

1129

HRES

SB

132

1129

STATE OF ALASKA

JAY S. HAMMOND, GOVERNOR

DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

PO BOX 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 inequitable 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

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

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	\$ 529,866.46	\$ 40,519.66	\$176,452.19
BRISTOL BAY	463,903.02	736,982.85	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	35,471.84	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	156,529.09	359,702.06	15,652.76	59,890.39
KING COVE	58,042.28	251,198.56	11,608.46	83,649.12
KLAWOCK	113,605.53	153,100.14	22,721.11	50,982.35
KODIAK BOROUGH*	416,239.21	562,447.54	182,757.95	753,621.38
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. MARA'S	1,175.00	6,925.00	235.00	2,306.03
SAND POINT	43,600.00	261,000.00	1,533.00	82,000.00
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
WRANCELL	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 with borough.

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

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)

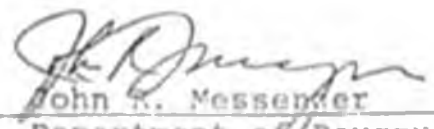
GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify Fund Source)						
	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

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

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.



IV. DATE _____

PREPARED BY _____

John R. Messenger

AGENCY _____

Department of Revenue

PHONE 465-2300

Original: Legislative Finance

cc: Budget and Management

Prime Sponsor (First Legislator Named)

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 Guidline

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

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	\$ 40,519.66	\$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	35,471.84	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	40,163.87	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	156,529.09	359,702.06	15,652.76	59,890.39
KING COVE	58,042.28	251,198.56	11,608.46	83,649.12
KLAWOCK	113,605.53	153,100.14	22,721.11	50,982.35
KODIAK BOROUGH*	416,239.21	562,447.54	182,757.95	753,621.38
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	1,175.00	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	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

* Includes additional Revenue Sharing from cities within borough.

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Homer	64,678.37	255,447.72	6,467.84	42,532.05
KPB	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
Seward	252,817.79	664,213.70	25,281.78	110,591.58
Seldovia	11,513.43	68,830.58	1,151.34	11,460.29
	<u>\$496,176.60</u>	<u>\$3,364,651.83</u>	<u>\$193,235.34</u>	<u>\$1,177,521.63</u>

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(1977-1978)

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Alaska State Legislature

House of Representatives

Committee on

Community & Regional Affairs

COMMITTEE MINUTES

Pouch V
State Capitol
Juneau, Alaska 99811

Official Business

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
Metcalf
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 re-classification 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.

9

March 8, 1979

SENATE JOURNAL

401

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 Sumner, Chairman and Senators Dankworth, Mulcahy and Fahrenkamp signed "do pass".

SB
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

Artis Sturgulewski
Chairman
Bob Mulcahy
Vice-Chairman
Lang Stimson
John Rodey
Tom 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 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
BOB PALMER
DELTA
PROJECT

*Proposed 4/27 after 4/26 action recorded
this amendment not adopted*

1 Page 3, lines 6 - 11 -- Delete present material and insert:

2 Sec. 43.75.136. APPROPRIATIONS TO PERMANENT FUND. The legislature
3 may annually appropriate 25 per cent of the amount of tax revenue collected
4 under this chapter to the permanent fund established in AS 37.10.065.

5
6 Page 7, line 21:

7 Delete "30", insert "20".

8
9 Page 7, line 24:

10 Delete "15", insert "10".

11
12 Page 7, line 28:

13 Delete "30", insert "20".

14
15 Page 8, line 2:

16 Delete "15", insert "10".

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Original sponsor: Kerttula

IN THE SENATE

HOUSE CS FOR CS FOR SENATE BILL NO. 132
IN THE LEGISLATURE OF THE STATE OF ALASKA
ELEVENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act relating to fisheries; and providing for an effective date."

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

* Section 1. FINDINGS. The legislature finds that the state has

- (1) funded and implemented several fisheries-related development programs;
- (2) funded and implemented fishery loan programs;
- (3) increased its fishery protection and management program;
- (4) funded and implemented a limited entry program; and
- (5) embarked on a program of encouraging the development of a bottom fishing industry.

* Sec. 2. PURPOSE. The purposes of this Act are to

- (1) insure that the state is able to continue its efforts toward overall fisheries-related development programs by raising additional revenue to pay for the programs;
- (2) make the imposition of the fisheries tax more uniform among fisheries businesses; and
- (3) provide funding for the development of new fisheries projects.

* Sec. 3. AS 43.75 is amended by adding new sections to read:

Sec. 43.75.011. FISHERIES BUSINESS LICENSE. A person engaging or attempting to engage in a fisheries business shall first apply for and obtain a license as provided in AS 43.75.020.

Sec. 43.75.015. FISHERIES BUSINESS TAX. (a) A person engaged in a fisheries business is liable for and shall pay a tax equal to

1 (1) two and one-half per cent of the value of a developing
2 commercial fish species processed by his fisheries business during the
3 year; and

4 (2) five per cent of the value of a fishery resource, except
5 a developing commercial fish species, processed by his fisheries busi-
6 ness during the year.

7 (b) A person engaging or attempting to engage in a fisheries
8 business who actually and physically processes the fishery resource
9 liable for and shall pay to the department the tax imposed by this
0 section. In determining this tax liability, the person may not deduct
1 from the value of the fishery resource processed the value of fishery
2 resources canned or processed for other fisheries businesses, but shall
3 include that value as part of the value of the fishery resources can-
4 or processed.

5 Sec. 43.75.131. TAX SHARING WITH MUNICIPALITIES. () The
6 fisheries tax revenue account is established in the general fund.
7 amount to carry out the provisions of (b) of this section may be
8 appropriated annually by the legislature to the account. If the amount
9 in the account is insufficient to provide each municipality its share
10 authorized by (b) of this section, the money which has been appro-
11 priated shall be distributed pro rata among the eligible municipalities.

12 (b) The department shall pay to each borough, to each city of
13 first class, and to each municipality unified under AS 29.68.240 -
14 29.68.440, an amount equal to $16 \frac{2}{3}$ per cent of the amount of tax
15 revenue collected in the municipality from taxes levied in this class,
16 except that if tax revenue is collected in a city within a borough,
17 the department shall pay an amount equal to 8 and one-third per cent
18 of the amount of tax revenue collected in the city within the borough to
19 the city and the same amount to the borough.

Sec. 43.75.136. PAYMENTS TO COMMERCIAL FISHING AND AGRICULTURE BANK. The legislature may annually appropriate 33 1/3 per cent of the amount of tax revenue collected under this chapter to the Commercial Fishing and Agriculture Bank established in AS 44.54:010 until the bank is fully capitalized as determined by the commissioner of commerce and economic development based upon the estimated capital needs of the bank.

Sec. 43.75.140. DEFINITIONS. In this chapter

(1) "department" means the Department of Revenue;

(2) "developing commercial fish species" means those species of fish and shellfish annually designated by the commissioner of fish and game under AS 16.05.050(12);

(3) "fisheries business" means a person who engages in processing fisheries resources for sale by freezing, cooking, salting, other method and includes but is not limited to canneries, cold storages, freezer ships, and processing plants;

(4) "fishery resource" means fin fish, shellfish and fish by-products, including but not limited to salmon, halibut, herring, crab, clam, cod, shrimp, and pollock;

(5) "value" means the actual price paid for the fishery resource by the fisheries business including indirect consideration as fuel, supplies, or gear, except that "value" means the market value of the fishery resource if procured in company-owned or subsidized or operated by employees of the fisheries business or under lease or arrangement.

* Sec. 4. AS 43.75.100 is repealed and re-enacted to read:

Sec. 43.75.100. TAX IMPOSED ON TAKING OF FISHERY RESOURCE. person taking, purchasing, or otherwise acquiring a fishery resource covered by this chapter which has not been subject to the tax in AS 43.75.015 who sells the fishery resource to a fisheries business

1 outside the taxing jurisdiction of the state is subject to the tax s
2 out in AS 43.75.015 on the value of the fishery resource sold.

3 * Sec. 5. AS 43.75.030(a) is amended to read:

4 (a) A person subject to the tax shall file a return stating the
5 value of [RAW] fisheries resources [PRODUCTS] processed during the
6 license year, computed as required by [AS 43.75.010 - 43.75.050 OF]
7 chapter, and such other information as the department prescribes by
8 regulation. The return shall show the license number and shall be
9 signed by the taxpayer or his authorized agent, under penalty of per-
10 jury. If a receiver, trustee, or assign is operating the property of
11 business, he shall file the return for the person. A tax due on the
12 basis of such a return shall be collected in the same manner as if
13 collected from the person of whose business he has custody and control.

14 * Sec. 6. AS 43.75.030(e) is amended to read:

15 (e) Every person engaging or attempting to engage in a business
16 for which a license is required under [AS 43.75.010 - 43.75.050 OF] t
17 chapter shall keep [SUCH] records, make [SUCH] statements under oath,
18 file [SUCH] returns, and comply with all [SUCH] regulations which [AS
19 the commissioner of revenue may prescribe.

20 * Sec. 7. AS 43.75.050(f) is amended to read:

21 (f) A person who wilfully fails to obtain a license, pay a tax,
22 make a return, keep or display a record, or supply the information at
23 the time required by law or regulation, in violation of [AS 43.75.010
24 43.75.055 OF] this chapter, is, in addition to other penalties provide
25 by law, guilty of a misdemeanor, and upon conviction is punishable by
26 fine of not more than \$1,000, or by imprisonment for not more than one
27 year, or by both, together with the cost of prosecution.

