

ALASKA LEGISLATIVE COMMITTEE PRINTS 1900/2

1842 HRES HB 441 - HB 460 842

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MEMORANDUM

May 12, 1981

SUBJECT: Solar energy rights
(CSHB 441)

TO: House Resources Committee
Attn: Bob Speed

FROM: John B. Chenoweth
Legislative Counsel

The revisor of statutes observes that "shall" should be replaced by "may" at page 2, lines 1 and 7. The protection of solar rights is optional with the property owner. Use of the word "may" here is correct, for the action to be taken by the property owner, while necessary, is not mandatory.

JBC:ljb

Enclosure



Alaska State Legislature

House of Representatives

Committee on Resources

Terry Gardiner, Co-Chairman
Fred F. Zharoff, Co-Chairman
465-3715

Pouch V
State Capitol
Juneau, Alaska 99811

MEMO: April 27, 1981

TO: Rep. Terry Gardiner
Rep. Fred Zharoff
Co-Chairmen
Members of the Committee

FROM: Bob Speed, A.A.

RE: Proposed amendments to HB 441

Page 1, line 27: add comma after the word "industrial"

Page 2, line 1: change "may" to "shall"

Page 2, line 9: subsection (2) may not be entirely accurate in light of section (a) (P. 1, line 29 to p. 2, line 5) Perhaps this should be amended to say "may be amended at any time subject to notice procedures under (a) of this section."

An alternative would be to delete (2) entirely, and on line 8, change the semi-colon to a period.

Page 2, line 18 - 19: on line 18, delete "becomes effective" and on line 19, insert "vests" prior to "immediately"

Page 2, lines 21-23: amend the section to read: "is an inchoate right only as to property where there is no actual use, and shall not vest unless diligent and successful efforts to achieve actual use are made."

Page 3, line 8: delete language of subsection (1), and include subsection (2) as part of the main section.

Page 3, lines 16-17: change "otherwise" to "explicitly"; change "to the transfer" to "in the instrument of conveyance"

Page 3, line 29: insert "permanent" prior to "injunction"

Page 4, lines 1-2: Entire clause could be replaced by word "otherwise"

Page 4, line 10: change "taken effect" to "vested"

Page 4, lines 16-17: For clarity, switch order of subsections (A) and (B)

line 17: insert "reasonable" before "reliance"

line 19: delete "the right from" and insert later in that sentence, after "inchoate right" the words "to a vested right"

Page 4, line 20: Add a new section 34.65.090, to read:

"Nothing in this chapter shall prevent local governments from providing for solar access in a zoning ordinance, or from instituting a local permit system which reasonably regulates the location, nature and extent of solar energy use. Where a local permit system for solar energy use is established, an approved permit shall be filed with the office of the local recorder in order to satisfy the solar use notice requirements of Section 34.65.030."

Page 4, line 25: Change section to read:

"Nothing in this section, including the repeal of AS 34.15.145 by sec. 3 of this Act shall be construed to impair existing contracts or easements relating to solar access, nor to prevent such arrangements from being formed."

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Alaska State Legislature

House of Representatives

Committee on Resources

Terry Gardiner, Co-Chairman
Fred F. Zhareff, Co-Chairman
465-3715

Pouch V
State Capitol
Juneau, Alaska 99811

MEMO: April 27
TO: Committee
FROM: Bob Speed, A.A.
RE: Amendments to HB 439

Conflict with HB 9
HB 9: Page 16, line 24 (SS)
HB 439: Page 4, lines 15 and 21

Page 4, lines 15 and 21: add ", or a building owned or operated by a non-profit corporation"



Alaska State Legislature

House of Representatives

Committee on Resources

Terry Gardiner, Co-Chairman
Fred F. Zharoff, Co-Chairman
465-3715

Pouch V
State Capitol
Juneau, Alaska 99811

HB 443

PROPOSED AMENDMENTS

- *Sec. 2. Add language stating that the commission may require the use of drillable plugs.
- *Sec. 3. Page 2, line 28: change "12" to "24"
Page 3, lines 1-5: delete entire sentence after the word "date."
- *Sec. 4. Page 3, line 17: change "12" to "24"
Page 3, lines 19-23: delete entire sentence after the word "date."
- *Sec. 5. Page 4, line 6: change "12" to "24"
Page 4, lines 8-12: delete entire sentence after the word "date."

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COMMITTEE REPORT

HOUSE

FURTHER: FINANCE

4/2/81

(11)

Date: MAY 15 1981

Mr. Speaker:

The Committee on RESOURCES has had HB 456

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

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

- do pass do not pass
- do pass with attached amendments(s)
- replace with CS for HB 456 same title
- new title
- and recommends DO PASS
- AND attaches a "Letter of Intent" New Fiscal Note
- reports it back without recommendation
- referred to the _____ Committee

MEMBERS SIGNING
DO PASS

Terry Gardiner
[Signature]
[Signature]
[Signature]
[Signature]
[Signature]
[Signature]
[Signature]

MEMBERS HAVING
OTHER RECOMMENDATIONS:

Terry Gardiner
 CHAIRMAN
[Signature]

Introduced: 4/2/81
Referred: Resources and
Finance

1 IN THE HOUSE

BY ROGERS, BROWN, CARNEY,
MOSS AND GARDINER

2 HOUSE BILL NO. 456

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 A BILL

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

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

9 * Section 1. AS 03.10.010 is repealed and reenacted to read:

10 Sec. 03.10.010. DECLARATION OF POLICY. It is the policy of this
11 chapter to promote the development of agriculture throughout the state
12 and to encourage greater self-sufficiency in food production by means
13 of low-interest loans.

14 * Sec. 2. AS 03.10.020(1) is repealed and reenacted to read:

15 (1) make loans

16 (A) for development of farms and greenhouses and for
17 the storage, processing, and marketing of farm produce, livestock,
18 and machinery

19 (i) to individual resident farmers, homesteaders,
20 greenhouse gardeners; and

21 (ii) to partnerships, cooperatives, and corporations
22 composed of resident farmers, homesteaders, and greenhouse
23 gardeners;

24 (B) for storage and processing plants for agricultural
25 products to resident individuals, partnerships, cooperatives, and
26 corporations;

27 * Sec. 3. AS 03.10.030(a) is repealed and reenacted to read:

28 (a) A loan may not run longer than 30 years or the useful life of
29 the chattel nor bear interest exceeding six percent, and it shall be

1 secured by a real estate or chattel mortgage, or both.

2 * Sec. 4. AS 03.10.030(b) is repealed and reenacted to read:

3 (b) A loan to an individual resident farmer, homesteader, or
4 greenhouse gardener may not exceed \$500,000 for farm development and
5 \$300,000 for chattels.

6 * Sec. 5. AS 03.10.030(d) is repealed and reenacted to read:

7 (d) A loan for an irrigation system under this chapter may be
8 made in an amount and for a term determined by the commissioner.

9 * Sec. 6. AS 03.10.030 is amended by adding a new subsection to read:

10 (g) A loan may not be made under this chapter unless the depart-
11 ment determines that sufficient capital is not available from other
12 sources on reasonable terms.

13 * Sec. 7. AS 03.10.040 is amended to read:

14 Sec. 03.10.040. CREATION OF FUND. There is an agricultural
15 [REVOLVING] loan fund [WHICH SHALL NOT EXCEED \$20,000,000] to carry out
16 the purpose of this chapter.

17 * Sec. 8. AS 03 is amended by adding a new chapter to read:

18 CHAPTER 12. ALASKA SMALL FARM DEVELOPMENT ACT.

19 Sec. 03.12.010. ESTABLISHMENT OF PROGRAM. The department shall
20 establish a program of cost sharing for the development of small farms
21 by offering financial assistance for clearing and breaking of land to
22 owners or holders of agricultural rights to eligible land.

23 Sec. 03.12.020. ELIGIBLE LAND. (a) Only land which the depart-
24 ment determines has a soil capability classification of II or III is
25 eligible for the cost-sharing program under this chapter.

26 (b) Land which contains timber with commercial value is not
27 eligible for the cost-sharing program under this chapter until the
28 timber has been harvested.

29 (c) Land which is the subject of a long-term agricultural loan

1 for clearing under AS 03.10 is not eligible for the cost-sharing program
2 under this chapter.

3 (d) In order for land to be eligible for the cost-sharing program
4 under this chapter all agricultural land controlled by the person
5 applying for the program must be managed in a manner consistent with
6 the principles of soil and water conservation determined by the depart-
7 ment or by the Agricultural Stabilization and Conservation Service of
8 the United States Department of Agriculture.

9 Sec. 03.12.030. ELIGIBLE PERSONS. If the agricultural rights to
10 eligible land are held by a person other than the owner of the land,
11 the holder of those agricultural rights is the person eligible to
12 submit the development plan and to receive the money under the cost-
13 sharing program.

14 Sec. 03.12.040. DEVELOPMENT PLAN. (a) In order to receive
15 cost-sharing money under this chapter the owner of the eligible land or
16 the holder of agricultural rights to the eligible land must submit a
17 development plan for approval by the department.

18 (b) In preparing the development plan the owner of the eligible
19 land or the holder of agricultural rights to the eligible land must
20 consult with and obtain technical services from the Agricultural
21 Stabilization and Conservation Service of the United States Department
22 of Agriculture.

23 Sec. 03.12.050. LIMITATION ON COST-SHARING MONEY. (a) The
24 department may pay cost-sharing money under an approved development
25 plan for

26 (1) up to 75 percent of the cost of clearing land but not to
27 exceed \$200 per acre; and

28 (2) up to 75 percent of the cost of breaking land but not to
29 exceed \$100 per acre.

1 (b) The money authorized to be paid under (a) of this section may
2 not exceed either

3 (1) \$7,500 per farm in one calendar year; or

4 (2) \$30,000 per farm.

5 Sec. 03.12.060. REPAYMENT OF COST-SHARING MONEY. (a) If eligible
6 land is not put into production as crop or pasture land within three
7 years after cost-sharing money is paid under this chapter, the cost-
8 sharing money shall be repaid to the department by the recipient.

9 (b) If eligible land does not remain in production as crop or
10 pasture land for seven consecutive years after cost-sharing money is
11 paid under this chapter, the cost-sharing money shall be repaid to the
12 department by the recipient. A portion of the eligible land may be
13 left fallow each year for soil improvement purposes without repayment
14 of cost-sharing money being required.

15 * Sec. 9. AS 03 is amended by adding a new chapter to read:

16 CHAPTER 16. SMALL GRAINS LOAN PROGRAM.

17 Sec. 03.16.010. ESTABLISHMENT OF PROGRAM. The Department of
18 Natural Resources shall establish and administer a small grains nonre-
19 course loan program under the provisions of this chapter. The depart-
20 ment may obtain or construct facilities to carry out the purposes of
21 this chapter and may operate a facility itself or may contract with
22 farm cooperatives, the Alaska Grain Exchange, or other suitable entities
23 to operate the facility.

24 Sec. 03.16.020. NONRECOURSE GRAIN LOANS. (a) The department may
25 make nonrecourse grain loans to individual resident farmers and part-
26 nerships or corporations composed of resident farmers as a means of
27 providing for orderly marketing of grain products grown in the state.
28 The loan amount shall be made on a per-ton basis and shall be in an
29 amount equal to the difference between the current local federal nonre-

1 course loan level and the current federal target price for the par-
2 ticular commodity, so that the federal target price is the effective
3 loan level in Alaska.

4 (b) A loan made under (a) of this section may not exceed \$50,000
5 and is repayable in one year.

6 (c) A person is not eligible for a loan under (a) of this section
7 if the person is delinquent on existing nonrecourse grain loan pay-
8 ments.

9 Sec. 03.16.030. REGULATIONS. The department shall issue regula-
10 tions to carry out the purposes of this chapter, including but not
11 limited to regulations to insure the equitable rights of participation
12 in the program and the right of appeal if the producer has information
13 indicating inequitable treatment or denial of rightful program benefits.

14 Sec. 03.16.040. CREATION OF FUND. A small grains revolving loan
15 fund is created to carry out the purposes of this chapter.

16 Sec. 03.16.050. ADMINISTRATION. (a) The department shall
17 administer the small grains revolving loan fund.

18 (b) The department may enter into a cooperative agreement with
19 the Agricultural Stabilization and Conservation Service of the United
20 States Department of Agriculture or other appropriate agency or organi-
21 zation for the performance of administrative functions related to the
22 small grains nonrecourse loan program.

23 Sec. 03.16.060. ADMINISTRATIVE PROCEDURE ACT. This chapter is
24 subject to the Administrative Procedure Act (AS 44.62).

25 * Sec. 10. AS 03 is amended by adding a new chapter to read:

26 CHAPTER 18. ALASKA AGRICULTURAL PRODUCTS BOARD.

27 Sec. 03.18.010. ALASKA AGRICULTURAL PRODUCTS BOARD. (a) There
28 is established in the Department of Natural Resources the Alaska Agri-
29 cultural Products Board consisting of 10 members appointed by the

1 governor. Members of the board shall be residents of the state. The
2 board shall consist of processors of agricultural products, designated
3 representatives of corporations, partnerships, or other business enti-
4 ties which perform the function of processing agricultural products in
5 the state and farmers who have actively engaged in farming in the state
6 during at least one of the three years preceding appointment. The
7 commissioner of natural resources is a nonvoting, ex officio member of
8 the board. Members of the board serve terms of four years. Six ap-
9 pointed members of the board constitute a quorum.

10 (b) The board shall elect a presiding officer annually and shall
11 hold at least one regular meeting a year. The board shall meet at the
12 call of the presiding officer or upon the written request of four
13 appointed members.

14 (c) Members of the board receive no salary, but are entitled to
15 per diem and travel expenses authorized by law for boards and commis-
16 sions under AS 39.20.180.

17 Sec. 03.18.J20. MEETINGS PUBLIC. Meetings of the board shall be
18 held under AS 44.62.310.

19 Sec. 03.18.030. DUTIES. The board shall

20 (1) conduct programs of education, research, advertising, or
21 sales promotion designed to accomplish the purposes of this chapter;

22 (2) contract with persons to promote the sale of agricultural
23 products;

24 (3) cooperate with any other local, state or national board,
25 organization or agency engaged in work or activities similar to the
26 work and activities of the board and contract with those organizations
27 or agencies for carrying on joint programs of consumer education, sales
28 promotion, quality promotion, advertising, and research in the product-
29 ion, processing, or distribution of agricultural products;

1 (4) conduct or contract for scientific research to develop
2 and discover the health, dietetic, or other uses of agricultural prod-
3 ucts;

4 (5) annually prepare a budget for the board;

5 (6) employ an executive director and other employees it
6 considers necessary and prescribe their duties and fix their compensa-
7 tion;

8 (7) establish offices and incur expenses incidental to their
9 establishment;

10 (8) present facts to, and negotiate with local, state, or
11 federal governmental agencies on matters affecting quality production,
12 processing, or distribution of agricultural products.

