

**ALASKA LEGISLATURE COMMITTEE FILES 1997-1998 8672**

**9670 SENATE RESOURCES**

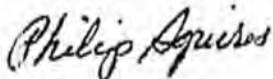
Senator Rick Halford  
Chair, Senate Resources Committee  
April 23, 1997  
Page 2

- Under this bill the public and A/C's can comment only "after the fact" when stocks and projects have already been identified.
  - 4) CSSB 40 politicizes the ADF&G budget process.
  - 5) CSSB 40 politicizes ADF&G decision making by allowing the Governor's office to submit the project list to the Legislature.
  - 6) Last, but not least, CSSB 40 politicizes the current process by allowing the legislature to enter **ANNUALLY** into the allocative "project process".
- Politics and the allocative desires of individual legislators will be the **RULE**, not the exception.
  - Regions of the state with the greatest political clout "du jour" will prevail in the annual battle of ADF&G's "allocation projects".

In conclusion, UCIDA would like to note that the underfunding of the comfish budget by the legislature is not an adequate reason to support tax and spend special interest legislation.

We appreciate this opportunity to comment and request that you share our comments with the rest of your committee members.

Sincerely,



Phillip Squires  
President  
UNITED COOK INLET DRIFT ASSOCIATION

/PS:kmt

cc: Senator John Torgerson  
Senator Jerry Ward  
Representative Gary Davis  
Representative Mark Hodgins  
Representative Gall Phillips, House Speaker  
Commissioner Frank Rue, ADF&G  
UNITED FISHERMEN OF ALASKA



# UNITED FISHERMEN OF ALASKA

211 Fourth Street, Suite 112  
Juneau, Alaska 99801  
907/588-2820  
Fax: 907/463-2545

## Points of Objection Committee Substitute for Senate Bill 40 (CSSB40)

\* Removing the mandate for discrete stock management does not improve this bill. In effect, the legislation still directs the board and department toward discrete stock management. If this research is so important why isn't stock assessment research part of the department budget? Clearly, this bill is a fish allocation bill under another name.

\* We do support science and research on critical stocks of concern. However, the Board of Fish is subject to intense political pressure where highly charged allocation issues are often cloaked as conservation concerns. Having the Board of Fish identify discrete stocks in need of assessment allows politics to drive science. We do not support politically driven science.

\* Commercial Fishing already pays it's way, providing revenues for the state while generating millions in revenue sharing for coastal communities. For FY 96 commercial fishing revenues of the state of Alaska exceeded expenditures for fish management by \$9 million. The Marine Fuel Tax was increased last year. In 1995 vessel fees were increased, and before that there was the 1% marketing tax for seafood. The legislature's decision to cut the ADF&G budget is not a justification for SB 40. Why penalize an industry that pays it's way? It is unfair to tax the fishing industry again and again and again.

\* This research would be prioritized by the Board of Fisheries - a budget supplement controlled by the Board of Fisheries. This amounts to a serious, and radical, disruption of the public budget process.

\* Apparently, resident sport fishing licensees would not share in the cost of the studies in CSSB40 if SB 7, which is now in the House, passes into law. If so, all the costs would be forced onto the fishing industry alone.

\* What is a discrete stock of salmon? This term is undefined. Because of the varied interpretations in the scientific community, the Board of Fisheries and the ADF&G are currently working on defining this term.

CSSB 40 - Tax and Spend on Special Interest Science

**CONTACT YOUR LIO - GET ON THE TELECONFERENCE**

**FRIDAY APRIL 11, 3:30 p.m. - SENATE RESOURCES**

**CALL LEGISLATORS - SEND IN P.O.M.'s**

Alaska Longline Fishermen's Association • Alaska Trollers Association • Bristol Bay Driftnetters Association • Concerned Area MF Fishermen • Cook Inlet Aquaculture Association  
Cordova District Fishermen United • Ketchikan Peninsula Fishermen's Association • Kodiak Regional Aquaculture Association • Kodiak Fishers Association • North Pacific Fisheries Association  
Northern Southeast Regional Aquaculture Association • Northwest Trollers Association • Peninsula Marketing Association • Petersburg Vessel Owners Association  
Prince William Sound Aquaculture Corporation • Pure Sea Vessel Owners Association • Seafood Producers Cooperative • Southeast Alaska Salmon Association  
Southern Southeast Regional Aquaculture Association • United Cook Inlet Dist Association • United Southeast Alaska Driftnetters

TOTAL P.01

Mr. Chairman and members of the resources committee. My name is Liz Cabrera & I am testifying on behalf of the P.V.O.A. (Petersburg Vessel Owners Association).

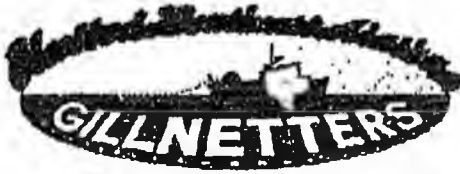
While our organization supports increased research for our fisheries, we oppose the committee substitute for senate bill 40. We consider this a tax & spend bill. ~~Our industry~~ As you've already heard, the commercial fishery pays its way in this state & we are opposed to additional taxes for our industry.

In terms of the discrete stock assessments provisions, we are concerned that this will lay the groundwork for changing management of our fisheries resource. It is difficult to understand why the state would move toward a discrete stock management policy which has failed in the lower 48.

By passing this bill, the legislature is in effect "micro-managing" our (1)

fisheries. Unfortunately, the legislature's priorities are often driven by politics, not by the need for research. In fact there are plenty of ~~some~~ resource problems in our state that the legislature continues to ignore such as Dungeness crab in Kodiak + Yakutat & Tanner + King crab in Kodiak. Some of these fisheries have been ~~restricted~~ shut down, & in some cases, the personal-use & subsistence fisheries have been restricted. If the legislature is serious about fulfilling its constitutional mandate and adhering to its responsibility to pass along a healthy and diverse resource to future generations of Alaskans, then rather than spending time, energy & money developing new legislation, we suggest the legislature consider appropriating adequate funds to the Department. The entire state benefits from our fisheries resource and management, and ~~resource~~ research should be funded to reflect that fact.

Patricia . PO Box 232 (??)



United Southeast Alaska Gillnetters  
PO Box 22427  
Juneau, Alaska 99802  
(907) 586-5860 Fax (907) 780-6621  
E-mail: usag@alaska.net

March 31, 1998

Senate Resources  
Senator Rick Halford, Chairman  
Alaska State Legislature  
State Capitol, Room 121  
Juneau, AK 99801-1182

Re: Opposition to SB 40 "Discrete Stock Assessment"

The United Southeast Alaska Gillnetters Association (USAG) is an organization which represents the Southeast Alaska drift gillnet salmon permit holders. There are 480 drift gillnet permits in Southeast Alaska. Our membership last year was 202 members with over 150 members joined so far for 1998. USAG is a member of United Fishermen of Alaska and the Alaska Seafood Council.

USAG is in opposition to this bill for the following reasons:

- USAG first questions in regard to SB 40 include:
  1. What is this bill trying to fix?
  2. The term discrete stock is never defined. What does it mean?
- SB 40 would be harmful to the resource as science is not driving the need for information but the allocation battle and political fights will determine the ADF&G research priorities.
- SB 40 turns the state's salmon stock assessment program into a political process. USAG feels that the present division between ADF&G management & research authority and the Board of Fish allocation authority is balanced and healthy. SB 40 would have the Board of Fish and ultimately the Legislature determining where the research and science should be directed at and not the department's need to gather information for management purposes. Under SB 40 you could have the situation occur where the large systems get all the attention because of allocation battles at the Board of Fish and due to nonexistent allocation concerns, smaller systems would be damaged because of a lack of attention and money available for research.
- USAG fully supports ADF&G having adequate funds available to properly manage and gather scientific information/data on all resources. Due to budget cuts over the last 5 years, ADF&G does not have adequate funding to do all aspects of their mission properly. This should be addressed in the course of the normal budget process by fully

resources.

- SB 40 raises the money for the discrete stock assessment by a combination of sport, crew member and limited entry permit fee increases. The commercial fishing industry already provides the State revenue, including revenue sharing for communities. The commercial fishing revenues generated exceeds the expenditures for management of ADF&G.
- USAG objects to the funding source for SB 40. The stock assessment surcharge is to reasonably reflect the different rates of economic return for different fisheries. Under this system, you are asking a fishermen that is barely able to survive and maintain their commercial fishing lifestyle to pay for years and years for a program that might never be conducted within their fishing region.
- The projects that get a priority on the discrete stock assessment list may be there one year and gone the next, depending on the way the list is developed by a political process. These projects need to be looked at on a long-term basis. Depending on the species of salmon it might be a minimum of 16 years to fully develop the data needed for discrete stock assessment. These projects need to be identified by ADF&G and adequate funding provided in a regular budget to gather the scientific data for proper management and to provide the Board of Fish with adequate scientific data for allocation determinations.

