

ALASKA LEGISLATURE COMMITTEE FILES 1993-1994 8672

8022

HOUSE RESOURCES

# STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

WALTER J. HICKEL, GOVERNOR <sup>HW</sup>

400 WILLOUGHBY AVENUE,  
JUNEAU, ALASKA 99801-1796  
PHONE: (907) 465-2400  
FACSIMILE: (907) 586-2754

July 9, 1992

David L. Eighers, General Manager  
Chugach Electric Assn., Inc.  
5601 Minnesota Drive  
P.O. Box 196300  
Anchorage, Alaska 99519-6300

Dear Mr. Eighers:

Thank you for your letters of May 27 and June 15, 1992 to the Governor and me expressing concern regarding the impact of the State of Alaska's (State) decision to seek additional royalties derived from federal oil and gas leases located in the Beluga River gas field. Governor Hickel asked me to prepare a detailed response to your letter. I have discussed the issue with the Governor, and have given the matter a great deal of thought.

Your letter of May 27, 1992 asked that the Department of Natural Resources (DNR) withdraw an appeal filed with the federal government seeking to recover royalties due the State. These royalties are from federal leases located in the Beluga River gas field and indirectly affect Chugach Electric Association, Inc. (Chugach). The withdrawal of this appeal would not be in the best interest of the State. Essentially, the DNR believes that the federal government has ignored its own statutes and regulations to deprive the State of over \$5,198,883 in lost royalties and \$5,236,002 in interest.

Under the Minerals Leasing Act and the Alaska Statehood Act, the State is entitled to ninety percent of all royalties received from federal oil and gas leases in Alaska. The federal government, however, initially determines the amount of royalties due, collects the monies, and then forwards the State's share to the State. Under the applicable statutes and regulations, royalties are to be paid on the "value of production." Although Chugach believes that the production is valued according to the contract price received by a lessee on the sale of gas, this is not the law. The contract price sets a minimum value according to the statutes and regulations. Where the contract price is not a fair value, a reasonable value will be determined by looking to the median price paid by other purchasers of gas

David L. Highers

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July 9, 1992

in the same market area. In other words, just because the lessees elected to enter into long term contracts at a low price should not deprive the federal government and the State of its right to receive a fair royalty for its gas. The Beluga River lessees elected to sell their gas to Chugach for \$21 per Mcf while the median price in the area was higher. Chugach is mistaken in the assumption that \$2.25 per Mcf is the highest price paid. The highest price paid during the time frame studied in the majority price analysis is over \$3.57 per Mcf. In addition, month by month, most median values claimed by the State are well below the alleged \$2.26 per Mcf as stated in your letter.

In 1985, the federal government considered this same issue involving other federal oil and gas leases in the Kenai field where gas was being sold at a low price pursuant to a long term contract. The federal government determined that the contract price was not a fair value for royalty purposes and required that royalty be paid on the median price. The State received substantial additional royalties as a result of that audit.

Ignoring its own precedent, statutes, and regulations, the federal government has arbitrarily determined that the contract price constitutes a reasonable value for Beluga River gas. The state appealed this determination. The DNR has supplied supporting information for its royalty valuation position and the federal government is currently reviewing the appeal.

The State's position should be no surprise to the lessees and Chugach. The State's position is the same position it took in 1985 in the Kenai gas matter. Moreover, both Chugach and the lessees were aware at the time that they entered into their contract that the "reasonable value" could be different than the contract price since their contract contains a "pass through" provision to deal with this eventuality.

It is my obligation to ensure that the State receives fair value for its mineral interests. The State believes that the federal government has not used a "fair value" upon which to base the royalty payments for these federal leases. If I were to have the State withdraw its decision to seek fair royalty valuation through the legal appeal process when it held this belief in good faith, I would be neglecting my duties.

Although I share your concern that southcentral Alaskans may have to pay higher electric rates in the short term if the State prevails, the benefits of the State's royalties belong equally to all citizens of the state. I cannot favor one group over another. The legislature and the administration share the responsibility to determine how the revenues from the State's mineral resources are allocated and

David L. Highers

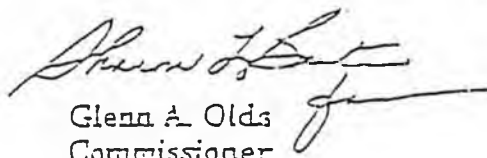
- 3 -

July 9, 1992

spent as part of a public process and review. Thank you for sharing your views and concerns.

I realize that this will not be a popular decision with southcentral and interior power users and that it will place an additional burden on Chugach Electric. In the past, Chugach and the State have been able to successfully resolve their differences concerning Beluga River gas royalties. I hope that spirit of cooperation can be continued.

Sincerely,



Glenn A. Olds  
Commissioner

WALTER J. HICKEL, GOVERNOR

## DEPT. OF NATURAL RESOURCES

P.O. BOX 107034  
ANCHORAGE, ALASKA 99510-7034  
PHONE (907) 762-2553

## DIVISION OF OIL AND GAS

October 8, 1992

Mike Carey, Editor  
Anchorage Daily News  
P.O. Box 149001  
Anchorage, Ak. 99514

Post-It™ brand fax transmittal memo, 7671		# of pages	2
To	Walter Hickel	From	Jim Brown
Co.	Oil & Gas	Phone	
Dept.		Fax	

Dear Mr. Carey:

I would appreciate the opportunity to respond to a recent series of advertisements in the Anchorage Daily News pertaining to Chugach Electric's potential payment of additional royalties on gas produced from federal oil and gas leases. I think it is important to clarify the Department of Natural Resources' position regarding the collection of royalty revenues and, at the same time, eliminate any misconceptions created by the Chugach advertisements.

It is the duty of the Department of Natural Resources to collect gas royalties due all Alaskans - not just for those living in Anchorage. The benefits of the State's royalties, whether those royalties come from state leases or from the state's share of federal lease revenues, belong equally to all citizens of the State. It is for that reason that, under state law, revenues collected by the department are deposited in the Permanent Fund, the General Fund and the School Fund.

Alaska receives 90 percent of the royalties paid to the federal government by lessees of federal leases within the state. It is the department's belief that the lessees from whom Chugach purchased its gas underpaid their federal royalties during the period of 1984 to 1987. Under the applicable federal statutes and regulations, royalties are to be paid on the "value of production." Chugach, under its gas contract with the lessees, agreed to reimburse the lessees for any additional royalty the lessees owe. This fact in itself suggests that both Chugach and the lessees were aware of their potential exposure to additional royalty payments. Although Chugach believes that the gas it purchased should be valued according to the contract price it paid the lessee, this is not the law. The contract price sets a minimum value according to the statutes and regulations.

Where the contract price is not a fair value, federal law and regulation provide that a reasonable value will be determined by looking to the median price paid by other purchasers of gas in the same market area. In other words, the fact that the lessees and

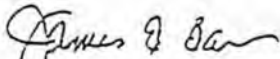
Mike Carey, Editor  
Anchorage Daily News  
October 8, 1992  
Page 2

Chugach elected to enter into long term contracts at a low price should not deprive the royalty owners--in this case, all Alaskans-- of their right to receive a fair royalty.

Contrary to Chugach's claims, Enstar Natural Gas Company and Municipal Light and Power are not involved in this royalty dispute, and will not "be in line for an additional royalty surcharge." Nor is the department asking Chugach to pay royalties which are up to 17 times higher than the Seluqa royalties reported by the lessees. The department is asking the federal government to follow its own precedents, law and regulations to ensure that the state receives its fair share of their royalties.

While Chugach would urge us to turn a blind eye to the federal government's under collection of royalties in order to benefit Chugach's customers, we simply cannot. Under state law, our obligation is to ensure the collection of all oil and gas revenues for the benefit of those in Barrow and Ketchikan, as well as in Anchorage. Any subsequent decision to subsidize one area's utility costs relative to others is the responsibility of the legislature.

Sincerely,



James E. Eason  
Director  
Alaska Division of Oil and Gas



# CHUGACH ELECTRIC ASSOCIATION, INC.

January 25, 1993

Representative Bill Williams  
Alaska State Legislature  
Capitol Room 128  
State Capitol  
Juneau, AK 99801-1182

Dear Representative Williams:

Chugach is seeking to introduce legislation that will help resolve a royalty dispute that we are involved in with the Department of Natural Resources (DNR) concerning the valuation of federal royalties for natural gas that Chugach purchased at the Beluga River field. Chugach thought that this issue had been resolved in 1986 when legislation (AS 38.05.180(aa)) was passed. That legislation provided legislative guidance to DNR in valuing royalties for gas and electric utilities. Unfortunately, the current DNR administration has chosen to interpret the statute verbatim and is now disregarding the legislative intent that was behind the law. In so doing, the current DNR administration has flip-flopped the agency's position and is now apparently in disagreement with the intent behind the legislation that it fully supported in 1986.

If DNR prevails in its pursuit of increasing federal royalties for Beluga gas for prior years (1984-1992), electric rate-payers from Homer to Fairbanks will be asked to pay more than \$21 million dollars in additional royalties. At issue today are the federal royalties for the years 1984-87 totaling \$12.4 million. However, if DNR applies the same logic to future years (1988-1992), Chugach rate-payers would be liable for an additional \$9 million. Chugach, which is a member-owned cooperative, will have no choice but to pass these additional costs on to our ratepayers (roughly two-thirds of the states population) through some type of rate surcharge. Unfortunately, today's customers would be forced to pay additional royalty payments for inexpensive natural gas that they may not have been here to use. This is not reasonable, and Chugach firmly believes that by making royalty demands that they know will simply be passed on to the consumers that the agency is actually trying to impose a tax on the Alaska public without any notice to them, and without the legislature's involvement.

Representative Bill Williams  
January 25, 1993  
Page Two

I have enclosed copies of the "white paper" that details the issue which we have prepared for you and your staff to review. The thin document contains the history of the issue, rate impacts to the railbelt for the 1984-87 time period, a draft bill that would resolve the problem and a section by section analysis of the bill. The thicker document is merely a compilation of the attachments to the white paper which provides back-up information on the issue.

We have already approached several legislators who have expressed an interest in this issue and we hope to have a bill sponsored in the very near future. I hope you can join us in supporting the legislation. Please feel free to contact Dan Bloomer, my Executive Staff Assistant, at 762-4595 if you need any additional information.

Sincerely,

A handwritten signature in cursive script, appearing to read "David L. Highers". The signature is written in dark ink and is positioned above the typed name and title.

David L. Highers  
General Manager

Enclosures



## Homer Electric Association, Inc.

CORPORATE OFFICE  
3977 Lake Street  
Homer, Alaska 99603 7680  
Phone (907) 235-8167  
FAX (907) 235-3313

Central Peninsula Service Center  
200 Airport Way  
Anchorage, Alaska 99511-5280  
Phone (907) 283-5851  
FAX (907) 283-7192

February 18, 1993

William K. Williams, Chairman  
House Resources Committee  
Alaska State House of Representatives  
PO Box V  
Juneau, AK 99811

Dear Chairman Williams:

RE: HB 116, STATE SHARE OF FEDERAL GAS ROYALTIES

Homer Electric Association serves over 18,000 consumers on the Kenai Peninsula. Most of the power that was previously used and the power that is currently used is supplied by gas-fired turbines.