13 Sec. 03.18.040. ANNUAL REPORTS. The board shall prepare an
14 annual report suggesting methods to promote high quality and markets
15 for agricultural products. The report shall be submitted to the legis-
16 lature on February 15 of each year.

17 Sec. 03.18.050. DEFINITIONS. In this chapter

18 (1) "agricultural products" means plants and animals useful
19 to man which are produced in the state for human food and do not
20 include aquatic plants and animals;

21 (2) "board" means the Alaska Agricultural Products Board.

22 * Sec. 11. AS 29.53.035(c) is amended to read:

23 (c) In this section "farm use" means the use of land for raising
24 and harveting crops or for the feeding, breeding and management of
25 livestock or for dairying or another agricultural use for profit or any
26 combination of these [THEREOF]. To be farm use land, the owner or the
27 lessee must be actively engaged in farming the land [, AND DERIVE AT
28 LEAST 10 PERCENT OF HIS YEARLY GROSS INCOME FROM THE FARM USE LAND].
29 The provisions of this section do not apply to land respecting which

1 the owner has granted, and has outstanding, a lease or option to buy
2 the surface rights. A property owner wishing to file for farm use
3 classification for land having no history of farm use or of farm use
4 during fewer than three of the preceding five years [OF FARM-RELATED
5 INCOME] may submit a declaration of intent at the time of filing the
6 application with the assessor setting out the intended use of the land
7 [AND THE ANTICIPATED PERCENTAGE OF INCOME]. An applicant using this
8 procedure shall file with the assessor before February 1 of the follow-
9 ing year a notarized statement of the actual use of the land [PERCENT-
10 AGE OF GROSS INCOME ATTRIBUTABLE TO THE FARM USE LAND]. Failure to
11 make the filing required in this subsection or failure to maintain the
12 land in farm use for three of the five years following the filing of
13 the initial declaration of intent forfeits the exemption and subjects
14 the owner to liability for the tax which otherwise would have been due.

15 * Sec. 12. AS 38.05 is amended by adding a new section to read:

16 Sec. 38.05.059. FARM IMPROVEMENT CREDIT. (a) A person who con-
17 tracts to purchase the agricultural development rights ~~in~~ state land
18 may receive credit against the installment payments due under the land
19 sale contract for constructing an improvement listed in (b) of this
20 section. A credit may be allowed only if a plan for the construction
21 of the improvement is approved by the commissioner or his designee and
22 by any other regulatory agency required to inspect and approve improve-
23 ments to land. Credit granted under this section may not exceed 90
24 percent of the total purchase price of the agricultural land.

25 (b) The commissioner shall allow credit under this section for
26 the following improvements with the limitations set out after each:

27 (1) clearing, draining and breaking undeveloped agricultural
28 land -- \$80 per acre;

29 (2) fences -- \$500 per mile;

1 (3) permanent family dwelling -- \$10 per square foot, not to
2 exceed \$10,000;

3 (4) storage and livestock buildings -- \$4 per square foot,
4 not to exceed \$10,000;

5 (5) milk parlor and other buildings in which agricultural
6 products are processed for human consumption -- \$8 per square foot, not
7 to exceed \$10,000;

8 (6) farm-based energy production plant -- \$20 per million
9 Btu's of energy produced, not to exceed \$10,000;

10 (7) greenhouse -- \$10 per square foot, not to exceed \$10,000;

11 (8) water well which produces potable water -- \$8 per foot,
12 not to exceed \$1,000;

13 (9) irrigation well which produces a minimum of 300 gallons
14 per minute -- \$15 per foot, not to exceed \$3,000; and

15 (10) access road with a 20-foot crown and drainage -- \$1,500
16 per mile, not to exceed \$3,000.

17 (c) The director may allow credit for an improvement not listed
18 in (b) of this section which is constructed on or adjacent to the
19 agricultural land if he determines that the improvement is necessary
20 for the development of the land for agricultural purposes.

21 (d) The commissioner may adopt regulations under the Administra-
22 tive Procedure Act (AS 44.62) which are necessary to accomplish the
23 purpose of this section.

24 * Sec. 13. AS 38.05.069(c)(1) is amended to read:

25 (1) the director may convey or lease an interest in the land
26 only for agricultural purposes, and all other interests in the land
27 remain in the state; the sale or lease shall be at public auction and,
28 before the contract of sale or lease is signed, the purchaser or lessee
29 shall agree to a farm conservation plan which has been approved by the

1 director;

2 * Sec. 14. AS 38.05.069(e)(1) is amended to read:

3 (1) "agricultural purposes" includes farming [, RANCHING,
4 GRAZING,] and storage [OR CONTROL] of agricultural crops [OR LIVESTOCK];

5 * Sec. 15. AS 38.05.069(e) is amended by adding a new paragraph to read:

6 (3) "farm conservation plan" means an agreement which

7 (A) describes the location of the land that will be
8 cleared or cultivated;

9 (B) describes the location of buildings or other im-
10 provements that will be constructed on the land; and

11 (C) describes the soil conservation measures that will
12 be taken by the purchaser or lessee.

13 * Sec. 16. AS 38 is amended by adding a new chapter to read:

14 CHAPTER 60. ACQUISITION OF DEVELOPMENT RIGHTS.

15 Sec. 38.60.010. ACQUISITION OF DEVELOPMENT RIGHTS BY PURCHASE OR
16 EXCHANGE. (a) The director may acquire development rights in privately
17 owned agricultural land by purchase or by exchange under AS 38.50 if

18 (1) he receives a request for purchase or exchange from a
19 landowner;

20 (2) he determines that it is in the best interest of the
21 state to preserve the agricultural use of privately owned agricultural
22 land; and

23 (3) he notifies a municipality having land use planning
24 jurisdiction over the land of his determination and gives the munici-
25 pality an opportunity to review the determination.

26 (b) Agricultural land designated for preservation under (a) of
27 this section must have soils classified as classes I - III by the
28 United States Soil Conservation Service.

29 (c) The purchase price of the development rights acquired under

1 this section shall be determined by an independent appraisal contracted
2 by the department. The purchase price may not be less than the differ-
3 ence between the fair market value of the land with all development
4 rights intact and the fair market value of the land restricted to agri-
5 cultural uses, unless the owner of the agricultural land, after being
6 informed of the appraised value, agrees in writing to a lesser price.

7 Sec. 38.60.020. DEVELOPMENT RIGHTS PURCHASE AGREEMENT. The
8 director shall prepare a development rights purchase agreement suitable
9 for recordation which must include the following provisions:

10 (1) structures or other improvements may not be constructed
11 on the agricultural land except for use consistent with agricultural
12 operations;

13 (2) an interest in the agricultural land may not be sold,
14 traded, or otherwise transferred except for a scenic, access, or utility
15 easement which does not adversely affect agricultural operations;

16 (3) public access may not be permitted on the agricultural
17 land unless agreed to by the owner;

18 (4) any other condition or restriction on the use of the
19 agricultural land which is agreed to between the owner and the director
20 that is necessary to preserve land or portions of it as agricultural
21 land.

22 Sec. 38.60.030. CONVEYANCE OF DEVELOPMENT RIGHTS BY STATE. The
23 director shall convey or lease development rights acquired under this
24 chapter in the same manner as provided in AS 38.05.069(c)(2) - (4) for
25 the conveyance of the remaining interests in agricultural land formerly
26 owned by the state.

27 Sec. 38.60.040. RECORDATION OF DEVELOPMENT RIGHTS PURCHASE AGREE-
28 MENTS. The director shall record in the recording district in which
29 the agricultural land is situated a certified copy of the development

1 rights purchase agreement. The director shall notify the owner of the
2 agricultural land and the municipality having land use planning juris-
3 diction over the agricultural land that a development rights agreement
4 has been recorded. The notice must contain a legal description of the
5 land subject to the purchase agreement.

6 Sec. 38.60.050. DEVELOPMENT RIGHTS PURCHASE FUND. (a) The
7 development rights purchase fund is established in the department. The
8 director shall administer the fund. The fund may be financed by appro-
9 priations from the legislature.

10 (b) The director shall use the money in the development rights
11 purchase fund to classify and appraise land under this chapter and to
12 purchase development rights.

13 (c) Development rights held by an owner of agricultural land may
14 be exchanged for

- 15 (1) agricultural rights of equal value on state land;
- 16 (2) fee simple title to state land of equal value;
- 17 (3) money supplied by the state; or
- 18 (4) a combination of (1), (2), or (3) of this subsection.

19 Sec. 38.60.060. DEFINITIONS. In this chapter

20 (1) "agricultural operations" means the production of plants
21 and animals useful to man, including forage and sod crops; grains and
22 feed crops; dairy and dairy products; livestock, including breeding and
23 grazing; fruits; vegetables; and other similar uses and activities;

24 (2) "department" means the Department of Natural Resources;

25 (3) "development rights" means those rights belonging to the
26 fee owner of land that entitle the owner to subdivide or develop land
27 in a manner that adversely effects the agricultural use of the land;

28 (4) "director" means the director of the division of agri-
29 culture within the Department of Natural Resources.

1 * Sec. 17. AS 39.25.120 is amended by adding a new paragraph to read:

2 (19) an agricultural development project administrator under
3 the direction of the Alaska Agricultural Action Council in the Depart-
4 ment of Commerce and Economic Development.

5 * Sec. 18. AS 41.10.040 is amended to read:

6 Sec. 41.10.040. SOIL CONSERVATION BOARD. The district is governed
7 by the Alaska Soil Conservation Board composed of five [THREE] members.

8 * Sec. 19. AS 41.10.060 is repealed and reenacted to read:

9 Sec. 41.10.060. QUALIFICATIONS OF BOARD MEMBERS. The board shall
10 consist of resident farmers and ranchers and shall be geographically
11 representative of the state.

12 * Sec. 20. AS 41.10 is amended by adding a new section to read:

13 Sec. 41.10.095. DUTIES OF BOARD. The board shall

14 (1) receive and review reports concerning the use of soil
15 resources in the state;

16 (2) hold public hearings and meetings to determine whether
17 land in the state is being used in a manner consistent with sound soil
18 conservation practice;

19 (3) furnish the commissioner of natural resources with re-
20 ports of findings and make recommendations for specific action neces-
21 sary to provide for the effective and orderly development of farming
22 and grazing land in the state; and

23 (4) review an appeal by an applicant or lessee from a deci-
24 sion of the director of the division of lands or the commissioner of
25 natural resources concerning the leasing of state agricultural or
26 grazing land and submit its recommendations to the commissioner or
27 hearing officer.

28 * Sec. 21. AS 44.27.020 is amended by adding a new paragraph to read:

29 (4) develop and operate a comprehensive program of agricul-

1 tural education services to

2 (A) advise and assist school districts in the develop-
3 ment of vocational agricultural classes and programs;

4 (B) advise Alaska chapters of national organizations of
5 students studying vocational agriculture in the secondary schools
6 of the state;

7 (C) serve as a clearinghouse for information published
8 and distributed by the federal government, agricultural educational
9 service organizations of other states, and national and state
10 organizations;

11 (D) develop agricultural education programs which
12 relate to agricultural opportunities in cold climates and northern
13 latitudes;

14 (E) sponsor workshops, seminars, and meetings for
15 teachers and students of secondary and postsecondary agricultural
16 education programs;

17 (F) work with the University of Alaska to develop post-
18 secondary agricultural programs for students interested in voca-
19 tional agriculture; and

20 (G) assist, generally, in the development of vocational
21 agricultural opportunities for young men and women in the state.

22 * Sec. 22. AS 44.33.475 is amended by adding a new subsection to read:

23 (c) Ten percent of the land in an agricultural development project
24 must be made available in parcels of 10 acres or less and an additional
25 40 percent in parcels of 40 acres or less.

26 * Sec. 23. AS 44.33 is amended by adding new sections to read:

27 Sec. 44.33.480. SALE OF AGRICULTURAL LAND. (a) Before state
28 land located in an agricultural development project may be sold or
29 leased, the following procedures must be completed:

1 (1) the council shall determine the uses for agricultural
2 land located in an agricultural development project;

3 (2) the director shall, according to instructions from the
4 council, survey the agricultural land in an agricultural development
5 project into parcels consistent with criteria developed by the council;

6 (3) the council shall adopt criteria establishing residency,
7 skill, experience, and financial qualifications it considers necessary
8 for purchasers or lessees of agricultural land in an agricultural
9 development project;

10 (4) the director shall offer the agricultural land for
11 disposal under the procedures prescribed in the Alaska Land Act
12 (AS 38.05), in the manner and at the time consistent with criteria
13 adopted by the council, and subject to review and approval by the
14 council of the

15 (A) terms of sale,

16 (B) land values,

17 (C) farm development requirements, and

18 (D) requirements, terms, and administration of land
19 clearing contracts;

20 (5) the director shall transmit all lottery applications
21 received for the agricultural land and a statement of the qualifica-
22 tions of persons who wish to bid on the land to the council for evalua-
23 tion according to the residency, skill, experience, and financial
24 qualifications adopted by the council;

25 (6) the council shall advise the director which bidders or
26 lottery applicants are qualified to purchase the agricultural land; and

27 (7) if the other requirements of AS 38.05 are satisfied, the
28 director shall conduct the lottery or auction.

29 (b) A determination by the council that a bidder or lottery

1 applicant is not qualified to purchase agricultural land is a final
2 administrative order which is subject to judicial review under AS 44.-
3 62.560 and 44.62.570.

4 Sec. 44.33.485. PROJECT ADMINISTRATOR. The council shall employ
5 a project administrator who will be in charge of the detailed affairs
6 of each agricultural development project authorized under AS 44.33.475.
7 A project administrator serves at the direction and at the pleasure of
8 the council. A project administrator is authorized to employ and
9 determine the compensation of members of his staff within the limita-
10 tion of the budget approved by the council. A project administrator is
11 in the partially exempt service under AS 39.25.120.

12 Sec. 44.33.490. AGRICULTURAL PROCESSING FACILITIES REVOLVING LOAN
13 FUND. (a) The agricultural processing facilities revolving loan fund
14 is established in the Department of Commerce and Economic Development.
15 The council shall administer the fund. The fund may be financed by
16 appropriations from the legislature.

