

ALASKA LEGISLATURE COMMITTEE FILES 1981-1982 8672

1960 SRES HB 453 - HB 507

Alaska State Legislature

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POUCH V
STATE CAPITOL
JUNEAU, ALASKA 99811
(907) 465-3834
(907) 465-3825

Senate

Committee on Resources

June 1, 1981
1:30 p.m.

Beltz Room
211 - Capitol

MEMBERS PRESENT

Senator Fahrenkamp
Senator Fischer
Senator Bradley
Senator Eliason
Senator Mulcahy
Senator Sturgulewski

HEARING:

HB 198 An Act relating to the promotion of the marketing of seafood.

HB 453 An Act making a special appropriation for the Alaska Seafood Marketing Institute.

Senator Mulcahy reviewed HB 198 and HB 453 with the Committee.

Senator Mulcahy put forth the motion to move Senate Committee Substitute for CS HB 198 with individual recommendations.

Senator Mulcahy put forth the motion to move HB 453 with individual recommendations.

The Committee adjourned at 2:05 p.m.



Alaska State Legislature

Senate

JUNEAU, ALASKA

RESOURCES SUBCOMMITTEE ON FISHERIES

May 3, 1981

Senate Resources Subcommittee on Fisheries Meeting

The meeting was called to order by Chairman Mulcahy at 3:07 PM. Senator Gilman was present. Senator Eliason was tied up in a Senate Finance Committee meeting.

First on the agenda was HB 198 "An Act relating to the promotion of marketing of seafood".

Representative Joe Chuckwuk testified first on HB 198. He said he felt that the concept was good, but that he didn't agree with the composition of the board of directors as it is now organized.

John Martin, Vice President of Alaska Food Company and a member of the Alaska Seafood Marketing Institute Board of Directors, testified next on HB 198. He said he supported the bill.

Hank Ostroskey, a commercial fisherman from Naknek, testified next on HB 198.

Roger Painter, Executive Director of United Fishermen of Alaska, testified next on HB 198. He expressed support for the bill. He offered an amendment to the bill dealing with quality control.

Rick Lauber, representing the Pacific Seafood Processors Association testified next on HB 198. He expressed support for the bill.

Larry Cotter, President of the International Longshoremen and Warehousemen's Union, testified next on the bill. He stated that while the board composition wasn't precisely what they wanted, the need for the Institute is so great, they supported the bill.

Eric Eckholme, Executive Director of the Alaska Seafood Marketing Institute, gave a short picture presentation and spoke briefly on the bill. He also offered an amendment to establish quality control guidelines.

Archie Gottschalk testified next on HB 198. He stated that he totally opposed to the present composition of the Board of Directors because of the high percentage of processors and the low percentage of fishermen?

Senator Gilman recommended adoption of the proposed committee substitute and to take up the amendments in the Resources Committee.

HB 198 and 453 were moved with individual recommendations.

Next on the agenda was SB 523 "An Act amending the fisheries business tax; and providing for an effective date".

Rick Lauber testified on SB 523. He briefly explained the problem the bill was to alleviate.

Hank Ostroskey commented briefly on SB 523.

SB 523 was moved with individual recommendations.

The meeting was adjourned by Chairman Mulcahy at 4:36 PM.

HB 453

Alaska Seafood Foundation

"Promoting Alaska's Seafood"

THE ALASKA SEAFOOD MARKETING INSTITUTE - A BRIEFING PAPER

What is the Institute?

The A.S.M.I. is a private non-profit corporation of seafood processors and fishermen formed last year as a result of the disastrous market disruptions that hit the Alaska seafood industry. Legislation and funding for A.S.M.I. passed the legislature in 1980, but was vetoed due to constitutional problems. Despite the veto, the governor supported the concept, and provided \$1.2 million to continue to develop the idea through the Alaska Renewable Resources Corporation.

A.S.M.I. is directed by a 22-member board; 18 voting members representing fishermen, large and small processors, and four non-voting members representing the legislature, the Administration and the A.R.R.C. Dues-paying members currently represent a large percentage of the seafood processed in Alaska.

The overall goal of the A.S.M.I. is to promote consumption and stabilize market demand for Alaska seafood products through generic promotion and advertising directed to national and international consumers. The A.S.M.I. is also developing quality assurance guidelines for its members to insure Alaska's reputation as a producer of excellent quality seafood products.

Why should the State of Alaska assist in the funding of A.S.M.I.?

Fisheries are the state's largest private employer. The industry has been, and will continue to be the backbone of many communities in the state. The concept of a marketing association is a proven one, and the industry supported various species promotion groups at a combined level of \$807,000 in 1980. However, the crisis that the fishing industry is in makes it impossible to do the long-range market development work necessary to support the marketing of existing species, and develop markets for the bottomfish resources of Alaska. A partnership between the state and the industry will allow for planned and proven real growth in the fishing industry that will stabilize the income for all Alaskans involved in, and associated with the fishing industry.

The primary example of the need for a state-supported marketing group is the fact that in the fourth largest year in history for the salmon industry, the value of Alaska's fisheries products declined to the fishermen--from \$606 million in 1979 to \$531 million in 1980. Because of the collapse of Alaska's primary market, Japan, the price for nearly every species harvested in the state dropped during a period of high inflation.

Generic marketing is not a new concept. The state currently supports the \$280 million tourism industry with approximately \$3 million in public monies annually. The Florida Citrus Growers annual budget is \$50 million, California Avocado Growers spend \$5 million, Washington spends about \$3 million annually promoting apples, and the California Dairy Association spends about \$14 million in California alone promoting milk. Many coastal states have developed and supported seafood marketing groups.

What has the A.S.M.I. done with the \$1.2 million for this fiscal year?

Almost the entire budget is going directly to advertising and promotional efforts. \$730,500 is going to support existing promotional groups--\$481,000 for canned and frozen salmon, \$215,500 to King and Snow Crab, and \$34,000 for Halibut. This money is being used to match what the industry is already devoting. Among the results is a national radio advertising campaign with supporting recipes and promotional materials urging people to "Buy Salmon" in 21 major cities across the country, beginning February 2, 1981.

One of the most important projects is a \$50,000 marketing plan. This plan will provide market research and strategy development regarding consumers, or potential consumers of Alaska seafood. With a solid base of marketing information built, the A.S.M.I. will be able to target our efforts so that marketing dollars will provide the greatest return. The plan will also provide a baseline to measure the success or failure of the A.S.M.I. The marketing strategy will indicate budget levels that are based on a greater return on investment than the cost of the program, to insure that the state and the industry are using their money wisely.

\$20,000 is being used to develop bottomfish strategy and basic marketing materials. The goal of A.S.M.I. is to help the most people in the industry to the greatest degree possible, which means that we won't be spending a lot of money promoting bottomfish until there are a lot of Americans harvesting and processing bottomfish. Outside of administrative expenses the balance of the 1980 A.S.M.I. budget is unallocated.

Why target on high-value species like Salmon & Crab rather than Bottomfish?

As mentioned above, the goal is to help create a healthy industry--that means working to increase the market demand for existing species. Unless the industry is making money on their primary products there is no incentive to move into the riskier bottomfish fisheries. Products like frozen salmon and blackcod (sablefish) represent an area of great potential for the industry--and marketing efforts will follow the growth of the products.

Why should the state support a group that includes non-Alaskan companies?

The reality of the Alaskan fishing industry is that much of the ownership is "outside". However, it is a labor intensive industry, and much of the economy generated from the industry remains in Alaska. The goal of an industry-wide promotional group is to promote a healthier market for the entire industry, that means working in close concert with the strength of the industry.

Is the A.S.M.I. organized to help "big guys" or the "little guys"? What is A.S.M.I. doing to help the fishermen?

The efforts of A.S.M.I. are designed to help everyone. Fishermen, major and small processors sit on the board, and all will benefit from the programs. As "target areas" are defined, the marketing efforts of all the companies will be directed to take advantage of the promotion. Smaller companies will be able to utilize promotional material developed by A.S.M.I., and also target their marketing plans to follow the "bulldozer" efforts of the A.S.M.I. A.S.M.I. does not provide actual marketing services for any company--solely promotional and advertising efforts for the entire industry. The fishermen, by sitting on the board and participating in the committees, will gain and maintain a greater understanding of the total marketing of the products, and be in a better position to negotiate for their fair share of the results.

What about Japanese ownership?

More important than foreign ownership is the issue of market control. One of the primary reasons for the creation of the A.S.M.I. is to broaden the market base so that a collapse of one market won't throw the entire industry into a tailspin, as in 1979, and resulting in the disaster of Bristol Bay 1980, and the bankruptcy of many involved in the seafood industry.

If the state wishes to address the issue of greater Alaskan ownership of the fishery, the efforts of the A.S.M.I. should insure that any investment into the industry will be into a much healthier and more profitable situation than the current state of the Alaskan seafood industry.

What about quality control?

The industry recognizes that quality is the most important factor in marketing their products. The A.S.M.I. is developing quality guidelines for the members, and these guidelines will play an important role in the marketing strategy of the A.S.M.I. If the industry can effectively deal with the quality issue, it may be unnecessary for the state to get heavily involved in a new bureaucracy to monitor the quality control of Alaska's seafood products.

H B

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COMMITTEE REPORT
SENATE

FURTHER: Transportation
and
Finance

5/22/81

Date: _____

Mr. President:

The Committee on RESOURCES has had CSHB 456 (Fin) am
agriculture

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 CSHB 456 (Fin) am 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:

 CHAIRMAN

Alaska State Legislature

BETTYE FAHRENKAMP, CHAIRMAN
VIC FISCHER, VICE-CHAIRMAN
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Senate

Committee on Resources

June 5, 1981
1:30 p.m.

Beltz Room
211 - Capitol

MEMBERS PRESENT

Senator Fahrenkamp
Senator Fischer
Senator Bradley
Senator Sturgulewski
Senator Mulcahy
Senator Eliason
Senator Gilman

HEARING:

- CSHB 535 An Act relating to the Alaska Agricultural Action Council.
- HCR 29 Relating to the development of a plan for Alaska agricultural development.
- SB 588 An Act relating to mineral leasing.
- HB 456 An Act relating to agriculture.
- HB 88 An Act relating to the qualifications for the farm or agricultural lands tax exemption.
- HB 83 An Act making special appropriations to the Department of Fish and Game for bison management.
- HB 538 An Act relating to a small-scale agriculture grant program.

Representative Gardiner, stated that HCR 29 and HB 535 outline the state's policies and goals for agricultural development. HB 535 increases the membership on the Agricultural Action Council from 5 to 7 members.

Senator Sturgulewski put forth the motion to move SCS CSHB 535 with individual recommendations.

Senator Sturgulewski put forth the motion to move HCR 29 and the letter of intent with individual recommendations.

Representative Gardiner stated that the purpose of HB 456 is to promote small scale agriculture.

Representative Rogers suggested an amendment to HB 456 on page 1, line 16, place a period after "state" and delete line 17.

Senator Fischer put forth the motion to accept the amendment. He put forth several technical and grammatical amendments which were accepted.

Senator Fischer put forth the motion to move HB 456 as a Senate Committee Substitute with individual recommendations.

Dick Bishop, Regional Supervisor, Fairbanks, Department of Fish and Game, stated that HB 83 provides funding to develop the Delta Bison range and improve the bison summer range to delay their movement.

Representative Gardiner stated that he had looked at other alternatives and HB 83 was the least expensive to help ease the conflict between bison and agriculture.

Senator Mulcahy put forth the motion to move HB 83 with individual recommendations.

Representative Gardiner stated that HB 538 is designed to help small scale and village agricultural programs. He suggested that the Committee consider a letter of intent stating that the funds should be dispersed throughout the state and that no single geographical region receive an abnormal amount of the funds.

Senator Mulcahy put forth the motion to move CS HB 538 am with individual recommendations and the letter of intent.

Senator Fahrenkamp put forth the motion to defer consideration of HB 88.

SB 538 was held until the Committee meeting June 8, 1981.

The Committee adjourned at 3:05 p.m.

CS for HB 456 (Finance) am

The bill consists of four main sections related to the agricultural revolving loan fund, an agricultural products board, the soil conservation board, and the Commercial Fishing and Agriculture Bank. The purpose of the bill in its entirety is to aid the development of all scales of agriculture in the state. A sectional analysis follows.

- Sec. 1. States the Act's purpose.
- Sec. 2. States the policy of the agricultural revolving loan fund -- "to promote the development of agriculture throughout the state by means of low-interest loans."
- Sec. 3. Adds greenhouses, marketing, greenhouse gardeners, and cooperatives as eligibles for the ag revolving loan fund and clarifies that all recipients must be residents.
- Sec. 4. Raises the interest rate to 8%.
- Sec. 5. Raises loan limits to \$750,000 for farm development and \$500,000 for chattel..
- Sec. 6. Adds a new section to identify the ag revolving loan fund as a development fund, not a continuing source of low-interest capital.
- Sec. 7. Creates an agriculture products board for quality and marketing. The board, in DNR, has seven resident members representative of agricultural products processors and farmers. Duties are defined in 03.18.030.
- Sec. 8-10. Amends the Soil Conservation Board to have five rather than three members, adds representation by ranchers, requires geographical representation, and defines the board's duties.
- Sec. 11-13. Amends CFAB to provide for agricultural processing facilities loans.
- Sec. 14-15. Transition.
- Sec. 16. Effective date July 1, 1981.

Title 3
Agriculture and Animals

Annual Contents Card

Title 1
General Provisions

Title 2
Aeronautics

Sec. 03.10.010. Declaration of policy. It is the policy of this chapter to promote the more rapid development of agriculture, an industry throughout the state by means of long-term interest loans. (§ 2 ch 122 SLA 1953)

Am. Jur., ALR and C.J.S. references.—2 Am. Jur., Agriculture, §§ 4, 12 to 16, 20, 24, 30 to 33; 36 Am. Jur., Mortgages, § 1 et seq.; 43 Am. Jur., Public Funds, § 1 et seq. Power, under statute for stabilization of market for agricultural in respect of crop loans by agency and the security thereof. ALR 338. 3 C.J.S. Agriculture §§ 7.6 et seq. C.J.S. States §§ 132 to 190.