HB 116 will stop the Department of Natural Resources' attempt to collect its gas royalties on gas previously used and would eliminate future collection attempts via repricing gas and assessments of royalties. This will guarantee that HEA consumers will not be unfairly assessed for gas royalties in the future.

On behalf of HEA, I ask that your committee favorably report HB 116.

Sincerely,

HOMER ELECTRIC ASSOCIATION, INC.

*N L Story*  
N. L. Story  
General Manager

NLS\HRC.ltr/lwb

cc: Representative Mark Hanley  
Representative Gail Phillips  
Representative Mike Navarre  
Representative Ron Larson  
Representative Parnell  
Representative Joe Green  
Dave Highers, CEA  
Dave Hutchens, ARECA  
HEA Board of Directors  
NLS-rf H/K



HOUSE RESOURCES COMMITTEE

DATE: 2-19-93

PLACE: Capitol, Room 124

SUBJECT OF MEETING:  
 CFEC Commissioner Twanley Confirmation Hrg.  
 HB 116 State Share of Fed Gas Royalties

NAME	REPRESENTING	BUSINESS/PERSONAL MAILING ADDRESS	ZIP	(H) PHONE	(W) PHONE	DO YOU WANT TO TESTIFY?	WHAT SUBJECT/ WHICH BILL?
Jon Tillinghast	Chugach Electric	One Sealaska Place Suite 301, Juneau AK	99801			(Y) N	HB 116
						Y N	
						Y N	
						Y N	
						Y N	
						Y N	
						Y N	
						Y N	
						Y N	
						Y N	



HOUSE RESOURCES COMMITTEE

DATE: Feb 24 1993

PLACE: Capitol, Room 124

SUBJECT OF MEETING:  
 HB 33  
 HB 116

NAME	REPRESENTING	BUSINESS/PERSONAL MAILING ADDRESS	ZIP	(H) PHONE	(W) PHONE	DO YOU WANT TO TESTIFY?	WHAT SUBJECT/ WHICH BILL?
Ray Gillespie	Agriculture Ass'n	9478 Riverbend Ct Juneau	99801	784-3546	462-3375	Y N	HB 133
Paul Dick	Resources			5-3691		Y N	
						Y N	
						Y N	
						Y N	
						Y N	
						Y N	
						Y N	
						Y N	
						Y N	

**HB**

**1 2 3**



Letter of Intent for HB123  
Adopted by Special Committee on Fisheries

March 3, 1993

LETTER OF INTENT

HB 123, "An Act relating to the purchase of quota shares for fisheries in or off Alaska."

It is the intent of the Alaska State Legislature that the Commercial Fisheries and Agricultural Bank (C-FAB), within its existing authority under AS 44.81.210, make financing available for the purchase of quota shares for fisheries in or off Alaska.

adopted 3-3-93

FISCAL NOTE

STATE OF ALASKA  
1993 LEGISLATIVE SESSION

No. 1  
Bill Version: HB 123  
(H) Publish Date: 3/5/93

Revision Date: \_\_\_\_\_  
Title: Loans for IFNs

Department Affected: Commerce and Economic Development  
BRU: Investments

Sponsor: Representative Fran Ulmer, et al.  
Requestor: Special Committee of Fisheries

Component: \_\_\_\_\_

COMPONENT SERIAL NO. 0384

EXPENDITURES/REVENUES:

OPERATING	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
PERSONAL SERVICES	48.2	144.5	144.5	144.5	144.5	144.5
TRAVEL	2.0	6.0	6.0	6.0	6.0	6.0
CONTRACTUAL	11.3	33.9	33.9	33.9	33.9	33.9
SUPPLIES	1.5	1.5	1.5	1.5	1.5	1.5
EQUIPMENT	13.5	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	76.5	185.9	185.9	185.9	185.9	185.9

CAPITAL	0	0	0	0	0	0
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REVENUE FUND SOURCE:	0	0	0	0	0	0
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FUNDING:

1002 Federal Receipts	0	0	0	0	0	0
1003 GF Match	0	0	0	0	0	0
1004 GF	0	0	0	0	0	0
1005 GF/Program Receipts	0	0	0	0	0	0
1006 GF/MHTIA	0	0	0	0	0	0
OTHER C/F LOAN <sup>1036</sup>	76.5	185.9	185.9	185.9	185.9	185.9
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	3	3	3	3	3	3
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

Estimate of current year (FY 93) impact: 0

ANALYSIS: (Attach a separate page if necessary.)  
See attached.

Prepared by: Martin J. Richard  
Division: Investments

Phone: 465-2510  
Date: 2/5/93

Approved by Commissioner: Paul Fuhs  
Agency: Commerce and Economic Development

Date: 2-8-93

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FISCAL NOTE

No. 1  
 Bill Version: HB 123  
 (H) Publish Date: 3/5/93

STATE OF ALASKA  
 1993 LEGISLATIVE SESSION

Revision Date: \_\_\_\_\_  
 Title: Loans for IFQs

Department Affected: Commerce and Economic Development  
 BRU: Investments

Sponsor: Representative Fran Ulmer, et al.  
 Requestor: Special Committee of Fisheries

Component: \_\_\_\_\_  
 COMPONENT SERIAL NO. 0384

EXPENDITURES/REVENUES:

OPERATING	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
PERSONAL SERVICES	48.2	144.5	144.5	144.5	144.5	144.5
TRAVEL	2.0	6.0	6.0	6.0	6.0	6.0
CONTRACTUAL	11.3	33.9	33.9	33.9	33.9	33.9
SUPPLIES	1.5	1.5	1.5	1.5	1.5	1.5
EQUIPMENT	13.5	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	76.5	185.9	185.9	185.9	185.9	185.9

CAPITA'	0	0	0	0	0	0
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REVENUE FUND SOURCE:	0	0	0	0	0	0
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FUNDING:

1002 Federal Receipts	0	0	0	0	0	0
1003 GF Match	0	0	0	0	0	0
1004 GF	0	0	0	0	0	0
1005 GF/Program Receipts	0	0	0	0	0	0
1006 GF-MHTIA	0	0	0	0	0	0
OTHER C/F LOAN 1036	76.5	185.9	185.9	185.9	185.9	185.9
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	3	3	3	3	3	3
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

Estimate of current year (FY 93) impact: 0

ANALYSIS: (Attach a separate page if necessary.)  
 See attached.

Prepared by: Martin J. Richard  
 Division: Investments

Phone: 465-2510  
 Date: 2/5/93

Approved by Commissioner: Paul Fuhs  
 Agency: Commerce and Economic Development

Date: 2-8-93

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## FISCAL NOTE

STATE OF ALASKA  
1993 LEGISLATIVE SESSION

BILL NO. HB 123  
NO. 1

ANALYSIS: (continued)

This fiscal note assumes that the IFQ program will go into effect on March 1, 1994 as estimated by the United States Department of Commerce. The operating expenses for FY 94 have been adjusted accordingly.

### PERSONAL SERVICES

The passage of HB 123 will require the addition of two Loan Examiner II positions and a Loan Closer I position. The loan examiners will process loan requests generated as a result of this legislation. They will also handle inquiries, outreach, loan extensions and other collection activity associated with these loans. The loan closer will develop the documentation used to complete loans processed by the loan examiners and will obtain signatures, record collateral documents and disburse loan proceeds.

### TRAVEL

It is estimated that loan examiners will make an average of six outreach trips to rural Alaska each year, at an average cost of \$1.0 per trip. In FY 94 a total of two trips are anticipated.

### CONTRACTUAL

The office space rental for three additional employees is estimated at \$8.9 per year. In addition, the Department anticipates spending an additional \$25.0 per year on outside contractors to help in its outreach efforts in rural communities throughout the State.

### SUPPLIES

The Department estimates \$1.5 per year to cover costs of miscellaneous office supplies and printing of application packages and brochures.

### EQUIPMENT

The Department estimates a one-time cost of \$13.5 to cover the costs of office furniture and computer equipment for three new employees.



## The ABCs of IFQs

Representative Fran Ulmer introduces a new loan program to help Alaska fishermen

by  
Representative Fran Ulmer

A revolution is on the way for Alaska's coastal communities. After 10 years of debate in the fishing industry, the U.S. Secretary of Commerce recently approved Individual Fishery Quotas (IFQs) for the halibut and black cod fisheries in Alaska. If all goes as planned, by mid-1994 these fisheries will no longer be open to all those who want to wet a line. Instead, a new permit system will reserve catch quotas for individual fishermen who qualify for an IFQ. Gone will be the 24 hour openings, replaced by a season which may last from March through November. The new system is promoted as a solution to dangerous conditions created by derby style fishing, but critics charge that the new system will be the end of the small, independent Alaska fisherman.

Whether you think the new system will help or hurt Alaska fishermen, the reality is that a change is coming. We must do everything we can to help Alaskans retain their livelihoods in the fishing industry and to support our coastal communities. One of the best ways of doing that is by providing access to capital. That's why I recently introduced **HB 123** which provides financing for the purchase of IFQs. This legislation authorizes loans of up to \$300,000 for IFQs to Alaska residents who have actively participated in the fishery during three of the last five years. The state currently finances the purchase of limited entry permits through a revolving loan fund with loans of up to \$300,000. New legislation is required to expand the loan program to include IFQs. HB 123 does that and provides an essential tool to accomplish the goal of keeping permits in the hands of Alaskans.

### How it works

The new IFQ system is designed to benefit active fishermen by allocating a quota based on an individual's actual record of past landings. When the system starts, only vessel owners and leaseholders will receive an IFQ; crew members will be given preference in acquiring their own IFQ in the future. A quota will be based on the individual fisherman's actual percentage of the total catch in a particular area during five of the last 7 years. That percentage will then be applied, on an annual basis, to the total allowable catch for the individual's region in order to determine the exact number of pounds he can harvest. To ensure maximum participation in the fishery, no one will be allowed to harvest more than 1% of the black cod resource in an area, and no more than .5% of the halibut resource.

### How do Alaskans fare?

In 1994, approximately 5500 halibut fishermen and 1100 black cod fishermen will be given IFQs by the federal government free of charge. Those who receive an IFQ may sell or lease all or a portion of their quota to another and the price of those transactions will be set by the market, based on the value of the resource and the fishery at the time of purchase. Experience has shown that the right to harvest these resources can be extremely valuable and the price for IFQs may be very high.

