

ALASKA LEGISLATURE COMMITTEE REPORTS

2075 SSA SB 323 - SB 360

2075

large run years, they are not going to open up those canneries for any more fish than they can handle.

Mitch Kink (Dillingham): "They (processors) don't want all the fish. I think they said they could handle all the fish. . .if anybody here believes that if we would have went out on the first day of fishing that we would have caught 21 million fish, I think is a little wrong."

INFRASTRUCTURE NEEDS

An expressed concern of residents in the Dillingham area was the infrastructure needs of the community. Most individuals testifying on this topic believed that increased availability of transportation facilities would increase the likelihood of new processors coming into the Bay.

Lyman Smith (Dillingham): "The key thing here that keeps fresh market fisheries from really going is the lack of airport facilities. . .In addition to runways, we also need a parallel taxiway so there can be more than one aircraft operating on that airport at one time.

Laurie Schroeder (Dillingham): "It isn't easy for a new processor to come into Dillingham. . .We don't have lots of docks, we have one public dock that goes dry at low tide. . .We have a 100-boat harbor and we have 539 users. . .There are all kinds of things that hamper local fishermen."

Jack McBride (Dillingham): "Finding ways of lowering costs, such as transportation, is certainly another positive

action. Providing easily-accessible docks, improved runways and reasonable road systems would lower the cost of production."

Kay Larson (Dillingham): "Perhaps more competition on the processing side would make for a healthier industry. Competition in any industry is always healthy. State funding which would encourage the development of this competition could be a possible solution. Such funding should include new docks and airport improvements which would make it easier for new processors to come into the Bay."

PRICING CONCEPTS

A considerable amount of time was spent discussing the pricing structure of salmon, the method by which processors paid fishermen for their catches. Many fishermen were interested in establishing a base price for unprocessed fish, with a percentage of the final wholesale price being returned to fishermen.

Mitch Kink (Dillingham): "I think that a fisherman is worth 40% of what he gets as a final price from the wholesalers. . . I think we are worth that much in this industry."

Mike Hakala (Naknek): "I believe there should be a base price for salmon and I believe in a sliding scale."

Jim Bingman (Dillingham): "I think that this would be a good way for the state to help us if we had a base price and the canneries, the processors, could depend on this money (pack loans)."

Individuals testifying were about evenly divided on the question of the state's responsibility in setting a base price for unprocessed fish. Everyone concluded, however, that a comprehensive marketing study could provide the data needed to set a base price.

FOREIGN CONTROL

Considerable resentment towards foreign-owned processors was expressed by local residents, not only in the actual processing business but in marketing as well. Some individuals put it this way:

George Gottschalk, Jr. (Naknek): "At present there is no control over foreign ownership in the fisheries. For all practical purposes, the Japanese have a virtual stranglehold on Alaskan fishermen through market manipulation of all our fisheries products."

Jim Bingman (Dillingham): "I know the Japanese have taken over most of the canneries. . . I've watched them take over Togiak. They financed and got the processor. They got the processor to swallow the hook, then they jerked hard to set it. There's nothing the processor can do but step out and let the Japanese have it."

Thomas Crandell (Dillingham): "The marketing facilities are essentially controlled by the Japanese; there isn't an extensive marketing path for very much salmon into the domestic market."

PUBLIC SAFETY CONCERNS

Overall, the public safety problems encountered in the Bay during the 1980 season were downplayed by residents.

Most felt that the few violent acts that took place were distorted by the media. Some fishermen, however, did express concern that the Department of Public Safety overreacted to the potential for violence.

Fred T. Angasan (Dillingham): "Scare tactics by striking fishermen are mistaken by outside law enforcement officers and the press as acts of violence. For example, striking fishermen talking on their radio transmitters, saying things like telling how they would use guns if they had to, or possibly damaging a non-striking fisherman's net. These are not physical acts of violence, but simple scare tactics which is part of a process of expression in the development of an agreement leading up to a price settlement."

Joe McGill (Dillingham): "It's a sore point with a lot of people here that the Department of Public Safety to act as, I don't know if to call it goon gang for a lot of scab fishermen, that's the word everyone else uses, that did create a lot of hard feelings."

Joe Clark (Dillingham): "I felt threatened; this happened during the 1980 price dispute. Commissioner of Public Safety William Nix sent Trooper Carl Fraser to Clark's Point to inform my son, Kay Clark, and myself that if we harrassed the processors we could be arrested, confiscate our boats, and might even be made to lose our limited entry permits."

Several individuals asked whether the administration planned to introduce legislation that would enable limited

How TRUE



unconstitutional to take property w/out due process of law

entry permits to be revoked for acts of violence committed on the fishing grounds. Without exception, fishermen believed this to be an unfair and unjustifiable additional penalty.

SEAFOOD MARKETING

The concept of promoting Alaskan seafood in domestic markets was widely endorsed during the hearings, as one positive step the state is taking for the fishing industry. Typical remarks included:

Lyman Smith (Dillingham): "I see this segment (fresh fish) as the weakest segment in the market. Where else in the world can you address the numbers of people that you can in the United States that have average incomes to afford this product in such numbers as you can in the United States; and I think that this deal (Alaska Seafood Marketing Institute) that the state has going on to get involved in promotion, the market is going to go a long way toward alleviating these problems."

Jack McBride (Dillingham): "Funding of programs such as the Alaska Seafood Marketing Institute is another positive way the State can involve itself. Obviously if the demand for salmon is high, the price will also be good."

PACK LOANS, AARC, CFAB

Many fishermen resented the State's financial involvement in the processing industry, not only with direct pack loans to companies involved in price disputes, but also through the Alaska Renewable Resource Corporation and the Commercial Fishing and Agricultural Bank loans.

Robin Samuelson (Dillingham): "Ball Brothers borrowed 4 or 3 million dollars from AARC, from the state, my money . . . and paid 40 cents to 35 cents and still haven't paid off their fishermen. . . I think that's criminal."

Joe McGill (Dillingham): "Last year, in my opinion, and I think the whole audience thinks the same way, our worst enemy was the state. In the first place, they financed a bunch of packers that won't pay the price and we couldn't even get them to the negotiating table to talk to them and discuss prices."

George Gottschalk, Sr. (Naknek): "I think the state should quit backing the processors. . . backing the processors up here buying 30-cent scab fish before the price is settled . . . The state backed Icicle Seafoods, and I don't know how many other foreign processors they backed."

Harvey Samuelson (Dillingham): "It (pack loans) should go to real American processors, not their buddies from across the sea. . . After they caught 700,000 fish (reference to 1981 High Seas catch), Jay Hammond shouldn't give them one penny."

Prepared by:

Kevin K. Bruce
Committee Aide
Senate Judiciary Committee
March 9, 1981

Written testimony presented to the Bristol Bay Committee is attached.

2. BRISTOL BAY HEARING REPORT
JUNEAU

INTRODUCTION

To conform with the initial Bristol Bay Hearing Report, the supplement report is organized in the same fashion.

Subjects examined have been consolidated and selected quotations used to illustrate the concerns of persons testifying before the committee.

Recommendations from the committee are not contained within this document, but will be made in the transmittal letter of both reports to Senate President Jalmar Kerttula.

HEARINGS

The hearing board in Juneau consisted of:

Senator Sturgulewski
Senator Rodey
Representative Chuckwuk
Representative Hurlbert

The Governor's Task Force was represented at the March 16th hearing by Avrum Gross and Commissioner Nix.

Two hearings were held in Juneau to conclude the committee's inquiry. The first was conducted on March 16th from 1:30 P.M. to 4:35 P.M. The hearing was attended by approximately forty individuals. The committee heard testimony from:

Rodger Painter	Eric Eckholm
Sidney Smith	Jim Beaton
John Garner	Mitch Kink
Hank Ostrosky	Archie Gottschalk
	Ray Smith

The second hearing was held on the following Thursday, March 19, from 3:40 P.M. to 5:45 P.M. The committee heard comments from:

Val Angasan	Jack McBride
Phil Daniels	Sidney Smith
Dean Paddock	Chip Toma

ISSUES

PUBLIC SAFETY CONCERNS

The presence of violence on the fishing grounds was without a doubt the most hotly contested issue by all parties, and consumed a substantial portion of the hearings. As indicated

in the original hearing report (see attached), residents of Bristol Bay generally downplayed the issue during the hearings in Dillingham and Naknek. Other bay fishermen, notably those members of the Bristol Bay Fishermen's Marketing Association, presented a conflicting view of the situation. Their testimony indicated that violence, and intimidation was directed at fishermen harvesting salmon before the general price settlement, and was a dominate aspect of the season.

Both sides testified extensively on the violence issue in Juneau:

Jim Beaton -

"...I truly feel that one reason there is a lot of this downplay (of violence) is just purely fear and intimidation; no more and no less. I talked first-hand with some people who were closely involved in some of these incidents; one of them had a gun held on him, and one who had his fish thrown over, and I urged them to come forth...and he told me that he was afraid for his family and his kids..."

Dean Paddock -

"...I think there was a tremendous potential there for the lid to blow off; the potential of threat was great. I'm just thankful nobody got killed, and they could have. It was very close, a very iffy thing. I saw people behave irrationally, and I saw mob psychology working..."

John Garner -

"There's a gray area there and where you draw the line and where I draw the line may well differ between scare tactics and violence...We want you to know that there were many fishermen who sat on the beach out of fear for exactly the kinds of reasons that you will hear on the tape."

(Reference to a tape submitted by Garner, transcript attached.)

Chip Toma -

"...I find it highly ironic that the very same fishermen who made limited entry such an emotional issue in 1973 are doing the same to the legislature of 1981 regarding violence. They are the only fishermen who are dragging this line through the water..."

Roy Smith -

"I wasn't bodily drug off the grounds, but I was circled, told that my boat should be sunk, that I was on their list and that they had taken pictures of me, I was going to have my picture on their so-called bulletin board, that I would definitely not be forgotten."

(speaking about an incident at the Dillingham Boat Harbor)

"He did say later that he had a flaxe gun and I saw him throw the oil in the boat and said he wanted the captain to show himself and he was going to kill him, that he was going to tear his heart out. He said, "I'm going to count to 10 and if you don't show yourself I'm going to torch your boat."

Jack McBride -

"The violence issue began here in Juneau and, has been--and still is being--perpetuated right here in Juneau. Here in Juneau, is where you hear about the violence--not in Bristol Bay."

MARKETING STUDY

Again, as in the initial hearings in the bay area, considerable support was given to a state funded marketing study to provide information to fishermen and processors prior to price negotiations.

Phil Daniels -

"Processors are much more sophisticated in dealing with the market. They know what's happening to a degree that the

fisherman can only speculate. That's the reason the marketing analysis is so important. You've got to have this information in the hands of the fishermen, and then maybe the fishermen will have a better opportunity to arrive at rational requests as far as price is concerned."

Rodger Painter -

"I'd like to emphasize that probably the best thing that the State could do is to provide some realistic analysis of world market for salmon, and I do think it's the State's responsibility."

Jim Beaton -

"First of all, of course, the marketing study; it really isn't to my advantage, but I don't have any problems with that. I think that it is probably a step in the right direction, providing that any one man could ever really understand the market."

Jack McBride -

"The state should also fund a study which would supply information which would be credible to both processors and fishermen. This study should include such things as, "how interest rates relate to the price fishermen get for their fish, what does the fresh frozen market do in relation to the canned market, how does the yen/dollar relationship affect the price of salmon, what does it cost to hold an inventory of salmon in anticipation of a higher price and how are other markets other than the Japanese effecting the price of salmon, and where can we find other markets."

Mitch Kink -

"A comprehensive study of World Markets for Bristol Bay sockeye salmon should be conducted by an independent economic consultant who does not work and has not worked for fishermen or processors to have a positive effect on an early settlement

of fish price in Bristol Bay the study should be completed by mid April. This means the process for implementation should be initiated as soon as possible."

FOREIGN CONTROL

Resentment towards the dominance of foreign-owned processors surfaced in Juneau, although not to the extent that it was expressed in Bristol Bay. Some individuals described it this way:

Archie Gottschalk -

"The marketing, financing, and processing aspects of the fisheries are predominantly controlled by foreign corporations, especially Japanese corporations: they determine the volume of salmon they want to pack, and as we have seen over the years, the price that they want to pay."

Hank Ostrosky -

"...The direct intervention by the state into the loaning practices of directing 75 million dollars to Japanese cartel instruments that undermined the price structure in Bristol Bay and created the tension."

PROCESSING SHORTFALL

Regardless of where individuals stood on other issues, a universal attitude in all hearings was that processors had a vested interest in not processing all available fish. Typical comments on the subject included:

Sidney Smith -

"The big issue that I see happened in 1980 was, all of a sudden, you've got a scare of saying that the market was going to be over-flooded which was correct. Japan only needs about 22 million to provide for their whole marketing system. Anything above that is excess."

Jim Beaton -

"...everything is on the side of the processor, don't

kid yourself there; the longer they go, the less volume; the better they are going to come out on their pack anyway. The whole thing is almost a stacked deck."

Phil Daniels -

"The industry estimated that they could process 37.1 million fish. I'm not sure those figures are correct, but I believe in a year when you have such substantial surpluses of fish, as we had last year; we're looking at 40 million sockeye coming back in Bristol Bay alone, there's every reason to suspect that many processors simply didn't want to harvest all that product."

Mitch Kink-

"...when a company has said that they have put 50,000 cases, this year they are going to put up 60,000 cases whenever they can, they have got so many boats, they are going to catch so many fish, I think this is poppyrot."

INFRASTRUCTURE

As would be expected, infrastructure needs of Dillingham were not discussed extensively in Juneau, however two individuals stressed those concerns like this:

Chip Toma -

"Implement some of the transportation improvements in Bristol Bay that will assist fish movement; airport lengthening and repair, docks and roads. This will increase healthy competition in addition to the ability to process more fish."

Jack McBride -

"Finally there are many shortcomings in the local infrastructure of Bristol Bay. These would include lack of docks, lack of adequate runways, lack of decent roads, lack of land, lack of harbors, even lack of access to adequate land."

STATE ROLE IN NEGOTIATIONS

Several persons felt that the state was not going far enough in its perceived role in Bristol Bay negotiations. Comments varied in scope, but many individuals expressed a belief that, without active state involvement, the industry would lack the means to overcome the procedural problems of negotiations.

Rodger Painter -

"Why have there been plans formulated to deal with violence in Bristol Bay when nothing has been done to head off a confrontation? I think the state has taken the wrong approach to this situation and should be trying to solve the problem up there, not to deal with a potentially-violent situation."

