

ALASKA LEGISLATURE COMMITTEE FILES 1987-1988 8672

4969 HRES HB 289 - HB 314

54

MEMORANDUM

Ned Faragher
State of Alaska

DEPARTMENT OF NATURAL RESOURCES

TO: Deputy Commissioners
Division Directors
Special Assistants

DATE: January 12, 1987

FILE NO:

TELEPHONE NO: 465-2400

FROM: Judith M. Brady *JMB*
Commissioner

SUBJECT: Department Order 124:
Land Use Planning
and Classification

ISSUE

Is it necessary for the department to complete a comprehensive regional plan before the classification or sale of certain state lands or resources?

BACKGROUND

The Chase III homestead project was offered to the public in September 1984. Alaska Survival, claiming the department violated a number of statutory requirements, sued to block the land disposal. Although the state prevailed in Superior Court, the Supreme Court remanded the land offering back to the department. A petition for rehearing to clarify the Court's ruling was denied.

DISCUSSION

The Supreme Court clearly interprets AS 38.04.065 as requiring that comprehensive land use planning precede classification. However, as described in the state's petition for rehearing, several other points in the Court's opinion are vague or contradicted by the facts in the Chase III land offering.

Although lacking clarification from the Court, the department recognizes its responsibility to make land and resources available for maximum use consistent with the public interest. The economic vitality of the state and reliance of third parties on the actions of the department require that the department take a pragmatic approach to interpreting the Chase III decision. The department will request amendment of AS 38.04.065 to clarify legislative intent.

POLICY

After August 19, 1986 and pending legislative amendment of AS 38.04.065, site-specific land planning reports, as described in 11 AAC 55.030(e), will not be used as the basis for classification. The Court ruled that the land

planning report requirement does not "properly implement" and is inconsistent with AS 38.04.065. Classification must be based on a land use plan of a geographic unit large enough to support the comprehensive process mandated by the Supreme Court.

Classifications may be based on a comprehensive plan adopted by a local government having planning and zoning powers if the commissioner finds that such a plan adequately recognizes and protects state interests.

The Chase III decision does not invalidate classifications already in effect on August 19, 1986.

Nothing in the Chase III decision affects 11 AAC 55.040(i). Thus, the following actions continue to be exempted from the requirement of prior classification: mineral location, leasable mineral leasing, preference right conveyances under AS 38.05.035(b), land exchanges under AS 38.50, negotiated sales of up to 10 MBF of timber and any amount of materials, right-of-way leasing if no appraisal is necessary, conveyances to municipalities and other state agencies, and land disposals in conformance with a local comprehensive plan and local zoning ordinance.

Disposals of land or interests in land, as actions independent of classification, are not affected by the Chase III decision. That decision applies only to the land use planning and classification process.

Reclassification of land included in an approved area or management plan may proceed under the amendment process described in the relevant plan.

Trustees for ALASKA

October 2, 1986

50

James Eason, Director
Division of Oil and Gas
Department of Natural Resources
P.O. Box 7034
Anchorage, Alaska 99510-7034

RECEIVED

OCT 08 1986

re: Proposed Five-Year Oil and Gas Leasing Program

DIVISION OF OIL & GAS
ANCHORAGE, ALASKA

Dear Mr. Eason:

Trustees for Alaska appreciates this opportunity to comment on the State's proposed 5-year oil and gas leasing program. Most of our comments relate to the general approach to the State's oil and gas leasing program, rather than comments on specific sales. We will submit more detailed specific comments on individual sales as appropriate.

We strongly support the State's suggestion to use increasingly limited resources to focus on fewer lease sales (Schedule B). Any attempt to continue the existing ambitious program in the face of personnel cutbacks would be counterproductive, and would result in less careful attention to each sale. As a result, we believe that environmental protection would receive relatively less focus, i.e. DOG would have less ability to limit or to prohibit leasing in particularly sensitive areas, and to develop conditions and stipulations necessary to protect important environmental resources.

The proposed cutback in the 5-year lease schedule also makes sense from an economic perspective. While the call for comments correctly notes that cutting back the 5-year program will result in less areas being explored and developed quickly, it is not DOG's role to maximize short-term development potential. Rather, as the manager of the State's oil and gas resources, DOG must consider ways to maximize the State's long-term return from its resources in a balanced fashion, while ensuring that development is conducted consistent with the protection of other resources, such as renewable fish and wildlife resources. Given the current oil market, it would appear to make sense to limit production at this time, in order to maximize long-term returns. By slowing down development, more attention can be paid to protecting environmental resources for leases that are issued, and additional areas can be added as oil prices increase. Moreover, future development in sensitive areas can proceed with the benefit of technological advances that may minimize overall environmental impacts. Therefore, we believe that the proposed reduction in the 5-year program is in the long-range interests of the State of Alaska.

Despite our agreement with the overall approach, we do object to the creation in the 5-year plan of a firm expectation that a prescribed minimum number of lease sales will be held each year. The call for comments does note that no final decisions have been made with respect to any given sale. Nevertheless, the general statements establishing minimum numbers of sales result in considerable institutional pressure to proceed with the identified sales, for fear of not meeting the identified "quota". State law requires the Department to make an independent, objective determination, based on all available information and public input at the time of the sale, of whether each individual sale is in the best interests of the State. Therefore, the 5-year plan should state simply that the Department plans to "consider" the listed lease sales within the deadlines set out in the schedule.

We also are interested in the Department's views on the effect of the State Supreme Court's recent ruling in Alaska Survival v. DNR on the oil and gas leasing system. The Court ruled that no classification or disposition of state land may occur prior to the development of comprehensive, regional land use plans. Presumably, this ruling extends to state land classifications and dispositions that involve less than fee simple land conveyance, particularly since the Chase land disposal involved only surface rights for agricultural use. Many of the Department's proposed lease sales, however, are in areas with no regional land use plans. While we have made no decision regarding how we believe the Court's decision applies to oil and gas lease sales, we believe that the issue deserves serious consideration. We would appreciate your views on this issue. It would also be useful if you could provide an explanation of how and when state land is "classified" for purposes of oil and gas lease sales, and how best interests findings for lease sales relate to the land use planning process.

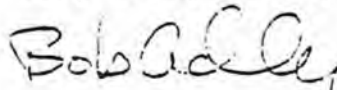
Finally, we have only a few comments at this time regarding specific sales identified in the call for comments. We previously submitted comments on the Prudhoe Bay Uplands Sale, which has now been split into two separate lease sales. We simply wish to reiterate our concern that these sales consider carefully the effect of these sales on the adjacent Arctic National Wildlife Refuge, which is currently being considered for either inclusion in the National Wilderness Preservation System or for oil and gas development. Considerable wildlife migration occurs across the Canning River, and some Central Arctic Caribou Herd calving may occur in this area.

We are also concerned about the size of proposed lease sale 65, which stretches across the arctic coastline from the Canning delta to the region north of Teshekpuk Lake. While we have no general opposition to additional sales in the Prudhoe Bay region, assuming adequate environmental safeguards, we object to the proposed inclusion at this time of coastal areas adjacent to the ANWR and the Teshekpuk Lake Special Area. Our concerns about the arctic

coastline near the ANWR were specified in our comments on the proposed Camden Bay and Demarcation Point Sales. In addition, we question the wisdom of planning a sale along the coastline of the Teshekpuk Lake Special Area, before the Bureau of Land Management decides what the appropriate oil and gas development policy for this area should be. Oil development in the State's coastal region will entail the use of onshore facilities for support and transportation, including pipelines, in order for development to be economically feasible. In addition, the State is undoubtedly aware of the tremendous importance of the Teshekpuk Lake region for waterfowl and other important wildlife populations. Therefore, the State should withhold its plans for development of this area pending a decision by BLM.

Thank you again for this opportunity to comment on the State's proposed 5-year oil and gas leasing plan.

Very Truly yours,



Bob Adler
Executive Director

STATE OF ALASKA

AUDIT DIVISION
POUCH W
JUNEAU, ALASKA 99811-3300

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

M E M O R A N D U M

NOTED

DATE: March 4, 1987

TO: Chairmen of the Standing
Committees

FROM: Gerald L. Wilkerson *GLW*
Legislative Auditor
Division of Legislative Audit

SUBJECT: Release of Audits

On March 3, 1987 the Legislative Budget and Audit Committee approved for release to the public the enclosed audit report(s) which may be of interest to your Committee.

If you have any questions on this report(s), please contact our office (465-3830).

Enclosure(s)

A SPECIAL REPORT ON THE
DEPARTMENT OF NATURAL RESOURCES
LAND USE PLANS

October 27, 1986

Audit Control Number

10-4263-87-S

Commissioner, Department of
Natural Resources

Judith M. Brady

Deputy Commissioners, Department
of Natural Resources

Robert Arnold
James K. Barnett

STATE OF ALASKA

AUDIT DIVISION
POUCH W
JUNEAU, ALASKA 99811-3300

THE LEGISLATURE
BUDGET AND AUDIT COMMITTEE

October 27, 1986

Members of the Legislative Budget
and Audit Committee:

In accordance with a Legislative Budget and Audit Committee
special request and the provisions of Title 24 of the Alaska
Statutes, the attached report is submitted for your review.

A SPECIAL REPORT ON THE
DEPARTMENT OF NATURAL RESOURCES
LAND USE PLANS

October 27, 1986

Audit Control Number

10-4263-87-S



Gerald L. Wilkerson, CPA
Legislative Auditor
Division of Legislative Audit

TABLE OF CONTENTS

	<u>Page</u>
Purpose of the Report	1
Organization and Function	3
Auditor's Comments	5
Appendixes:	
A. Schedule of Land Use Plans	9
B. Schedule of Estimated Costs For Area Plans Underway	10
Agency Response:	
Department of Natural Resources	13

PURPOSE OF THE REPORT

In accordance with a Legislative Budget and Audit Committee request and the provisions of Title 24 of the Alaska Statutes, this special report was prepared to document our review of land use plans prepared by the Department of Natural Resources. Our review was conducted to determine the following:

1. The number of land use plans completed or underway.
2. The start and completion date for each plan.
3. The costs per plan.
4. The proposed plans including estimated start and completion dates, budgeted costs, and positions.

ORGANIZATION AND FUNCTION

Land use planning activities are carried out mainly by the Department of Natural Resources (DNR), Division of Land and Water Management (DLWM), under the authority of AS 38.04. The Division of Forestry and the Division of Parks and Outdoor Recreation also prepare land management plans as directed by specific authorizing legislation. Although the Department of Fish and Game does not prepare land use plans itself, its Habitat Division is always a participant in the planning process under the authority of AS 16.05.020 and AS 16.20.

There are three types of land use plans set out in 11 AAC 55.030:

Statewide

The Statewide plan involves preparation of a land use resource inventory, development of resource and land use policies, and determination of primary use designations. The plan sets forth overall Statewide management guidelines.

Area

Area plans involve development of land use management goals and objectives for specific regions within the State with reference to the overall Statewide plan. Area plans set forth unit management intent, designations, guidelines, priorities, and classifications.

Management

Management plans involve plan implementation. This includes preparation of detailed site-specific plans within areas and includes field inventories and reclassification recommendations, as well as determination of restrictions, prohibitions, and permitting requirements.

The planning process is comprised of the following six steps:

1. An interagency planning team is formed with representatives from each major interest group in addition to the lead agency staff. This may include other divisions within DNR, other State agencies, the Federal government, local government, and local organizations or other interested parties.
2. The team identifies land use issues and needs through a series of public workshops and meetings.

AUDITOR'S COMMENTS

The Department of Natural Resources has undertaken 28 land use plans since AS 38.04 was enacted in 1978. The Statewide plan was completed in 1983; however, because additional information is continually made available, the plan is being updated on an ongoing basis. In addition, 12 area plans and 15 management plans have been undertaken. All plans are listed in Appendix A along with their start and completion date (if underway, estimated completion date).

The following table shows a breakdown of the plans by type and status:

<u>Plans</u>	<u>Complete</u>	<u>Underway</u>	<u>Total</u>
Statewide	ongoing	1	1
Area	7	5	12
Management	<u>12</u>	<u>3</u>	<u>15</u>
<u>Total</u>	<u>19</u>	<u>9</u>	<u>28</u>

Cost information for individual plans is available only for area plans which are underway. Project accounting records for completed plans are not adequate to provide requested cost information by plan. Appendix B shows the cost breakdown by project for area plans underway.

Management plan costs were not accounted for on a project basis; however, the following estimates were made available by DNR/DLWM to provide some perspective:

<u>Estimated Costs</u>	<u>18 Months</u>	<u>24 Months</u>
Personal Services	\$125,000	\$165,000
Travel	2,000	2,000
Contractual	31,000	31,000
Other	<u>1,000</u>	<u>1,000</u>
<u>Total</u>	<u>\$159,000</u>	<u>\$199,000</u>

Costs incurred by the Department of Fish and Game were not accounted for by individual plan. However, the Department could provide estimates of their actual and estimated costs to complete their work on the area plan. These costs are included in Appendix B.

The Department of Natural Resources has not budgeted for any additional plans and does not intend to undertake any plans other than those currently underway unless the Legislature provides specific funding for the project.

CORRECTION

**THIS DOCUMENT
HAS BEEN REPHOTOGRAPHED
TO ASSURE LEGIBILITY**

ORGANIZATION AND FUNCTION

Land use planning activities are carried out mainly by the Department of Natural Resources (DNR), Division of Land and Water Management (DLWM), under the authority of AS 38.04. The Division of Forestry and the Division of Parks and Outdoor Recreation also prepare land management plans as directed by specific authorizing legislation. Although the Department of Fish and Game does not prepare land use plans itself, its Habitat Division is always a participant in the planning process under the authority of AS 16.05.020 and AS 16.20.

There are three types of land use plans set out in 11 AAC 55.030:

Statewide

The Statewide plan involves preparation of a land use resource inventory, development of resource and land use policies, and determination of primary use designations. The plan sets forth overall Statewide management guidelines.

Area

Area plans involve development of land use management goals and objectives for specific regions within the State with reference to the overall Statewide plan. Area plans set forth unit management intent, designations, guidelines, priorities, and classifications.