28 * Sec. 8. AS 43.75.055 is amended to read:

29 Sec. 43.75.055. SECURITY FOR COLLECTION OF TAXES. Each applica

for a license under this chapter shall, in or with his application, state under oath the amount of each of the products which he expects to produce during the license year. The applicant shall further state the extent of lienable real property owned by the applicant in the state against which the tax may be collected and other information with respect to description, location and value of the property which the department prescribes. If the lienable value of the property is not equal to three times the amount of the tax for which the applicant will probably be liable under this section, the department may not issue the license until the applicant files with the department a surety bond approved by the attorney general in a penal sum equal to twice the probable amount of the tax for which the applicant will be liable, conditioned upon payment of the tax in full when due, with interest if not paid before delinquency. However, if the applicant purchases salmon for export from Alaska in the round, the amount of the bond is \$50,000 unless the applicant is the owner of lienable real property in the state of a value of at least \$50,000, and the bond must be conditioned upon payment to the fisherman of the full purchase price for the salmon and the payment of the tax in full when due. The department may waive the bond requirement if the applicant posts other security in the form of collateral acceptable to the department or prepays the estimated tax.

* Sec. 9. AS 43.75.110 is amended to read:

Sec. 43.75.110. DUTY OF TAXPAYER AND PAYMENT OF TAX. A person subject to taxes under AS 43.75.100 - 43.75.120 shall make a return stating the value of [RAW] fisheries resources [PRODUCTS] taken, purchased, or otherwise acquired during the license year for sale to fisheries businesses [FREEZER SHIPS, FLOATING COLD STORAGE, OR FLOATING CARRIERS] outside of the taxing jurisdiction of the state computed as required by AS 43.75.100 - 43.75.120, and other information to carry

the provisions of AS 43.75.100 - 43.75.200 as may be prescribed by the department. The return shall contain the license number and shall be signed by the taxpayer or his authorized agent, under penalty of perjury. 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 AS 43.75.011 - 43.75.050 [THE BUSINESS LICENSE TAX LAW FOR SALMON CANNERIES].

* Sec. 10. AS 43.75.120 is amended to read:

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 AS 43.75.011 - 43.75.050 [THE BUSINESS LICENSE TAX LAW FOR SALMON CANNERIES].

(b) A violation of AS 43.75.100 - 43.75.120 or the regulations issued under AS 43.75.100 - 43.75.120 is a misdemeanor subject to punishment as prescribed in AS 43.75.011 - 43.75.050 [THE BUSINESS LICENSE TAX LAW FOR SALMON CANNERIES].

* Sec. 11. AS 16.05.050 is amended by adding a new paragraph to read:

(12) not later than October 31 of each year, provide to the commissioner of revenue the names of those fish and shellfish species which he designates as developing commercial fish species; a fish or shellfish species is a developing commercial fish species if, within a specified geographical region,

(A) the optimum yield from the harvest of the species has not been reached; or

(B) a substantial portion of the allowable harvest

the species has been allocated to fishing vessels of a foreign nation.

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

ARTICLE 5. GRANTS FOR FISHERIES PROJECTS.

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

(b) Within the limits of legislative appropriations for this purpose, the commissioner may make grants to municipalities receiving shared fisheries tax revenues under AS 43.75.131. A grant provided under this section may not exceed the amount which the municipality entitled to receive under AS 43.75.131 during the fiscal year in which payment of a grant is requested. 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.

(c) In this section,

(1) "commissioner" means the commissioner of _____ ;

(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 fisheries project.

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

* Sec. 13. AS 43.75.010, 43.75.060, 43.75.070, 43.75.080, 43.75.090, 43.75.095, 43.75.130, and 43.75.135 are repealed.

* Sec. 14. TRANSITION. The taxes paid for the 1978 calendar year under AS 43.75 shall be shared with municipalities in accordance with AS 43.75.131.

nd 43.75.135, as those sections read before repeal by this Act. The taxes paid for the 1979 calendar year and for each succeeding calendar year may be shared with municipalities in accordance with AS 43.75.131, added by sec. 3 of this Act.

* Sec. 15. TREATMENT OF HALIBUT. For purposes of AS 16.05.050(12), added by sec. 11 of this Act, halibut is designated a developing commercial fish species. The designation of halibut as a developing commercial fish species ceases when the commissioner of fish and game no longer designates halibut a species of which there is a significant supply and for which there is a developing commercial market.

* Sec. 16. A municipality which would receive less money under the provisions of AS 43.75.131, added by this Act than it received for the last fiscal year under the provisions of AS 43.75.130 and AS 43.75.135, repealed by this Act, shall, until June 30, 1982, be entitled to receive an amount equal to that received for the fiscal year ending June 30, 1978 under the former provisions of AS 43.75.130 and 43.75.135, in accordance with those provisions.

* Sec. 17. This Act is retroactive to January 1, 1979.

* Sec. 18. This Act take effect immediately in accordance with AS 01.070(c).

Position Paper Concerning H.B. 306/S.B. 132

SUMMARY

Any equitable fisheries business tax must establish a differential among the various species and types of processing. For example, the frozen salmon industry is currently experiencing an unusual period in its history, in which most of the profits from each season must be used to finance plant renovation in order to increase the overall product quality and remain competitive in world markets. Therefore, the imposition of a substantially higher tax rate at this time would seriously impair the ability of these packers to continue the necessary upgrading of their facilities and processing techniques to compete in foreign markets.

There is a need for the commercial fishing industry to contribute sufficient revenue to the General Fund to cover State expenditures for commercial fisheries. However, estimates of the current taxable ex-vessel value of Alaska's commercial fisheries have been consistently understated due to the lack of current data and the rapid increase in ex-vessel prices over the past few years.

A summary of total estimated 1979 ex-vessel value and tax yield, by species, is attached. The problems experienced in obtaining this data and the time needed to obtain the additional information and perform the analyses necessary to formulate an equitable tax bill cannot be overemphasized. Therefore, a more detailed analysis of the industry should be performed before any substantial change is made in the present tax structure or rate.

DISCUSSION

Proposed Six Percent Tax Rate

General

As reflected in the existing fisheries tax statute (AS 43.75), the state has in the past recognized the different cost structures and needs for certain minimum rates of return in the various sectors of the processing industry. It is apparent, however, that the commercial fishing industry has undergone considerable changes in the thirty years since the present law was written, and therefore, some alteration of the existing tax structure is necessary. However, the proposed six percent across-the-board tax on gross receipts (ex-vessel value) is not reflective of either the differences in net profitability in the processing of various fish and shellfish species, or of the current necessity for certain minimum rates of return in the various sectors of the industry.

The Frozen Salmon Industry

For example, the salmon processing industry has been experiencing radical changes in the last several years and has been forced to undertake major investments to upgrade its facilities in order to meet the demands of the Japanese market. Historically, the salmon industry in Alaska consisted of canneries producing high quality canned salmon. However, today's market is not very favorable for canned salmon, and therefore an increasing number of processors are converting from canning to freezing facilities in order to remain competitive on world markets and to produce a product which is marketable at a fair rate of return. This is an unusual period for the industry in that it has been necessary to reinvest a substantial amount, if not all of the profits from the last several good seasons for plant expansion, renovation, and upgrading of facilities and processing techniques.

Financing

Although certain segments of the industry have made adequate profits during the last few years, these profits have not been sufficient to fully fund the improvements necessary to maintain the competitive position of the packers. Considerable quantities of outside capital, in the form of long term loans have also been needed to finance these facilities. Although comprehensive data is not available, we have sufficient evidence from several smaller, shore-based Alaskan processors to indicate that the proposed six percent raw fish tax rate would reduce their profits sufficiently to make domestic financing from commercial banks considerably more difficult, if not impossible, to obtain. In the past, many Alaskan processors in this position have been forced to seek foreign financing (primarily Japanese) to facilitate plant renovation. It is likely that if an excessive tax rate is imposed this pattern will continue, even after the Commercial Fishing and Agriculture Bank is capitalized, as it will not be able to provide all of the capital presently needed by the industry.

Other Species and Types of Processors

The differential effects of the proposed tax on the various sectors of the industry and on the Alaskan economy, in general, are not well known. Clearly, some species and types of processing operations in some areas of the state may be in a position to pay a higher tax rate; however, further analysis is needed to determine the potential impacts before an equitable tax structure can be established.

State Expenditures for and Revenues from Commercial Fisheries

State revenues from the commercial fishing industry should offset any State expenditures directly subsidizing the industry, if a healthy economic balance is to be maintained. However, the industry should not be financially responsible for supporting local revenue sharing programs or other disbursements from the General Fund which do not directly benefit commercial fisheries.

Present state and local taxes paid by the industry include revenue from several sources in addition to the present tax on raw and wholesale seafood products. These include state corporate income taxes from fish processors, local property taxes on shore-based plants, local raw fish sales taxes as high as three percent in some areas, and personal income taxes from an increasing number of persons employed in the commercial fishing industry.

A detailed table showing ex-vessel value and estimated tax yield from the proposed raw fish tax, by species, is attached. The 1978 and 1979 values presented in this table are substantially higher than those used in previous projections of revenue from the proposed fisheries tax. This is primarily due to two major factors: (1) the most recent comprehensive catch and value data readily available from ADF&G is for 1975 and therefore it was necessary to construct a composite picture of the 1978 and projected 1979 catch and value data based upon existing but unconsolidated ADF&G information; and (2) the ex-vessel prices of many species have experienced a rapid increase over the past few years, a factor which was not reflected in any readily ascertainable data.

On the other hand, state expenditures for commercial fisheries programs have generally been overstated. In a table prepared by the Research Division, Legislative Affairs Agency (16 March 1979), the State expenditures for commercial fisheries for FY 1979 total approximately \$28 million. However, several adjustments must be made to this table in order to more accurately present the actual State expenditures for these commercial fisheries programs. The State revenue from commercial fishing gear licenses and crew member licenses should be subtracted from the total expenditures, and adjustments must be made to reflect the percentage of the budget of the Department of Revenue, Fish and Game Licensing Division, and the Department of Fish and Game, F.R.E.D. Division, which are spent for purposes other than commercial fisheries. The net expenditures, then, for these programs total approximately \$22 million, rather than the \$28 million, previously stated.