17 (b) The council shall use money in the fund to make loans to
18 individuals, partnerships, corporations, or agricultural cooperatives
19 for the construction, operation or purchase of agricultural processing
20 facilities.

21 (c) A loan made under this section
22 (1) may not exceed a term of 25 years;
23 (2) may not exceed \$2,500,000;
24 (3) shall bear interest at a rate not to exceed nine and
25 one-half percent;
26 (4) shall be secured by a first priority lien and appropri-
27 ate security agreement.

28 (d) In this section, "agricultural processing facilities" includes
29 port facilities for the storage and shipment of grain, centralized

1 grain handling facilities, slaughterhouses, dairy plants, and vegetable
2 processing plants.

3 * Sec. 24. AS 44.33.500 is amended by adding new paragraphs to read:

4 (3) "director" means the director of the division of lands
5 in the Department of Natural Resources;

6 (4) "fund" means the agricultural processing facilities
7 revolving loan fund.

8 * Sec. 25. AS 44.81.210(a) is amended by adding a new paragraph to read:

9 (22) make variable rate or fixed rate loans to corporations,
10 partnerships, or joint ventures for agricultural processing facilities
11 as provided in AS 44.81.215.

12 * Sec. 26. AS 44.81 is amended by adding a new section to read:

13 Sec. 44.81.215. AGRICULTURAL PROCESSING FACILITIES LOANS. (a)
14 The bank may make a loan for a purpose described in (b) of this section
15 to a corporation, partnership or joint venture which meets the follow-
16 ing conditions:

17 (1) the corporation, partnership or joint venture is a
18 shareholder of the bank;

19 (2) agricultural processing is the primary business of the
20 corporation, partnership or joint venture;

21 (3) the corporation, partnership or joint venture was created
22 or organized in the United States or under the laws of the United
23 States or of a state or territory of the United States;

24 (4) citizens of the United States are the beneficial owners
25 of the majority interest in the corporation, partnership or joint ven-
26 ture; and

27 (5) citizens of the United States are the majority of the
28 owners of the corporation, partners in the partnership or joint ven-
29 turers in the joint venture.

1 (b) A loan under this section may be made to provide financing
2 for

3 (1) the construction or improvement of agricultural proces-
4 sing facilities in the state;

5 (2) the working capital requirements of an agricultural
6 processing facility in the state.

7 * Sec. 27. AS 44.81.350 is amended by adding a new paragraph to read:

8 (5) "agricultural processing facilities" means facilities
9 which process agricultural products and includes but is not limited to
10 port facilities for the storage and shipment of grain, centralized
11 grain handling facilities, slaughterhouses, dairy plants, and vegetable
12 processing plants.

13 * Sec. 28. Within 90 days after the effective date of this Act the
14 governor shall appoint two additional members to the Alaska Soil Conserva-
15 tion Board under AS 41.10.040 amended in sec. 18 of this Act. The initial
16 terms of the additional members shall be two and three years respectively.
17 The present members of the board shall complete their terms of office. All
18 appointments, whether to fill vacancies or the new positions, shall be made
19 so as to bring about the composition of the board provided in AS 41.10.060
20 as amended by sec. 19 of this Act.

21 * Sec. 29. Of the members first appointed by the governor to the Alaska
22 Agricultural Products Board under AS 03.18.010 enacted in sec. 10 of this
23 Act, three members serve for one year, three members for two years, two
24 members for three years, and two members for four years.

25 * Sec. 30. The first report required under AS 03.18.040 by the Alaska
26 Agricultural Products Board enacted in sec. 10 of this Act shall be sub-
27 mitted to the First Session of the Thirteenth Legislature.

28 * Sec. 31. The Department of Health and Social Services may provide to
29 applicants who qualify for state assistance under AS 23.20 or AS 47.25

1 seeds, supplies, and tools for home gardens up to a value of \$100 for each
2 qualifying household.

3 * Sec. 32. AS 29.53.035(d) is repealed.

4 * Sec. 33. AS 03.12 is repealed.

5 * Sec. 34. AS 03.10.030(f); AS 03.19; AS 38.05.069(c)(4) and (c)(5) are
6 repealed.

7 * Sec. 35. Section 32 of this Act takes effect January 1, 1982.

8 * Sec. 36. Section 33 of this Act takes effect June 30, 1986.

9 * Sec. 37. Sections 1 - 31 and 34 of this Act take effect July 1, 1981.

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Technical Amendments to CSHB 456 (Res)

page 1, line 18

After "production" add "as well as production for export markets."

page 2, line 11

Add "Loans to partnerships, cooperatives, and corporations for loans under 03.10.020 may not exceed \$2,500,000."

page 4, line 14

Delete the entire Sec. 9. (Sec. 9 corresponds to HB 88, which has already passed the House.)

page 5, line 14

Delete Sec. 11. (This section was inadvertently carried over from an earlier draft which dealt with grazing. It does not apply to this bill.)

page 7, line 17

Delete Sec. 18, which is unnecessary.

page 7, line 22

Delete all of subsection (a), ending on page 8, line 9. (This subsection would expand CFAB membership for the purpose of obtaining ag processing loans beyond Alaskans to include all Americans.)

page 9, line 9

Delete "benefits under AS 23.20."

page 9, line 10

Delete "\$100" and insert in its place "\$50".

page 9, line 12

Delete Sec. 25. (This section accompanies Sec. 9, which corresponds to HB 88.)

page 9, line 13

Delete everything after the ";". (This is a mistake carried forward from another draft, relating to ag preferences.)

DRAFT CS FOR HB 456 (RESOURCES)
Sectional Analysis

- Sec. 1. Purpose of Act
- Sec. 2. Policy of Agriculture revolving loan fund. Changes emphasis from the development of agriculture "as an industry" to development for both greater self-sufficiency and export production.
- Sec. 3. Agriculture Revolving Loan Fund. Adds greenhouses and cooperatives as eligibles.
- Sec. 4. Maintains loan terms at 30 years and 6%.
- Sec. 5. Maintains existing loan limitations for individual borrowers
- Sec. 6. Maintains flexible terms for irrigation systems.
- Sec. 7. Identifies the fund as a "development fund", not an on-going source of capital.
- Sec. 8. Establishes an agricultural quality and marketing board with 11 members.
- Sec. 9. Same as CSHB88.
- Sec. 10. Require conservation plans for agricultural land.
- Sec. 11. Definition of agricultural purposes - DOES NOT APPLY TO THIS BILL.
- Sec. 12. Defines "farm conservation plan."
- Sec. 13. Enlarges membership of Soil Conservation Board to provide for better representation.
- Sec. 14. Adds ranchers as being eligible to serve on the board and requires geographical representation.
- Sec. 15. Adds duties section.
- Sec. 16. Directs the Department of Education to operate on agricultural education program.
- Sec. 17. Requires that 20% of the land in agricultural development projects be offered in small parcels.
- Sec. 18. Adds a power to CFAB. (See corresponding technical amendment.)
- Sec. 19. Provides for CFAB to make agricultural processing loans.
- Sec. 20. Defines "agricultural processing facilities."
- Sec. 21. Transition for Soil Conservation Board.
- Sec. 22 & 23. Transition for Agricultural Products Board.
- Sec. 24. Provides for a ^{one-time} "seed money" program in DHS for home gardens.

SECTIONAL ANALYSIS - HOUSE BILL 456

- Sec. 1 Amends the declaration of policy concerning the agricultural loans fund to change the emphasis from agriculture as an industry to agriculture for greater self-sufficiency.
- Sec. 2 Amends the loan fund to make financing available to small farmers, for greenhouses as well as farms, and to cooperatives.
- Sec. 3-5 Simplifies the loan limitations, requiring that the loans be secured and that they not exceed \$500,000 for farm development per individual, and \$200,000 for chattel per individual.
- Sec. 6 Restricts the loan fund to development purposes, so that it is not a continuing source of capital to those who can obtain financing elsewhere.
- Sec. 7 Removes the fund capitalization limit.
- Sec. 8 Essentially the same as HB 38.
- Sec. 9 Essentially the same as HB 38. Replaces the small grain incentive program with a nonrecourse loan program.
- Sec. 10 Creates an Agriculture Products Board to promote both quality and marketing.
- Sec. 11 Essentially the same as HB 88. Removes the requirement that a person derive 10% of his/her income from farming to benefit from an agricultural use tax assessment.
- Sec. 12 Reinstates the farm improvement credits which were available 2 years ago. Include a credit for farm-based energy production and greenhouses.
- Sec. 13-15 Requires conservation plans for land disposed of in agriculture rights sales.
- Sec. 16 Essentially the same as HB 280.
- Sec. 17 Adds an Agriculture Action Council Project Administration to the list of partially exempt personnel.
- Sec. 18-20 Expands the membership of the Soil Conservation Board from 3-5 and gives them specific duties.
- Sec. 21. Directs the Department of Education to operate an Agriculture Education Program.
- Sec 22 Specifies that 50% of the land in Agricultural development projects be for farms under 40 acres in size.
- Sec. 23 Authorizing language for the sale of Agriculture land and procedures to be followed by the Agriculture Action Council. Also provides for an agriculture processing facilities revolving loan fund in the Department of Commerce.
- Sec. 24 Definitions
- Sec. 25-27 Allows CFAB to make agricultural processing loans.
- Sec. 28-30 Transition
- Sec. 31 DH&SS shall provide "seed money".
- Sec. 32-37 Effective dates.

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COMMITTEE REPORT

HOUSE

FURTHER: FINANCE

4/2/81

(11)

Date: 4/20/81

Mr. Speaker:

The Committee on RESOURCES has had HB 460

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

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

do pass do not pass

do pass with attached amendments(s)

replace with CS for _____ same title
 new title

and recommends DO PASS

AND attaches a "Letter of Intent" New Fiscal Note

reports it back without recommendation

referred to the _____ Committee

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS:

Tony Hudnig
Bob [unclear]
[unclear]
J Smith
[unclear]
Eric K. [unclear]
[unclear]
[unclear]

Tony Hudnig
CHAIRMAN

RESOLUTION

Relating to Hatchery Loan Limit

BE IT RESOLVED BY THE ALASKA FISHERIES COUNCIL, OFFICE OF THE GOVERNOR:

WHEREAS salmon provide the basis for one of Alaska's major renewable resource industries; and

WHEREAS public and private hatcheries are demonstrating a rapid yet reasoned growth producing 10,000 adult salmon in 1975 and 2.5 million adult salmon in 1980; and

WHEREAS in 1980 the Port San Juan Hatchery operated by the Prince William Sound Aquaculture Corporation demonstrated an increasing return to scale by conducting North America's largest salmon egg take at that corporation's lowest unit cost; and

WHEREAS inflation has increased the construction costs of major remote site hatcheries to \$8 - \$10 million; and

WHEREAS the Department of Commerce and Economic Development requires that each project be individually evaluated for its economic feasibility; and

WHEREAS salmon enhancement facility construction and operation loans to the various qualified regional aquaculture associations are secured by the Salmon Enhancement Tax and/or voluntary assessment as per AS 16.10.540;

BE IT RESOLVED that the goals of the salmon enhancement programs can be best accomplished by the availability of additional funding, loaned on the basis of individual merit, for construction and operation of salmon enhancement facilities.

FURTHER RESOLVED that the Alaska Fisheries Council strongly recommends to both the Governor and the Legislature that they pass and approve legislation removing the limit on the salmon enhancement facility construction and operation loans guaranteed by the salmon enhancement tax and/or voluntary assessment under AS 16.10.520;

COPIES of this resolution shall be sent to the Governor of the State of Alaska and all members of the Senate and House of Representatives of the Twelfth Alaska State Legislature.

Adopted by unanimous consent of the Alaska Fisheries Council on March 18, 1981.

3/27/81

RESOLUTION

Relating to Salmon Mark-tagging

BE IT RESOLVED BY THE ALASKA FISHERIES COUNCIL, OFFICE OF THE GOVERNOR:

WHEREAS the Alaska Fisheries Council has reviewed the status of Statewide planning for a comprehensive juvenile salmon mark-tagging program and companion mark-recovery effort on adult salmon; and

WHEREAS this program, directed by the Department of Fish and Game in conjunction with the private hatchery sector, is designed to build a comprehensive system for evaluating and managing both hatchery and wild stocks of salmon throughout the State; and

WHEREAS this cooperative effort involving all three fisheries divisions in the Department, interfaces with the coastwide salmon marking and mark-sampling programs in Pacific Northwest states, the Province of British Columbia in Canada, as well as the Pacific Fisheries Management Council, and North Pacific Management Council; and

WHEREAS the State of Alaska had made a major commitment to rehabilitate and rebuild depressed salmon runs through a significant hatchery development and enhancement program along with renewed aggressive management of wild stocks; and

WHEREAS it is imperative to have an effective evaluation system that provides detailed scientific knowledge of the migration patterns, timing of runs, areas of stock mixing and stock separation, harvest and interception rates of the stocks and runs of salmon concerned;

BE IT RESOLVED that this goal can be best accomplished by a coordinated mark-tagging and mark-recovery program that addresses the full scope of salmon fishery needs in the State including commercial, sport, and subsistence harvest allocations, seasons, and location of openings;

FURTHER RESOLVED that the Alaska Fisheries Council fully supports this coordinated mark-tagging and mark-recovery program and strongly recommends to both the Governor and the Legislature that they support and approve the special funding request by the Department of Fish and Game to implement this program;

COPIES of this resolution shall be sent to the Governor of the State of Alaska and all members of the Senate and House of Representatives of the Twelfth Alaska State Legislature.

Adopted by unanimous consent of the Alaska Fisheries Council on March 18, 1981.

3/27/81



STATE OF ALASKA
OFFICE OF THE GOVERNOR
ALASKA FISHERIES COUNCIL
MEMORANDUM

TO: The Honorable Terry Gardiner
Member, Alaska Fisheries Council

FROM: Curt Kerns, Chairman *K*
Alaska Fisheries Council

SUBJ: Activities of the Alaska Fisheries Council

DATE: March 31, 1981

AFC Mtg. 1980 Hatch. Stat. On March 18, 1981, a meeting of the Alaska Fisheries Council was held in order to discuss several topics of concern to the Alaska Salmon Resources Development Program. Reports were given on the dramatic increases in hatchery performance: 10,000 salmon were produced by hatcheries in 1975 and 2.5 million in 1980. In addition, this last season, over 300 million eggs were taken; an achievement that will insure the continued rapid but reasoned growth of hatchery production.