Management

Management plans involve plan implementation. This includes preparation of detailed site-specific plans within areas and includes field inventories and reclassification recommendations, as well as determination of restrictions, prohibitions, and permitting requirements.

The planning process is comprised of the following six steps:

1. An interagency planning team is formed with representatives from each major interest group in addition to the lead agency staff. This may include other divisions within DNR, other State agencies, the Federal government, local government, and local organizations or other interested parties.
2. The team identifies land use issues and needs through a series of public workshops and meetings.

3. An inventory of existing and potential uses and objectives is developed based on resource type.
4. Alternative land use plans are developed and presented to the agencies and the public for review and comment.
5. A draft plan is developed, reviewed at public hearings, revised as necessary, and notice of classification is given.
6. The final plan is adopted by the Commissioner.

AUDITOR'S COMMENTS

The Department of Natural Resources has undertaken 28 land use plans since AS 38.04 was enacted in 1978. The Statewide plan was completed in 1983; however, because additional information is continually made available, the plan is being updated on an ongoing basis. In addition, 12 area plans and 15 management plans have been undertaken. All plans are listed in Appendix A along with their start and completion date (if underway, estimated completion date).

The following table shows a breakdown of the plans by type and status:

<u>Plans</u>	<u>Complete</u>	<u>Underway</u>	<u>Total</u>
Statewide	ongoing	1	1
Area	7	5	2
Management	<u>12</u>	<u>3</u>	
<u>Total</u>	<u>19</u>	<u>9</u>	<u>28</u>

Cost information for individual plans is available only for area plans which are underway. Project accounting records for completed plans are not adequate to provide requested cost information by plan. Appendix B shows the cost breakdown by project for area plans underway.

Management plan costs were not accounted for on a project basis; however, the following estimates were made available by DNR/DLWM to provide some perspective:

<u>Estimated Costs</u>	<u>18 Months</u>	<u>24 Months</u>
Personal Services	\$125,000	\$165,000
Travel	2,000	2,000
Contractual	31,000	31,000
Other	<u>1,000</u>	<u>1,000</u>
<u>Total</u>	<u>\$159,000</u>	<u>\$199,000</u>

Costs incurred by the Department of Fish and Game were not accounted for by individual plan. However, the Department could provide estimates of their actual and estimated costs to complete their work on the area plan. These costs are included in Appendix B.

The Department of Natural Resources has not budgeted for any additional plans and does not intend to undertake any plans other than those currently underway unless the Legislature provides specific funding for the project.

(Intentionally left blank)

APPENDIXES

(Intentionally left blank)

APPENDIX A

DEPARTMENT OF NATURAL RESOURCES
SCHEDULE OF LAND USE PLANS
October 27, 1986

<u>Plans</u>	<u>Begin Date</u>	<u>Complete Date</u>
<u>Statewide Plan</u>	07/78	ongoing
<u>Area Plans</u>		
Haines-Skagway	07/78	06/79
Willow Sub-basin	09/77	09/82
Delta-Salcha	01/80	11/83
Susitna	01/82	04/85
Tanana	02/82	04/85
Bristol Bay	07/81	09/84
SW Prince of Wales	07/81	06/85
Northwest	04/85	02/88
Kuskokwim	05/85	02/88
Copper River Basin	08/84	12/86
Prince of Wales Is.	07/85	03/88
Prince William Sound	10/85	09/87
<u>Management Plans</u>		
<u>Division of Land and Water Management</u>		
Deep Creek	07/80	06/81
Delta II West	02/81	12/81
Delta II East	02/81	01/82
Nenana-Totchaket	03/82	08/82
Salcha River	01/83	06/83
Little Chena River	03/83	12/83
Delta Creek	07/83	08/83
Fish Creek	07/83	08/84
Fairbanks Boro Trails	09/84	suspended
Matsu Valley Moose	07/85	07/86
Hatcher Pass	07/85	10/86
Remote Cabin Permit	03/86	05/86
<u>Division of Parks and Outdoor Recreation</u>		
Kenai River	07/84	07/86
<u>Division of Forestry</u>		
Haines-Chilkat	07/82	06/86
Tanana Valley	01/84	05/87

APPENDIX B

DEPARTMENT OF NATURAL RESOURCES AND
DEPARTMENT OF FISH AND GAME
SCHEDULE OF ESTIMATED COSTS
FOR AREA PLANS UNDERWAY
For Fiscal Years 1985 through 1988
(Note 1)

	<u>Copper River Basin</u>	<u>Kuskokwim</u>	<u>Northwest</u>	<u>Prince of Wales Island</u>	<u>Prince William Sound</u>	<u>Total</u>
<u>FY 85 & FY 86 Actual</u>						
<u>Department of Natural Resources (DNR)</u>						
Personal Services	\$229,300	\$106,000	\$139,300	\$119,900	\$ 95,900	\$ 690,400
Travel	7,700	17,000	24,000	9,000	5,300	63,500
Contractual	13,800	6,300	11,100	11,400	15,700	58,300
Other	5,400	6,700	5,200	1,000	5,300	23,600
<u>Total DNR</u>	<u>256,200</u>	<u>136,500</u>	<u>179,600</u>	<u>141,300</u>	<u>122,700</u>	<u>836,300</u>
(Man-Months)	(60)	(29)	(38)	(30)	(25)	(182)
<u>Department of Fish and Game (DFG)</u>						
Personal Services	78,600	8,300	13,500	12,500	-0-	112,900
Travel	5,000	400	800	-0-	-0-	6,200
<u>Total DFG</u>	<u>83,600</u>	<u>8,700</u>	<u>14,300</u>	<u>12,500</u>	<u>-0-</u>	<u>119,100</u>
(Man-Months)	(18)	(2)	(4)	(4)	(0)	(28)
<u>Total FY 85 & FY 86 Actual</u>						
Personal Services	307,900	114,300	152,800	132,400	95,900	803,300
Travel	12,700	17,400	24,800	9,000	5,800	69,700
Contractual	13,800	6,800	11,100	11,400	15,700	58,300
Other	5,400	6,700	5,200	1,000	5,300	23,600
<u>Total Actual</u>	<u>339,800</u>	<u>145,200</u>	<u>193,900</u>	<u>153,300</u>	<u>122,700</u>	<u>955,400</u>
	(78)	(31)	(42)	(34)	(25)	(210)

APPENDIX B

DEPARTMENT OF NATURAL RESOURCES AND
DEPARTMENT OF FISH AND GAME
SCHEDULE OF ESTIMATED COSTS
FOR AREA PLANS UNDERWAY
For Fiscal Years 1985 through 1988
(Note 1)

	<u>Copper River Basin</u>	<u>Kuskokwim</u>	<u>Northwest</u>	<u>Prince of Wales Island</u>	<u>Prince William Sound</u>	<u>Total</u>
<u>FY 87 & FY 88 Estimate</u>						
<u>Department of Natural Resources (DNR)</u>						
Personal Services	\$ 47,100	\$175,200	\$219,900	\$211,800	\$162,800	\$ 816,800
Travel	2,500	14,500	66,500	21,700	6,000	111,200
Contractual	20,000	27,500	40,100	33,000	26,500	147,100
Other	1,000	2,500	9,300	3,000	2,000	17,800
<u>Total DNR (Man-Months)</u>	<u>70,600 (12)</u>	<u>219,700 (49)</u>	<u>335,800 (59)</u>	<u>269,500 (53)</u>	<u>197,300 (42)</u>	<u>1,092,900 (215)</u>
<u>Department of Fish and Game (DFG)</u>						
Personal Services	11,200	14,100	21,000	10,900	40,300	97,500
Travel	300	1,000	-0-	-0-	2,000	3,300
<u>Total DFG (Man-Months)</u>	<u>11,500 (2)</u>	<u>15,100 (4)</u>	<u>21,000 (7)</u>	<u>10,900 (3)</u>	<u>42,300 (9)</u>	<u>100,800 (25)</u>
<u>Total FY 87 & FY 88 Estimate</u>						
Personal Services	58,300	189,300	240,900	222,700	203,100	914,300
Travel	2,800	15,500	66,500	21,700	6,000	112,500
Contractual	20,000	27,500	40,100	33,000	26,500	147,100
Other	1,000	2,500	9,300	3,000	2,000	17,800
<u>Total Estimate</u>	<u>82,100 (14)</u>	<u>234,800 (53)</u>	<u>356,800 (66)</u>	<u>280,400 (57)</u>	<u>239,600 (51)</u>	<u>1,193,700 (240)</u>
<u>Total Actual and Estimated Costs (Man-Months)</u>	<u>\$421,900 (92)</u>	<u>\$380,000 (84)</u>	<u>\$550,700 (108)</u>	<u>\$434,200 (91)</u>	<u>\$362,300 (76)</u>	<u>\$2,149,100 (450)</u>

Note 1: The estimated and actual costs included in this schedule were obtained for personnel within the Division of Land and Water Management, and reflect the direct costs of the Resource Allocation Section. We did not audit the amounts provided, and accordingly, we do not express an opinion on this schedule.

(Intentionally left blank)

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

STEVE COWPER, GOVERNOR

400 WILLOUGHBY AVE.
JUNEAU, ALASKA 99801-1796
PHONE: (907) 465-2400

February 19, 1987

Mr. Gerald L. Wilkerson, CPA
Legislative Auditor
Division of Legislative Audit
P.O. Box W
Juneau, Alaska 99811

FEB 23 1987

Dear Mr. Wilkerson:

Re: Preliminary audit reports on:

"A Special Report on the Department of Natural Resources, Land Use Plans, October 27, 1986"

"A Letter Report on the Alaska Historical Commission, December 16, 1986."

This letter provides the Department's response to the referenced preliminary reports and is intended to identify the Department's agreement or disagreement with the financial representations and the audit conclusions in these reports.

- (A) A Special Report on the Department of Natural Resources, Land Use Plans, October 27, 1986.

The Department generally concurs with the financial information and auditor's conclusions represented in the report, and the schedules displayed in the appendices accurately reflect information provided by my staff. However, the following clarifications are appropriate:

- 1) The actual costs for area plans underway will probably be lower than indicated in the "Schedule of Estimated Costs for Area Plans Underway" (pp. 11). The cost savings result from the use of a two-person rather than a three-person development team in the Northwest Area Plan. Furthermore, cost savings will result from lower printing costs.

- 2) The Auditor's comment (pp.5) states in part, "The Department of Natural Resources has not budgeted for any additional plans and does not intend to undertake any plans other than those currently underway unless the Legislature provides specific funding for the project."

It should be noted that the Governor's FY 88 budget proposal would allow the Department to begin 3 or 4 new area and/or management plans in the last half of FY 88.

- (B) A Letter Report on the Alaska Historical Commission, December 16, 1986.

We agree with the report's conclusion that the remaining functions of the Alaska Historical Commission could be absorbed by the Department of Natural Resources. To decrease administrative costs, the Department's FY 88 budget request does not include funding for the position of Executive Director of the Alaska Historical Commission.

Proposed statutory amendments to the Alaska Historic Preservation Act (AS 41.35) have been drafted. If accepted by the Legislature, the amendments will assure that the Department has the necessary statutory authority to continue the basic historic preservation goals of the Alaska Historical Commission. These amendments also merge the Alaska Historical Commission and the State Historic Sites Advisory Committee.

- (C) Conclusion

The Department appreciates the thoroughness and professionalism that has been consistently demonstrated by your staff in the performance of the audit examinations. The conclusions reached and the financial information represented provides a good assessment of the programs under review.

Sincerely,

Judith M. Brady

J
Judith M. Brady
Commissioner

cc: Deputy Commissioners
Director of the Division of Land and Water
Director of the Division of Parks and Outdoor Recreation

JMB/TS/rlc
IBMIRD:audit response

STATE OF ALASKA

AUDIT DIVISION
POUCH W
JUNEAU, ALASKA 99811-3300

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

December 16, 1986

Members of the Legislative Budget
and Audit Committee:

RE: Alaska Historical Commission (AHC)

This letter constitutes our report on the status and operation of the Alaska Historical Commission.

AHC was created in 1972 within the Office of the Governor. In 1980, the Commission was transferred to the Department of Education by Executive Order No. 43. The Commission consists of the Lieutenant Governor who serves as chairman, four members appointed by the Governor, and the Executive Director who serves as a non-voting member of the Commission.

The duties of AHC are to:

1. Survey, evaluate, and catalog Alaska prehistory and history materials now in print.
2. Ascertain and register what Alaska prehistory and history work is now in progress.
3. Identify the existing gaps in the coverage of Alaska's past in presently available published works and establish priorities for bridging them.
4. Prepare a thematic study of Alaska's history for historic preservation.
5. Identify the sources of Alaska's history.
6. Coordinate the production and publication of works that will adequately present all aspects of Alaska's past.
7. Cooperate with Federal government programs relating to history and archaeology.

Prior to FY 87, AHC operated on a budget averaging approximately \$550,000 which included grant funds of approximately \$300,000. Faced with declining State revenues the Legislature appropriated \$100,000 to operate AHC during FY 87. This amount was further reduced to \$85,000 as a result of Governor Sheffield's FY 87 budget reduction measures.

In June of 1986, the Lieutenant Governor and the Commissioners of Education and Natural Resources recommended that the Governor issue an executive order transferring AHC to the Department of Natural Resources (DNR). Once transferred to DNR's Division of Parks and Outdoor Recreation, AHC would be consolidated with the Alaska Archaeological Survey and the Office of History and Archaeology.

On July 2, 1986 a Reimbursable Services Agreement was executed effecting the transfer. The consolidation should ". . . produce a single more effective and economically sound effort to promote the preservation and understanding of Alaska's history and prehistory." A draft executive order has been prepared and will be submitted to both houses of the Legislature. Unless disapproved by the Legislature, the order becomes effective after 60 days.

Since the consolidation in July the major efforts of AHC have been in two directions, the integration of the three agencies being consolidated, and the finalizing of the twelve active grant projects in existence at that time. No new objectives have been set for AHC as they have met only once since the consolidation and have delayed new program development until they are aware of what budget restrictions they will be operating under with the new administration.