USAG is opposed to SB 40. The commercial fishing industry feels that it is an allocation bill disguised as a conservation and research assessment tool. While the draft CS bill introduced last April states the bill no longer manages for discrete stock, this bill still implies discrete stock management when you assess and set escapement goals for a discrete stock.

Thank you for considering our testimony as you consider this legislation. United Southeast Alaska Gillnetters strongly urges you to vote no on SB 40.

Sincerely,



Kathy Hansen  
Executive Director



# Alaska State Legislature

Please enter into the record my testimony to the Senate Resources  
 committee name  
 committee on SB 40, dated April 11 '97.  
 bill/subject

I came to the LIC to testify  
 not to be ignored. You took  
 public testimony from one person from  
 the most productive fishing town in  
 Alaska maybe the US. I'm pretty  
 disgusted, you let Don Padback  
 talk for 10 minutes, revisited  
 Anchorage and the M.L.S. The  
 BOF Fish members can communicate at other times  
 not waste my time.

Signed: [Signature]  
 Testifier  
S/L  
 Representing (Optional)  
7625 Spruce Cape Rd  
 Address  
486-3643  
 Phone No.

TY NEWSPAPER

The World

# Weekend

SERVING OREGON'S SOUTH COAST

75¢

## Biologists: Stream repair not enough

**Field work: People who built stream structures say Oregon's plan won't succeed.**

By JEFF BARNARD  
Associated Press Writer

GLENDALE — As a biologist for the U.S. Bureau of Land Management in the 1980s,

Jeff Dose built about 1,000 structures to enhance fish habitat in small streams of the South Umpqua Basin.

"We built them and they didn't come," Dose said Friday as he gazed at a big log he had anchored across Bull Run to create a pool for young coho salmon grow up in before migrating downstream to the ocean as a smolt.

"The engineering was perfect. The ecological consequences were nothing. We wasted a

bunch of money."

Based on the failure of those structures and others to turn around the continuing decline of wild salmon over the past 15 years, Dose and other members of the American Fisheries Society have concluded that Oregon's plan to save coho salmon and prevent listing them as an endangered species is doomed to failure.

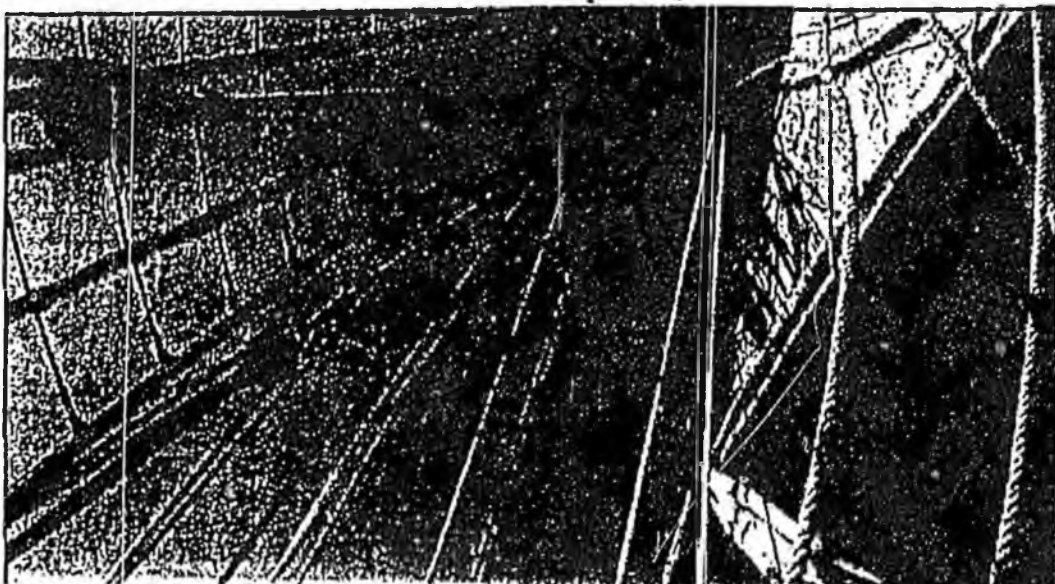
To be successful, Gov. John Kitzhaber's Oregon Coastal Salmon Recovery Initiative

must address conditions throughout the watershed that have led coho salmon and other anadromous fish down the road to extinction, rather than just addressing the symptoms seen in individual streams, Dose said.

Now a biologist on the Umpqua National Forest, Dose collaborated with two other members of the American Fisheries Society,

See Salmon, Page 6

## Traveler finds job on Lady's crew



APR-11-97 SAT 2:10 PM U.S.E.O.

## NATIONAL NEWS

# Trio: Salmon runs need more protection

Salmon from Page 1

the nation's leading organization for fisheries biologists, on an article to be published in the May issue of the organization's journal, "Fisheries." The others are Brett Roper, a fisheries biologist on the Idaho Panhandle National Forests in Coeur d'Alene, Idaho, and Jack E. Williams, senior aquatic ecologist

for the BLM in Boise, Idaho.

After reviewing more than 100 scientific articles and a dozen books, the three concluded that few in-stream habitat enhancement projects have resulted in long-term success. To be successful, they must be combined with restoration of ecological processes in the entire watershed.

For the private lands that account for more than two-thirds of coho

habitat, that translates into significantly less logging on slopes above streams, Dose said.

It also means drastically reducing the network of logging roads, particularly those running along streams on valley floors, and better protection for the riparian zones along rivers than Oregon logging regulations now provide.

Protections on federal lands,

where steps to save the northern spotted owl and salmon have resulted in an 80 percent reduction in logging, are more in line with what is needed, Dose added.

After reading the Oregon coho restoration plan, Dose concluded that it depends more on the kind of projects that failed on Bull Run and less on the kinds of watershed restoration he and his colleagues

feel are necessary to rebuild salmon runs.

Jim Martin, Kitzhaber's chief salmon advisor, countered that while the Oregon plan calls for in-stream projects, it also takes major steps to improve watershed health.

"All the work being done right now on the issue of erosion says the number one issue threatening these streams right now is roads," he said.

# German quick to learn ship's ropes

German from Page 1

adapted to ship life fairly well.

"Everybody teaches you. In the watch, your watch leader, he's responsible ... but pretty much everybody helps you. It's a training vessel, so people are used to teaching you," she said.

As to her duties, Kuenstler said, "I'm one of the average deckhands, so I have to do everything they tell me to do."

On an average day, this starts after breakfast at 7 a.m. with swabbing the decks, doing the dishes, polishing the brass and other ship-keeping chores.

When in port, this is followed by hosting tours and groups on educational visits, Kuenstler said. When out at sea, things settle down a bit more, with crew members serving

During sea voyages, things settle down more with time divided between doing shipboard chores, handling the tiller or doing bow watch.

Like hauling up sails and heaving lines, handling the tiller of the 170-ton Lady Washington takes some muscle, Kuenstler said.

"It's heavy and when the sea's rough, you need a lot of strength," she said.

Although authentic in many respects, the present-day Lady Washington has been fitted with many modern-day amenities which an 18th-century crew would have appreciated.

"We have a forecabin where we sleep, but 200 years ago, they would have slept on the cargo. They didn't have bunks, we have bunks," she said.

# Members lost to families

Cult from Page 1

Among the relatives was actress Nichelle Nichols, who played Lt. Uhura on the original "Star Trek" and has been promoting a line of telephone psychics. She was shocked and under sedation at the news that her brother, Thomas Nichols, was among the dead, said her manager, Jim Meecham.

Miss Nichols said on Larry King Live Friday that her brother had been talking about the comet that would come some day as early as 1994.

"He made his choices and we respect those choices," she told King, adding that she felt it ironic

that they chose Hale-Bopp, "this wonderful celestial event," as the trigger for the decision to die.

Cult members had told acquaintances that leader Marshall H. Applewhite, 66, preached celibacy.

In the house, investigators discovered pictures of a dome-headed alien they apparently thought they would encounter by killing themselves and joining a UFO they believed is traveling behind the comet Hale-Bopp.

"It's the head of an alien, like you see in 'The X-Files,' the medical examiner said.

Blackbourne acknowledged that some relatives were upset that officials released a two-minute video-

tape shot inside the mansion that showed investigators walking through the death scene, pointing to the bodies.