Sec. 03.10.020. Powers of the department. The department

(1) make loans to individual resident farmers, homesteaders and partnerships or corporations composed of farmers and homesteaders, for development of farms, storage and processing of produce, livestock and machinery and to individuals, partnerships or corporations, for storage and processing plants for agricultural products;

(2) designate agents and delegate its powers to them as necessary;

(3) adopt rules and regulations necessary to carry out its functions;

(4) establish amortization plans for repayment of loans, which may include delayed payments of principal and interest for not to exceed five years;

(5) enter into agreements with private lending institutions, other state agencies or agencies of the federal government, to carry out the purposes of this chapter. (§ 4 ch 122 SLA 1953; am § 1 ch 156 SLA 1955; am § 1 ch 41 SLA 1961)

Sec. 03.10.030. Limitations on loans. (a) A farm development loan may not exceed \$150,000. The mortgage which secures a farm development loan may be of any priority if the total indebtedness on the real estate, including the secured farm development loan, does not exceed \$150,000. A farm development loan which is granted, would raise the existing indebtedness on the real estate above \$150,000, or a farm development loan on real estate which has a prior existing indebtedness of \$150,000 or more, may be made only if all prior mortgagees agree to subordinate their mortgages to that of the state for the amount of the farm development loan which exceeds the \$150,000 indebtedness limit on the real estate. A loan may not run longer than 30 years nor bear interest exceeding six per cent, and it shall be secured by a real estate or chattel mortgage, or both.

(b) Except for loans for irrigation systems as provided in this subsection, a chattel loan may not exceed \$100,000 for each farm unit and may not run longer than seven years or the useful life of the chattel if more than seven years. It may not bear interest

(c) A short term loan, to be amortized within one year, not to exceed \$200,000 to any one borrower may be made for operating purposes.

(d) Farm development and chattel loans for irrigation systems may be for terms as determined by the commissioner.

(e) An installment payment is delinquent unless it is mailed by the borrower on or before the 15th day after the date specified for payment in the loan agreement or unless it is received by the department on or before the 15th day after the date specified for payment in the loan agreement. If an installment payment is delinquent, the director shall assess a delinquency penalty. The delinquency penalty shall be an amount equal to seven per cent of the delinquent payment.

(f) A farm product processing loan may not exceed \$2,500,000. A mortgage which secures a farm product processing loan may be of any priority if the total indebtedness on the real estate, including the secured farm product processing loan, does not exceed \$2,500,000. A farm product processing loan which, if made, would raise the existing indebtedness on the real estate securing the loan above \$2,500,000, or a farm product processing loan on real estate which has a prior indebtedness of \$2,500,000 or more, may be made only if all prior mortgagees agree to subordinate their mortgages to that of the state for the amount of the farm product processing loan which exceeds the \$2,500,000 indebtedness limit on the real estate. A farm product processing loan may not exceed a term of 30 years or bear interest exceeding six percent a year and shall be secured by a real estate or chattel mortgage or both. (§ 4 ch 122 SLA 1953; am § 1 ch 156 SLA 1955; am § 1 ch 41 SLA 1961; am § 1 ch 144 SLA 1966; am § 1 ch 78 SLA 1967; am § 1 ch 135 SLA 1970; am § 1 ch 22 SLA 1974; am § 1 ch 18 SLA 1975; am §§ 1-4 ch 50 SLA 1979; am § 74 ch 106 SLA 1980)

Effect of amendments. — The 1974 amendment, in subsection (c), substituted "\$25,000" for "\$15,000" and "operating" for "emergency."

The 1975 amendment substituted "\$200,000" for "\$150,000" throughout subsection (a).

The 1979 amendment substituted "\$500,000" for "\$200,000" throughout subsection (a), substituted "\$300,000" for "\$100,000" in the first sentence of subsection (b), substituted "\$200,000" for

"\$25,000" in subsection (c), and added subsection (e).

The 1980 amendment, effective June 21, 1980, added subsection (f).

Editor's note: — Section 7, ch. 50, SLA 1979 provides: "The provisions of AS 03.10.030(a) enacted in sec. 1 of this Act and AS 03.10.030(b) enacted in sec. 5 of this Act applied to farm development, chattel, and irrigation loans made after July 1, 1979."

Sec. 03.10.035. Use or disposal of mortgaged farm land. (a) A borrower may not use farm land for a non-farm use or sell, lease or otherwise dispose of farm land if that land is encumbered by a mortgage given to secure the payment of a farm development, chattel, or irrigation system loan under this chapter unless the borrower either

(1) pays the outstanding balance of the loan in a lump sum or under other terms agreed to by the commissioner which accelerate payment of the loan; or

Title 3
Agriculture and Animals

Title 4

Supplement

Title 1
General Provisions

Title 2
Mortgages

ents. — The first paragraph (6) to amendment, in "meat, fish and paragraph (3) and dment, in the

introductory language of subsection (f), substituted "orders, regulations, quarantines and embargoes" for "rules, orders, regulations and quarantines." As the rest of the section was not affected by the amendments, it is not set out.

Miscellaneous powers of commissioner. The line inspection of food animals, fish, poultry and products, to protect the public against fraud, disease in this connection he shall promulgate uniform shipping standards of identity and composition of these minimum standards of sanitation and handling all phases of slaughtering, processing, storing, buying and selling of these food products; (1978)

nt. As the rest of the section was not substituted "food affected by the amendment, it is not set for "animals and out. (1).

Sale and labeling of frozen meat, fish and , fish or poultry which has been frozen may not be or advertised as a fresh food. and poultry which has been frozen must be labeled as er regulations. ioner shall promulgate regulations which n food labels for meat, fish and poultry which has

the examination and inspection of meat, fish and n whether it has been frozen. (§ 5 ch 138 SLA 1974)

Inspection. On any business day during the usual he commissioner or his authorized inspector may, for pecting agricultural or fisheries products subject to storehouse, warehouse, cold storage plant, packing ouse, retail store or other building or place where e kept, stored, processed or sold. (§ 33-1-2 ACLA 21 SLA 1955; am § 2 ch 25 SLA 1972; am § 3 ch 58

nt. ment inserted "or dle of the section.

Sec. 03.05.050. Products in violation of regulations. An agricultural or fisheries product found by the commissioner, or his authorized inspector, to violate a regulation adopted under this chapter is declared to be a public nuisance injurious to the public interest and shall not be moved by the person in whose possession it may be except upon the specific direction of the commissioner or inspector. (§ 33-1-2 ACLA 1949; am § 1 ch 121 SLA 1955; am § 4 ch 58 SLA 1978)

Effect of amendment. — The 1978 substituted "regulation adopted under this amendment inserted "or fisheries" near chapter" for "rule or regulation" near the the beginning of the section and middle of the section.

Sec. 03.05.100. Definitions. In this chapter, (1) "agricultural products" does not include fish or fisheries products; (2) "fish or fisheries products" means any aquatic animal, including amphibians, or aquatic plants or parts of those plants, animals or amphibians that are usable as human food. (§ 5 ch 58 SLA 1978)

Chapter 10. Alaska Agricultural Loan Act.

Section	Section
30. Limitations on loans	40. Creation of fund
35. Use or disposal of mortgaged farm land	50. Administration of fund
	54. [Repealed]

Sec. 03.10.030. Limitations on loans. (a) A farm development loan may not exceed \$500,000. The mortgage which secures a farm development loan may be of any priority if the total indebtedness on the real estate, including the secured farm development loan, does not exceed \$500,000. A farm development loan which, if granted, would raise the existing indebtedness on the real estate above \$500,000, or a farm development loan on real estate which has a prior existing indebtedness of \$500,000 or more, may be made only if all prior mortgagees agree to subordinate their mortgages to that of the state for the amount of the farm development loan which exceeds the \$500,000 indebtedness limit on the real estate. A loan may not run longer than 30 years nor bear interest exceeding six per cent, and it shall be secured by a real estate or chattel mortgage, or both.

(b) Except for loans for irrigation systems as provided in this subsection, a chattel loan may not exceed \$300,000 for each farm unit and may not run longer than seven years or the useful life of the chattel if more than seven years. It may not bear interest exceeding six per cent. It shall be secured by a real estate or chattel mortgage, or both. Loans and the real estate and chattel mortgage security on them for irrigation systems may be in amounts and for terms as determined by the commissioner.

HP

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ck on
SJR 22 in
language

AMENDMENT HB 187

OFFERED IN THE HOUSE:

By: Gardiner

To: CS HOUSE BILL No. 187 (Jud)

SENATE BILL No. _____

PAGE: 1

LINE: 20

INSERT NEW SECTIONS TO READ:

* Section 2. AS 43.20.036(b) is amended to read:

(b) For purposes of calculating the income tax payable under this chapter, the taxpayer may apply as a credit against his tax liability the [JOB DEVELOPMENT] investment credit allowed as to federal taxes under Internal Revenue Code sec. 38 (26 U.S.C. 38) [50] upon only the first \$20,000,000 [\$500,000] of qualified investment put into use ^{in the state} for each taxable year [(26 U.S.C. SEC. 50)]. This limitation does not apply to the amounts invested in equipment which meets the definition of a certified pollution control facility as defined under Internal Revenue Code sec. 169 (26 U.S.C. sec. 169) as in effect on June 19, 1975 [THE EFFECTIVE DATE OF THIS ACT] except that the date specified in Internal Revenue Code [THAT] section 169(d) as a condition of qualifying a certified pollution control facility for a deduction does not apply.

* Sec. 3. ^{Section 2 of} This Act is retroactive to July 1, 1980, and applies to expenditures which qualify for the investment credit which are made on or after that date.

* Sec. 4. This Act takes effect immediately in accordance with AS 01.10.070(c).

Alaska State Legislature

BITTYE FAHRENKAMP, CHAIRMAN
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Senate

Committee on Resources

June 17, 1981
1:30 p.m.

Beltz Room
211 - Capitol

MEMBERS PRESENT

Senator Fahrenkamp
Senator Mulcahy
Senator Gilman
Senator Sturgulewski
Senator Fischer

Hearing:

- HB 460 An Act relating to the fisheries and salmon enhancement taxes.
- SSSB 555 An Act relating to the Guide Licensing and Control Board, continuing its existence, and amending the qualifications for a special guiding permit.
- CSHB 472 An Act relating to the maximum amounts which may be loaned under the fisheries enhancement loan program.
- HJR 44 Relating to the Alaska Native Allotment Act.

Mark Jensen, Chairman, Guide Licensing and Control Board, stated that he supports the proposed Senate Committee Substitute for SSSB 555 which extends the Board until 1982.

Senator Sturgulewski put forth the motion to move CSSSSB 555 (Res) with individual recommendations.

Senator Mulcahy stated that the Fisheries Subcommittee had waived CSHB 472 to the full Committee. The measure raises the loan limit under the fisheries enhancement loan program.

Joe Davis, Loan Examiner, Department of Commerce and Economic Development, stated that the loan limit should be raised because some non-profit hatcheries will require loans in excess of the present limit of \$6 million.

Senator Mulcahy put forth the motion to move CSHB 472 with individual recommendations.

SENATE RESOURCES COMMITTEE

June 17, 1981

Page: 22

Senator Gilman put forth the motion to move HJR 44 with individual recommendations.

Senator Fahrenkamp stated that the proposed Senate Committee Substitute for HB 460 amends the title and adds some portions of SB 524 which had passed the Senate and deleted in the House.

Tom Williams, Commissioner of Revenue, stated that he saw some problems with raising the tax credit limit to \$20 million. He suggested that on page 1, line 14, after the word "use" insert "in the state". He also, stated that the Attorney General had informed him that in order for Section 1 to be retroactive there needed to be a showing of public purpose.

Senator Mulcany put forth the motion to insert the words "in the state" after the word "use" on page 1, line 14, in CSHB 460 (Res).

Senator Mulcany put forth the motion to move Senate CSHB 460 (Res) with individual recommendations.

The Committee adjourned at 2:25 p.m.



Alaska State Legislature

House of Representatives

Committee on Resources

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

MEMORANDUM

Pouch V
State Capitol
Juneau, Alaska 99811

TO: Senate Resources

FROM: Rep. Gardiner *T.G.*

DATE: 2/June/1981

RE: CS HB 460

The salmon enhancement tax is an issue which was originally dealt with in House Bill 460 and was deleted in the House Resources Committee. The issue is a potential loop-hole in the tax law which, under certain circumstances, would allow people to avoid paying the salmon enhancement tax.

Two scenarios which potentially would allow an avoidance of the tax, deal with the definition of a processor licensed under AS 43.75.011. The law which imposes the tax is AS 43.76.010(a) and .011(a). Those sections state that enhancement taxes shall be paid at the rate of either 2 or 3 percent of the value of the salmon which are sold to a processor licensed under 43.75.011. There are situations in the state where the fish are sold to people other than a processor licensed under 43.75.011;

Specifically, (1) if the fish are flown in the round directly from the fishing grounds out of the state to be processed. Obviously the out-of-state processor is not licensed under Alaska law.

(2) If the catcher of the fish, exports the fish in his own name as his own property, the fish are not transferred to a processor licensed under 43.75.011, thus there is no imposition of the enhancement tax. (3) Also if the fish are sold by the person who caught them to a buyer who is not a processor, then again there is no imposition of the tax on that transaction. Subsequently if the buyer either transports the fish out of the state, or sells the fish to a processor in the state licensed under 43.75.011, there is no imposition of the tax. The law states that the person holding the limited entry permit shall pay enhancement tax. A buyer may not necessarily own a limited entry permit.

The following amendments, most of which were originally in HB 460, would eliminate the potential avoidance of the salmon enhancement tax. The amendments specify that the tax is imposed on the first sale or transfer of the salmon, whether or not that person is a processor.

A new section is included to deal with an individual removing salmon from the state. The new section would impose a liability for the payment of the tax upon a person who removes the salmon from the state.

Also a new section for definitions is offered to define buyer.

The attached document contains the proposed amendments.

