

SB 132 TITLE & SPONSOR SUMMARY

SENDED TITLE CS 132 (TRLS)

AN ACT RELATIVE TO FISHERIES TAXES AND PROVIDING FOR AN EFFECTIVE DATE

EFFECTIVE DATE

AND PROVIDING FOR AN EFFECTIVE DATE

THE SPONSORS KERTTILA

CO SPONSORS

CURRENT STATUS 3/20/79 THE (H) CARA

RETURNED TO SENATE

SB 132 SENATE ACTION

02 27 1000 Page 10

DATE	SLR	PAGE	LEGISLATIVE ACTION
02/12/79	01	0195	FIRST READING - COMMITTEE REPORT
03/08/79	02	0401	CRS - REPT
03/08/79	03	0501	CRS - GILL (13) (13) (13)
03/12/79	04	0435	FTM - CS 132 (TRLS)
03/17/79	05	0533	RES - CSO
			TAKEN UP FOR DEBATE
03/17/79	06	0530	SECOND READING
03/17/79	07	0538	RES - CS 132 (TRLS)
03/17/79	08	0539	ADVANCED TO SENATE FLOOR
03/17/79	09	0539	THIRD READING
03/17/79	10	0539	PASSED BY SENATE
03/17/79	11	0539	EFFECTIVE DATE NOTED AS 12/1/79
03/17/79	12	0539	NOTICE OF DEPOSIT TO SENATE
03/19/79	13	0560	PASSED ON RECORDED FILED BY DEPT. OF GOV.
03/19/79	14	0560	EFFECTIVE DATE FOR 12/1/79
XXX	XX	XX	FOR XXX

0350100
H6306

TELEGRAM

FOR ALASKA COMMUNICATIONS, INC.

02013 POM TDA KODIAK ALASKA 15 03-10 1149A AST

PMS REP ALVIN OSTERBACK

JUNEAU AK

PLEASE OPPOSE SB132 H3306 HB193 AND FUEL TAX HIKE BILL.

THESE WILL HURT ALASKA FISHING.

HAROLD JONES

BOX 183

KODIAK ALASKA 99615

MAR 10 PM 2 '6

C55B132

TELEGRAM

FOR ALASKA COMMUNICATIONS, INC.

CORDOVA, ALASKA 99302

1979 MAR 15 AM 4 24

02337 NL TDA CORDOVA ALASKA 50 03-12 430P AST

PMS REP ALVIN OSTERBACK

JUN

THE CORDOVA DISTRICT FISHERIES UNION OPPOSES H3306,
IMPOSE SUCH A DRAMATIC TAX INCREASE ON FISHERIES PRODUCTS BEFORE
EVALUATING THE IMPACT ON THE FISHING INDUSTRY COULD BE CATASTROPHIC.
WE DO SUPPORT H336 WHICH CALLS FOR AN APPROPRIATION FOR A STUDY
OF ALASKA FISHERIES TAX LAWS IN WHICH THE IMPACT OF H3306 SHOULD
BE ADDRESSED.

CORDOVA DISTRICT FISHERIES UNION BOX 939 CORDOVA

BOB BLANE, CHAIRMAN

H3306

TELEGRAM

HB 306

RCA ALASKA COMMUNICATIONS, INC.

PHONE: 804-6444

UNERU, ALASKA 99502

1979 MAR 14 PM 1 02

02259 POM TDA SELDOVIA ALASKA 15 03-14 925A AST

PMS REP ALVIN OSTERBACK

JUN

LET IT BE KNOWN THAT SELDOVIA CHAMBER OF COMMERCE UNANIMOUSLY
OPPOSES 6 PERCENT RAW FISH TAX-HB306

SELDOVIA CHAMBERS

DRAWER F SELDOVIA AK 99663

TELEGRAM

0550/02
HB 306

RCA ALASKA COMMUNICATIONS, INC.

PHONE: 804-6444

UNERU, ALASKA 99502

1979 MAR 14 PM 2 20

02093 POM TDA SAND POINT ALASKA 15 03-14 1035A AST

PMS REP ALVIN OSTERRACK

JUN

PMA STRONGLY OPPOSES HB306. DO ANYTHING YOU CAN TO
STOP BILL

PENINSULA MARKETING ASSN

GENL DLY SAND POINT AK

TELETYPE UNIT
SSB132

RCA ALASKA COMMUNICATIONS CO.
PHONE: 534-4442
JUNEAU, ALASKA 99801

HB306

02080 POM TDA KODIAK ALASKA 15 03-10 13707444 \$T PM 5 26

PMS REP ALVIN OSTERBACK

JUN AK

PLEASE OPPOSE SB132 HB306 AND HB193. THESE BILLS ARE UNFAIR TO
OUR FISHERMEN.