For Nancie Brown, the grieving began when her teen-age son went to check out a cult meeting at a park in the San Francisco Bay area. That was 21 years ago.

"It's been, I'd say, 21 years of losing," she told The Washington Post. In the years since, she heard from him just twice. Then came a call that 41-year-old David Geoffrey Moore was dead.

The oldest cult member, 72-year-old Jackie Leonard, left her Iowa home in the early 1970s, according to her son-in-law.

# Columbus visited Indian village

City from Page 1

same one whose brutal destruction in 1503 is described in an account

insight into the Taino then has ever been known before," said Charles Becker, director of the underwater science program at Indiana

last week to investigate the area around a cenote, or natural well, that the Indiana archaeologist has been studying for several months

APR-11-97 SAT 2:11 PM W.D.F.U.

**SB**

**52**

# SENATOR JERRY MACKIE

ALASKA STATE LEGISLATURE

## SPONSOR STATEMENT

### SB 52, Fishery Business Tax Credit

I introduced SB 52 to help bring some economic stability and growth to Alaska's commercial fisheries industry. I think the best way to do this is through development incentives that increase operational efficiencies, improve product quality, or bring new products to market. The incentives are business tax credits, up to 50 % of a company's tax liability, for any capital investments in shore based facilities that achieve these goals.

Alaska's fishery resources provide nearly 70,000 jobs in the private sector, for more than any other industry. These are fishermen, processors and the processing labor force. For most of the state's coastal and river communities, commercial fishing is the dominant economic activity that sustains the community. Thus, when markets deteriorate and fish prices fall, as has happened with salmon, the effects can be immediate, wide spread, and devastating.

SB 52 is modeled after a similar program that was in effect from 1986 to 1991. This program was largely responsible for large investments in processing quality control in facilities throughout the state. It is also credited with stimulating Alaskan participation and expansion into the harvesting, processing, and marketing of new bottom fisheries.

The Alaskan fisheries industry needs a boost to improve the marketability of its traditional fishery products and to introduce new, value added products that appeal to consumers worldwide. This will require large investments in new and better equipment. I feel that the tax incentive program is the way to accomplish these improvements in the most direct and efficient manner. The benefits will accrue to both resident commercial fishermen as well as the processing labor force through increased fishing opportunities and increased processing jobs.

0-LS0352/E  
Chenoweth  
4/3/97

CS FOR SENATE BILL NO. 52( )  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
TWENTIETH LEGISLATURE - FIRST SESSION

BY

Offered:  
Referred:

Sponsor(s): SENATORS MACKIE, Torgerson, Taylor, Leman, Hoffman

A BILL

FOR AN ACT ENTITLED

1 "An Act establishing additional tax credits against the fisheries business tax, and  
2 repealing the fisheries business tax on developing commercial fish species processed  
3 by a shore-based fisheries business; and providing for an effective date."

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

5 \* Section 1. AS 16.51.180(4) is amended to read:

6 (4) "processor" means

7 (A) a person who is liable for

8 (i) [(A)] the tax imposed under AS 43.75.015;

9 (ii) [(B)] the tax imposed under AS 43.75.100; or

10 (iii) [(C)] the landing tax imposed under AS 43.77; and

11 (B) a shore-based fisheries business that processes a

12 developing commercial fish species, as those terms are defined in

13 AS 43.75.290, when the value of that fisheries resource is exempt from

14 taxation under AS 43.75;

1 \* Sec. 2. AS 43.75.015(a) is amended to read:

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

5 (1) salmon canned at a shore-based fisheries business - four and one-  
6 half percent;

7 (2) salmon processed by a shore-based fisheries business, except salmon  
8 for which the tax is due under (1) of this subsection, and all other fisheries resources,  
9 except developing commercial fish species, processed by a shore-based fisheries  
10 business - three percent;

11 (3) fisheries resources processed by a floating fisheries business - five  
12 percent.

13 \* Sec. 3. AS 43.75.015(b) is amended to read:

14 (b) Instead of the taxes levied by (a) of this section, a person who processes  
15 a developing commercial fish species is liable for and shall pay a tax equal to

16 [(1) ONE PERCENT OF THE VALUE OF THE DEVELOPING  
17 COMMERCIAL FISH SPECIES PROCESSED BY A SHORE-BASED FISHERIES  
18 BUSINESS DURING THE YEAR; AND

19 (2)] three percent of the value of the developing commercial fish  
20 species processed by a floating fisheries business during the year.

21 \* Sec. 4. AS 43.75 is amended by adding a new section to read:

22 Sec. 43.75.035. Tax credits for certain capital expenditures. (a) If  
23 application for the credit is approved by the department in advance, a fisheries  
24 business is entitled to a credit of not more than 50 percent of the business tax liability  
25 under AS 43.75.015 for capital expenditures made during the tax year that

26 (1) increase product diversity, increase production efficiency and  
27 capacity, or improve product quality at a shore-based fisheries business facility in the  
28 state; or

29 (2) contribute to the development of a cooperative seafood industrial  
30 park in the state.

31 (b) A fisheries business may claim a credit under (a) of this section for a

1 maximum period of three consecutive years. An applicant for the credit may elect to  
2 begin the three-year period with any tax year from 1998 through 2000.

3 (c) A tax credit under this section may not be approved for more than 50  
4 percent of a capital expenditure, plus any increase required under (d) of this section.

5 (d) The amount of a credit under (a) of this section for a capital expenditure  
6 involving a shore-based fisheries business facility or cooperative seafood industrial  
7 park located or to be located in a municipality shall be increased by the amount by  
8 which the municipality's fisheries business tax refund is reduced under  
9 AS 43.75.130(h). The total amount of a credit increase under this subsection during  
10 a three-year period may not exceed 25 percent of the amount of the capital  
11 expenditure.

12 (e) The portion of a capital expenditure that is eligible for a credit under this  
13 section but is not claimed during a single tax year may not be carried back to a prior  
14 tax year but is available for the computation as a credit under this section for a  
15 subsequent tax year within the three-year period elected under (b) of this section.

16 (f) Within 10 days after submitting an application for a credit under (a) of this  
17 section, the applicant shall send a copy of the application to the municipality, if any,  
18 in which the shore-based fisheries business facility or cooperative seafood industrial  
19 park for which the expenditure is to be made is located or is to be located.

20 (g) The total tax credits that may be claimed under this chapter for a tax year  
21 for capital expenditures under this section and scholarship contributions under  
22 AS 43.75.032 combined may not exceed 50 percent of the taxpayer's business tax  
23 liability under AS 43.75.015 for that tax year.

24 (h) The department may not approve a tax credit under this section if

25 (1) the property for which the capital expenditure was made was the  
26 subject of a previous capital expenditure by another taxpayer for whom a  
27 corresponding tax credit under this section has been approved;

28 (2) the property for which the capital expenditure was made was sold  
29 or transferred between fisheries businesses having substantial common ownership; or

30 (3) the fisheries business claiming the credit is in arrears in the  
31 payment of its fisheries business tax under AS 43.75.015; for purposes of this

1 paragraph, a taxpayer is not in arrears if the payment is under administrative or judicial  
2 appeal.

3 (i) The department shall

4 (1) prepare an application form for a credit under this section; and

5 (2) approve or disapprove an application for a credit under this section  
6 not later than 60 days after receiving the application.

7 (j) Not later than the 15th legislative day of each regular legislative session the  
8 Department of Revenue, in conjunction with the Department of Commerce and  
9 Economic Development, shall submit to the legislature a report on the fisheries  
10 business tax credit program under this section. The report must describe the  
11 expenditures for which a credit was approved during the previous tax year and, if  
12 possible, the increase in employment and processing capacity by the fisheries  
13 businesses for which the credit was approved.

14 \* Sec. 5. AS 43.75.130 is amended by adding new subsections to read:

15 (g) For purposes of this section, tax revenue collected under AS 43.75.015  
16 from a person entitled to a credit under AS 43.75.035 shall be calculated as if the  
17 person's tax had been collected without applying the credit.

18 (h) Within 60 days after a credit is approved under AS 43.75.035 for a capital  
19 expenditure involving a shore-based fisheries business facility or cooperative seafood  
20 industrial park located or to be located in a municipality, the municipality may adopt  
21 an ordinance directing the department to reduce the municipality's refund under this  
22 section over a period of not more than three years by an amount not exceeding 25  
23 percent of the capital expenditure.