Val Angasan -

"The administration,...they haven't offered to step in and play a real part in the management of that resource."

Jim Beaton -

"I frankly would like to see the other things I mentioned: the vertical integration, the cooperative venture, the check and balance system that would prevent all of this stuff from happening, in lieu of the police force going up there...but until that comes about, and I don't see it coming about this year, I don't see where we can do anything except create at least an atmosphere where people will not be killed."

Mitch Kink-

"Set provisions for successful negotiation from free negotiation with deadlines, to mediation, to binding arbitration. The party that does not follow these provisions and deadlines as set down by the State of Alaska should be penalized.

Phil Daniels -

"The idea that we are going to have some prevailing, rational solution occur if it's simply left up to the fishermen

PAGE 8
BRISTOL BAY HEARING REPORT

and the processors does not seem, to me, reasonable. I do not think we are going to reach a solution in Bristol Bay unless the State takes a real interest in this negotiating process.

Prepared by:

Kevin K. Bruce
Committee Aid
Senate Judiciary Committee
March 25, 1981

Written testimony or documents presented to the committee are attached.

PART 3.

Written testimony and documents presented to the Committee

TESTIMONY

presented to

JUDICIARY COMMITTEE
&
GOVERNOR'S TASK FORCE

in
Dillingham, Alaska

on
February 28, 1981

TESTIMONY

of

Kay E. Larson
Deputy Director
Bristol Bay Native Association

There are many kinds of people who participate in the Bristol Bay commercial salmon fishery. There are the doctors and lawyers who take a month's vacation from their regular jobs and fish for a "change of pace." These doctors and lawyers are, of course, happy if they can make a profit in the fishery but don't mind too much if they lose money because that gives them a good tax write off.

There are the year-round fishermen who follow the fish from California to Kotzebue. Although these fishermen are looking for a profit in the Bristol Bay fishery, they can stand a loss because they have incomes from the other fisheries in which they participate.

There are the few local fishermen who fish during the summer and then work all winter. These fishermen are also looking for a profit in the fishery but can survive on their winter jobs.

But the majority of our local fishermen have absolutely no other alternatives available to them--their entire year's income is derived from the commercial salmon fishery here in Bristol Bay. They are 100% dependent on the fishery because there is very little employment in the villages. The employment that is available is mostly provided through BBNA's CETA program (and I'll speak about our federal programs later). These fishermen, who are 100% dependent on the fishery, have a very different view of the fishery than that fishermen who comes here for a vacation and a tax write-off. The decisions

you make about the fishery should be based on these 100% dependent fishermen.

In 1977, the price of fish was 59 1/2¢ per pound and the price of gasoline was 60¢ a gallon. During that time, a fisherman could buy a good, new boat for \$50,000. In 1980, fish were bringing 57¢ a pound. But gasoline had gone up to \$1.25 a gallon and boats were up to \$80,000 to \$100,000. The price of fish has not kept up with our expenses.

There has been a lot of talk and concern expressed about canneries being able to make a profit. As fishermen, we are also concerned that canneries make a profit. Our future depends on them being healthy and we know it. BUT as fishermen, we, too, must make a profit. We cannot make a profit when our expenses are increasing at a much faster rate than our income. Economic returns to the fishermen must be considered as well as economic returns to the processors.

Last year there was also a lot of talk that fishermen should have been willing to take a low price for their fish and make the difference up in quantity. As fishermen who have worked with the canneries for many years, we knew this possibility would not be open to us. We knew that canneries would not increase their production and this proved true. Canneries have long operated with the "small grocer" attitude--a small amount of turnover in stock and their profit made on a resultingly large mark up. Processors have known for several years that the resource was on the rise. They should have changed their thinking to a "Safeway" attitude--a bigger turnover and profits based on quantity. Even though Fish and Game has predicted these good years, we have not seen a great deal of gearing up by the processors so that they would be ready for them. We have not seen Bristol Bay salmon advertised like "Charley Tuna." We have not seen the import of equipment to increase the lines in local canneries. In fact, we have not seen any gearing up in

preparation for these good years. We knew that processors would not be able to handle all of the fish and we knew that we could not make up the difference in price by selling more fish.

The State's idea of a market campaign to sell more Alaskan seafoods is a good one. It is a responsibility that processors have long avoided. Processors should have been out there a long time ago building up their markets and selling their products. In these days of greater amounts of salmon, processors should change their thinking from the "small grocer" to the "Safeway" attitude and get out there and really push their product.

The economic situation in Bristol Bay may become even more dependent on the salmon fishery than it is now. BBNA has been able to provide CETA jobs in the villages with federal funds. Although the wages under CETA are not comparable with a doctor's or lawyers' wages, the CETA job does provide survival during the winter. BIA General Assistance has also been a means of survival. With the present administration in Washington, D.C., we are anticipating cuts of more than \$1 million in federal monies which go to the people in the villages either in CETA wages or General Assistance. With cuts this large, the fishery becomes even more crucial. The number of 100% dependent fishermen will grow and the amount of dependency on the fishery will increase.

Bristol Bay fishermen have made many sacrifices in the fishery through the years. When the resource was down, they sat on the beach and tightened their belts the following winter. In those years, market prices were up and margins of profit to the processors were large. Fishermen accepted a depressed price last year even though their operating expenses had continued to rise. After the sett. went, market prices went up steadily which should have been a big help to processors. As fishermen, we are willing to make

some sacrifices but we cannot continue to be the ones making the biggest and longest sacrifices. During planning for the fishery or during price negotiations, the main concern always seems to be the viability and economic return to processors. Fishermen are businessmen, too, and their margin of profit must be taken into consideration.

Perhaps more competition on the processing side would make for a healthier industry. Competition in any industry is always healthy. State funding which would encourage the development of this competition could be a possible solution. Such funding should include new docks and airport improvements which would make it easier for new processors to come into the Bay. State funding should also include loans to newly developing processors. If the State will build new docks and improve our airports and will loan money to new processors, development of the fishery should be greatly encouraged. It appears that the only real answers lie with processors and a change in their attitude.

The decisions you are going to make will have a tremendous impact on the economic viability and returns to fishermen as well as processors. Please remember that fishermen are businessmen, too, and that their margin of profit must be taken into consideration.

Thank you.

A POSITION STATEMENT
BY THE
BRISTOL BAY NATIVE ASSOCIATION
TO THE
JUDICIARY COMMITTEE
AND THE
BRISTOL BAY TASK FORCE

"Violence Related to Bristol Bay Salmon Price Settlement"

My name is Fred T. Angasan. I am Executive Director of Bristol Bay Native Association, and I have also been a commercial fisherman in Bristol Bay for twenty-eight years. Strikes related to salmon price settlement have occurred in Bristol Bay virtually every two or three years. Therefore a strike situation between the fishermen and the processors is not an unusual occurrence.

I have vivid memories of one particular strike that happened in nineteen-sixty-nine. This strike was unusual in the means the fishermen used to form a picket line. A picket line was formed by approximately four-hundred fishing boats, which stopped fishing boats from going out the Naknek River to the fishery. In this situation scows still crossed the picket line without inflicting damage to any of the fishing vessels. Fishermen that did cross the picket line to fish were treated in a hostile manner by the striking fishermen. One particular boat returned from the fishing grounds with a large load of fish. Striking fishermen boarded his boat and painted the word "SCAB" on his boat with black paint. This incident was significant as the next day the striking fishermen came to an agreement with the processors. This fisherman was not physically harmed, nor was his boat damaged. In all the twenty-eight years of my experience fishing in Bristol Bay, no outbreak of violence has ever occurred. Violent situations that have taken place were individual confrontations that usually took place in Naknek bars.

In the 1980 strike which became needlessly long and tense, a number of picket lines were formed on the Naknek

and Nuahagak Rivers by hundreds of fishing boats in front of the Witney-Fidalgo cannery, which lasted several days. The striking fishermen used this means to stop cannery tenders from delivering salmon to the processing facility. This situation was very similar to the nineteen-sixty-nine strike with the exception that in nineteen-eighty, fifteen Alaska State Troopers were dispatched to the Naknek, Nushagak area. The Alaska State Troopers threatened the striking fishermen, stating that if violent situations did break out, they would confiscate their boats, gear and fishing permits.

Scare tactics by striking fishermen are mistaken by outside law enforcement officers and the press as acts of violence. For example, striking fishermen talking on their radio transmitters, saying things like telling how they would use guns if they had to, or possibly damaging a non-striking fisherman's net. These are not physical acts of violence, but simple scare tactics which is part of a process of expression in the development of an agreement leading up to a price settlement. The most serious problem in a strike are the scabs, not a direct confrontation with the processors.

The Alaska State Troopers and the media create violent situations by over reacting. Therefore in closing I caution the Judiciary Committee, and the Bay Task Force not to over react to the negotiation process or to strike situations. The Judiciary Committee and the Bristol Bay Task Force must stay within it's legal boundaries and confine it's efforts to the legal process and constitutionality.

STATEMENT BY

ANDREW GOLIA
COMMERCIAL SALMON FISHERMAN

Before the Bristol Bay Task Force

Dillingham, Alaska

February 28, 1981

Madame Chairwoman, Legislators, and Task Force and staff members, my name is Andy Golia, and I'm a resident of Dillingham, having been born and raised in this community. I'm a commercial salmon fisherman, and during the winter months, I work as an Economic Planner with the Bristol Bay Native Association, the regional non-profit corporation based here in Dillingham.

Over the last year, I've served as a board member for the Western Alaska Cooperative Marketing Association (WACMA). Currently, WACMA is in the process of their annual election of their board, and I have been nominated for re-election to the board. In any case, because of the current litigation between WACMA and the State of Alaska, my testimony does not reflect my feelings as associated with WACMA. My testimony only reflects my feelings as a commercial salmon fisherman.

Briefly, I'd just like to say that I believe the Task Force and you legislators here should immediately endorse and try to secure funds to complete a market conditions study on Bristol Bay salmon. There has been some discussion locally about this idea, and I believe that fishermen in Bristol Bay would agree to this concept. I feel this study is highly important and could lead to an early price settlement in Bristol Bay.

The study should be conducted by a national or international

marketing firm which is reputable in the area of fisheries. The firm that is selected to complete the study should be reviewed and endorsed by the majority of the Bristol Bay processors and the fishermen associations. Perhaps, at least three (3) or five (5) reputable firms should be recommended, and then a deadline set for one (1) to be selected to conduct the study.

The study should examine the current market conditions for Bristol Bay salmon on the world market, and make projections on the expected market conditions for salmon up to the 1982 commercial season. The study should reveal the market situation for Bristol Bay salmon in Japan, Europe, and the U. S. domestic market. In essence, the study should reveal a fair price that fishermen should get for canned and fresh/frozen salmon, taking into consideration all the different market factors on the world market.

The completion of this independent study should give an idea to the Task Force, the Governor's Office, and the State Legislature on who's being fair and unfair in the price negotiations between processors and fishermen. We have heard that Governor Hammond would work to allow foreign processors into the Bay if the domestic processors don't offer a reasonable price to the fishermen. Likewise, we have also heard that if the fishermen are demanding too high of a price, then he would attempt to get fishermen into the Bay who want to go fishing for a lesser price.

I think the importance of this study is that it will give processors and fishermen a starting point in price negotiations this upcoming season. At least it will give the processors and

fishermen something to work with. Most of all, it would point out who's being fair and unfair in the price negotiations here in Bristol Bay.

In conclusion, because of the time constraints, and if this Task Force and you legislators agree upon the study, to expediate things, I would establish a time frame for the processors and fishermen associations to review and comment upon the selection of a marketing firm. The study should also be accomplished as soon as possible.

That concludes my testimony.

Thank you.

March 1, 1981

Madam Chairperson:

At present there is no control over Foreign Ownership in the fisheries. For all practical purposes the Japanese have a virtual strangle hold on Alaskan Fishermen through market manipulation of all our fisheries products. Our laws are not able at present to regulate Foreign ownership percentages. I suggest the Legislature's both Federal and State seriously attempt to secure laws that would limit the amount of Foreign ownership in the companies that are supposed U.S. Corporations. With this in mind we as citizens would realize more of the true value of our Fisheries Resources.

At present under Foreign treaties they can arbitrarily hold down fish prices onshore, say that we are not fully utilizing the fish and ask and most likely obtain an offshore allocation.

The Japanese government is the bank for their corporations involved in the fisheries, at present (I believe for 3%).

At our present 19½% prime interest rate and the exchange rate of yen per dollar, the Japanese Corporations really have our legitimate National Companies between a rock and a hard spot as far as competitiveness is concerned.

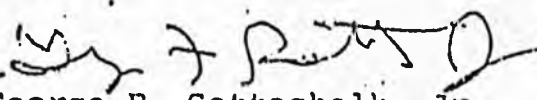
Our Permanent Fund should be more aggressive in assisting companies that are wholly owned Alaskan or Domestic owned Corporations, that are interested in developing Domestic Markets.

Transportation is also a hinderance for the sake of total fisheries resource realization, special tariffs should be pursued.

Regional Boards should be established to handle Regional situations as far as Management initiatives are concerned.

At present it is unfair to ask a Statewide Board to make prudent decisions for such a large area as Alaska.

In cases such as a bumper or high cycle years especially in Bristol Bay, Foreign processors should be solicited for maximum use of our salmon resources and for the sake of increasing processing capabilities which would ultimately allivate much of our quality control and market problems.


George F. Gottschalk, Jr.
P.O. Box 132
Naknek Alaska 99633

STATEMENT BY JACK MCBRIDE
P.O. BOX 10222
DILLINGHAM, ALASKA 99576

Madam Chairman, Legislators, Members of the Task Force and Staff, my name is Jack McBride. I am the Manager of the Inarpik Regional Aquaculture Corporation.

First of all, we certainly want to thank all of you who have taken the time from your busy schedules to come here to Dillingham to listen to our concerns and suggestions. We know you'll go back to Juneau with a much better idea of our human feelings that would be impossible to express in letters and phone calls. We hope that you are bringing us a better understanding of the problems too, and some of the possible solutions.

We would like to let you know too, that KDLG has done an excellent job of informing the public of these issues, through, not only announcements, but also a number of discussions of the problems throughout this past week.

I'd like to quote from an article on page 19 in the July, 1980 issue of the ALASKA FISHERMAN'S JOURNAL which I have marked Exhibit A.

"The Japanese market has not collapsed nor are 1979 salmon inventories in Japan currently at abnormally high levels nor is the yen/dollar exchange rate the least unfavorable to Japan."

"As we reported last month in "Japan Marketplace," Japan is likely to import more salmon in 1980 than it did last year. The domestic catch in Japan is expected to be down sharply and last year's frozen inventories have been largely sold off."