Although the new system is designed to preserve and increase Alaska's presence in these fisheries, many fear that IFQs will migrate into the pockets of well-financed, non-resident vessel owners and that Alaska fishermen will lose out. The cap on the percentage of the fishery resource any one person may own or lease, and the restriction prohibiting IFQs from being transferred between vessel classes, are efforts to ensure that halibut and black cod continue to be fished by a broad spectrum of Alaska fishermen. However, the only real certainty in the new equation is that a resource which was free to all will now be available only by permit, and for a price.

It is essential that Alaskans keep as many of these permits as possible so that the economy of our coastal communities will not be deprived of the wealth of this fishery resource. HB 123 and the financing it provides to Alaskans will help assure this continuing economic benefit to our residents.

# STATE OF ALASKA

## DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT

### DIVISION OF INVESTMENTS

WALTER J. HICKEL, GOVERNOR

P.O. BOX 34159  
3032 VINTAGE BLVD.  
JUNEAU, ALASKA 99803-4159  
PHONE: (907) 790-2693  
FAX: (907) 790-2781

February 2, 1993

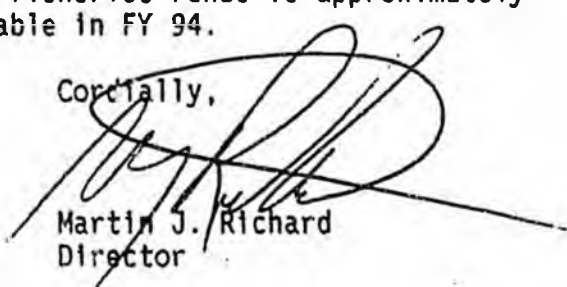
Honorable Fran Ulmer  
Attention Margaret Pugh  
House of Representatives  
State Capitol  
Juneau, AK 99801-1182

Dear Representative Ulmer:

We are projecting excess funds available for appropriation from the Commercial Fishing Revolving Loan Fund to the General Fund in the amount of \$5,002,800 in FY 94 (HB 55, Section 20, January 15, 1993). The Governor has requested a General Fund appropriation to the Fisheries Enhancement Revolving Loan Fund in the amount of \$2,068,200 (HB 55, Section 29, January 15, 1993).

The net effect for these two fisheries funds is approximately three million dollars, available in FY 94.

Cordially,



Martin J. Richard  
Director

cc: Paul Fuhs  
Commissioner

**DEPARTMENT OF FISH AND GAME  
POSITION PAPER**

**Bill No:** HB 123  
**Sponsor:** Representative Ulmer  
**Division:** Division of Commercial Fisheries  
**Bill Title:** "An act relating to loans for the purchase of individual fishery quota shares."  
**Department Position:** Support

This legislation would extend the state's existing loan program for limited entry permits, vessels, and fishing gear to include loans for the purchase of individual fishery quota shares (IFQs). The harvesting sector of the seafood industry has the highest percentage of resident participation in the industry. Approximately 80% of the permits are owned by Alaskans. The state loan program has been a successful tool contributing to the high percentage of existing permits in the hands of Alaskans.

The new IFQ program will be administered by the federal government. Regulations governing the new program were recently adopted by the U.S. Secretary of Commerce. There is a great deal of concern on the part of Alaskans that these IFQs will be bought up by non-Alaskan interests, thus reducing the opportunities for Alaskans to harvest these resources occurring off the state's coastline.

While this program is authorized in Title 16, the fish and game statutes, the program is administered by the Department of Commerce and Economic Development.

There is no fiscal impact on the Department of Fish and Game from this legislation.

Commissioner's Signature

*Ben Amundson*  
jr

Date:

*7/12/93*

**HB 123: "An Act relating to loans for the purchase of individual fishery quota shares."**

HB 123 amends the Commercial Fishing loan program to allow Alaskan residents to finance the purchase of individual fishery quota shares. In order to be eligible, an applicant must:

1. have been a two-year resident;
2. have had a crew member or commercial fishing license for the year immediately preceding the date of application and any other two of the past five years;
3. have actively participated in the fishery for which the shares are issued during three of the last five years; and
4. qualify as a transferee under applicable law.

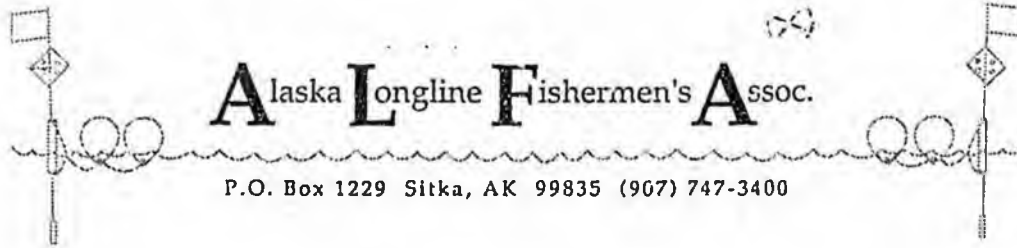
HB 123 also allows the department to prequalify applicants for the purchase of fishery quota shares. Under this portion of the program, an applicant can obtain a 60-day commitment to finance fishery quota shares prior to locating the specific shares to be purchased.

In addition, the bill establishes a limit of \$300,000 that a borrower can have outstanding at any point in time that was used to purchase fishery quota shares.

In keeping with the mission of the Commercial Fishing program, this legislation will assist Alaskans in their efforts to participate in the halibut and sablefish fisheries in Alaska.

  
Paul Fuhs, Commissioner

2-10-93  
Date



March 5, 1993

Representative Williams, Chair  
House Resource Committee  
Juneau, AK 99801-1182

Dear Representative Williams,

I am writing to express the support of the Alaska Longline Fishermen's Association (ALFA) for H.B. 123: a bill to provide funding to Alaska residents for the purchase of fishing quota shares.

Quotas share management offers an opportunity for Alaskans that the State can not afford to miss. By providing affordable loans, State financing will increase Alaskan participation in the fisheries of the Bering Sea and North Pacific. Increased participation by Alaskans will, in turn, ensure that the on-shore seafood processing industry, the seafood support industry, and the coastal communities as a whole continue to prosper, bringing revenue to the State both directly (through raw fish tax) and indirectly (through enhanced socioeconomic health). Financing the purchase of quotas shares can also be expected to provide a direct financial benefit to the State through interest payments.

Support for establishing a State quota share loan system is broad-based. Alaskans are committed to enhancing fishing opportunities for State residents. H.B. 123 is a vital step in that direction. Representative Ulmer has worked with the industry over the past month to ensure that the bill will accomplish the stated intent and directly benefit resident fishermen. ALFA members are satisfied with the Bill and are eager to see it moved quickly through the legislature. ALFA respectfully requests your support of H.B. 123 and asks that you expedite its passage through the House Resource Committee.

Thank you for your time and attention.

Sincerely,

*Linda Behnken*  
Linda Behnken  
(exec. director, ALFA)

# FISH FACTOR

Empire  
Feb. 14

By LAINE WELCH

FOR THE JUNEAU EMPIRE

**IFQ's and you:** Alaskan crewmembers who don't have a chance at acquiring quota shares for halibut and black cod could soon get an assist from the state. The individual fishing quota plan recently approved by federal managers limits initial allocations of shares only to eligible longline vessel owners. IFQ shares are determined according to specific catch histories in the fisheries, and may be bought or leased from owners not wanting to use them.

A bill introduced to the Legislature by Rep. Fran Ulmer, D-Juneau, would broaden the state's commercial fishing revolving loan program to include the purchase of IFQs. The loan program provides funds for the purchase of limited entry permits. House Bill 123 would authorize loans up to \$300,000 for the purchase of IFQs. The loans would not require an appropriation of additional money from the state, as there is an excess of \$3 million currently available in the limited entry revolving loan fund.

Ulmer said HB123 could provide a big boost to crewmembers who receive no allocations of halibut or black cod in the new IFQ program.

"Their only way in at this point is to be able to buy from someone who's been given IFQs by the Department of Commerce, and who does not wish to fish them. Only through a loan program like this might crewmembers have a chance of participating," Ulmer said.

HB123 is scheduled for a hearing Feb. 19 by the House Special Fisheries Committee chaired by Rep. Carl Moses, I-Unalaska. After passing through various other committees, it must make it through the full House and Senate before it becomes law. So far there has been no opposition to the bill, but Ulmer said that is no reason to become complacent.

"You can't every take this process for granted, so people who want to make this happen should definitely express their opinions of support," Ulmer said.

# Quotas OK'd for halibut, black cod

Empire  
1-31-91

By ROSANNE PAGANO

THE ASSOCIATED PRESS

**ANCHORAGE, Alaska** - The U.S. Commerce Department on Friday approved a commercial fishing reform that allocates quotas of Alaska black cod and halibut.

Final regulations may be in place in time for the widely disputed individual fishing quota system to go into effect next year, the National Oceanic and Atmospheric Administration said.

Fishermen will be allotted their share based on how long they have been active in the halibut or black cod fishery, and how much fish they have caught in previous seasons.

Regulators say the system, known as IFQ, will end derby-style fishing that attract hundreds of boats for 24-hour openings in spring and fall.

Opponents in some Alaska ports say quotas will edge out some smaller operators and crews, weakening the local economy.

Fishermen using fixed gear, including pot gear and hook-and-line gear, are targets of the new system, NOAA said.

Quotas restrict the halibut and black cod commercial catch in U.S. waters. Fisheries primarily are in Alaska including Bristol Bay, the Bering Sea and the Gulf of Alaska.

William Fox, director of the National Marine Fisheries Service, a branch of NOAA, said Friday quotas would improve fishing safety and could provide consumers with fresh fish more often.

Fox said quotas permit operators to fish when the price is right, rather than work the 24-hour openings even if full crews are unavail-

able, weather is bad or vessels are unprepared.

"A derby is a very unsafe fishery," Fox said.

Details remain to be worked out in final regulations. Alaska's congressional delegation last summer sought to block final approval of IFQs, saying the reform needed more study.

That put the delegation at odds with the Hinkel administration's fisheries expert, Clem Tillion, who helped win approval for quotas from the North Pacific Fishery Management Council.

The council developed the plan and approved it in 1991. Kodiak, among the nation's top fishing ports, was among Alaska communities seeking to block final approval.

A coordinator of the Kodiak Island Borough's effort said meetings may be arranged with environmental groups, also opposed to quotas, to see if continued appeals were worthwhile.

"This is going to be a very expensive program," Kodiak coordinator Jeff Stephan said. He said cost of additional paperwork would siphon monies that could have gone to fisheries research and management.

Stephan said opponents may argue the program's cost as a strike against it with members of Con-

gress.

In Sitka, the executive director of Alaska Longline Fishermen's Association said she was pleased with the federal approval.

But Linda Behnken said more work may yet be done to make quotas more fair.

"It's been long, hard work and a lot of people participated," Behnken said. "But it's also a little tough, knowing that a lot of people in the community still have a lot of concerns."

Alaska Sen. Frank Murkowski in a prepared statement Friday said he had urged delay of the IFQ approval until there were assurances the system would not harm small fishermen.