24 \* Sec. 6. AS 43.75.290 is amended by adding new paragraphs to read:

25 (12) "capital expenditure" includes the price paid for equipment and the  
26 cost of improvements made to depreciable property, but does not include expenditures  
27 that are deducted entirely for federal income tax purposes in the year in which they  
28 accrued or were paid;

29 (13) "cooperative" has the meaning given in AS 10.15.595;

30 (14) "product diversity" means the processing of nontraditional fish or  
31 other seafood species or products;

1 (15) "product quality" means the handling of fish or other seafood  
2 species or products in order to increase product sales or value;

3 (16) "seafood industrial park" means a seafood processing center with  
4 facilities to land, handle, and process or to ship or transship to any location any  
5 marketable species of seafood; a seafood industrial park may contain commercial  
6 facilities to support the activities of the park and the labor force and vessels that  
7 operate at or from the park.

8 \* Sec. 7. AS 43.75.035(a), 43.75.035(b), 43.75.035(c), 43.75.035(d), 43.75.035(e),  
9 43.75.035(f), 43.75.035(g), 43.75.035(h), 43.75.035(i), 43.75.130(g), 43.75.130(h),  
10 43.75.290(12), 43.75.290(13), 43.75.290(14), 43.75.290(15), and 43.75.290(16) are repealed  
11 January 1, 2003.

12 \* Sec. 8. AS 43.75.035(j) is repealed February 15, 2003.

13 \* Sec. 9. The first tax credit report under AS 43.75.035(j), enacted by sec. 4 of this Act,  
14 is due February 1, 1998, and shall describe the expenditures for which a credit was approved  
15 on and after July 1, 1997, for the 1998 tax year.

16 \* Sec. 10. Sections 1 - 3 of this Act take effect January 1, 1998.

17 \* Sec. 11. Sections 4 - 9 of this Act take effect July 1, 1997.

# LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES  
LEGISLATIVE AFFAIRS AGENCY  
STATE OF ALASKA

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

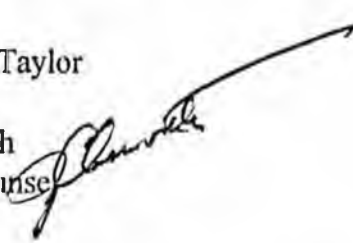
130 Seward Street, Suite 409  
Juneau, Alaska 99801-2105

## MEMORANDUM

April 3, 1997

**SUBJECT:** Draft CSSB 52( ), relating to the fisheries business tax (Work Order No. 20-LS0352\E)

**TO:** Senator Robin Taylor

**FROM:** Jack Chenoweth  
Legislative Counsel 

In the draft accompanying this memo, the new material specifically requested appear in bill sections 2 and 3. The changes introduce no new equal protection-based objection that might be asserted by floating fisheries businesses subject to the three percent tax, but could aggravate any equal protection-based objection that may now exist.

Under the provisions establishing the Alaska Seafood Marketing Institute, AS 16.51, the eligibility of a "processor" to serve on the Institute's board of directors is dependent on the processor's tax liability. With the changes proposed in bill sections 2 and 3, shore-based processors handling developing commercial fish species would enjoy a tax exemption. In order for that group to continue to remain eligible for appointment to the board, I felt that the definition of "processor" under AS 16.51 should be revised so that this group of processors, exempt from the tax, would continue to qualify. Hence, the amendment made in bill section 1.

At least one person in this office thinks section 1 is unnecessary because processors of developing commercial fish species also process salmon and other product that is not exempt from the AS 43.75 tax. I don't know enough about the industry to say whether this is correct. If you think that the amendment of the definition of "processor" under AS 16.51 is unnecessary, I'll remove it.

The new tax exemption is drafted with an effective date tied to the calendar year, which is also the tax year, beginning January 1, 1998. If there is reason to exempt businesses from the tax this year, I can change the effective date to January 1, 1997, and insert a retroactive provision and some directive to the Department of Revenue to refund amounts paid since January 1, 1997, to shore-based processors for their tax payments remitted based on their handling of developing commercial fish species since that date.

JBC:glc  
97-227.glc  
Enclosure

Revision Date: \_\_\_\_\_ Dept. Affected: Revenue  
 Title: Fisheries Business Tax Credits BRU: Revenue Operations  
 Component: Income and Excise Audit  
 Sponsor: Senator Mackie  
 Requestor: (S) CRA COMPONENT SERIAL NO. 113

Expenditures/Revenues: (Thousands of Dollars)

OPERATING EXPENDITURES	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES	0.0	(7,300-14,600)	(7,300-14,600)	(7,300-14,600)	(7,300-14,600)	(7,300-14,600)
--------------------	-----	----------------	----------------	----------------	----------------	----------------

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY97) cost \$ 0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

(See Attached Analysis)

Prepared by: Brett Fried, Economist Phone: 465-3682  
 Division: Income and Excise Audit Division Date: January 30, 1997  
 Approved by Commissioner: Wilson L. Condon *Wilson L. Condon* Date: January 30, 1997  
 Agency: Department of Revenue

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DEPARTMENT OF REVENUE  
Income and Excise Audit Division

Fisheries Business Tax Credit  
SB 52  
0-LS0352\A  
January 30, 1997  
Page 2 of 4

**BILL ANALYSIS**

**Section 1** - Amends the Fisheries Business Tax statutes to provide a tax credit for capital expenditures. Expenditures qualify if they increase product diversity, increase production efficiency and capacity or improve product quality at a shore-based fisheries business facility in the state. Expenditures can also qualify if they contribute to the development of a cooperative seafood industrial park. A fisheries business may only claim credits for a maximum period of three consecutive years and may begin the three-year period for expenditures with any tax year from 1998 through 2000. Eligible tax credits that are not claimed in a single year can be carried forward a subsequent year as long as this falls within the three consecutive years the applicant has chosen.

The amount of the tax credit is limited to 50 percent of a capital expenditure, unless a municipality agrees to give up a portion or all of its share of tax revenue. If a municipality does opt to reduce its share then a business could claim up to 75 percent (depending on how much the municipality gives up) of its capital expenditure as a credit. The total tax credit for a tax year for capital expenditures and scholarship contributions may not exceed 50% of the taxpayer's fisheries business tax liability for that year. The department may not approve a tax credit for capital expenditures if the property for which the capital expenditure was made was subject to a previous capital expenditure under this section, the property for which the capital expenditure was made was sold or transferred between fisheries businesses having substantial common ownership or the fisheries business claiming the credit is in arrears in the payment of its fisheries business taxes.

The department is required to prepare an application form for a credit and approve or disapprove an application for a credit under this section no later than 60 days after receiving the application. The Department of Revenue is also required to submit a report on the expenditures, and if possible increases in employment and processing capacity, for which a credit was approved (in conjunction with the Department of Commerce and Economic Development) on the fisheries business tax credit program by the 15th legislative day of each regular legislative session.

**Section 2** - Amends the refund to local government section (AS 43.75.130) so that revenue collected from the fisheries business tax is calculated as if a fisheries business tax credit had not

DEPARTMENT OF REVENUE  
Income and Excise Audit Division

Fisheries Business Tax Credit  
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0-LS0352\A  
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been collected. This holds municipalities harmless from the credits. The municipality may adopt an ordinance directing the Department of Revenue to reduce the municipality's refund over a period of not more than three years by an amount not exceeding 25 percent of the capital expenditure.

**Section 3** - Defines terms such as "capital expenditure", "cooperative", "product diversity", "product quality" and "seafood industrial park".

**Section 4** - The first tax report of expenditures, for which credits were approved on and after July 1, 1997, is due February 1, 1998.

**Section 5** - Repeals all sections of this Act on January 1, 2003 except for the reporting requirement (section 1 (j)).

**Section 6** - Repeals section 1 (j), February 15, 2003.

**Section 7** - Establishes an effective date for this Act of July 1, 1997.

**OPERATING EXPENDITURES**

The Income and Excise Audit Division would be required to expend audit staff time to implement the credit pre-approval process. In addition audit staff work would be required to review records of taxpayers actually applying the tax credits. This time would result in a reallocation of current staff time but does not justify a new position.

**GENERAL FUND REVENUE EFFECT** See page 4.

**Other** This bill fails to take into consideration the complementary landing tax. See Ch. 81, SLA 1996 ("The fisheries resource landing tax...is both designed and intended to be a compensatory tax that complements the fisheries business tax levied and collected under AS 43.75). The legislature in the the last session passed remedial legislation to insure equal treatment. Therefore, since the landing tax and the fisheries business tax are compensatory taxes, credits must be extended equally under both tax types. The department will have many other technical changes to this legislation based on problems experienced under the previous fisheries tax credit program.