PEGGY CROSS

BOX 2541

KODIAK ALASKA 99615

C 55B132
AB 306

Pacific Pearl

AN ~~On~~fac COMPANY

March 10, 1979

Honorable Alvin Osterback
Alaska House of Representatives
Pouch V
Juneau, AK 99811

RE: HB 306

Dear Alvin;

On behalf of Pacific Pearl Seafoods, which has six seafood canneries operating in Alaska as well as one floating processor, I would like to use this letter to voice our vehement objections to the above-mentioned House bill, the purpose of which is to raise the tax on raw fish from 1% to 6%:

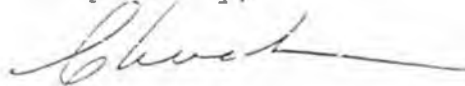
- 1) On the east coast of the United States, American tanner crab meat is already being undersold by the Canadians (\$5.25/lb vs. \$4.30/lb.). The proposed increase in the raw fish tax would only serve to up the American crab price by an additional 16¢, thus furthering the gap between the two and handicapping an American industry so as to be uncompetitive.
- 2) Far from promoting the development of a bottomfish fishery, an increase in the raw fish tax across the board would only inhibit such a growth. The 6% raw fish tax would be more than the profit margin in such a high volume - low profit fishery. So, if the promoters of HB 306 are really interested in strengthening the bottomfish potential in Alaska, it would seem they are going about it in a very inefficient way. I might add that the bottomfish industry is going to be a very essential part of this State's future fisheries resources. It is in the interest of Alaska that everything possible be done to advance the bottomfish industry, which this proposed raw fish tax increase does not do.
- 3) Such a drastic increase in the raw fish tax, rather than adding to the State's coffers, could very possibly end up bringing the State less monies. Why should floating processors fish in State waters and be taxed so exorbitantly when they can go outside State boundaries and not be taxed at all?
- 4) There are definite legal questions concerning just what constitutes the State's territorial boundaries. For instance, the International Halibut Commission said that a state cannot tax anything past a three-mile limit.

PACIFIC PEARL SEAFOODS
P.O. BOX 876
JUNEAU, ALASKA 99815
TEL: 455-8752 TELETYPE: 090-25-355

Honorable Alvin Osterback
Page 2
March 10, 1979

This bill, if passed, is going to effect several thousands of Alaskans involved in various aspects of the fisheries industry. Therefore, it is particularly essential that it not be rushed through the House committees without the public and fishing industry being give an opportunity to speak out on it.

Respectfully,

A handwritten signature in cursive script, appearing to read "Charles L. Jensen", with a long horizontal flourish extending to the right.

Charles L. Jensen

CLJ:cmb

Bristol
Bay
Native
Corporation

445 E 5TH AVENUE / P.O. BOX 220 / ANCHORAGE, ALASKA 99510 / PH (907) 278-3602

HB 306
CSSB 132

March 16, 1979

Senator George Hohman
Representative Nels A. Anderson, Jr.
Pouch V
Juneau, Alaska 99811

Dear George and Nels:

(CS Senate Bill 132)
This letter is in protest of House Bill 306 (Fisheries Taxes). We ask you as our Senator and Representative to use all of your efforts in having this Bill defeated.

Why does the State Administration and some legislators want to tax the fish processors to fund State programs to the detriment of the fishermen? The fishermen and the consumers will be paying this tax indirectly for the fish processor. This means lower fish prices for the fishermen and higher prices for the consumer.

This Bill (306) discourages development of the fisheries. I don't see how the State can say they encourage development when taxation of this sort is placed on them before any development occurs. It doesn't make sense.

It seems to me the State of Alaska should have learned their lesson with the taxation they placed against the oil industry when one speaks of encouraging development.

Many fishermen in Bristol Bay come from small villages that will not benefit from this taxation proposal but will be paying their fair share to the local governments and the State of Alaska.

We must keep in mind that we cannot run off half cocked into programs we can't afford nor should we place taxation on

Senator Hohman
Representative Anderson
March 16, 1979
Page 2

industries without first studying the impacts in greater detail.
It will be a grave mistake should this legislation pass.

I ask that you keep me informed of the status of this Bill.

Sincerely,



Harold H. Samuelson
President

cc: Sen. Clem Tillion
Sen. John Sackett
Rep. Terry Gardiner
Rep. Al Osterback
Rep. Phillip Guy
Gov. Jay Hammond
Ted Angasan or Kay Latson, BBNA

055132

Alaska Shrimp Trawlers Association

POST OFFICE BOX 991
KODIAK, ALASKA 99615



HB 306

March 9, 1979

Rep. Alvin Osterback

In response to House Bill 306 and Senate Bill 132 - Raw Fish Tax

We strongly object to the proposed increase in the Raw Fish Tax and the way it is being handled. We feel that above and beyond disagreeing with the terms of this bill, even more outrageous is the denial of due process of law presently taking place. (In regard to the butchering and railroading of Senate Bill 132.)