"We all know something needs to be done to protect fishermen from having to fish in bad weather, to spread out the arrival of fresh fish on the market to improve both quality and price," Murkowski said.

"I'm still not certain that the current IFQ system is the best," Murkowski said many coastal cities were "entirely dependent" on fishing.

Sen. Ted Stevens, R-Alaska, said he remained concerned that many crewmembers and other participants will be left out of the halibut and black cod fisheries.

"I am still hearing serious questions about the impact of IFQs on

coastal communities and the cost of implementing the proposal, Stevens said in a news release.

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# Petersburg Vessel Owners Association

P.O. Box 232  
Petersburg, Alaska 99833  
Phone (907) 772-9323 Voice and Fax

March 8, 1993

Representative Bill Williams  
Alaska State Legislature  
State Capitol  
Juneau, Alaska 99801-1182

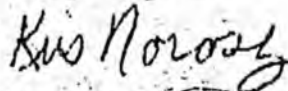
Dear Representative Williams,

It is our understanding that HB 123 was recently passed out of the Fisheries Committee and has been sent to House Resources. As chairman of the Resources Committee, we respectfully request that you schedule HB 123 for a hearing as soon as possible.

We believe HB 123 is an important piece of legislation which will greatly benefit Alaska's commercial fishers. The present State loan program which provides loan funds for the purchase of limited entry permits, has been of tremendous help to insure that Alaskans are allowed the financial opportunity to participate in the fisheries along our coast. We believe including assistance for the purchase of quota shares is a logical extension to make for the State's fisheries loan program.

Representative Williams, we appreciate your assistance in allowing this important piece of fisheries legislation to get the attention it deserves. Please schedule a hearing for HB 123 as soon as possible.

Sincerely,



Kris Korosy  
Director

cc: Senator Robin Taylor  
Representative Fran Ulmer

JERE T. MURRAY, Ph.D.  
P.O. Box 237, Seldovia, Alaska 99663-0237  
(907) 234-7646 (Voice or FAX)  
March 02, 1993.

Alaska Legislature  
House of Representatives  
Special Committee on Fisheries  
Representative Carl Moses, Chairman  
Representatives Harley Olberg, Gail Phillips, Cliff Davidson,  
and Irene Nicholla, Members

Via FAX Only: 465-3445

Dear Mr. Chairman and Members of the Committee:

Thank you for this opportunity to comment on HB123, "An Act relating to loans for the purchase of individual fishery quota shares."

Please consider all the following facts. Last session the Alaska House of Representatives unanimously rejected the IFQ plan by passing HJR61. A companion measure in the Senate had similar wide support but was kept from the floor by the actions of a single Senator who is no longer in office. Our Congressional delegation members each have serious concerns about this plan and are maneuvering against it in Washington. The Commerce Department has not yet published this plan as a "Final Rule" and it may still be rejected by the Office of the President and or the Congress where opposition is growing daily. Even if the plan passes these hurdles and survives legal challenges sure to be mounted, it will not be implemented until after one or more additional sessions of the Alaska Legislature.

Then, surely, the best one can say for HB123 is that it is very premature and sends the wrong message concerning the thoughts of the legislature on this plan (assuming last session's sentiments remain).

I know you will receive considerable testimony on the economic aspects of these proposed loans and I will not attempt to duplicate those here. Let me only pass on to you the comment one of the staunchest proponents of IFQs made to me when I brought up the subject of a loan program such as that envisioned by HB123 during the December 1991 meeting of the North Pacific Fisheries Management Council in Anchorage. Mr. Clem Tillon, whom I'm sure you all know, said "I wouldn't want to loan them money they won't be able to repay!" There it is - "right from the horses mouth."

At this time the best thing the Alaska State Legislature can do for Alaska in connection with IFQs is to reaffirm the position of last session's House and pass a resolution similar to HJR61 which includes the additional resolve of the Senate companion, SJR38, "FURTHER RESOLVED that the Alaska State Legislature opposes the use of state agency resources, state operated facilities, state funds, or other forms of cooperation to implement an Individual Fishery Quota management system" and send copies of the resolution to the appropriate federal officials in the executive and legislative branches as soon as possible.

There will be plenty of time to attempt to ameliorate the many adverse effects the IFQ plan will have on Alaskan citizens and communities if and when it is implemented. Passage of HB123 at this time can do no good and may do harm in the battle against this devastating plan. First things first, please.

Sincerely,

**KODIAK LONGLINE  
VESSEL OWNERS' ASSOCIATION**



326 CENTER AVENUE, P.O. BOX 135  
KODIAK, ALASKA 99615  
(907) 486-3781 FAX (907) 486-2470

---

HALIBUT • SABLEFISH • PACIFIC COD • CRAB

February 18, 1993

Representative Fran Ulmer  
ALASKA STATE LEGISLATURE  
State Capital.  
Juneau, Alaska 99801

RE: HB 123

Dear Fran,

I would like to express our support for HB 123. I have felt for some time that with the implementation of individual fishing quotas on the horizon, a loan program for Alaskans is vital. Those vessel owners who live in Alaska must be able to purchase quota quickly when the program is in place.

It is my belief that the large majority of Alaskan vessel owners who will receive quota will either sell immediately or wish to buy. Since the people who qualify for quota far exceeds the number of individuals who currently participate in the fishery, the "pie" will be cut in ways that people did not anticipate. Many vessel owners will immediately need to purchase quota in order to participate effectively in the fishery.

We strongly support this bill and would assist in any way possible to see that it is passed. It can't help but be a significant help to those Alaskan vessel owners who won't initially receive the quota they need.

Sincerely,

A handwritten signature in cursive script that reads "Linda Kozak".

Linda Kozak  
Director

Please Print



HOUSE RESOURCES COMMITTEE

SUBJECT OF MEETING:

HB 123: Loans for IFQs

DATE: March 15, 1993

PLACE: Capitol, Room 124

	NAME	REPRESENTING	BUSINESS/PERSONAL MAILING ADDRESS	ZIP	(H) PHONE	(W) PHONE	DO YOU WANT TO TESTIFY?	WHAT SUBJECT/ WHICH BILL?
6	Eric Forver	self	Box 34383, 99803		789 2024		X N	HB 123
4	Gerron Bunn	ADFG			465-6143		(Y) N	
2	LARRY WINGGAR	DLCD	P.O. Box 34159 99803-4159		465-2510		(Y) N	HB 123
8	Rick Lauber	PSPA	321 Highland Dr. 99801		586-6366		(Y) N	HB 123
9	Jay Mc Lane	UFA			586 2820	" "	(Y) N	HB 123
							Y N	
							Y N	
							Y N	
							Y N	
							Y N	
							Y N	

**KODIAK LONGLINE  
VESSEL OWNERS' ASSOCIATION**

326 CENTER AVENUE, P.O. BOX 135  
KODIAK, ALASKA 99615  
(907) 486-3781 FAX (907) 486-2470

HALIBUT • SABLEFISH • PACIFIC COD • CRAB

February 18, 1993

Representative Fran Ulmer  
ALASKA STATE LEGISLATURE  
State Capital.  
Juneau, Alaska 99801

RE: HB 123

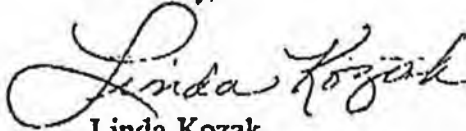
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It is my belief that the large majority of Alaskan vessel owners who will receive quota will either sell immediately or wish to buy. Since the people who qualify for quota far exceeds the number of individuals who currently participate in the fishery, the "pie" will be cut in ways that people did not anticipate. Many vessel owners will immediately need to purchase quota in order to participate effectively in the fishery.

We strongly support this bill and would assist in any way possible to see that it is passed. It can't help but be a significant help to those Alaskan vessel owners who won't initially receive the quota they need.

Sincerely,

  
Linda Kozak  
Director

March 2, 1993

CS HB 123, "An Act relating to loans for the purchase of quota shares for fisheries in or off Alaska."

The proposed committee substitute for HB 123 reflects the following changes from the original bill:

- Title. The title change clarifies that technically the loans authorized in this bill are for the purchase of quota shares, not Individual Fishing Quota (IFQs.) The clarification is made throughout the bill.

- Section 1. Purpose and Intent. A purpose and intent statement was added to emphasize that the loans authorized in this bill are intended to benefit Alaskans who participate IFQ system fisheries and to clarify that there is no intent to diminish the amount of funds currently available for loans under AS 16.10.310(a)(1)(A) or (B) for entry permits, vessels and gear.

- Page 2. subsection (C)(ii). The previous sections (ii) and (iii) were combined to simplify two eligibility criteria. That is, in two of the last five years an applicant must have possessed either a crewmember or commercial fishing license or permit and, must have participated in a fishery for which the license or permit was issued.

The original bill was more narrow. It said that the crewmember or commercial license or permit must have been possessed for the year preceding the date of application as well as for two of the past five years. The original bill then required that the applicant must have participated in the fishery during three of the last five years.

- Page 2. subsection (C)(iv). This is an addition to the bill which limits the loans to those individuals who are not eligible for alternate financing, as is currently the case for loans authorized under subsection (B) for vessels and gear.

This section will ensure that the loan program will benefit those Alaskans most in need of assistance in accessing capital.

- Letter of Intent. The letter of intent accompanies the bill to emphasize that the committee intends for the Commercial Fisheries and Agricultural Bank to make financing available for the purchase of quota shares.

As stated above, the loans that the Commercial Fishing Loan Fund is authorized to make under HB 123 are limited to those who can not obtain loans elsewhere.