STATEMENT BY JACK MCINTIDE
P.O. BOX 10222
DILLINGHAM, ALASKA 99576

Page Two

This article was written by David Keene and Brent Evans who are both fluent in Japanese and have lived, studied, and worked in Japan. David Keene is a marketing consultant in Japan and represents a chain of Japanese seafood restaurants. Brent Evans had recently worked for two years at a Japanese economic research firm in Tokyo.

This issue of the ALASKA FISHERMAN'S JOURNAL would have arrived in most fishermen's mail box during the height of Bristol Bay's price negotiations. Do you think that if this was the information that you had available to you that you'd find it just a little hard to accept the fact that you were going to be paid 40¢ per pound for fish that you had got as high as \$1.25 per pound one year earlier?

I think this points out that there were other facts in the "mix" or someone was misinformed or that indeed fishermen were not paid a reasonable price for their fish.

A State funded study by a firm that could supply credible information to both the fishermen and processor would go a long way to establish a price range within which both the fishermen and processor could feel comfortable to negotiate. This study should include information like the relationship of the yen to the dollar, interest rates, transportation costs, etc. This, I believe would be one positive way the State of Alaska could involve itself in a positive way.

Funding of programs such as the Alaska Seafood Marketing Institute is another positive way the State can involve itself. Obviously if the demand for salmon is high, the price will also be good.

STATEMENT BY JACK HEWITT
P.O. Box 10222
DILLINGHAM, ALASKA 99576

Page Three

Finding ways of lowering costs such as transportation is certainly another positive action. Providing easily accessible docks, improved runways and reasonable roads systems would lower the cost of production.

Marketing alternatives could be explored that fishermen could apply in attempting to solve their marketing or market-related problems. These would include organized exchanges, vertical integration and joint ventures, marketing boards, and others.

I also believe that the Governor's Task Force or whatever instrument is established to correct these problems, should not be disbanded as different problems arise each year and each year requires a little different approach to the solution and a Task Force responsive to these needs may very well prevent problems such as occurred in 1980 Bristol Bay, the State, and indeed, the world cannot afford to waste in excess of 100 million pounds of salmon as we did in 1980.

Thank you.

Japan's dominance: realizing the US role

Brent Evans
&
David Keene
An Analysis

ship can be spelled out in three adjectives: *adverso*, *passivo* and *resignd*.

The Japanese— advocates of customers?

It is a paradox that we, the sellers, have come to regard the Japanese, the buyers, more as adversaries than customers. An adversary is someone you approach with suspicion, whereas a customer is someone you approach with the desire to serve. In dealing with an adversary you are primarily interested in his motives and how a particular action of his could damage you. In dealing with a customer you are primarily interested in his needs and how his actions could be adapted so as to maximize mutual profitability. Interaction with adversaries is essentially combative, whereas successful interaction with customers is keynoted by cooperation.

It is not difficult to perceive that our fundamental outlook towards the Japanese as adversaries/buyers instead of customers/buyers is unhealthy and counterproductive. If it continues to persist it will severely retard the growth of a relationship that has the potential of being staggeringly profitable for both sides.

Passive seller vs. active buyer

The second characteristic of our position as sellers of seafood products to Japan is passivity. To us, passive seller is a contradiction in terms. A seller is supposed to be aggressive. To be successful, he must first go out and get a feel for the market and then capture it by carrying out a carefully designed plan of attack based on his findings. However, in looking at what has been happening in our industry over the past several years, we see that the Japanese—the buyers—are the ones who have grabbed the initiative. They have established permanent representation here and have been aggressive in appropriating capital for acquiring, modernizing and expanding processing operations.

The hegemony of their presence in our industry to the point where they can effectively dictate prices and terms to us did not come by accident. It is the fruit of long-term planning and single-minded efforts to cope with anticipated seafood shortages caused by the world-wide move to declare the 200 mile economic zone. Viewed in this way, their presence here is nothing else but the result of sound business practice—doing what one has to do in order to secure a reliable source of supply.

Unfortunately, we have contented ourselves with being passive ob-

At high prices, and it was hard to visualize circumstances in which the above would be on the other foot. Why go to the expense and bother of fighting all the way over to Japan to recruit customers when all we have to do is run our fingers down a convenient list of phone numbers for the Seattle offices of Taiyoh, Teiyo, Nippon Suran, Nichiro, Kyokuyo, Marubeni and other major Japanese buyers? This is the compelling bit of logic that made us passive sellers.

It is a vulnerable role indeed. The collar who opts for passivity will eventually be dominated and taken advantage of by a set group of buyers. This is particularly true when the buyer-seller relationship is essentially an adversary one. Our position is further clouded by our reliance on these major importers to market our products in Japan. If they do a good job, fine. If not, then our products are discredited in the eyes of those who consume them. In last month's *Japan Marketplace*, we pointed out that fish imported from the U.S. (*Yunyumono*) is not held in very high esteem by the Japanese public, a circumstance which indicates that the marketing job being done is far from satisfactory.

Resignation

The third underlying feature of our position vis-a-vis the Japanese market is resignation. Although obviously dissatisfied with the way things are, we nevertheless continue to find excuse for inaction and thus acceptance of that status quo in our dealings with Japan.

"Corporations like Mitsubishi and Teiyo are too big and too sophisticated—it's impossible for us to compete with them on their home turf."

Recognize these statements? They belong to the conventional wisdom shared by businessmen from many other industries besides our own. It has as its fundamental tenet the belief that the Great, especially Japan, is surrounded by an impenetrable shroud of mystery and will forever remain inscrutable to Westerners. Thus it is that in venting our spleen about the one-sidedness of our buyer-seller relationship with the Japanese, there is never any mention made of possible counter-measures or plans of action which have as their goal the upgrading of our position to that of an equal. This lack of initiative is a sign that we have resigned ourselves to whatever fate has in store for us.

In the foregoing, we have attempted to outline symptoms of a malady besetting our industry. We maintain that there is a cure; namely, changing ourselves to cooperative, aggressive, determined sellers. This calls for a radically different approach to the Japanese market. We must begin to take responsibility for our own marketing instead of entrusting it to a small elite of major trading and fishing companies. In next month's editorial we will get into some concrete proposals for doing just that by taking stock of latent strengths in our position vis-a-vis the Japanese market and capitalizing on them. □

David Keene and Brent Evans are both fluent in Japanese and have lived, studied and worked in Japan. A marketing consultant on Japan, David Keene represents a chain of Japanese seafood restaurants. Brent Evans recently worked for two years at a Japanese economic research firm in Tokyo; he is currently general manager of the Journal.

Trollers' Lament

In the fog'sie, making up hoochies,
While the surf pounds over the rocks,
A hard-working man devises a plan,
While the ocean teases and mocks.

The salmon outsmarted us today,
As they have many times before,
And a Southeast gale made us turn tail
and find a snug little port.

It's an uncertain life, to say the least,
For on nothing can you rely,
You desperately wish to run into some fish
And a cannery wanting to buy.

It's a way of life that's passing away
In front of our saddened eyes,
Battling the ocean, in perpetual motion
In search of the Kings we so prize.

For the fisherman adapts to the ocean,
And finds a way to survive,
But the constant frustrations of new regulations
May just be the fleet's demise.

For the runs aren't what they once were,
And they certainly need to do something,
They didn't foresee a depleted sea,
Tho they still might save the King.

And find a renewal of the troll fleet
In a few years, with a big run,
For with no fishermen here, there are no ploverers,
And the individual is done.

— Terry Talbot
Wauveil

Alaska fishermen are being asked to bite the bullet this year on salmon prices. Justifiably, perhaps, but not for the reasons frequently repeated these days to fishermen. The Japanese market has not collapsed nor are 1979 salmon inventories in Japan currently at abnormally high levels nor is the yen-dollar exchange rate the least unfavorable to Japan.

As we reported last month in *Japan Marketplace*, Japan is likely to import more salmon in 1980 than it did last year. The domestic catch in Japan is expected to be down sharply and last year's frozen inventories have been largely sold off. Even allowing for a much higher than reported catch level from Russian waters, Japan will be looking to buy as much as 70,000 metric tons (1979 import total was 51,697 mt). Added to this, a sharply rebounding yen over the last two months has strengthened the buying power of Japanese seafood importers, making U.S. seafoods purchased with dollars less expensive.

With Japan's market conditions conducive to large volume imports in 1980, this year's sockeye prices reflect more the strong bargaining position of Japanese buyers than random fluctuations.

To be fair, it needs to be reiterated that 1979 was a very bad year for the Japanese seafood industry as a whole. Too much seafood was purchased at too high a price, and many firms, importers, wholesalers and retailers, suffered losses. Importers in particular are still being criticized in the Japanese press for speculative practices which further tarnished the industry's image with the Japanese public.

Anxiety in Japan caused by the adoption of 200-mile limits around the world had a lot to do with the prices they were willing to pay for U.S. fish in 1978 and 1979.

Last year's financial setbacks and public criticism have brought Japanese fish importers back to earth, leading to a reevaluation of both their bargaining position with the U.S. and the price they would pay for salmon.

In short, major Japanese buyers know that as long as the U.S. relies solely on them to buy, import and market fish in Japan, they can impose terms weighted strongly to their advantage.

When looking for someone to blame for the present hard times it is almost axiomatic that the accusing finger be pointed at Japan. Our complaints run something like: "It's no wonder we're not getting anything for our fish—the Japanese have a stranglehold on the whole industry," or "To get us hooked they come in one year offering to buy all our production at any price. Then once they have us where they want us they demand higher quality product at outrageously low prices. The big Japanese companies had it all figured out in advance. It's nothing more than out-and-out conspiracy."

Such complaints are noteworthy not for the amount of truth they are based on but for the disquieting facts they reveal about our trading position with Japan. Our relation-

TESTIMONY BEFORE SPECIAL JUDICIARY / BRISTOL BAY

SUBCOMMITTEE, JUNEAU, 3/20/81

MY NAME IS CHIP THOMA. I AM THE FOUNDER AND FIRST EDITOR OF THE UFA NEWSPAPER, THE ALASKAN FISHERMAN, THE PEOPLE AND PUBLICATION THAT BROUGHT THE ISSUE OF LIMITED ENTRY TO THE ALASKAN LEGISLATURE IN 1972 AND 73. I AM ALSO THE FIRST WRITER IN THIS STATE TO EXPOSE THE EXTENT OF JAPANESE OWNERSHIP IN ALL LEVELS OF THE ALASKAN ECONOMY.

ADDITIONALLY, I ASSISTED LAST YEAR IN BOTH SETTING UP THE FINANCING AND MATERIAL LOGISTICS FOR THE HERRING GILLNET FISHERY AT CAPE ROMANZOF (VILLAGES OF CHEVAK, HOOPER BAY, SCAMMON BAY) AND I SUCCESSFULLY HELPED TO ARGUE THE EXCLUSION OF HERRING SEINERS NORTH OF CAPE NEWENHAM (TOGIAK) LEAVING THIS FISHERY TO PRIMARILY LOCAL INTERESTS.

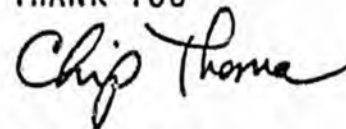
I HAVE A FEW BRIEF COMMENTS ON THE BRISTOL BAY SALMON RUNS OF 1980 AND 1981;

- 1) ALONG WITH MANY OTHERS, I DECRY THE LOSS OF SALMON RESOURCE UP THE CREEK LAST YEAR, BUT I DO BELIEVE THE PRICE OFFERED TO FISHERMEN WAS TOO LOW. CONSEQUENTLY, I EMPATHIZE WITH THOSE FISHERMEN WHO HONORED THE STRIKE. AS I THINK WE'VE ALL LEARNED FROM THESE HEARINGS, THE INABILITY TO PROCESS THE CATCH IS DIRECTLY RELATIVE TO PRICE AND RELUCTANCE TO COME TO AGREEMENT IN A TIMELY MANNER.
- 2) ~~I FIND IT HIGHLY IRONIC THAT THE VERY SAME FISHERMEN WHO MADE LIMITED ENTRY SUCH AN EMOTIONAL ISSUE IN 1973 ARE DOING THE SAME TO THE LEGISLATURE OF 1981 REGARDING VIOLENCE. THEY ARE THE ONLY FISHERMEN WHO ARE DRAGGING THIS LINE THROUGH THE WATER, THE EXACT SAME INDIVIDUALS WHO EXAGGERATED THE CASE FOR LIMITED ENTRY IN 1973.~~
- 3) I'D LIKE TO REMIND THIS COMMITTEE THAT LIMITED ENTRY LEGISLATION WAS BASED ON TWO PRIME FEARS; THE RESOURCE DESTRUCTION FROM BAD WINTERS AND THE POTENTIAL OF TOO MANY FISHERMEN RELOCATING TO ALASKA FROM WASHINGTON STATE BECAUSE OF THE BOLDT DECISION.
BUT LIMITED ENTRY WAS NOT SET UP TO MAKE FISHERMEN A SEPERATE CLASS IN SOCIETY - IT WAS DONE TO PROPERLY HARVEST A COMMON PROPERTY RESOURCE OF THE STATE. A PERMIT IS JUST THAT.. A PERMISSION TO FISH. I SUGGEST IF ANYONE WANTS AN ADDITIONAL OR SPECIAL POLICE PROTECTION, THEY EITHER RUN FOR PRESIDENT OR START A CIVIL RIGHTS MOVEMENT. THESE ARE THE ONLY EXAMPLES IN SOCIETY I AM AWARE OF THAT SPECIAL PROTECTION IS WARRANTED.
- 4) THESE LAST POINTS I'D LIKE TO MAKE ARE RECCOMENDATIONS FOR 1981:
 - A) IMMEDIATELY INSTITUE A MARKETING STUDY. THIS COMMITTEE HAS BEEN ASKE TO DO THIS SINCE IT'S FORMATION. THE GOVERNOR'S TASK FORCE HAS BEEN ASKED TO DO SO SINCE NOVEMBER.
 - B) IMPLEMENT SOME OF THE TRANSPORTATION IMPROVEMENTS IN BRISTOL BAY THAT WILL ASSIST FISH MOVEMENT; AIRPORT LENGTHENING AND REPAIR, DOCKS AND ROADS. THIS WILL INCREASE HEALTHY COMPETITION IN ADDITION TO THE ABILITY TO PROCESS MORE FISH.