Conclusion

While the integration of the three agencies is not yet complete; in our opinion, it appears that the remaining functions of AHC could be absorbed by DNR. Therefore, we recommend that the Legislature consider the repeal of the AHC statutes and the elimination of the executive director position. The newly consolidated history and archaeology section should ensure that it has the necessary statutory authority to continue the basic historic preservation goals of AHC.

As an alternative to the elimination of AHC, the Legislature may want to consider merging the Commission with the Historic Sites Advisory Committee which also works with the history and archaeology section under the Alaska Historic Preservation Act (AS 41.35). The newly constituted panel should further enhance the Department's efforts to integrate its history and archaeology functions, while also reducing the administrative costs associated with two separate public panels advising the same agency.



Gerald L. Wilkerson, CPA
Legislative Auditor
Division of Legislative Audit

STATE OF ALASKA

STEVE COWPER, GOVERNOR

DEPARTMENT OF EDUCATION

OFFICE OF THE COMMISSIONER

GOLDBELT PLACE
801 WEST 10th STREET
POUCH F
JUNEAU, ALASKA 99811

January 28, 1987

FEB - 2 1987

Gerald L. Wilkerson
Legislative Auditor
Division of Legislative Audit
Budget and Audit Committee
PO Box W
Juneau, Alaska 99811

Dear Mr. Wilkerson:

We have reviewed your preliminary report on the status and operation of the Alaska Historical Commission. Because the Commission is appointed by the Governor and independent of the Department of Education, we have no comment on your report.

Sincerely,


Marshall L. Lind
Commissioner

cc: William Hanable, Executive Director
Alaska Historical Commission

Judy Brady, Commissioner
Department of Natural Resources

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

STEVE COWPER, GOVERNOR

400 WILLOUGHBY AVE.
JUNEAU, ALASKA 99801-1798
PHONE: (907) 465-2400

February 19, 1987

Mr. Gerald L. Wilkerson, CPA
Legislative Auditor
Division of Legislative Audit
P.O. Box W
Juneau, Alaska 99811

Dear Mr. Wilkerson:

Re: Preliminary audit reports on:

"A Special Report on the Department of Natural Resources, Land Use Plans, October 27, 1986"

"A Letter Report on the Alaska Historical Commission, December 16, 1986."

This letter provides the Department's response to the referenced preliminary reports and is intended to identify the Department's agreement or disagreement with the financial representations and the audit conclusions in these reports.

(A) A Special Report on the Department of Natural Resources, Land Use Plans, October 27, 1986.

The Department generally concurs with the financial information and auditor's conclusions represented in the report, and the schedules displayed in the appendices accurately reflect information provided by my staff. However, the following clarifications are appropriate:

- 1) The actual costs for area plans underway will probably be lower than indicated in the "Schedule of Estimated Costs for Area Plans Underway" (pp. 11). The cost savings result from the use of a two-person rather than a three-person development team in the Northwest Area Plan. Furthermore, cost savings will result from lower printing costs.

FEB 23 1987

- 2) The Auditor's comment (pp.5) states in part, "The Department of Natural Resources has not budgeted for any additional plans and does not intend to undertake any plans other than those currently underway unless the Legislature provides specific funding for the project."

It should be noted that the Governor's FY 88 budget proposal would allow the Department to begin 3 or 4 new area and/or management plans in the last half of FY 88.

- (B) A Letter Report on the Alaska Historical Commission, December 16, 1986.

We agree with the report's conclusion that the remaining functions of the Alaska Historical Commission could be absorbed by the Department of Natural Resources. To decrease administrative costs, the Department's FY 88 budget request does not include funding for the position of Executive Director of the Alaska Historical Commission.

Proposed statutory amendments to the Alaska Historic Preservation Act (AS 41.35) have been drafted. If accepted by the Legislature, the amendments will assure that the Department has the necessary statutory authority to continue the basic historic preservation goals of the Alaska Historical Commission. These amendments also merge the Alaska Historical Commission and the State Historic Sites Advisory Committee.

- (C) Conclusion

The Department appreciates the thoroughness and professionalism that has been consistently demonstrated by your staff in the performance of the audit examinations. The conclusions reached and the financial information represented provides a good assessment of the programs under review.

Sincerely,

Bob Adams

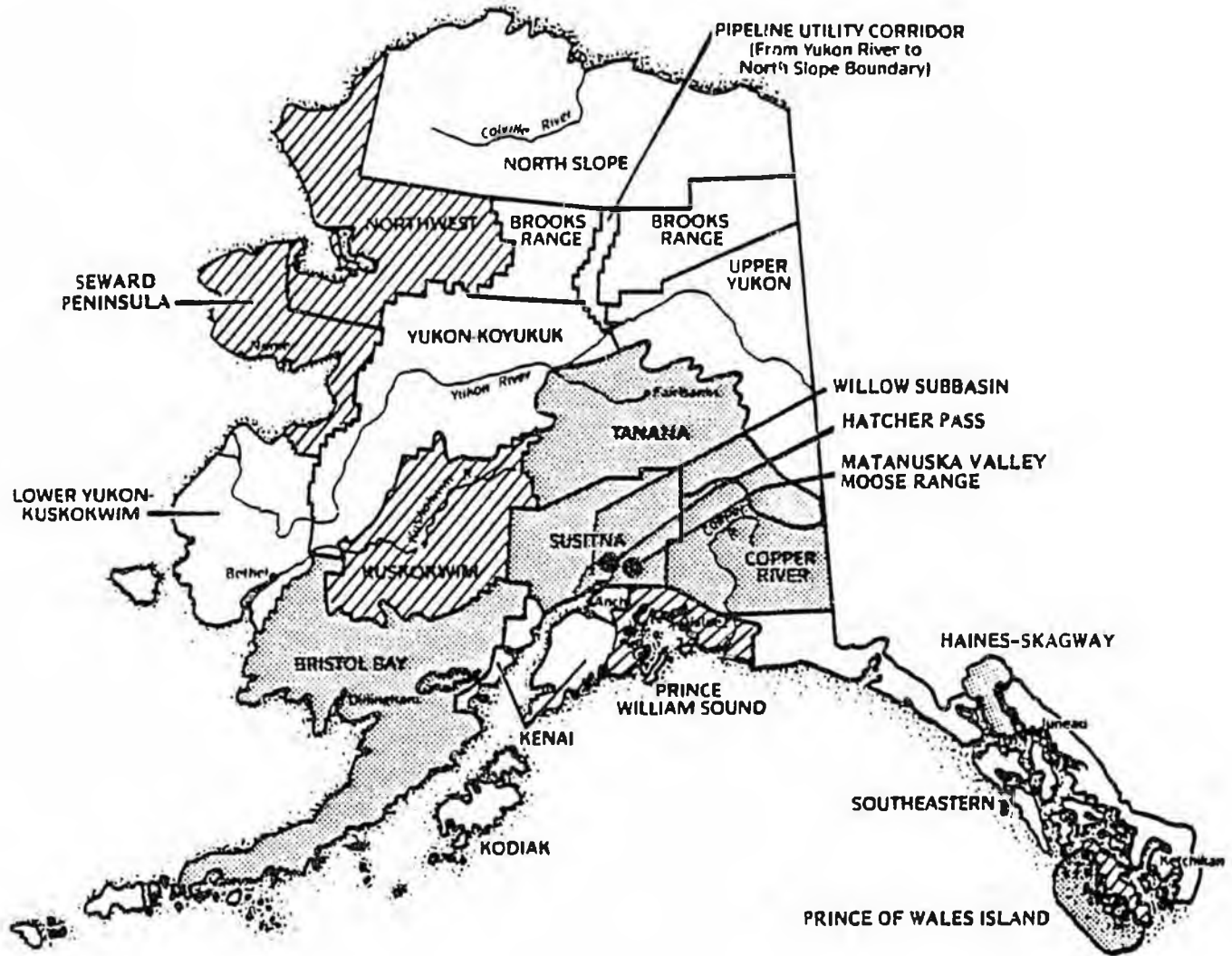
f Judith M. Brady
Commissioner

cc: Deputy Commissioners
Director of the Division of Land and Water
Director of the Division of Parks and Outdoor Recreation

JMB/TS/rlc
IBMIRD:audit response

Alaska Department of Natural Resources

AREA PLANS



FEBRUARY 1987



Alaska Department of
**NATURAL
RESOURCES**

AREA PLANNING STATUS

- Completed area plans
- Area plans in progress
- Not scheduled for area planning

Why Do Area Plans?

The planning process is a way of settling differences, it is a way of deciding how to manage and use state lands. There are many different ideas on how state lands should be used, and sometimes these proposed uses have the potential to conflict with each other. However, with advance planning, many potentially conflicting uses can occur in the same area. Through the planning process, the people of the state can help choose the ways the land should be managed. The plans also make it clear to the public what choices have been made and the reasons for those choices.

The Planning Process

Public Identifies Issues - Public meetings are held to learn of local problems, interests, and concerns about state lands.

Gather Information - Information about natural resources (oil and gas, minerals, fish, forests, soils, etc.), existing land uses and ownership, and economic and social characteristics is gathered, mapped, and analyzed.

Prepare Plan Alternatives - Different land use plans are developed using public comments, resource information, and state policy.

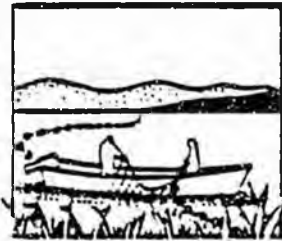
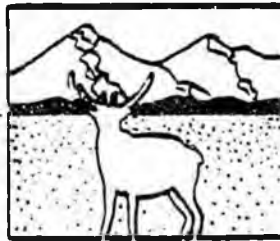
Public Reviews Alternatives - Public meetings are held to review alternatives.

Prepare Draft Plan for State Lands - Public comments are reviewed, conflicts are resolved, a preferred alternative is selected, and a draft plan is written.

Public Reviews Draft Plan - Public hearings are held on the draft plan.

Prepare Final Plan - Changes to the draft plan are made based on public comments. Final plan recommendations are developed.

Adopt and Implement the Plan - The Commissioner of the Department of Natural Resources adopts the final plan. The plan guides the state's land management decisions.



Status of Area Plans

Bristol Bay. Adopted in September, 1984. Covers 13 million acres of state-owned and state-selected land. Copies are available at DNR Information Offices and have been sent to state depository libraries.

Copper River Basin. Adopted in November, 1986. Covers 3.3 million acres of state-owned and state-selected land. Copies are available at DNR Information Offices and have been sent to state depository libraries.

Haines/Skagway. Adopted in June, 1979. Covers 400,000 acres of state-owned or state-selected land. Superseded by the Alaska Chilkat Bald Eagle Preserve Management Plan (September, 1985) and the Haines State Forest Management Plan (February, 1986). Copies of all three plans are available at DNR Information Offices and have been sent to state depository libraries.

Kuskokwim Basin. This plan is for 16.6 million acres of state-owned or state-selected land. Alternatives have been developed and will be discussed at public meetings in late March and early April, 1987. A plan will be drafted during the spring and summer, reviewed at public meetings in the fall of 1987, and adopted by February, 1988. The plan will address such issues as land offerings, oil and gas development, mining, coal development, fish and wildlife habitat, and recreation. Special emphasis will be placed on preserving access to state lands.

Northwest. This plan is for 10 million acres of state-owned or state-selected lands in the Bering Straits region, the Northwest Arctic Borough, and the far western segment of the North Slope Borough. Alternative land use patterns have been developed and will be discussed at public meetings in late March and early April, 1987. The plan will be drafted during the spring and summer, reviewed at public meetings in the fall of 1987, and adopted in February, 1988. Subsistence is an important use of resources in the Northwest. Other issues of importance are access to state land, reindeer grazing, land offerings, trapping cabins, oil and gas development, and mining.

Prince of Wales Island. An area plan covering the southwestern part of the island was adopted in June, 1985. The remainder of the island is the subject of an ongoing plan. This plan is for 30,000 acres of state-owned or state-selected uplands and about one million acres of adjacent tidelands and submerged lands. Alternative management schemes will be discussed at public meetings in the spring of 1987. A draft plan will be distributed in the fall of 1987, with adoption of the final plan anticipated in March, 1988. The plan will address such issues as land offerings, log transfer and storage facilities, floating camps, floathomes, sea-farming, and state selections from the Tongass National Forest.

Prince William Sound. This plan is for 850,000 acres of state-owned or state-selected uplands and most of the tidelands and submerged lands in Prince William Sound. A plan will be drafted by June, 1987, discussed at public meetings in the fall, and adopted by December, 1987. The plan will address such issues as land offerings, the location of commercial and public recreation facilities, floathomes, aquaculture, sea-farming, state selections from the Chugach National Forest, mooring areas, and access to the beach, lakes, streams, and important hunting and fishing areas.

Susitna. Adopted in April, 1985. Covers 9.5 million acres of state-owned and state-selected land. Copies are available at DNR Information Offices and have been sent to state depository libraries.

Tanana Basin. Adopted in April, 1985. Covers 12.5 million acres of state-owned and state-selected land. Copies are available at DNR Information Offices and have been sent to state depository libraries.

For more information on area plans, contact:

**Dept. of Natural Resources
Land and Water Mgt.
Resource Allocation Section
P.O. Box 7-005
Anchorage, Alaska 99510
(907) 561-2020**

HB

303

STEVE COWPER
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

MAY 14 1987

May 12, 1987

The Honorable Adelheid Herrmann
Co-Chair
House Resources Committee
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Adelheid,

The prospect of mariculture development is generating considerable interest in Alaska this year. I believe that a mariculture industry can provide substantial economic benefits to our coastal communities and help diversify our economy. However, such an industry must be developed in an orderly fashion which provides the maximum benefit to Alaskans while ensuring protection for our existing fisheries resources, other resource users, and the environment. I have outlined for you the principles I believe must be satisfied to meet these goals. I believe that these principles and the other broad public policy questions that were raised during the public hearings process should be addressed.