* Sec. 5. AS 43.76.010(a) is amended to read:

(a) A person holding a limited entry permit under AS 16.43 shall pay a salmon enhancement tax at the rate of three percent of the value of salmon, as defined in AS 43.75.140(7), that the person removes from the state or sells to a buyer in the state. If the salmon are sold to a buyer, the buyer [PROCESSOR LICENSED UNDER AS 43.75.011. THE PROCESSOR] shall collect the salmon enhancement tax at the time of the sale.

* Sec. 6. AS 43.76.011(a) is amended to read:

(a) A person holding a limited entry permit under AS 16.43 shall pay a salmon enhancement tax at the rate of two percent of the value of salmon, as defined in AS 43.75.140(7), that the person removes from the state or sells to a buyer in the state. If the salmon are sold to a buyer, the buyer [PROCESSOR LICENSED UNDER AS 43.75.011. THE PROCESSOR] shall collect the salmon enhancement tax at the time of the sale.

" Sec. 6. AS 43.76.025(a) is amended to read:

(a) a buyer [PROCESSOR] who buys fisheries resources which are subject to the salmon enhancement tax imposed by AS 43.76.010 or 43.76.011 shall collect the salmon enhancement tax at the time of purchase, and shall remit the total salmon enhancement tax collected during each month to the Department of Revenue by the last day of the next month.

* Sec. 9. AS 43.76.025(b) is amended to read:

(b) A buyer [PROCESSOR] who collects the salmon enhancement tax shall

(1) maintain records reflecting the region designated under AS 16.10:375 in which the fishery resource was caught; and

(2) report to the Department of Revenue by March 1 of each year the total value, as defined in AS 43.75.140(7), of the salmon caught in each region designated under AS 16.10.375 which the buyer [PROCESSOR] has purchased during the preceding year.

* Sec. 10. AS 43.76 is amended by adding a new section to read:

Sec. 43.76.028. LIABILITY FOR TAX ON SALMON SHIPPED FROM STATE.

(a) The owner of salmon removed from the state is liable for payment of the salmon enhancement tax imposed by AS 43.76.010 or 43.76.011 if, at the time the salmon are removed from the state, the tax payable on the salmon has not been collected by a buyer.

(b) If the owner of salmon is liable for payment of the salmon enhancement tax under (a) of this section, he shall comply with the requirement of AS 43.75.025(b) to report his liability for payment of the tax.

* New Section. AS 43:76.040. DEFINITIONS.

(1) Buyer means any person who acquires possession of salmon from the person who caught the salmon regardless of whether there is an actual sale of the salmon, but excluding any transfer to a person engaged solely in inter-state transportation or goods for hire.

PACIFIC SEAFOOD PROCESSORS ASSOCIATION

P.O. BOX 1625 • JUNEAU, ALASKA 99802 • (907) 586-6368

TO: TROY HENLEY
FROM: RICK LAUBER
RE: H.B. 460
Date: May 26, 1981

My concern with this bill is rooted in the fact that the Aquaculture (Enhancement) Assessment Tax is based on where the salmon are Processed. It seems that even if fish are flown from Bristol Bay to Petersburg that if you are trying to rebuild Bristol Bay salmon runs little help will come from paying the tax to the Southern Southeast Aquaculture Association. This wouldn't bother me...at least to the point of an official objection...unless it caused direct problems to the processors. And it does!

Because the tax is not imposed until the salmon are landed and processed the fishermen can escape payment of the tax by shipment of the fish to Canada. With the plants of Prince Rupert, B.C. so close they pose a real danger to the industry in Southeastern Alaska and to a lesser but nonetheless a threat in other parts of the state.

If passed in its present form HB 460 would give a fisherman a 3% incentive to sell his fish outside Alaska (2% in Cook Inlet).

This problem could be corrected if the tax is treated the same as the Fisheries Business License Tax (Raw Fish Tax). Put the tax on the buyer and if the fish are shipped out of the district then upon the fisherman.

In any case we can't make it easy for Canada or any other buyer to "raid" our salmon..

Rick Lauber

(1) maintain records reflecting the region designated under AS 16.10.375 in which the fishery resource was caught; and

(2) report to the Department of Revenue by March 1 of each year the total value, as defined in AS 43.75.140(7), of the salmon caught in each region designated under AS 16.10.375 which the buyer [PROCESSOR] has purchased during the preceding year.

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* Sec. 8. AS 43.76.025(a) is amended to read:

(a) a buyer [PROCESSOR] who buys fisheries resources which are subject to the salmon enhancement tax imposed by AS 43.76.010 or 43.76.011 shall collect the salmon enhancement tax at the time of purchase, and shall remit the total salmon enhancement tax collected during each month to the Department of Revenue by the last day of the next month.

* Sec. 9. AS 43.76.025(b) is amended to read:

(b) A buyer [PROCESSOR] who collects the salmon enhancement tax shall

A new section is included to deal with an individual removing salmon from the state. The new section would impose a liability for the payment of the tax upon a person who removes the salmon from the state.

Also a new section for definitions is offered to define buyer.

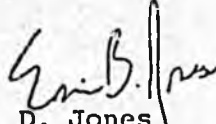
The attached document contains the proposed amendments.

MEMORANDUM

TO: R.D. Stevenson
Legislative Assistant

DATE: June 2, 1981

FILE NO:


FROM: Ervin D. Jones
Acting Director,
Audit Division

SUBJECT: CSHB460 (Finance)

We strongly urge the committee to reconsider Section 2, which is designed to relieve custom processors from paying the Fisheries Business Tax. This would create problems for both the administration and for the taxpayers, since the myriad owners of the fishery resources will now fall under the provisions of AS 43.75.100 upon shipment of the resources out of Alaska. The custom processor, who if that is his only activity, will not even be required to license as a fisheries business would still be required to file reports with the department. Gary strongly suggests leaving in the prohibition against deducting the value of the resources that are processed for others.

As suggested in Gary's memo dated April 22, 1981, Sec. 3 needs revision. The fourth condition suggested in that memo was adopted in part but should be further amended to read:

- (4) the fishery resource is sold by the person who claims an exclusion under this section to a fisheries business licensed under AS 43.75.

This change is particularly important if the intent is to pass the tax liability on to the next person who purchases the fishery resource. As Gary pointed out in the referenced memo, this change is necessary to insure our ability to reasonably enforce the law because then the tax would be reportable by taxpayers with whom we are already dealing and we will not be required to go out and try to find other persons who might buy the fishery resource and who would then be required to pay the tax. Gary believes this was merely a transcription error, since he verbally read the amendment into the record at the committee's request.

Finally, it is important that sections 5 and 6 of this Act also be made retroactive to January 1, 1981, and that they apply to tax years beginning after December 31, 1980. Otherwise the resulting "split-year" situation would be cumbersome to administer and would work an extra hardship on the taxpayers that the bill attempts to assist.

MEMORANDUM

State of Alaska

TO: R. D. Stevenson
Legislative Assistant

DATE: April 13, 1981

FILE NO

TELEPHONE NO

FROM: Gary L. Jenkins
Director
Audit Division

SUBJECT HB 460

This bill would make some much needed clarifications to the Fisheries Business Tax Act and the Salmon Enhancement Tax Act, along with a change in the revenue sharing provisions of the Fisheries Business Tax.

With regard to the specific provisions of the bill, I would suggest the legislature give consideration to clarifying a few of the proposed provisions. First, Sec. 3 of the bill establishes an exclusion from the Fisheries Business Tax provided certain conditions are met. For purposes of effective administration, I recommend one additional condition be added, which is:

(4) the fishery resource is sold by the person claiming the exclusion from tax to a fisheries business licensed under AS 43.75.

This provision will insure our ability to reasonably enforce the law because the tax will be reportable by taxpayers with whom we are already dealing and we will not be required to go out and try to find other persons who might buy the fishery resource and who would then be required to pay the tax.

When the need for the provisions of this bill were discussed previously with some members of the House Resources Committee, it was suggested that the Salmon Enhancement Tax law be clarified regarding whether the taxable event was the act of catching salmon in one of the established regions or was the act of selling salmon in the region regardless of where caught. It was our original understanding that the taxable event was the act of catching salmon in a region, however, during the course of discussions with various legislators, it has become clear that there is a divergence of opinion as to which event is the taxable event. I would strongly urge the legislature to clarify that point by amending AS 43.76.010 and AS 43.76.011. The issue is further confused by the fact that sections 5, 6 and 10 of the bill include provisions that are predicated on the catching of salmon as being the taxable event. Those provisions refer to the imposition of the tax on the person catching the salmon when the salmon are removed from the state by that person without the tax being paid. These concepts were originally suggested when we were still thinking the legislature meant the taxable event to be the catching of

the salmon. Those provisions should be deleted if the legislature intends to keep the tax on a sales basis only.

With regard to section 14 of the bill, which is the effective date clause for the changes in the revenue sharing section in the fisheries business tax, I would suggest that consideration be given to changing the effective date to either January 1, 1982 or July 1, 1982. Either date would seem to be more consistent with the provisions of section 12 of the bill.

Finally, I would also recommend an additional section be added to the bill for the purpose of defining the term "buyer" as it applies in the proposed revisions to the Salmon Enhancement Tax. Please consider the following:

"Buyer" means any person who acquires possession of salmon from the person who caught the salmon regardless of whether there is an actual sale of the salmon but excluding any transfer to a person engaged solely in interstate transportation of goods for hire.

This broad language is being proposed to insure that deliveries of salmon to a cooperative would be included. This would preclude an argument that a delivery to a cooperative was not an actual sale upon which the tax would not apply.

Sec. 43.75.011. Fisheries business license. A person engaging or attempting to engage in a fisheries business shall first apply for and obtain a license as provided in AS 43.75.020. (§ 3 ch 79 SLA 1979)

Editor's note. — Section 1, ch. 79, SLA 1979, provides: "FINDINGS. The legislature finds that the state has

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

Section 2, ch. 79, SLA 1979, provides: "PURPOSE. The purposes of this Act are to

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

Sec. 43.75.015. Fisheries business tax. (a) A person engaged in a fisheries business is liable for and shall pay the tax levied by this section on the value of each of the following fisheries resources processed during the year at the rate set out after each:

- (1) salmon canned at a shore-based cannery — four and one-half per cent;
- (2) salmon processed by a shore-based fisheries business, except salmon for which the tax is due under (1) of this subsection, and all other fisheries resources processed by a shore-based fisheries business — three per cent;
- (3) fisheries resources processed by a floating fisheries business — five per cent.

(b) Instead of the taxes levied by (a) of this section, a person engaged in a fishery business which includes processing a developing commercial fish species is liable for and shall pay a tax equal to

- (1) one per cent of the value of the developing commercial fish species processed by a shore-based fisheries business during the year; and
- (2) three per cent of the value of the developing commercial fish species processed by a floating fisheries business during the year.

(c) A person engaging or attempting to engage in a fisheries business who first actually and physically processes the fishery resource is liable for and shall pay to the department the entire tax imposed by this section. In determining this tax liability, the person may not deduct from the value of the fishery resources processed the value of fishery resources that are canned or processed for other fisheries businesses, but shall include that value as part of the value of the fishery resources processed. (§ 3 ch 79 SLA 1979)

Sec. 43.75.030. Filing return and payment of tax. (a) A person subject to the tax shall file a return stating the value of fisheries

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Sec. 43.75.130. Refund to local governments. The commissioner of revenue shall pay

(1) to each municipality unified under AS 29.68.240 — 29.68.440, and to each city located in the unorganized borough, 20 per cent of the amount of tax revenue collected in the municipality from taxes levied by AS 43.75;

(2) to each city located within a borough, 10 per cent of the amount of tax revenue collected in the city from taxes levied by AS 43.75; and

(3) to each borough

(A) 20 per cent of the amount of tax revenue collected in the area of the borough outside cities from taxes levied by AS 43.75; and

(B) 10 per cent of the amount of tax revenue collected in cities located within the borough from taxes levied by AS 43.75. (§ 6 ch 155 SLA 1962; am § 75 ch 69 SLA 1970; am § 10 ch 218 SLA 1976; am § 11 ch 79 SLA 1979)

Effect of amendment.

The 1979 amendment rewrote this section.

Editor's note. — For the transitional provisions relating to tax sharing with municipalities, see § 14, ch. 79, SLA 1979 in the 1979 Temporary and Special Acts and Resolves.

State license tax on salmon canneries with its revenue sharing provision is not different in kind from general gross receipts tax of Alaska Business License Act. — See *Liberati v. Bristol Bay Borough*, Sup. Ct. Op. No. 1755 (File No. 3365), 585 P.2d 878 (1978).

Section 14, ch. 79, SLA 1979, as amended by § 13, ch. 155, SLA 1980, effective July 1, 1980, provides in subsection (a): "The taxes paid for the 1978 calendar year under AS 43.75 shall be shared with municipalities in accordance with AS 43.75.130 and 43.75.135, as those sections read before their respective amendment and repeal by this Act. The taxes paid for the 1979 calendar year and for each succeeding calendar year shall be shared with municipalities in accordance with AS 43.75.130 as amended by sec. 11 of this Act."

Sec. 43.75.135. Additional refund to boroughs and cities.

Repealed by § 13 ch 79 SLA 1979.

Editor's note. — The repealed section derived from § 1, ch. 89, SLA 1963; § 1, ch. 120, SLA 1969; § 11, ch. 218, SLA 1976.

For transitional provisions relating to tax sharing with municipalities, see § 14, ch. 79, SLA 1979, as amended by § 13, ch. 155, SLA 1980, in the 1980 Temporary and Special Acts and Resolves.