Enhancement Tax Vote The three regional associations affected by the adverse ruling on the mandatory assessment vote all reported that the vote on the salmon enhancement tax developed by the Speaker of the House and the Alaska Fisheries Council in 1980, was favorable. The election has been officially certified. No court challenges have surfaced to date although that possibility does exist.

Loan Limit The present limit on the amount regional associations may borrow, secured by either the enhancement tax or voluntary assessment, is insufficient in some instances to construct a facility that achieves all the economic efficiency possible. Remote site major facilities presently cost \$8 - \$10 million if a hydro-electric power plant is included. It was stressed that the Department of Commerce and Economic Development already requires that all projects are evaluated on their individual economic feasibility. It was resolved by a unanimous vote of the Council that the Governor of the State of Alaska and the Alaska State Legislature be advised that legislation removing the loan limit for salmon enhancement tax or assessment for secured loans be removed.

Coordinate Mark/tag Program Alaska currently has 2 federal, 22 state and 13 permitted private hatcheries, many of which are marking salmon in order to better assess common property fishery contribution and fish cultural techniques. In addition, the Commercial Fisheries Division of the Alaska Department of Fish and Game, has several programs to mark native runs and tag returning adults. Marking, tagging and the necessary recovery efforts are not providing all the information that could be garnered to management and hatchery biologists. A coordination of efforts would offer benefits to all concerned entities, especially the resource.

March 31, 1981

Resolution It was resolved by a unanimous vote of the Alaska Fisheries Council that the Governor of Alaska and the Alaska State Legislature be advised that legislation creating a coordinated mark/tag and recovery program be supported and passed.

Lake Fertilization The central discussion of the meeting continued around the lake fertilization programs of British Columbia and Alaska. Dr. John Stockner, the head of the Canadian project for the past four of its eleven years, reported on his program. While cautioning us that as we are dealing with the vagaries of nature and, consequently, may never know as much as we would like to, Dr. Stockner did express continued optimism. The objective of the Canadian program is to develop, within 5 years, a "handbook" on lake fertilization that can be used by the equivalent of our Area Management Biologists. The manual would enable the local fisheries managers to decide, and where warranted, order fertilization of sockeye producing lakes. The central program will then be dissolved. Dr. Jeff Koenings of the F.R.E.D. Division, A.D.F. & G. reported on the Alaska program. While only one lake has been fertilized as yet, several more will be treated in the near future.

It was concluded that lake fertilization, especially when used in conjunction with other methods such as fry stocking, barrier fall removal etc., etc., offers significant promise in some instances to restore Alaska's generally depressed (outside of Bristol Bay) sockeye fisheries.

A.C. Film Recently a film depicting Alaska's investment and progress in agriculture development was produced and shown. The widespread favorable response the film has generated has prompted the Alaska Fisheries Council to proceed on an analogous film on Alaska's Salmon Resource Development Program. It was moved by a unanimous vote that a Request for Resolution Proposal be drawn up and issued to produce a film depicting Alaska's need for investment in its salmon industry. Assistance from several Council members was volunteered and will be coordinated through the Special Projects Office, Office of the Governor. Costs for the production of the film are unknown, but it was felt that the Alaska Fisheries Council FY 80/81 budget would cover the majority of the expenses.

A.C. Workshop On March 19 and 20, 1981, a workshop on Salmon Ranching was conducted at the University of Alaska, Juneau. Over 30 persons, twice the expected number, attended the meetings which were sponsored by the Alaska Fisheries Council and the Alaska Sea Grant College Program. The objectives of the workshop were to bring PNP program members up to date in PNP program changes, hatchery loans, new fish disease regulations, broodstock maturation and remote site egg take successes of 1980, incubation and fry feeding techniques, estuarine monitoring, the proposed coordinated mark/tag and recovery program. A second objective was to acquaint PNP program members with each other as they had previously not gathered together. Two Juneau hatcheries were also toured.

Judging by the very favorable comments made, the high level of interaction that occurred and the absence of just two permit applicants, (all permit hatchery operators were present), the workshop met its objectives.

MEMORANDUM

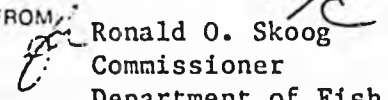
State of Alaska

TO: Ronald Lehr
 Director
 Budget & Management Division
 Office of the Governor

DATE: March 20, 1981

FILE NO:

TELEPHONE NO: 465-4160

FROM:  Ronald O. Skoog
 Commissioner
 Department of Fish and Game

SUBJECT: Budget Amendment

The Fisheries Rehabilitation, Enhancement and Development (FRED) Division requests an amendment to its FY 82 budget to include an additional \$1,208,800 for mark, tag, and recovery efforts Statewide. This hatchery evaluation effort will be a joint project of the three Fisheries Divisions and private nonprofit hatchery operators.

To put this request into perspective, a brief description of where we are now and where we are going follows:

Voters of Alaska have approved salmon enhancement bonds approximating 80 million dollars. FRED Division operates 17 hatcheries throughout the State and will operate three more before the end of FY 82. The total operational egg capacities for these 20 facilities will be 624.5 million. Additionally, the Legislature established the Private Nonprofit (PNP) Hatchery Program. Since the inception of the PNP Program, 12 PNP salmon hatchery permits have been issued. Permitted egg capacities of these is about 185 million eggs.

Enhancement programs are now demonstrating large scale salmon production resulting in millions of supplementally produced adult salmon. Supplemental returns now make up a significant portion of localized runs and will soon constitute a substantial part of the State's total salmon production.

<u>1980 Salmon Fry-Smolt Production</u>	<u>Releases</u>	<u>Returns (Prelim.)</u>
Southeastern - State	6,196,764	38,276
PNP	13,802,224	11,554
Southcentral - State	46,551,080	841,206
PNP	22,221,000	1,494,930
Total	88,771,068	2,385,966

Projected Adult Returns in 1981 -

Southeastern - State	76,700
Southcentral - State	620,600

Problem Statement

Rehabilitated salmon runs and new salmon runs produced by State and PNP facilities, while desirable, may present new problems that must be dealt with. These include commercial, sport, and subsistence harvest allocations, seasons, and location of openings. To perpetuate the strengths of the wild stocks and the effectiveness of the enhancement facilities, natural escapements and hatchery brood stocks must be maintained. We can only guarantee the most effective overall salmon fisheries program by gaining a more intimate knowledge of the stocks and runs involved. This can best be accomplished by a coordinated mark recovery program.

Problem Solution

Through a cooperative effort of the three Fisheries Divisions and the PNP groups, we have prepared a Statewide proposal that will allow the evaluation of each facility's adult salmon production, in addition to providing information concerning stock migration, timing, separation, and harvest rates. Fishery professionals and members of the PNP groups all agree that to do anything less would cause chaos in future program management. In addition, detailed marking provides knowledge regarding methods on improving production.

In order to obtain this information in 1982, 1,482,000 (PNP & State) fish in Southeast and 2,841,000 fish in Southcentral regions of the State must be marked. Numbers of fish that must be marked will increase as each facility reaches full design capacity.

Commercial, sport, and subsistence fisheries and the hatcheries' rack returns must be sampled to provide the data necessary to most efficiently manage the fisheries and the hatcheries and still protect wild stocks and ensure hatchery brood stock requirements. To be most useful to in-season management of fisheries and hatcheries, mark recovery and sampling information must be made available to managers in a timely manner.

In 1980, 19% of the coho catch and 33% of the chinook catch in the Southeast Troll Fisheries were sampled for coded wire tags (CWT). 6,441 heads were processed, and 5,275 CWT's were recovered. Of these tags, 29% were from Alaskan projects. As the number of marked releases increases, the number of fish actually sampled will increase, as will the number of tags that will be recovered and processed. In 1982, it is expected that in this same troll fishery, 2,704 tags will be recovered just from FRED Division's releases. In 1986, this number will be 5,804. These numbers reflect only projections for the Southeast troll sampling program. Seine and gillnet sampling effort throughout the State, as well as troll sampling programs in other areas of the State, will also be expanding rapidly. Considering the large number of facilities and stocks that must be monitored, a highly coordinated effort through a tightly structured team is necessary. The Department, in cooperation with the PNP sector, is determined to ensure that this effort is successful.

The Tag Recovery Lab will be located in Juneau in Regional office space. The lab will contain a large freezer for storing fish heads shipped from all over Southeast. The Lab will also house coded wire tag detectors, dissecting microscopes, and a micro computer. A Fishery Biologist III will serve as project leader and be responsible for the coordination of mark/recovery information. Technicians will actually remove tags from fish heads and read data. Included in the staff will be a Systems Analyst to design a system to efficiently store, edit, integrate, and retrieve the diverse mark, recovery, and sampling data for various analytical, management, and reporting purposes. This information will be used by all three Fisheries Divisions. An inter-Divisional team in Southeast Alaska is drafting a comprehensive proposal to establish the functional organization to ensure that a coordinated comprehensive mark/recovery program is instituted. The schematics of this proposed organization is outlined in Table 5 and Figures 1 and 2.

The following tables summarize budget information and marking locations and numbers. Recovery budget estimates are based on sampling 30% of the fishery.

Enclosures

cc: Janet Green

Table 1

MARK, TAG, AND RECOVERY
FY 82 BUDGET REQUEST

FY 82 BUDGET CONTAINED IN GOVERNOR'S REQUEST

Recovery

FRED	85.8
Comm. Fish	261.1
Sport Fish	250.0

Tagging

FRED (129.3 FRED; 84.9 PNP)	214.2
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Equipment (CWT Taggers)

FRED	285.0
------	-------

TOTAL PRESENT FY 82 REQUEST \$1,096.1

ADDITIONAL FY 82 BUDGET REQUEST - FRED DIVISION

For Budget Amendment

Southeast Recovery Lab	309.5
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Marking (FRED)	310.9
----------------	-------

Equipment (Price increase since initial request)	35.0
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Recovery

FRED	361.4
PNP	192.0

TOTAL ADDITIONAL REQUEST \$1,208.8

TOTAL BUDGET \$2,304.9

Table 2. Mark and recovery budget for FY 82 SE Alaska hatchery and fisheries evaluation.

	<u>100</u>	<u>200</u>	<u>300</u>	<u>400</u>	<u>500</u>	<u>Total</u>
FRED Marking	55.6	3.4	0.5	15.1		74.6
PNP Marking	31.9	5.0	2.6	11.8		51.3
CWT Machines (8)					160.0	160.0
Recovery						
FRED	68.1	4.1	5.5	2.7	7.1	87.5
CF	233.1	5.0	15.0	3.0	5.0	261.1
SF	57.9	2.9	839.7	.5	3.8	74.0
					Subtotal	708.5

Table 3. Mark and recovery budget for FY 82 SC Alaska hatchery and fisheries evaluation.

FRED Marking	252.1	21.6	31.0	50.4	10.5	365.6
PNP Marking	24.5	2.0	.0	7.1	.0	33.6
CWT Machines (8)					160.0	160.0
Recovery						
FRED	250.0	10.3	30.3	62.9	6.2	359.7
SF	146.7	2.2	9.5	15.1	2.5	176.0
PNP	40.0	4.0	-0-	8.0	140.0	192.0
					Subtotal	1,286.9

Table 4. Recovery Lab In Southeast

Lab	206.7	10.0	23.5	4.0	65.3	309.5
					Total	2,304.9
					*Already Requested	1,096.1
					TOTAL ADDITIONAL REQUEST	1,208.8

* Governor's Budget - FRED 585.0
 CF 261.1
 SF 250.0

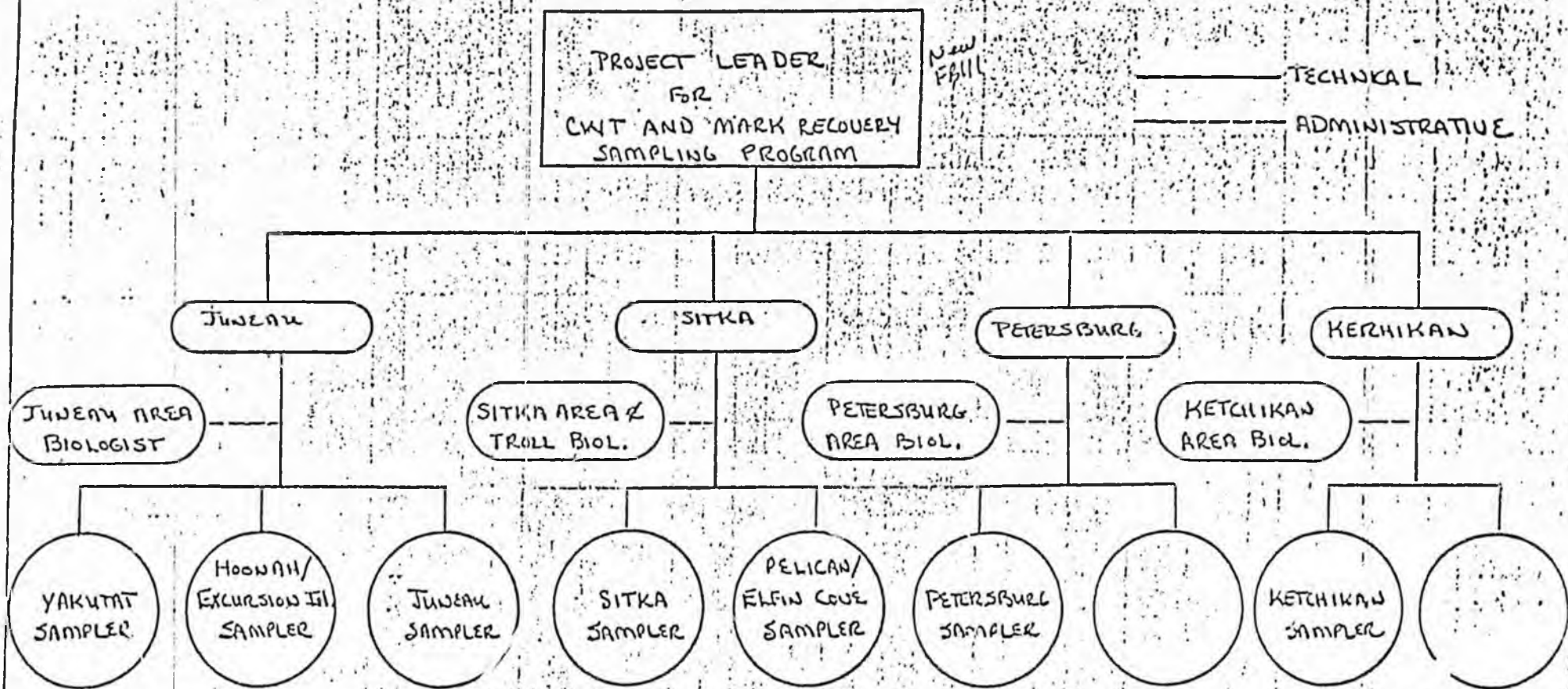
Table 5

Recovery Lab

Personal Services		206.7
FB III - Lab Director/Coordinator--Existing FRED budget		
FB III - CF Project Leader--Existing CF Budget		
FB I - Quality control		33.3
FT III - May to Dec (8 months)		18.7
FT III - Jun to Nov (6 months)		14.0
2 FT II's - Jun to Nov (12 months)		25.1
EDP Programmer IV		43.3
Data Entry Clerk III		26.1
Systems Analyst II		46.2
TRAVEL		10.0
CONTRACTUAL		23.5
Rent	11.9	
Computer	3.6	
Telephones	3.0	
Remodeling	3.5	
Misc.	1.5	
COMMODITIES		4.0
Remodeling	1.5	
Supplies	2.5	
EQUIPMENT		65.3
Freezer	30.0	
4 CWT detectors	28.0	
5 CWT holding jigs	.5	
2 calculators	.5	
5 dissecting microscopes	3.5	
Large magnet	.3	
Furniture	2.5	
	TOTAL	309.5

FIGURE 1

ORGANIZATIONAL SCHEMATIC FOR SOUTHEAST ALASKA COMMERCIAL HARVEST CODED WIRE TAG AND MARK RECOVERY SAMPLING PROGRAM



FISHERIES SAMPLED

SOLE	X	X	X	X	X	X	X
CHINOOK		X	X	X	X	X	X
COAST SALMON	X	X	X			X	X

NOTE: THE ABOVE SAMPLERS WILL BE USED ON A TIME AVAILABLE BASIS FOR OTHER COMMERCIAL HARVEST SAMPLING DUTIES.