I have already directed the state agencies to begin working on the technical issues affecting mariculture development. I believe that it would be beneficial to form a joint interim committee consisting of the Legislature, the administration, and the affected interest groups to resolve the conflicts surrounding mariculture development.

Mariculture holds promise for Alaska, but we must not repeat the mistakes made elsewhere. The development of a mariculture industry in Alaska must not be done piecemeal. We cannot allow a situation to develop here or proceed in the same way that occurred in British Columbia.

I appreciate your support and efforts in helping to resolve these issues.

Sincerely,

A handwritten signature in black ink, appearing to read "Steve Cowper".

Steve Cowper
Governor

MAY 11 1987

Dear Sen. Herrmann,

Enclosed is a copy of the letter I sent to all the representatives and senators. I firmly believe in encouraging Alaska's growth of resources. In the past we have all sat back on our oil laurels without promoting other valuable assets of the State and the public is paying dearly for our apathy now. I understand your concern for the sea fishermen, but I really feel our freshwater farming of silver salmon will only help to benefit fishermen by keeping markets buying in Alaska.

Because of this firm belief, I see your latest bill to eliminate salmon farming completely as a disasterous move. A move that will open markets to other states and governments which in time will even shove out the Alaskan fisherman.

I sincerely hope I have shed some light on fish farming and have alleviated some of your fears, at least on fresh water farming.

I may possibly be in Juneau May 15 to address this subject.

Cordially,

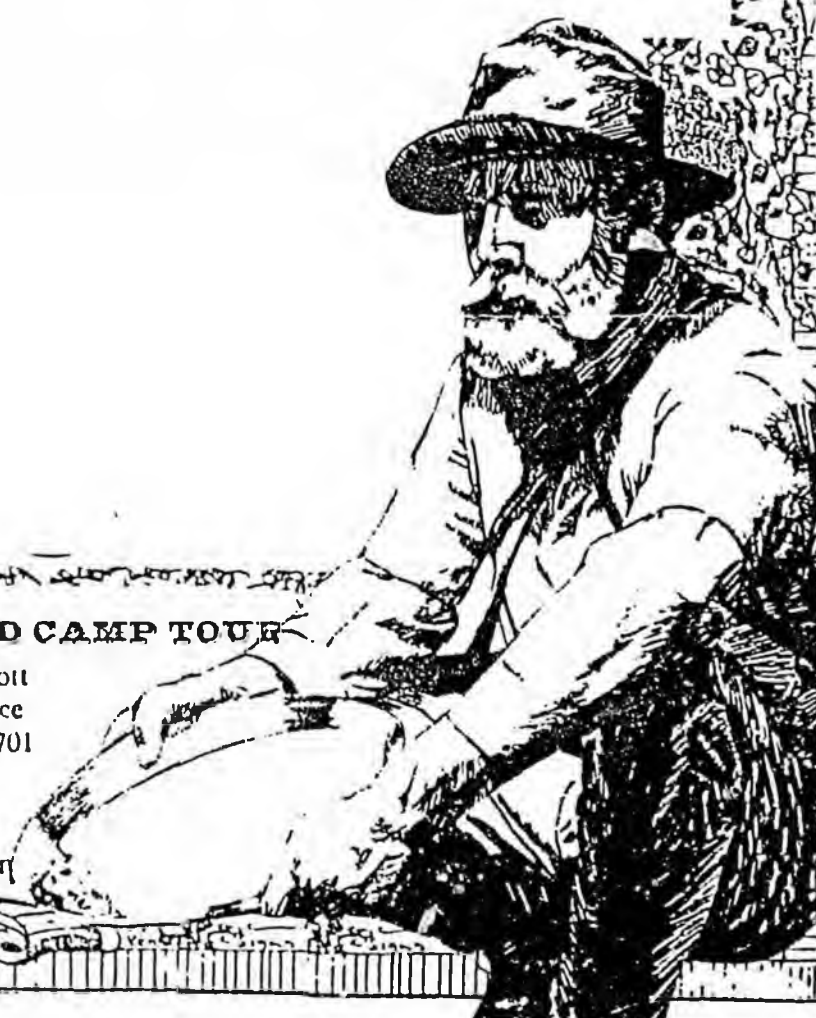


Andy Wescott

LITTLE EL DORADO GOLD CAMP TOUR

Andy and Pam Wescott
1132 Lakeview Terrace
Fairbanks, Alaska 99701

Phone (907) 456-4598 for information



1132 Lakeview Terrace
Fairbanks, Alaska 99701
May 9, 1987

Dear Rep. Herrmann,

Andy and I have been working on a project to raise fresh water silver salmon to a selling size of five (5) or six (6) pounds.

Our landlocked salmon will not be released into streams as they will be placed in an enclosed lake where we'll be able to monitor their progress and eliminate chemical pollutants. We will be able to supply buyers with a pure fish. Also, our salmon will not adversely affect tidelands, as they will not be near any, nor will they be able to infect wild stocks in case of disease, which is minimal because of the controlled arena in which they will grow.

Salmon fry will be in-housed the first year and placed into a lake the second for final growth. Eventually, we hope to in-house them their entire growth.

Buyers will be able to purchase fresh fish all year instead of buying from foreign markets nine months of the year. Our capability of supplying during the winter will keep buyers buying in the Alaska market thereby enhancing the sale of Alaskan seafood products.

Each year we will need to collect eggs or secure them from hatcheries as our landlocked salmon will not sexually mature.

We have read House Bill 108 and Senate Bill 106 which seem expressly concerned with the tidelands. To reiterate, we will have no tidelands problems. The new bill introduced by Senator Herrmann to eliminate the farming of salmon completely seems an unnecessary move to try to eliminate an unwarranted threat to the commercial fishermen. Our fresh water salmon will not constitute a threat, but compliment sea fishermen by keeping markets in Alaska all year long.

Discussions with local sports fisheries biologist, Mike Kramer, have been very positive. At this time, extra frys are growing at the Clear Hatchery. Without a positive go on our project these extra fry will be discarded as waste products as there are no funds to place them. I will forego the problem of world hunger at this point.

Besides the market capabilities of our fresh water salmon, the education acquired through our novel project would be beneficial to university students, Fish and Wildlife and the breed itself. In addition to the education we would welcome visitors to the facility.

Without the acquisition of these salmon this year, our project would be held up for a year until the next group of salmon spawn thereby allowing other world markets to increase their grasp on the salmon trade. If Senator Hermann's protectionist bill passes, it would be a two year or more hold on our project.

So, basically our major problem narrows down to: Do commercial fishermen hold a monopoly on salmon, reared in state hatcheries, in Alaska?

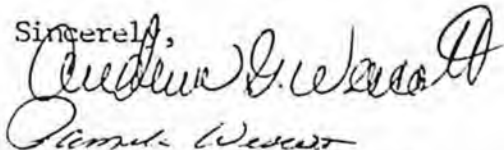
As I have stated throughout this letter, for nine (9) months of the year local markets buy salmon elsewhere, i.e. Sweden. This lapse of salmon availability encourages buyers into other markets where they may possibly stay and not return to Alaska contacts. Our product availability could keep these buyers in the Alaska market thereby securing a trade for sea and fresh water salmon. The concept is the same marketing as placing a Burger King store near a McDonald's. The availability draws the public market and provides both with a handsome income.

When inventive free enterprise is curtailed and limited by the State, everyone feels the impact. Currently, Saudi Arabia is in-housing fish to compete heavily in a world market desperate for more fish, fish which are raised faster and pure of chemicals. Alaska's incapacity to move forward in innovative projects may very well jeopardize market after market of resources.

I have enclosed a copy of an article from U.S. News & World Report concerning catfish farming and the profits to Mississippi by promoting a bottom feeding fish with a previous disgusting reputation.

Andy and I thank you for your time and sincerely hope to become future fresh water salmon farmers.

Sincerely,



Andrew and Pamela Wescott, future fish farmers

P.S. If you'd like more research materials, I have a copy of the work done by the Department of Fisheries at the Pacific Biological Station in Nanaimo, British Columbia.

The best thing that's happened to the South since cotton?

A fish tale worth telling

■ "Farm-raised catfish is as mild and fresh tasting as any fish you could ever eat," it says on the box of Mrs. Paul's frozen catfish fillets. Catfish? Yep, but it takes three more puffed-up paragraphs to explain that this is not the ugly, whiskered 10-pound tough guy that dredges the bottom of the Mississippi River for sustenance. No sir. This, says Mrs. Paul's, is an "exquisite" fish.

It's going to take more than three paragraphs for the Richards Group, the new advertising agency for the catfish industry, to convince consumers of that. But last month, for the first time, the nation's catfish farmers anted up \$1.5 million for the Dallas-based firm to try. And jus, in case anybody thought they didn't mean business, last week they brought in Golin Harris, the public-relations firm for companies such as McDonald's and Sara Lee.

"We're tired of this," says Bill Allen, head of the American Catfish Institute, the \$200 million industry's marketing arm in Belzoni, Miss. "We are trying to differentiate our product from the scavenger fish that everybody thinks about."

Farm-raised catfish is, in fact, a different product. Grown in man-made spring-water ponds, the fish is fed a rich diet of grain and minerals. Enjoyed for years by Southerners, who eat it fried with cornmeal fritters called hush puppies, it has shown up lately on menus in trendy Manhattan restaurants responding to the regional-food craze. Last year, Church's, the nation's second-largest fried-chicken chain, bought \$55 million worth of fillets to introduce at their outlets nationwide. But that is not enough. Says Allen: "We want it to be perceived as a classic, Dover-sole kind of fish."

Swimming upstream

Unfortunately, says Richards Group account executive Jeff Upshaw, "there is more than one misconception about catfish." Market research shows that in addition to its reputation as a mud grubber, catfish is believed by some consumers to be good only when fried, while others don't want to prepare it at home because they think it smells bad. Harder to combat is its image as what Upshaw calls a "strictly jeans-and-T-



Diners find the fish produced by Paul Battle's ponds more appealing on a plate

shirt product. People feel it's not chic to order it in an upscale restaurant."

This is a problem that catfish processors have already begun to fight at the food-service level. Delta Catfish Processors, Inc., of Indianola, Miss., the world's largest catfish processor, recently hired New Orleans chef John Folse as a consultant. His demonstrations of elegant recipes such as catfish mousse and pan-sautéed catfish with sauce meunier even are available on video.

In New York, chic delicatessens such as Balducci's and Zabar's carry a smoked version of the fish, and fried catfish is featured on menus from the Gulf Coast restaurant in Greenwich Village to Park Avenue's Ritz Cafe. Delta Catfish Processors' Delta Pride line now

offers preseasoned frozen Catfish Classics to restaurants lacking adventurous chefs. Available in Cajan, butter-garlic and lemon-pepper flavors, they will soon be available in grocery stores.

All this is good news to the ailing farmers of the Mississippi Delta, where 85 percent of the world's catfish is produced. John Dillard, a catfish farmer and stockholder in Delta Catfish Processors, says that this year Mississippi farmers will produce 250 million pounds of catfish—30 million pounds more than last year—and farmers in Arkansas, Alabama and Louisiana will add to the pile. "If we end up with 20 million pounds we can't sell, we're in trouble. We've got to sell them because there's no loan on catfish, no government payments."

Like most catfish farmers, Dillard began growing catfish on unused farmland as a sideline to his main business of cotton, soybean and rice farming. But now, he says, "the catfish business is bigger than our farming operation in terms of dollars." Says Webb Franklin, Mississippi's second-district congressman: "Catfish farming is the only bright spot agriculturally I see in my district."

There even are rumblings of changing the generic name from farm-raised catfish to Mississippi-raised or Delta-raised, a possibility the Richards Group intends to explore. Why not? Idaho has its potatoes and Florida its oranges. Maybe it's time for Mississippi to claim catfish.

CRISP FRIED CATFISH

- 6 small farm-raised catfish fillets
- 1 teaspoon salt
- 1/4 teaspoon pepper
- 2 cups yellow cornmeal in a brown paper bag
- 1 quart cooking oil

Sprinkle catfish lightly with salt and pepper. When ready to fry, drop fish into the bag and shake to coat with cornmeal.

Use a deep pot or iron skillet filled half full with cooking oil. Heat until just smoking hot. Place each piece of fish into oil separately. Cook on high heat until fish floats to the top and reaches a golden brown. Drain well on paper towels. Serve hot. Makes 6 servings.



by Julia Reed

HB

3/4

HOUSE COMMITTEE REPORT

(9)

Date referred: 3/22/88

FURTHER REFERRALS: Finance

DATE: 4-8-88

The Resources Committee has considered 2d SSHB 314

"An Act relating to the allocation of fisheries business taxes to municipalities by the Department of Community and Regional Affairs; and providing for an effective date."

RECOMMENDS:

- replace with CS 2d SS HB 314 (Res) [] the same title
- [] attached amendment(s) [] a new title
- [] do pass
- [] do not pass
- no recommendation
- [] individual recommendations
- [] additional referral to the _____ Committee

ADOPTS: [] _____ letter of intent

ATTACHES NEW FISCAL NOTE(S):

- [] fiscal impact
- [] zero fiscal note
- [] zero with analysis
- same as previous fiscal note published _____
- [] same as previous zero fiscal note published _____

SIGNING DO PASS:

Adelheid Herrmann

Mike Savane

Heinrich Springer

SIGNING OTHER RECOMMENDATIONS:

[Signature] _____

[Signature] _____

[Signature] _____

[Signature] _____

Adelheid Herrmann
Chairman's signature

STATE OF ALASKA
1988 LEGISLATIVE SESSION

BILL VERSION: SSHB 314
PUBLISH DATE: 3/15/88

FISCAL NOTE

REQUEST: _____

Revision Date: _____
Title: An Act relating to the allocation
of fisheries business taxes to municipal
Sponsor: Community & Regional Affairs
Requestor: Herrmann

Agency Affected: Revenue
BRU: Income and Excise Audit Division
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
OPERATING						
PERSONAL SERVICES	-	17.0	17.0	17.0	17.0	17.0
TRAVEL	-	-	-	-	-	-
CONTRACTUAL	-	10.2	3.2	3.2	3.2	3.2
SUPPLIES	-	.5	.5	.5	.5	.5
EQUIPMENT	-	-	-	-	-	-
LANDS & STRUCTURES	-	-	-	-	-	-
GRANTS, CLAIMS	-	-	-	-	-	-
MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	27.7	20.7	20.7	20.7	20.7
CAPITAL	-	-	-	-	-	-
REVENUE	-	-	-	-	-	-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	27.7	20.7	20.7	20.7	20.7
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
TOTAL	-	27.7	20.7	20.7	20.7	20.7

POSITIONS:

FULL-TIME	-	-	-	-	-	-
PART-TIME	-	1	1	1	1	1
TEMPORARY	-	-	-	-	-	-

ANALYSIS: (Attach a separate page if necessary)

Prepared By: Steven E. Kettel
Division: Income and Excise Audit Division

Phone: 465-2320
Date: March 15, 1988

Approved by Commissioner: Hugh Malone
Agency: Department of Revenue

Date: 3/15/88

Distribution (by preparer):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

HB 314 Analysis

Prepared By: Steven E. Kettel
Income and Excise Audit
March 15, 1988

Personal Services

<u>Position</u>	<u>Location</u>	<u>Annual Salary/Benefits</u>
Accounting Clerk II	Juneau	\$17.0

This creates one seasonal half time position to copy and file returns.