Another important consideration in assessing State expenditures which directly or indirectly benefit the commercial fishing industry, is that many of these expenditures are for development programs which have not yet reached the point where they accrue returns in excess of the required expenditures. This is true of such recent State programs as fisheries enhancement, ports and harbors, and bottomfish development. Thus, while present expenditures for these programs may appear to be high, future State revenues resulting from benefits to the commercial fishing industry and other effected industries should equal, if not exceed, State expenditures.

Ex-Vessel Value And Estimated Tax Yield (See Attached Notes)

CATCH AND EX-VESSEL VALUE

	1978		1979-1		1979-2	
	Catch (lbs)	Ex-vessel Value	Estimated Catch (lbs)	Estimated Ex-vessel Value	Estimated Catch (lbs)	Estimated Ex-vessel Value
KING SALMON	13,971.7	20,389.9	11,599.2	17,876.7	14,383.1	22,167.3
SOCKEYE	106,513.3	102,561.2	116,390.9	141,453.6	144,324.7	175,402.4
COHO	17,725.8	14,983.5	13,012.7	14,655.3	16,135.7	18,172.5
PINK	191,467.9	64,990.9	162,073.2	55,632.5	200,970.8	68,984.8
CHUM	46,856.7	30,721.7	52,678.1	44,245.8	65,320.9	54,864.8
KING CRAB	122,899.1	202,669.6	128,600.0	212,190.0	128,600.0	212,190.0
TANNER	130,521.7	70,506.2	92,500.0	50,175.0	92,500.0	50,175.0
DUNGENESS	7,216.3	5,294.2	8,100.0	5,978.5	8,100.0	5,978.5
TRAWL SHRIMP	73,292.5	12,429.5	66,520.0	11,277.8	66,520.0	11,277.8
POT SHRIMP	0.0	0.0	160.0	128.0	160.0	128.0
ROE HERRING	26,468.0	6,720.2	51,700.0	24,651.0	51,700.0	24,651.0
HALIBUT	14,501.0	23,926.7	14,600.0	32,850.0	14,600.0	32,850.0
BOTTOMFISH	7,150.0	2,431.0	7,150.0	2,431.0	7,150.0	2,431.0
TOTAL VALUE		\$557,624.6		\$613,545.2		\$679,272.6

TAX YIELD BY SPECIES FOR 1979-1 VALUES

TAX RATE	1%	2%	3%	4%	5%	6%
KING SALMON	178.8	357.5	536.3	715.1	893.8	1,072.6
SOCKEYE	1,414.5	2,829.1	4,243.6	5,658.1	7,072.7	8,487.2
COHO	146.6	293.1	439.7	586.2	732.8	879.3
PINK	556.3	1,112.6	1,669.0	2,225.3	2,781.6	3,337.9
CHUM	442.5	884.9	1,327.4	1,769.8	2,212.3	2,654.7
KING CRAB	2,121.9	4,243.8	6,365.7	8,487.6	10,609.5	12,731.4
TANNER	501.8	1,003.5	1,505.3	2,007.0	2,508.8	3,010.5
DUNGENESS	59.8	119.6	179.4	239.1	298.9	358.7
TRAWL SHRIMP	112.8	225.6	338.3	451.1	563.9	676.7
POT SHRIMP	1.3	2.6	3.8	5.1	6.4	7.7
ROE HERRING	246.5	493.0	739.5	986.0	1,232.6	1,479.1
HALIBUT	328.5	657.0	985.5	1,314.0	1,642.5	1,971.0
BOTTOMFISH	24.3	48.6	72.9	97.2	121.6	145.9
TOTAL TAX REVENUE	\$6,135.4	\$12,270.9	\$18,406.3	\$24,541.8	\$30,677.2	\$36,812.7

TAX YIELD BY SPECIES FOR 1979-2 VALUES

TAX RATE	1%	2%	3%	4%	5%	6%
KING SALMON	211.7	423.3	635.0	846.7	1,058.4	1,330.0
SOCKEYE	1,754.0	3,508.0	5,262.1	7,016.1	8,770.1	10,524.1
COHO	181.7	363.5	545.2	726.9	908.6	1,090.4
PINK	639.8	1,279.7	1,919.5	2,559.4	3,199.2	3,839.1
CHUM	548.6	1,097.3	1,645.9	2,194.6	2,743.2	3,291.9
KING CRAB	2,121.9	4,243.8	6,365.7	8,487.6	10,609.5	12,731.4
TANNER	501.8	1,003.5	1,505.3	2,007.0	2,508.8	3,010.5
DUNGENESS	59.8	119.6	179.4	239.1	298.9	358.7
TRAWL SHRIMP	112.8	225.6	338.3	451.1	563.9	676.7
POT SHRIMP	1.3	2.6	3.8	5.1	6.4	7.7
ROE HERRING	246.5	493.0	739.5	986.0	1,232.6	1,479.1
HALIBUT	328.5	657.0	985.5	1,314.0	1,642.5	1,971.0
BOTTOMFISH	24.3	48.6	72.9	97.2	121.6	145.9
TOTAL TAX REVENUE	\$6,792.7	\$13,585.4	\$20,378.1	\$27,170.9	\$33,963.6	\$40,756.3

Notes

Catch is given in thousands of pounds; ex-vessel value and tax yield are given in thousands of dollars.

1978 catch figures are from actual ADF&G Preliminary Catch Reports.

1979-1 salmon projections are based on ADF&G 1979 forecasts.

1979-2 salmon projections are based on ADF&G forecasts with a 24% factor added to account for historical low forecasts (1973-1978).

1979 (1 and 2) catch projections for all other species are based on ADF&G and International Pacific Halibut Commission Projections.

Price estimates for 1978 and 1979 are based on ADF&G and processing industry estimates and projections.

Kenai Peninsula Fishermen's Cooperative Assn.

Rt. 2, Box 752, Soldotna, Alaska 99569

Phone: 262-4238



Mary

May 11, 1979

Rep. Alvin Osterback
Alaska State House of Rep.
Pouch V
Juneau, Alaska 99811

Re: Teleconference CS FOR CS FOR SENATE BILL 132

Dear Alvin

Attached are copies of the testimony given by Mayor Don Gilman, Kenai Peninsula Borough and myself, over the teleconference, to the House Resources Committee on CS FOR CS FOR SENATE BILL 132 May 10th, 1979.

We request that you give deep consideration to the objections to the present bill, that are expressed in this testimony.

Yours truly,

Lottie Edelman

Lottie Edelman, Pres.
Kenai Pen. Fishermen's Coop. Assn.

TESTIMONY ON CS FOR CS FOR SENATE BILL 132

Mr. Chairman, Members of the Committee, fellow tele-conference participants. My name is Don Gilman, Mayor, of the Kenai Peninsula Borough. My testimony on CS for Cs for Senate Bill 132 will concentrate on two items: the effects of this proposed legislation on municipalities and the local fishing community as it exists today.

This bill or any substitute for it eliminates a dedicated tax which has been in place since 1949. It places the burden of distributing the tax to the legislature through the appropriation process. Regardless of the good intentions of this legislature, there is no assurance to the municipalities that the appropriations will be made. The provision in one version which would make 1/2 the share to the municipality subject to the judgment of the Commissioner of Community and Regional Affairs to require municipalities to provide fisheries projects will work against the limited power second class borough. Frankly, we feel that these provisions are a clear signal of legislative intent to determine when, where and how fisheries projects will happen.

We have just completed a two hour session with a group of processors and fishermen to try to determine the effects at the local level. There will be some additional testimony from members of this group. In general, the following concerns were expressed:

1. Several local plants have just gone through or are committed to, major expansions of \$1,000,000 or more. Much of this capacity will be in freezer operations which would receive a 500% tax increase under one provision and 400% under another provision. The effects are uncertain but appear onerous on the surface.
2. Will this tax drive processing of current catch offshore? No one seems to know.
3. Can the bottom fishing industry attract the necessary capital for onshore processing with this level of taxation during its infancy?

The group which met came to one conclusion: While there may need to be adjustments in the fish tax the local industry does not understand its ramifications. Therefore, we recommend that an interim committee be appointed to conduct a study into the matter and hold public hearings in the major fishing communities, these findings to be reported to the next session of the legislature. We further recommend that the study be made as if the tax were in place in order to determine the 1979 effect and add credibility to the economic analysis which must be made.

Kenai, Alaska
April 10, 1979

Re: Tele-conference
CS FOR CS FOR SENATE BILL 132

Mr. Chairman and members of the Resources Committee, I am Lottie Edelman, Pres. Kenai Pen. Fishermen's Coop. Assn. and Legislative Chairman for the Cook Inlet Fishermen's Council. The Council is an organization made up of representatives of various commercial fishermen's organizations within Cook Inlet.

We would prefer this bill be postponed until next session and public hearings held throughout Alaska, also that the proposed study of fisheries taxes be made. If a tax bill is to be passed this session we would suggest the following alternative be considered:

1. Tax should be on the first wholesale and not on "ex-vessel" value.
2. 2% on frozen fin-fish and shell fish.
1% on bottom fish from shore based plants.
4.5% on canned fin-fish
6% on all fin-fish and shell-fish from floating operations

If the present 1% ex-vessel tax, on frozen fin-fish, were based on the 1st wholesale value, for tax purposes, it would more than double the State revenue on frozen fin-fish.

If the State initiates the 2% on frozen fin-fish, that we have suggested, it would increase the revenue to the State more than 500%.

The ex-vessel price throughout the State varies drastically on like fishery products, which wholesale on like markets for the same price. Basing the tax on first whole-sale would not place a heavier tax burden on areas where ex-vessel prices are the highest but would more equalize it. For example, Cook Inlet red salmon were \$1.50 per lb. and Bristol Bay red salmon at .70 or .75 cents per lb. The heavier tax burden of ex-vessel, would be on the Cook Inlet fishermen.