Please Print



HOUSE RESOURCES COMMITTEE

SUBJECT OF MEETING:

HB 123: Loans for IFQs

DATE: March 15, 1993

PLACE: Capitol, Room 124

	NAME	REPRESENTING	BUSINESS/PERSONAL MAILING ADDRESS	ZIP	(H) PHONE	(W) PHONE	DO YOU WANT TO TESTIFY?	WHAT SUBJECT/ WHICH BILL?
6	Eric Forver	self	Box 34383, 99803		789 2024		<input checked="" type="checkbox"/> N	HB 123
4	Gene Bunn	ADFG			465-6143		<input type="checkbox"/> N	
2	LIZEG WINGGAR	DCED	P.O. Box 34159 99803-4159		465-2510		<input type="checkbox"/> N	HB 123
8	Rick Hauber	PSPA	321 Highland Dr. 99801		586-6366		<input type="checkbox"/> N	HB 123
9	Jay McLine	UFA			586 2820	" "	<input type="checkbox"/> N	HB 123
							<input type="checkbox"/> N	
							<input type="checkbox"/> N	
							<input type="checkbox"/> N	
							<input type="checkbox"/> N	
							<input type="checkbox"/> N	
							<input type="checkbox"/> N	

Teleconference witnesses

30375

Petersburg Rick Williams Box 1321 99833 483-4830  
Kris Novosz Box 232 99833 772-9323

Sitka Linda Behnen 403 Lincoln St, Suite 237 99835 747-3400

Homer Chris Moss Box 1115 99603 235-8053  
Drew Szalzi 41685 Redoubt Circle 99603 235-6359

03/15/93  
08:03:13

LEGISLATIVE TELECONFERENCE NETWORK SYSTEM  
PARTICIPANT LIST (ALL PARTICIPANTS)  
TON:30375 SCHEDULED FOR:03/15/93 08:00 TO 10:00  
PUBLIC HEARING HOUSE RESOURCES

LTN1150  
BY:SIT  
FOR:SIT

LOCATION [REDACTED]  
HB 123

MS. [REDACTED]

ALFA

TESTIFY

03/15/93  
08:02:43

LEGISLATIVE TELECONFERENCE NETWORK SYSTEM  
PARTICIPANT LIST (ALL PARTICIPANTS)  
TCN: 30375 SCHEDULED FOR: 03/15/93 08:00 TO 10:00  
PUBLIC HEARING HOUSE RESOURCES

LTN1150  
BY:PSG  
FOR:PSG

LOCATION: [REDACTED]  
HB 123

MS. [REDACTED]

VESSEL OWNERS

TESTIFY

**HB**

**132**

**HOUSE COMMITTEE REPORT**

(9)

Date Referred: February 5, 1993

FURTHER REFERRALS:

Judiciary  
Finance

Date of Committee Action: 3/29/93

The RESOURCES Committee considered:

HB 132

HOUSE BILL NO. 132

EXTEND RESOURCE EXTRACTION PERMIT/LEASE

"An Act extending the time period of all permits issued by the state relating to the extraction or removal of resources if the holder of the permits is involved in litigation concerning the issuance or validity of any permit related to the extraction or removal."

RECOMMENDATIONS:

be replaced with CS HB 132 (res)  the same title  a new title

have attached amendments(s)

do pass

do not pass

no recommendations

individual recommendations

additional referral to the \_\_\_\_\_ Committee

ADOPTS: \_\_\_\_\_ letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept)

APPROVES PREVIOUS: (Dept/Date)

fiscal impact \_\_\_\_\_

fiscal note(s) \_\_\_\_\_

zero fiscal note DNR

zero fiscal note(s) \_\_\_\_\_

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
<i>Bill Hudson</i> Hudson	<input checked="" type="checkbox"/>	<i>[Signature]</i> Finkelstein		<input checked="" type="checkbox"/>	
<i>[Signature]</i> Carney	<input checked="" type="checkbox"/>	<i>[Signature]</i> Davies			
<i>[Signature]</i> James	<input checked="" type="checkbox"/>				
<i>[Signature]</i> Bunde	<input checked="" type="checkbox"/>				
<i>[Signature]</i> Williams	<input checked="" type="checkbox"/>				

*[Signature]*  
CHAIRMAN'S SIGNATURE



# Representative Tom Brice

## ALASKA STATE LEGISLATURE

119 N. Cushman, Ste. 205  
Fairbanks, AK 99701  
907-456-7423  
While in Juneau  
State Capitol  
Juneau, AK 99801-1182  
907-465-3466

### Sponsor Statement for HB 132

Many resource development projects in Alaska are delayed by time consuming litigation. These delays can not only drive up the costs of a project, they can kill it.

Most of the lawsuits filed on resource development projects are over federal permits. While the developer is tied up in court, the clock is still running on the state permits for the project. Even if the permit holder wins in court, the useful time span of state permits will be shortened or may even run out, requiring another round of permit applications and fees.

HB 132 will help to fix this problem. All state issued permits relating to a resource extraction or removal project will be extended if:

- 1) a lawsuit is brought over a state or federal permit for the project;
- 2) a court order from that suit prevents them from operating;
- 3) the permit holder wins in court;
- 4) the permit holder notifies the state of the proceedings.

The state issued permits will then be extended by the amount of time lost to the lawsuit, not to exceed the original length of the permit. The state would not be able to impose a fee or charge for the extension.



A M E N D M E N T

OFFERED IN THE HOUSE

BY REPRESENTATIVE BRICE

TO: HB 132

Page 2, following line 17:

Insert a new subsection to read:

"(d) In this section, "permit" means a permit, lease, authorization, license, or any other determination necessary for or related to resource extraction or removal."

Page 2, line 18, following "APPLICABILITY.":

Insert "(a)"

Page 2, following line 21:

Insert a new subsection to read:

"(b) In this section, "permit" has the meaning given in AS 46.35.300(d), added by sec. 1 of this Act."

# FISCAL NOTE

## STATE OF ALASKA 1993 LEGISLATIVE SESSION

BILL NO. CSHB 132 (RES)

Revision Date Original Department Affected: Natural Resources  
 Title: "An Act extending the time period of all BRU: various  
permits issued by the state relating to the extraction or..." Components: Commissioner's Office  
 Sponsor: Representative Brice  
 Requestor: RES, JUD, FIN Component Serial No. 423

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND&STRUCTURES						
GRANTS,CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	0.0	0.0	0.0	0.0	0.0	0.0
<b>CAPITAL</b>	0.0	0.0	0.0	0.0	0.0	0.0
<b>REVENUE fund source:</b>	0.0	0.0	0.0	0.0	0.0	0.0

FUNDING: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
<b>TOTAL</b>	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

Estimate of current year (FY93) Impact: \$ No fiscal impact anticipated

**ANALYSIS:** (Attach a separate page if necessary)  
 The intent of the bill is to acknowledge the impact of delays due to litigation on time limited activity authorization (permits). To achieve this goal, perhaps it may only be necessary to ~~fill~~ <sup>fill</sup> the term of the original permit rather than to provide additional time to the permit term.

Prepared by: Raga S. Elim Phone: 465-2400  
 Division: Commissioner's Office Date: 26-Mar-93  
 Approved by Commissioner: Glenn A. Olds *Glenn A. Olds* Date: 26-Mar-93  
 Agency: Department of Natural Resources

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Official Business

# Alaska State Legislature

State Capitol

Juneau, Alaska 99801-1182

provided by Representative Tom Brice

## Sectional Summary of HB 132

### Section 1:

Adds a new section AS 46.35.300

(a) The state will extend the time period of all state issued resource extraction or removal permits under certain conditions:

(a)(1) The permit holder must be sued by a third party over a state or federal permit.

(a)(2) The permit holder must be prevented from operating by a court order from that lawsuit.

(a)(3) The permit holder must win in court.

(a)(4) The permit holder must notify the state about the outcome of the proceedings.

(b) Any state permits related to that resource extraction or removal will be extended by the amount of time lost to the lawsuit.

(c) The permit holder would not have to pay additional fees for the extension.

### Section 2:

Applies to all permits affected by qualifying lawsuits after the effective date.

**House Bill 132**

The Department of Commerce and Economic Development supports passage of House Bill 132.

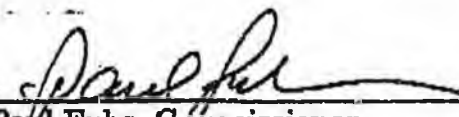
Resource developers are frequently faced with third-party legal challenges after they have received agency approvals for their projects. Permits are typically issued for a defined period of time. The usable term of a permit may be reduced or eliminated if a permittee is prohibited from operating under the permit by a court as the litigation proceeds. Even if the court rules in favor of the permittee, the permittee is damaged not only by the project delay, but also by the loss of operational time originally allowed under the permit.

This legislation eliminates the loss of operational time allowed a permittee under a permit which is issued by the state and is caused by legal actions initiated by persons other than the state.

House Bill 132 provides those who have successfully met the regulatory requirements of the state an assurance that the state will be aggressive in its support of the operational term of the permit. House Bill 132 also helps limit the utility of third-party use of the courts to impair the development of approved projects.

The effectiveness of this legislation could be improved by:

1. Defining "permit" to mean a permit, lease, authorization, license, or any other determination necessary for completion of a project.
2. Expanding the application beyond resource extraction or removal projects to include any type of development project, including infrastructure developments (ports, schools, etc.).

  
\_\_\_\_\_  
Paul Fuhs, Commissioner

3-25-93  
\_\_\_\_\_  
Date

dgl/172pp.ed



Charlie Boddy  
Vice President Government Relations

March 23, 1993

Representative Tom Brice  
Alaska State Legislature  
Juneau, Alaska

HOUSE BILL NO. 132 - An Act Extending the Time Periods of Permits

Dear Representative Brice,

I wish to take this opportunity to thank you and your staff for keeping me appraised of the continuing work on this most important piece of legislation. I offer these comments and observations prior to your hearing schedule starting. For your reference, similar comments were included in a report forwarded to Governor Hickel as part of a task force report on regulatory reform.

The net usable term of a permit or other delivered authorization sometimes is reduced significantly or even eliminated entirely when a person or company is prohibited from using it due to some action by an intervening third party. Any third party may challenge administrative decisions regarding permits and other authorizations for a variety of frivolous reasons. A person or company can then become damaged by the foreshortening of durable time guaranteed by a permit or other authorization.

This legislation will provide for more equal footing by restoring the time guaranteed in the original approval. You have provided in this legislation a remedy to those who suffer monetary or other damage, a mechanism for recovery that has been sorely missing for many years. I am sure that others from the mining community will provide the committees numerous comments and examples of past problems.

If I can be of any assistance during hearing process, please don't hesitate to call. With best regards, I remain,

March 26, 1993

To: Representative Tom Brice

*C. C. Hawley - signed*  
From: Chuck Hawley, Mining Geologist, # 300-941 E Dowling,  
Anchorage, Ak 99518

Subject: H B 132, a bill to extend the time period for permits

This brief note is to support H B 132. It would be an important tool to support warranted development in Alaska.

My view is derived from the circumstances surrounding a project that I was involved in at Nyac, Alaska during the early 1980's, and still am involved in trying to clean up.

Briefly, Nyac is an important placer mining camp in Southwest Alaska, about 100 miles east of Bethel. It has been mined nearly continuously by bucket-line dredges and washing plants since 1928. In 1980, I was general partner in Northland Gold Dredging.

Our company leased mining claims at Nyac, and in 1980 rebuilt a dredge at a cost in excess of \$1,000,000. We operated in 1981 and 1982. In 1983, we began to repermit the operation so that we could move the dredge to the lower part of the reserves and begin a systematic "upstream" operation in the broad flood plain of the Tuluksak River. Mining "upstream" in a broad valley with a bucket line dredge, means that you have a bank of tailings below the operation that assists in filtering any effluent of the operation and protects downstream water quality.

We were successful, in a difficult two-year period, of obtaining the necessary permits to mine. The main permits came from Corps of Engineers, BLM, EPA, on the federal side and DEC and DFG on the State side. We also passed Coastal Zone consistency review.