Contractual

Design and Printing of Forms	\$7.0
File Cabinet	\$.7
Copying Charges	<u>\$2.5</u>
TOTAL	\$10.2

Supplies

Office Supplies	<u>\$.5</u>
TOTAL	<u>\$.5</u>

OPERATING TOTAL

~~\$38.4~~ 27.7

FISCAL NOTE

REQUEST:

Revision Date: 03/15/88
Title: "An Act relating to the allocation of fisheries business taxes"
Sponsor: herrmann and Calo
Requestor: C&A/resources/Finance

Agency Affected: Revenue
EAB: _____
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
OPERATING								
PERSONAL SERVICES	-	-	-	-	-	-	-	-
TRAVEL	-	-	-	-	-	-	-	-
CONTRACTUAL	-	-	-	-	-	-	-	-
SUPPLIES	-	-	-	-	-	-	-	-
EQUIPMENT	-	-	-	-	-	-	-	-
LANDS & STRUCTURES	-	-	-	-	-	-	-	-
GRANTS, CLAIMS	-	-	-	-	-	-	-	-
MISCELLANEOUS	-	-	-	-	-	-	-	-
TOTAL OPERATING	-	-	-	-	-	-	-	-
CAPITAL	-	-	-	-	-	-	-	-
REVENUE	-	(4,500)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-	-	-
OTHER	-	-	-	-	-	-	-	-
TOTAL	-	-	-	-	-	-	-	-

POSITIONS:

FULL-TIME	-	-	-	-	-	-	-	-
PART-TIME	-	-	-	-	-	-	-	-
TEMPORARY	-	-	-	-	-	-	-	-

ANALYSIS: (Attach a separate page if necessary)

The estimated loss of general fund unrestricted revenues would result in additional revenue sharing to municipalities under SSB 314. Estimates are based on FY 87 actuals and reflect current price/catch assumptions in future years.

Prepared by: Bob Elliott ^{BE} Phone: 465-2173
Division: Revenue - Research Section Date: 03/15/88

Approved by Commissioner: Hugh Malone Date: 03/15/88
Agency: Department of Revenue

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

Original sponsors: Herrmann and Cato

1 IN THE HOUSE BY THE RESOURCES COMMITTEE

2 CS FOR 2d SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 314 (Resources)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the allocation of fisheries
7 business taxes to municipalities by the Department of
8 Community and Regional Affairs; and providing for an
9 effective date."

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

11 * Section 1. FINDINGS. The legislature finds that

12 (1) it has been a longstanding state policy to share fisheries
13 business taxes with municipal governments in the areas in which the fishery
14 resources are harvested;

15 (2) these shared taxes constitute an important source of revenue
16 to municipal governments to mitigate the effects of fish harvesting and
17 processing activities;

18 (3) there is an impact in communities that experience an in-
19 crease in population or influx of people;

20 (4) fishing activities such as harvesting and processing create
21 an influx of population throughout the year in many coastal communities;

22 (5) the state has a vested interest in encouraging communities
23 to provide adequate services;

24 (6) revenue generated through the sharing of fisheries business
25 taxes will help many fishing communities to provide adequate services and
26 to prepare for future damage attributable to fisheries activities.

27 * Sec. 2. AS 29.60 is amended by adding a new section to read:

28 ARTICLE 6. SHARED FISHERIES BUSINESS TAXES.

29 Sec. 29.60.450. FISHERIES BUSINESS TAX ALLOCATION. (a) A

1 municipality is eligible for a fisheries business tax allocation if
2 the municipality demonstrates to the department that the municipality
3 suffered significant effects from fisheries business activities during
4 the base year.

5 (b) Before making a tax allocation under (c) of this section, a
6 portion of the tax revenue available under AS 43.75.130(g) for allo-
7 cation under this section shall be apportioned by the department to
8 each management area based on the ratio of the management area's fish
9 and shellfish production value to the total fish and shellfish produc-
10 tion value for all of the management areas. The department may com-
11 bine management areas if requested and if the department determines
12 that there is a significant cross-boundary effect between management
13 areas within a management region.

14 (c) The tax allocation to an eligible municipality is the sum of

15 (1) the result of dividing the number of the management
16 area's eligible municipalities for the tax allocation year into one-
17 half of the tax revenue apportioned to the management area under (b)
18 of this section for the tax allocation year; and

19 (2) the result of multiplying the municipality's population
20 ratio by the other one-half of the tax revenue apportioned to the
21 management area under (b) of this section for the tax allocation year.

22 (d) If a borough and a city that is located within the borough
both qualify as eligible municipalities under (a) of this section for
a tax allocation year, the department shall exclude the population of
the city from the borough's population when calculating the borough's
population ratio under (c) of this section.

(e) A municipality that receives a tax allocation under this
section shall use the tax allocation to help reduce the effect of
fisheries business activities on the municipality, and may thereafter

use the tax allocation for the expenses of any municipal service.

(f) At the request of the department, an applicant or a recipient of a tax allocation shall provide the department with the assistance and information available to the municipality that is necessary for the department to carry out the department's duties under this section relating to the municipality.

(g) The department may adopt regulations necessary to carry out the provisions of this section.

(h) In this section,

(1) "base year" means the calendar year that precedes the application deadline for the tax allocation year;

(2) "effect" means the change attributable to fisheries business activities on the municipality's

(A) population;

(B) employment;

(C) finances;

(D) air and water quality;

(E) fish and wildlife habitats; and

(F) ability to provide essential public services, including health care, public safety, education, transportation, marine garbage collection and disposal, solid waste disposal, utilities, and government administration;

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

(4) "management area" means one of the geographical units designated by the Board of Fisheries by regulation adopted under AS 16.05.251(a)(2) for the management of the commercial fisheries of

1 the state;

2 (5) "population" means the population determined under
3 AS 29.60.020;

4 (6) "population ratio" means the base year population of
5 the municipality divided by the population of the management area;

6 (7) "production value" means the weight of the fish and
7 shellfish processed by floating fisheries businesses;

8 (8) "tax allocation year" means the fiscal year for which
9 the department makes the tax allocation.

10 * Sec. 3. AS 43.75.130 is amended by adding a new subsection to read:

11 (g) To the extent that appropriations are available for the
12 purpose, and notwithstanding the requirement of AS 37.07.080(e) that
13 approval of the office of management and budget is required, an amount
14 equal to 50 percent of the tax revenue that is collected under this
15 chapter from floating fisheries businesses and is not subject to
16 division with a municipality under (a), (c), and (d) of this section
17 shall be transmitted each fiscal year by the department to the Depart-
18 ment of Community and Regional Affairs for disbursement, without the
19 approval of the office of management and budget, to eligible munic-
20 ipalities under AS 29.60.450.

21 * Sec. 4. INITIAL MANAGEMENT AREAS. Notwithstanding AS 29.60.-
22 450(h)(4), as added by sec. 2 of this Act, until revised by the Board of
23 Fisheries under AS 16.05.251(a)(2), in AS 29.60.450 "management area" means
24 a management area designated by the Department of Community and Regional
25 Affairs to administer the offshore fisheries business tax revenue sharing
26 pilot project (19 AAC 33) during the fiscal year ending June 30, 1988.

27 * Sec. 5. This Act takes effect July 1, 1988.

AMENDMENT #1 Page 2 line 10:

ADD: Areas may be combined by request if the department finds there is a significant cross boundary impact between areas.

↙ in the region

AMENDMENT #2 Page 3 line 9:

(F) ability to provide essential public services, including health care marine garbage collection and disposal, solid waste disposal, public safety, education, transportation, utilities, and government administration

3 2d S HB 314

STATE OF ALASKA
THE LEGISLATURE

FOUCH Y STATE CAPITOL
JUNEAU ALASKA 99811
707 465 1800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

March 15, 1988

SUBJECT: 2d SSHB 314 (Allocation of fisheries business taxes to municipalities by the Department of Community and Regional Affairs)

TO: Representative Adelheid Herrmann

FROM: Jack Chenoweth
Legislative Counsel

This sectional analysis addresses the 2d Sponsor Substitute for House Bill 314 provided to you on March 14.

*

CURRENT LAW:

Levy of the fisheries business tax: Under AS 43.75, the state imposes a fisheries business tax. The tax is payable to the Department of Revenue. As specified in AS 43.75.-015(a), the tax is levied on the following activities at the rates set out after each:

- (1) Salmon canned at a shore-based fisheries business -- $4\frac{1}{2}$ percent;
- (2) Salmon processed by a shore-based fisheries business other than that which is canned -- 3 percent;
- (3) All other fisheries resources processed by a shore-based fisheries business -- 3 percent;
- (4) Fisheries resources processed by a floating fisheries business -- 5 percent.

However, if the resource is a developing commercial fish species (as that term has been defined and as those species

Representative Adelheid Herrmann
Page 2
March 15, 1988

are designated by the commissioner of fish and game), the tax is payable at a reduced rate. See AS 43.75.015(b).

In AS 43.75.017, the legislature has enumerated several exclusions from the tax, while in AS 43.75.100, the legislature has acted to try to recover taxes from fisheries resources recovered in the state but that are transported and sold outside the state.

The legislature has provided several tax credits. See AS 43.75.018 and 43.75.032.

Existing refund program: For many years there has been a program under which refunds of a portion of the taxes collected are returned to local governments. The principal formula for the distribution of the refund to local governments is set out in AS 43.75.130(a). This formula is based on the revenue generated from fisheries business operations occurring within municipalities.

The fisheries business tax refund program has been amended in each of the last two years. The 1987 amendments, probably more important in determining what is actually shared, restructured the formula for fisheries business tax refunds with respect to taxes collected in cities located in a borough that is incorporated after June 16, 1987, the date the law took effect, by gradually reducing the city's share from 50% to 25% over the first five years after incorporation, and by gradually increasing the borough's share from 25% to 50% over the same period. The statutory provisions making adjustments to the shares of cities within newly-incorporated boroughs are set out in AS 43.75.130(d).

The current refund program is managed by the Department of Revenue.

*

None of what I have described above is directly changed, altered, or amended by 2d SSHB 314.

*

WHAT THIS BILL DOES:

2d SSHB 314 essentially does three things:

(1) In addition to the current refund program, 2d SSHB 314 directs that, "to the extent that appropriations are available for the purpose . . . , " 50 percent of the tax revenue collected under AS 43.75 from floating fisheries businesses that is not subject to refund to a municipality under AS 43.75.130(a) and 43.75.130(d) is to be shared with municipalities under this new program.

(2) 2d SSHB 314 lays out in detail how municipalities may qualify for a portion of the shared revenue and how the program is to be administered.

(3) 2d SSHB 314 assigns responsibility for this new program is assigned to the Department of Community and Regional Affairs.

Bill section 3, the provision adding a new AS 43.75.130(g), lays out the basis of what revenue is to be shared, item # (1) above. In essence, bill section 3 says that the source of the revenue to be shared under 2d SSHB 314 is 50 percent of the tax revenues collected from floating fisheries businesses that is not now being shared with municipalities under the existing program. A "floating fisheries business" is defined in AS 43.75.140(6); essentially a floating fisheries business means the fisheries business activities that are subject to tax under AS 43.75 occur offshore. Floating fisheries businesses are, by and large, located outside of the boundaries of any municipality. Since, under the current law, the state shares with municipalities only on the basis of tax revenues collected in the municipality (that is, inside the municipal boundaries), then a very high percentage of revenue obtained from the levy of AS 43.75 on floating fisheries businesses is not shared with the municipalities under the current formulas. Because so little of the revenue derived from levy of the tax on floating fisheries businesses is shared with municipalities, that money stays in the state's general fund as an addition to the treasury.

In AS 43.75.130(g), added by bill section 3, 50 percent of the money that would not be shared under the existing program with local governments is to be paid over by the Department of Revenue to the Department of Community and Regional Affairs to support this new programs.

Representative Adelheid Herrmann
Page 4
March 15, 1988

Bill section 2 addresses items #2 and #3 above. You should understand that, because this bill adds material to AS 29.60, this new program will be administered by the Department of Community and Regional Affairs. The definition of "department" for purposes of AS 29 is to be found in AS 29.71.700(8).

The revenue from the fisheries business tax that is paid over by the Department of Revenue to the Department of Community and Regional Affairs is, first, to be apportioned on the basis of "management areas" (proposed AS 29.60.450(b)) [not "management regions" as in previous versions of this bill]. These management areas are tied to the management areas used by the Department of Fish and Game for the regulation of the state's commercial fisheries. The manner of making the allocation of the revenues to each management area is based on the proportion of the fish and shellfish production within each area to the total production for the state. That production is defined with reference to the total weight, not with reference to total value (see the definition of "production value" in proposed AS 29.60.-450(h)(7)).