Alaska is just getting into her own as far as freezing facilities. They are expanding very rapidly, this is a very lucrative market and has been the leading factor of higher fish prices to our fishermen.

Many of the expansions are very large and expensive. Several plants in the Cook Inlet area are investing millions of dollars this year for expansion, fish will be brought from the Westward, Bristol Bay and various other parts of Alaska to be frozen here. There should be some tax credit or tax incentive for modernization and facility expansions written into this bill.

The original bill for raw fish tax, was passed in 1949. Therefore when we became a State it carried with it the "grand-father" rights for a dedicated funding of a portion of the collected tax, to municipalities. In no way should the original law be amended to exclude this or nullify the "grand-father" rights.

Letter Telegrams,
Public comment
on CS132

Called to voice opposition
to Fish tax:

- 1 fisherman from Ketchikan
4 fishermen from Seattle:
Paul Rood
Mr. Michelson
Jack Davis
Henry Lamos

Opposed to Fish Tax
Bill

Allen Stein

Petersburg
Fishermen's

Marketing Assoc.

Box 535
Petersburg, AK 99833



United Fishermen's Marketing Association, Inc.



P.O. Box 1035 Kodiak, Alaska 99615

Telephone 486-3453

March 19, 1979

Rep. Alvin Osterback
Alaska State Legislature
Pouch V
Juneau, AK 99811

Raw Fish

Dear Representative Osterback:

Our Association is severely concerned about the negative impact H.B. 306, relating to the institution of a 6% raw fish tax, would have on the coastal fishing communities of Alaska. This tax would provide a very negative pressure on the price fishermen receive for their product, increase operating costs to the processors, and add inflationary pressures to the consumer prices of fish products which are presently approaching prohibitive levels. In view of the present and future economic situation in the U.S., with increasing inflation, further devaluation of the dollar, and predictions of recession, most State and Federal tax legislation indicates an attempt and need to give tax relief, especially to the producer.

The institution of this tax would give positive impetus to the development of off-shore processors, and off-shore processor processors, both which would erode the present tax base we have in coastal communities in Alaska. Given the present tax situation, we at least can see future development and expansion of shore based processors, which greatly benefit the local community in employment levels, local markets for fishermen (especially small boat operations), local support activities to the processor and fishermen, tax base, etc. I would hope that responsible fiscal policy would attempt to give a favorable economic climate to aid in the healthy development of the processing industry and primary producers. This would of course, benefit the industry, therefore the State, its citizens, and its revenues.

This tax would have its greatest impact on the small boat fishermen. Many of these small boat operations are marginally operative in that they do not care to be highline operations, but attempt to be self-supportive and independent businessmen. As such, they benefit the State in that they provide employment for themselves, their crew; and product to the processors to be sold to state, national and international markets. This tax would lower the capital formation opportunities which any boat operator needs to remain competitive in a highly competitive industry, and to expand in an industry where the need for expansion and higher efficiency is a reality. Larger vessels would likewise suffer.

With the many opportunities provided for the State, vis-a-vis the fishing industry, with the implementation of the 200-mile fisheries conservation zone, we must not erode the climate presently existing which gives hopes of healthy shore-based processing expansion needed to develop the Alaskan fishing industry to the point of being able to harvest the rich resources of presently under-utilized species. This expansion into the bottomfish resources of the State will add to the State commerce, tax base and tax revenues, provide many jobs, provide

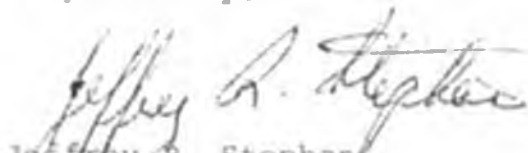
H.B. 306
Page 2
March 19, 1979

opportunities for investment on-shore, allow our entrance into the foreign controlled markets for bottomfish species, and finally begin to rid ourselves of massive foreign fishing off Alaska's shores. These objectives cannot be met with the implementation of more taxes on raw fish values.

The fishing industry in Alaska pays its way very well, and in so doing benefits the State. If there is concern regarding questionable expenditures relating to the fishing industry, I respectfully suggest that the objective of responsible fiscal management would be to evaluate into which programs State monies are being directed, and into which geographical locations these monies are being directed; and then evaluate their return to the State.

I would hope that more information be presented and studied before a tax measure of this far-reaching magnitude be considered. Thank you.

Respectfully,


Jeffrey R. Stephan
Manager

cc: Representatives Anderson, Barnes, Beirne, Bettisworth, Branson, Brown, Bucholdt, Carney, Chatterton, Cotten, Duncan, Eliason, Freeman, Fuller, Cardiner, Guy, Halford, Raugen, Hayes, Hurlbert, Malone, Martin, McKinnon, Meekins, Metcalfe, Miles, Miller, Montgomery, Moss, Munson, O'Connell, Osterback, Parker, Parr, Phillips, Rendolph, Rogers, Schaeffer, Smith, Tharoff.



GREATER SITKA

Chamber of Commerce, Inc.

CS5B132



House Resources Committee
Co-Chairman Alvin Osterback
Co-Chairman Bill Miles
Pouch V
Juneau, Alaska 99811

4/3/79

Dear Mr. Osterback and Mr. Miles:

The Greater Sitka Chamber of Commerce urges your opposition to the proposed increase in the Raw Fish Tax. Our position is that the enactment of such a tax would, on a long range basis, produce a loss of employment and subsequent revenues that would far more than off-set that portion of the tax that would come to a municipal government.

Sincerely,

David R. Knann
President

DRK/iw

March 8, 1979

SENATE JOURNAL

102

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 Sumner, Chairman and Senators Dankworth, Mulcahy and Fahrenkamp signed "do pass".

SB
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

Artis Sturgulewski
Chairman

Bob Mulcahy
Vice-Chairman

Sam Stimson

Tom Kelly



HB 306
CSSB 132

Bristol
Bay
Native
Corporation

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

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. Samuelsen
President

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

C-556132
HB 306

AN ALUMINUM COMPANY

March 10, 1979

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

RE: HP 306

Dear Alvin;

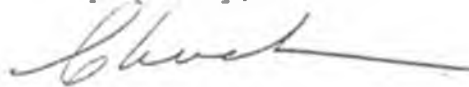
On behalf of Pacific Pearl Seafoods, which has six seafood canneries operating in Alaska as well as one floating processor, I would like to use this letter to voice our vehement objections to the above mentioned House bill, the purpose of which is to raise the tax on raw fish from 1% to 6%:

- 1) On the east coast of the United States, American 'anner crab meat is already being undersold by the Canadians (\$5.2., 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 626
400 1/2 W. 4th A. 99815
(907) 486-5734 TELEEX 090-25-355

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

CW:cmb

Cordova District Fisheries Union

Headquarters: Box 939, Cordova, Alaska



March 23, 1979

Honorable Alvin Osterback
Chairman, House Resources Committee
House of Representatives
Pouch V
Juneau, Alaska 99811

Dear Representative Osterback:

As an organization comprised of mostly resident Alaska inshore and near shore fishermen, we strongly object to the manner and haste that SB 132 was rammed through the Senate.

We respectfully request that all members of the House take the approach of slowing things down and assessing the impact of this particular tax increase on the commercial fishing industry and the State of Alaska.

While no one can deny the need for increased revenues under the State's present financial dilemma, we feel that this piece of legislation cannot legally or practically fulfill the desires of its unlisted sponsors, and will, in fact, actually be detrimental to the development of an Alaska land-based bottomfish industry.

We had requested the Senate to table the bill for the year to allow time for passage of HB 36 and the ensuing study it funds. We had also asked that the Alaska Fisheries Tax Law study include an assessment of the impact of SB 132 on the fishing industry and the State. Our position is not one of just opposing a tax increase. We are sincerely concerned about our ability to remain year-round Alaskan residents. We need land-based fishing operations to help us as individuals support the small coastal communities we live in. In our opinion, the State of Alaska cannot benefit if it creates a situation that heavily taxes the Alaska land-based industry and creates that same tax dodging incentive for offshore development.

We will end up seeing the low volume, small production areas that are struggling now at best, carrying the bulk of the tax burden, while the heavy volume, large boat production is being carried on totally offshore and out of the State's taxing jurisdiction.

Unfortunately for the small operator in the salmon and crab fishery, the statewide publicity of the high value catches made by a few people in a few cases has created an image of every fishermen being rich. It only takes a few moments of research to find that these image-creating incidents grossly misrepresent the average.

For example, in 1978, a Prince William Sound gillnetter fishing the 18-week season averaged approximately \$20,000 gross. After one cranks in the factor for investments in boats and gear, fuel, groceries, insurance, etc., the average fishermen doesn't have much to take home to feed his family.

The same falls true for the Prince William Sound salmon seiner who last year averaged less than \$14,000 per boat--subtract expenses and crew shares, etc. The majority of the Prince William Sound Tanner crab fleet are small boats which scratch out 50 to 100,000 pounds of crab from November to May--hardly a real money maker, but a means of fishing in the wintertime and making enough to cover the household bills and keeping the kids in school clothes.

I'm not trying to cause you to tearstain this letter, but I am trying to impress the fact that the vast majority of Alaskan resident fishermen do not fall into the high dollar income bracket that many automatically assume. I do want to emphasize that a few cents per pound taken away from a small producer's profit margin is much more detrimental to that family's existence than the same few cents per pound to a high volume producer.

We urge that all House members take a real hard look at the impact of this bill before allowing it to move. We feel confident that no one wants to create a situation which, on top of the existing high costs of living in rural Alaska, forces the residents who are managing to hang on year-round to become non-residents just because they can't quite afford to live here anymore.

Some hardline questions need to be answered before this bill is passed and serious damage is done.