Already crippled by excess licenses, permits, taxes and other regulations, this behind-the-back attack on the fisheries could be the death blow for the Alaskan fishing industry.

In effect, this Bill would force the progressive Alaskan fishermen to become part of the Seattle-based fleet in an effort to maintain even a minimal profit margin. Although legislative action at this date indicates otherwise, the fisheries represent a major industry with a heavy impact on the continued economic stability of this state.

With the passage of this Bill, the presently under-utilized bottomfish fishery will never get off the ground as a shore-based fishery, and at best, would never come close to reaching its full potential.

We request you, our representative, to make known our extreme disapproval of the terms and concepts set forth in this Bill, and our disappointment in the way it is being handled.

Thank you for your consideration in this matter.

I am,

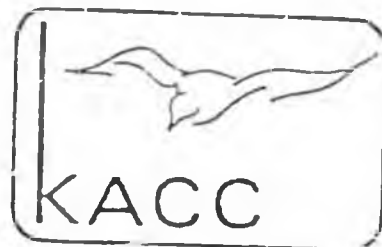

Alvin R. Burch
Manager

cc: Senators Bennett, Bradley, Colletta, Dankworth, Fahrenkamp, Ferguson, Hackney, Hohman, Kelly, Kertula, Meland, Mulcahy, Ray, Poley, Sackett, Stimson, Sturgulewski, Sumner, Tillion, Ziegler. Sen. Tharoff, Gov. Hammond, Keith Specking, United Fishermen's Marketing Assn., Fishermen's Wives Assn., Kodiak, Rep. Terry Gardiner, Rep. Brian Rogers, United Fishermen of Alaska, Kodiak Seafood Processors Assn.

CSSB132

KODIAK AREA CHAMBER OF COMMERCE

HB 306



March 9, 1979

AN OPEN LETTER TO THE GOVERNOR OF ALASKA AND THE MEMBERS OF THE STATE LEGISLATURE:

Gentlemen:

The Kodiak Area Chamber of Commerce strongly opposes the proposed increase in the Raw Fish Tax, and deplores the ram-rod methods used to push this measure into law.

The increased tax will have a most serious impact on the economy of Kodiak and all the other fishing communities in the State. It will not only immediately affect the fishermen and the processors, it will be most detrimental to every person in the fishing communities, and the snow-ball effect will ultimately lower the economy of the entire State and all its citizens.

The carrot on the stick, calling for returning a larger percentage of the tax to local governments, is an obvious ploy designed to gain support from Legislators representing districts that would benefit financially. While they grab the free lunch carrot, Kodiak and the other fishing communities are being beaten with the stick.

The Chamber urges the Legislators to stop all debate on this issue until public hearings are held in all fishing communities, including Kodiak, in order to more fully understand the impact on the fishing communities and the ultimate effect the increased Raw Fish Tax will have on the economy of the State.

Sincerely,

Art Jordan, Manager
KODIAK AREA CHAMBER OF COMMERCE

AJ/bz

CSSB 102

HB 306

P. O. Box 37
Kodiak, AK 99615
March 10, 1979

Senator Robert Mulcahy
Alaska State Senate
Fouch V
Juneau, AK 99811

RE: SB 132, HB 306

Dear Senator Mulcahy:

We are writing this letter to state our strong objections to the above-mentioned bill which would up the raw fish tax to 6% from its present 1%.

First of all, the most obvious fact is that the increase is so pronounced as to raise the question why the jump of 5%? But beyond that is the point that we as individuals are for less taxation regardless of the limitation in services. If Proposition 13 in California last year was any example, we certainly aren't the only ones for less taxation.

There is a theory which we believe is very valid, namely that government can't tax a company. Companies only pass any taxes on to the consumer by marking up the price of their product. A solution to the problem of inflation is not further taxation, which was stipulated as being one of the reasons that this bill was initiated in the first place.

Most of the seafood that comes from Alaskan fisheries (i.e. crab and shrimp) are already very high-priced products, barely in competition with the same foreign products. This proposed increase in the fish tax should help substantially in putting Alaskan seafood products out of the market completely. Being a luxury item, people in the United States are going to stop buying it if the price becomes too exorbitant.

Alaska's fishery resources are extremely important to a good many people in this State: fishermen and their families, cannery employees, and all the services and suppliers connected with seafood processing. To see Alaska's fisheries become too inhibited or slow down all together would certainly not help the State or the livelihoods of those who derive their income from fisheries.

As far as providing revenue to the municipalities, Kodiak for one is an example of a city who has more than enough money at present. A fact that was made clear in the arguments the City used in trying to persuade the Joint Committee on Community and Regional Affairs that it should be allowed to annex parts now in the borough. We sincerely hope that you take a good look at this bill and consider just how destructive it could be.