Within each management area's allocation, half of the revenue is distributed equally among all eligible municipalities within the management area (proposed AS 29.60.-450(c)(1)), while the other half is distributable to eligible municipalities based on each municipality's population ratio (proposed AS 29.60.450(c)(2)). There is a provision (proposed AS 29.60.450(d)) making an accommodation for excluding the count of the population of a city within a borough when calculating the borough's population ratio.

Not all municipalities within a management area may qualify. A municipality "is eligible for a fisheries business tax allocation if the municipality demonstrates to the [Department of Community and Regional Affairs] that the municipality suffered significant effects from fisheries business activities" during the previous year (proposed AS 29.60.-450(a)). The test of significant effect is with reference to the specific items listed in proposed AS 29.60.450(h)(2). Some municipalities within an area may not be able to demonstrate how the municipality was affected by fisheries business activities, and therefore would not qualify as an eligible municipality. In turn, a municipality that is eligible to receive a portion of the allocation is expected, first, to use the revenue "to help reduce the effect of

Representative Adelheid Herrmann
Page 5
March 15, 1988

fisheries business activities on the municipality," and thereafter may use the money for any municipal service (proposed AS 29.60.450(e)).

The Department of Community and Regional Affairs is authorized to adopt regulations to carry out the program (proposed AS 29.60.450(g)). Municipalities are directed to provide information and assistance to the department in order for the department to administer the program (proposed AS 29.60.450(f)).

The definitions provided in this bill (proposed AS 29.60.450(h)) are particularly critical to an understanding of the bill, and should be reviewed.

Bill section 4 is an uncodified, interim provision. It is included for the purpose of providing direction to the Department of Community and Regional Affairs as this legislation takes effect. Bill section 4 directs the department to use the "management areas" that it had been using for administration of the Offshore Fisheries Business Tax Revenue Sharing Pilot Program during FY 88, to carry forward those areas as the basis for making allocations under this legislation until those management areas are changed by the Department of Fish and Game.

Bill section 5 directs that the Act is to take effect at the start of FY 89, the next state fiscal year.

*

If the bill or this memorandum prompts questions, please contact me.

JBC:gc
WKG2:55

STATE OF ALASKA
THE LEGISLATURE

POUCH Y STATE CAPITOL
JUNEAU ALASKA 99811
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

February 20, 1988

SUBJECT: SSHB 314 (Allocation of a portion of fisheries business taxes to municipalities by the Department of Community and Regional Affairs)

TO: Representative Heinrich Springer, Chairman House Community & Regional Affairs Committee
ATTN: David C. Harrison

FROM: Jack Chenoweth
Legislative Counsel

Through Division Director Tam Cook you have requested a sectional analysis of SSHB 314.

*

CURRENT LAW:

Levy of the fisheries business tax: Under AS 43.75, the state imposes a fisheries business tax. The tax is payable to the Department of Revenue. As specified in AS 43.75.015(a), the tax is levied on the following activities at the rates set out after each:

- (1) Salmon canned at a shore-based fisheries business -- 4½ percent;
- (2) Salmon processed by a shore-based fisheries business other than that which is canned -- 3 percent;
- (3) All other fisheries resources processed by a shore-based fisheries business -- 3 percent;
- (4) Fisheries resources processed by a floating fisheries business -- 5 percent.

However, if the resource is a developing commercial fish species (as that term has been defined and as those species are designated by the commissioner of fish and game), the tax is payable at a reduced rate. See AS 43.75.015(b).

In AS 43.75.017, the legislature has enumerated several exclusions from the tax, while in AS 43.75.100, the legislature has acted to try to recover taxes from fisheries resources recovered in the state but that are transported and sold outside the state.

The legislature has provided several tax credits. See AS 43.75.018 and 43.75.032.

Existing refund program: For many years there has been a program under which refunds of a portion of the taxes collected are returned to local governments. The principal formula for the distribution of the refund to local governments is set out in AS 43.75.130(a). This formula is based on the revenue generated from fisheries business operations occurring within municipalities.

The fisheries business tax refund program has been amended in each of the last two years. The 1987 amendments, probably more important in determining what is actually shared, restructured the formula for fisheries business tax refunds with respect to taxes collected in cities located in a borough that is incorporated after June 16, 1987, the date the law took effect, by gradually reducing the city's share from 50% to 25% over the first five years after incorporation, and by gradually increasing the borough's share from 25% to 50% over the same period. The statutory provisions making adjustments to the shares of cities within newly-incorporated boroughs are set out in AS 43.75.130(d).

The current refund program is managed by the Department of Revenue.

*

None of what I have described above is directly changed, altered, or amended by SSHB 314.

*

WHAT THIS BILL DOES:

SSHB 314 essentially does three things:

- (1) In addition to the current refund program, SSHB 314 directs that, "to the extent that appropriations are available for the purpose . . . , " 50 percent of

the tax revenue collected under AS 43.75 from floating fisheries businesses that is not subject to refund to a municipality under AS 43.75.130(a) and 43.75.130(d) is to be shared with municipalities under this new program.

(2) SSHB 314 lays out in detail how municipalities may qualify for a portion of the shared revenue and how the program is to be administered.

(3) SSHB 314 assigns responsibility for this new program is assigned to the Department of Community and Regional Affairs.

Bill section 3, the provision adding a new AS 43.75.130(g), lays out the basis of what revenue is to be shared, item #(1) above. In essence, bill section 3 says that the source of the revenue to be shared under SSHB 314 is 50 percent of the tax revenues collected from floating fisheries businesses that is not now being shared with municipalities under the existing program. A "floating fisheries business" is defined in AS 43.75.140(6); essentially a floating fisheries business means the fisheries business activities that are subject to tax under AS 43.75 occur offshore. Floating fisheries businesses are, by and large, located outside of the boundaries of any municipality. Since, under the current law, the state shares with municipalities only on the basis of tax revenues collected in the municipality (that is, inside the municipal boundaries), then a very high percentage of revenue obtained from the levy of AS 43.75 on floating fisheries businesses is not shared with the municipalities under the current formulas. Because so little of the revenue derived from levy of the tax on floating fisheries businesses is shared with municipalities, that money stays in the state's general fund as an addition to the treasury.

In AS 43.75.130(g), added by bill section 3, 50 percent of the money that would not be shared under the existing program with local governments is to be paid over by the Department of Revenue to the Department of Community and Regional Affairs to support this new programs.

Bill section 2 addresses items #2 and #3 above. You should understand that, because this bill adds material to AS 29.60, this new program will be administered by the Department of Community and Regional Affairs. The definition of "department" for purposes of AS 29 is to be found in AS 29.71.700(8).

The revenue from the fisheries business tax that is paid over by the Department of Revenue to the Department of Community and Regional Affairs is, first, to be apportioned on the basis of "management regions" (proposed AS 29.60.450(b)). These management regions are tied to the management regions used by the Department of Fish and Game for the regulation of the state's commercial fisheries. The manner of making the allocation of the revenues to each management region is based on the proportion of the fish and shellfish production within each region to the total production for the state. That production is defined with reference to the total weight, not with reference to total value (see the definition of "production value" in proposed AS 29.60.450(h)(7)).

Within each management region's allocation, half of the revenue is distributed equally among all eligible municipalities within the management region (proposed AS 29.60.450(c)(1)), while the other half is distributable to eligible municipalities based on each municipality's population ratio (proposed AS 29.60.450(c)(2)). There is a provision (proposed AS 29.60.450(d)) making an accommodation for excluding the count of the population of a city within a borough when calculating the borough's population ratio.

Not all municipalities within a management region may qualify. A municipality "is eligible for a fisheries business tax allocation if the municipality demonstrates to the [Department of Community and Regional Affairs] that the municipality suffered significant effects from fisheries business activities" during the previous year (proposed AS 29.60.450(a)). The test of significant effect is with reference to the specific items listed in proposed AS 29.60.450(h)(2). Some municipalities within a regional may not be able to demonstrate how the municipality was affected by fisheries business activities, and therefore would not qualify as an eligible municipality. In turn, a municipality that is eligible to receive a portion of the allocation is expected, first, to use the revenue "to help reduce the effect of fisheries business activities on the municipality," and thereafter may use the money for any municipal service (proposed AS 29.60.450(e)).

The Department of Community and Regional Affairs is authorized to adopt regulations to carry out the program (proposed AS 29.60.450(g)). Municipalities are directed to provide information and assistance to the department in order for the department to administer the program (proposed AS 29.60.450(f)).

Representative Springer
Page 5
February 20, 1988

The definitions provided in this bill (proposed AS 29.60.450(h)) are particularly critical to an understanding of the bill, and should be reviewed.

Bill section 4 directs that the Act is to take effect at the start of FY 89, the next state fiscal year.

*

If the bill or this memorandum prompts questions, please contact me.

JCS:mkr
b3/013

(4) SSHB 314



Alaska State Legislature

House of Representatives

Committee on Community & Regional Affairs

Pouch V
State Capitol
Juneau, Alaska 99811
(907) 465-4833

TO: Rep. Henry Springer, Chairman of HCRA
FROM: David C. Harrison, P. A. to HCRA *DCH*
RE: Bill Review - SSHB 314
"An Act relating to the allocation of fisheries business taxes to municipalities by the Department of Community and Regional Affairs; and providing for an effective date." [Herrmann/Cato]

* Section 1. Lines 12 through 26 provide a background for needs, policies, and reasons for desired changes in shared tax revenues from fish processors doing processing business outside a municipality's taxing authority but within a specific commercial fisheries management area. Other considerations taken into account are the amount of fisheries production, the population increase of the municipality compared to that of other municipalities within the area during the fishing season.

File Item #2 provides a look at the Pilot Project pursuant to special legislative intent in Chapter 98, SLA 1985.

Municipalities currently receive a share of state revenues generated by fish processors operating within municipal boundaries. The state receives 100% of the revenues generated by floating processors doing business outside municipal boundaries but within specific fisheries management areas.

It is noted that areas and regions are used by the Fish Board and that at times the Fish Board will change a management area. To allocate by population within regions rather than areas may make a difference in the amount of allocation shared based upon population. I am not sure how this will shake out the allocations.

Also, the allocation under this section shall be apportioned by the department to each management region based on the ratio of the region's fish and shellfish production value for all of the management regions.

* Sec. 2. On page 3, line 27 (5) population determined under AS 29.60.020 is made or determined annually by the latest figures of the United States Bureau of Census or other population data that in the judgment of the department is reliable. DCRA Register 1987 19 AAC 33.030 The population estimate as related to the bill's purpose - the estimate

must be certified by the mayor and adopted by the governing body of the municipality by resolution. The estimate must include an explanation of how it was determined and must be supported by relevant indices of population. Unverifiable, unsupported estimates will not be accepted -- effective date of the register attached is not shown or given.

* Sec. 2. (Page 1, Line 27) AS 29.060 is amended to add a new section called ARTICLE 6. SHARED FISHERIES BUSINESS TAXES.

Sec. 29.60.450 FISHERIES BUSINESS TAX ALLOCATION. (a) A municipality is eligible for a fisheries business tax allocation if the municipality demonstrates to the department that the municipality suffered significant effects from fisheries business activities during the base year.

The bill's intent is to provide revenue from the State's 100 tax receipt in the specific commercial fisheries management areas where floater processors anchor outside a municipality's taxing authority. For example in 1987 the State received approximately \$9 million dollars in tax revenues collected from fish floating processors that process fish in specific commercial fisheries management areas outside any municipality's taxing authority. If this bill becomes law the revenues from such operations as located, as adjusted by population, would amount to about \$4.5 million for the year 1987. In 1987 the tax received by the State was about \$9,000,000. The law would change that whereby municipalities would receive approximately \$4,500,000. This amount is based upon the intent of this law to return to municipalities 1/2 of generated tax revenue from floater processors outside the taxing authority of municipalities that are located within fish management regions (areas) as listed in the bill.

File Item #2, the Offshore Fisheries Business Tax Revenue Sharing Pilot Project regarding tax allocation provides a list of cities that have applied for fish business tax revenue. Some of the cities that could have applied did not apply. For what reason, the Reviewer does not know.

Timeliness of shared information between communities, the Revenue Department and the Department of Community and Regional Affairs may cause various kinds of delays in reporting and in funding revenue to the municipalities that are eligible to receive tax revenue.

Note: A memo from Legislative Affairs Agency, Legal Services, of 2/20/88 provides additional insight into SSHB 314. See File Item #3.

ALEUTIANS EAST BOROUGH

SERVING THE COMMUNITIES OF

■ KING COVE ■ SAND POINT ■ AKUTAN ■ COLD BAY ■ FALSE PASS ■ NELSON LAGCOON

March 14, 1988

The Honorable Adelheid Herrmann
Alaska State Representative
P.O. Box V
Juneau, Alaska 99811

RE: SS HB 314

Dear Representative Adelheid:

The City of King Cove supports the adoption of SS HB 314, an act relating to the allocation of fisheries business taxes to municipalities. The bill establishes a concrete program which the State can use to share taxes collected from the offshore processing industry with affected municipalities. King Cove directly benefited from the State's FY 87 pilot program on these taxes, and would like to continue receiving revenues from this source. The City uses the revenues to help pay the increased costs the City incurred to provide additional public services needed to mitigate the negative impacts from offshore fishing industry activities.

The City also advocates adopting a suggested change to use fish management regions, rather than areas, to determine the amount of monies each affected municipality receives. Implementation of the pilot program unearthed gross inequities in impact monies respective communities received when fish management areas were used to determine each municipality's share. The use of management regions should mostly correct this problem and provide a better and fairer system for determining the amount of monies a community will receive for the amount of impact experienced.

The City supports the institutionalization of the fish tax pilot project that will occur through SS HB 314. We hope the bill is adopted and that the legislature also allocates the revenues needed to implement the program for FY 89.

Sincerely,

Wayne Marshall

Wayne Marshall
City Manager
King Cove
1007 W. 3rd, Suite 201
Anchorage, Alaska 99501
274-7555

Robert S. Juettner

Robert S. Juettner
City Administrator
Sand Point

Lamar Cotten

Lamar Cotten
Borough Administrator
Aleutians East Borough



**SOUTHWEST ALASKA
MUNICIPAL CONFERENCE**

Box 89 • Unalaska • Alaska 99685

RESOLUTION 87-15

A RESOLUTION OF THE SOUTHWEST ALASKA MUNICIPAL CONFERENCE
REGARDING THE STATE OF RAW FISH TAX PILOT PROGRAM.