- (1) Who will end up paying the tax increase? (Onshore or offshore processors?) (Resident or non-resident fishermen?)
- (2) Can the State legally tax offshore processors or harvesters? (This is probably the most important question that needs to be addressed. The Department of Law thinks not and apparently the oil industry thinks not.)
- (3) What incentive will this tax increase create to develop land-based industry?
- (4) How hard will it impact the small producer?
- (5) In actual long-range dollars and cents, will the State benefit or will this end up being a superficially attractive bomb?

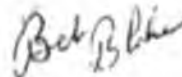
We can see no benefit to the State if this tax pushes all the major fishery production offshore.

We can see no benefit if the bulk of the tax burden ends up being paid by Alaskan residents involved in marginal fisheries.

It has been my personal sad experience to have observed members of our organization who have lived and fished in the Prince William Sound area for many years, forced to pack up their families and move to the Lower 48 because they could not afford to live in Cordova. In discussing this problem with other representatives of coastal communities, it appears that this same problem is occurring statewide. It would seem that the State should be creating reasons for residents to stay in Alaska, not forcing them out.

The bottom line has got to be, if a tax increase is not beneficial to the State, it certainly should not be passed. This one appears to be actually detrimental.

Sincerely,



Bob Blake
Chairman

BB:jmr

cc: to all House of Representatives Members

Accepted amendment
House C&RA

11/16

* Sec. . 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, to [AND] each city, and to each municipality unified under AS 29.68.2 - 29.68.440, ^{33 1/4}20 [OF THE FIRST CLASS 10] per cent of the amount of tax revenue collected in the municipality [BOROUGH OR CITY] from taxes levied by AS 43.75 [AS 43.75.010 - 43.75.090]. If tax revenue is collected in a city within a borough, the department shall pay an amount equal to ^{16 2/3}10 per cent of the amount of revenue collected in the city within the borough to the city and the same amount to the borough.

Not adopted by C&RA

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

ARTICLE 5. GRANTS FOR FISHERIES PROJECTS.

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

(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.

(c) In this section,

(1) "commissioner" means the commissioner of |

excluding maintenance

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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;

L&S Travel Inc.

March 19, 1979

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

RE: HB 306/SB 132

Dear Representative Osterback:

A large percentage of our travel business is fisheries oriented, stemming from employees at the canneries and from fishermen. Therefore, anything that would serve to reduce the fisheries business would also serve to reduce a substantial volume of our business.

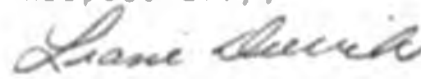
The proposed increase in the raw fish tax from one to six percent that is now being considered is just such a step that could seriously harm a fishing community like Kodiak. This increased raw fish tax will be passed on to the local fishermen as well as any Seattle-based fishermen and it will be passed on to the consumer, who is already paying extravagant prices for Alaskan seafood.

It is hard to conceive how Alaskan legislatures could think that such a bill is in the Alaskan interest when the effects of it can be so readily envisioned as being detrimental to those Alaskan people and businesses that are to a large part dependent on the fisheries industry.

There also appears to be some doubt as to whether this tax could be collected by the State should offshore processors move out more than three miles from the shore.

Hopefully, you and the other legislatures will allow the public to speak out on this matter since it concerns the livelihoods of so many Alaskans.

Respectfully,



Liana Dierich
President

cc: Senator Robert Mulcahy
Alaska State Senate



GREATER SITKA

CHAMBER OF COMMERCE, INC. CSSB132

House Resources Committee
Co-Chairman Alvin Osterback
Co-Chairman Bill Miles
Pouch V
Juneau, Alaska 99811

4/3/79

Dear Mr. Osterback and Mr. Miles:

The Greater Sitka Chamber of Commerce urges your opposition to the proposed increase in the Raw Fish Tax. Our position is that the enactment of such a tax would, on a long range basis, produce a loss of employment and subsequent revenues that would far more than off-set that portion of the tax that would come to a municipal government.

Sincerely,

David R. Knapp
President

DRK/iw

Pacific Pearl

Raw Fish Tax { SB 132
 { HB 306
Fish tax study - HB 36

AN Amfac COMPANY

April 10, 1979

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

Dear Mr. Osterback:

Pacific Pearl Seafoods strongly objects to passage of House Bill No. 306 which would increase the Alaska Raw Fish Tax to 6%. The proposed legislation would have a substantial, adverse impact on the Alaskan seafood industry and those communities, employees, fishermen and allied local businesses associated with the target industry. Moreover, the pending legislation is being supported on the basis of the inaccurate, false assumption that "the seafood industry is not paying its way."

Pacific Pearl Seafoods is a wholly owned subsidiary of Amfac - a Hawaiian based diversified service company. Amfac is a domestic, publically owned corporation. Pacific Pearl operates seven seafood processing plants in the State of Alaska: Seldovia, Kodiak (2 plants), Sand Point, Captains Bay (Unalaska), Dutch Harbor, and a floating processor the M/V Akutan (generally located at the village of Akutan). These seven plants employ approximately 600 people on a one-shift basis and up to 1,000 when operated on two shifts. The company produces frozen and canned Alaskan seafoods. A significant majority of the company's annual production is sold domestically under the Pacific Pearl and Wakefield labels.

The proposed tax increase will have a devastating market impact - particularly in the domestic segment which already evidences strong signs of price resistance. The market impact in major export markets (especially Japan) will be much less severe provided the dollar does not strengthen appreciably against the Yen. In any case, the proposed legislation will have a distinct market impact which will probably manifest itself by "forcing" increased sales to the Japanese market in the near term. In my opinion this would place the industry in a position of even greater dependence on a foreign economy - promoting an imbalance which I fear is already to the domestic industry's detriment.

PACIFIC PEARL SEAFOODS
SHELLETT OFFICE PARK #10220
1350 134TH AVENUE SE
BELLEVUE WASHINGTON 98004
206 851-0000 TELEX 320248

Pacific Pearl

The Honorable Alvin Osterback

Page Two

April 10, 1979

The exemption corridor for Alaskan bottomfish is interesting but unquestionably will deter domestic development and investment in the facilities necessary to enter this business. Any individual or organization contemplating the major capital investments which will be necessary to develop this business will undoubtedly include the proposed tax in a proforma evaluation of the investment. An eventual 6% Raw Fish Tax on these species for which there is virtually worldwide supply and demand and where most producers operate on relatively narrow margins (as a percent of sales) will go a long way toward making Alaskan production noncompetitive.

As to the argument that industry is not paying its own way, this is simply not true! State and local businesses are already realizing substantial tax revenues because of the seafood industry. Consider not only the existing raw fish tax but also:

- . existing property taxes;
- . state personal income taxes levied on boat workers, plant employees, and management;
- . income taxes collected from local businesses, whose existence depends almost entirely on the fishing industry, and their employees;
- . In addition to the foregoing tax revenues, many communities in Alaska are substantially supported by the "local cannery," which builds roads, provides public services, acquires public transportation, etc., etc.

It is easy to criticize - but that is not our intent in opposing H.B. 306. We feel this is a very complex issue whose resolution could significantly affect Alaska and Alaskans both now and in the future. Surely an issue such as this deserves thorough and intense study.

Rather than acting on the emotional issues involved, we propose action on the proposal simply be delayed a few months in order to complete a comprehensive study which analyzes the three affected areas:

1. Tax Revenues
2. The seafood industry's real contribution to the state and many of its local communities.
3. The financial impact of the 6% fish tax on the Alaskan seafood industry.

Pacific Pearl

The Honorable Alvin Osterback
Page Three
April 10, 1979

We believe the welfare of both the industry and the State of Alaska would best be served by thoughtful consideration of all the issues involved. This can only occur on the basis of a thorough analysis and understanding of all the facts which would be provided by the recommended study.

Sincerely,

A handwritten signature in black ink, appearing to read "W. K. Deshler", written over a horizontal line.

William K. Deshler
President

WKD:uh

Cordova District Fisheries Union

Headquarters: Box 939, Cordova, Alaska



March 23, 1979

Honorable Alvin Osterback
Chairman, House Resources Committee
House of Representatives
Pouch V
Juneau, Alaska 99811

Dear Representative Osterback:

As an organization comprised of mostly resident Alaska inshore and near shore fishermen, we strongly object to the manner and haste that SB 132 was rammed through the Senate.

We respectfully request that all members of the House take the approach of slowing things down and assessing the impact of this particular tax increase on the commercial fishing industry and the State of Alaska.

While no one can deny the need for increased revenues under the State's present financial dilemma, we feel that this piece of legislation cannot legally or practically fulfill the desires of its unlisted sponsors, and will, in fact, actually be detrimental to the development of an Alaska land-based bottomfish industry.

We had requested the Senate to table the bill for the year to allow time for passage of HB 36 and the ensuing study it funds. We had also asked that the Alaska Fisheries Tax Law study include an assessment of the impact of SB 132 on the fishing industry and the State. Our position is not one of just opposing a tax increase. We are sincerely concerned about our ability to remain year-round Alaskan residents. We need land-based fishing operations to help us as individuals support the small coastal communities we live in. In our opinion, the State of Alaska cannot benefit if it creates a situation that heavily taxes the Alaska land-based industry and creates that same tax dodging incentive for offshore development.

We will end up seeing the low volume, small production areas that are struggling now at best, carrying the bulk of the tax burden, while the heavy volume, large boat production is being carried on totally offshore and out of the State's taxing jurisdiction.

Unfortunately for the small operator in the salmon and crab fishery, the statewide publicity of the high value catches made by a few people in a few cases has created an image of every fishermen being rich. It only takes a few moments of research to find that these image-creating incidents grossly misrepresent the average.

For example, in 1978, a Prince William Sound gillnetter fishing the 18-week season averaged approximately \$20,000 gross. After one cranks in the factor for investments in boats and gear, fuel, groceries, insurance, etc., the average fishermen doesn't have much to take home to feed his family.