FIGURE 2 - FUNCTIONAL ORGANIZATION OF ADFWG SOUTHEAST ALASKA REGION FISHERIES MARK/RECOVERY PROGRAM (ADF76-3/81)

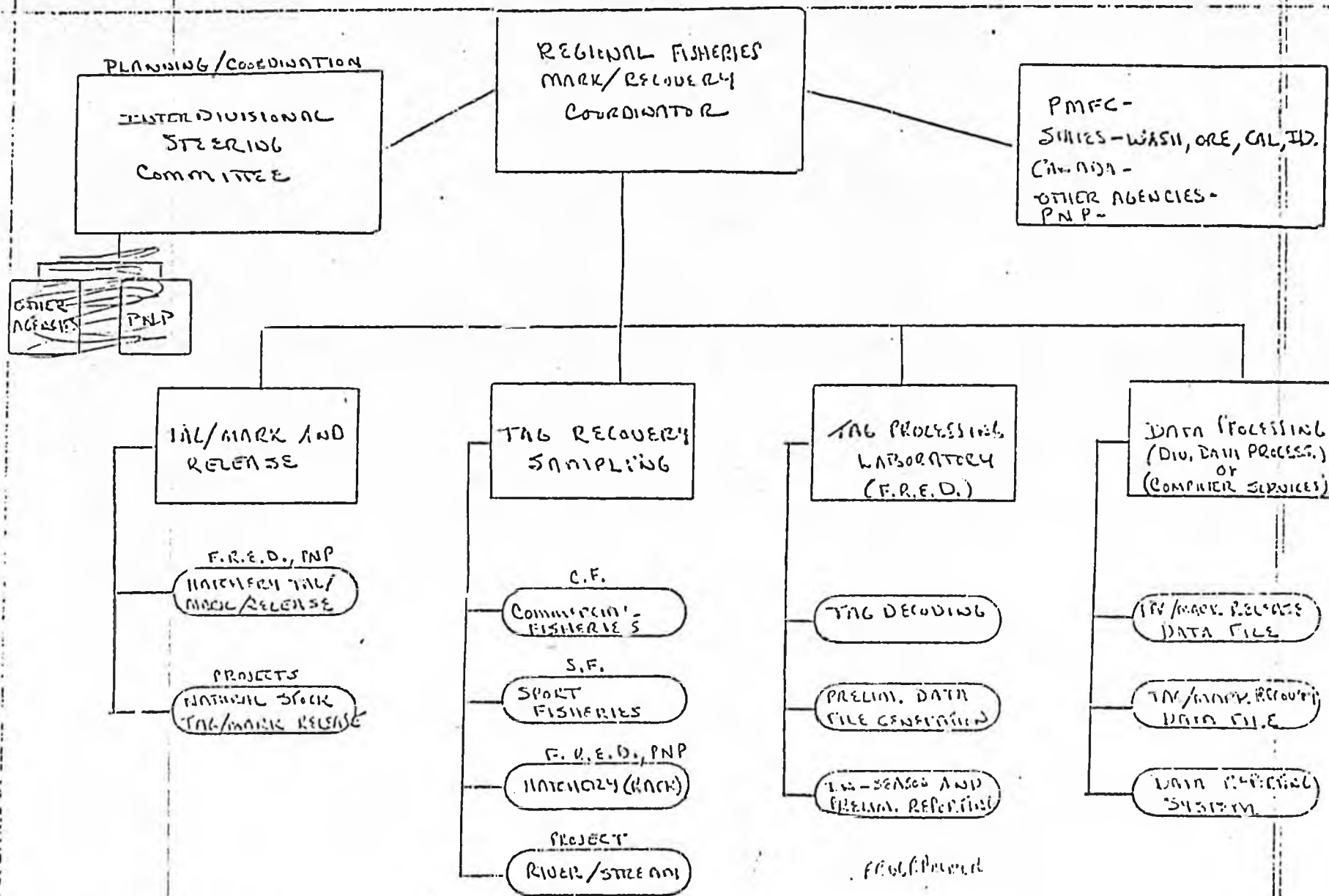


Table 6

Proposed Marking Plan and Budget Summary for FY 82

(\$ in thousands)

<u>Facility/Species</u>	<u>100</u>	<u>200</u>	<u>300</u>	<u>400</u>	<u>Total</u>
Beaver Falls					
100,000 chum	9.2		0.5	1.0	10.7
Crystal Lake					
100,000 king	7.4			1.2	8.6
25,000 coho	1.6			0.3	1.9
47,000 chum	4.4			0.7	5.1
	13.4			2.2	15.6
Deer Mountain					
100,000 king	7.4			1.1	8.5
25,000 coho	1.6			0.3	1.9
	9.0			1.4	10.4
Hidden Falls					
No king					
100,000 chum	8.6	2.8		4.8	16.2
Klawock					
25,000 coho	1.6			0.3	1.9
50,000 chum	4.8			1.7	6.5
	6.4			2.0	8.4
Snettisham					
50,000 chum	4.6	0.6		2.4	7.6
12,000 coho	0.8			0.2	1.0
50,000 king	3.6			1.1	4.7
	9.0	0.6		3.7	13.3
GRAND TOTAL	55.5	3.4	0.5	15.1	74.6
684,000 CWT's					
				+ 5 EA. CWT machines @ 20,000 ea.	100.0
				TOTAL	\$174.6

Table 7

PROPOSED MARKING PLAN AND BUDGET SUMMARY FOR FY 82 PRIVATE NONPROFIT

Facilities in Southeast Alaska

Facility	\$ in 1,000's				Total
	N/P 100	200	300	400	
<u>SSRAA</u>					
Chum-Diss. Cr. CWT 59,000	5.4	0.6	0.3	1.5	7.8
Carroll R. CWT 59,000	5.4	0.6	0.3	1.5	7.8
King-Unuk CWT 80,000	6.7	0.6	0.2	0.9	8.4
Coho-Indian R. CWT 25,000	(costs included w/kings)				
<u>NSRAA</u>					
Chum-mixed Single clip 50,000	1.1		0.2	0.7	2.0
Pink-mixed Single clip 50,000	1.1		0.2	0.7	2.0
<u>DIPAC</u>					
Chum-mixed Single clip 50,000	1.1		0.2	0.7	2.0
Pink-mixed Single clip 50,000	1.1		0.2	0.7	2.0
<u>Sheldon Jackson</u>					
Pink-Indian R. Double clip 50,000	1.4			0.3	1.7
Chum-mixed Double clip 50,000	1.4	0.3		0.5	2.2
Coho-mixed CWI 25,000 smolt	1.6	0.3		0.1	2.0
<u>Burro Creek</u>					
Chum-Single clip 50,000	1.1	0.5	0.2	0.8	2.6
Pink-Single clip 50,000	1.1	0.5	0.2	0.8	2.6
<u>AK Aquaculture</u>					
Pink-Single clip 50,000	1.1	0.5	0.2	0.8	2.6
Chum-Single clip 50,000	1.1	0.5	0.2	0.8	2.6
<u>Meyers Chuck</u>					
Pink-Single clip 50,000	1.2	0.6	0.2	1.0	3.0
<hr/>					
Subtotal: Marking Activities	31.9	5.0	2.6	11.8	51.3
Equipment Purchases to Accomplish Above:					
3 ea. CWT machines (complete) @ \$20.00 each					60.0
<hr/>					
TOTAL:					111.3

Table 10

SOUTHEAST RECOVERY

	<u>100</u>	<u>200</u>	<u>300</u>	<u>400</u>	<u>500</u>	<u>Total</u>
<u>FRED RECOVERY</u>						
Coastwide	68.1	4.1	5.5	2.7	7.1	87.5
<u>SPORT FISH RECOVERY</u>						
Ketchikan	9.5	2.3	2.5	.5	.2	15.0
Juneau/Yakutat	14.2	-0-	-0-	-0-	1.8	16.0
SE King	34.2	.6	6.4	-0-	1.8	43.0
	<u>57.9</u>	<u>2.9</u>	<u>8.9</u>	<u>.5</u>	<u>3.8</u>	<u>74.0</u>
<u>COMM FISH RECOVERY</u>						
Troll Fishery	233.1	5.0	15.0	3.0	5.0	261.1
					TOTAL.	422.6

Table 9

SOUTHCENTRAL RECOVERY

	<u>100</u>	<u>200</u>	<u>300</u>	<u>400</u>	<u>500</u>	<u>Total</u>
<u>FRED Recovery</u>						
Big Lake	60.2	4.4	2.8	27.4	-0-	94.8
Halibut Cove -						
Sport Fish	22.7	0.5	3.3	5.7	1.9	34.1
Comm. Fish	22.7	0.5	3.3	5.7	1.9	34.1
Beluga -						
Fritz Creek	16.0	-0-	1.0	4.6	1.4	23.0
Leisure	13.0	-0-	1.5	1.5	1.0	17.0
Cannery	6.7	0.6	5.0	1.2	-0-	13.5
Sikusuilag - 0						
Kitoi	21.2	2.2	1.7	3.0	-0-	28.1
Tutka	35.7	0.9	2.9	5.4	-0-	44.9
Kasilof -						
Smolts	30.5	0.2	2.9	3.9	-0-	37.5
Big Lake and						
Crooked Creek	8.4	0.0	0.9	1.0	-0-	10.3
Karluk	12.9	1.0	5.0	3.5	-0-	22.4
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Subtotals	250.0	10.3	30.3	62.9	6.2	359.7
PWSAC						
Equipment -						
Traps, Sonar						
PNP Recovery	40.0	4.0	-0-	8.0	140.0	192.0
<hr/>						
<u>Sport Fish Recovery</u>						
Deshka	74.4	2.2	5.5	6.9	-0-	89.0
Kenai	72.3	-0-	4.0	8.2	2.5	87.0
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	146.7	2.2	9.5	15.1	2.5	176.0

Table 8

Proposed Marking Plan and budget Summary for FY 82

	SOUTHCENTRAL					Total
	100	200	300	400	500	
(\$ in thousands)						
<u>FRED Marking</u>						
Big Lake CWT & Clips 260,000	11.0	-0-	1.0	3.0	-0-	15.0
Jewel Lake) Quartz Lake)> CWT & Clips 150,000	5.4	-0-	0.2	1.9	-0-	7.5
Halibut Cove CWT & Clips 50,000	4.0	-0-	0.0	1.4	0.1	5.5
Beluga Lake) Fritz Creek)> CWT & Clips 25,000	2.0	-0-	-0-	0.7	0.1	2.8
Whittier CWT & Clips 90,000	2.4	-0-	-0-	0.8	0.1	3.3
Seward CWT & Clips 25,000	7.8	-0-	0.9	1.8	0.2	10.7
Cannery Creek CWT & Clips 224,000	14.9	1.6	2.5	3.0	0.5	22.5
Main Bay CWT & Clips 126,000	23.8	1.4	2.0	4.0	0.5	31.7
Sikusuilag CWT & Clips 160,000	14.6	0.8	-0-	1.2	-0-	16.6
Russell Creek CWT & Clips 136,000	19.5	14.4	-0-	0.2	-0-	34.1
Kitof CWT & Clips 240,000	23.1	1.0	1.2	5.9	-0-	31.2
Tutka CWT & Clips 105,000	32.8	0.3	2.7	5.1	-0-	40.9
Kasilof CWT & Clips 480,000	35.0	0.5	4.0	3.2	-0-	42.7
Fast Creek CWT & Clips 280,000	23.0	0.6	4.9	8.2	8.0	44.7

Table 8 Continued.

Karluk (fry mark & recovery) CWT & Clips 140,000	23.0	0.5	5.1	5.5	1.0	35.1
Karluk (smolt tag & recovery) CWT & Clips 50,000	9.8	0.5	6.5	4.5	-0-	21.3
Equipment (CWT)					160.0	160.0
Subtotal	252.1	21.6	31.0	50.4	170.5	525.6
PNP Marking CWT & Clips 300,000	24.5	2.0	-0-	7.1	-0-	33.6
						559.2

Table 11

New Permanent Full Time Positions Requested
for Mark, Tag, and Recovery

FRED

Fish Biologist I - Lab
EDP Programmer IV - Lab
Data Entry Clerk III - Lab
Systems Analyst II - Lab

COMM FISH

*Fish Biologist II - Troll Recovery
*Fish Biologist I - Troll Recovery

New Seasonal or Non Permanent Positions Requested
for Mark, Tag, and Recovery

*Cc . Fish - 22 seasonal or non perm positions for 62 months
*Sport Fish - 25 seasonal or non perm positions for 89 months
**FRED - 125 seasonal or non perm positions for 370 months

* Included in Governor's FY 82 Budget Request

** 47 seasonal and non perm positions included in Governor's FY 82 Budget
Request

HALIBUT PRODUCERS COOPERATIVE

TELEPHONE 733-0120

(AREA CODE 206)

P.O. BOX 1235
BELLINGHAM, WASHINGTON 98225

March 25, 1981

The Honorable Jim Duncan
Speaker of the House
Pouch V
Juneau, AK 99811

Dear Sir:

Regarding a requested amendment in S.B. 200 to include sablefish.