- c) I'D LIKE TO SUPPORT SOME OF THE POINTS MADE BY MITCH KINK OF AIFMA:
- a) A TIMELY MARKETING PLAN
 - b) DO AWAY WITH THE ONE BOAT, ONE COMPANY CONCEPT, BY A NON-DISCRIMINATION AGREEMENT BETWEEN THE STATE AND ANY PROCESSING COMPANY THAT RECEIVES A STATE LOAN, BE IT FOR PACK OR EQUIPMENT. THIS WILL ALLOW ANY BAY FISHERMAN TO DELIVER TO NEARLY ANY PROCESSOR, + WILL COMPLETELY CHANGE THE PRESENT WAY OF DOING BUSINESS IN THE BAY, FOR THE BETTER.
 - c) I AGREE THAT SOME ASPECTS OF BINDING ARBITRATION SHOULD BE IMPLEMENTED. IF THE STATE WAS READY TO MOVE THIS WAY, AGREEMENTS COULD HAVE TIME LIMITS AND PRICE RANGES TO ARGUE, NOT THE WIDE OPEN SPECTRUM AS IT NOW EXISTS.
- 5) LASTLY, TIE THE PROPOSED PACK LOANS FOR 1981 TO AN AGREEMENT SIMILAR TO THE ONE DEVELOPED IN THE SENATE LAST YEAR; THAT LOANS WILL BE WITHHELD UNTIL A FAIR, REASONABLE PRICE IS NEGOTIATED AND SIGNED WITH THE FISHERMEN'S ASSOCIATIONS. UNLIKE REPRESENTATIVE MALONE, I DO NOT CONSIDER THIS A SLEDGEHAMMER, BUT A HEDGE ON THE ABUSES THAT OCCURRED LAST YEAR. AS YOU KNOW, THE SAME FIRMS AND INDIVIDUALS WHO GOT THE LOANS LAST YEAR WERE THE PRIME ABUSERS OF FAIR PRICE, SETTling UP WITH THE FISHERMEN AND THE MISUSE OF THESE LOAN MONIES, PRECISELY BECAUSE NO STRINGS WERE ATTACHED TO THE FINAL LOAN FORM.

FINALLY, I'D LIKE TO THANK THE MEMBERS OF THIS SUBCOMMITTEE WHO HAVE EXTENDED AN EFFORT TO SOLVE THE PROBLEMS OF THE WORLD'S GREATEST FISHERY, BUT LIKE MR. CHUCKWUK, I AM PUZZLED WHY THERE ISN'T MORE INTEREST ON THE PART OF OTHER MEMBERS OF THE LEGISLATURE. I COMPLIMENT KEVIN BRUCE'S SUMMARY REPORT OF THE SUBCOMMITTEE'S TRIP TO THE BAY AS IT SHOWS THE LEVELS AND MAGNITUDE OF THE RESIDENT CONCERNS.

THANK YOU



CHIP THOMA



UNITED FISHERMEN OF ALASKA

MAILING ADDRESS & OFFICE
197 SOUTH FRANKLIN ST
JUNEAU, ALASKA 99801
907 586-2820

SUBMITTED BY: RODGER PAINTER

Rodger Painter
Executive Director

RESOLUTION #81-1

March 11, 1981

WHEREAS the commercial salmon fisheries are vitally important to Alaska's economy; and

WHEREAS Bristol Bay sockeye catches are expected to account for more than one-fourth of the 1981 statewide salmon harvest; and

WHEREAS limited world markets for Alaska salmon products will be greatly influenced by the amount of sockeye harvested in Bristol Bay during 1981; and

WHEREAS there was strong disagreement over the condition of world salmon markets during the long, bitter price dispute between processors and salmon fishermen in 1980; and

WHEREAS the over-escapement of 21 million sockeye salmon in Bristol Bay during 1980 may sharply reduce survival rates; and

WHEREAS continued underutilization of the tremendous Bristol Bay salmon resources could result in a reallocation of the fish under international treaties to Japanese fishing fleets; and

WHEREAS Bristol Bay fishermen and processors have widely divergent views of the condition of world markets for Alaska salmon during 1981; and

WHEREAS all of Alaska's commercial salmon fishermen will be affected by the outcome of negotiations over the price of sockeye salmon in Bristol Bay; and

WHEREAS the State of Alaska has assumed the lead role in attempting to solve the complex problems leading to the price standoff in Bristol Bay; and

WHEREAS the State of Alaska has the responsibility for the sound economic management of the natural resources belonging to all citizens of the State; and

WHEREAS a first class study of world salmon markets would give fishermen and processors common ground for discussions of prices for Bristol Bay salmon and pinpoint the market value of the state's valuable salmon resource in Bristol Bay;

BE IT RESOLVED that the United Fishermen of Alaska believes the State of Alaska has the responsibility to fund a first class study of world markets for Bristol Bay salmon to help ensure full utilization of the resource and avoid the potential of losing the crucial salmon runs to Japanese fishermen.

MR. ~~Chairman~~ Chairman, Legislators and staff. I am Jack McBride from Dillingham Alaska. I am the General Manager of the Imapik Regional Aquaculture Corporation.

The statements to follow are my own and do not represent an official position of the organization that I am employed by.

I am here today to ask you to think about where the violence in Bristol Bay starts. Several of you came to that area recently to listen to the citizens of Bristol Bay. Over 5 percent of the total population of Dillingham came to listen and express their views--over 10 percent of the total population of Naknek came to listen and express their views. The entire population of Bristol Bay in over 30 villages had the opportunity to call in during the meeting, which was being broadcast live by KDLG, Bristol Bay's radio station. Yet, not one person among them, told you that Commissioner Nix should send more peace officers up there--not one person among them, suggested that Limited Entry permits be revoked or restricted for certain acts of violence by fisherman.

Now I come to these meetings in Juneau and a number of people have testified that controls are necessary. Someone suggested that it was fear that prevented people in Bristol Bay from speaking up.

Many of these citizens have spoken up on other controversial issues--and even if they were fearful they spoke up anyway. I would find it hard to believe, as I'm sure you do, that there are over 5,000 cowards in a community that has one of the harshest natural environments in the United States--a community where survival is an every day fact of life. To suggest that not even one person would speak out, is an insult to those citizens.

The violence issue began here in Juneau and, has been--and still is being--perpetuated right here in Juneau. Here in Juneau, is where you hear about the violence--not in Bristol Bay. A handful of people are running up and down the halls of the capitol building taking up your time, telling you about this violence.

If you'll remember, you began hearing about this violence long before the 1980 fishing season, and these people were telling you about the threat of violence in 1981 before the nets were dry after the 1980 season

They made you believe it too. I don't see one uniformed police officer at this hearing, nor did I see one the other day. Yet in both Dillingham and Naknek there were a number of uniformed police officers at the meetings. Police officers picked you up at the airports and escorted you to the meetings. There were five police vehicles sitting outside the meeting hall in Dillingham during the meeting. One police officer who didn't know me, obviously, offered to drive me to the hotel after the meeting. Now I've been walking to and from work for nearly two years up there and not once was I asked if I cared for a ride by a police officer. I hope you folks came away understanding that we, in Bristol Bay, are just as law abiding as the people in Juneau are. We believe in going through the political system as you do. We're just not as good at it.

I want you to think about who these people are who are taking up your time telling you about the violence. They tell us, in these hearings, of their leadership ^{ROLES} in the fishing industry's concerns--yet the majority of the fishermen are not telling you about the violence.

I would say that neither fishermen nor the residents of Bristol Bay are in favor of any new controls to prevent violence. Neither are they in favor of violence. New controls would only tend to "accentuate the negative" and will only tend to solidify any adverse positions that have occurred and would leave even less room for useful communication.

Fifty laws in Bristol Bay will not make a problem go away that was created in Juneau for a few peoples' self interest. The laws that Commissioner Nix now has at his disposal are adequate for all other situations and I believe they are also adequate to handle this situation, and we won't be assuming that it is only fishermen who might commit an act of violence.

more

Whenever, we as citizens, find ourselves in an adverse position with another citizen our first reaction is to think that we are the one that is right, and that the law should settle the problem in our favor, which, of course, is the only just way. . . the saying goes, "It depends on whose ox is being gored."

Situations such as this are political and always very sensitive, and we cannot expect to settle the problem by the use of an officer of the law, nor do they want to be put into the position of settling the problem, and we're wrong to ask them to . Do we want law officers to settle our political and social disputes? When we do that, we are a police state, and I don't think any of us would want that.

Bristol Bay salmon do not belong to any group of fishermen. Nor do they belong to all the fishermen. Nor do they belong to the processors. They belong to all of the citizens of the State of Alaska and it is the state's obligation to see that the salmon resource of Bristol Bay is utilized to its maximum, taking into consideration, good management practices.

Obviously when there is an over-escapement of 105 million pounds of fish, something is wrong with the system and the state has an obligation to find remedies, whereby, this situation will not happen again. Pointing fingers at different groups of fishermen is not the answer nor will pointing fingers at processors help. An honest assessment of the entire situation and its shortcomings needs to be undertaken by the state and then these shortcomings need to be addressed in a positive way.

I see at least three very definite shortcomings and there are more. They are: lack of markets, lack of processing capabilities and lack of infrastructure in the bay, to properly handle the resource.

The state took a big step this past year by funding the Seafood Marketing Institute. This is a positive step. When the market is right the price will be right. . .

Different methods of marketing should be analyzed--can we learn anything from other fishing countries or can we learn anything from the marketing of other commodities.

Processing capabilities should be analyzed, and are these facilities being fully utilized.

more

4-4-4-4-4.

Is it true that markets are being controlled by the amount of fish processed, and, if it is true, what can the state do about it.

Finally there are many shortcomings in the local infrastructure of Bristol Bay. These would include lack of docks, lack of adequate runways, lack of decent roads, lack of land, lack of harbors, even lack of access to adequate land.

The state should also fund a study which would supply information which would be credible to both processors and fishermen. This study should include such things as , "how interest rates relate to the price fishermen get for their fish, what does the fresh frozen market do in relation to the canned market, how does the yen/dollar relationship effect the price of salmon, what does it cost to hold an inventory of salmon in anticipation of a higher price and how are other markets other than the Japanese effecting the price of salmon, and where can we find other markets."

These are all things the state can do that are positive, and I'm sure there are others. Making new laws against violence will not correct the reasons why the salmon resource is not being utilized in Bristol Bay and will not even correct the violence. Let's do some positive things that will correct the problems, and there won't have to be any reason for violence, and the state will have maximized the utilization of the resource of Bristol Bay salmon for all of the citizens of the state of Alaska, and not for a chosen few for their own self interests.

From: Mitch Kink, General Manager A.I.F.M.A.

To: Senate Judicial Hearing Committee

Re: 1981 Bristol Bay Fisheries

The following are the recommendations and suggestions made by Mitch Kink (G/M - AIFMA) to Senate Judiciary Committee Hearings held in Nakneh, March 1, 1981.

1. The State of Alaska does absolutely nothing during fish price negotiations. But the different commissions should prepare a plan to be implemented when the need calls for such a plan. Example; If the safety of people is in jeopardy then the Public Safety Commissioner should put his plan to work, etc.
2. Set provisions for successful negotiation from free negotiations with deadlines, to mediation, to binding arbitration. The party that does not follow these provisions and deadlines as set down by the State of Alaska should be penalized.
3. Do away with the one boat, one company concept. Example: If one company settles for a price from Bristol Bay Salmon then everybody in the bay can sell to that company without any reprisals, on a first come, first served basis, and if any surplus salmon shows up in that Company's program, they must shut down that operation until all the salmon run can be utilized.
4. The State of Alaska will not issue any licenses to do business in Bristol Bay Fisheries until the complete cycle of doing business in the Bay Fisheries is completed.
5. Create a good climate for good and meaningful negotiations, by doing a feasibility study on the financial structure of Bristol Bay. This study should start with the financial history of the Bay to the present trends.
6. A comprehensive study of World Markets for Bristol Bay sockeye salmon should be conducted by an independent economic consultant who does not work and has not worked for fishermen or processors to have a positive effect on an early settlement of fish price in Bristol Bay the study should be completed by mid April. This means the process for implementation should be initiated as soon as possible.

ICICLE SEAFOODS GIVE THE FROZEN SHAFT TO BAY FISHERMEN

The Japanese "brokering Cartel" that controls Alaskan Fisheries has effectively used Icicle Seafoods of Petersburg, Alaska as the major processor to fix prices to Alaskan fishermen/producers in Bristol Bay and the rest of Alaska.

This Cartel operates on an international basis and is presently under investigation by the Anti-Trust Division of the Justice Department, Federal Trade Commission, Civil Rights Commission, and the Merchant Marine and Fisheries Committee of the U.S. Congress which is chaired by Representative Breaux of Louisiana.

In our own investigation of Icicle Seafoods, we found some very interesting relationships between major stockholders who hold important policy determining positions on Federal, State and International boards which aid and abet their manipulations of allocation and prices of salmon which benefit their collaboration in the Japanese controlled Cartel.

For instance, Bob Thorstenson is the largest stockholder of Icicle (whose parent company was Petersburg Fisheries and before that, Petersburg Fisheries Co-op) is a member of the International North Pacific Fisheries Commission (INPFC) that allocates salmon between the United States, Japan and Canada along a variable abstention line in the North Pacific and the Bering Sea. Gorden Jensen, also a major stockholder of record in Icicle, sits on the Alaska Board of Fish and Game and the North Pacific Management Council whose former Chairman, Elmer Rasmuson, owner of the Bank of Petersburg and the chairman of the Executive Committee of the National Bank of Alaska, also sits on the INPFC with Thorstenson.

This cozy cabal results in the control of the allocations of salmon in the international waters controlled by INPFC, then to the waters within the 200 mile limit Fisheries Management Zone of the U.S. controlled by NPFMC and then into the inshore waters controlled by the Alaska Board of Fish and Game.

When we received copies of the Debt Structure of Icicle Seafoods, we found that Mitsubishi International Fund, along with Hoi, a wholly owned subsidiary of Fuji Oil of Japan, had loans in excess of \$1^F,000,000.00 to Icicle and by using select banks in Alaska and Seattle, washed their money through the system so that the fisherman/producer subsidized the whole financial structure through which the Cartel group manipulated the allocations and the prices.

This scheme is resulting in the bankruptcy of many producer/fishermen and will further result in the excessive prices paid by the consumer/housewives in the U.S., Europe, Japan, and the rest of the world.

Even though Icicle Seafoods surfaces as an Alaskan/American owned Corporation, the control of its financing and marketing structure places it in full compliance and conspiracy with the Japanese agents of the International Cartel.