**Alaska Department of Revenue**  
**Income and Excise Audit Division**  
**Projected Revenue Decreases from the Fisheries Business Tax Credit**

Fisheries Business Tax Credit  
 SB 52  
 O-LS0352VA  
 January 30, 1997  
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**Scenario A - All Qualifying Expenditures are Used:** Assume that the exact same level of qualifying expenditures are made in the in the new Fisheries Business Tax Credit as were made in the original (1986-1989) Fisheries Business Tax Credit program. Total expenditures were \$146 million, and since 50% of these expenditures qualify for credit, total qualifying expenditures were \$73 million. Additionally, assume that these expenditures are spread evenly over the qualifying years.

	FY 98*	FY 99	FY 00	FY 01	FY 02	FY 03
Revenue under Scenario A	\$0	(\$14,600,000)	(\$14,600,000)	(\$14,600,000)	(\$14,600,000)	(\$14,600,000)

**Scenario B - Half of All Qualifying Expenditures are Used:** Assume that the exact same level of qualifying expenditures are made in the in the new Fisheries Business Tax Credit as were made in the original (1986-1989) Fisheries Business Tax Credit program. Total expenditures were \$146 million, and since 50% of these expenditures qualify for credit, total qualifying expenditures were \$73 million. Additionally, assume that the limitation that a credit can only reduce a taxpayers annual liability by 50% results in only half of these expenditures (\$36.5 million) being used and that these expenditures are spread evenly over the qualifying years.

	FY 98*	FY 99	FY 00	FY 01	FY 02	FY 03
Revenue under Scenario B.	\$0	(\$7,300,000)	(\$7,300,000)	(\$7,300,000)	(\$7,300,000)	(\$7,300,000)

# SENATOR JERRY MACKIE

ALASKA STATE LEGISLATURE

SECTIONAL

SB 52, Fisheries Business Tax Credit

**Section 1.** A new section AS 43.75.035, Tax credits for certain capital expenditures, is added.

Subsection (a) establishes a fisheries business tax credit for certain kinds of capital expenditures a business makes to improve production or product. The maximum credit allowed is 50% of the business' raw fish tax liability (AS 43.75.015). The credit must have advanced approval by the Department of Revenue.

Subsection (b) limits the application of the investment credits to three consecutive years maximum for a particular business beginning in any year between 1998 and 2000.

Subsection (c) limits the amount of the credit to 50% of the actual value of the investment itself unless a municipality where the facility is located acts to increase this limit under subsection (d).

Subsection (d) allows a municipality to offer an increased credit to a business within its boundaries. The added credit is offset from the municipality's portion of shared fishery tax revenues under AS 43.75.130(h) [See \*Sec. 2.]. The total amount of the increased credit under this subsection is limited to 25% of the investment value in the three year period.

Subsection (e) prohibits carrying an eligible credit back to a prior year. An eligible credit may be carried forward to the next tax year within the allowed three duration year period.

Subsection (f) requires a tax credit applicant to notify in the municipality, if any, of the location of the capital investment and to send a copy of the credit application.

Subsection (g) caps the combined credits from scholarship contributions under AS43.75.032 (Winn Brindle) and the investment credit under this section to 50% of total tax liability.

Subsection (h) prohibits (1) multiple tax credits on the same capital expenditure, (2) credits on capital expenditures between businesses having substantial common ownership, and (3) tax credits for businesses who are in arrears in the payment of fishery taxes.

Subsection (i) gives the department authority to prepare the credit application form. The department has 60 days after reception to approve or reject an application.

Subsection (j) requires annual reports to the legislature on the activities of the tax credit program. The report must describe certain results that have occurred because of the program.

**Section 2.** Two new subsections are added to AS 43.75.130. Subsection (g) holds a municipality's revenue sharing harmless from the state's allowance of a credit. Subsection (h) requires a municipality to adopt an ordinance directing the department to reduce its fish tax revenue share commensurate with any additional tax credit that is allowed under AS 43.75.035 (d).

**Section 3.** AS 43.75.290 is amended to add definitions for "capital expenditure", "cooperative", "product diversity", "product quality" and "seafood industrial park".

**Section 4.** The date of the first report to the legislature on the programs experience is set for February 1998.

**Section 5 and 6.** Repealer sections terminate the tax credit program on January 1, 2003 and the legislative report on February 15, 2003.

**Section 7.** July 1, 1997 effective date.

# STATE OF ALASKA

## DEPARTMENT OF LAW

### OFFICE OF THE ATTORNEY GENERAL

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January 30, 1997

The Honorable Jerry Mackie  
Alaska State Senate  
State Capitol, Room 427  
Juneau, AK 99801-1182

RE: Omission of landing tax, AS 43.77, from  
SB 52

Dear Senator Mackie:

I have been in touch with your staff to alert you to an omission regarding SB 52 that may have been inadvertently overlooked: the bill amends the Fisheries Business Tax, AS 43.75, but does not amend the complementary Fisheries Landing Tax, AS 43.77. Your staff asked me to state these concerns, as briefly as possible, in a letter. This letter will address only the concern raised by the omission of the landing tax from the credit provided by the bill.

As you know, the American Factory Trawlers Association (AFTA) has vigorously attacked the constitutionality of the landing tax. One of AFTA's arguments is that the tax discriminates against interstate commerce. The Departments of Law and Revenue have been defending the landing tax. We argue that the landing tax does not discriminate because in-state processors pay a complementary tax, the Fisheries Business Tax, AS 43.75.

We believe we have a very strong case under the complementary tax doctrine. Our argument requires, however, that the tax rate under landing tax "not exceed the amount of the tax on intrastate commerce." *Oregon Waste Sys. v. Dep't of Envtl. Quality*, 114 S. Ct. 1345, 1352 (1994) (citing *State of Alaska v. Arctic Maid*, 366, U.S. 199, 204-05 (1961)). Tax credits may affect the effective tax rates, and complementary taxes should be considered in tandem. As you may recall, last session the legislature retroactively amended the landing tax to provide credits previously available only under the fisheries business tax. Ch. 81, SLA 1996. The concern raised by SB 52 is that making credits available under the fisheries business tax that are not available under the landing tax is unfair and counter to the careful balance required under the complementary tax doctrine.


The Honorable Jerry Mackie  
January 30, 1997  
Page 2

We understand from your staff that SB 52 is based on earlier legislation from the middle 1980's, adopted before the fisheries business tax had a sibling tax, and that no deliberate decision was made to exclude the landing tax from this credit provision. We recommend that the bill be amended to apply equally to AS 43.77 and that the provision limiting the credit to shore-based facilities be eliminated.

If you have any questions, feel free to call me.

Very truly yours,

BRUCE M. BOTELHO  
ATTORNEY GENERAL

By:   
Stephen C. Slotnick  
Assistant Attorney General

cc: Pat Pourchot, Legislative Liaison, Office of the Governor  
Bruce Botelho, Attorney General, Department of Law  
Deborah Vogt, Deputy Commissioner, Department of Revenue  
Deborah Behr, Assistant Attorney General, Department of Law  
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**DEPARTMENT OF COMMERCE &  
ECONOMIC DEVELOPMENT**

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JUNEAU, ALASKA 99811-0003  
PHONE: (907) 465-2500

OFFICE OF THE COMMISSIONER

**FISHERIES BUSINESS TAX CREDIT STUDY**

**EXECUTIVE SUMMARY**

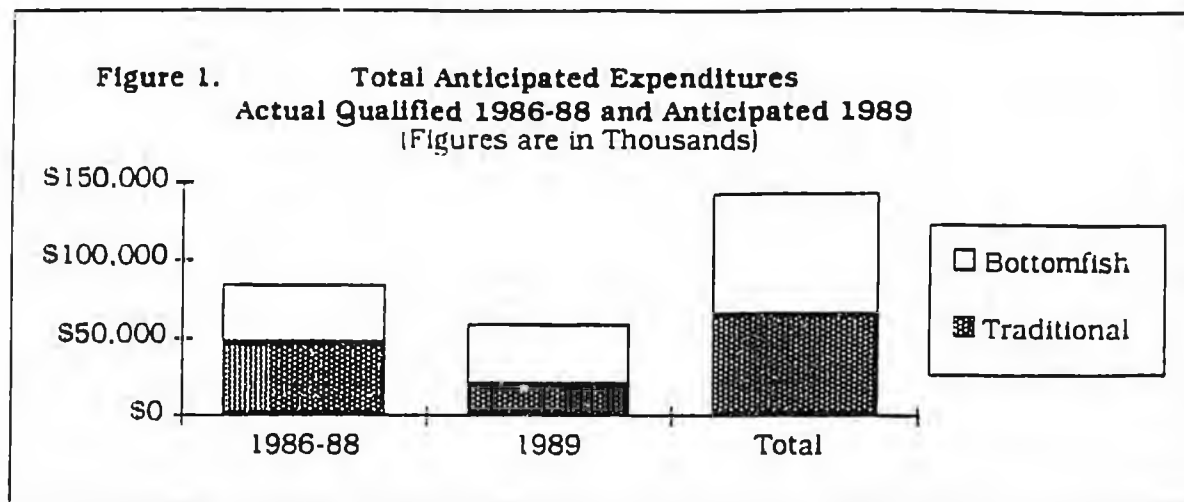
**Purpose.** This report addresses the effects of the Fisheries Business Tax Credit Program, and its stimulus to investments and employment. An attempt is also made to address several questions of interest: what types of investments are being made, where, and by what types of companies; what have the costs to the state been; and how much more will the existing program cost.