We have been asked the Question: Why do we wish sablefish included in S.B. 200, which initially specified salmon?

The answer is complex, but not insoluble. It is our contention that fishing vessels should be allowed to freeze, instead of ice, their catch, providing they deliver the partially processed fish to a licenced seafood processor. We do not include fishing vessels who intend to freeze, package, fillet or process with the ultimate goal of selling their fish to a non-licenced processor.

Freezing on board fishing vessels, instead of icing, is not exactly new. The foreigners have been doing it for 2 decades. American vessels have frozen, instead of iced, albacore, salmon, halibut and lately sablefish for about 15 years. The Department of Revenue, who seems to be the prime mover of recent decisions to outlaw this practice, had formerly acknowledged, through Audit Division Office Supervisor Richard Kirkland, that "vessels, "freezing instead of icing does not bring a fishing vessel under the application of the law related to 'Freezer Ships and Other Floating Cold Storages'". [see enclosed correspondence]

Recent decisions within the Department of Revenue [see Patty La Pierre letter] changed all that...thus the reason for S.B. 200.

Freezing the catch on U.S. fishing vessels, instead of icing, is desirable and attractive for several reasons. 1) improvement of seafood quality. 2) More fishing time on the grounds. 3) The ability to rove farther from processing plants, into fishing grounds formerly exploited only by foreigners, who have freezerboats as a matter of necessity because of the distance from market.

Since few reasons exist why the above objectives are not desirable and compatible with the state of Alaska's goals to both increase production and improve quality on certain underdeveloped bottom species, we suggest that this legislature closely examine present trends at Department of Revenue, and those trends effects upon an

emerging, but struggling, bottomfish industry.

We suggest that a distinction be made between freezer [fishing] boats who intend to freeze their catch instead of icing, and then delivering the semi-processed fish to a licenced processor, who then completes the processing and pays the severance tax; and the fishing vessels who freeze their catch for the purpose of selling it to other than a licenced, tax paying processor, or vessels who actually do more than heading and gutting, who actually fillet, package, or steak on board. We suggest the first be called freezer boats, and the second fall under the heading already used by the Department of Revenue, Freezerships or Floating Cold Storages.

The freezerboat would not be allowed to purchase fish from others and there would be no avoidance of the raw fish tax, where applicable, since his catch would be taxed at the point of delivery. Nor would the freezerboat be liable to the Department of Labor for bonds, ect., because his crew are actually contractors, working on a boat share basis. In our opinion, creation of such a category within the Alaska Statutes would be a vital house cleaning measure and lay the way to development of a small fleet of vessels capable of producing a high quality product capable of meeting the challenge of foreign competition. Regardless of the stance taken by the Department of Revenue and the Legislature, freezing on board fishing vessels is here to stay, and we can expect this problem of forcing fishing vessels to become "floating cold storages", which in no way do they wish to do, to become an ongoing situation as the fleet modernizes and attempts to exploit bottomfish which do not lend themselves to rough and prolonged handling.

It is out contention, then, that freezerboats should not fall under the application of Chapter 75, Section 43 of the statutes.

Regarding the sablefish, specifically, and why S.B. 200 should include this species in addition to salmon, we offer the following:

At the present time no substantial domestic market exists for many species of American-caught bottomfish. Reasons for this vary. One, which is being widely published in today's trade publications, is the quality of American products cannot compete with those of both Canada and foreign production. Sablefish, unfortunately, falls into this category. As an example, we offer the following scenario.

One of the major consumers of sablefish is Japan. The Japanese have long fished sablefish in the Gulf of Alaska, froze the fish on board, and pioneered a reputable market for the fish in Tokyo. During the infamous sablefish bust of 1980, some of our more progressive members discovered that, although U.S. cold storages were bulging with unsold sablefish, the Japanese were frantically searching for American sablefish which would meet their quality standards. Naturally, such a paradoxical situation required intensive investigation. The simple explanation was, that U.S. fishing vessels and processing standards did not "measure up" to Japanese market requirements.

The outcome of this situation was a quiet experiment. About 100 metric tons of sablefish would be caught by Alaska Longline Fisherman's Association (ALFA) members and the fish would be processed in the new Halibut Producers Cooperative (HPC) Sitka Plant, all under the technical supervision of a representative of the North Pacific Longline-Gillnet Association of Tokyo. Not one single Alaskan state petrodollar was involved in the test fishery, or the test marketing that followed in Japan.

One of the provisions of this test was that the fish be iced no longer than 5 days, half the time an ice boat had previously held its catch before delivering.

The experiment, as far as consumer acceptance in Japan was concerned, was a success. The NFLGA would like very much to obtain more of this product in 1981, since their own vessels can no longer supply the demand since being eliminated from Area 2 in southeastern two years ago by the NPMFC.

So, what's the problem? Why don't our boats simply continue to fish 5-day trips, deliver to the Sitka plant, and everyone is happy. Economics! Sablefish is a low-priced product, and in competition, by the way, with Canadian sablefish and the Japanese freezerboats production. In short, the price on the consumer level in Japan is fixed.

Reducing a fishing trip by 50% timewise creates additional costs. Twice as much running time and expensive fuel is required. The vessel must be unloaded, washed down and reoutfitted twice as often. Normally, several days are required when first out on a fishing trip to locate the fish. This alone can wreck a 5-day trip, as opposed to a 10-trip. Yet, sablefish does not allow itself to be held in ice for longer than 5 days and still meet the high quality standards necessary to tap this important market, which could possibly absorb up to 3 million pounds per year.

What are the answers? We wish we knew. One alternative, of course, is to head, gut and freeze the sablefish on the fishing vessel at sea. Several of our members are so equipped, and more are interested in installing refrigeration.

Sea frozen sablefish is what the Japanese wish they could buy from the U.S. The Japanese marketplace has already become accustomed to such a high quality product.

So, why don't U.S. vessels simply install freezers and become licenced fisheries businesses? Oh, were it only that simple. A deluge of red, blue and violet tape is necessary for a small fishing vessel to meet the requirements of the 4 different agencies in Alaska to become legal seafood processors under Chapter 75, Section 43. The Department of Revenue, Labor, Natural Resources and Fish and Game are all poised waiting with wheel barrow loads of forms and bonds. Fishing vessel operators do not wish, nor have time to comply with such requirements, and should not rightly have to do so. This is in the realm of the Processor, with his staff of secretaries and ect. It is possible, but not practical, for small boats to become

Licensed Fisheries Businesses.

This is an unfortunate situation. Rather than run the gauntlet and expense of becoming a seafood processor, most fishing vessels will decide it is both simpler and probably more profitable, to keep their vessels tied to the dock, the status quo for most of the Alaskan fleet throughout most of the year during these hectic times.

Meanwhile, the Japanese, and Canadians may well be left alone out there to continue harvesting Pacific northwest stocks of sablefish, cod, rockfish, and other species whose delicate flesh simply cannot stand the long haul involved to market, and still meet modern quality standards.

We suspect there are a lot of American consumers who might also be willing to purchase high quality bottomfish also, if only they had an opportunity to learn the difference?

We sincerely hope this information provides you with the necessary knowledge and background to accomplish this formidable, but necessary task, of eliminating state roadblocks to becoming competitive. The question of avoiding the raw fish tax is beside the point. The tax should be paid at the point of delivery, not forced upon fishermen who only wish to upgrade their products so they can continue to operate.

If you have additional questions, we would be glad to supply them if possible.

Sincerely,

F.E. Caldwell

F.E. Caldwell, Director

cc: HPC office

Enclosures: 3

HALIBUT PRODUCERS COOPERATIVE

TELEPHONE 733-0120

(AREA CODE 206)

P.O. BOX 1235
BELLINGHAM, WASHINGTON 98225

3/13/81

Representative Terry Gardner
Room 118
Pouch V
State Capitol
Juneau, AA 99811

Dear Mr. Gardner:

Thanking you for your attention regarding my efforts to change the status of freezer boats with the Department of Revenue. I hope the paper regarding the same explained what I am attempting to do was useful.

Enclosed is a copy of a letter to Mr. Jenkins which is self explanatory. If an answer is forthcoming, this will certainly help for fishing offshore waters, but will be of no use for fishing and freezing in Chatham Straits during the sablefish fishery there in the summer and fall.

Also enclosed are copies of letters from R. Kirkland which I assumed were the policy of the Department at that time. What do you suppose caused them to change? Pressure by the processors such as Cliff Phillip, I would venture to guess.

If I can be of any more assistance to you on this issue I can be reached at 206-457-3009, or 1335 W. 11th. St., Port Angeles, WA 98362.

Since we supported the UFA resolution to lower the raw fish tax 1%, instead of supporting repeal, I would appreciate any future information on the status of that bill.

Warmest regards,

Francis E. Caldwell
HPC Director

March 13, 1981
P.O. Box 406
Sitka, AA 99835

Audit Division
Department of Revenue
Pouch SA
State Office Bldg.
Juneau, Alaska 99811

Gary Jenkins, Office Operations Supervisor

Dear Gary:

Regarding our discussion in your office at 8 o'clock, March 11 regarding freezerboats operating outside state waters, then delivering a partially processed frozen product to a processor plant within the state.

You promised to supply me with a letter which would, in effect, state that any fishing vessel which possessed the proper licences and permits to fish, could do so, freeze the catch on board, then enter Alaska state waters and deliver the partially processed fish to a licenced Alaskan shore-based processor, who would subsequently be subject to paying the raw fish tax instead of the fishing vessel.

Such a fishing vessel would, then, be exempt from paying the tax and the provisions of becoming a licenced Alaska Seaf Processor.

Regarding your concern about collecting raw fish taxes in the event such a vessel delivered sea-frozen fish to an unlicenced buyer on shore who attempted to avoid the raw fish tax by not being a licenced Alaska Fisheries Business, I think this is a rather remote possibility, at least in southeast Alaska. You must consider that should this situation occur, it would not be unique to freezer boats, i.e., [fishing vessels who freeze, instead of ice their catch].

The identical situation could occur in regards to iced fish or live clams, ect., which could be boxed up and shipped, I suppose, out of the state illegally on an airplane. Since dock facilities where such a product could be unloaded with conventional hoist equipment is virtually nonexistent in southeast Alaska, I doubt if anyone would be willing to pack enough product by hand up the dock to allow this to ever become a serious loss of revenue to the state. Besides, this is an enforcement problem, not one which should affect fishermen who are honestly attempting to upgrade their catch by freezing the simi processed product at sea.

Yours truly,

Francis Caldwell
Francis E. Caldwell

c.c: Senator Richard Eliason and Representatives Terry Gardner and Fred Zharoff.

HALIBUT PRODUCERS COOPERATIVE

TELEPHONE 733-0120

P.O. BOX 1235
BELLINGHAM, WASHINGTON 98225

AREA CODE 2061

March 12 1981

My name is Francis E. Caldwell. I represent the Halibut Producers Cooperative, which consists of 450 producing fishermen. In 1980, the Co-op invested \$4.5 million in a new plant at Sitka, which would indicate that our members had considerable faith in both the State of Alaska and its seafood industry's future. It is of interest to note that this investment was made during a time when the Alaska seafood processing industry was disintegrating.

I wish to address here the raw fish tax levied upon every pound of fish landed, or exported in the round from the state. According to our records, the Co-op paid the following tax in 1979, the last year for which records are available:

<u>Species</u>	<u>% Rate</u>	<u>\$ Amount</u>
Gillnet salmon	5	9,514.00
Troll "	3	189,978.00
Halibut	3	15,526.00
Sable	1	<u>175,00</u>
	Total	215,193.00
Projected for 1980.....		200,000.00 - 300,000.00

While first to concede that taxes are a necessary function in responsible state and government operation, the fact remains that there are good and bad, as well as fair and unfair taxes. We believe this tax to be bad, unfair, repressive and regressive. It is our suggestion that it either be eliminated altogether or drastically reduced to no more than \$.01 per pound.

The idea of taxing based upon the gross instead of net profit we believe an unsound business principle. In many ways the raw fish tax reminds us of toilet tissue. Certainly you will agree that both are sometimes applied to a rather sensitive area, one to the anatomy; the other to the economy. Tissue, however, is applied correctly, after the fact; while the raw fish tax is

wrongly applied before the fact, the fact of showing any profit whatsoever. In today's somewhat shaky economic climate, or at any other time, it seems somewhat repressive to require a large percentage of tax from a company or corporation which may be a supporter of a community, yet show a net loss. I'm sure, for example ~~Brown~~^{Kodak} Corporation, if taxed on their gross instead of their net profit, would show somewhat of a different stock dividend.

Several Alaska seafood corporations have recently experienced serious financial troubles during the same time the state has instituted the ARRC and pumped state funds back into bloodless veins. Has anyone investigated the effects the raw fish tax had on the demise of these companies?

Washington state recently increased their raw fish tax to 5% on salmon and 3% on bottomfish, and both industries are at an all time low, with many bottomfish operations closed because they are unable to compete with Canadian fishery products. If Alaska either repealed or lowered their tax, would this not be an incentive for additional deliveries of fish into the state?

According to President Reagan's economic advisers, reducing taxes stimulates the economy, creating additional national gross production. The results are supposed to be an upturn in the economy, employment and products available for export.

With state coffers bulging with revenue, it seems like an unnecessary burden to place upon an industry which the state professes seeing stabilized.

It seems apparent to this Co-operative that the economics of operating a plant in Alaska need every consideration possible by responsible legislators, or the list of casualties may grow, and you can bet your last underground petrodollar on that!