The same falls true for the Prince William Sound salmon seiner who last year averaged less than \$14,000 per boat--subtract expenses and crew shares, etc. The majority of the Prince William Sound Tanner crab fleet are small boats which scratch out 50 to 100,000 pounds of crab from November to May--hardly a real money maker, but a means of fishing in the wintertime and making enough to cover the household bills and keeping the kids in school clothes.

I'm not trying to cause you to tearstain this letter, but I am trying to impress the fact that the vast majority of Alaskan resident fishermen do not fall into the high dollar income bracket that many automatically assume. I do want to emphasize that a few cents per pound taken away from a small producer's profit margin is much more detrimental to that family's existence than the same few cents per pound to a high volume producer.

We urge that all House members take a real hard look at the impact of this bill before allowing it to move. We feel confident that no one wants to create a situation which, on top of the existing high costs of living in rural Alaska, forces the residents who are managing to hang on year-round to become non-residents just because they can't quite afford to live here anymore.

Some hardline questions need to be answered before this bill is passed and serious damage is done.

- (1) Who will end up paying the tax increase? (Onshore or offshore processors?) (Resident or non-resident fishermen?)
- (2) Can the State legally tax offshore processors or harvesters? (This is probably the most important question that needs to be addressed. The Department of Law thinks not and apparently the oil industry thinks not.)
- (3) What incentive will this tax increase create to develop land-based industry?
- (4) How hard will it impact the small producer?
- (5) In actual long-range dollars and cents, will the State benefit or will this end up being a superficially attractive bomb?

Honorable Alvin Osterback

March 23, 1979

Page 3

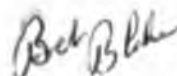
We can see no benefit to the State if this tax pushes all the major fishery production offshore.

We can see no benefit if the bulk of the tax burden ends up being paid by Alaskan residents involved in marginal fisheries.

It has been my personal sad experience to have observed members of our organization who have lived and fished in the Prince William Sound area for many years, forced to pack up their families and move to the Lower 48 because they could not afford to live in Cordova. In discussing this problem with other representatives of coastal communities, it appears that this same problem is occurring statewide. It would seem that the State should be creating reasons for residents to stay in Alaska, not forcing them out.

The bottom line has got to be, if a tax increase is not beneficial to the State, it certainly should not be passed. This one appears to be actually detrimental.

Sincerely,



Bob Blake
Chairman

BB:jmr

cc: to all House of Representatives Members



L&S Travel Inc.

March 19, 1979

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

RE: HB 306/SB 132

Dear Representative Osterback:

A large percentage of our travel business is fisheries oriented, stemming from employees at the canneries and from fishermen. Therefore, anything that would serve to reduce the fisheries business would also serve to reduce a substantial volume of our business.

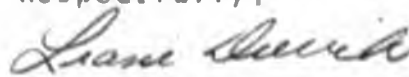
The proposed increase in the raw fish tax from one to six percent that is now being considered is just such a step that could seriously harm a fishing community like Kodiak. This increased raw fish tax will be passed on to the local fishermen as well as any Seattle-based fishermen and it will be passed on to the consumer, who is already paying extravagant prices for Alaskan seafood.

It is hard to conceive how Alaskan legislatures could think that such a bill is in the Alaskan interest when the effects of it can be so readily envisioned as being detrimental to those Alaskan people and businesses that are to a large part dependent on the fisheries industry.

There also appears to be some doubt as to whether this tax could be collected by the State should offshore processors move out more than three miles from the shore.

Hopefully, you and the other legislatures will allow the public to speak out on this matter since it concerns the livelihoods of so many Alaskans.

Respectfully,


Liane Dierich
President

cc: Senator Robert Mulcahy
Alaska State Senate



United Fishermen's Marketing Association, Inc.

P.O. Box 1035 Kodiak, Alaska 99615

Telephone 486-3453

HB 306, SB 152



March 19, 1979

Rep. Alvin Osterback
Alaska State Legislature
Pouch V
Juneau, AK 99811

Raw Fish

Dear Representative Osterback:

Our association is severely concerned about the negative impact H.B. 306, relating to the institution of a 6% raw fish tax, would have on the coastal fishing communities of Alaska. This tax would provide a very negative pressure on the price fishermen receive for their product, increase operating costs to the processors, and add inflationary pressures to the consumer prices of fish products which are presently approaching prohibitive levels. In view of the present and future economic situation in the U.S., with increasing inflation, further devaluation of the dollar, and predictions of recession, most State and Federal tax legislation indicates an attempt and need to give tax relief, especially to the producer.

The institution of this tax would give positive impetus to the development of off-shore processors, and off-shore catcher processors, both which would erode the present tax base we find in coastal communities in Alaska. Given the present tax situation, we at least can see future development and expansion of shore based processors, which greatly benefit the local community in employment levels, local markets for fishermen (especially small boat operations), local support activities to the processor and fishermen, tax base, etc. I would hope that responsible fiscal policy would attempt to give a favorable economic climate to aid in the healthy development of the processing industry and primary producers. This would of course, benefit the industry, therefore the State, its citizens, and its revenues.

This tax would have its greatest impact on the small boat fishermen. Many of these small boat operations are marginally operative in that they do not care to be highline operations, but attempt to be self-supportive and independent businessmen. As such, they benefit the State in that they provide employment for themselves, their crew; and product to the processors to be sold to state, national and international markets. This tax would lower the capital formation opportunities which any boat operator needs to remain competitive in a highly competitive industry, and to expand in an industry where the need for expansion and higher efficiency is a reality. Larger vessels would likewise suffer.

With the many opportunities provided for the State, vis-a-vis the fishing industry, with the implementation of the 200-mile fisheries conservation zone, we must not erode the climate presently existing which gives hopes of healthy shore-based processing expansion needed to develop the Alaskan fishing industry to the point of being able to harvest the rich resources of presently under-utilized species. This expansion into the bottomfish resources of the State will add to the State commerce, tax base and tax revenues, provide many jobs, provide

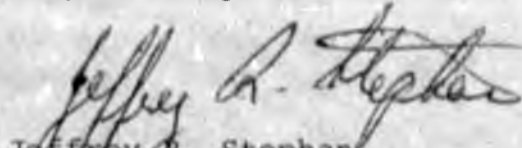
H.B. 306
Page 2
March 19, 1979

opportunities for investment on-shore, allow our entrance into the foreign controlled markets for bottomfish species, and finally begin to rid ourselves of massive foreign fishing off Alaska's shores. These objectives cannot be met with the implementation of more taxes on raw fish values.

The fishing industry in Alaska pays its way very well, and in so doing benefits the State. If there is concern regarding questionable expenditures relating to the fishing industry, I respectfully suggest that the objective of responsible fiscal management would be to evaluate into which programs State monies are being directed, and into which geographical locations these monies are being directed; and then evaluate their return to the State.

I would hope that more information be presented and studied before a tax measure of this far-reaching magnitude be considered. Thank you.

Respectfully,



Jeffrey R. Stephan
Manager

cc: Representatives: Anderson, Barnes, Beirne, Bettisworth, Branson, Brown, Bucholdt, Carney, Chatterton, Cotten, Duncan, Eliason, Freeman, Fuller, Gardiner, Guy, Halford, Haugen, Hayes, Hurlbert, Malone, Martin, McKinnon, Meekins, Metcalfe, Miles, Miller, Montgomery, Moss, Munson, O'Connell, Osterback, Parker, Farr, Phillips, Randolph, Rogers, Schaeffer, Smith, Zharoff.

Pacific Pearl

AN **Amfac** COMPANY

March 10, 1979

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

RE: HF 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.

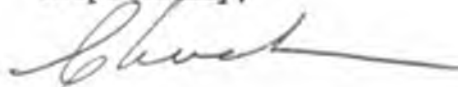
PACIFIC PEARL SEAFOODS
P O BOX 826
KODIAK ALASKA 99615
(907) 486-5734 TELEX 090-25-355

CSSB 132
HB 306

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:cmh

HB 306
CSSB 132

Bristol
Bay
Native
Corporation

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

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 Larson, BBNA

Cordova District Fisheries Union

Headquarters: Box 939, Cordova, Alaska



March 23, 1979

Honorable Alvin Osterback
Chairman, House Resources Committee
House of Representatives
Pouch V
Juneau, Alaska 99811

Dear Representative Osterback:

As an organization comprised of mostly resident Alaska inshore and near shore fishermen, we strongly object to the manner and haste that SB 132 was rammed through the Senate.

We respectfully request that all members of the House take the approach of slowing things down and assessing the impact of this particular tax increase on the commercial fishing industry and the State of Alaska.

While no one can deny the need for increased revenues under the State's present financial dilemma, we feel that this piece of legislation cannot legally or practically fulfill the desires of its unlisted sponsors, and will, in fact, actually be detrimental to the development of an Alaska land-based bottomfish industry.

We had requested the Senate to table the bill for the year to allow time for passage of HB 36 and the ensuing study it funds. We had also asked that the Alaska Fisheries Tax Law study include an assessment of the impact of SB 132 on the fishing industry and the State. Our position is not one of just opposing a tax increase. We are sincerely concerned about our ability to remain year-round Alaskan residents. We need land-based fishing operations to help us as individuals support the small coastal communities we live in. In our opinion, the State of Alaska cannot benefit if it creates a situation that heavily taxes the Alaska land-based industry and creates that same tax dodging incentive for offshore development.

We will end up seeing the low volume, small production areas that are struggling now at best, carrying the bulk of the tax burden, while the heavy volume, large boat production is being carried on totally offshore and out of the State's taxing jurisdiction.

Unfortunately for the small operator in the salmon and crab fishery, the statewide publicity of the high value catches made by a few people in a few cases has created an image of every fishermen being rich. It only takes a few moments of research to find that these image-creating incidents grossly misrepresent the average.