**The tax credit program.** The program offers a tax credit for capital expenditures that increase processing capacity, product quality, and value-added production. Credits are limited to 50% of a firm's tax liability and to 50% of qualified expenditures. It is scheduled to run for five years (1986-1991), with regulations defining 1986-1989 as the three year period during which qualifying expenditures must be made. Companies can elect to start their three year window of eligibility at any time during that period. Thus all projects must have been preapproved and substantially completed at this time. Credits can now be carried forward by companies who started their eligibility period in 1988 or 1989.

**Expenditures.** There is no uniform correlation between actual qualifying expenditures as reported on tax forms, expenditures preapproved by the Department of Revenue, total expenditures actually made and tax credits taken. Generally, actual qualifying expenditures are a minimum figure for total investment. For most firms, the limiting factor was 50% of their tax liability, not 50% of the qualifying expenditures. Overall, credits are expected to total about 35% of qualifying expenditures.

Actual qualifying expenditures reported on tax forms during the period 1986-1988 totaled \$83.4 million. The Department of Revenue has preapproved expenditures of about \$92.0 million for 1989, the last year that expenditures could be made and still qualify for credit. Since fisheries tax returns for 1989 are not due until March 31st, the actual dollar amounts will not be known for several months.

Using the experience of the previous two years, actual expenditures reported for credit will be approximately \$60 million, 65% of the amount preapproved. Total reported, qualifying expenditures are expected to total over \$140 million, but this is a minimum number for actual investment, as some



companies only report enough expenditure to match their tax liability, and some expenditures are disqualified for items such as bunkhouses, which are essential parts of the operations.

**Increase in Shorebased Plant Value.** Current estimates put the total insured or assessed value of seafood processing plants and equipment in Alaska at \$800 million to \$1 billion (Alaska Seafood Industry Study, 3/89). Estimated qualifying expenditures made during the past three years represent an increase of more than 15% of the total value of all active processing facilities in the state.

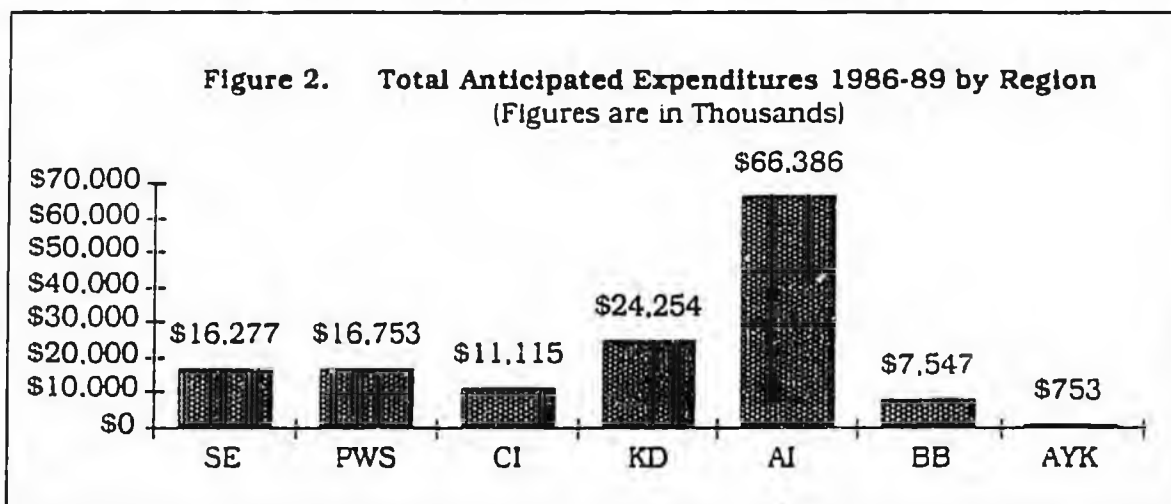
**Number of participants.** Sixty-seven firms representing 96 Alaska processing facilities have or intend to participate in the fisheries tax credit program. Expenditures actually qualifying for credit during the 1986-1988 period were made at 76 plants. Applications for expenditures during 1989 at an additional 13 facilities have been approved by the Department of Revenue. Credits only were taken on taxes generated by 7 facilities (and applied to expenditures at other plants owned by the same firm).

**Table 1. Size and Number of Facilities' Expenditures by Region**

Size of Expenditure (in thousands)	South East	Prince Will	Cook Inlet	Kod/ Chig	Aleut. Is.	Bristol Bay	AYK	Total
Less than \$10.0	2		1		1			4
\$10.0 - 100.0	7	1	2			2	2	14
\$100.0 - 500.0	8	3	3	5	1	2		22
\$500.0 - 1,000.0	1		8	5	2	3	1	20
\$1,000.0 - 2,000.0	4	2	4	2	1	1		14
\$2,000.0 - 5,000.0	2	2		3	1	1		9
\$5,000.0 - 10,000.0		1		1				2
\$10,000.0 - 20,000.0					4			4
<b>Total</b>	<b>24</b>	<b>9</b>	<b>18</b>	<b>16</b>	<b>10</b>	<b>9</b>	<b>3</b>	<b>89</b>

**Concentration of Major Investments.** It is estimated that through 1989, 22 firms will have made investments of more than \$1 million at each of 28 plants. This category of large investments will total about \$128 million or 89 percent of the total estimated expenditures of all participating firms.

The approximate size of expenditures and number of plants involved in each area of the state are outlined in Table 1. The expenditures column represents actual expenditures reported through 1988 plus 65% of 1989 expenditures preapproved by the Department of Revenue.



**Expenditures by Region.** The statewide total of estimated expenditures over the life of the tax credit program is put at \$143 million. Expenditures in the Aleutian Islands area are estimated at \$66 million or 46% of the total. The bulk of expenditures in the Aleutian Islands area are related to the construction of four very large bottomfish plants used for the manufacture of surimi, fillets and meal. See Figure 2.

Comparatively few expenditures were made in the Bristol Bay area (\$8 million) and AYK area (\$1 million).

**Credits Taken.** Reported expenditures totaled \$83 million during the 1986-1988, generating \$42 million in potential credits. Only about \$23 million in actual credits were applied, and the credit carry forward is about \$19 million. Generally, the credits taken by most major firms are limited by their tax liability and not by the size of their qualified expenditures.

**Credits Outstanding.** Theoretically, outstanding credits could equal \$66 million (half of the 1989 preapproved amount plus the amount carried forward). Estimating 65% of the preapproved amount as the actual qualifying expenditures that will be reported yields an estimated potential credit outstanding \$49 million, and a total potential credit figure of \$71 million.

The carryforward of most firms will be exhausted by 1990, so credits taken are expected to be higher 1988-1990, and lower in 1987 and 1991. Also, the record high ex-vessel prices of 1988 and the large volume of claims are likely to make that year the peak. Credits are likely to decline steadily after 1988, and to total between \$48 and \$55 million over the life of the program.

**Ownership.** Of the 89 facilities where expenditures have or will be made, on the order of 44 are owned by Alaska residents or Alaska-based corporations, 24 by foreign entities, and 21 by U.S. citizens or corporations headquartered outside of the state.

Forty-one percent of the credits actually applied through 1988 were taken by Alaskan firms, 29% by US firms, and 31% by foreign firms. Based on the tax liabilities of the companies involved, the 1989 approved expenditures and the amount of credits carried over from prior years, this ratio is not expected to change appreciably in the future.

**Value of the Tax Credit Program.** It is not possible to determine what investments in plant expansion and new equipment would have been made in the absence of a tax credit program. However, it is clear that the program is responsible for a substantially increased volume of capital investments in shorebased facilities, and probably in the ability of Alaskan and US firms to participate in shorebased bottomfish operations.