Francis E. Caldwell
Director, HPC
1335 W. 11th. St.
Port Angeles, WA. 98362

Francis E. Caldwell
1355 W. 11th St.
Port Angeles, WA 98362

DEFINATION OF A FREEZER BOAT

Something isn't right in the Alaska Fisheries Business Statutes, and that bothers me as a freezer boat owner and fisherman. The problem has plagued me for several years, but recent decisions by the Alaska Department of Revenue have brought out my indignant blood. The intent of the statutes is having a detrimental effect upon development of a struggling, fledgling white fish industry, and may actually prevent a top quality product from being harvested in the isolated areas in the Gulf of Alaska and the Bering Sea.

One arm of the state is apparently mothering this struggling and undeveloped fishery, while another is attempting to strangle a portion of it, in a kill and cure scenario which should never have happened.

If there is a villain in this plot, the blame must lie with Alaska's lawmakers who have such a jumble of statutes on the books regarding freezer ships and floating cold storages many of the lawmakers themselves become hopelessly frustrated when attempting to answer specific questions about the same. But the agency wielding the club is the legislature's right arm, the Department of Revenue, in this case Office Operations Supervisor, Audit Division Gary Jenkins, a man so knowledgeable in fisheries matters that he admitted at a Seattle hearing a few months ago on the raw fish tax that he didn't realize that some salmon trollers in Alaska were freezing instead of icing their catch on board--a practice now old enough to have grown moss.

About 1964, Canadian trollers fishing in the Gulf of Alaska found the long run to market in Prince Rupert prohibitive, and some of them installed air blast refrigeration so they could stay on the fishing grounds until they were either full or sick of it. Through a trial and error method, these pioneers soon arrived at a good way to handle frozen salmon on board. If the refrigeration system was adequate, and the operator conscientious about quality, the results were spectacular. Buyers liked the fish and paid a premium price. American fishermen began to do likewise. A few also froze halibut and sablefish, but the main product sea frozen was troll salmon.

No one ever questioned the legality of this practice. After all, the vessel was licenced and had a permit, and was only freezing instead of icing his catch. Then suddenly, and I have no idea why, the poverty stricken state of Alaska decided to collect the "severence tax" on these vessels. This first came to the attention of Richard Kirkland at Audit about 1976. Kirkland looked at the facts and wisely decided that small fishing vessels freezing their catch instead of icing it, and then delivering to a shoreside processor, were not the same as a freezer ship, which was a vessel buying fish from other boats. In a letter to John Valentine, Department of Fish and Game, dated January 26, 1976, Kirkland said, in part, "Therefore, in my opinion, the fact that a fishing vessel preserves quality by freezing does not constitute freezership or floating cold storage operation, and the vessels described in the fact summary above would not be subject to the tax levied on freezerships."

With this professional opinion, everyone went back to breathing again, and freezing their catch. Another rumble about 1977 caused me to write Kirkland again, asking if freezing dressed salmon on board, instead of icing, was legal. In a letter dated March 11, 1977, Kirkland confirmed his former opinion: "...the simple act of freezing rather than icing does not bring a fishing vessel under the application of the law relating to "Freezer Ships and Other Floating Cold Storage operations."

Good man Kirkland. He understood the situation. But, like other
^ good men, he disappeared from the Audit Division, probably and hopefully to a better position. We wish him luck.

Meanwhile, the state's supply of petrodollars dropped below a trillion. Someone got excited and ordered a change of policy in Revenue. As of June, 1979, any vessel which freezes any fish on board, whether its a single herring for bait or 20 ton of eels, is a dad blame^d
^ freezer ship and liable for taxes, bonds, and all of the other paperwork, enough to fill a sea chest.

Let me set something straight. I am not advocating that a freezer ship should avoid taxes. I am not advocating that a freezer boat should avoid paying his share of the taxes. I understand about 10% of those taxes go to the cities in what ever area they were collected. I do think the present raw fish tax is exorbant at 3%, and I do think placing a tax on the front end of an operation is regressive, because whether or not that business is showing a profit or not, it still has to cough up pennies for the poor state of Alaska, which is^{not}
^ as it should be. We all know how hard the state of Alaska has worked and all the

money they have poured into species such as sablefish, Pacific cod and other underutilized species, sic!

What I am advocating, is that the intent of the vessel operator has never been addressed by the state. If a vessel freezes its catch, instead of icing it, this is only partial processing, and if the vessel delivers to a shoreside processor in Alaska, where his fish will be unloaded, graded, reglazed, boxed, ect., and the shoreside processor pays the fish tax, the vessel should not be subject to being licenced as an Alaska Fisheries Business, with all of the affidavits, bonds, intent to operate forms, more bonds, tax surities, more bonds, ect. This sort of operation should be called a freezer boat, not a freezer ship. No one calls a fish boat a fish ship!

Now, if this same freezer boat decided that he can circumnavigate the Alaska seafood processors, sell his frozen catch outright to Joe Blow or some grocery store, or if he thinks he could make a better deal by hauling his fish out of the state and selling them elsewhere, I agree, he should be subject to the Alaska Fisheries Business Tax, and his operation should be called a "Freezer ship".

The size of the vessel is immaterial. A 140-foot longliner freezer ship that blasts his fish and protects them with glaze until they are landed at an Alaskan processor, who then assumes the tax, should not be subject to having to obtain an Alaska Fisheries Business Licence. If that same vessel freezes and delivers outside the state, or delivers to other than a processor, he then, of course should pay the tax.

This isn't to say that any vessel which does any more than

partial processing, gutting, heading and glazing, shouldn't be subject to the tax. Any filleting or packaging should be classed as processing.

The way it is now, a freezer boat which delivers its catch to a shoreside processor is subject to the tax, yet the processor is also subject to the tax, and fishing boat captains have too much to do to stand on the dock in the rain arguing who's to pay the tax.

Canada has already weighed the freezer boat problem. Deciding that the quality products they produced were worthwhile, semi-processing is encouraged on board fishing vessels. They do not either pay a tax or are they subject to red tape, special licences, ect. B. C. has many freezer trollers, a few longliners and pot fishing vessels engaged in sablefish and prawns, and a new trend is freezer seiners. The Prince Rupert Fishermen's Cooperative Association recently built a new freezer trawler, the Callistratus.

Freezer boats have landed headed, gutted, frozen fish into Washington, Oregon and California ports for years without being subject to the treatment Alaska now intends. No particular licences are required in any of those states unless the vessel intends to sell its catch to other than a processor, then a Wholesale Retail Licence is required, and the tax is paid after the fact.

Alaska should take a fresh look at sea freezing fisheries products, especially now since a fresh emphasis has been placed upon quality, and since the price of fuel has reached levels where much running back and forth to distant processors has become a major operational overhead.

As long ago as 1974, at which time we built a new, 54-foot steel freezer boat, we have been looking objectively at freezing instead of icing as a method worthy of producing high quality. We came to the following conclusions regarding bottomfish in southeast Alaska: 1) The area has untapped stocks of under utilized species, mainly cod and rockfish, which both are ideal species both for longlining from a small boat such as ours and also lend themselves well to certain methods of freezing. 2) Because of logistics, distance from processors, the delicate characteristics of the flesh, ect. those species could only be of high quality if carefully handled, frozen on board and the vessel kept on the fishing grounds for long periods of time.

We have operated both as a freezer boat and as a freezer ship [definition mine] since 1974. We have frozen albacore, salmon, halibut, sablefish and rockfish fillets, and the vessel has been a Certified Processing Plant since 1978, although we did no on board processing in 1979 or 1980. I have been somewhat familiar with the requirements of being a "freezership" under the definition of Sec. 43.75.060 of the Alaska Statutes, but I must confess, after dozens of letters between myself and the Department of Revenue, I am still confused as to exactly what certain expectations of the State are.

Since I first attempted to longline, fillet, package and freeze rockfish fillets under the brand name "C" Frozen Products, in 1974-75, both in Alaska and off Washington, several other vessel operators have faced the question of maintaining high quality in whitefish, handled in the conventional manner, either

trawl caught, and iced in the round with the resulting smashing and deterioration, and longlining, heading, gutting, icing and ten or even 15 day trips on the grounds. Several of these men came to the same conclusion as I, that the quality necessary cannot be obtained in those 50-year-old conventional methods. In Europe and Japan, countries where meat counters consist of 9/10 fish and 1/10 meat, instead of the opposite in Canada and the United States, the quality of U.S. whitefish has long been deplored. This fact has now become of paramount importance as the U.S. fishery attempts to place American products with foreign wholesalers.

An excellent example of this was the pioneer experiment which was quietly carried out between the Alaska Longline Fishermen's Association, their Japanese counterpart, the North Pacific Longline-Gillnet Association and Halibut Producers Co-op's Sitka Plant. Known as the ALFA Project, this was an attempt to catch, ice and process sablefish suitable for the fastidious NPLGA's markets at the Tokyo Central Market at Tsukiji. ALFA members Orie Bell and Jake Phillips, using Albert Kawabe of Kawabe Trading Co., Inc. of Seward as a liaison man and interpreter, had been holding talks with the Japanese over a period of several years. Much to the Alaskans surprise, they learned that, even though U.S. cold storage plants were bulging with unsold sablefish after the market collapse of 1980, the Japanese were not interested because most of the sablefish was "junk" which the cautious Japanese consumer refused to accept.

The length^h of time the fish were held in ice was halved, the fish were dressed Eastern cut, which the Japanese wanted, and

--8--

the fish were processed under the watchful eye of an NPLGA representative at the HPC Sitka Plant. The experiment was a success. The fish were test marketed in Japan with excellent results, but the necessity of operating no longer than 5 days on an ice trip was a hardship on the vessels.

What the Japanese really wanted was sea frozen fish, which is of course what they are accustomed to from their own vessels.

At the present time, when the sablefish market is severely depressed in the U.S., with prices below \$.40 ex-vessel, there is a strong demand at prices twice or three times that for sea frozen sablefish. Take heed Alaskan legislators!

Very few freezer boats are interested in running the gauntlet at the Department^S of Revenue, Labor, Agriculture, Natural Resources and Health, simply to be able to freeze, instead of ice sablefish, and then still unload the partially processed fish at a shore plant, who could just as well pay the raw fish tax as the vessel.

My own experiences at maintaining quality in whitefish have been substantiated by other recent experiences:

Example: American NO.1, 160-foot trawler, costing \$7 million, operated one season, then returned to Seattle for sale. Reason? The owners claim the vessel is "too efficient for its own good." Operating expenses were too high for the \$.06 cents per pound product, and the vessel, "lacked an on-board processing plant to add value to their product. [1]

[1] Pacific Fishing, March/April, 1971, p.57.

Example: Barry Fisher, experienced whitefish man, insists that economics and quality regarding certain bottomfish species in Alaska will insure that those products are going to be processed on the fishing grounds, "for many years to come." [2]

Example: Seawest President Darryl Pedersen says: "the way to crack the frozen whitefish market is with scrupulous attention to quality." Pedersen also said: "if you don't have a factory catcher processor handy, longlining offers a means of catching adequate quantities and ensuring that each fish is handled individually so that quality is maximized." [3]

Oh Necessity, thou art indeed thy Mother of Invention.

Example: Trawler-crabber combos delivering to foreign floating processors in Alaska have almost unanimously concluded that some, "form of on board processing is necessary to add value to the product before it leaves the boat." [4]

Example: Pedersen again, "with price almost a secondary issue, what has to occur first is that buyers become convinced that the product fits their needs. Above all, whether you harvest your fish on a line or in a net, the minute you downgrade quality, you're dead." [5]

#

Perhaps, just perhaps, before the Great Alaskan Bottomfish Boom becomes the Bust, fishermen and processors may realize what the Europeans and the Japanese have known for decades--either you process the fish at sea while they're fresh, or you expect buyer resistance. Quality sells; quantity sits on the shelf unsold.

All by permission from Pacific Fishing, [2] p.56; [3] p.56; [4] p.57; [5] p.58. (1981) March, April issue.

Freezing at sea is no picnic. It's a lot of extra work and a headache, plus expense. I do not expect an increase in the number of small boats which are interested in freezing instead of icing, especially since the new stance at Revenue, although new freezer trollers are still being built. If only someone would explain to me how rockfish can economically be harvested and the quality maintained suitable for discriminate markets, or sablefish or any other bottom species, in some of the far flung remote areas of Alaska. where a 24 hour run to market makes at least a 10 day ice trip necessary, I wouldn't be interested in freezing.

Many freezer boats have become discouraged and are icing again. But when the Japanese and our own marketing experts tell us that they can get us over \$1 per pound for good quality frozen-at-sea sablefish, while regular processed sablefish set unsold in every cold storage on the west coast, this tells me something. And I sincerely hope that this article tells Alaska's legislators something also.

If I must, I will again surround myself with forms, bonds, affidavits and more bonds, and become an Alaska Fisheries Business, just to freeze, instead of ice, a few fish, which I intend to deliver to HPC Sitka Plant, who would be willing to pay the tax, if I hadn't been forced into doing so myself. After all, regardless of which pays the tax, it comes out of the fisherman's pocket.

And, again legislators beware: if my vessel becomes^S a legit processing plant, a whole new Pandora's box of shaman's paraphernalia will jump out of the devil's club to haunt your sleep. The law now states that no fishing vessel engaged in another fishery during the halibut closures of a respective season, shall have

any halibut on board. If my vessel is a licenced processor, I will have the same right to possess halibut or any other fish species on board as any shoreside plant. Won't that make law enforcement and the International Halibut Commission happy?

Editor's Note: Caldwell lived in southeast Alaska from 1950 to 1965, and has fished Alaska 28 years. In 1974 he built the 54-foot steel longliner/troller freezer boat, Donna C at Fort Bragg, California. Caldwell plans on moving back to Alaska in 1981, "so he can vote where he makes his living fishing."

Caldwell is the author of two books about commercial fishing, Pacific Troller and the Ebb and the Flood, the history of HPC. Various articles of his have appeared in regional and national publications, mostly about Alaska and commercial fishing. At present, Caldwell is finishing a 200-year history of the Lituya Bay area which will contain many photos of Lituya Bay, Jim Huscroft who lived on Cenotaph Island for 22 years and people who have been in the Fairweather Country, which will be the name of the book.

STATE OF ALASKA

DEPARTMENT OF REVENUE

JAY S. HAMMOND, GOVERNOR

POUCH SA - JUNEAU 99811

January 21, 1981

"C" Frozen Products
1335 W. 11th Street
Port Angeles, WA 98362

Dear Mr. Caldwell:

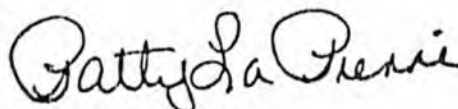
I have enclosed the Alaska Fisheries Business License Statute and a copy of the proposed regulations. The statutes and regulations will answer any question you may have concerning whether or not you are a processor.