Further investigation discloses that American Counterpart Funds are washed through the Japanese banking system and then come back through Japanese processing companies to purchase American processing assets with low interest and no interest loans. These funds are also used as no interest loans to purchase fish by select corporations.

Involved in this price fixing conspiracy are major U.S. banks such as Crocker International, Rainier Bank, Seattle First, and Citibank of New York, to name a few.

These groups, along with American and European counterparts are involved in a multi-billion steal of Alaskan/American/Bering Sea assets, in which the victims are the legitimate fisherman/producers and the consumer/housewife.

The Administration of the State, along with select legislatures have been directly involved with the Japanese Cartel. The Governor's Office of Jay Hammond, under the direct control of Bill Spears, who, as a trustee of Alaska Renewable Resources, Corp. (ARRC) allocates large grants of money from the Permanent Fund to subsidize low interest/no interest loans to Icicle Seafoods to undermine the price structure of Alaska producer/fishermen. This further enhances the control of the Japanese Marketing Cartel.

To date over 13 million dollars of State tax money has been washed through ARRC specifically to fix a low price to the producer/fisherman.

Contrary to the eyewash article written by Bill Blessington of the Anchorage Times, this low price to the fishermen is not going to lower the price to the consumer.

Within two months, record-high prices for salmon will be paid by the consumer because of the international manipulation of the Cartel.

The huge profits that will be made by the processor/broker will not surface in Alaska or the U.S. The profits will surface in Japan where the distribution of the spoils can take place and defy documentation because of lack of a foreign "conflict of interest" policy by the U.S. or the State of Alaska.

The sell-outs and pay-offs reached into all levels of the fishing industry in the form of State and Federal subsidized loans, job offers, partnerships in various fish brokering schemes, and hidden fish prices to various administrative heads and board members of fisheries associations both resident and non-resident. (A fiscal and physical audit of the funds and assets by the Budget and Audit committee is long overdue.)

It was interesting to note that the resident and nonresident fishermen quit fighting long enough this year to realize that they were both being screwed by their own agents brokering what little organization that was left, for their own personal accounts.

The flagrant machinations of Phil Daniels, special consultant lobbyist for the United Fisherman of Alaska (UFA) along with Bob Blake, UFA president from Cordova, is an embarrassment to the members of that organization. A major reassessment of that organization and its priorities are in order if they are to continue as a force in the fishing industry of Alaska.

The direct involvement of both Daniels and Blake in price fixing and organization manipulation with Icicle Seafood will give students of Alaska fishing history an insight into the takeover of the Petersburg Fisheries Co-op by the present majority stockholders of Icicle.

The Alaska Independent Fishermen's Marketing Association (AIFMA) -- whose initials by a strange coincidence can be manipulated to spell MAFIA -- is also going through an organizational change with charges and counter charges of "sell out" against its former administrative officers and board members who discreetly resigned at the insistence of the majority of its members. This fishermen group is going through the agonizing discoveries of how it was screwed. Its leadership and all the basic information on industry cost figures but chose to use the dubious information of a consultant, Richard Wilson, a former City Manager of Cordova, who used his share of the \$25,000.00 AIFMA marketing study money to set up a fish buying station at Paul's Creek to buy cheap fish at 40¢ a pound from AIFMA, WACMA, and UFA scabs.

The three major factions that control AFIMA, the Italian, Scandinavian and Yugoslavian representatives are now eyeballing each other and the representatives of these groups are endeavoring to keep the fishermen apart and from comparing notes. They have good reason to believe that if the fishermen really start talking to each other the feeling of getting screwed is the same in any language or any culture.

The wholesale political brokering of their membership for the benefit of a few so called "leaders" may result in the realization that could lead to a legitimate fisherman/producer Co-operative being formed capable of serving their direct economic interest.

The eyewash Alaska resident contingent of AIFMA, which has never been seriously considered in the past, is also under direct fire. It is interesting to see what excuses they will come up with especially those wheel dogs acting as leaders who were involved in the price fixing/manipulations.

All in all , the Bristol Bay News will have an interesting time reporting and analyzing the enfolding future fishing scenairo..

BRISTOL BAY NEWS
26 July 1980

Excerpts from tapes of radio traffic on the Naknek River on Saturday,
June 28, 1980. 

Prepared aboard the Department of Public Safety surveillance vessel,
M/V Vigilant, Capt. Lockman in command.

The excerpts are in chronological order from a single 90-minute tape,
highlighting the most relevant conversations. Excerpts are only presented
to save the Committee time; however, the complete tape is available for
the Committee on request.

A Salamatoff Seafoods salmon tender - the Sal-Sea Belle - is moving up
the Naknek River with a load of salmon on June 28, 1980, while the
fishermen's strike is still ongoing. Striking fishermen are trying to
prevent the Sal-Sea Belle from reaching a dock where the fish can be
off-loaded.

At the same time, fishermen are discussing the possibility of blockading
the mouth of the Naknek River (to keep vessel traffic from entering or
leaving the river) and patrolling the grounds to keep fishermen from
fishing.

PRESENTED BY: JOHN GARNER

Lockman: If they're shooting at him, then its a whole different ball game, OK.

Fisherman #1: For Chris's sake, why in the hell don't they stop this shit? What're you guys doing out there--just... having fun?

Fisherman #2: Fuck you...

Fisherman #3: They sound like a whole bunch of really big men, about four years old.

Fisherman #4: Somebody's going to get....

BREAK

Fisherman #1: He's right in our starboard side--he's right on there, ...'s leading this guy in here.

Fisherman#2: Whats somebody going to do to block them Whalers...get that son of a bitch while they're loading...and ...OK

Fisherman #3: Whats the matter with these damn people, are they all stupid?

Fisherman #4: Think they've just stuck our quotes up there on top this violence...why don't you move your ass--

Fisherman #5: What are you doing to stop that scow before somebody gets hurt--we may have to shoot one of 'em before anybody wises up--

BREAK

Fisherman#1 We want more support, and we want men.

Fisherman #2: What are you talkin' about...
You can see nothing's going down here.

Fisherman #3: ...forced to get a

Fisherman #4: Just watching us play games, they can stop this shit. and they...the god damned anchor before somebody gets killed. Nobody can get a shot of you running up there.

BREAK

Fisherman #1: Shoot 'em!

Fisherman #2: He's got Fish & Game right by his side--

Fisherman #3: God damned boat!

Fisherman #1: Shoot the Fish & Game, shoot 'em!

Fisherman #5: They got bigger guns than you, ya wimp ass suck...

BREAK

Fisherman #1 I feel the, uh- explosive nature, uh, of this whole thing, uh, why is it that...maybe...you didn't close 'em, so that, um, they'd think it's serious...

Lockman: Yeah, roger, that's gotta be my recommendation. I agree it's gone a little too far now, OK.

Fisherman #1: Yeah, I think so, uh, its not enough, uh, not enough boats fishing here to make, uh, any difference in the, uh, escapement, errr, all that kind of stuff, its just too risky; we don't want to see any, anybody go down here.

Lockman: Yeah, um, thats our concern, uh, ya' know, that's why we haven't we haven't taken any action, uh, so far. We've just been sitting here watching people break the law, you know. We're not going to continue to do that. Uh, I'm going to recommend to the State arbitrators that they just shut, close Bristol Bay for the year and everybody can start again next year. OK.

Fisherman #1: Well, maybe thats the way to do it.

Fisherman #2: Don't be ridiculous.
I came to fish.

Lockman: Yeah, I, uh, agree with ya there, uh, I think, uh, thats, uh, pretty extreme measures, too, uh, but we can't, uh, can't go on with this, the fishermen have already lost this battle, uh, they've done more damage to their image in the last 48 hours than they're gonna recover from in the next ten years, OK.

Fisherman #1: Get the Governor to close this whole fishery down before somebodys killed and he's got blood on his hands. This is gettin' out of hand damn quick--

(garble)

Fisherman #2: Sal-Sea Belle over here--close right down on her, Mable B; And I think right now is the time to close the river 'cuz there ain't no one up the river, with fish on board and if we close her right now, we're cool.

BREAK

Fisherman #1: Bunch of us standing around here doing nothing, well the main thing is get on up that, inside the river and block the fucking main entrance.

Fisherman #2: Sal-Sea Belle, did you make it to the docks?

Fisherman #3: ...where is this dock? Is this dock alongside this barge?

Fisherman #2: Roger, the dock alongside the barge.

Fisherman #4: OK, coming now, we're going to put it off the...now.

Fisherman #5: OK, block that barge off and block that dock off. Thats what they use for their helicopter launching pad. Just block the dock and block that barge. Don't let them even get close to it.

Fisherman #5: He's way up the other side of the...from Peter Pan.

Fisherman #6: More boats down here.

BREAK

Fisherman #1: beatin' our brains...against the wind... We gotta go out and stop the guys from fishin'. Why stop a 180 foot tender when you can go stop a 32 ft gill netter. Lets use our brains. We've got 50 thousand boats. We patrol the area, thats all we gotta do, is stop ten stinkin' boats from fishin'. We don't stop no 180 ft boat, he'll knock us down like a bowling ball.

Fisherman #2: Not with motars, he won't.

Fisherman #3: heh, heh, heh, bet your ass.

Fisherman #4: Well, we should get together and hold a meeting and decide what we're gonna do -- we'll block the river, stop the guys outside or what are we gonna do, Let's hold a meeting and

Fisherman #5: thats what yesterdays meeting was for...

Fisherman #4: but nobody wants to listen. They've been there all day, Leo. They're seventy strong right at the dock. Listen, lets stop arguing, lets go to the mouth of the river and we'll all tie up and we'll get together and make the plans.

interupt: we're going to be right here...

Fisherman #4: talk about what to do -- get to the mouth of the river and lets organize...like human beings...and we'll stop this thing. Stop cussing at Alaska packers and stop cussing at everybody else. Let's do this like...and we'll finish this thing. We'll all go to the mouth of the river and we'll have a big party like Jimmy says.

BREAK

Fisherman #1: Yeah, we need more boats.

Fisherman #2: Yeah, these guys from Red Salmon can go up there. Hey, why don't you guys around the Red Salmon area go up in the dock...that boat, isn't at the dock yet.

Fisherman #3: Ain't gonna be able to get in...

Fisherman #4: Listen, Dominic, do you know how many boats are gettin' bumped right now. Do you know how many boats are gettin' bumped?

Fisherman #5: No, I mean, if you got a fucking tender, or any dock or any barge at this present time.

Fisherman #6: He's about 25 feet away and he's bumping our boats! We need more boats! Uh, Dom, we need more boats!

Fisherman...garbled

Fisherman #7: God damn it, lets go, lets get outta here, lets go, we need more boats. Whats the matter with you guys.

BREAK

Fisherman #1: I believe the, uh, skipper of that...an emergency meeting of the Alaska Dept of Fish and Game. Fishermen could be called together, uh, within the... probably and that they could issue an executive order, the fishery would be closed for everyone, until this powder keg is taken care of.

BREAK

Lockman: Yeah, I really don't know whether they can do that or not, but that's what I'm gonna recommend.

Break

Lockman: Just that little group thats all wound up. They pretty well got 88 all to themselves there, this morning, uh. We'll be standing by on 16, OK.

Fisherman #1: Thats a mistake -- when you only say 5%, this whole industry is uptight and you're sitting on a power keg over there. Don't ... don't conceive that idea that there's only 5% thats running this. This whole industry is uptight. Don't forget that.

Lockman: Well, what is your suggestion, OK.

Fisherman #1: Just what the man said, call the Governor and close this thing down in the interest of life, liberty and the industry

interrupt: pursuit of happiness

Fisherman #1: this is gone on. Please stand by your CB radio.

Fisherman #2: We're here to make a living, not please somebody. --- Bear stand by now. The canneries and boats alone deserve the Governor's attention. And our livelihood and our families deserve his consideration also. This is a lifetime industry for many of us. We'd like to see it protected lawfully, legally and we'd like to fish it the same way. And these renegades, when they're fucking the whole industry, its gonna just create a bundle of tension. Somebody or something is gonna burn up or somebody's gonna get killed.

Fisherman #2, continued: That's gotta happen. I've seen guns pulled on this river before. And believe me, its no fun. So I hope that you will convince that Governor that the best thing for the industry is to close it down, until its settled. One way or another. We'll go home or they'll take the fish, one way or the other. That's a convention of the whole damned industry out here on this river, sir. Well, I thank you for listening and I hope that, uh, some consideration can be given to this under the light of calmness and good sense, because we do get a little wild out here at times. We're individuals. We're not regimented lunch buckets out here, and we're gonna protect this industry. Ah, rest assured,

Break

Fisherman #1: Rita Marie is watching a tender and callin' Casey...
Going down river;
Watch her, watch her, watch her.
She's goin' down; headin right towards you, Dom.

Fisherman #2: See there, the Governor said he wouldn't do anything until he did see bloodshed.

Fisherman #3: Well, lets go get the guys that are catching them, that's right.

Fisherman #4: Somebody come up with a good idea.

Fisherman #5: The best idea is to go out and stop the fisherman.
And you're not gonna get any...
...stop the fisherman...

Fisherman #6 They're on the grounds at night, when its dark.

BREAK

Lockman: I agree with ya, its, ah, its sure got outta hand tonight. But, uh, ya know, we're doing what we can. We're a little outnumbered, OK.

I know, uh, what we're trying to do is, ah, stay in a neutral position here. We're trying to not, ah, actively support either faction, ah--our whole role here is to protect life and property. And we're bound by the law, which sometimes, uh, doesn't let us do it in the most effecient way, if that makes sense to you, OK.

Fisherman #1: Well, ya know, I heard there was a couple of shots last night...its not what I call protecting life and property...scow...nobody gets hurt.

Lockman: Ya know pardner, I ya know, I uh, I don't want to disagree with you. I don't have the authority to do that, you know. I can tell boats not to shoot at em, too, but it doesn't do a lot of good. I have three troopers on Sal-Sea Belle still, you know, they're not, their function is to prevent anymore shooting, uh, there's really no

Lockman, continued: way they can do that, until somebody shoots.
I'm just hoping it doesn't get to that, OK.

BREAK

Lockman: It's a tough situation, but, uh, I can't do 'er all at once here, uh, ya know, I'd just be satisfied if, huh, if we don't have a more serious problem right here. Well, we're getting...they want us in the Nusigak, they want us in Egegik and they want us here and they want us outside in the anchorage...its just that time of year for us, I guess, OK.