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Sec. 43.75.136. Appropriations to Commercial Fishing and Agriculture Bank. The legislature may annually appropriate 20 per cent of the amount of tax revenue collected under this chapter to the Commercial Fishing and Agriculture Bank established in AS 44.81.010 until the bank is fully capitalized as determined by the commissioner of revenue based upon the estimated capital needs of the bank. (§ 3 ch 79 SLA 1979)

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Sec. 43.75.140. Definitions. In this chapter

- (1) "department" means the Department of Revenue;
- (2) "developing commercial fish species" means those species of fish and shellfish annually designated by the commissioner of fish and game under AS 16 05.050(12);
- (3) "fisheries business" means a person who engages in processing fisheries resources for sale by freezing, cooking, salting, or other method and includes but is not limited to canneries, cold storages, freezer ships, and processing plants;
- (4) "fishery resource" means fin fish, shellfish and fish by-products, including but not limited to salmon, halibut, herring, flounder, crab, clam, cod, shrimp, and pollock;
- (5) "floating fisheries business" means a fisheries business which is not a shore-based fisheries business; the term includes, but is not limited to, a shore-based fisheries business as defined in (6)(B) of this section when it is removed from the state;
- (6) "shore-based fisheries business" means a fisheries business
 - (A) operated from a facility which is permanently attached to the land; or
 - (B) operated from a facility which remains in the same location in the state for the entire tax year;
- (7) "value" means the actual price paid for the fisheries resource by the fisheries business, including indirect consideration such as fuel, supplies, or gear, whether paid at the time of purchase of the fisheries resource or tendered as a deferred or delayed payment, except that "value" means the market value of the fishery resource if the fishery resource is procured in company-owned or company-subsidized boats operated by employees of the fisheries business or in boats which are operated under lease or other arrangement;
- (8) Repealed by § 46 ch 94 SLA 1980 and § 46 ch 113 SLA 1980. (§ 3 ch 79 SLA 1979; am § 46 ch 94 SLA 1980; am § 46 ch 113 SLA 1980)

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Effect of amendments. — The first and second 1980 amendments both repealed paragraph (8). The second 1980 amendment is effective June 21, 1980, and retroactive to January 1, 1980.

Editor's note. — Section 62, ch. 113, SLA 1980, effective June 21, 1980, makes the repeal of paragraph (8) applicable to tax years beginning after December 31, 1979.

Chapter 76. Salmon Enhancement Tax.

<p>Section</p> <p>10. Three percent salmon enhancement tax</p> <p>11. Two percent salmon enhancement tax</p> <p>15. Election to approve or terminate salmon enhancement tax</p> <p>20. Termination of salmon enhancement tax</p>	<p>Section</p> <p>25. Collection of tax and disposition of proceeds</p> <p>30. Accounting of financing received as a result of the salmon enhancement tax</p>
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Effective date of chapter. — Section 5, ch. 154, SLA 1980, makes this chapter effective July 2, 1980, in accordance with AS 01.10.070(c).

Editor's note. — For findings and purpose of enacting legislation, see § 1, ch. 154, SLA 1980, in Temporary and Special Acts and Resolutions.

Sec. 43.76.010. Three percent salmon enhancement tax. (a) A person holding a limited entry permit under AS 16.43 shall pay a salmon enhancement tax at the rate of three percent of the value of salmon, as defined in AS 43.75.140(7), that the person sells to a processor licensed under AS 43.75.011. The processor shall collect the salmon enhancement tax at the time of the sale.

(b) A three percent salmon enhancement tax may only be levied or collected under (a) of this section

(1) in a region designated by the commissioner of fish and game for the purpose of salmon production under AS 16.10.375;

(2) if there exists in that region an association determined by the commissioner of fish and game to be a qualified regional association under AS 16.10.380; and

(3) if the qualified regional association approves the three percent salmon enhancement tax under AS 43.76.015. (§ 2 ch 154 SLA 1980)

Editor's note. — Section 4, ch. 154, SLA 1980, effective July 2, 1980, provides: "The commissioner of commerce and economic development shall direct that no further royalty assessments be collected under AS 16.10.530 on or after the

effective date of an election in the region of a qualified regional association that approves a salmon enhancement tax in accordance with AS 43.76.010 — 43.76.015."

Sec. 43.76.011. Two percent salmon enhancement tax. (a) A person holding a limited entry permit under AS 16.43 shall pay a salmon enhancement tax at the rate of two percent of the value of salmon, as defined in AS 43.75.140(7), that the person sells to a processor licensed under AS 43.75.011. The processor shall collect the salmon enhancement tax at the time of the sale.

(b) A two percent salmon enhancement tax may only be levied or collected under (a) of this section

(1) in a region designated by the commissioner of fish and game for the purpose of salmon production under AS 16.10.375;

(2) if there exists in that region an association determined by the commissioner of fish and game to be a qualified regional association under AS 16.10.380; and

(3) if the qualified regional association approves the two percent salmon enhancement tax under AS 43.76.015. (§ 2 ch 154 SLA 1980)

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(D) provide an effective date for the levy of the salmon enhancement tax; and

(E) indicate the date on which returned ballots must be postmarked in order to be counted.

(4) The ballots shall be returned by mail and shall be counted by the commissioner of commerce and economic development or by a person approved by the commissioner of commerce and economic development.

(d) The commissioner of commerce and economic development shall certify the results of an election under this section if he determines that the requirements of (a) and (c) of this section have been satisfied.

(e) Except as provided in AS 43.76.020(b)(2), an election to terminate a salmon enhancement tax shall be conducted under the same procedures established under (a), (c) and (d) of this section for an election to approve a salmon enhancement tax.

(f) In this section, "eligible interim-use permit and entry permit holder" means an individual who, 90 days before the date ballots must be postmarked to be counted in an election under this section, is listed in the records of the Alaska Commercial Fisheries Entry Commission as the legal owner of an interim-use permit or an entry permit which authorizes him to fish commercially in an administrative area established by the Alaska Commercial Fisheries Entry Commission under AS 16.43.200, which is included, in whole or in part, in the region in which the election is held. (§ 2 ch 154 SLA 1980)

Sec. 43.76.020. Termination of salmon enhancement tax. (a) The salmon enhancement tax levied under AS 43.76.010 may be terminated by the commissioner of revenue upon majority vote at an election held under AS 43.76.015 in the region in which the salmon enhancement tax is levied.

See this amend

(b) A salmon enhancement tax shall be terminated by the commissioner of revenue under (a) of this section following an election in a region if

(1) a petition is presented to the commissioner of commerce and economic development requesting termination of the salmon enhancement tax which is signed by at least 25 percent of the number of persons who voted under AS 43.76.015 in the election approving the salmon enhancement tax in the region;

(2) an election is held in accordance with AS 43.76.015; the ballot shall ask the question whether the salmon enhancement tax for the region shall be terminated; the ballot shall be worded so that a "yes" vote is for continuation of the salmon enhancement tax and a "no" vote is for termination of the salmon enhancement tax;

(3) a majority of the eligible interim-use permit and entry permit holders who vote in the election cast a ballot for the termination of the salmon enhancement tax;

(4) the qualified regional association provides notice of the election in accordance with AS 43.76.015 within two months after receiving

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notice from the commissioner of commerce and economic development that a valid petition under (1) of this subsection has been received. (§ 2 ch 154 SLA 1980)

Sec. 43.76.025. Collection of tax and disposition of proceeds.

(a) A processor who buys fisheries resources which are subject to the salmon enhancement tax imposed by AS 43.76.010 or 43.76.011 shall collect the salmon enhancement tax at the time of purchase, and shall remit the total salmon enhancement tax collected during each month to the Department of Revenue by the last day of the next month.

(b) A processor who collects the salmon enhancement tax shall

(1) maintain records reflecting the region designated under AS 16.10.375 in which the fishery resource was caught; and

(2) report to the Department of Revenue by March 1 of each year the total value, as defined in AS 43.75.140(7), of the salmon caught in each region designated under AS 16.10.375 which the processor has purchased during the preceding year.

(c) The salmon enhancement tax collected under this chapter shall be deposited in the general fund. The legislature may 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 legislature may base an appropriation for a qualified regional association operating within a region designated under AS 16.10.375 on the value of the fisheries resources caught in that region rather than the value of the fisheries resources sold in that region if those values differ. (§ 2 ch 154 SLA 1980)

Sec. 43.76.030. Accounting of financing received as a result of the salmon enhancement tax. A qualified regional association requesting state financial assistance in accordance with AS 43.76.025(c) shall submit an annual financial report to the Department of Commerce and Economic Development on a form provided by the Department of Commerce and Economic Development. The Department of Commerce and Economic Development may, by regulation, require that a qualified regional association use a uniform system of accounting. A qualified regional association requesting state assistance shall submit an annual budget to the Department of Commerce and Economic Development on or before a date specified by the Department of Commerce and Economic Development. (§ 3 ch 154 SLA 1980)

Chapter 80. General Provisions.

Section

20—30 (Repealed)

35. Reporting of salmon prices

Sec. 43.75.130. Refund to local governments. The commissioner of revenue shall pay

(1) to each municipality unified under AS 29.68.240 — 29.68.440, and to each city located in the unorganized borough, 20 per cent of the amount of tax revenue collected in the municipality from taxes levied by AS 43.75;

(2) to each city located within a borough, 10 per cent of the amount of tax revenue collected in the city from taxes levied by AS 43.75; and

(3) to each borough

(A) 20 per cent of the amount of tax revenue collected in the area of the borough outside cities from taxes levied by AS 43.75; and

(B) 10 per cent of the amount of tax revenue collected in cities located within the borough from taxes levied by AS 43.75. (§ 6 ch 155 SLA 1962; am § 75 ch 69 SLA 1970; am § 10 ch 218 SLA 1976; am § 11 ch 79 SLA 1979)

Effect of amendment.

The 1979 amendment rewrote this section.

Editor's note. — For the transitional provisions relating to tax sharing with municipalities, see § 14, ch. 79, SLA 1979 in the 1979 Temporary and Special Acts and Resolves.

State license tax on salmon canneries with its revenue sharing provision is not different in kind from general gross receipts tax of Alaska Business License Act. — See *Liberati v. Bristol Bay Borough*, Sup. Ct. Op. No. 1755 (File No. 3365), 585 P.2d 878 (1978).

Section 14, ch. 79, SLA 1979, as amended by § 13, ch. 155, SLA 1980, effective July 1, 1980, provides in subsection (a): "The taxes paid for the 1978 calendar year under AS 43.75 shall be shared with municipalities in accordance with AS 43.75.130 and 43.75.135, as those sections read before their respective amendment and repeal by this Act. The taxes paid for the 1979 calendar year and for each succeeding calendar year shall be shared with municipalities in accordance with AS 43.75.130 as amended by sec. 11 of this Act."

Sec. 43.75.135. Additional refund to boroughs and cities.

Repealed by § 13 ch 79 SLA 1979.

Editor's note. — The repealed section derived from § 1, ch. 89 SLA 1963; § 1 ch. 120, SLA 1969; § 11, ch. 218, SLA 1976.

For transitional provisions relating to tax sharing with municipalities, see § 14, ch. 79, SLA 1979, as amended by § 13, ch. 155, SLA 1980, in the 1980 Temporary and Special Acts and Resolves.

State license tax on salmon canneries with its revenue sharing provision is not different in kind from general gross receipts tax of Alaska Business License Act. — See *Liberati v. Bristol Bay Borough*, Sup. Ct. Op. No. 1755 (File No. 3365), 585 P.2d 878 (1978).

Sec. 43.75.136. Appropriations to Commercial Fishing and Agriculture Bank. The legislature may annually appropriate 20 per cent of the amount of tax revenue collected under this chapter to the Commercial Fishing and Agriculture Bank established in AS 44.81.010 until the bank is fully capitalized as determined by the commissioner of revenue based upon the estimated capital needs of the bank. (§ 3 ch 79 SLA 1979)

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THE LEGISLATURE OF THE STATE OF ALABAMA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. CSHB 460 (Finance) (efd failed)

Title An Act relating to the fisheries and salmon enhancement taxes

Requested by Senate Resources Committee Date 6/2/81

II. FISCAL DETAIL

Agency Affected Department of Revenue

Program Category Affected Revenue Collection And Management

BRU, Program, or Subprogram(s) Affected Audit Division

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

EXPENDITURES (Thousands of Dollars) NONE

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL						

FUNDING (Thousands of Dollars) NONE

GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS NONE

FULL TIME						
PART TIME						
TEMPORARY						

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

See attached memorandum to R. D. Stevenson dated June 2, 1981.

IV. DATE June 2, 1981

PREPARED BY Ervin B. Jones

AGENCY Audit Division

PHONE 465-2320

Original: Legislative Finance

cc: Budget and Management

Prime Sponsor (First Legislator Named)

FISCAL NOTE

I. REQUEST

Bill/Resolution No. CSHB 460 (Finance) (efd failed)
 Title An Act Relating to the Fisheries and Salmon Enhancement Taxes
 Requested by Senate Resources Committee Date June 2, 1981

II. FISCAL DETAIL

Agency Affected Department of Revenue
 Program Category Affected _____
 BRU, Program, or Subprogram(s) Affected _____
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)
EXPENDITURES (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMITMENTS						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL						

FUNDING (Thousands of Dollars) NONE

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
FULL TIME						
PART TIME						
TEMPORARY						

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

IV. DATE June 2, 1981

PREPARED BY Robert W. Elliott
 AGENCY Revenue
 PHONE 465-2309

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

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. CSHB 460 (Finance) (efd failed)

Title The Fisheries & Salmon Enhancement Taxes

Requested by Senate Resources Committee Date 5-28-81

II. FISCAL DETAIL

Agency Affected _____ Revenue _____

Program Category Affected _____ Community Development _____

BRU, Program, or Subprogram(s) Affected Shared Taxes - Fisheries Tax

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

EXPENDITURES (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	0	0	0	0	0	0

FUNDING (Thousands of Dollars)

GENERAL FUND	0	(1,969.0)	(5,907.0)			
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

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

The bill provides for a two-step increase in the sharing of fisheries taxes to boroughs and cities.

There is no additional administrative cost effect upon the General Government Administration and Support BRU.