Six facilities with over \$5 million expended make up 45% of the total anticipated qualifying expenditures. Four are for new plants, with three bottomfish operations and one cannery. Two are major expansions of existing plants, both into surimi, fillet and meal production. The two Alaskan and one US firm involved all concentrated extensive tax credits from floating operations to build their plant. Principals in each firm report that the tax credit program was a major factor in their decision to invest onshore. The program was of lesser importance to the other three Japanese owned plants, who have very large fishing companies behind them, and who are constrained by law from investing in factory trawlers.

Of the total \$143 million in expected qualifying expenditures, \$79 million was spent on bottomfish facilities, and \$44 million on traditional species. The traditional species investments have considerably increased production capacity, especially refrigeration capacity, and have contributed substantially to production efficiencies.

**Increase in Employment.** It is not possible to determine the total increase of employment which was generated by plant expansions, because most were incremental expansions or improvements of existing facilities. More efficient equipment and production systems may even have resulted in the elimination of a few jobs. However, four new surimi plants alone which have already been completed or are in the final stages of construction will employ about 750 people full time. Another new facility constructed to handle more seasonal "traditional" species is expected to employ 200. Employment increases associated with firms participating in the tax credit program probably exceed 1,000 persons.

## FISHERIES BUSINESS TAX CREDIT PROGRAM REPORT

### Type of investments made

Actual qualifying expenditures as reported on 1987-1988 tax returns were analyzed in detail. These expenditures were classified as being in support of either bottomfish processing or the processing of "traditional" species such as salmon, halibut, herring, and crab. Within those two categories the following classifications were established:

Dock/building repair or expansion: Minor and major expansion of existing processing buildings; utilities maintenance and upgrade (water, power, communications, waste disposal, outfalls); general plant wiring, plumbing, heating and other systems maintenance and upgrade; support facilities and equipment such as office, lunch room, generator shed, shop, supplies storage space, or loading dock.

New plant construction: Construction of a totally new building where one did not previously exist. Construction in association with an existing plant was included in this category if it involved the construction of a new building designed to handle products not previously processed.

Fish Handling equipment: Equipment and closely associated structures for moving, transferring and handling fish. Expenditures in this category were heavily weighted toward fish pumps, fork lifts and cranes, and also included conveyors, pallet jacks, trucks, hoists, elevators, carts, vans, and flumes.

Refrigeration/Ice: Refrigeration equipment, compressor buildings, freezers, refrigerated product storage facilities, refrigerated seawater holding systems, ice manufacturing equipment, and ice storage and delivery systems.

Salmon canning equipment ("Traditional" category only): Equipment used specifically in traditional salmon canning operations: Holding bins, weighing systems, fillers, seamers, can forming machinery, and steam production equipment. The efficiency of traditional canning facilities was substantially increased by the installation of equipment such as automated weighing and patching systems. A number of firms added one-quarter and one-half pound canning lines, which will increase the final product value.

Surimi/fillet equipment (bottomfish category only): Machinery for raw product buffer storage, heading, gutting, skinning, filleting, mincing, dewatering, mixing ingredients, candling, trimming and packaging products. Meal and oil plants associated with bottomfish surimi and fillet operations were included in this classification.

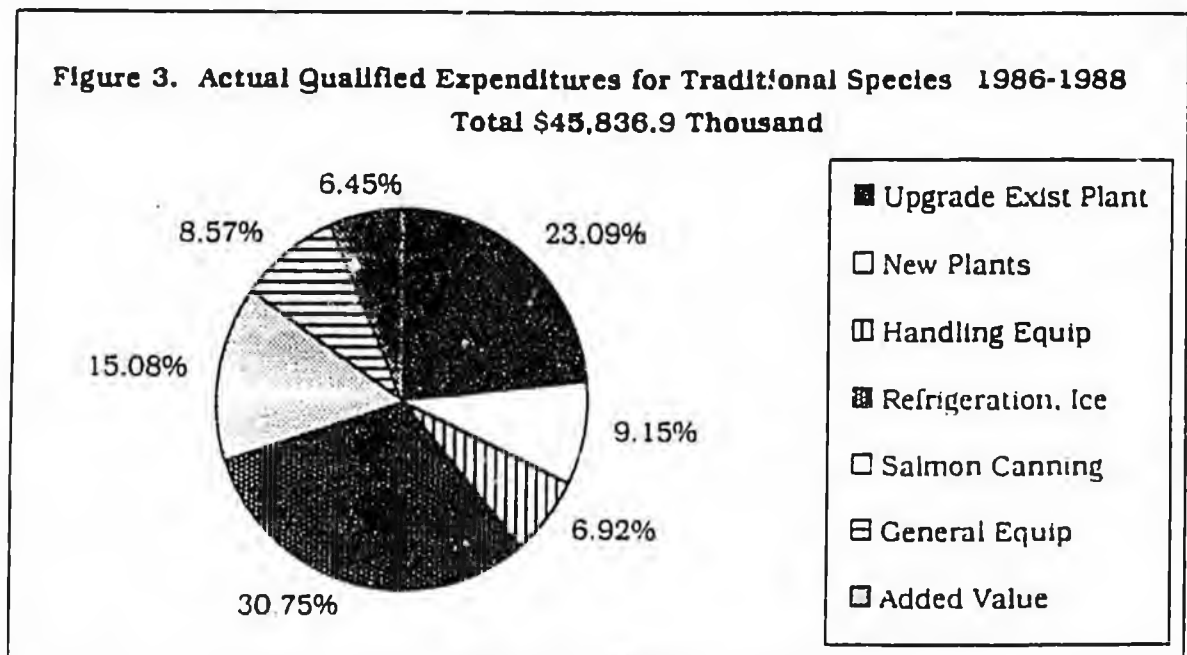
General processing equipment: Equipment usually associated with the processing of traditional species and products - salmon, herring, halibut, shellfish: Raw product holding and distribution systems, scales, tables, totes, headers and gutters, fish washing, glazing, strapping machines, crab cookers, herring graders, and equipment for egg processing (brine tanks, agitators).

Added value equipment ("Traditional" category only): Equipment specifically used in the production of value added products: Skinless/boneless canned salmon, retortable pouch products, fish meal and oil not especially related to bottomfish operations, smoking, salmon fillets and fillet log products, and equipment to facilitate air fresh operations.

**Traditional Species Investments.**

During the 1986-1988 period, \$45.8 million of the \$83.4 million total reported on tax returns was invested in facilities and equipment devoted primarily to the processing of traditional species. About half of that amount was invested in the improvement and expansion of existing buildings and docks and the installation of new freezing, cold storage and ice making capacity.

Of the \$92 million in expenditures preapproved for 1989, \$29 million will be devoted to the production of traditional species. About 65% of that amount, or \$19 million, is expected to be reported as qualified expenditures on tax returns. Over the life of the program, \$65 million in qualifying, reported expenditures will be invested. Further details about traditional species expenditures are provided in Table 2 and Figure 3.



**Table 2. Actual Qualified Expenditures 1986-1988 on Traditional Species**

	Utilities, buildings	New Plants	Handling Equipment	Refrig. Ice, Freezing	Salmon Canning	General Equipment	Added Value	Total
Southeast	\$2,133.1	\$0.0	\$580.7	\$2,814.9	\$3,518.8	\$695.2	\$912.9	\$10,655.6
Prince William Sd	\$1,007.3	\$4,169.7	\$1,555.8	\$1,672.6	\$2,854.8	\$738.1	\$1,663.7	\$13,662.0
Cook Inlet	\$2,904.9	\$0.0	\$481.8	\$3,170.9	\$1.1	\$1,511.8	\$71.0	\$7,937.5
Kodiak	\$1,083.9	\$23.8	\$265.6	\$2,415.9	\$174.4	\$903.7	\$0.0	\$1,867.3
Aleutian Islands	\$2,387.7	\$0.0	\$43.5	\$129.4	\$0.0	\$0.0	\$300.0	\$2,860.6
Bristol Bay	\$1,042.8	\$0.0	\$238.3	\$3,839.8	\$357.9	\$267.9	\$0.0	\$5,746.7
Arctic-Yuk-Kusk	\$22.5	\$0.0	\$6.0	\$49.1	\$0.0	\$20.3	\$9.3	\$107.2
<b>Total</b>	<b>\$10,582.2</b>	<b>\$4,193.5</b>	<b>\$3,171.7</b>	<b>\$14,092.6</b>	<b>\$6,910.0</b>	<b>\$3,930.0</b>	<b>\$2,956.9</b>	<b>\$45,836.9</b>