S B

356



JUNEAU, ALASKA

Alaska State Legislature

BLUE RIBBON COMMISSION ON THE
STATE PERSONNEL ACT
Pouch AG/Mail Stop 0123
Juneau, Alaska 99811
(907) 465-4442

Senator Bill Ray
Chairman

MEMORANDUM

March 27, 1981

TO: Senator Bill Ray, Chairman
FROM: Teresa B. Cramer *TBC*
Administrative Assistant
SUBJECT: Marianne Sheridan -- Retirement Credit for Temporary Service

I talked with Marianne Sheridan concerning her retirement situation. She is a retired state employee with some years of temporary employment in addition to her permanent employment. She applied for credit for the periods of temporary employment and has been informed by the Division of Retirement and Benefits that it would cost her more to pay for credit for her temporary time than she would gain in increased benefits for that time. This happens because the law requires that in order to receive credit for temporary service, the employee must pay the full actuarial cost to the system for the benefits. Employees of the Division of Retirement & Benefits have advised me that their experience indicates that Ms. Sheridan's case is typical of what is happening to almost all retired state employees who have applied for credit for temporary employment.

The law provides in AS 39.35.345(a) that:

A vested employee is entitled to credited service for periods in which he regularly rendered full-time personal service to an employer but was not qualified to participate in the system because of the exclusion of temporary workers as described in AS 39.35.680(21)(C)(iii). Benefits are not payable on this credited service unless the employee makes retroactive contributions to the system for the period of time that credited service is claimed. The retroactive contribution is the full actuarial cost of providing benefits for the credited service claimed.

I spoke with Chuck Elrod from the Division of Retirement. He pointed out that this is one of only two programs which require that the employee pay the full actuarial cost of the benefit in order to be

Senator Bill Ray
March 27, 1981
Page Two

eligible for credit for the service. The other program is for teachers who want credit for years of employment in the Lower 48. For receiving credit for prior military service, for credit for temporary legislative service, for credit for employment as a permanent employee of the Territory or for the various peace officer or correctional officer service periods, employees are required to pay less than the full actuarial cost.

Ms. Sheridan is concerned about why the legislature amended the law to apparently provide benefits for temporary service when, in fact, it is no benefit at all to presently retired Alaskans.

TBC:lmk

PLEASE NOTE: THE FOLLOWING PAGES WERE TREATED
AS A UNIT IN THE ORIGINAL DOCUMENT

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. Senate Bill 356
Title An Act relating to temporary service credit with the DEPS
Requested by Senator Vic Fischer Date _____

II. FISCAL DETAIL

Agency Affected Administration - Division of Retirement and Benefits
Program Category Affected Labor Services
BRU, Program, or Subprogram(s) Affected 02-96-8-01-01 (PERS)
(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		28.3	30.0	31.8	33.8	35.8
200 TRAVEL						
300 CONTRACTUAL		22.7				
400 COMMODITIES		0.2	0.2	0.2	0.2	0.2
500 EQUIPMENT		1.8				
600 LAND & STRUCTURES						
700 STATE TRS MATCHING						
100 BENEFITS		145.6	160.2	176.2	192.8	213.2
TOTAL		198.6	190.4	208.2	227.8	249.2

FUNDING (Thousands of Dollars)

GENERAL FUND		119.2	131.2	144.1	158.7	174.6
FEDERAL FUNDS		6.7	7.4	8.1	8.9	9.8
VETERAN'S FUND		0.3	.3	.3	.4	.4
FISH & GAME FUND		0.9	1.0	1.1	1.2	1.3
HIGHWAY FUND		1.9	2.1	2.3	2.5	2.8
AIRPORT FUND		4.2	4.6	5.1	5.6	6.2
CAPITAL FUND		12.4	13.6	15.0	15.5	18.1
PERS						
TRS						

POSITIONS

FULL TIME		1	1	1		
PART TIME						
TEMPORARY						

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

1. Estimate FY 82 state covered payroll to be \$296,614,000; increasing 10% annually.
2. Increase in state contribution rate would be .0491% of covered payroll.
3. Estimate personnel services to increase at 6% per year.
4. Estimate approximately 5000 affected members.
5. Estimate the average service per affected member to be approximately three months.
6. The cost to political subdivisions is estimated to be \$125,000 in FY 82 increasing at 10% each year thereafter.

IV. DATE 4-9-81

PREPARED BY Paul B. Arnold, Director
AGENCY Division of Retirement & Benefits
PHONE 465-4460

Original: Legislative Finance
cc: Budget and Management
Prime Sponsor (First Legislator Named) Senator Bill Ray
Office of the Governor (Under Seal)

Ken Humphreys, for Bill
9C

1	POSITION TITLE Retirement & Benefits Technician			RANGE/STEP 12/B	BARG. UNIT. G	LOCATION Juneau	GOV.	APPROV.	DISAPP.
2	TYPE OF POSITION PFT	STAFF MONTHS 12	HP No.	PCN No.	PRIORITY	FORM 12 PAGE/LINE	LEG.		
3	TYPE OF EXPENDITURE			AMOUNT		JUSTIFICATION:			
	1	2	3						
4	PERSONAL SERVICES:								
	SALARY	\$1,814/month	\$21,768						
5	BENEFITS		3,437						
6	FICA		1,334						
7	HEALTH INS		1,800						
8	TOTAL PERSONAL SERVICES		\$28,339						
9	TRAVEL								
10	CONTRACTUAL		2,700						
11	COMMODITIES		200						
12	EQUIPMENT		1,800						
13	OTHER								
14	TOTAL COST		\$33,039						
	CODE	FUNDING SOURCE							
15		FED RCPTS							
16		GF MATCH							
17		GEN. FUND							
18		L-A RCPTS							
19		PGM RCPTS							
20		OTHER		\$33,039					
21	CONTINUATION								
22	ADDITION		FOR B&M USE ONLY						
4A KEY NUMBER				COLUMN NO.					

This person will be responsible for verifying and recording the additional credited service granted for past temporary membership employment, for calculating the additional benefit, and for handling correspondence.

AGENCY ADMINISTRATION PROGRAM LABOR SERVICES

BRU RETIREMENT & BENEFITS

13 REQUEST FOR NEW POSITION.

COMPONENT PERS

FY 82

Page 2 of 2

REVISED DATE _____



Official Business

Alaska State Legislature

Senate

Office of the President

Pouch V
State Capitol
Juneau, Alaska 99811

MEMORANDUM

TO : SENATOR FISCHER,
CHAIRMAN OF STATE AFFAIRS COMMITTEE

FROM : SENATOR KERTTULA

DATE : MARCH 11, 1982

SUBJECT: RETIREMENT BENEFITS

I have received a call from a constituent of mine, Ed Burgholzer of Wasilla (376-2945), who is a DOT employee. He has a retirement problem which I would like to bring to your attention in connection with SB 356.

Mr. Burgholzer worked as a temporary state employee for 27 months before he was hired on as a permanent employee. He has been informed by the Division of Retirement that his contribution will be \$16,000 to buy back the 27 months. As you can imagine, Mr. Burgholzer finds the cost of the program prohibitive. Mr. Burgholzer mentioned that he knows a number of other state employees in the same situation.

Although the State has created a program by which temporary time can be credited, it has placed the cost so high that few people can take advantage of it.

I hope that you will give this problem your serious consideration when considering SB 356. I have also enclosed a message from Wayne Fleek on the same subject.

JK/mv/cp

enc

cc: Ed Burgholzer

*should be able to pay it out over some
yes. no further int.?*

N

?

MSG 82-00012783 PRTY 1 03/09/82 18:12:47 ORIG: LA02 IN= 0002 OUT= 0137
FROM: MARCIE, ANC INFO TO: POM, JUNEAU INFO
TARGET: LJH2 SURJ: P O M PAGE 0004

TO: SENATORS COLLETTA, AND KERTTULA
REPRESENTATIVES BYLSMA, HAYES, METCALFE

FROM: WAYNE FLEEK, BOX 6788 ANNEX, AND 99502 (UK 249-5541)

I URGE YOU TO SUPPORT SENATE BILL 356. IT SEEMS RIDICULOUS TO HAVE TO PAY MORE FOR THE RETIREMENT BENEFIT THAN THE GROSS MONTHLY SALARY WAS AT TIME OF EMPLOYMENT. ALSO, PLEASE ACT ON HB 305 SOON. THE STATE EMPLOYEES AND THE ADMINISTRATION BARGAINED IN GOOD FAITH FOR ALL CONCERNED. YOU ARE MORALLY OBLIGATED TO NOW ACT FAVORABLY ON THAT AGREEMENT AND PASS THIS BILL.

685

N

DEPARTMENT OF ADMINISTRATION

OFFICE OF THE COMMISSIONER

POUCH C

JUNEAU, ALASKA 99811

(907) 465-2200

March 8, 1982

Ms. Carol Burnside
Researcher
Senator Colletta's Office
Pouch V
Juneau, AK 99811

Dear Ms. Burnside:

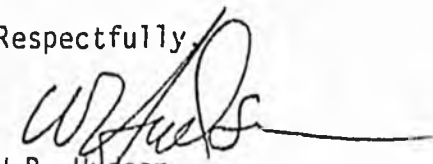
This is in response to your inquiry of February 26, 1982 to Director Arnoldt, regarding a letter received by Senator Colletta from Mr. R. Russell Redick.

Mr. Redick asks that an "obvious inequity" be corrected. What he wants is to have the PERS law amended so that he will not have to pay the full actuarial cost of purchasing his temporary service credit. He wants to pay the "normal contributions" which means that the state would have to pay the difference.

We were opposed to the purchase of temporary service credit when it was introduced in the Eleventh Legislature. Temporary employees should not be afforded retirement coverage--the very nature of the employment supports this viewpoint. Such employees will not be with the PERS long enough to retire; if they are, then they should not be classified as temporary employees. Passage of the bill granting temporary service credit was made somewhat more palatable because those receiving the credit are required to pay the full actuarial cost. Now that the temporary service credit provision is on the books, we are being asked to reduce the cost to the employee for purchasing the service; to do so would serve no public purpose and it would be an unwarranted retroactive increase in employee benefits which would cost the state approximately \$2.1 million.

If you have additional questions on this matter, please let me know.

Respectfully,


W.R. Hudson
Commissioner

PBA/jb

cc: All Legislators

Paul B. Arnoldt, Director
Division of Retirement & Benefits

February 22, 1982

The Honorable Victor Fischer
Chairman, State Affairs Comm.
Pouch V, State Capitol Building
Juneau, Alaska 99811

Dear Senator Fischer:

I recently wrote you (and all other members of the House and Senate) requesting further consideration of Section 32 of HB 121.

My concern was (and is) that if a state employee claims his temporary time the computed indebtedness to the state retirement system is so large as to far exceed any benefits. In my case, to claim 1.928 years of temporary time would cost \$20,500 plus monthly interest until retirement.

I have been advised by Representative Hayes that a bill already exists which would solve this problem. That bill is SB 356. The language of SB 356, which I am told is now in the Senate State Affairs Committee, was included in HB 121 as Section 32.

Now that HB 121 has failed, I urge you to consider SB 356.

As I indicated earlier, numerous employees while working for the state were denied access to the retirement system. Also, the existing legislation required employees to claim their temporary time before July 1, 1981. I know numerous employees who simply did not bother to claim their time before that deadline due to the extreme cost. SB 356 would also extend this filing deadline to July 1, 1982.

Your cooperation and support in this matter would be greatly appreciated.

Sincerely,



R. Russell Redick
Box 199H SRA
Anchorage, Alaska 99502

March 12, 1982

The Honorable Victor Fischer
Chairman, Senate State Affairs Committee
Pouch V, State Capitol
Juneau, AK 99811

Dear Senator Fischer:

The following persons strongly urge your committee to pass out Senate Bill 356 with a strong do pass recommendation. (List attached)

R. Russell Redick
SRA Box 199H
Anchorage, AK 99502

Gregory Thomason
P.O. Box 201
Auke Bay, AK. 99821

David Watsjold
SRA Box 764
Anchorage, AK. 99502

Frank Van Hulle
2301 Meadow Lane
Juneau, AK. 99801

Kenneth Alt
Box 10104
Fairbanks, AK. 99701

Larry Engel
Box 197
Palmer, AK. 99645

Mike Kramer
SR Box 30676
Fairbanks, AK. 99701

Al Havens
Box 2282
Palmer, AK. 99645

Gary Pearce
1700 Tamarack Street
Fairbanks, AK. 99701

Larry L. Larson
Box 55
Sterling, AK. 99672

Wilson Potterville
Box 231
Glennallen, AK. 99588

Stephen Hammarstrom
Box 471
Soldotna, AK. 99669

Gary Sanders
9167 Riverwood
Juneau, AK. 99801

Sid Logan
Box 2589
Soldotna, AK. 99669

Paul Kissner
2343 Kevin Ct.
Juneau, AK. 99801

David Waltemyer
Box 2617
Soldotna, AK. 99669

Dennis Hubartt
Box 2996
Juneau, AK. 99803

Mark Schwan
8863 Birch Lane
Juneau, AK. 99801

Doug Jones
9360 Minor Dr.
Juneau, AK. 99801

Larry Edfelt
P.O. Box: 457
Juneau, AK. 99802

Sue Howell
Box 3151
Kenai, AK. 99611

David C. Nelson
Box 143
Soldotna, AK. 99669

Ted McHenry
Box 1333
Seward, AK. 99664

Pete Murray
Box 2181
Kodiak, AK. 99615

Bruce King
Box 1662
Soldotna, AK. 99669

Paul Ruesch
Box 4095
Soldotna, AK. 99669

Gary Kyle
Box 2527
Soldotna, AK. 99669

Don Seagren
Box 2493
Soldotna, AK. 99669

William E. Altland
Box 4431
Soldotna, AK. 99669

Jim Edmunson
Box 3155
Soldotna, AK. 99669

Sandra Seagren
Box 2498
Soldotna, AK. 99669

March 12, 1982

W

The Honorable Victor Fischer
Alaska State Senate
Pouch V State Capitol
Juneau, AK. 99811

Dear Senator Fischer,

I am writing to you regarding Senate Bill 356 which addresses temporary service credit for public employees. You may be aware that House Bill 121 contained wording which would allow public employees to retroactively contribute to the retirement system for past temporary service credit. This bill did not pass and has been replaced by various other bills none of which address temporary service credit.

Senate Bill 356 does address this issue and I urge your support for passage of this bill.

I am one of the few state employees that were barred from the state retirement system when I was a temporary/seasonal employee. Seasonal employees are now included in the system.

Although I am now allowed to purchase the temporary service through retroactive payments, the debt amount is extremely high as it is based upon current salaries and not on actual wages earned back during the period of actual service. This service also is not allowed to count toward normal retirement and the service rendered by present day seasonal employees does not count.