IV. DATE 6-1-81

PREPARED BY

Philip A. Wall
Philip A. Wall

AGENCY

Revenue

PHONE

465-2313

Original: Legislative Finance

cc: Budget and Management

Prime Sponsor (First Legislator Named)

FISCAL NOTE

I. REQUEST
 Bill/Resolution No. CSHB 460 (fin)
 Title relating to the fisheries and salmon enhancement taxes
 Requested by _____ Date May 20, 1981

II. FISCAL DETAIL
 Agency Affected Department of Revenue
 Program Category Affected Shared Taxes
 BRU, Program, or Subprogram(s) Affected Fisheries Tax
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.		1969.0	5907.0	5907.0	5907.0	
TOTAL		1969.0	5907.0	5907.0	5907.0	

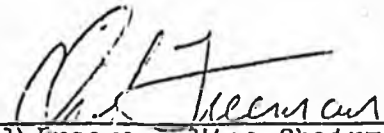
FUNDING (Thousands of Dollars)

GENERAL FUND		1969.0	5907.0	5907.0	5907.0	
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

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


 Oral Freeman, Vice Chairman
 House Finance Committee

IV. DATE May 20, 1981 PREPARED BY _____
 AGENCY _____
 PHONE _____
 Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. HB 460
 Title Relating to the fisheries and salmon enhancement taxes
 Requested by House Resources Committee Date 4/13/81

II. FISCAL DETAIL

Agency Affected _____
 Program Category Affected _____
 BRU, Program, or Subprogram(s) Affected _____
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						

TOTAL

FUNDING (Thousands of Dollars)

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

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

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

No change in revenues.

IV. DATE 4/13/81 PREPARED BY Robert W. Elliott
 AGENCY Revenue
 PHONE 465-2309
 Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

FISCAL NOTE

I. REQUEST

Bill/Resolution No. HB 460

Title An Act relating to the fisheries and salmon enhancement taxes

Requested by House: Resources Committee

Date April 13, 1981

II. FISCAL DETAIL

Agency Affected Department of Revenue

Program Category Affected Revenue Collection and Management

BRU, Program, or Subprogram(s) Affected Audit Division

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

EXPENDITURES (Thousands of Dollars) NONE

	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL						

FUNDING (Thousands of Dollars) NONE

GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS NONE

FULL TIME						
PART TIME						
TEMPORARY						

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

See attached memo to R.D. Stevenson dated April 13, 1981.

IV. DATE April 13, 1981

PREPARED BY Gary L. Jenkins

AGENCY Audit Division

PHONE 465-2320

Original: Legislative Finance

cc: Budget and Management

Prime Sponsor (First Legislator Named)

THE LEGISLATURE OF THE STATE OF ALASKA
ELEVENTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. HB 460
 Title Relating to the Fisheries and Salmon Enhancement Taxes
 Requested by House Resources Date April 7, 1981

II. FISCAL DETAIL

Agency Affected _____ Revenue _____
 Program Category Affected General Government
 BRU, Program, or Subprogram(s) Affected Administration and Support, Management Services
 (Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

FUNDING (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

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

HB 460 increases the percentage of tax paid. The Bill will also cause a small increase in Returns which report the tax paid on certain frozen fishery resources and upon salmon removed from the State. The Bill will cause a substantial increase in the amount refunded to Local governments. However, it appears that the additional cost can be handled within the present and requested budgets.

IV. DATE April 7, 1981

PREPARED BY Phillip A. Wall

AGENCY Revenue

PHONE 465-2313

Original: Legislative Finance

cc: Budget and Management

Prime Sponsor (First Legislator Named)



Alaska State Legislature

Senate

JUNEAU, ALASKA

Subcommittee Minutes:

6 June, 1981

The Senate Resources Fisheries Subcommittee meeting was called to order by Senator Mulcahy with a quorum present. Before the committee for discussion was the proposed SCS for CS HB460 (Resources), and Chairman Mulcahy asked for testimony.

Gary Jenkins, Director of the Division of Audit, Department of Revenue, testified that he had reviewed the draft and commented on sections 9 and 10 modifying the enhancement tax explaining the tax liability based on where the fish were caught (Section 14). Senator Mulcahy expressed the purpose of the bill as trying to eliminate loopholes, and Senator Gilman questioned Mr. Jenkins about custom processors in Section 2. Mr. Jenkins responded that the tax provisions had been addressed and offered further comments on section 15 pertaining to the definition of "buyer". There was some concern about the language used, and after discussion it was decided that the language should be amended.

Senator Gilman made a motion to move the bill with individual recommendations, and the bill passed from committee.



Alaska State Legislature

Senate

JUNEAU, ALASKA

RESOURCES SUBCOMMITTEE ON FISHERIES

June 3, 1981

Senate Resources Subcommittee on Fisheries Meeting

The meeting was called to order at 3:16 PM. All members of the subcommittee were present.

The first item on the agenda was SCR 31 "Relating to the Southeastern Alaska troll fishery". (tape reading 017)

Lewis Schnaper, from the Alaska Trollers Association, testified first on SCR 31. He said that the Alaska Trollers Association supported the "whereases" in the resolution; however there were reservations about the Commissioner of Fish and Game being able to clean his own house, so to speak. He felt that perhaps the study should be contracted out. (tape reading 025-207)

SCR 31 was moved with individual recommendations.

The next item on the agenda was HB 507 "An Act relating to the fishermen's mortgage and note program". (tape reading 211)

The first person to testify was Roger Painter, Executive Director of United Fishermen of Alaska. He spoke in favor of the bill, and said that the main point of this bill was to make the Commissioner of Commerce decide on guidelines to determine eligibility for the program. (tape reading 217-337)

HB 507 was moved with individual recommendations.

X The next item on the agenda was CSHB 460 "An Act relating to the fisheries and salmon enhancement taxes". (tape reading 360)

Ervin Jones, of the Department of Revenue, was the first person to testify on the bill. He stated that the Department supported the bill, but a couple of changes should be made. (tape reading 363-578)

Rick Lauber, representing the Pacific Seafood Processors Association, was the next person to testify on the bill. He said that the bill poses serious problems to processors, in that in its present form it would grant a 3% bonus to foreign processors because of lack of salmon enhancement tax when fish is shipped out of state. He said this created unfair competitor to the processors, and that it was detrimental to the aquaculture associations that should receive the tax. (tape reading 583-722)

Roger Painter, Executive Director of United Fishermen of Alaska, testified next on the bill. He stated that there was a loophole in Sec. 2 of the bill, where the tax liability on custom packed fish was not applied on anyone. He also mentioned that the bill was unworkable without the effective date clauses that were defeated in the House.(tape reading 724-870)

Lewis Schnaper, of the Alaska Trollers Association, testified in support of this bill.(tape reading 871-069)

Hank Ostroskey, a commercial fishermen from Naknek, testified next on the bill.(tape reading 209-302)

Chairman Mulcahy announced that work on a draft would be done, and that the bill would be brought up on Friday, June 5 at 3:00 PM.

Chairman Mulcahy adjourned the meeting at 4:15.(tape reading 364)



Alaska State Legislature

Senate

JUNEAU, ALASKA

RESOURCES SUBCOMMITTEE ON FISHERIES

SECTIONAL ANALYSIS OF CS HB 460

Sec. 1: This section makes a small change in the wording to clarify that processing is the action that is taxed.

Sec. 2: This section requires that a person who buys a frozen fisheries resource from a person who is exempted from paying the tax must pay the tax.

It also allows a person to deduct from the total value he processes the value of fish processed for other fishery businesses. In order to keep good records of this, all information relating to this deduction must be reported to the Dept. of Rev.

Sec. 3: This details when a person is not liable for the tax. He is not liable when the fish is frozen aboard a vessel if:

- 1) he is operating a commercial fishing vessel,
- 2) the fish is just headed, cleaned, frozen, or glazed,
- 3) if the fish frozen was caught by the vessel, and
- 4) if the fish is sold by the person claiming the exemption.

Sec. 4: This section raises the refund paid to local governments under the raw fish tax from:

- 1) 20% to 50% for all unified governments,
- 2) 20% to 50% for all cities located in unorganized boroughs,
- 3) 10% to 25% for all cities in organized boroughs,
- 4) 20% to 50% for revenues collected outside of cities located in organized boroughs; this revenue goes to the borough, and
- 5) 10% to 25% for revenues collected inside cities located in organized boroughs; this revenue goes to the borough also.

Sec. 5: This section changes the definition of value so that it clearly states that value is market value when fish are taken in a company owned or subsidized boat.

Sec. 6: This section defines "taken".

Sec. 7: This section allows the .2% salmon enhancement tax to be terminated by an election. Previously, only the .3% salmon enhancement tax was mentioned.

Sec. 8: This section repeals the provision that 20% of the fishery business tax could be appropriated to CFAB.

Sec. 9: This section allows a graduation in the increasing of revenue shared back to the local government. Originally this was to be for one year so that the change wasn't so drastic. However, when the bill came to the floor of the House all the effective dates were killed.

Sec. 10: This section details the transition phase of increasing the revenue sharing.

Sec. 11: This section provides that Secs. 2 and 3 are retroactive to January 1, 1981.

PACIFIC SEAFOOD PROCESSOR'S ASSOCIATION

P.O. BOX 1625 • JUNEAU, ALASKA 99802 • (907) 586-6360

TO: TROY HENLEY
FROM: RICK LAUBER
RE: H.B. 460
Date: May 26, 1981

My concern with this bill is rooted in the fact that the Aquaculture (Enhancement) Assessment Tax is based on where the salmon are Processed. It seems that even if fish are flown from Bristol Bay to Petersburg that if you are trying to rebuild Bristol Bay salmon runs little help will come from paying the tax to the Southern Southeast Aquaculture Association. This wouldn't bother me...at least to the point of an official objection...unless it caused direct problems to the processors. And it does!

Because the tax is not imposed until the salmon are landed and processed the fishermen can escape payment of the tax by shipment of the fish to Canada. With the plants of Prince Rupert, B.C. so close they pose a real danger to the industry in Southeastern Alaska and to a lesser but nonetheless a threat in other parts of the state.

If passed in its present form HB 460 would give a fisherman a 3% incentive to sell his fish outside Alaska (2% in Cook Inlet).

This problem could be corrected if the tax is treated the same as the Fisheries Business License Tax (Raw Fish Tax). Put the tax on the buyer and if the fish are shipped out of the district then upon the fisherman.

In any case we can't make it easy for Canada or any other buyer to "raid" our salmon..

Rick Lauber

SENATE FINANCE COMMITTEE

Ma 8, 1981

1:00 p.m.

SFC-81, #51, Side 1 (157-end)
SFC-81, #51, Side 2 (000-end)
SFC-81, #52, Side 2 (000-707)

CALL TO ORDER

Co-chairman Don Bennett convened the meeting at approximately 1:40 p.m.

PRESENT

All committee members were present with the exception of Senator Eliason who arrived shortly after the meeting began. Also attending portions of the meeting were Commissioner of Revenue, Thomas K. Williams; Mr. Frank Danner of Peat, Marwick, Mitchell & Co.; Mr. Robert Ghee of Alaska International Industries; Tulinda Deegan of the Alaska Air Carriers Association; Mr. Bill Wuguman of the Fairbanks Miners Association; Jeannie Kline of the Alaska Chapter, Associated General Contractors of America; Mr. Don Dickey, Alaska State Chamber of Commerce; Jack Chenoweth, Legislative Counsel; Alison Farnan, Administrative Assistant to Senate President Kerttula; Fiscal Analysts Alison Elgee and Don Fisher.

SENATE BILL 524

Co-chairman Bennett moved that SB 524 (ACT RELATING TO AN INVESTMENT TAX CREDIT ALLOWED AGAINST THE STATE CORPORATE INCOME TAX) be brought on for discussion.

Commissioner of Revenue Tom Williams first appeared before committee. He advised that SB 524 would amend the corporate income tax, increasing the amount of eligible investment for which an investment tax credit may be claimed from \$500,000 to \$20 million. Under the Internal Revenue Code, 10% of a qualified investment is allowed as a dollar for dollar reduction in the net tax liability. State law allows (dollar for dollar) a reduction in the corporate tax liability at a rate of 18% of the federal tax credit. As an example of application of both federal and state law, Commissioner Williams advised that if a corporation received a \$1 federal tax credit, it would get an 18 cent credit against its Alaska tax liability. Increasing the amount of qualified investment for which the tax credit may be calculated from \$500,000 to \$20 million results in a \$19,500,000 increase and further results in a potential increase in tax credit available to an individual corporation of \$351,000 (a total of \$351,000 which can be deducted from the corporation's tax bill). If the bill passes, Revenue projects a reduction of approximately 16

million in state corporate income tax receipts. This reduction would increase gradually to over \$7 million by 1984-85.

Commissioner Williams advised of his belief that SB 524, as presently drafted, is "really not good policy." He explained that most companies with tax liability large enough to avail themselves of the benefits of the increased tax credit conduct "most of their investments outside. He cited as an example an oil company doing business in Alaska which might claim a tax credit for investment in a refinery or a tanker located outside the state, and he warned that such a company would thus be able to shelter income the state previously taxed by seeking a tax credit for outside investments. He added, "I think it's a step away from where we want to be rather than a step towards where we may be going."

When asked if the administration would support the concept or policy contained in SB 524, Commissioner Williams responded "I don't thing so My recommendation to the Governor . . . is not in favor of going to \$20 million because I don't think the benefits that we get from allowing that sort of credit will offset the negative revenue effects. . . ."

When asked by Senator Stimson for a figure with which he would "be comfortable" since he doesn't support the \$20 million credit, Commissioner Williams responded that he prefers the existing \$500,000 credit. He added that he saw no reason to increase the credit at this time, given recent upturns in the economy. He stated that there has been "considerable revitalization in Anchorage and Fairbanks and elsewhere through the state . . . I don't think it's necessary to provide further stimulus because we may end up overheating the . . . economic engine."