After Northland received its permits, the agencies granting the permits were sued. Critical suits were in Federal Court against the BLM, and in State Court against a favorable Coastal Zone management decision. (Nyac was not in the coastal zone, but it could be construed that the operation might affect the coastal zone).

Although the lawsuits were never fully resolved, and indeed coastal zone was never heard, the ultimate result was that the project finally failed.



# ALASKA MINERS ASSOCIATION, INC.

501 West Northern Lights Boulevard, Suite 203, Anchorage, Alaska 99503 fax: (907) 278-7997 telephone: (907) 276-0347

March 26, 1993

Honorable William Williams  
Chairman  
House Resources Committee  
Alaska State Legislature  
Juneau, AK 99801-1182

Re: HB-132, An Act Extending The Time Period of Permits

Dear Representative Williams,

I am writing on behalf of the Alaska Miners Association in support of House Bill 132.

The cost of developing a mine or any other resource project in Alaska is significant and the potential problems are many. In particular, when a company decides to develop minerals in Alaska there are many challenges that are expected. These challenges include the lack of infrastructure, the climate, the difficulty of locating an economic ore deposit, the difficulty of obtaining the financing and finally the difficulty of obtaining all the myriad of permits. These challenges are part of the business.

There are however other impediments to developing a mine that are not based on the merits of the project. One such case is where third party suits are filed. Such suits and opposition are often based on a philosophical viewpoint that there should be no development in Alaska the "big park" or at least "not in my backyard". HB-132 seeks to address one aspect of this issue.

We see two important benefits associated with passage of this bill. The first and most obvious benefit is that although the project owner may be delayed, he will not lose the investment made in obtaining the necessary permits and will not run the risk of being forced to go through the permitting process before he has the opportunity to exercise the permits. If third party litigation against the project delays start-up until the term of the permits has lapsed, or nearly lapsed, the project owner would be forced to go through the permitting process again. This bill would require that the term of the permits be extended for whatever period the project owner was affected by the litigation.

The second benefit is less material but yet it may be even more important for the future of the State. This benefit is the in the message that such a bill will have for the international mining

March 26, 1993

To: Representative Tom Brice

From: *C. C. Hawley - revised*  
Chuck Hawley, Mining Geologist, # 300-941 E Dowling,  
Anchorage, Ak 99518

Subject: H B 132, a bill to extend the time period for permits

This brief note is to support H B 132. It would be an important tool to support warranted development in Alaska.

My view is derived from the circumstances surrounding a project that I was involved in at Nyac, Alaska during the early 1980's, and still am involved in trying to clean up.

Briefly, Nyac is an important placer mining camp in Southwest Alaska, about 100 miles east of Bethel. It has been mined nearly continuously by bucket-line dredges and washing plants since 1928. In 1980, I was general partner in Northland Gold Dredging.

Our company leased mining claims at Nyac, and in 1980 rebuilt a dredge at a cost in excess of \$1,000,000. We operated in 1981 and 1982. In 1983, we began to repermit the operation so that we could move the dredge to the lower part of the reserves and begin a systematic "upstream" operation in the broad flood plain of the Tuluksak River. Mining "upstream" in a broad valley with a bucket line dredge, means that you have a bank of tailings below the operation that assists in filtering any effluent of the operation and protects downstream water quality.

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Although the lawsuits were never fully resolved, and indeed coastal zone was never heard, the ultimate result was that the project finally failed.

It would be inappropriate to say that a bill like H B 132 would have saved the project, because the circumstances were more complex. But at all times, we had difficulty holding our investment base, partly because of the uncertain nature of our permits after the conclusion of the lawsuits.

It appears that H B 132 would not have a negative environmental effect, because if lawsuits against the project were successful, the resolution of litigation should be that a project could be modified so that it accepts necessary and valid corrections.

Finally, I would like to express my appreciation to the committee for considering this legislation. It means that they are aware of the tremendous impediments to development that exist in Alaska. I believe the results at Nyac were not even close to a win-lose situation, let alone a win-win deal. No one won anything. The investors finally lost nearly \$3,000,000; southwest Alaska lost about 25-well paying jobs that would have been in existence for many years. The environmental work done over many years at Nyac shows that mining resulted in gains as well as losses to the biologic productivity of the region, but on balance gains from mining appear to at least equal any losses that could have occurred because of mining--so there was not even an environmental gain from killing the project.



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We see two important benefits associated with passage of this bill. The first and most obvious benefit is that although the project owner may be delayed, he will not lose the investment made in obtaining the necessary permits and will not run the risk of being forced to go through the permitting process before he has the opportunity to exercise the permits. If third party litigation against the project delays start-up until the term of the permits has lapsed, or nearly lapsed, the project owner would be forced to go through the permitting process again. This bill would require that the term of the permits be extended for whatever period the project owner was affected by the litigation.

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## ALASKA MINERS ASSOCIATION, INC.

industry. That message is that Alaska wants to see mineral development and that the State wants to change the negative image that continues to prevail in the industry.

There are two locations in the bill that should be modified. The first is on page one line 12. We would suggest the phrase be modified to read "...shall be extended by the agencies issuing the permits if the holder of the permits or an agency...". In most instances it is an agency involved in some aspect of issuing a permit that is the sued rather than the company receiving the permit. The suggested change would insure that the permits would be extended if an agency, in addition to the applicant, is sued.

The second modification is on page two line 19 where we would suggest referencing the existing definitions with the words "...all permits relating to resource extraction or removal as defined by 46.35.200(4) that are affected by litigation...". This minor modification will further clarify the applicability of this new Section 1.

Alaska is now in fierce competition for exploration and development funding with countries all around the world. Many countries are changing their laws for mining, investment, ownership of property, repatriation of profits and permitting to encourage minerals investment. We must also do everything practical and possible to improve the business climate or Alaska will not experience the mineral development and associated job creation that is otherwise possible.

Sincerely,

Steven C. Borell, P.E.  
Executive Director

cc: Representative Tom Brice

# DIVISION OF LEGAL SERVICES

## LEGISLATIVE AFFAIRS AGENCY STATE OF ALASKA

(907) 465-3867 or 465-2450  
FAX (907) 465-2029  
Mail Stop 3101

130 Seward Street, Suite 409  
Juneau, Alaska 99801-2105

### MEMORANDUM

March 29, 1993

**SUBJECT:** Extension of Permits - CSHB 132(RES) (Work Order No. 18-LS0527\O)

**TO:** Representative Bill Williams  
Attn: Mary McDowell

**FROM:** Jerry Luckhaupt *JLB*  
Legislative Counsel

Enclosed is the final CS(RES) you requested. I have a comment about the committee substitute. The amendment the committee adopted (p. 2, line 24, of the committee substitute) that provides that sec. 1 of the Act "applies to all permits relating to resource extraction or removal as defined in AS 46.35.200(4)" (the underlined language in bold type was added by the committee) is, at the least, very confusing. The committee substitute already defines "permit" to be "a permit, lease, authorization, license, or another determination necessary for or related to resource extraction or removal" (p.2, lines 21-22). This definition of permit is very broad and applies to both the substantive provisions of sec. 1 and the applicability provision of sec. 2. But the language added by the committee defines a "permit" in a contradictory manner for purposes of the applicability section, sec. 2, by providing that sec. 1 of the committee substitute only applies to the permits that are related to resource extraction and removal that are listed in AS 46.35.200(4) or are designated by the commissioner under that section. The definitions are not consistent. Further, the list of permits provided in AS 46.35.200(4) has not been kept up to date and cannot be considered accurate. It has not been kept up to date by the legislature because the one-stop permit procedure provided in AS 46.35 has never, to the best of my knowledge, been: (1) funded by the legislature; or (2) otherwise implemented by the executive branch. The use of the definition of "permit" provided by AS 46.35.200(4) can only lead to confusion and the possibility of litigation to resolve the ambiguities engendered by the adoption of this out-dated listing.

Finally, applying this definition to the applicability section of the bill and not to the substantive portion of the bill seems at the best ill-conceived. If the definition of "permit" the committee desires is that found in AS 46.35.200(4) then that definition

Representative Bill Williams  
March 29, 1993  
Page 2

should be substituted for the definition of "permit" found in both the substantive portion of the bill, sec. 1, p. 2, lines 21 - 22, and in the applicability section, sec. 2, p. 2, lines 27 - 28.

GPL:pl  
93-245.plm

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Representative Bill Williams

March 29, 1993

Page 2

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GPL:pl  
93-245.plm



HOUSE RESOURCES COMMITTEE

DATE: March 29, 93

PLACE: Capitol, Room 124

SUBJECT OF MEETING:  
 HB 76  
 HB 132  
 HB 201 Mental Health Laws Amendments

NAME	REPRESENTING	BUSINESS/PERSONAL MAILING ADDRESS	ZIP	(H) PHONE	(W) PHONE	DO YOU WANT TO TESTIFY?	WHAT SUBJECT/ WHICH BILL?
Rick Johanson	Coalition for Alternative Settlement	1029 W. Third Ave. Suite 300 Anchorage, AK	99501	561-0406	279-8561	(Y) N	HB 201
Anne Wieland	Kachemak Bay Citizens Coalition	1421 N St Anch	99501	276-5477	-	(Y) N	HB 76
BRIAN ANDREWS	DOR			465-7880		Y N	HB 201 / Questions
RUSSELL HEATH	ALASKA ENVIRONMENT LOBBY	PO Box 22151 Juneau AK	99801	463-3366	463-3366	(Y) N	HB 76
TOM WALDO	SCDF - Public Interest In Recovery	325 4th St Juneau	99801		586-2751	Y N	HB 201 / Questions
Pamela J. ...	Leg. Affairs	Goldstein ...			465-2950	Y N	HB 201
David Walker						Y N	HB 201
Bruce Phelps	Div of the Land	3601 C St. Suite 814 Anchorage			762-2239	Y N	
Rae Elm						Y N	
						Y N	
						Y N	

**HB**

**133**

**HOUSE COMMITTEE REPORT**

(9)

Date Referred: February 17, 1993

FURTHER REFERRALS:

Finance

Date of Committee Action: 2/24/93

The RESOURCES Committee considered:

HB 133

HOUSE BILL NO. 133

DEFINITION OF VALUE FOR FISHERIES TAX

"An Act amending the definition of 'value' for purposes of administration of fisheries taxes; and providing for an effective date."