WHEREAS, the sharing of state raw fish taxes with municipalities where the revenues were generated is important to the economic well being of those municipalities, and

WHEREAS, the state legislature changed the distribution schedule for these monies with the understanding that there would be no loss of income to affected municipalities, and

WHEREAS, the state has instituted a "pilot program" to distribute a portion of the revenues collected outside the municipalities to respective municipalities, and

WHEREAS, the coastal communities are rightful recipients of a percentage of these funds because of impacts caused by the offshore processors, now

THEREFORE, BE IT RESOLVED that the Southwest Alaska Municipal Conference supports the establishment of an on-going program and the allocation of State fish tax funds collected from offshore processors to coastal communities.

APPROVED AND ADOPTED this 1st day of March, 1987.



Paul Fung, President



CITY OF DILLINGHAM

P.O. Box 889
Dillingham, Alaska 99576

CITY HALL	(907) 842-5211
FIRE RESCUE	(907) 842-2288
PLANNING	(907) 842-5203
PUBLIC WORKS	(907) 842-5148

December 8, 1987

The Honorable Fred Zharoff
Alaska State Senate
P.O. Box 405
Kodiak, Ak 99615

Dear Senator Zharoff:

The City of Dillingham greatly appreciates your past efforts to secure passage of legislation which would share raw fish taxes collected from floating processors with municipal governments. In particular, your past efforts to secure funding for the pilot project are especially appreciated.

The city is again requesting your assistance on the raw fish tax issue for the upcoming legislative session. We request that you introduce a Senate version of H.B. 314. Your sponsorship of a Senate companion bill to H.B. 314 would give the city, and other coastal communities throughout Alaska, an opportunity to correct what we believe to be a policy inequity in the present law. We believe it is sound public policy to share all raw fish taxes with local governments, not just some of the taxes.

As you will recall, during last session's discussions of the Dillingham annexation question, there was considerable support expressed by members of the Senate Committees which held hearings on the issue to "fix" the raw fish tax issue. Therefore, we believe it is logical to introduce a Senate version of H.B. 314 in light of the sentiments expressed by those Committee Members.

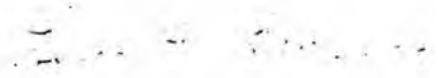
We hope that you will use your influence as a member of the Senate Finance Committee, and as a member of the Senate leadership, to move a bill through the Senate during the 1988 legislative session. As it appears that local governments will be facing larger and larger cut-backs in state funding for such programs as municipal assistance, revenue sharing and local school debt reimbursement, it is imperative that logical, new sources of revenue--such as raw fish taxes from the float-

Senator Fred Zharoff
October 30, 1987
Page two

ers--be found to share with local government. Without this assistance, many local governments may face the equivalent of bankruptcy. That is why passage of raw fish tax legislation is so critically important.

If there is anything which the city can do to assist you in your efforts to secure passage of this legislation, please do not hesitate to contact us. Passage of raw fish tax legislation is the city's top legislative priority. Therefore, we are willing to follow any suggestions which you may have that would enhance the legislation's chances of passage.

Sincerely,


Leon C. Braswell
Mayor

STATE OF ALASKA

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

MUNICIPAL & REGIONAL ASSISTANCE DIVISION

STEVE COWPER, GOVERNOR

- P O BOX 8H
JUNEAU, ALASKA 99811-2110
PHONE: (907) 465-4750
- 949 E. 35TH AVENUE, SUITE 400
ANCHORAGE, ALASKA 99508-4302
PHONE: (907) 561-3586
- P O BOX 348
BETHEL, ALASKA 99559-0348
PHONE: (907) 543-3475
- P O BOX 41
NOME, ALASKA 99752-0041
PHONE: (907) 442-5457
- P O BOX 280
KOTZEBUE, ALASKA 99752-0280
PHONE: (907) 442-3675
- 1514 CUSHMAN STREET, ROOM 210
FAIRBANKS, ALASKA 99701-6288
PHONE: (907) 452-7128
- P O BOX 12041
SILLINGHAM, ALASKA 99576-0041
PHONE: (907) 842-2245

March 10, 1987

Dear Municipal Official:

The Offshore Fisheries Business Tax Revenue Sharing Pilot Project was funded by the Alaska State Legislature pursuant to special legislative intent in chapter 98, SLA 1985. The purpose of the project is to develop an equitable means of distributing funds to municipalities to mitigate impacts from the offshore fish processing industry.

Municipalities currently receive a share of state revenues generated by fish processors operating within municipal boundaries. However, there is no direct sharing of revenues from offshore floating processors outside of municipal boundaries even though such processors may still have impacts of a transient but substantial nature on the municipality. This project grew out of a desire to devise a program to equitably share a portion of those unshared revenues with communities impacted by offshore processors.

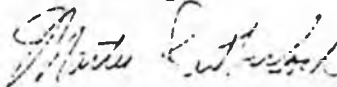
The project has been developed over the past year by the Department of Community and Regional Affairs with input from municipalities through questionnaires and workshops, from legislators, state agencies and other interested persons. The amount to be distributed under the pilot project is \$451,000, based on the unobligated and unexpended portion appropriation to the current fish tax revenue sharing program. The general approach taken is that of a formula distribution to impacted municipalities, with allocations based upon the location of the municipality within a specific commercial fisheries management area, the amount of fisheries production within that area compared to statewide production, and the population increase of the municipality compared to that of other municipalities within the area during fishing season. The regulations governing this program are enclosed.

Municipal Official
March 10, 1987
Page Two

If you wish to participate in the project, please fill out the enclosed application completely and submit it to our Juneau office postmarked by April 15, 1987.

Please note that this is a pilot project. Based upon the information gained through this pilot project, there may be legislation introduced to continue the program. However, your cooperation is needed. If you have any additional comments on this project, please let us know.

Sincerely,



Marty Rutherford
Director

6 24 SSB 314

- P.O. BOX B
JUNEAU, ALASKA 99811-2100
PHONE: (907) 465-4700
- 949 E. 36TH AVENUE, SUITE 400
ANCHORAGE, ALASKA 99508-4302
PHONE: (907) 563-1073

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER

March 21, 1988

POSITION PAPER

RE: Second Sponsor Substitute House Bill 314

SPONSOR: Representative Herrmann

Program Effects of Bill:

This bill establishes a formula based program for the distribution of a portion of raw fish tax revenues from floating processors to municipalities affected by the fishing industry.

Comments:

This formula is based on a pilot project conducted by this department pursuant to intent language in the FY 1986 operating budget appropriations bill to set up a program for mitigation of effects on municipalities from offshore fish processors. The approach of the formula is to make allocations based on the following factors:

- the location of the impacted municipality within fisheries management areas of the state;
- the relative proportion of commercial fisheries production from floating processors within the area to statewide production; and
- the population of the municipality.

The pilot project utilized commercial fisheries management areas, on the theory that the magnitude of production within those areas would most accurately reflect the magnitude of effects on municipalities. However, a problem that arose in use of the areas was the inability to compensate for effects across management area boundaries. The pilot project also utilized population increases (within the municipality) due to the offshore fish processing industry, rather than municipal population, on the assumption that such an increase was a better indicator of impact than the resident population. However, in practice, it was virtually impossible for municipalities to estimate this population increase with any degree of accuracy. The formula, by requiring a municipality to show "substantial effects" in order to participate in the program, and by allocating funds on the basis of the management

⑦ 2d SSHB 314

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER

March 21, 1988

- P.O. BOX B
JUNEAU, ALASKA 99811-2100
PHONE: (907) 465-4700
- 949 E. 36TH AVENUE, SUITE 400
ANCHORAGE, ALASKA 99508-4302
PHONE: (907) 563-1073

POSITION PAPER

RE: Senate Bill 454 (2d SS HB 314 counter part)

SPONSOR: Senator Zharoff

Program Effects of Bill:

This bill establishes a formula based program for the distribution of a portion of raw fish tax revenues from floating processors to municipalities affected by the fishing industry.

Comments:

This formula is based on a pilot project conducted by this department pursuant to intent language in the FY 1986 operating budget appropriations bill to set up a program for mitigation of effects on municipalities from offshore fish processors. The approach of the formula is to make allocations based on the following factors:

- the location of the impacted municipality within fisheries regions of the state;
- the relative proportion of commercial fisheries production from floating processors within the region to statewide production; and
- the population of the municipality.

The pilot project utilized commercial fisheries management areas, which are smaller units than the regions utilized in this bill, on the theory that the magnitude of production within those areas would more accurately reflect the magnitude of effects on municipalities. However, a problem that arose in use of the areas was the inability to compensate for effects across management area boundaries. The pilot project also utilized population increases (within the municipality) due to the offshore fish processing industry, rather than municipal population, on the assumption that such an increase was a better indicator of impact than the resident population. However, in practice, it was virtually impossible for municipalities to estimate this population increase with any

STATE OF ALASKA
THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY
LEGISLATIVE REFERENCE LIBRARY

POUCHET STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-3800

May, 1988

Copies of minutes listed below were originally included in this file. The minutes are available on the STAIRS database CMPR. In order to save space copies of minutes have not been left in the files.

Mary Van Nimwegen

House C+RA 3-21-88 3:00p.m.

CORRECTION

**THIS DOCUMENT
HAS BEEN REPHOTOGRAPHED
TO ASSURE LEGIBILITY**

⑥ 20 SSHB 314

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER

March 21, 1988

- P.O. BOX B
JUNEAU, ALASKA 99811-2100
PHONE: (907) 465-4700
- 949 E. 36TH AVENUE, SUITE 400
ANCHORAGE, ALASKA 99508-4302
PHONE: (907) 563-1073

POSITION PAPER

RE: Second Sponsor Substitute House Bill 314

SPONSOR: Representative Herrmann

Program Effects of Bill:

This bill establishes a formula based program for the distribution of a portion of raw fish tax revenues from floating processors to municipalities affected by the fishing industry.

Comments:

This formula is based on a pilot project conducted by this department pursuant to intent language in the FY 1986 operating budget appropriations bill to set up a program for mitigation of effects on municipalities from offshore fish processors. The approach of the formula is to make allocations based on the following factors:

- the location of the impacted municipality within fisheries management areas of the state;
- the relative proportion of commercial fisheries production from floating processors within the area to statewide production; and
- the population of the municipality.

The pilot project utilized commercial fisheries management areas, on the theory that the magnitude of production within those areas would most accurately reflect the magnitude of effects on municipalities. However, a problem that arose in use of the areas was the inability to compensate for effects across management area boundaries. The pilot project also utilized population increases (within the municipality) due to the offshore fish processing industry, rather than municipal population, on the assumption that such an increase was a better indicator of impact than the resident population. However, in practice, it was virtually impossible for municipalities to estimate this population increase with any degree of accuracy. The formula, by requiring a municipality to show "substantial effects" in order to participate in the program, and by allocating funds on the basis of the management

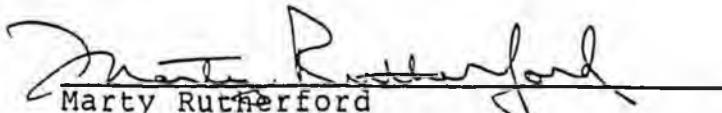
regions, establishes a reasonable relationship between impacts and funding level under the program. While the definition of "effect" is set out in the bill, there are no criteria for the determination of when such an effect would amount to a "substantial" one, leaving it to the department's discretion to determine.

The department is concerned that this bill would reduce the incentive for unincorporated coastal regions of the state to form boroughs.

The opportunity to increase local revenues is often a principal motivating factor in any proposal to form a new borough. State shared business fisheries taxes are particularly important to prospective new boroughs since they do not represent an increase in the tax burden by the proposed borough.

Under present law, state business fisheries taxes may be shared with a municipal government only to the extent that fish processing activities occur within the boundaries of that municipal government. In unincorporated regions of the state, where the potential for state shared fisheries tax revenues is significant, the prospect of these funds may be a substantial incentive to form a borough. However, under this bill it would not be necessary to form a borough in order to share in business fisheries taxes collected outside the boundaries of a municipality. Under full funding projections for this program, that incentive would seriously be eroded.

It could further be argued that the state already provides a mechanism to support local governments through the various "foundation" programs (state revenue sharing, municipal assistance, and education), as well as various shared tax programs. However, this program may be justified on the basis that it targets specific concerns of the state that are not addressed by other programs. This department is generally supportive of efforts to strengthen local governments, which this program would accomplish by providing funds for the mitigation of negative impacts from the off-shore fish processing industry. However, in view of the current revenue situation, the department is concerned about implementation of this legislation.


Marty Rutherford
Acting Deputy Commissioner

STEVE COWPER, GOVERNOR

⑦ 2d SS HB 314

- P.O. BOX 8
JUNEAU, ALASKA 99811-2100
PHONE: (907) 465-4700
- 949 E. 36TH AVENUE, SUITE 400
ANCHORAGE, ALASKA 99508-4302
PHONE: (907) 563-1073

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER

March 21, 1988

POSITION PAPER

RE: Senate Bill 454 (2d SS HB 314 counterpart)

SPONSOR: Senator Zharoff

Program Effects of Bill:

This bill establishes a formula based program for the distribution of a portion of raw fish tax revenues from floating processors to municipalities affected by the fishing industry.

Comments:

This formula is based on a pilot project conducted by this department pursuant to intent language in the FY 1986 operating budget appropriations bill to set up a program for mitigation of effects on municipalities from offshore fish processors. The approach of the formula is to make allocations based on the following factors:

- the location of the impacted municipality within fisheries regions of the state;
- the relative proportion of commercial fisheries production from floating processors within the region to statewide production; and
- the population of the municipality.