Mr. Frank Danner of Peat, Marwick, Mitchell & Co. next appeared before committee. He recommended favorable consideration of SB 524 because of tremendous increases in the cost of capital equipment and business personal property necessary to carry on a business in Alaska. Mr. Danner stated that his accounting firm represents small and medium sized businesses in the state (construction companies, individuals involved in the fishing industry, native regional corporations, etc.) The \$500,000 tax credit for capital investment is "completely unrealistic under the circumstances." A D-9 Caterpillar delivered in Anchorage or Fairbanks costs approximately \$435,000. Trucks in the transportation industry cost well in excess of \$100,000 per unit. Alaska businesses have matured since the pipeline years and have shown "remarkable restraint" the past several years in "tolerating the position of the State of Alaska Department of Revenue." While the state has designed numerous loan programs to encourage growth and stimulate new business, the Department of Revenue is against creating a tax climate favorable to local Alaskan business. The fishing, timber, and construction industries are capital intensive and employ many people. Employment of people in Alaska entails the use of capital equipment which is extremely expensive. If the state wishes to

Tulinda Deegan next appeared before committee on behalf of the Alaska Air Carriers Association and read a prepared statement (copy attached) in support of increasing the tax credit.

Mr. Bill Wagoner next appeared, representing the Fairbanks branch of the Alaska Miner's Association. He advised of his belief that SB 524 "is a good bill." It provides the relief miners should be getting since their investments today are much higher than in the past. Today it costs a "little miner" about \$1 million to go out in the field and mine on "a minimal basis." It costs "a lot more to operate in Alaska." Alaska business should be given extra attention because of high costs, and SB 524 represents a plus "in that direction."

Jeannie Kline next appeared, representing the Associated General Contractors of America. On behalf of the Association she urged favorable consideration of SB 524, because the cost of equipment and the need for large more sophisticated equipment has increased drastically. Passage of the legislation would provide additional working capital to cover the cost of equipment, the shipping and purchase of supplies and materials. Wages and interest rates have also increased. The tax credit would benefit both large established contractors as well as new business attempting to "get into the mainstream."

Mr. Don Dickey next appeared before committee, testifying on behalf of the Alaska State Chamber of Commerce. He urged passage of SB 524, advising that the former tax credit, \$500,000, is not realistic--the increase would be much more beneficial. He pointed out that at a time when the state is blessed with substantial income, much of which is derived from business, it is not unrealistic to give some relief. Money resulting from the tax credit would be reinvested and create additional jobs.

Co-chairman Dankworth moved that SB 524 pass from committee with individual recommendations. No objection having been raised, the bill passed from committee--Senators Sackett, Eliason, Ferguson, Dankworth, and Bennett signing do pass. Senators Stimson and Sturpulewski signing no recommendation.

At this time Co-chairman Bennett announced that the committee would continue budget close-outs and directed attention to the General Government category.

GENERAL GOVERNMENT

LEGISLATIVE COUNCIL

Co-chairman Dankworth advised that with some difficulty Representative Malone had compiled a budget for the Council, coming up with a total of \$20,900,000. Co-chairman Dankworth requested that Senate President Kerttula and Co-chairman Bennett both reviewed the budget on behalf of the Senate and together evolved a budget totalling \$16,325,100. Alison Farnan advised that the correct total is \$18,502,600. Co-chairman Dankworth

encourage local Alaskan businesses to hire local Alaskan people, it must create a tax climate favorably commensurate with the favorable loan climate in order that businesses may acquire necessary equipment and compete favorably with businesses "outside." The attitude of the Dept. of Revenue appears to run "completely contra" to the desire of the legislature and administration to create a loan program which favors development of business.

Mr. Danner advised that he, personally, was involved in the fishing industry and launched a 108 ft. crab vessel in 1979 at a cost of \$2.1 million for the boat alone, notwithstanding the cost of 750 crab pots and additional support equipment.

Mr. Danner concluded his remarks advising that if Alaskan businessmen are expected to make substantial capital investments, they need a realistic increase in the capital investment tax credit--the increase to \$20 million is not unrealistic.

Responding to a question from Co-chairman Bennett concerning Commissioner Williams' implication that large companies might claim credit for investments made outside the state, Mr. Danner stated that the Dept. of Revenue has adopted regulations requiring multi-national corporations to report on a unitary basis. Income allocated to the State of Alaska is based upon the multi-state tax compact formula of payroll, sales, and equipment (fixed assets located within the State of Alaska). Purchase of a tanker to run to New Orleans rather than Alaska would not apply to assets or income taxable in the State of Alaska.

Mr. Bob Gnee of Alaska International Industries next appeared before committee. He advised that the \$500,000 tax credit was effected in 1975. The state has changed since that time and must recognize these changes. The state has developed a policy to encourage in-state processing of natural resources. Inflation and technology have "shoved the cost of anything into the stratosphere"--a Hercules aircraft that cost \$8-1/2 million a year ago now costs \$11 million. A small miner needs "at least \$1 million worth of equipment just to run a very small mine." Fishing boats run above \$5 million--this is what it takes to compete. Alaska businesses are growing up. NANA, in a joint venture, spent \$33 million to build two drilling rigs in Anchorage. Arctic Alaska has built one rig and intends to build two more in Anchorage. These rigs are subject to the 20 mill exploration tax imposed by the State of Alaska. There are heavy capital requirements in every industry in Alaska--transportation, fishing, construction, timber, mineral extraction. The tax structure should encourage those who live, work, and spend all their time in Alaska. The \$20 million income tax credit will encourage the growth of Alaska firms and allow them to compete with outside business. If Alaska is to overcome the disadvantage of "being at the tail end of the transportation system," high costs, and competition from outside firms, then Alaska tax laws should provide some solid incentive.

SB 524 (Act relating to an investment tax credit allowed
against the state corporate income tax)

Testimony
of
Commissioner of Department of Revenue
Thomas K. Williams
5/8/81

WILLIAMS - Thank you, Mr. Chairman. For the record my name is Tom Williams, and I'm the Commissioner of Revenue. SB 524 would amend the corporate (the regular corporate) income tax to increase the amount of eligible investment for which investment tax credit may be calculated. That's its primary program effect. It increases that from \$500,000 of qualified investment to \$20 million of qualified investment. And the way this credit works is that under the Internal Revenue Code (the Federal Law), 10% of the qualified investment is allowed as a dollar for dollar reduction in the net tax liability. It's not a deduction in figuring what your taxable income is--this comes off the bottom line. What your tax is, that you owe, you can reduce that amount dollar for dollar by 10% of the qualified investment. Under our statutes we allow, dollar for dollar, a reduction in the corporate tax liability at a rate of 18% of the Federal tax credit. In other words, if they got \$1 of Federal tax credit, they would get an 18¢ tax credit against their Alaska tax liability. By increasing the amount of qualified investment for which this credit may be

calculated from \$500,000 to \$10 million, that \$19,500,000 increase represents a potential increase in tax credit available to an individual corporation of \$351,000. That is \$351,000 he can take off his tax bill. We have estimated that if this bill were to pass, the revenue effects would be on the order of \$6 million a year, rising gradually by 1984-85 to over \$7 million a year in reduction in the corporate income tax receipts (again, the regular corporate income tax).

DANKWORTH - Rising to where? Six million to where?

WILLIAMS - Six million to \$7-1/2 million per year. I think that this bill as it's drafted now . . . it's really not good policy. I think that . . . well, for one thing, the investment can occur anywhere. And predominantly the taxpayers who have regular corporate tax liability large enough to avail themselves of the benefits of this increase conduct most of their investments outside. For instance, the oil companies themselves--those parts of the oil business that are, say, a refinery outside or a tanker outside, or something like that that is not taxed under the Special Oil Corporate Tax, those investments that they make for that investment would in fact be a source of a credit for them. So if ARCO has a subsidiary owning its oil and gas interests up here, as an example, and they build some new supertanker, they could take the investment tax credit for that supertanker up to \$20 million bucks. Now I don't know in fact whether ARCO has such a supertanker, and I'm not, of course, attempting to represent that they

have a separate company up here from the parent. My point was by way of illustration. There are companies up here that are very large and not all of their enterprise, even the oil companies, not all of their enterprise is in fact taxed under 43.21. In addition we have companies like Sears and Penneys, a number of other large mercantile companies that may be able to take advantage of this. We have a lot of what objectively are very large companies but nevertheless are small in comparison to the principal oil companies themselves, such as drilling companies who have very large capital investments in semi-submersible rigs, some of which may never come up here but which nevertheless would be a source of qualified investment under the Federal Internal Revenue Code, and by this amendment, therefore, would be adapted into the Alaska Tax Code, and thus they would be allowed to shelter income that we would otherwise tax with these outside investments. I don't think that's a terribly prudent approach to our tax. I think it's a step away from where we want to be rather than a step towards where we may be going.

BENNETT - With the exception of that one area, Commissioner, does the administration support this concept, or this policy?

WILLIAMS - I don't think so. I don't. My recommendation to the Governor would not, is not, in favor of going to \$20 million because I don't think the benefits that we get from allowing that sort of credit will offset the negative revenue effects and costs that we will see flowing. There will be increased demands on the services of the government and at the same time this is acting

to diminish the revenues that are available to sustain (inaudible).

BENNETT - Any questions to the Commissioner? Senator Stimson.

STIMSON - Mr. Chairman, a question for the Commissioner. Is there a figure that you would be comfortable with--that you could support if you can't support the \$20 million?

WILLIAMS - \$500,000.

STIMSON - So you don't support increasing that?

WILLIAMS - I don't see a need to increase it at this time.

We're seeing a lot of upturn in the economy. Perhaps a couple of years ago when we were in the throes of the post-pipeline depression and the nation itself was going through a recession, some sort of stimulus for investment instate would be desirable, and obviously I assume that any such credit that we allow would be only from investments that are instate. That would have been a very desirable thing, but the economy has come around. We're seeing considerable revitalization in Anchorage and in Fairbanks and elsewhere through the state, and I don't think it's necessary to provide further stimulus because we may end up overheating the engine more than we want--the economic engine.

BENNETT - Any further questions?

DANKWORTH - Mr. Chairman, are we going to have some other witnesses?

BENNETT - Yes. No further questions? Thank you, Commissioner.

WILLIAMS - Thank you, Mr. Chairman.

STIMSON - Mr. Chairman, I'd just like to ask if the Commissioner is going to stay, because I may have more questions after we

listen to other witnesses.

WILLIAMS - Mr. Chairman, the Permanent Fund Corporation of which I am a trustee is meeting at the same time right now, and so I've absented myself from that meeting. If you do need to ask me questions if you could send someone down to the Governor's conference room on the third floor, I could break way and return.

BENNETT - Thank you Commissioner

HB

472

Alaska State Legislature

BETTYE FAHRENKAMP, CHAIRMAN
VIC FISCHER, VICE-CHAIRMAN
BRAD BRADLEY
DICK ELIASON
DON GILMAN
BOB MULCAHY
ARLISS STURGULEWSKI



POUCH V
STATE CAPITOL
JUNEAU, ALASKA 99811
(907) 465-3834
(907) 465-3835

Senate

Committee on Resources

June 17, 1981
1:30 p.m.

Beltz Room
211 - Capitol

MEMBERS PRESENT

Senator Fahrenkamp
Senator Mulcahy
Senator Gilman
Senator Sturgulewski
Senator Fischer

Hearing:

- HB 460 An Act relating to the fisheries and salmon enhancement taxes.
- SSSB 555 An Act relating to the Guide Licensing and Control Board, continuing its existence, and amending the qualifications for a special guiding permit.
- CSHB 472 An Act relating to the maximum amounts which may be loaned under the fisheries enhancement loan program.
- HJR 44 Relating to the Alaska Native Allotment Act.

Mark Jensen, Chairman, Guide Licensing and Control Board, stated that he supports the proposed Senate Committee Substitute for SSSB 555 which extends the Board until 1982.

Senator Sturgulewski put forth the motion to move CSSSSB 555 (Res) with individual recommendations.

Senator Mulcahy stated that the Fisheries Subcommittee had waived CSHB 472 to the full Committee. The measure raises the loan limit under the fisheries enhancement loan program.

Joe Davis, Loan Examiner, Department of Commerce and Economic Development, stated that the loan limit should be raised because some non-profit hatcheries will require loans in excess of the present limit of \$6 million.

Senator Mulcahy put forth the motion to move CSHB 472 with individual recommendations.

SENATE RESOURCES COMMITTEE

June 17, 1981

Page: 2

Senator Gilman put forth the motion to move HJR 44 with individual recommendations.

Senator Fahrenkamp stated that the proposed Senate Committee Substitute for HB 460 amends the title and adds some portions of SB 524 which had passed the Senate and deleted in the House.

Tom Williams, Commissioner of Revenue, stated that he saw some problems with raising the tax credit limit to \$20 million. He suggested that on page 1, line 14, after the word "use" insert "in the state". He also, stated that the Attorney General had informed him that in order for Section 11 to be retroactive there needed to be a showing of public purpose.

Senator Mulcany put forth the motion to insert the words "in the state" after the word "use" on page 1, line 14, in CSHB 460 (Res).

Senator Mulcahy put forth the motion to move Senate CSHB 460 (Res) with individual recommendations.

The Committee adjourned at 2:25 p.m.

47736

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

STATE OF ALASKA

JAY S. HAMMOND, GOVERNOR

DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT

DIVISION OF BUSINESS LOANS

POUCH D
JUNEAU, ALASKA 99811
Phone: 465-2510

March 17, 1981

Honorable Terry Gardiner and
Honorable Fred Zharoff
Co-Chairmen
House Resources Committee
Pouch V
Juneau, Alaska 99811

Gentlemen:

Prior to FY '81, approximately \$6,900,000 in loans were closed under the Fisheries Enhancement Loan Program and approximately \$900,000 was disbursed in organizational and planning grants as authorized under AS 16.10.510. During FY '81, \$6,000,000 was made available by legislative appropriation for fisheries enhancement loans and \$1,628,000.00 in special grant appropriations. To date, approximately \$3,200,000 in loan commitments have been made. Applications for approximately \$2,000,000 are being processed at this time and an additional \$2,000,000 in loan requests are anticipated prior to the end of this fiscal year.

The Alaska Fisheries Enhancement Loan Program is in the initial stage of development. Because of the lead time required to bring hatchery projects to full production, only a limited number of performance indicators are available to evaluate financial investment decisions made thus far. All Fisheries Enhancement Loan applications must include a pro forma cash flow statement for the project. This type of investment model includes a planned production schedule and a projection of future revenues and expenditures anticipated over the life of the project. Each year the pro forma is adjusted by entering the actual production attained and expenditures and revenues realized. Future cash flow requirements are then adjusted accordingly. This model provides a method of evaluating the credit worthiness of an ongoing project as well as a budget control system.