Sincerely,
David Watzfoll
SRA Box 764
Anchorage, AK. 99507

**PLEASE NOTE: THE PRECEDING PAGES WERE TREATED
AS A UNIT IN THE ORIGINAL DOCUMENT.**

- Fred Miller - provide credit in system for temp employees?
- retirement system - attract full time people,
stay in employ
- this won't enhance system
+ derive - now: employee has to pay full actuarial cost

Introduced: 3/3/81
Referred: State Affairs and
Finance

1 IN THE SENATE

BY RAY

2 SENATE BILL NO. 356

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to temporary service credit with the
7 public employees' retirement system; and providing for
8 an effective date."

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

10 * Section 1. AS 39.35.345 is amended to read:

11 Sec. 39.35.345. TEMPORARY SERVICE CREDIT. (a) A vested employee
12 is entitled to credited service for periods in which he regularly
13 rendered full-time personal service to an employer but was not quali-
14 fied to participate in the system because of the exclusion of temporary
15 workers as described in AS 39.35.680(21)(C)(iii). If an employee
16 claims retroactive credited service under this section, he becomes
17 indebted to the system. The amount of indebtedness is equal to the
18 contributions the employee would have made during the periods of
19 employment for which the credited service is claimed if he had been
20 a member of the system during those periods. Benefits are not payable
21 on [THIS] credited service claimed under this section unless the
22 employee makes retroactive contributions to the system to discharge
23 his indebtedness for the period of time that credited service is
24 claimed. [THE RETROACTIVE CONTRIBUTION IS THE FULL ACTUARIAL COST OF
25 PROVIDING BENEFITS FOR THE CREDITED SERVICE CLAIMED.]

26 (b) To obtain credited service under this section, an employee
27 must elect to do so and must verify his period of temporary service
28 before July 1, 1982 [1981], or within one year following the date when
29 the employee first becomes vested under this chapter, if later. When

1 eligibility for temporary service credit has been established, an
2 indebtedness shall be determined as provided in (a) of this section.
3 Interest as prescribed by regulation accrues on that indebtedness
4 beginning July 1, 1982 [1981], or one year following the date an
5 employee first becomes vested, whichever is later. Any outstanding
6 indebtedness existing at the time an employee retires will require an
7 actuarial adjustment to the benefits payable based on the temporary
8 service.

9 (c) A deferred vested employee on July 1, 1981 [1980], is eligible
10 to claim credited service under (a) of this section. To obtain credited
11 service under this section, a deferred vested employee must elect to do
12 so and must verify his period of temporary service before July 1, 1982
13 [1981]. When eligibility for temporary service credit has been estab-
14 lished, an indebtedness shall be determined as provided in (a) of this
15 section. Interest as prescribed by regulation accrues on that indebted-
16 ness beginning July 1, 1982 [1981]. Any outstanding indebtedness
17 existing at the time a deferred vested employee retires will require an
18 actuarial adjustment to the benefits payable based on the temporary
19 service.

20 (d) The credited service granted under this section may [NOT] be
21 used to satisfy the credited service requirements for normal or early
22 retirement.

23 * Sec. 2. This Act takes effect June 30, 1981.

S B

360

STATE OF ALASKA

DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

JAY S. HAMMOND, GOVERNOR

POUCH 5
JUNEAU, ALASKA 99811

April 7, 1981

The Honorable Vic Fischer
Chairman
Senate State Affairs Committee
Room 205 - Behrends Building
Juneau, Alaska

Dear Senator Fischer:

Re: Senate Bill No. 360 and Senate Bill No. 361

Senate Bill No. 360, an Act relating to the investment of the public employees' and teachers' retirement funds, was introduced in the Senate on March 31, 1981 and was referred to the Senate State Affairs and Finance Committees.

Senate Bill No. 361, an Act making a special appropriation to the Department of Administration for payment of liabilities of the public employees' and teachers' retirement funds, was introduced in the Senate on March 31, 1981 and was referred to the Senate Community and Regional Affairs; State Affairs and Finance Committees.

For the consideration of the Senate State Affairs Committee, I am enclosing a copy of a Fiscal Note prepared by Mr. Anselm Staack, Treasury Comptroller, Department of Revenue concerning both bills.

Sincerely,



R. D. Stevenson
Special Assistant

RDS/rdh

cc: The Honorable Don Bennett
The Honorable M. E. Dankworth
Co-Chairmen
Senate Finance Committee

Joseph K. Donohue
Deputy Commissioner
Department of Revenue

The Honorable Donald E. Gilman
Chairman
Senate Community and Regional
Affairs Committee

Anselm Staack
Treasury Comptroller
Department of Revenue

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

SB 360, 361

FISCAL NOTE

I. REQUEST
 Bill/Resolution No. SENATE BILL NO. 360 & ³⁶¹~~362~~
 Title Relating to investment of the public employees' and teachers' retirement funds
Requested by and making a special appropriation for payment of Date 3/31/81
accrued liabilities of both funds
 Requested by Senate State Affairs & Community & Regional Affairs Committees

II. FISCAL DETAIL.
 Agency Affected Department of Revenue, Department of Administration
 Program Category Affected General Fund
 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						
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

FULL TIME						
PART TIME						
TEMPORARY						

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

SB 361 appropriates \$136.4 million to the Public Employees' Retirement System and \$154.3 million to the Teachers' Retirement System to pay the unfunded liabilities of both systems accrued to 1/1/80 and 6/30/80 respectively.

SB 360 adds language to the investment authority of both systems directing that the funds appropriated by SB 361 be used to buy Alaska Housing Finance Corp. bonds and bond anticipation notes at competitive market rates of interest of taxable securities.

No additional administrative costs appear necessary.

Anselm C. Staack

IV. DATE April 6, 1981 PREPARED BY Anselm C. Staack, Treasury Comptroller
 AGENCY Dept. of Revenue/Treasury Division
 Original: Legislative Finance PHONE 465-2351
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

4-7-81

David Rose ++
Tom Williams - t
Fred Muller

SENATE BILL NO. 360, by Senators Stimson, Sturgulewski, Gilman and Hohman. Amends AS 39.35.110 (Public Employees' Retirement System. Investments) and AS 14.25.180 (Teachers' Retirement. Custody and Investments) by addition of new subsections



(investment
of)



Investments to be made in bonds and bond anticipation notes of the Alaska Housing Finance Corporation. Such investments may be made only at competitive market rates of interest for taxable securities. Provides Act takes effect July 1, 1981.

?
in case

Introduced March 31 and referred to State Affairs, then to Finance.

Appropriation
(special)
(public employ-
ees' and
teachers'
retirement
funds)

SENATE BILL NO. 361, by Senators Stimson, Sturgulewski, Gilman and Hohman. Makes a [redacted] the Department [redacted] fund for payment to the pension fund for unfunded benefit liabilities of the public employees' retirement system accrued to January 1, 1980. Appropriates \$154,300,000 from the general fund for payment to the retirement fund for unfunded benefit liabilities of the teachers' retirement system accrued to June 30, 1980. Provides Act takes effect on the effective date of SB 360.

?

Introduced March 31 and referred to Community and Regional Affairs, State Affairs, then to Finance. 4/2, C&RA waived.

- strengthens state credit
- "unfunded liabilities," i.e., long term bonded debt.
almost \$300 mm
- would also reduce employer parts.

X Kenneth Olson - is not favor in investment in a particular portfolio
TRG Board, NEA

Introduced: 3/31/81
Referred: State Affairs and Finance

APFA - supports concept, but not priority

BY STIMSON, STURGULEWSKI,
GILMAN AND HOHMAN

1 IN THE SENATE

2 SENATE BILL NO. 360

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the investment of the public
7 employees' and teachers' retirement funds; and provid-
8 ing for an effective date."

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

10 * Section 1. AS 39.35.110 is amended by adding a new subsection to read:

11 (k) Notwithstanding (a) of this section, if the legislature
12 appropriates money to the pension fund for the unfunded benefit liabili-
13 ties of the system, the commissioner of revenue ^{may} shall invest an amount
14 of the pension fund equal to the amount appropriated, or so much of
15 that amount as the commissioner of administration considers proper, in
16 bonds and bond anticipation notes of the Alaska Housing Finance Corpora-
17 tion. An investment under this subsection may be made only at competi-
18 tive market rates of interest for taxable securities.

Tolson
? or

19 * Sec. 2. AS 14.25.180 is amended by adding a new subsection to read:

20 (j) Notwithstanding (b) of this section, if the legislature
21 appropriates money to the retirement fund for the unfunded benefit
22 liabilities of the system, the commissioner of revenue ^{may} shall invest an
23 amount of the retirement fund equal to the amount appropriated or so
24 much of that amount as the commissioner of administration ^{may} considers
25 proper, in bonds and bond anticipation notes of the Alaska Housing
26 Finance Corporation. An investment under this subsection may be made
27 only at competitive market rates of interest for taxable securities.

Tolson
Williams

28 * Sec. 3. This Act takes effect July 1, 1981.

29

Introduced: 3/31/81
Referred: State Affairs and
Finance

BY STIMSON, STURGULEWSKI,
GILMAN AND HOHMAN

1 IN THE SENATE

2 SENATE BILL NO. 360

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the investment of the public
7 employees' and teachers' retirement funds; and provid-
8 ing for an effective date."

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

10 * Section 1. AS 39.35.110 is amended by adding a new subsection to read:

11 (k) Notwithstanding (a) of this section, if the legislature
12 appropriates money to the pension fund for the unfunded benefit liabili-
13 ties of the system, the commissioner of revenue shall invest an amount
14 of the pension fund equal to the amount appropriated, or so much of
15 that amount as the commissioner of administration considers proper, in
16 bonds and bond anticipation notes of the Alaska Housing Finance Corpora-
17 tion. An investment under this subsection may be made only at competi-
18 tive market rates of interest for taxable securities.

19 * Sec. 2. AS 14.25.180 is amended by adding a new subsection to read:

20 (j) Notwithstanding (b) of this section, if the legislature
21 appropriates money to the retirement fund for the unfunded benefit
22 liabilities of the system, the commissioner of revenue shall invest an
23 amount of the retirement fund equal to the amount appropriated or so
24 much of that amount as the commissioner of administration considers
25 proper, in bonds and bond anticipation notes of the Alaska Housing
26 Finance Corporation. An investment under this subsection may be made
27 only at competitive market rates of interest for taxable securities.

28 * Sec. 3. This Act takes effect July 1, 1981.

29

PERS/IRS ACTUARIAL

	ACCRUED LIABILITY	ADJUSTED ASSETS	UNFUNDED LIABILITY	ANNUAL EARNINGS	CONSOL. RATE	PAST SRV RATE	TOTAL RATE	RATE GROUP
1 STATE OF ALASKA	203736116.	123383069.	80353047.	233462893.	11.46	2.54	14.00	
2 SOUTH WEST REGION SCHOOL DISTRICT	162831.	259069.	-96239.	1389196.	11.46	-0.51	10.95	
3 ANNETTE ISLAND SCHOOL DISTRICT	77627.	122262.	-44636.	248195.	11.46	-1.33	10.13	
4 BERING STRAITS SCHOOL DISTRICT	273445.	214854.	58591.	671183.	11.46	0.64	12.10	
5 CHATHAM SCHOOL DISTRICT	27275.	46956.	-18681.	83991.	11.46	-1.73	9.73	
6 ALASKA MUNICIPAL LEAGUE	58644.	-69166.	127810.	58679.	11.46	16.07	27.53	
7 VALDEZ, CITY OF	623022.	673367.	-50345.	1803484.	11.46	-0.21	11.25	
8 JUNEAU BOROUGH SCHOOL DISTRICT	1570078.	608791.	961287.	2901289.	11.46	2.45	13.91	
9 MATANUSKA-SUSITNA BOROUGH	896842.	1142070.	-245228.	1789767.	11.46	1.50	12.96	1
10 MATANUSKA-SUSITNA SCHOOL	1703361.	522959.	1180402.	2812745.	11.46	1.50	12.96	1
11 ANCHORAGE BOROUGH SCHOOL	23903095.	10570129.	13332965.	34277061.	11.46	2.87	14.33	
12 COPPER RIVER SCHOOL DISTRICT	141666.	209582.	-67915.	546561.	11.46	-0.92	10.54	
13 UNIVERSITY OF ALASKA	14341436.	13402405.	939031.	23375479.	11.46	0.32	11.78	3
14 HAINES, CITY OF	178145.	172908.	5237.	276748.	11.46	0.14	11.60	
15 KENAI, CITY OF	785725.	1080274.	-294549.	1509530.	11.46	-1.44	10.02	
16 NORTH STAR BOROUGH	1866065.	2358119.	-492054.	4522041.	11.46	0.50	11.96	4
17 NORTH STAR BOROUGH SCHOOL DISTRICT	4990508.	3525197.	1465311.	9968986.	11.46	0.50	11.96	4
18 RAILBELT SCHOOL DISTRICT	94850.	120470.	-25621.	548712.	11.46	-0.34	11.12	
19 UNIVERSITY OF ALASKA - GEO.	1773002.	1597783.	175219.	2160706.	11.46	0.32	11.78	3
20 CITY AND BOROUGH OF SITKA	2196413.	588738.	1607676.	2138873.	11.46	4.51	15.97	5
21 CHUGACH REGIONAL SCHOOL DISTRICT	7413.	39493.	-32080.	31171.	11.46	-7.60	3.86	
22 GATEWAY BOROUGH	490860.	409705.	81154.	818994.	11.46	0.73	12.19	
23 SOLDOTNA, CITY OF	118744.	138236.	-19491.	388152.	11.46	-0.37	11.09	
24 IDITAROD AREA SCHOOL DISTRICT	69773.	123397.	-53624.	438449.	11.46	-0.90	10.56	
25 KUSPUK SCHOOL DISTRICT	95483.	154016.	-58533.	443430.	11.46	-0.97	10.49	