For example, in 1978, a Prince William Sound gillnetter fishing the 18-week season averaged approximately \$20,000 gross. After one cranks in the factor for investments in boats and gear, fuel, groceries, insurance, etc., the average fishermen doesn't have much to take home to feed his family.

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I'm not trying to cause you to tearstain this letter, but I am trying to impress the fact that the vast majority of Alaskan resident fishermen do not fall into the high dollar income bracket that many automatically assume. I do want to emphasize that a few cents per pound taken away from a small producer's profit margin is much more detrimental to that family's existence than the same few cents per pound to a high volume producer.

We urge that all House members take a real hard look at the impact of this bill before allowing it to move. We feel confident that no one wants to create a situation which, on top of the existing high costs of living in rural Alaska, forces the residents who are managing to hang on year-round to become non-residents just because they can't quite afford to live here anymore.

Some hardline questions need to be answered before this bill is passed and serious damage is done.

- (1) Who will end up paying the tax increase? (Onshore or offshore processors?) (Resident or non-resident fishermen?)
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Honorable Alvin Osterback

March 23, 1979
Page 3

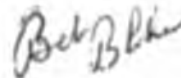
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The bottom line has got to be, if a tax increase is not beneficial to the State, it certainly should not be passed. This one appears to be actually detrimental.

Sincerely,



Bob Blake
Chairman

BB:jmr

cc: to all House of Representatives Members

Example of real cost impact of 6% tax:

Kodiak price for live crab \$1.79/lb.

Recovery of 20% for saleable meat
@ 6% tax - end up paying
a real tax of 52¢/lb. on crabmeat

Example of figures in one area on one fishery:

\$ value of crab caught in Dutch Harbor
and Bering sea in 1978 = \$ 224,672,525

@ present (Canned)
2% tax that
generates revenue of \$ 4,493,450

@ 6% tax \$ 13,480,351

That area would be paying an extra yearly
tax on crab of \$ 8,986,901

SB132

United Fishermen's Marketing Association, Inc.



P.O. Box 1035 Kodiak, Alaska 99615

Telephone 486-3453



April 18, 1979

Rep. Alvin Osterback
Pouch V
Juneau, AK 99811

Dear Representative Osterback:

Our Association is opposed to S.B. #132, which raises the raw fish tax from 1% to 6%. We understand that there is talk of reducing the originally proposed 6% tax to a lower figure. We feel that any change in the present raw fish tax structure would be harmful to the Alaskan communities which depend on a healthy fishing industry for their prosperity.

We have heard that the justification for an increase in the tax is to rectify a situation where presently the fishing industry allegedly does not pay its way. We dispute that allegation strongly. We feel that the fishing industry contributes at least its share to the total Alaskan economy. There have been no figures presented which substantiate the claims that the industry does not pay its way. These claims are weak and ill-founded. The actual benefits and revenues derived from the industry are substantial. We need only look at the actual dollars in revenues collected from and created through the fishing industry in Alaska to see the existing benefits which accrue to the State from this industry.

An increase in the raw fish tax would definitely have a negative effect on prices to the fishermen and drive up prices to the consumer. Higher consumer prices do not help expand the domestic and foreign markets for Alaska seafood products. A higher tax would decrease the amount of investment capital available to the industry for expansion, and increase the foreign involvement and investment in both the processing and harvesting sectors. Incomes and benefits to employees of both sectors would suffer. Contrary to the current propaganda, there is no easy money or windfall profits in the fishing business.

We have been told that we want more loans from the State. We don't! We can get money from the private sector of the economy if we need it. We do not want this tax justified by illegitimate claims that we want State money.

We want to expand the fishing industry to its potential on shore. We do not want to drive the business off-shore. We hope to expand the tax base, not diminish it. We respectfully request that you vote against the increase in raw fish tax.

Sincerely,

Jeffrey R. Stephan
Jeffrey R. Stephan
Manager

Copy to all representatives



Resource Development Council

for Alaska, Inc.

444 West 7th Avenue, Anchorage, Alaska 99501
Box 516, Anchorage, Alaska 99510 - 907/278-9615

SB/32

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Dale Tuttle

March 16, 1979

Rep. Alvin Osterback
Pouch V'
Juneau, Ak. 99811

Dear Legislator:

Enclosed on legal-size paper are resolutions adopted at the Resource Development Council's annual meeting of the statewide board of directors. The two resolutions on letter-size paper were adopted last Friday, April 13 at a meeting of the executive committee.

Resolutions adopted by either our statewide board or the executive committee set the parameters for activities by the staff and members. We felt you would want to have this information in your reference files. The resolutions are explicit in their statement of the Council's position on a number of issues pertinent to your work.

Sincerely,

RESOURCE DEVELOPMENT COUNCIL
for Alaska, Inc.

Paula P. Easley
Executive Director

Enc.

FISHERIES SEVERANCE TAX

WHEREAS legislation has been introduced, acted upon by the Alaska Senate and is under review by the House of Representatives to impose a 5% severance tax on all fish caught and processed within Alaskan waters, and

WHEREAS the intended purpose of the proposed legislation is to assure that the fisheries industry pays its "fair share" of taxes,

NOW THEREFORE BE IT RESOLVED that the RESOURCE DEVELOPMENT COUNCIL for Alaska, Inc. urges that the Eleventh Legislature take no action this session on the proposed severance tax for the following reasons:

- 2170
- (1) the Department of Revenue has not produced adequate information concerning the amounts of tax revenue being contributed by the fisheries industry and its employees and this information is critical to an accurate analysis of what the fisheries industry's "fair share" actually is;
 - (2) a long-range analysis of the impact of the severance tax on the infant bottomfish industry has not been completed;
 - (3) a flat rate of tax upon deliveries would unfairly burden certain segments of the fisheries industry such as the shellfish industry whose percentage of tax would greatly increase because it would be taxed on a large part of shellfish having no value;
 - (4) a detailed analysis has not been done of the effect of lost revenues to the state and communities due to fish processors moving from shore-based operations to floating processor operations outside state taxing jurisdiction;
 - (5) no detailed study has been completed as to potential revenue losses resulting from direct deliveries to ports such as Prince Rupert and/or Seattle, thereby removing certain fishermen from Alaskan taxing jurisdiction;
 - (6) the overall impact on the long-range development and stability of Alaska's fisheries industry would be jeopardized by the severance tax in that it would encourage foreign joint ventures outside Alaska's taxing jurisdiction;
 - (7) questions concerning the constitutionality of the proposed legislation should be resolved prior to implementation of any legislation affecting the fisheries resource, and finally,
 - (8) the Resource Development Council believes this issue is of such critical importance to Alaska's long-range economic stability that it must have full public review throughout the state before any action is taken.



Resource Development Council

for Alaska, Inc.

444 West 7th Avenue, Anchorage, Alaska 99501
 Box 516, Anchorage, Alaska 99510 - 907/278-9615

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 Charles S. Harbert
 Robert Much
 Dr. Gerald Rutledge
 Dale Tolan

HAINES RESOLUTION

WHEREAS, builders and consumers in Alaska import from other states and Canada nearly all of the wood-based building products utilized in Alaska, at a cost of millions of dollars per year, and Alaska has vast quantities of underutilized natural timber resources which properly managed are renewable resources, and

WHEREAS, the State of Alaska, along with the federal government and private corporations, particularly Alaska Native Corporations, is one of the major timberland owners in Alaska, and

WHEREAS, the Alaska Forest Resources and Practices Act, an extension of the Constitution of the State of Alaska, states, among other things, "The forest resources of Alaska are among the most valuable natural resources of the state, and furnish timber and wood products, . . ." and,

WHEREAS, the Alaska Legislature, in 1978, passed an Act, signed into law by the Governor, June 17, 1978, mandating negotiated timber sales from State Lands for manufacturing firms located in areas of high unemployment, having an underutilized timber manufacturing capacity; and an underutilized allowable cut of state timber, and

WHEREAS, the community of Haines, which has for more than 20 years based its economy strongly on the timber products industry has a high level of unemployment, and even worse, has lost over 700 residents in the past three years, due to lack of timber for local mills, and

WHEREAS, the U. S. Forest Service, in a 1976 report, published for the State of Alaska, estimated the allowable cut of timber of all species in the Haines area from State lands, at more than 35 million board feet per year from lands classified timber lands or resource management, by the State of Alaska, and

HAINES RESOLUTION (continued)

WHEREAS the only surviving sawmill facility in Haines, the Schnabel Lumber Company, capable of handling more than 50 million board feet of logs per year, has been shut down since late 1977 because of an artificial shortage of logs caused by state and federal internal conflicts in resource use policy, and

WHEREAS the State of Alaska has wasted valuable time in controversy with the local community of Haines over publishing of its land use plan, which has affected consummation of a long-term timber sale as mandated by law, and

WHEREAS preliminary economic study has shown that a long-term timber sale in the Haines area should be in the volume of 15 million board feet per year, and

WHEREAS the same economic studies also show this is only enough timber to operate the mill at one shift, and not enough to make the mill profitable enough to attract further venture and long-term capital, and

WHEREAS the economic studies take into consideration the complementary and competing uses of the forest resource and recognize that the sustained yield of timber is far in excess of the contemplated sale volumes, and

WHEREAS the State of Alaska has other timber resources in the Cape Yakataga area that could be economically utilized to bring the Haines mill to full production and meet the mandate of Alaska law,

THEREFORE, the Resource Development Council Executive Committee unanimously RESOLVES that

- (1) the State of Alaska forthwith publish the Haines Land Use Plan, under the terms agreed upon between the State and the Haines Coalition, representing the majority of citizens in the Haines area,
- (2) the State of Alaska complete negotiations and sign with the Schnabel Lumber Company, a long-term timber sale for 15 million board feet per year for 25 years with stumpage rates to be reevaluated every five years, and
- (3) the State of Alaska, in order to meet the law of the State, begin preparing a second long-term timber sale to compensate the local Haines economy for timber removed from its timber base for other purposes,

AND BE IT FURTHER RESOLVED that copies of this resolution be transmitted to the Governor of Alaska, the Commissioner of Natural Resources and the Alaska Legislature.