Return on investment models and cost benefit analyses are not required as part of the loan application. These models are useful for the comparison of competing projects and establishing planning priorities when investment capital is limited. In a cost benefit analysis of salmon enhancement projects, direct benefits that should be considered are: gross revenue over the life of the project from the sale of fish by the hatchery operator and commercial fishermen, as well as increased processor revenues; and in the case of direct benefit for sport fish and subsistence harvest, the value of the fish caught. Indirect benefits might be in the form of redistribution of income, contribution to

employment, gross State product, foreign exchange (balance of payments), regional development, nutrition and tourism increase. Direct costs in terms of resources used over the life of the project should include the capital required for the construction, operation, and maintenance of the project as well as the harvest expense and the direct allocation of administrative costs. Indirect costs would include the allocation of organizational and start-up costs, research and development costs and the effect upon market structure and equilibrium. For comparative purposes the opportunity cost of capital should be computed and discounting techniques applied to future benefits and future costs.

This type of model would be quite useful in the regional planning effort as well as in the internal investment plans developed by the board of directors of the regional associations and nonassociation corporations.

The most equitable method of financing an enhancement project would be to have the beneficiary contribute funding or guarantees. Because the direct and indirect beneficiaries are not always easily identified or capable of an organized investment program, the burden falls upon the State to provide the investment program and organizational structure. Furthermore, private loans and private investment are not readily available due to the high risk and the absence of a direct profit incentive. A source of financing not identified in the memo and available on a limited basis is Federal EDA grants and direct funding through S-K funds and Farmers Home Administration.

The question of an efficient financing mechanism is extremely important because the source and availability of investment capital are limited. Under the Fisheries Enhancement Loan Program, several important control mechanisms are at work. Because the loan agreement requires a pay-back on all loan funds, a strong incentive is at work for operating in the most cost effective and time efficient manner. Adequate collateral is required to secure all loans which protects the State's investment. Loan funds are disbursed from controlled accounts which provides a budget control mechanism. All loan documents are signed by the authorized representative of the corporation as evidenced by an executed corporate resolution. This requirement ensures that the board of directors clearly understands the investment decision being made.

One problem that might be encountered under the existing financing system is that projects with more favorable cost recovery prospects might be chosen over projects with a broader benefit base and less potential for cost recovery.

Another potential problem under this system is that the State is, for the most part, the sole source of financing. Once committed to a project, it would be difficult to withdraw future loan commitments. Projects might not survive if State loan funding were to be denied.

It is clearly important, under this type of financing program, that the lending agency be allowed to act from an independent perspective so that responsible financial management and control can be monitored. The structure of the current system and the controls in effect provide an efficient financing mechanism during all phases of project development.

Honorable Terry Gardiner and
Honorable Fred Zharoff

-3-

March 17, 1981

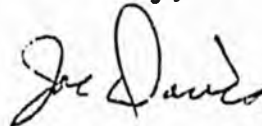
It appears that good progress is being made in the regional comprehensive planning effort. An important part of the planning effort in the future should be some form of financial investment planning using all three of the methods described in this letter (i.e., pro forma cash flow, return on investment and cost benefit analysis). Likewise, this planning effort should lead to more active participation by the entire board of directors of each regional association in financial investment and management decisions. Many of the groups are making progress in this area. (Because broad user-group oversight would be absent in areas without a regional association, it might be best to defer planning efforts in those areas until a regional association is formed.)

At the Division of Business Loans we have seen many of the nonprofit groups make considerable improvement in budgeting, record keeping and cost management. This is another extremely important ingredient for a successful program. It is important that all program participants develop these skills.

In the future, marketing might become an important function for the regional associations. As the association and nonassociation groups become more heavily involved in cost recovery to meet debt service and operating requirements, marketing will become very important. A carefully thought out and coordinated marketing program could also provide benefits to the industry as a whole.

Thank you for the opportunity of commenting.

Sincerely,



Joe Davis
Loan Examiner

JD/v15/1

HB

507

Alaska State Legislature

BETTYE FAHRENKAMP, CHAIRMAN
VIC FISCHER, VICE-CHAIRMAN
ERAD BRADLEY
DICK ELIASON
DON GILMAN
BOB MULCAHY
ARLISS STURGULEWSKI



POUCH V
STATE CAPITOL
JUNEAU, ALASKA 99811
(907) 465-3834
(907) 465-3835

Senate

Committee on Resources

June 8, 1981
1:30 p.m.

Beltz Room
211 - Capitol

MEMBERS PRESENT

Senator Fahrenkamp
Senator Fischer
Senator Bradley
Senator Eliason
Senator Mulcahy
Senator Sturgulewski
Senator Gilman

Hearing:

SB 588 and HB 350 An Act relating to mineral leasing.

HB 434 An Act relating to pipelines and merging the Alaska Pipeline Commission with the Alaska Public Utilities Commission.

HB 507 An Act relating to the fishermen's mortgage and note program under AS 16.10.650 - 16.10.720.

HB 196 An Act relating to establishment of the Alaska State Climate Center and a State Weather and Climate Program.

SCR 3. Relating to the southeastern Alaska troll fishery.

Staff discussed SB 588 and HB 350.

Phil Holdsworth, Alaska Miners Association, stated that the proposed SCS CSHB 350 (res) is supported by his association.

Senator Sturgulewski put forth the motion to move SCS CSHB 350 (res) with individual recommendation.

Karen Corey, Chairman, Alaska Pipeline Commission, stated that she supports HB 434.

Carolyn Gress, Chairman, Alaska Public Utilities Commission, stated she supports HB 434.

Senator Sturgulewski put forth the motion to correct the

SENATE RESOURCES COMMITTEE

June 8, 1981

Page: 2

typographical errors on page 3, line 2 and page 3, line 20.

Senator Sturgulewski put forth the motion to move the corrected HB 196 with individual recommendations.

Senator Mulcahy stated that CSSB 507 is designed to provide mortgage loans to rural Alaskans.

Senator Mulcahy put forth the motion to move CSSB 507 with individual recommendations.

Senator Eliason requested that SCR 31 be held one day in order to work on the resolve clause.



Alaska State Legislature

Senate

JUNEAU, ALASKA

RESOURCES SUBCOMMITTEE ON FISHERIES

June 3, 1981

TO: Senator Bettye Fahrenkamp, Chairman
Senate Resources Committee

FROM: Senate Resources Subcommittee on Fisheries

SUBJ: CSHB 507 "An Act relating to the fishermen's mortgage
and note program under AS 16.10.650 - 16.10.720; and
providing for an effective date".

The subcommittee has taken testimony and reports CSHB
507 back to the committee as a whole with the follow-
ing recommendations.

Members		Recommendation
Senator Mulcahy	<u><i>T. J. Mulcahy</i></u>	<u><i>Do Pass</i></u>
Senator Eliason	<u><i>M. Eliason</i></u>	<u><i>" "</i></u>
Senator Gilman	<u><i>Gilman</i></u>	<u><i>Do Pass</i></u>



Alaska State Legislature

Senate

JUNEAU, ALASKA

RESOURCES SUBCOMMITTEE ON FISHERIES

SECTIONAL ANALYSIS OF CS HB 507(RES) am

Sec. 1: This section amends AS 16.10.66C(a) (Powers and duties of the commissioner of commerce) so that the commissioner is required to develop methods for precommitting to buying notes and mortgages under this program.

Secs. 2 and 3: These sections delete the requirement that a person may not qualify for any federal loan program which relates to fishing loans.

Sec. 4: This section removes the requirement that an individual with a loan must demonstrate to the private financial institution that he is likely to be able to repay the loan. Under this bill the person must be able to meet guidelines set by the commissioner as to whether he can repay the loan.

Sec. 5: This section is similar to Sec. 4. It again changes the requirement from the private financial institution to meeting guidelines set by the commissioner. In addition this section will require that commercial fishing has been a traditional way of life in Alaska before a person can qualify for this program.

Sec. 6: This section changes the maximum amount of a loan that can be purchased from \$200,000 to \$100,000.

Sec. 7: This section does the same thing as Sec. 6.

Sec. 8: This section repeals and re-enacts AS 16.10.710 (pre-qualifications for loans). The new section requires that private financial institutions make preliminary determinations to establish that an individual is qualified for this program under guidelines set by the commissioner. It also requires that the commissioner set guidelines.

Sec. 9: This section gives an effective date of immediately.

United Bank Alaska

June 2, 1981

Senator Rob Mulcahy
Alaska State Legislature
Pouch V
Juneau, AK 99811

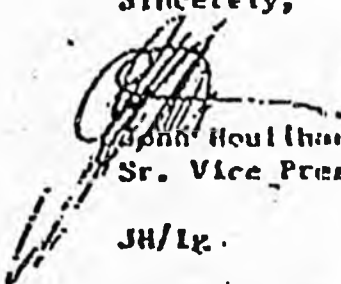
Dear Senator Mulcahy:

This letter is to restate United Bank Alaska's support of the Fisherman's Mortgage and Note Program and its technical amendments currently being considered by your committee. As stated by United Bank Alaska's representatives in meetings with the State Department of Commerce and Economic Development and various legislators prior to the session, United Bank Alaska feels that this is a needed program which will help fill a gap in the current financing system for the fisheries in rural Alaska.

While the language of the original draft was generally acceptable to the banking industry there were some implementation problems which are in process of being resolved through the technical amendments currently under consideration by the Legislature; further procedural questions will be resolved by regulation.

United Bank Alaska is satisfied that with the proposed amendments, the Fisherman's Mortgage and Note Program will be a viable program serving the needs of fishermen in rural Alaska, and we fully intend to participate in it. We urge prompt passage of the amendments, and we thank you for your attention and consideration.

Sincerely,



John Houlthan
Sr. Vice President

JH/ly.

cc: Representative John C. Fuller

FISCAL NOTE
(Revised)

I. REQUEST
 Bill/Resolution No. CSHB 507
 Title An Act Relating to the Fishermen's Mortgage and Note Program
 Requested by _____ Date _____

II. FISCAL DETAIL
 Agency Affected Department of Commerce & Economic Development

Program Category Affected Development
 BRU, Program, or Subprogram(s) Affected Division of Business Loans

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

EXPENDITURES (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES		57.8	74.6	82.0	90.2	99.3
200 TRAVEL		-0-	-0-	-0-	-0-	-0-
300 CONTRACTUAL		8.8	9.7	10.6	11.7	12.9
400 COMMODITIES		.1	.1	.1	.1	.1
500 EQUIPMENT		4.0	4.4	4.8	5.3	5.9
600 LAND & STRUCTURES		-0-	-0-	-0-	-0-	-0-
700 GRANTS, CLAIMS, ETC.		-0-	-0-	-0-	-0-	-0-
TOTAL		80.7	88.8	97.5	107.3	118.2

FUNDING (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
GENERAL FUND		80.7	88.8	97.5	107.3	118.2
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

FULL TIME		2	2	2	2	2
PART TIME						
TEMPORARY						

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

Staffing required to process loans based on the \$1,800,000 funding level of the Governor's budget request.

Fiscal Note Detail is attached.

IV. DATE May 20 1981 PREPARED BY D. A. Hostak, Acting Director
 AGENCY Division of Business Loans, Department of Commerce & Economic Development
 Original: Legislative Finance PHONE 465-2510
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

FISCAL NOTE DETAIL
(Revised)

100	1 Loan Examiner III @\$2,837/mo.	34.0	
	1 Documents Processing Clerk III @\$1,564/mo.	<u>18.8</u>	
	Total Wages	52.8	
	Standard Benefits (Wages x .1555)	8.2	
	Supplemental Benefits (Wages x .0613)	3.2	
	Health Insurance (Man Months x \$150)	<u>3.6</u>	
	Total Benefits	15.0	
	TOTAL PERSONAL SERVICES		67.8
200	Travel		-0-
300	Telephone & Postage	6.6	
	Printing of Applications & Advertising	<u>2.2</u>	
	TOTAL CONTRACTUAL		8.8
400	Office Supplies	.1	
	TOTAL COMMODITIES		.1
500	Equipment		
	2 Desks @\$330	.6	
	1 Credenza @\$470	.5	
	1 Typist Extension @\$455	.5	
	1 Executive Chair @\$190	.2	
	1 Secretarial Chair @\$150	.2	
	2 Side Chairs @\$100	.2	
	2 Filing Cabinets @\$200	.4	
	2 Calculators @\$200	.4	
	1 Typewriter @\$1,000	1.0	
	2 Waste Baskets @\$25	<u>.0</u>	
	TOTAL EQUIPMENT		<u>4.0</u>
			<u>80.7</u>

10% inflation for succeeding years

Effect of amendment. — The 1979 amendment, in subsection (a), substituted "who hold entry permits under AS 16.45.010 — 16.43.380" for "licensed under AS 16.05.540 — 16.05.600" and

"holding entry permits" for "so licensed." As the rest of the section was not affected by the amendment, it is not set out.

Sec. 16.10.550. Sale or transfer of mortgages and notes.
 Repealed by § 14 ch 122 SLA 1980, effective July 1, 1980.

Editor's note. — The repealed section derived from § 1, ch. 190, SLA 1976; § 12, ch. 72, SLA 1979.

Article 10. Fishermen's Mortgage and Note Program.

Section	Section
650. Fishermen's mortgage and note fund	690. Loan terms
660. Powers and duties of commissioner	700. Guarantors
670. Loan purposes	710. Prequalification for loans
680. Eligibility for loans	720. Definitions

Effective date of article. — Section 83, ch. 106, SLA 1980, makes this article effective June 21, 1980, in accordance with AS 01.10.070(c).

purpose of the legislature relating to the fishermen's mortgage and note program, see § 8, ch. 106, SLA 1980, in the 1980 Temporary and Special Acts and Resolves.