The pilot project utilized commercial fisheries management areas, which are smaller units than the regions utilized in this bill, on the theory that the magnitude of production within those areas would more accurately reflect the magnitude of effects on municipalities. However, a problem that arose in use of the areas was the inability to compensate for effects across management area boundaries. The pilot project also utilized population increases (within the municipality) due to the offshore fish processing industry, rather than municipal population, on the assumption that such an increase was a better indicator of impact than the resident population. However, in practice, it was virtually impossible for municipalities to estimate this population increase with any

degree of accuracy. The formula, by requiring a municipality to show "substantial effects" in order to participate in the program, and by allocating funds on the basis of the management regions, establishes a reasonable relationship between impacts and funding level under the program. While the definition of "effect" is set out in the bill, there are no criteria for the determination of when such an effect would amount to a "substantial" one, leaving it to the department's discretion to determine.

The department is concerned that this bill would reduce the incentive for unincorporated coastal regions of the state to form boroughs.

The opportunity to increase local revenues is often a principal motivating factor in any proposal to form a new borough. State shared business fisheries taxes are particularly important to prospective new boroughs since they do not represent an increase in the tax burden by the proposed borough.

Under present law, state business fisheries taxes may be shared with a municipal government only to the extent that fish processing activities occur within the boundaries of that municipal government. In unincorporated regions of the state, where the potential for state shared fisheries tax revenues is significant, the prospect of these funds may be a substantial incentive to form a borough. However, under this bill it would not be necessary to form a borough in order to share in business fisheries taxes collected outside the boundaries of a municipality. Under full funding projections, that incentive would seriously be eroded.

On the one hand, it could be argued that the state already provides a mechanism to support local governments through the various "foundation" programs (state revenue sharing, municipal assistance, and education), as well as various shared tax programs. However, this program may be justified on the basis that it targets specific concerns of the state that are not addressed by other programs. This department is generally supportive of efforts to strengthen local governments, which this program would accomplish by providing funds for the mitigation of negative impacts from the off-shore fish processing industry. However, in view of the current revenue situation, the department is concerned about implementation of this legislation.


Marty Rutherford
Acting Deputy Commissioner

STATE OF ALASKA
THE LEGISLATURE

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-3800

LEGISLATIVE AFFAIRS AGENCY
LEGISLATIVE REFERENCE LIBRARY

May, 1988

Copies of minutes listed below were originally included in this file. The minutes are available on the STAIRS database CMPR. In order to save space copies of minutes have not been left in the files.

Mary Van Nimwegen

House C+RA 3-21-88 3:00p.m.

(5)

HOUSE COMMITTEE REPORT

(8) 2dSSHB 317

Date referred: 3/15/88

FURTHER REFERRALS:

Resources
Finance

DATE: MAR 21 1988

The Community and Regional Affairs Committee has considered 2d SSB 314

"An Act relating to the allocation of fisheries business taxes to municipalities by the Department of Community and Regional Affairs; and providing for an effective date."

RECOMMENDS:

- replace with _____ the same title
- attached amendment(s) a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the _____ Committee

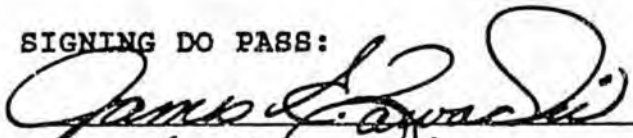

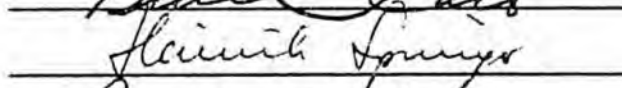
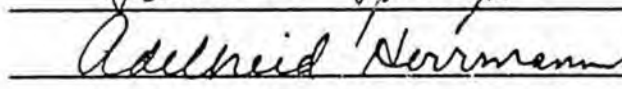
ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(S):

- fiscal impact same as previous fiscal note published _____
- zero fiscal note same as previous zero fiscal note published _____
- zero with analysis

SIGNING DO PASS:

SIGNING OTHER RECOMMENDATIONS:

	Zawocki	_____
	Cato	_____
	Springer	_____
	Herrmann	_____
_____		_____
_____		_____
_____		_____
_____		_____
_____		_____
_____		_____
_____		_____

Springer 
Chairman's signature

A PILOT PROJECT TO MITIGATE IMPACTS FROM THE
OFFSHORE FISH PROCESSING INDUSTRY

SS/HS 314

The Offshore Fisheries Business Tax Revenue Sharing Program is a pilot project funded by the Alaska State Legislature pursuant to special legislative intent in chapter 98, SLA 1985 at page 22, line 25 and administered by the Department of Community and Regional Affairs. The purpose of the project is to develop an equitable means of distributing funds to municipalities to mitigate impacts from the offshore fish processing industry.

Municipalities currently receive a share of state revenues generated by fish processors operating within municipal boundaries. However, there is no direct sharing of revenues from offshore floating processors outside of municipal boundaries even though such processors may still have impacts of a transient but substantial nature on the municipality. This project grew out of a desire to devise a program to equitably share a portion of those currently unshared fish tax revenues with communities impacted by offshore processors.

The project has been developed over the past year by the Department of Community and Regional Affairs with input from municipalities through questionnaires and workshops, from legislators and from other interested state agencies. The amount to be distributed has recently been determined by the Department of Revenue to be \$451,000. Proposed regulations are in draft form and will soon be subjected to formal public hearing before promulgation. Comments and criticisms are sought at this time to be incorporated in the formal final draft of the proposed regulations.

The general approach taken is that of a formula type of distribution to impacted municipalities, with allocations based upon the location of the municipality within a commercial fisheries management area and the population increase of the municipality during fishing season.

Once regulations have been adopted, applications will be sent out and processed and grants will be awarded. Based upon the results of this pilot project, a report will be submitted to the legislature, with the possibility of legislation being recommended for introduction.

Questions and comments on this project should be directed to Jim Plasman at 465-4707 or:

Jim Plasman
Department of Community and Regional Affairs
P.O. Box BH
Juneau, AK 99811

DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS
MUNICIPAL AND REGIONAL ASSISTANCE DIVISION
JUNEAU, ALASKA

STATE OF ALASKA

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

MUNICIPAL & REGIONAL ASSISTANCE DIVISION

STEVE COWPER, GOVERNOR

- P.O. BOX 8H
JUNEAU, ALASKA 99811-2110
PHONE: (907) 465-4750
- 949 E. 36TH AVENUE, SUITE 400
ANCHORAGE, ALASKA 99508-4302
PHONE: (907) 581-8586
- P.O. BOX 348
BETHEL, ALASKA 99559-0348
PHONE: (907) 543-3475
- P.O. BOX 41
HOME, ALASKA 99762-0041
PHONE: (907) 443-5457
- P.O. BOX 280
KOTZESUE, ALASKA 99752-0280
PHONE: (907) 442-3675
- 1514 CUSHMAN STREET, ROOM 210
FAIRBANKS, ALASKA 99701-8288
PHONE: (907) 452-7126
- P.O. BOX 10041
DILLINGHAM, ALASKA 99576-0041
PHONE: (907) 842-2245

March 10, 1987

Dear Municipal Official:

The Offshore Fisheries Business Tax Revenue Sharing Pilot Project was funded by the Alaska State Legislature pursuant to special legislative intent in chapter 98, SLA 1985. The purpose of the project is to develop an equitable means of distributing funds to municipalities to mitigate impacts from the offshore fish processing industry.

Municipalities currently receive a share of state revenues generated by fish processors operating within municipal boundaries. However, there is no direct sharing of revenues from offshore floating processors outside of municipal boundaries even though such processors may still have impacts of a transient but substantial nature on the municipality. This project grew out of a desire to devise a program to equitably share a portion of those unshared revenues with communities impacted by offshore processors.

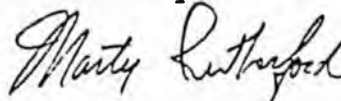
The project has been developed over the past year by the Department of Community and Regional Affairs with input from municipalities through questionnaires and workshops, from legislators, state agencies and other interested persons. The amount to be distributed under the pilot project is \$451,000, based on the unobligated and unexpended portion appropriation to the current fish tax revenue sharing program. The general approach taken is that of a formula distribution to impacted municipalities, with allocations based upon the location of the municipality within a specific commercial fisheries management area, the amount of fisheries production within that area compared to statewide production, and the population increase of the municipality compared to that of other municipalities within the area during fishing season. The regulations governing this program are enclosed.

Municipal Official
March 10, 1987
Page Two

If you wish to participate in the project, please fill out the enclosed application completely and submit it to our Juneau office postmarked by April 15, 1987.

Please note that this is a pilot project. Based upon the information gained through this pilot project, there may be legislation introduced to continue the program. However, your cooperation is needed. If you have any additional comments on this project, please let us know.

Sincerely,

A handwritten signature in cursive script that reads "Marty Rutherford".

Marty Rutherford
Director

APPLICATION FOR
THE OFFSHORE FISHERIES BUSINESS TAX REVENUE SHARING
PILOT PROJECT

State of Alaska
Steve Cowper, Governor

Department of Community and
Regional Affairs
David G. Hoffman, Commissioner

Municipal and Regional Assistance Division
Marty Rutherford, Director

APPLICATION INSTRUCTIONS

In order to participate in the Offshore Fisheries Business Tax Revenue Sharing Pilot Project, you must fill out this application and return it post marked by April 15, 1987 to:

Pilot Project
Department of Community and Regional Affairs
P.O. Box BH
Juneau, AK 99801

Although the regulations provide for a March 15 application deadline, they also provide that the Commissioner may extend the deadline for "good cause." Because of the short length of time that would be available to complete and submit the application based upon a March 15, the Commissioner has extended the deadline to April 15. Consequently, the entire process will be set back about a month so that determination letters will not be sent out until some time after mid-April, rather than on April 15 as set out in regulation. It is anticipated that payments will be sent out in June, after review of determinations by applicants, resolution of any appeals, and calculation of entitlements.

Please note that the year in which impacts must be experienced and from which population increase is to be measured is calendar year 1985. That is the most recent year for which required catch data is available.

An effort has been made to keep the application form and requirements simple. Apart from "significant impacts" and "population increase," the required items on the facing SUMMARY SHEET are self explanatory. Greater detail on those two questions is set out in the instructions facing page 2 and page 3.

Please note that a resolution certifying the "population increase" is required. A sample resolution form is enclosed for your convenience.

Funds received under this program are subject to single audit requirements contained at 2 AAC 45.010.

A copy of the pilot project regulations sent to the Attorney General for review and filing by the Lieutenant Governor is attached. Although the regulations will not become effective until 30 days after filing, in an effort to expedite the administrative process, applications have been distributed and will be processed to make payments as soon as possible after the effective date of the regulations.

If you have any questions, please call Paul Cunningham at 465-4750.

OFFSHORE FISHERIES BUSINESS TAX
REVENUE SHARING PILOT PROJECT

SUMMARY SHEET

1. Name of Municipality _____

2. Mailing Address _____

3. Telephone Number _____

4. Contact Person _____

5. Did your municipality experience "significant impacts" from the offshore commercial fishing industry in 1985? _____
(If yes, please complete page 2.) You must answer "yes" to be eligible to participate in the distribution of funds under this project.

6. What, if any, was the "population increase" reasonably related to the offshore fish processing industry of your municipality during a fishing season during 1985? _____
(Please complete page 3 documenting and describing the method used to determine population increase.)

7. ANSWER AFTER COMPLETING YOUR APPLICATION: Do you feel that the approach taken in this pilot project adequately addresses your concerns regarding the impact of the offshore fish processing industry on your community? _____ Why or why not?

8. CERTIFICATION AND ASSURANCES: To the best of my knowledge and belief, the information in this application is true and correct. The applicant agrees to comply with the laws and regulations under which this program and program funds are administered.

Signature of Mayor _____ DATE _____

INSTRUCTIONS FOR PAGE 2

In order to qualify to receive funds under this program, you must demonstrate that your community experienced significant impacts from the offshore fish processing industry in 1985. Your explanation should show 1) what the impact or impacts were, 2) that the impact(s) were "significant", and 3) that the impact(s) were related to the offshore fish processing industry. You may include photographic evidence, but it must be supported by an explanation of how the demonstrated impact is related to the offshore fish processing industry. You may attach additional information if needed. "Impacts" and "significant impacts" are defined at 19 AAC 33.070 of the enclosed regulations.

INSTRUCTIONS FOR PAGE 3

Your municipal population increase reasonably related to the offshore fish processing industry in 1985 is an element used to calculate your entitlement (see 19 AAC 33.030 and 19 AAC 33.040 of the enclosed regulations). It is intended to indicate the level of impact on your municipality during calendar year 1985 from the offshore fish processing industry. The persons included in this population increase may include transient people connected in any way with the offshore fish processing industry. The population increase is not an indicator of permanent residents, but rather an indicator of impact, representing a peak level of service demand, resulting from the offshore fish processing industry. It may be calculated by taking the highest level of persons within municipal boundaries at any time during a fishing season in 1985, less any non-fish processing related population increase, less the DCRA certified population for July 1, 1985 (used to calculate your FY 1986 State Revenue Sharing entitlement).

You may use any relevant statistics of population that can be documented. Some examples are: labor statistics, retail sales activity, water hook-ups, bulk fuel sales, electric consumption, motel/hotel rate of occupancy, employment data from the offshore fish processing industry, criminal or other public safety statistics, and so on. However, population increase due to tourism, construction activity not related to the offshore fish processing industry, onshore processing, and so on, must not be included in the population increase used to calculate your entitlement. As provided by regulation; "Unverifiable, unsupported estimates will not be accepted" (19 AAC 33.030.)

Population increase is defined in regulation at 19 AAC 33.070(h) (see enclosed regulations).

Paul Cunningham, our department demographic specialist in Juneau at 465-4750, is available to give you assistance in developing a method of estimation.

NOTE THAT YOU MAY STILL RECEIVE AN ENTITLEMENT IF YOU HAD NO POPULATION INCREASE OR ARE UNABLE TO REASONABLY CALCULATE THE SIZE OF THAT INCREASE. However, you will not receive funding under the per capita portion of the formula.