Dated this 13th day of April, 1979.

RESOURCE DEVELOPMENT COUNCIL for Alaska, Inc.

Resolutions of Annual Meeting

March 31, 1979

Resolution 1

ECONOMIC IMPACTS OF LEGISLATION

BE IT RESOLVED that the RESOURCE DEVELOPMENT COUNCIL urges the Alaska State Legislature and Administration to evaluate cost/benefit ratios of existing laws; to subject proposed laws to economic impact review; and to accompany all proposed regulations with supporting economic data.

AND BE IT FURTHER RESOLVED that the RESOURCE DEVELOPMENT COUNCIL supports the State of Alaska's efforts to eliminate unnecessary permits and regulations imposed upon the private sector and pledges its assistance in the collection of data to streamline the regulatory process.

Resolution 2

LAND CLASSIFICATION

WHEREAS, the United States Government is the largest single land owner in the State of Alaska, and

WHEREAS, large tracts of federal land have already been closed to multiple use by the recent actions of the federal government and previous reservations, and

WHEREAS, the State of Alaska has selected some federal lands pursuant to the Statehood Act and shall be selecting more and

WHEREAS, natural resources of these lands have the potential for being a source of great social and economic benefit to the state and nation, and

WHEREAS, much of the land selected by the State already is known to have or may have valuable natural resources,

THEREFORE BE IT RESOLVED that the RESOURCE DEVELOPMENT COUNCIL for Alaska, Inc. strenuously urge the State of Alaska to refrain from classifying land to management systems which foreclose exploration and utilization of natural resources and prohibit traditional multiple uses of said lands.

COASTAL ZONE MANAGEMENT

WHEREAS, the Congress of the United States has enacted a Coastal Zone Management Act and federal regulations and guidelines have been established; and

WHEREAS, the Legislature of the State of Alaska has enacted the Coastal Management Act of 1977 with the intent of allowing the local participation and control of coastal areas; and

WHEREAS, the Legislature has adopted regulations, standards, and guidelines as mandated in the enabling statute; and

WHEREAS, these regulations will control the development and use of all land (whether privately or governmentally owned) within whatever is determined to be the "coastal area";

THEREFORE BE IT RESOLVED that the RESOURCE DEVELOPMENT COUNCIL for Alaska, Inc. will continue to work for Coastal Zone policies that (1) protect private land owners from any form of inverse condemnation; (2) preserve the concept of local government control of planning, zoning and subdivision powers as opposed to state or federal control; (3) permit, not stifle, orderly growth consistent with reasonable environmental controls to protect coastal waters; (4) take into account both environmental impact and economic impact; and (5) insure that Alaska's coastal resources will be used to meet the needs of this and succeeding generations of Alaskans.

Resolution 4

COAL

WHEREAS, the State of Alaska has enormous coal resources, perhaps as much as the entire continental United States combined; and

WHEREAS, the sulphur content in much of Alaska's coal is exceptionally low, a potential significant environmental advantage; and

WHEREAS, President Carter's national energy plan specifies federal policy should stimulate the use of coal; and

WHEREAS, the federal government is spending, and wisely so, large sums of money for research and development on coal processing technology to make clean fuels from high sulphur coals in other states;

THEREFORE the RESOURCE DEVELOPMENT COUNCIL for Alaska, Inc., resolves to request that appropriate federal agencies, especially the Department of Energy, direct more research and development funding support to coal processing (including cleaning and upgrading, high and low Btu gasification, liquifaction and solvent refining, and conversion to coke and/or chemicals) of Alaska's coals in concert with interested industrial organizations, the State of Alaska and the University of Alaska; and to oppose resource taxation fees that jeopardize the economic viability of Alaskan coal ventures.

Resolution 5

UNEMPLOYMENT

WHEREAS, the RESOURCE DEVELOPMENT COUNCIL for Alaska, Inc. desires the orderly development of all the State's resources, and

WHEREAS, the citizens of Alaska are themselves a major resource, and

WHEREAS, unemployment is unconscionably high, and seasonal, and

WHEREAS, lead times involved in resource development projects are lengthy and project approvals never assured,

THEREFORE BE IT RESOLVED that the RESOURCE DEVELOPMENT COUNCIL for Alaska, Inc. encourage expansion of the private sector to stimulate employment, diversification of the Alaskan economy, vertical integration of industry and more responsive action by the legislature and administration to reduce unemployment --without enlarging the bureaucracy -- to utilize Alaska's abundant human resources.

Resolution 6

AGRICULTURE

WHEREAS, a sound and sustained agricultural production, processing and marketing industry is necessary to the healthy economic life and future well-being of Alaska, and

WHEREAS, agriculture, as a resource management tool, could provide a large percentage of the state's basic consumer needs in food, fiber, industrial raw materials and aesthetic products at a reasonable price and influence positively the transportation, meat, fertilizer and shipping industries throughout the state, and

WHEREAS, agricultural use of state land can serve to protect the integrity of watersheds, establish open space for the enjoyment of all persons, stimulate the economy, promote wind and erosion control programs, and open tracts of land for private cultivation, all of which will increase the productive capacity of the land to sustain the agricultural, livestock and forestry industries in the state;

THEREFORE BE IT RESOLVED that the RESOURCE DEVELOPMENT COUNCIL for Alaska, Inc. will encourage vertical integration of the agricultural industry, support expansion of transportation facilities which will benefit agricultural industries, assist individual or group farmers as may be appropriate, and to encourage the State of Alaska to make available one million acres of state land to Alaskan farmers by the year 1990.

BE IT FURTHER RESOLVED that the RESOURCE DEVELOPMENT COUNCIL for Alaska, Inc. will work to secure state assistance in the development of agricultural processing (including fertilizer production, utilization of surplus industrial heat and marketing and clearing programs) to expand the scope of agriculture within the state.

Resolution 7

TAXATION POLICIES

WHEREAS, Alaska's economic and taxation policies may hinder the creation of a productive economic base and the establishment of long-term skilled employment for the citizens of the state; and

WHEREAS, state taxation should not rise beyond the point where small enterprises are no longer able to function economically in Alaska and where larger corporations decline to make long-term investments in the state; and

WHEREAS, taxation policies should be designed to meet existing or clearly defined projected needs rather than short-term maximization of state revenues; and

WHEREAS, new or additional taxes on resources may deter exploration and severely limit the availability of jobs and energy resources within Alaska;

THEREFORE BE IT RESOLVED that the RESOURCE DEVELOPMENT COUNCIL for Alaska, Inc. urges that the elected officials of the State of Alaska take steps to create employment through sound economic policies and to promote taxation policies that are applied fairly and impartially on an industry-wide basis and free capital for business and industry expansion.

Resolution 8

FISHERIES

WHEREAS, the fishing industry continues to be a mainstay of Alaska's economy; and

WHEREAS, passage of the Fishery Conservation and Management Act of 1976 is expected to result in a new era for Alaskan commercial fisheries and dramatically increase the value of fisheries exports; and

WHEREAS, the economic success of both the energy and fishing industry is of great importance to the state of Alaska and the resources can occur in the same waters;

THEREFORE BE IT RESOLVED that the RESOURCE DEVELOPMENT COUNCIL for Alaska, Inc. will serve as a communication link between the energy and fishing industries to promote educational services, environmental safeguards and technological improvements to both developments; and work for joint industry cooperation with respect to infrastructure facilities and utilization of work forces.

BE IT FURTHER RESOLVED that the RESOURCE DEVELOPMENT COUNCIL will support state and federal legislation that protects American processors from unfair foreign factory ship competition, reimburses American fishermen whose gear has been damaged by foreign vessels and revitalizes the American fisheries industry through aquaculture programs; and financial assistance, incentives and education to enable fishermen to increase capacities to harvest, process and market currently underutilized species.

Resolution 9

RESOURCE EXPLORATION

WHEREAS, the Alaska Regional Energy Resource Planning Project report, funded by the U. S. Department of Energy and administered by the State of Alaska, recommended the immediate expansion of surface and subsurface exploration activities, and

WHEREAS, the analysis of Alaskan resource estimates indicates that the extent and location of energy and mineral resources are not fully known, and

WHEREAS, without adequate knowledge of the magnitude, quality and location of resources, critical energy-related and land-related questions cannot be properly addressed by government and private decisionmakers; and

WHEREAS, the American system is to gain adequate information and knowledge on a subject prior to the decisionmaking process and not deliberately to avoid the collection of data prior to decisionmaking,

THEREFORE BE IT RESOLVED that the RESOURCE DEVELOPMENT COUNCIL for Alaska, Inc. urges the federal and state government to allow private industry to move swiftly with major exploration programs, to identify Alaska's resources so decisions can be based on knowledge.

Resolution 10

ROADLESS AREA REVIEW AND EVALUATION (RARE II)

WHEREAS, the U. S. Department of Agriculture has recommended to President Carter on January 4, 1979 that 15 million acres of national forest lands be designated wilderness; and

WHEREAS, excluding Alaska's land withdrawals, more than one-third of the nation's public lands have already been withdrawn from mineral and timber exploration and development,

THEREFORE BE IT RESOLVED that the RESOURCE DEVELOPMENT COUNCIL for Alaska, Inc. continue its efforts to encourage the U. S. Congress to recognize the unemployment and inflationary impacts of massive forest land withdrawals and to provide that the majority of the nation's forest lands be managed for traditional multiple-use purposes; and further to oppose transfer of the U. S. Forest Service to a new Department of Natural Resources.