Editor's note. — For findings and

Sec. 16.10.650. Fishermen's mortgage and note fund. There is established in the Department of Commerce and Economic Development the fishermen's mortgage and note fund. The commissioner of commerce and economic development shall administer the fund. (§ 9 ch 106 SLA 1980)

Sec. 16.10.660. Powers and duties of commissioner. (a) The commissioner may

- (1) adopt regulations in accordance with the Administrative Procedure Act (AS 44.62), to implement AS 16.10.650 — 16.10.720;
- (2) make and execute agreements, contracts, and other instruments necessary or convenient in the exercise of his powers and functions under AS 16.10.650 — 16.10.720, including contracts with any person, firm, corporation, governmental agency or other entity;
- (3) procure insurance against a loss in connection with the operation of the fund;
- (4) purchase notes and mortgages securing loans in accordance with (b) of this section;
- (5) acquire real or personal property, or an interest in real or personal property, by purchase, transfer or foreclosure, when the

acquisition is necessary or appropriate to protect a mortgage or note in which the fund has an interest; sell, transfer and convey that property to a buyer; and, if the sale, transfer or conveyance cannot be effected with reasonable promptness or at a reasonable price, rent or lease the property to a tenant pending the sale, transfer or conveyance;

(6) do all acts necessary, convenient or desirable to carry out the powers expressly granted or necessarily implied in AS 16.10.650 — 16.10.720.

see / adds new section here

(b) In accordance with AS 16.10.670 — 16.10.720, the commissioner shall use the money in the fund to purchase mortgages and notes received by private financial institutions or by the Alaska Commercial Fishing and Agriculture Bank to secure loans described in AS 16.10.670 — 16.10.720.

(c) In the event of a default on a loan purchased by the commissioner under AS 16.10.670(a) which is secured by a limited entry permit, the commissioner shall follow the procedures described in AS 16.10.335 — 16.10.337. (§ 9 ch 106 SLA 1980)

Sec. 16.10.670. Loan purposes. (a) The commissioner may purchase a mortgage or note under AS 16.10.660(b) if it secures a loan made to an individual for the following purposes:

- (1) the repair, restoration or upgrading of an existing fishing vessel or of fishing gear;
- (2) the purchase of an entry permit;
- (3) the purchase of fishing gear;
- (4) the construction or purchase of a fishing vessel.

(b) The costs arising under a contract for the construction of a fishing vessel between the time the contract is made and the time the fishing vessel is documented are costs of construction under (a)(4) of this section. (§ 9 ch 106 SLA 1980)

Sec. 16.10.680. Eligibility for loans. (a) The commissioner may purchase a mortgage or note under AS 16.10.660(b) if it secures a loan to an individual who meets one of the requirements of (b) of this section and who

- (1) has been a resident of Alaska for at least five years;
- (2) does not qualify for a loan for the purposes described in AS 16.10.670 under a state or federal loan program;
- (3) has not previously participated in the loan program established in AS 16.10.650 — 16.10.720 or in any other state or federal loan program for the purposes described in AS 16.10.670; and
- (4) demonstrates to the satisfaction of the private financial institution which made the loan that he is reasonably likely to succeed as a commercial fisherman and to be able to repay the loan.

(b) In addition to the requirements of (a)(1) — (4) of this section, the commissioner may purchase a mortgage or note under AS 16.10.660(b) only if it secures a loan to an individual who demonstrated to the satisfaction of the private financial institution which made the loan that

See 2 amend this
See 3 amend this
See 4 amend this
See 5 amend this

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(1) because of his lack of training or the lack of employment opportunities in the area in which he resides, he does not have occupational opportunities available to him other than commercial fishing; or

(2) he is economically dependent on commercial fishing for a livelihood and commercial fishing is a cultural and traditional way of life for him.

(c) The commissioner may not refuse to purchase a mortgage or note from a private financial institution under AS 16.10.660(b) solely because the applicant for the loan does not have a credit history.

(d) In determining whether the applicant is reasonably likely to be able to repay the loan under (a) of this section, the private financial institution shall consider the applicant's income from commercial fishing and from other sources. (§ 9 ch 106 SLA 1980)

Sec. 16.10.690. Loan terms. (a) Except as provided in (c) of this section, the commissioner may not purchase a mortgage or note under AS 16.10.660(b) if it secures a loan which

- See 6 amend this*
- (1) exceeds \$200,000;
 - (2) bears interest exceeding 10-½ percent;
 - (3) exceeds a term of 15 years;
 - (4) is not secured by a first priority lien and appropriate security agreement; or
 - (5) is not secured by collateral which is insured in an amount acceptable to the commissioner.

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(b) The commissioner may not purchase a mortgage or note under AS 16.10.660(b) if it secures a loan which results in an outstanding debt of the borrower in excess of \$200,000. For purposes of this subsection a loan to an associate of the borrower is considered to be a loan to the borrower. For the purposes of this subsection, "associate of the borrower" means

- (1) a corporation or other organization of which the borrower is an officer, director or partner, or is, directly or indirectly, the beneficial owner of 10 percent or more of any class of equity securities;
- (2) a person who is, directly or indirectly, the beneficial owner of 10 percent or more of any class of equity securities of the borrower;
- (3) a trust or other estate in which the borrower has a substantial beneficial interest or as to which the borrower serves as trustee or in a similar fiduciary capacity.

(c) The commissioner may purchase a mortgage or note under AS 16.10.660(b) if it secures a loan made to two or more individuals jointly who each satisfy the requirements specified in AS 16.10.680 for the construction of a fishing vessel or the purchase of an existing fishing vessel. A loan secured by a mortgage or note purchased under this subsection

(1) may not exceed the amount specified in (a)(1) of this section multiplied by the number of eligible individuals applying for the loan;

- (2) may not exceed a term of 15 years;
- (3) shall be secured by a first priority lien and appropriate security agreement;
- (4) may not bear interest exceeding 10-1/2 percent; and
- (5) shall be insured in an amount acceptable to the commissioner.

(d) The commissioner may purchase a mortgage or note under AS 16.10.660(b) if the terms of the loan secured by the mortgage or note allow for repayment of the loan in accordance with

- (1) a schedule for repayment which provides for monthly or annually amortized principal and interest payments; or
- (2) an agreement based on a percentage of the borrower's gross income from fishing activities; however, an agreement under this paragraph shall provide that the monthly payment under the agreement may not be less than 50 percent of the monthly payment which would be due under the schedule prescribed in (1) of this subsection.

(e) The commissioner may purchase under AS 16.10.660(b) a mortgage or note secured by a preference right described in (f) of this section, by an entry permit in accordance with (g) of this section, or by real or personal property of the borrower or of a person acting as the borrower's guarantor under AS 16.10.700.

(f) A person may pledge as security for the repayment of a mortgage, or note purchased in whole or in part under AS 16.10.660(b) a preference right he holds to receive title to land he occupies as a primary place of residence, primary place of business, subsistence campsite, or as headquarters for reindeer husbandry. To qualify as security under this subsection a preference right must be conveyed to the person by the Native corporation to which the land was granted under section 14 of the Alaska Native Claims Settlement Act (85 Stat. 688, 43 U.S.C. §§ 1601 — 1626, as amended by P.L. 94 — 204) before it may be pledged as security under this subsection. The commissioner shall prescribe procedures and standard forms for establishing, appraising the value of, and pledging a preference right held by a person to secure the repayment of a mortgage or note purchased in whole or in part under AS 16.10.660(b).

(g) An Alaska limited entry permit may be used as security for a mortgage or note purchased under AS 16.10.660(b). The provisions of AS 16.10.335 and 16.10.337 apply to Alaska limited entry permits pledged as security for mortgages and notes purchased under this subsection.

(h) The commissioner may not purchase a mortgage or note under AS 16.10.660(b) if the loan it secures exceeds 90 percent of the appraised value of the collateral used to secure the loan, except as provided in (i) of this section.

(i) The commissioner may purchase a note under AS 16.10.660(b) for a loan of up to 100 percent of the appraised value of the collateral used to secure the loan if

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- (1) the loan is made for the purchase of an entry permit; and
- (2) the borrower demonstrates to the satisfaction of the private financial institution which makes the loan that he has at least three years of experience as a commercial fisherman in the fishery to which the entry permit applies; as used in this paragraph, "three years of experience as a commercial fisherman in the fishery" means that for an accumulated total of three fishing seasons in the same fishery the person has actively participated in the commercial harvest of fish under the direction of a limited entry permit holder. (§ 9 ch 106 SLA 1980)

Sec. 16.10.700. Guarantors. A person may act as guarantor for a borrower whose mortgage or note is purchased by the commissioner under AS 16.10.660(b) if the borrower has insufficient collateral to secure a loan for the purposes described in AS 16.10.670(a). The loan agreement shall specifically describe the property of the guarantor to be used as collateral by the borrower and shall be signed by the guarantor and the borrower. The department shall provide the guarantor with a copy of all notices sent to the borrower by the department. If the loan is for the purchase of an entry permit, the guaranty by the guarantor may not constitute a lien, mortgage, or encumbrance on or pledge of the entry permit. (§ 9 ch 106 SLA 1980)

Sec. 16.10.710. Prequalification for loans. (a) The commissioner may not purchase mortgages and notes from a private financial institution under AS 16.10.660(b) unless the private financial institution

(1) agrees to accept an application for a loan for the purchase of an entry permit although the applicant has not located an entry permit to purchase at the time of submitting the application; and

(2) agrees to comply with the procedure for handling the application for a loan described in (b) and (c) of this section.

(b) The private financial institution shall process loan applications received under this section to determine the eligibility of an applicant for a loan for the purchase of an entry permit and shall notify the applicant of its determination.

(c) If the private financial institution determines that an applicant is eligible for a loan for the purchase of an entry permit, the private financial institution shall retain the application until the applicant locates an entry permit to purchase and informs the private financial institution of his decision to proceed with the loan application to purchase the entry permit. However, the private financial institution is not required to retain the application more than six months after it has been submitted. If the applicant locates an entry permit to purchase and decides to proceed with his loan application, he shall complete any parts of the application which were previously uncompleted because of the lack of an entry permit to purchase, and

bring the application up to date so that the information in the application is current at the time of the loan. The private financial institution shall then proceed with the processing of the application. (§ 9 ch 106 SLA 1980)

Sec. 16.10.720. Definitions. In AS 16.10.650 — 16.10.720,

(1) "commissioner" means the commissioner of commerce and economic development;

(2) "department" means the Department of Commerce and Economic Development;

(3) "fund" means the fishermen's mortgage and note fund;

(4) "private financial institution" has the meaning provided in AS 11.46.990(3) and also includes the Alaska Commercial Fishing and Agriculture Bank. (§ 9 ch 106 SLA 1980)

Chapter 20. Conservation and Protection of Alaskan Wildlife.

Article

6. State Range Areas (§§ 16.20.300 — 16.20.320)

Article 1. State Game Refuges.

Section

039. Creamer's Field Migratory Waterfowl Refuge

Sec. 16.20.039. Creamer's Field Migratory Waterfowl Refuge.

(a) Except as provided in (b) of this section, the following state-owned land and water are established as the Creamer's Field Migratory Waterfowl Refuge:

(1) commencing at the Section Corner on the Fairbanks Base Line common to Sections 33 and 34, T1N R1W Fairbanks Meridian, thence N89°55'W 200.01' to the point of beginning, thence continue N89°55'W 567.54', thence N0°03'E 208.70', thence N89°55'W 208.77', thence S0°03'W 208.70', thence N89°55'W 343.98', thence N1°53'25"W 1322.43', thence S89°51'24"E 1364.14', thence S89°51'E 2641.00', thence E 320.20', thence S 1320.10', thence S89°56'03"E 743.30', thence S0°00'16"W 235.67', thence N70°59'51"W 525.44', thence N88°22'22"W 85.48', thence S85°27'47"W 208.43', thence S68°10'59"W 220.04', thence S65°19'35"W 434.66', thence S53°52'05"W 1228.34', thence S35°00'05"W 300.08', thence N89°52'58"W 646.40', thence N71°53'31"W 688.05', thence N18°21'30"E 12', thence on a 2°17'26" curve to the right 415.49', thence N62°07'30"W 275.16', thence N27°52'30"E 10.00', thence on a 2°26'29" curve to the left 473.08', thence N0°03'E 611.23' to the point of beginning;

(2) the W 1/2 SW 1/4, and the SE 1/4 SW 1/4, Section 27, the S 1/2 Section 28, the S 1/2 SE 1/4, and the SE 1/4 SE 1/4 NE 1/4 SE 1/4,

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JUNE 3 1981

RESOURCES SUBCOMMITTEE ON FISHERIES

June 3, 1981

Senate Resources Subcommittee on Fisheries Meeting

The meeting was called to order at 3:16 PM. All members of the subcommittee were present.

The first item on the agenda was SCR 31 "Relating to the Southeastern Alaska troll fishery".(tape reading 017)

Lewis Schnaper, from the Alaska Trollers Association, testified first on SCR 31. He said that the Alaska Trollers Association supported the "whereases" in the resolution; however there were reservations about the Commissioner of Fish and Game being able to clean his own house, so to speak. He felt that perhaps the study should be contracted out.
(tape reading 025-207)

SCR 31 was moved with individual recommendations.

The next item on the agenda was HB 507 "An Act relating to the fishermen's mortgage and note program".(tape reading 211)

The first person to testify was Roger Painter, Executive Director of United Fishermen of Alaska. He spoke in favor of the bill, and said that the main point of this bill was to make the Commissioner of Commerce decide on guidelines to determine eligibility for the program.(tape reading 217-337)

HB 507 was moved with individual recommendations.

The next item on the agenda was CSHB 460 "An Act relating to the fisheries and salmon enhancement taxes".(tape reading 360)

Ervin Jones, of the Department of Revenue, was the first person to testify on the bill. He stated that the Department supported the bill, but a couple of changes should be made.
(tape reading 363-578)

Rick Lauber, representing the Pacific Seafood Processors Association, was the next person to testify on the bill. He said that the bill poses serious problems to processors, in that in its present form it would grant a 3% bonus to foreign processors because of lack of salmon enhancement tax when fish is shipped out of state. He said this created unfair competition to the processors, and that it was detrimental to the aquaculture associations that should receive the tax.(tape reading 583-722)