The memorandum you referred to, from Richard Kirkland to John Valentine, is no longer in use. If a fishing vessel freezes the catch, it is considered to be a processor.

I have also enclosed current information on Non-Resident businesses which will answer your questions in that area.

An Alaska Fisheries Business License application will be sent when we receive the new forms.

Sincerely,



Patty LaPierre
Supervisor
Fisheries & Mining Tax Unit
Audit Division
(907) 465-2371

Enclosures

PLP:jg

STATE OF ALASKA

DEPARTMENT OF REVENUE

JAY S. HAMMOND, GOVERNOR

STATE OFFICE BUILDING

POUCH SA - JUNEAU 95811

March 11, 1977

Francis E. Caldwell
1335 W. 11th Street
Port Angeles, WA 98362

Dear Mr. Caldwell:

Re: Your letter of February 3, 1977

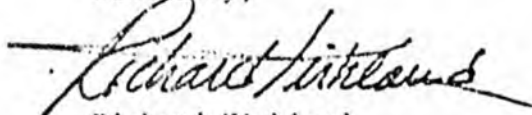
The question you propose has been reviewed and a position has been adopted.

As my earlier memo to Valentine stated, the simple act of freezing rather than icing does not bring a fishing vessel under the application of the law relating to "Freezer Ships and Other Floating Cold Storage" operations.

However, what you are proposing (filleting and packaging) comes under the existive statutory definition of processing; and thereby subjecting your proposed operation to licensing as a processor. Since you are operating aboard your vessel, you, therefore, must be considered a freezer ship.

I am enclosing a copy of relevant statutes regarding prepayment of tax as a processor without adequate real property which could serve in lieu of prepayment. I have emphasized key portions as they apply. Please note the final line on page 152. Note that there is not a requirement for "double prepayment."

Sincerely,



Richard Kirkland
Revenue Auditor
Audit Division

RK/vrc

MEMORANDUM

State of Alaska

TO: John Valentine
Department of Fish & Game
Ketchikan, Alaska

DATE: January 26, 1976

FILE NO:

101.3

TELEPHONE NO:

FROM: Richard Kirkland
Office Operations Supervisor
Audit Division
Department of Revenue

SUBJECT: Taxable status of fishing
vessels freezing fish

The question appears to be: Is a fishing vessel which carries freezing facilities aboard (and which freezes caught fish) subject to tax provisions applying to freezer ships?

The facts present are: 1) the vessels in question are of a size normally associated with salmon fishing in Southeast Alaska (40-60 feet), 2) the vessels are rigged for commercial fishing; carry proper gear license, and the skipper holds a valid Limited Entry Permit, 3) the only processing of the fish is that essential to preservation of quality (gutting), and 4) no buying of fish is done, and all fish carried in storage aboard were caught in fact by the vessel operator and crew.

On a vessel as described, the primary purpose of the vessel is fishing, and the fact that the caught fish are stored aboard in frozen condition, rather than packed in ice, appears to be incidental.

In the case of a freezer ship a different set of circumstances prevail, and the primary purpose of the vessel is processing.

Therefore, in my opinion, the fact that a fishing vessel preserves quality by freezing does not constitute freezer ship or floating cold storage operation, and the vessels described in the fact summary above would not be subject to the tax levied on freezer ships.

RK/lam

cc: Lou Nelson
Frank Blackwell
Eloise Merrick

907-465-12328

Return to [unclear]

STATE OF ALASKA

JAY S. HAMMOND, GOVERNOR

OFFICE OF THE GOVERNOR

BUDGET & MANAGEMENT

POUCH AM — JUNEAU 99811
PHONE 465-2213

March 27, 1981

Honorable Don Bennett and Ed Dankworth
Co-Chairmen, Senate Finance Committee
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

FY 82 Budget Amendment #B080816
Department of Commerce and
Economic Development
New BRU: Fisheries Enhancement
Tax Receipts
Increase of \$1,306,400 program receipts

Dear Senators Bennett and Dankworth:

Please amend the Governor's FY 82 Budget to include \$1,305,400 in program receipts to be granted to Regional Aquaculture Associations which have imposed a fisheries enhancement tax pursuant to Chapter 154, SLA 1980. This amendment is requested as a new appropriation immediately following Business Loans, which appears on page 34, line 13 in HB 50.

Chapter 154 authorized imposition of fisheries enhancement taxes if a regional association approves the tax by majority vote. AS 43.76.025 (a) requires the Department of Revenue to collect the tax and AS 43.76.025 (c) authorizes the Legislature to "make appropriations based on this revenue to the Department of Commerce and Economic Development for the purpose of providing financing for qualified regional associations."

The Department of Revenue has estimated the following revenues will be collected during FY 82:

Southern Southeast Region	\$533,800
Northern Southeast Region	\$411,900
Cook Inlet Region	\$360,700
	<u>\$1,306,400</u>

The regional aquaculture association have submitted the following budget requests for FY 82. Please note that the regions' revenue estimates differ from the Department of Revenue estimates:

Southern Southeast Region	\$ 800,000
Northern Southeast Region	500,000
Cook Inlet Region	350,000
	<u>\$1,650,000</u>

Honorable Don Bennett and Ed Dankworth

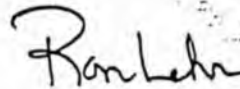
March 27, 1981

Page 2

Funds appropriated by the Legislature to the Department of Commerce and Economic Development for this purpose will be disbursed under contract between each regional aquaculture association and the Department. Regulations are being drafted by the Department governing the preparation of budgets, reporting requirements, disbursement procedures and required accounting methods.

If the fisheries enhancement tax should generate revenue in excess of the current estimated revenue for any of the regions, additional budget amendments will be submitted.

Sincerely,



Dr. Ronald D. Lehr
Director

Attachments

cc: Honorable Jim Duncan, Speaker, House of Representatives
Honorable Jalmar Kerttula, President Senate

MEMORANDUM

State of Alaska

TO: Ron Lenn, Director
Division of Budget & Management
Office of the Governor

DATE: March 24, 1981

FILE NO:

08
B050810
RECEIVED
MAR 24 1981
BUDGET AND MANAGEMENT

TELEPHONE NO:

FROM: Lois Cook, Director *LC*
Division of Administrative Services
Department of Commerce & Economic
Development

SUBJECT: Budget Amendment
Covering Fisheries
Enhancement Grants
Based Upon Fisheries
Enhancement Tax
Program Receipts

We are presenting the attached budget amendment to your office for introduction to the Legislature covering fisheries enhancement grants to regional aquaculture associations operating in regions where the fisheries enhancement tax was approved by fishermen voting in the Northern Southeast Region, the Southern Southeast Region, and the Cook Inlet Region. The results of the elections were certified by the Commissioner of Commerce and Economic Development, Charles Webber, on March 12, 1981. The effective date of the tax is to be April 1, 1981.

Based upon a projection prepared by the Department of Revenue, it is estimated that the following revenues will be collected under the fisheries enhancement tax during fiscal year 1982:

Southern Southeast Region	\$ 533,800
Northern Southeast Region	411,900
Cook Inlet Region	360,700
	<u>\$1,306,400</u>

Budgets have been submitted by each of the regional aquaculture associations with the following breakdown by line item classification. Please note that their revenue estimate differs from the projection developed by the Department of Revenue.

	<u>Northern Southeast Regional Aquaculture Assoc., Inc.</u>	<u>Southern Southeast Regional Aquaculture Assoc., Inc.</u>	<u>Cook Inlet Aquaculture Assoc.</u>
100	281.9	372.45	50.78
200	36.0	133.00	5.43
300	50.0	75.75	25.63
400	40.0	157.70	8.83
500	20.0	30.40	--
600	72.1	30.70	259.40
800	0.0	0.00	0.00
	<u>500.0</u>	<u>670.00</u>	<u>350.00</u>

Funds appropriated by the Legislature to the Department of Commerce and Economic Development for this purpose will be disbursed under contract between each regional aquaculture association and the Department of Commerce and Economic Development. Regulations are being drafted by the Department of Commerce and Economic Development governing the preparation of budgets, reporting requirements, disbursement procedures and required accounting methods.

If the fisheries enhancement tax should generate revenue in excess of the current estimated revenue for any of the regions, additional budget amendments will be submitted.

LJC/shB/13

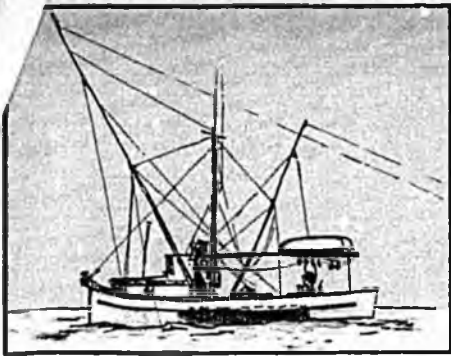
Attachments

STATE OF ALASKA
Office of the Governor
Budget & Management Div.

REVISED PROGRAM SUMMARY
by
BUDGET COMPONENT

CATEGORY	Fisheries Enhancement
COVER PROGRAM	Private Nonprofit Hatcheries
AGENCY	Department of Commerce & Economic Dev.
DIVISION	Business Loans
BUDGET REQUEST UNIT	Business Loans
BUDGET COMPONENT	
APPROPRIATION	
ALLOCATION	

	INITIAL AUTHORIZATION	RP	RP	RP	RP	RP	RP	RP	AMENDED AUTHORIZATION
01	PERSONAL SERVICES								
02	TRAVEL								
03	CONTRACTUAL								
04	COMMODITIES								
05	EQUIPMENT								
06	LANDS, BUILDINGS								
07	GRANTS, CLAIMS	1,306,400							1,306,400
08	MISCELLANEOUS								
	TOTAL	1,306,400							1,306,400
1002	FEDERAL RECEIPTS								
1003	G/F MATCH								
1004	GENERAL FUND								
1005	I/A RECEIPTS								
102F	PROGRAM RECEIPTS	1,306,400							1,306,400
1	FULL TIME								
16	PART TIME								
17	TEMPORARY								
18	MAN-MONTHS								



Alaska Trollers Association

REPRESENTING ALASKA POWER TROLLERS

205 North Franklin Street
Juneau, Alaska 99801
(907) 586-9400

April 2, 1981

Representative Terry Gardiner
Pouch V
Juneau, AK 99811

Dear Terry:

I wanted to let you know that we are extremely pleased with the progress so far of SB 200, the bill concerning taxes on boats freezing salmon at sea. Our only reservation about the bill so far is that it does not include sablefish, a fishery which a number of the freezing trollers are interested in, and which appears to provide some relief from the economic problems caused by current management restrictions.

Attached is a copy of a letter from Frank Caldwell, owner and operator of a freezing troller, which explains why an amendment of this bill to include sablefish is desirable. If, after reading it, you have any additional questions, please give me a call. I will be in touch with you concerning this issue shortly.

Thanks for all your help on this so far.

Sincerely,

A handwritten signature in cursive script, appearing to read "Lewis Schnaper".

Lewis Schnaper
Executive Director

LS:ne
Enclosure



Alaska State Legislature

House of Representatives

Committee on Resources

Terry Gardiner, Co-Chairman
Fred F. Zharoff, Co-Chairman
465-3715

Pouch V
State Capitol
Juneau, Alaska 99811

MEMORANDUM

TO: Rep. Zharoff
Rep. Gardiner
Co-Chairmen, House Resources Committee

FROM: John Sund
Chief Counsel, House Resources Committee

DATE: April 15, 1981

RE: Summary of Issues & Bills before the Committee

Wednesday's calendar has a large number of items on it; a majority of which relate to the fisheries rehabilitation enhancement efforts of this State. The following is a brief summary of the major items of each bill. These bills were requested, based upon the hearings held on March 23-24.

HB 460

This bill amends various fisheries tax provisions in AS 43.

Section 1. This is a technical amendment to the present existing fisheries tax clarifying and issue relating to process of under-utilized species.

Section 2. This section amends the fisheries tax by clarifying the status of a person who freezes fish onboard of his vessel prior to selling them.

PRESENT LAW: The present law classifies a person who freezes fish onboard his vessel as a processor and thus is subject to payment of the fisheries tax even though he may subsequently sell his fish to another licensed processor. Thus, the operator of the vessel is obligated under present law to obtain a processing license, bond, and various other items.

PROPOSED AMENDMENT: This proposed amendment would exclude a person who freezes a fish onboard his fishing vessel from being classified as a processor, provided that he subsequently sells those fish to a licensed processor. If he sells those fish on the retail market, or to another person who is not a licensed processor, or transports those fish out of the State without selling them to a licensed

processor, then the individual who did the freezing would be subject to the payment of the fisheries tax.

Section 4. This amends the present law regarding to refund the fisheries taxes to local governments.

PRESENT LAW: The present law provides that 20% of the fisheries tax collected by a fish processor located within a borough or city, shall be refunded to the borough or city in which the processor was located. If the processor is in the borough, but not within the city, the borough gets 20%; if the processor is within a city which is not in a borough, the city gets 20%; if the processor is within the city which is within the borough, the borough gets 10% and the city gets 10%.

PROPOSED AMENDMENT: The proposed amendment would increase the amount refunded to the cities or boroughs to 50%.

Section 5 & 6. These sections amend the fisheries enhancement tax. The amendment replaces the present law, which states processor license with the word "buyer". Also states that any person that removes from the State the product, is liable for the enhancement tax. The amendment resolves the following scenario.

PRESENT EXISTING LAW: Tax liability is on the limited entry holder who sells to a processor licensed under AS 43.75.011. The problem is, what happens when a limited entry holder sells to a buyer who is not a processor and subsequently the buyer then sells to the processor who is licensed under AS 43.73.011. The effect of that transaction is that no tax would be paid. This amendment puts the liability of payment when the fish is sold to the buyer, or in case they are not sold to a buyer if they are removed directly from the State, then on the person who removes them from the state.

Section 7. This is a technical amendment as a result from an oversight in drafting last years legislation. It provides that the area which imposes a 2% assessment instead of a 3% assessment can terminate that assessment under the provisions of AS 43.76.020.

Section 8,9, & 10. All relate to shifting the liability for the collection and payment of the tax from the processor licensed under AS 43.76.011 over to the buyer of the fish.

Section 11. This repeals AS 43.75.136. That is the provision in the statutes which provides that 20% of the raw fish tax which is collected can be used to capitalize the commercial fish and agriculture bank, and such time as the bank is fully capitalized that provision becomes ineffective.