RECOMMENDATIONS: | ] the same title  
 be replaced with \_\_\_\_\_ | ] a new title

[ ] have attached amendments(s)

[] do pass

[ ] do not pass

[ ] no recommendations

[ ] individual recommendations

[ ] additional referral to the \_\_\_\_\_ Committee

ADOPTS: \_\_\_\_\_ letter of Intent

ATTACHES NEW FISCAL NOTE(S): \_\_\_\_\_ (Dept)

APPROVES PREVIOUS: \_\_\_\_\_ (Dept/Date)

[ ] fiscal impact \_\_\_\_\_

[] fiscal note(s) Dept. of Revenue / 2-17-93

[ ] zero fiscal note \_\_\_\_\_

[ ] zero fiscal note(s) \_\_\_\_\_

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
<i>Bill Hudson</i>	<input checked="" type="checkbox"/>				
<i>Pat Hays</i>	<input checked="" type="checkbox"/>				
<i>Jeannette James</i>	<input checked="" type="checkbox"/>	<i>Joseph P. ...</i>			<input checked="" type="checkbox"/>
<i>David ...</i>	<input checked="" type="checkbox"/>				
<i>Col. N. ...</i>	<input checked="" type="checkbox"/>				
<i>Ken ...</i>	<input checked="" type="checkbox"/>				
<i>W.K. William</i>	<input checked="" type="checkbox"/>				

*W.K. William*  
 CHAIRMAN'S SIGNATURE

# Alaska State Legislature

Representative Carl E. Moses



CHAIRMAN  
HOUSE RULES COMMITTEE

CHAIRMAN  
HOUSE SPECIAL FISHERIES COMMITTEE

MEMBER  
FINANCE SUBCOMMITTEES  
FISH AND GAME  
PUBLIC SAFETY

SESSION:  
CAPITOL BUILDING, ROOM 204  
JUNEAU, ALASKA 99801-1182  
PHONE: (907) 465-4451  
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INTERIM:  
P.O. BOX 109  
UNALASKA, ALASKA 99685  
PHONE: (907) 581-1234  
FAX: (907) 581-2875

**HB 133**

## **The Definition of "Value" for Purposes of Fisheries Taxes**

House Bill 133 is substantially similar to existing law [AS 43.75.290(11)], but restructures the definition of "value" used in administering fisheries taxes in order to enhance clarity.

The bill is identical to Resources CSHB 448, introduced by Representative Gail Phillips last session, with some further clarification recommended by the Division of Legal Services. The legislation has not received any known opposition.

In the past, processors and fishermen have disputed the definition of value in paying the raw fisheries tax and salmon enhancement tax. The argument is that bonuses and delivery costs are not part of the actual amount paid fishermen for their fish. This interpretation leaves an opening for processors to pay lower prices for the fish, and make up for this low price by giving bonuses for services such as delivery or handling. HB 133 clarifies exactly what services and forms of payment are subject to these taxes.

HB 133 would take effect on January 1, 1994.

*Ray Gillespie*  
*Gillespie & Associates*  
*Lobbying & Governmental Affairs*



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*Mailing Address:*  
9478 Riverbend Court  
Juneau, Alaska 99801

*Telephone: (907) 463-3375*  
*Fax: (907) 463-5522*

*Office Address:*  
318 Fourth Street  
Juneau, Alaska 99801

February 16, 1993

Representative Carl Moses  
Chairman, House Special Committee on Fisheries  
Alaska State Capitol  
Juneau, Alaska 99801

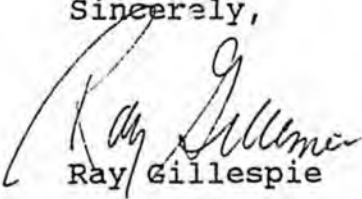
Re: House Bill 133

Dear Representative Moses:

On behalf of Cook Inlet Aquaculture Association, Prince William Sound Aquaculture Corporation, Northern Southeast Regional Aquaculture Association, and Southern Southeast Regional Aquaculture Association, I would like to express our complete support for House Bill 133.

This legislation will close loop-holes in the definition of "fisheries value." By closing the loop-holes, the incidents of tax avoidance or evasion in the collection of enhancement taxes will be minimized. This legislation is needed to give the Department of Revenue complete tools in its efforts to fully collect taxes derived from the self-imposed enhancement taxes used to support regional aquaculture programs.

Sincerely,

  
Ray Gillespie

fej

DEPARTMENT OF FISH AND GAME  
POSITION PAPER

Bill No: HB 133  
Sponsor: House Fisheries Committee  
Division: Commercial Fisheries  
Bill Title: "An Act amending the definition of 'value' for purposes of administration of fisheries taxes; and providing for an effective date."  
Department Position: Neutral

This legislation would plug some loopholes in the administration of the fisheries business tax. This legislation has no fiscal impact upon the department. The department has no position for or against this legislation.

Commissioner's Signature

*Sam Samuels*  
for

Date:

*2/16/93*

# FISCAL NOTE

STATE OF ALASKA  
1993 LEGISLATIVE SESSION

BILL NO. HB 133

Revision Date: February 16, 1993  
 Title: Amending the definition of "value" for purposes of administration of fisheries taxes  
 Sponsor: House Special Committee on Fisheries  
 Requestor: House Special Committee on Fisheries  
 Dept. Affected: Revenue  
 BRU: Revenue Operations  
 Component: Income and Excise Audit  
 COMPONENT SERIAL NO. 113

**Expenditures/Revenues:**

(Thousands of Dollars)

OPERATING	FY94	FY95	FY96	FY97	FY98	FY99
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	0.0	0.0	0.0	0.0	0.0	0.0
<b>CAPITAL</b>						
<b>REVENUE FUND SOURCE: General Fund</b>	10.0	550.0	550.0	550.0	550.0	550.0

**FUNDING:**

(Thousands of Dollars)

1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
<b>TOTAL</b>	0.0	0.0	0.0	0.0	0.0	0.0

**POSITIONS:**

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year (FY93) impact: \$ \_\_\_\_\_

**ANALYSIS:** (Attach a separate page if necessary)

(See Attached)

Prepared by: Larry E. Meyers, Director *[Signature]* Phone: 465-2320  
 Division: Income and Excise Audit Division Date: February 16, 1993  
 Approved by Commissioner: Darrel J. Rexwinkel *[Signature]* Date: February 16, 1993  
 Agency: Department of Revenue

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### **Analysis**

HB 133 clarifies the definition of "value" which is used as the basis for calculating fisheries business and salmon enhancement taxes under AS 43.75 and AS 43.76, respectively. This bill amends the current definition of value under AS 43.75.290 to specify that amounts paid for delivery are included as part of the value of fisheries resources. The department has noted through its audit efforts that some taxpayers deduct actual or imputed costs of delivery when determining value for tax computations. This bill strengthens the department's position that amounts paid for delivery are part of the value of fisheries resources. Inclusion of delivery costs will eliminate understatements of value by fisheries businesses thereby increasing fisheries business and salmon enhancement taxes collected by the State.

**Sec. 43.75.290. Definitions.** In this chapter

(1) [Repealed. § 7 ch 79 SLA 1986.]

(2) [Repealed. § 38 ch 168 SLA 1990.]

(3) "developing commercial fish species" means those species of fish and shellfish annually designated by the commissioner of fish and game under AS 16.05.050(11);

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

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

(6) "floating fisheries business" means a fisheries business which is not a shore-based fisheries business; the term includes, but is not limited to, a shore-based fisheries business as defined in (9)(B) of this section when it is removed from the state;

(7) [Repealed. § 7 ch 79 SLA 1986.]

(8) [Repealed. § 7 ch 79 SLA 1986.]

(9) "shore-based fisheries business" means a fisheries business

(A) operated from a facility which is permanently attached to the land; or

(B) operated from a facility which remains in the same location in the state for the entire tax year;

(10) "taking" means pursuing, fishing, capturing, or harvesting a fisheries resource in any manner;

(11) "value" means the actual price paid for the fisheries resource by the fisheries business, including indirect consideration such as fuel, supplies, or gear, whether paid at the time of purchase of the fisheries resource or tendered as a deferred or delayed payment, except that "value" means the market value of the fishery resource if the taking of the fishery resource is done in company-owned or company-subsidized boats operated by employees of the fisheries business or in boats which are operated under lease or other arrangement. (§ 3 ch 79 SLA 1979; am § 46 ch 94 SLA 1980; am § 46 ch 113 SLA 1980; am §§ 11, 12 ch 117 SLA 1981; am §§ 5, 7 ch 79 SLA 1986; am § 38 ch 168 SLA 1990)

**Effect of amendments.** — The 1986 amendment, effective July 1, 1986, added paragraphs (1), (7) and (8), and, effective January 1, 1992, repealed those paragraphs.

Definition of "value" for raw fish tax.

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

(2) the commissioner of commerce and economic development determines that there are no outstanding loans to the qualified regional association under AS 16.10.510 that are secured by the tax;

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

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

(5) the qualified regional association provides notice of the election in accordance with AS 43.76.015 within two months after receiving notice from the commissioner of commerce and economic development that a valid petition under (1) of this subsection has been received. (§ 2 ch 154 SLA 1980; am § 15 ch 117 SLA 1981; am §§ 4, 5 ch 33 SLA 1989)

**Effect of amendments.** — The 1989 amendment inserted the reference to "43.76.012" in subsection (a) and, in subsection (b), added present paragraph (2) and redesignated paragraphs (2) — (4) as paragraphs (3) — (5).

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

(a) A buyer who acquires fisheries resources that are subject to a salmon enhancement tax imposed by AS 43.76.010, 43.76.011, or 43.76.012 shall collect the salmon enhancement tax at the time of purchase, and shall remit the total salmon enhancement tax collected during each month to the department by the last day of the next month.

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

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

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

(c) The salmon enhancement tax collected under AS 43.76.010 — 43.76.030 shall be deposited in the general fund. The legislature may make appropriations based on this revenue to the Department of Commerce and Economic Development for the purpose of providing financing for qualified regional associations. The legislature may base an appropriation for a qualified regional association operating within a



HOUSE RESOURCES COMMITTEE

SUBJECT OF MEETING:

HB 133  
HB 116

DATE: Feb. 24, 1993

PLACE: Capitol, Room 124

NAME	REPRESENTING	BUSINESS/PERSONAL MAILING ADDRESS	ZIP	(H) PHONE	(W) PHONE	DO YOU WANT TO TESTIFY?	WHAT SUBJECT/ WHICH BILL?
Roy Gilverson	Agricultural Assoc	9478 Riverbend Ct Juneau	99801	784-3846	463-3375	Y	N HB 133
Paul Dick	Revenue			5-3691		Y	N
						Y	N
						Y	N
						Y	N
						Y	N
						Y	N
						Y	N
						Y	N
						Y	N

**HB**

**140**

(9)

Date Referred: March 12, 1993

FURTHER REFERRALS:

Finance

Date of Committee Action: 3/26/93

The RESOURCES Committee considered:

HB 140

HOUSE BILL NO. 140

FEEES FOR NONRESIDENT KING SALMON TAG

"An Act relating to the king salmon tag fee."