2.5 CONTRIBUTION RATES

34

	ACCRUED LIABILITY	ADJUSTED ASSETS	UNFUNDED LIABILITY	ANNUAL EARNINGS	CONSOL. RATE	PAST SRV RATE	TOTAL RATE	RATE GROUP
26 CITY AND BOROUGH OF JUNEAU	6644933.	7292067.	-647134.	8069958.	11.46	-0.59	10.87	
28 KODIAK, CITY OF	1843632.	1106262.	737370.	1943304.	11.46	2.80	14.26	
29 FAIRBANKS, CITY OF	8517537.	3296581.	5220956.	7468008.	11.46	5.43	16.89	6
30 FAIRBANKS PUBLIC UTILITIES	2882333.	458870.	2423464.	2922412.	11.46	5.43	16.89	6
32 SKAGWAY, CITY OF	133296.	123127.	10169.	197972.	11.46	0.38	11.84	
33 SITKA, BOROUGH SCHOOLS	902651.	479605.	423046.	1181904.	11.46	4.51	15.97	5
35 WRANGELL, CITY OF	634219.	387892.	246327.	806237.	11.46	2.25	13.71	
36 BETHEL, CITY OF	65544.	57406.	8138.	91148.	11.46	0.66	12.12	
37 VALDEZ CITY SCHOOLS	288144.	309134.	-20990.	998264.	11.46	-0.16	11.30	
38 HOONAH CITY SCHOOLS	397931.	183089.	214842.	587198.	11.46	2.70	14.16	
39 NOME, CITY OF	324600.	171885.	152716.	474820.	11.46	2.37	13.83	
40 KOTZEBUE, CITY OF	88922.	161878.	-72956.	262901.	11.46	-2.05	9.41	
41 GALENA CITY SCHOOLS	40821.	52269.	-11448.	146663.	11.46	-0.58	10.88	
42 KING COVE CITY SCHOOL DISTRICT	35355.	12925.	22430.	146603.	11.46	1.13	12.59	
43 PETERSBURG, CITY OF	1130610.	328728.	801882.	1603985.	11.46	3.69	15.15	
44 BRISTOL BAY BOROUGH	167391.	150460.	16931.	288644.	11.46	0.43	11.89	
45 NORTH SLOPE BOROUGH	1317540.	2194906.	-877365.	7178111.	11.46	-0.90	10.56	
46 WRANGELL SCHOOLS	79880.	-76121.	156001.	143499.	11.46	8.02	19.48	
47 ALASKA UNORGANIZED BOROUGH SCHOOL DIST.	410006.	729178.	-319172.	420000.	11.46	-5.61	5.85	
48 CORDOVA, CITY OF	597965.	263206.	334759.	641132.	11.46	3.85	15.31	
49 NOME CITY SCHOOLS	406791.	57803.	348988.	930518.	11.46	2.77	14.23	
51 KING COVE, CITY OF	18638.	43449.	-24812.	87534.	11.46	-2.09	9.37	
52 ALASKA HOUSING FINANCE CORPORATION	143512.	61678.	81834.	334220.	11.46	1.81	13.27	
53 LOWER YUKON SCHOOL DISTRICT	384443.	329094.	55349.	2127447.	11.46	0.19	11.65	
54 NORTHWEST ARCTIC SCHOOL DISTRICT	814239.	868430.	-54191.	3462180.	11.46	-0.12	11.34	

- 35 -

	ACCRUED LIABILITY	ADJUSTED ASSETS	UNFUNDED LIABILITY	ANNUAL EARNINGS	CONSOL. RATE	PAST SRV RATE	TOTAL RATE	RATE GROUP
55 SOUTHEAST ISLANDS SCHOOL DISTRICT	32551.	57549.	-24998.	172406.	11.46	-1.07	10.39	
56 PRIBILOF REGION SCHOOL DISTRICT	41905.	56756.	-14860.	258219.	11.46	-0.42	11.04	
57 LOWER KUSKOKWIM SCHOOL DISTRICT	505098.	706266.	-201168.	2253833.	11.46	-0.66	10.80	
58 KODIAK ISLAND BOROUGH SCHOOL DISTRICT	752559.	102917.	649641.	2063783.	11.46	2.32	13.78	
59 YUKON FLATS SCHOOL DISTRICT	165032.	222146.	-57114.	1077159.	11.46	-0.39	11.07	
60 YUKON-KOYUKOK SCHOOL DISTRICT	185155.	228444.	-43289.	1145299.	11.46	-0.28	11.18	
61 NORTH SLOPE BOROUGH SCHOOL DISTRICT	650218.	1066297.	-416078.	2431035.	11.46	-1.26	10.20	
62 ALEUTIAN REGION SCHOOL DISTRICT	56684.	82147.	-25464.	209338.	11.46	-0.90	10.56	
63 CORDOVA COMMUNITY HOSPITAL	152684.	212815.	-60132.	426868.	11.46	-1.04	10.42	
64 LAKE AND PENINSULA SCHOOL DISTRICT	110591.	128453.	-17862.	594911.	11.46	-0.22	11.24	
65 SITKA COMMUNITY HOSPITAL	145948.	195064.	-49116.	739211.	11.46	-0.49	10.97	
66 SOUTH CENTRAL REGIONAL RESOURCE CENTER	49648.	54536.	-4888.	532706.	11.46	-0.07	11.39	
67 SOUTH EAST REGIONAL RESOURCE CENTER	4054.	16250.	-12196.	30452.	11.46	-2.96	8.50	
68 BRISTOL BAY REGIONAL RESOURCE CENTER	10224.	18358.	-8134.	113390.	11.46	-0.53	10.93	
69 NORTHWEST REGIONAL RESOURCE CENTER	2518.	9188.	-6671.	27233.	11.46	-1.81	9.65	
70 NORTH PACIFIC FISHERY MANAGEMENT COUNCIL	67254.	64793.	2461.	253717.	11.46	0.07	11.53	
71 WESTERN REGIONAL RESOURCE CENTER	2721.	9657.	-6936.	100570.	11.46	-0.51	10.95	
72 ST. PAUL, CITY OF	28038.	34237.	-6199.	101012.	11.46	-0.45	11.01	
73 ANCHORAGE, MUNICIPALITY OF	35837977.	16477000.	19360977.	44422310.	11.46	3.22	14.68	
74 KODIAK ISLAND BOROUGH	139095.	92231.	46863.	320225.	11.46	1.08	12.54	
75 HOME JOINT UTILITIES	59219.	158476.	-99257.	250697.	11.46	-2.92	8.54	
76 SAND POINT, CITY OF	41262.	37205.	4058.	149866.	11.46	0.20	11.66	
77 KETCHIKAN GATEWAY BORO SCHOOL DISTRICT	56268.	31861.	24407.	245355.	11.46	0.73	12.19	
78 DILLINGHAM, CITY OF	43863.	56056.	-12193.	248490.	11.46	-0.36	11.10	
79 UNALASKA, CITY OF	78589.	99241.	-20651.	580298.	11.46	-0.26	11.20	

- 36 -

	ACCRUED LIABILITY	ADJUSTED ASSETS	UNFUNDED LIABILITY	ANNUAL EARNINGS	CONSOBOL. RATE	PAST SRV RATE	TOTAL RATE	RATE GROUP
80 KENAI PENINSULA BOROUGH	1833990.	747868.	1086122.	2537173.	11.46	3.16	14.62	
81 KETCHIKAN, CITY OF	2676582.	380666.	2295917.	2137896.	11.46	7.93	19.39	
82 SEWARD, CITY OF	492079.	151665.	340414.	889473.	11.46	2.82	14.28	
83 FORT YUKON, CITY OF	12592.	5422.	7169.	102308.	11.46	0.52	11.98	
84 BRISTOL BAY BOROUGH SCHOOL DISTRICT	93858.	13497.	80360.	168329.	11.46	3.52	14.98	
85 CORDOVA PUBLIC SCHOOLS	88227.	13980.	74248.	77328.	11.46	7.09	18.55	
86 CRAIG, CITY OF	13087.	4181.	8907.	30624.	11.46	2.15	13.61	
88 SAND POINT CITY SCHOOL DISTRICT	1247.	0.	1247.	21949.	11.46	0.42	11.88	
90 KENAI PENINSULA SCHOOL DISTRICT	0.	0.	0.	0.	11.46	3.13	14.59	
** STATE & POLITICAL SUBDIVISION TOTALS	338364328.	201973717.	136390611.	433900420.	11.46	2.32	13.78	

SUBJECT- ELIMINATION OF PERS AND TRS LIABILITIES

FACT:

1. The Public Employees' Retirement System (PERS) is a joint contributory system with defined contributions and benefits. PERS covers all full-time State employees as well as political subdivisions which have elected coverage for their employees. Retirement benefits are based on an employee's high three-year average salary, years of service and age at retirement.
2. Employees contribute 4.25% of their gross pay (5% for peace officers and firemen) and employer contributions are based on periodic actuarial valuations that take into account estimated benefit payments including amortization of past service costs over a 30 year period (over a 40-year period prior to July 1, 1978). During fiscal 1979 the Public Employees' Retirement System Board directed that a further decrease be made in the accrued benefit amortization period from 30 years to 25 years.
3. The current State contribution rate to PERS is 12.58%. During fiscal 1980 the cost to the State for contributions to PERS was \$32.5 million.
4. The excess of the computed value of vested benefits over the total of PERS assets was estimated by the consulting actuary to be \$128.4 million as of January 1, 1979. This estimate was based on amortizing the unfunded liability over a 30-year period and funding post-retirement medical insurance on a pay-as-you-go basis.
5. The excess of the computed value of vested benefits over the total of PERS assets was estimated by the consulting actuary to be \$136.4 million as of January 1, 1980. This estimate was based on amortizing the unfunded liability over a 25-year period and prefunding medical insurance with the same method as other retirement benefits.
6. The Teachers' Retirement System (TRS) is a joint contributory system with defined contributions and benefits. TRS covers all teachers in the public school system. Retirement benefits are based on a teacher's high three-year average salary, years of service and age at retirement.
7. Teachers contribute 7% of their gross pay. The employer and the State each contribute 7.06% of a teacher's salary. During fiscal 1980 the State contributed \$15.2 million to TRS.
8. The excess of computed value of vested benefits over the total of TRS assets was estimated by the consulting actuary to be \$104.1 million as of June 30, 1979. This estimate was based on amortizing the unfunded liability over a 30-year period and funding post retirement medical insurance on a pay-as-you-go basis, merely providing enough assets to pay for the premiums due in the coming year.

9. The excess of the computed value of vested benefits over the total of TRS assets was estimated by the consulting actuary to be \$154.2 million as of June 30, 1980. The estimate was based on amortizing the unfunded liability over a 30-year period and prefunding medical insurance using the same method as other retirement benefits.

10. Both PERS and TRS invest a substantial amount of their assets in Alaska at current market yields. The funds do not invest at "social" or "subsidy" yields.

11. The Alaska Housing Finance Corporation (AHFC), due to recent Federal legislation, will no longer be able to import tax-exempt funds from the national bond market. It must secure at least \$500 to \$700 million through the issue of taxable debt during FY 82. The market and market rate for this debt is not known at this time.

PROBLEMS

1. The above facts (7-9) are set forth in notes to State financial statements to disclose the existence of a large \$290.7 million contingent liability. They also indicate that the deficits are growing larger (PERS up from \$123.4 million to \$136.4 million and TRS up from \$104.1 million to \$154.2 million). The amount of the liability and the adverse direction of trend do not reflect credibly on State finances and thus must be disclosed as part of the financials.

2. The State contribution (as employer) to PERS and TRS amounted to \$47.7 million in FY 80. The contribution in FY 82 will exceed that amount and appears as an operating budget item. Employer contributions to keep the fund actuarially sound are enormous and swell the operating budget in what appears to be (but is not) a non-discretionary, "not-controllable" item.

3. PERS and TRS are major in-State investors. These funds do not have enough assets to continue to meet the needs of the business and housing debt community.

ASSUMPTION

The legislature wishes to improve the internal State financial condition, reduce the operating budget and provide funds for in-State investment through a single, multi-benefit legislative action.

DISCUSSION

1. A one-time supplemental appropriation in the amount of \$300 million will eliminate the liability of both funds; thus presenting a "cleaner" financial statement demonstrating to the financial world that we have the interest and ability to attend to important internal-financial matters.

2. The above action will trigger an actuarial study which will result in a recomputation of employer (State) contributions. Thus, in turn, will trigger a substantial reduction in the operating budget.

3. If the one-time supplemental appropriation is made with the caveat that these funds dedicated to the respective retirement systems must be invested in securities issued by AHFC, an immediate market is guaranteed for roughly half of the bonds AHFC will issue in FY 82.

4. The purchase of AHFC negotiable securities at taxable market rates insures that: 1) investment is in securities which can be reoffered (sold) by the retirement funds if desired; 2) if interest rates fall, reoffering of the securities can occur at a premium sale creating substantial profit to the funds; 3) if held to maturity, the securities--because they represent a large corpus of the fund--skew the investment yield to the highest in the history of the retirement funds and probably will make them the highest yielding funds of any state in the nation; 4) the abnormally high yield-- if permitted to be considered by the actuary--will keep employer contributions and thus operating budget costs in this area very low for many years in the future.

ALTERNATE SOLUTIONS TO THE PROBLEMS

Fund less than \$300 million making same inroads on the problem but not achieving all that is possible.

RECOMMENDATION

1. Appropriate \$300 million in the form of a supplemental with the requirement that the money be used to purchase AHFC securities when issued.
2. Compute affect on FY 82 operating budget and reduce same.

Four Wms

- both have over 30% in All world

↳ 85% in hsq (Aach)

~~with~~
- need more diversification

~~1994~~
vs bond defasance

PLEASE NOTE: THE FOLLOWING PAGES WERE TREATED
AS A UNIT IN THE ORIGINAL DOCUMENT

STATE OF ALASKA

DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

JAY S. HAMMOND, GOVERNOR

POUCH 5
JUNEAU, ALASKA 99811

April 7, 1981

The Honorable Vic Fischer
Chairman
Senate State Affairs Committee
Room 205 - Behrends Building
Juneau, Alaska

Dear Senator Fischer:

Re: Senate Bill No. 360 and Senate Bill No. 361

Senate Bill No. 360, an Act relating to the investment of the public employees' and teachers' retirement funds, was introduced in the Senate on March 31, 1981 and was referred to the Senate State Affairs and Finance Committees.

Senate Bill No. 361, an Act making a special appropriation to the Department of Administration for payment of liabilities of the public employees' and teachers' retirement funds, was introduced in the Senate on March 31, 1981 and was referred to the Senate Community and Regional Affairs; State Affairs and Finance Committees.

For the consideration of the Senate State Affairs Committee, I am enclosing a copy of a Fiscal Note prepared by Mr. Anselm Staack, Treasury Comptroller, Department of Revenue concerning both bills.

Sincerely,



R. D. Stevenson
Special Assistant

RDS/rdh

cc: The Honorable Don Bennett
The Honorable M. E. Dankworth
Co-Chairmen
Senate Finance Committee

Joseph K. Donohue
Deputy Commissioner
Department of Revenue

The Honorable Donald E. Gilman
Chairman
Senate Community and Regional
Affairs Committee

Anselm Staack
Treasury Comptroller
Department of Revenue