RECOMMENDATIONS:

be replaced with \_\_\_\_\_

CSHB140 (FSH)

the same title

a new title

have attached amendments(s)

do pass

do not pass

no recommendations

individual recommendations

additional referral to the \_\_\_\_\_ Committee

ADOPTS: \_\_\_\_\_ letter of Intent

ATTACHES NEW FISCAL NOTE(s): (Dept)

APPROVES PREVIOUS: (Dept/Date)

fiscal impact \_\_\_\_\_

fiscal note(s) Fish & Game 3/12/93

zero fiscal note \_\_\_\_\_

zero fiscal note(s) \_\_\_\_\_

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
<i>Bill Hudson</i>	✓	<i>John J. Berry</i>	✓		
<i>Janette James</i>	✓				
<i>David R. Rude</i>	✓				
<i>Bob R. Davis</i>	✓				
<i>John R. Hald</i>	✓				
<i>Charles R. Hald</i>	✓				
<i>W. R. Williams</i>	✓				

*W. R. Williams*  
CHAIRMAN'S SIGNATURE



# Alaska State Legislature

REPRESENTATIVE BILL HUDSON

State Capitol  
Juneau, Alaska  
99801-1182  
(907) 465-3744

## COMMITTEES

CHAIR  
Labor & Commerce  
VICE CHAIR  
Resources  
MEMBER  
Transportation  
Regulation Review  
Economic Development  
Task Force

### SPONSOR STATEMENT

CSHB140(FSH) "An Act relating to the king salmon tag fee."

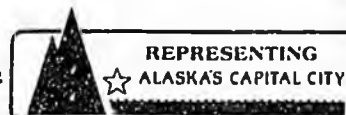
This bill was introduced to address concerns raised by individuals in our tourism/sport fish industry. In short, the current flat fee of \$20.00 (imposed on all nonresidents) is very likely to discourage sport fish participation among short-time tourists (those with a one to three day turnaround). A response of this nature is likely to have a very detrimental impact on our resident sport-guide businesses and local economies.

Fortunately, there is a very simple solution to this problem- institute a graduated fees schedule. CSHB140(FSH) would repeal the flat \$20.00 rate, while imposing a fee that increases (\$10, \$15 and \$30) with the validation period (one , three, 14 day or annual tag).

Furthermore, a graduated rate schedule not only addresses the adverse economic implications of a flat rate system, it also insures that fees are commensurate with resource impacts. The longer a nonresident participates in our fishery resource, the higher their fee will become.

The Department of Fish & Game has worked closely with the sponsor on this legislation, and supports its passage.

CSHB140(FSH) carries a positive fiscal note of \$70.6 in FY94 (81.6 additional revenues, less 10.9 in administrative costs).



CSHB140(FSH)

SECTIONAL ANALYSIS:

SECTION 1: intent language was included to underscore the purpose of this legislation and the tag fee program. King salmon tag fees should be appropriated to support only king salmon sport fishing research, management, and enhancement projects.

SECTION 2: amends current law by requiring residents to purchase a tag only for anadromous king salmon.

SECTION 3: amends current law by:

a. requiring nonresidents to purchase a tag only for anadromous king salmon;

b. establishes a graduated fee schedule for nonresidents (\$10, 15 & 30) based on validation period (1,3, & 14 day / annual period);

c. exempts nonresidents, under the age of 16, from tag requirement;

d. leaves in place a flat rate tag fee (\$20) for military personnel and dependents.

SECTION 4: technical amendment, clarifying that the king salmon tag, similar to all other fishing licenses & tags, expires December 31 following issuance.

SECTION 5: this act takes effect January 1, 1994.

## AMENDMENTS TO HB140 IN HOUSE (FSH) COMMITTEE:

The amendments below were either proposed by the Department of Fish & Game (see Position Paper, dated 2/19/93) or by the House Special Committee on Fisheries. All were adopted, and are contained in CSHB140 (FSH):

1. adopted an effective date of January 1, 1994;
2. distinguish between "anadromous" and land-locked king salmon;
3. technical amendment- to leave king salmon tag fee at \$20 for military and dependents, this fee would have to be separated from nonresident annual fee rate (which is \$30. under this bill);
4. treat nonresident youths (under the age of 16) similar to resident youths by excluding both groups from the necessity of purchasing a tag;
5. establish a \$10 fee (HB140 proposed \$5) for the nonresident 1 day tag.

CS FOR HOUSE BILL NO. 140 (FSH)

IN THE LEGISLATURE OF THE STATE OF ALASKA

EIGHTEENTH LEGISLATURE - FIRST SESSION

BY THE HOUSE SPECIAL COMMITTEE ON FISHERIES

Offered: 3/12/93

Referred: Resources, Finance

Sponsor(s): REPRESENTATIVES HUDSON, Phillips

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the anadromous .. salmon tag; and providing for an  
2 effective date."

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

4 \* Section 1. INTENT. It is the intent of the legislature that the proceeds from the sale of  
5 resident and nonresident anadromous king salmon tags be appropriated for king salmon sport  
6 fishing research, management, and enhancement projects.

7 \* Sec. 2. AS 16.05.340(a)(23) is amended to read:

8 (23) Resident anadromous king salmon tag .....:0

9 A resident may not engage in sport fishing for anadromous king salmon without  
10 having a valid anadromous [THE CURRENT YEAR'S] king salmon tag in the  
11 resident's actual possession, unless that person

12 (A) qualifies for a 25 cent license fee under (1) of this  
13 subsection;

14 (B) is under the age of 16;

1 (C) is 60 years of age or older and has been a resident of the  
2 state for at least one year;

3 (D) is a disabled veteran eligible for a free license under  
4 AS 16.05.341; or

5 (E) qualifies for a \$5 license fee under (6) of this subsection.

6 \* Sec. 3. AS 16.05.340(a)(24) is amended to read:

7 (24) Nonresident anadromous king salmon tag -- valid for the period  
8 inscribed on the tag

9 (A) for a one-day tag . . . . . \$10

10 (B) for a three-day tag . . . . . 15

11 (C) for a 14-day or annual tag . . . . . 30 [\$20].

12 A nonresident may not engage in sport fishing for anadromous king salmon without  
13 having a valid anadromous [THE CURRENT YEAR'S] king salmon tag in the  
14 person's actual possession, unless that person is under the age of 16. However,  
15 members of the military service on active duty who are permanently stationed in  
16 the state, and their dependents, who do not qualify as residents under  
17 AS 16.05.940, may obtain an annual nonresident military anadromous king  
18 salmon tag for \$20.

19 \* Sec. 4. AS 16.05.350 is amended to read:

20 Sec 16.05.350. EXPIRATION OF LICENSES AND TAGS. Licenses and tags  
21 required under AS 16.05.330 - 16.05.430, except biennial licenses, the nonresident  
22 special sport fishing license, the resident trapping license, the one, three, or 14-day  
23 nonresident anadromous king salmon tag, and the waterfowl conservation tag, expire  
24 at the close of December 31 following issuance. Biennial licenses expire after  
25 December 31 of the year following the year of issuance. The resident trapping license  
26 expires at the close of September 30 of the year following the year in which the  
27 license is issued. The waterfowl conservation tag expires at the close of January 31  
28 of the year following the year of issue of the tag.

29 \* Sec. 5. This Act takes effect January 1, 1994.

FISCAL NOTE

No. 1  
 Bill Version: CSHB 140 (FSH)  
 (H) Publish Date: 3/12/93

STATE OF ALASKA  
 1993 LEGISLATIVE SESSION

Revision Date: \_\_\_\_\_ Department Affected: Fish and Game

Title: An Act relating to the king salmon tag fee. BRU: Sport Fish Administration and Support

Component: Sport Fisheries, Administrative Services

Sponsor: Representative Hudson

Requestor: House Special Committee on Fisheries

COMPONENT SERIAL NO. 484, 479

EXPENDITURES/REVENUES:

(Thousands of Dollars)

OPERATING	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
PERSONAL SERVICES	1.4	1.4	1.4	1.4	1.4	1.4
TRAVEL						
CONTRACTUAL	9.5	9.5	9.5	9.5	9.5	9.5
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	10.9	10.9	10.9	10.9	10.9	10.9

CAPITAL	0.0	0.0	0.0	0.0	0.0	0.0
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REVENUE FUND SOURCE 1024	81.6	81.9	82.2	82.5	82.7	82.8
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FUNDING:

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other: 1024	10.9	10.9	10.9	10.9	10.9	10.9
TOTAL	10.9	10.9	10.9	10.9	10.9	10.9

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year (FY93) impact: \$ None

ANALYSIS: (Attach a separate page if necessary.)  
see attached

Prepared By: Rocky Holmes Phone: 465-6187

Division: Division of Sport Fish Date: 2/22/93

Approved by Commissioner: [Signature]

Agency: Department of Fish and Game Date: 2/22/93

PREDICTED SALES OF KING SALMON TAGS

	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
N-R. ANNUAL SP	6,827	6,857	6,881	6,900	6,918	6,932
N-R. 14-DAY SP	22,966	23,065	23,147	23,211	23,270	23,320
N-R. 3-DAY SP	16,027	16,097	16,153	16,198	16,240	16,274
N-R. 1-DAY SP	13,986	14,047	14,096	14,135	14,171	14,201
N-R. SP/HUNT	365	367	368	369	370	371
N-R MILITARY SP	2,237	2,247	2,255	2,261	2,267	2,272

STATUS QUO KING SALMON TAG COSTS

	KS TAG	PREDICTED REVENUE					
		FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
COST							
N-R. ANNUAL SP	\$20	136,542	137,134	137,618	137,999	138,351	138,644
N-R. 14-DAY SP	\$20	459,319	461,309	462,938	464,220	465,405	466,392
N-R. 3-DAY SP	\$20	320,544	321,933	323,069	323,965	324,791	325,480
N-R. 1-DAY SP	\$20	279,720	280,932	281,924	282,705	283,426	284,027
N-R. SP/HUNT	\$20	7,308	7,340	7,366	7,386	7,405	7,421
N-R MILITARY SP	\$20	44,744	44,938	45,096	45,221	45,337	45,433

TOTAL \$1,248,177 \$1,253,585 \$1,258,010 \$1,261,496 \$1,264,715 \$1,267,396

HB 140 - WITH THE COST OF A 1-DAY LICENSE INCREASED TO \$10

	KS TAG	PREDICTED REVENUE					
		FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
COST							
N-R. ANNUAL SP	\$30	204,813	205,700	206,427	206,999	207,527	207,967
N-R. 14-DAY SP	\$30	688,979	691,964	694,406	696,331	698,107	699,587
N-R. 3-DAY SP	\$15	240,408	241,450	242,302	242,973	243,593	244,110
N-R. 1-DAY SP	\$10	139,860	140,466	140,962	141,352	141,713	142,014
N-R. SP/HUNT	\$30	10,962	11,009	11,048	11,079	11,107	11,131
N-R MILITARY SP	\$20	44,744	44,938	45,096	45,221	45,337	45,433

TOTAL \$1,329,766 \$1,335,527 \$1,340,241 \$1,343,955 \$1,347,385 \$1,350,241

NET REVENUE \$81,589 \$81,942 \$82,231 \$82,459 \$82,670 \$82,845

Handwritten notes: 40.1, 193, 83