**Table 3. Actual Qualified Expenditures 1986-1988 on Bottomfish**

	Utilities, buildings	New Plants	Handling Equipment	Refrig. Ice, Freezing	Surimi, Fillet	General Equipment	Total
Southeast	\$33.6	\$0.0	\$8.9	\$63.0	\$0.0	\$18.8	\$124.3
Prince Will Sd	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Cook Inlet	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$14.0	\$14.0
Kodiak	\$720.8	\$1,789.0	\$388.8	\$1,775.7	\$8,417.6	\$394.9	\$13,486.8
Aleutian Islands	\$8,839.2	\$3,755.0	\$440.8	\$59.7	\$10,767.1	\$87.5	\$23,949.3
Bristol Bay	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Arc-Yuk-Kus	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
<b>Total</b>	<b>\$9,593.6</b>	<b>\$5,544.0</b>	<b>\$838.5</b>	<b>\$1,898.4</b>	<b>\$19,184.7</b>	<b>\$515.2</b>	<b>\$37,574.4</b>

**Table 4. Total Actual Qualified Expenditures 1986-88 and Estimated Qualifying Expenditures for 1989\***

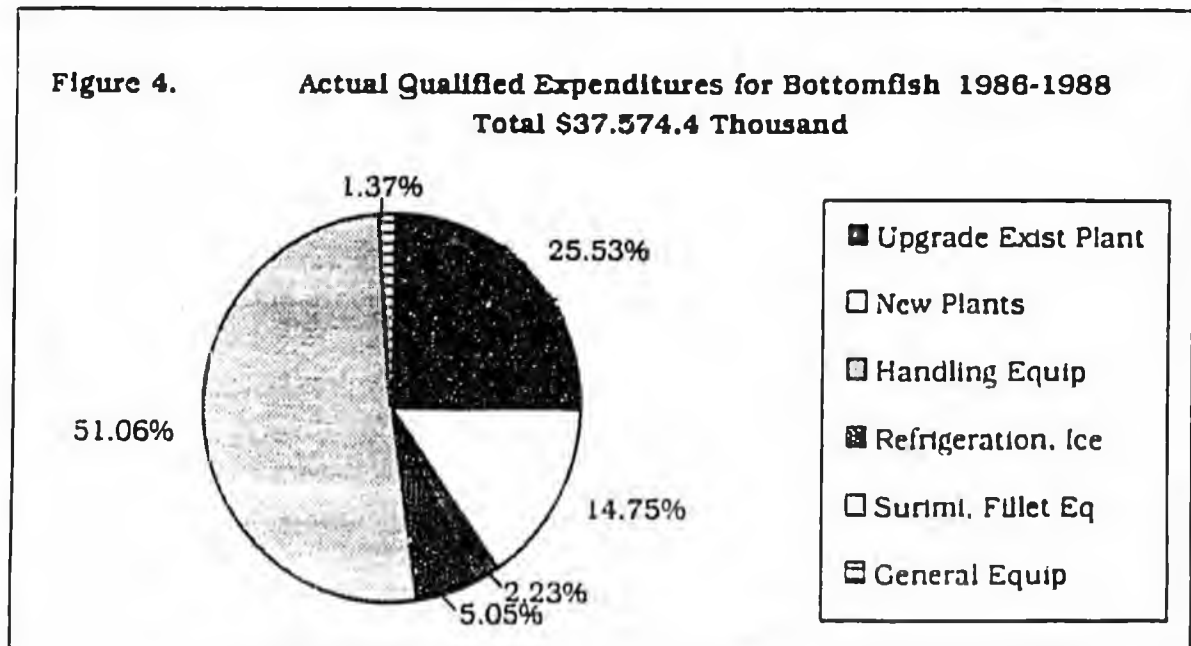
	Traditional Species			Bottomfish			Grand
	1986-88	'89 Est*	Total	1986-1988	'89 Est*	Total	Total
Southeast	\$10,655.6	\$5,224.2	\$15,879.8	\$124.3	\$272.7	\$397.0	\$16,276.8
Prince Will Sd	\$13,662.0	\$2,613.1	\$16,275.1	\$0.0	\$477.8	\$477.8	\$16,752.9
Cook Inlet	\$7,937.5	\$3,163.6	\$11,101.1	\$14.0	\$0.0	\$14.0	\$11,115.1
Kodiak	\$1,867.3	\$3,400.3	\$8,267.6	\$13,486.8	\$2,499.3	\$15,986.1	\$24,253.7
Aleutian Is.	\$2,860.6	\$1,719.9	\$4,580.5	\$23,949.3	\$37,856.3	\$61,805.6	\$66,386.1
Bristol Bay	\$5,746.7	\$1,799.9	\$7,546.6	\$0.0	\$0.0	\$0.0	\$7,546.6
Arc-Yuk-Kus	\$107.2	\$645.3	\$752.5	\$0.0	\$0.0	\$0.0	\$752.5
<b>Total</b>	<b>\$45,836.9</b>	<b>\$18,566.2</b>	<b>\$64,403.1</b>	<b>\$37,574.4</b>	<b>\$41,106.0</b>	<b>\$78,680.4</b>	<b>\$143,083.5</b>

### Bottomfish Expenditures.

Bottomfish investments for the 1986-88 period totalled \$37.6 million. About three-quarters of the amount was invested in new plant construction and specialized equipment for the production of fillets, surimi and meal. Preapproved 1989 expenditures total \$63 million for bottomfish. If 65% of the amounts preapproved are actually reported for credit, 1989 qualified expenditures for bottomfish would be \$41 million. (Table 3 and Figure 4.)

Combining expenditures reported in 1987 and 1988 and 65% of the amounts preapproved in 1989 indicate that during the life of the tax credit program Alaska processors will spend at least \$79 million to initiate the production of bottomfish. See Table 4.

Note that qualifying expenditures represent a minimum figure for investment. Some expenditures are disqualified, and some companies only report enough expenditures to match their anticipated tax liability. For example, one new surimi plant has preapproved expenditures under the tax credit program of about \$11 million. This amount is apparently sufficient to maximize the firm's potential credits given its expected tax liability. However, reliable information indicates that the company will actually spend nearly \$60 million on the project.



**Table 5. Total Credits Applied 1986-88, Carryover, and Preliminary Approved Expenditures for 1989**

Regional Analysis Location	Number	Tax Credits Applied		Total 1986-88	Carryover	One-half	Maximum	Theoretical
		1987	1988			1989 App Expend	Theoretical Credits	Credits Outstanding
Southeast	24	\$1,435.8	\$2,044.9	\$3,480.7	\$1,909.1	\$4,228.4	\$9,618.1	\$6,137.5
Prince William Sd	10	\$1,733.1	\$1,860.3	\$3,593.4	\$3,237.8	\$2,377.6	\$9,208.8	\$5,615.4
Cook Inlet	17	\$1,131.5	\$1,660.1	\$2,791.6	\$1,324.6	\$2,433.5	\$6,549.7	\$3,758.1
Kodiak	15	\$1,985.6	\$3,062.8	\$5,048.4	\$4,163.2	\$4,538.2	\$13,749.7	\$8,701.3
Alutian Islands	11	\$903.8	\$4,712.1	\$5,615.9	\$7,898.3	\$30,443.2	\$13,957.4	\$38,341.5
Bristol Bay	9	\$683.9	\$836.1	\$1,570.0	\$1,411.4	\$1,384.5	\$1,365.9	\$2,795.9
Arctic-Yuk-Kusk	3	\$0.0	\$21.4	\$21.4	\$32.2	\$496.4	\$550.0	\$528.6
<b>Total</b>	<b>89</b>	<b>\$7,873.7</b>	<b>\$14,247.7</b>	<b>\$22,121.4</b>	<b>\$18,976.8</b>	<b>\$45,901.7</b>	<b>\$87,099.6</b>	<b>\$65,878.3</b>

**Table 6. Total Credits Applied 1986-88, Carryover, and Estimated Qualifying Expenditures for 1989\***

Ownership Analysis Location	Number	Tax Credits Applied		Total 1986-88	1986-88 Carryover	One-half	Maximum	Max Est
		1987	1988			1989 Est Qual Exp*	Estimated Credits	Credits Outstanding
Alaskan Owned	44	\$4,001.4	\$5,290.8	\$9,292.2	\$3,152.7	\$14,903.1	\$27,347.9	\$18,055.8
US Owned	21	\$1,489.2	\$4,795.8	\$6,285.0	\$1,675.1	\$5,431.4	\$13,391.5	\$7,106.5
Foreign Owned	24	\$1,989.3	\$4,161.1	\$6,150.4	\$15,148.8	\$9,501.6	\$30,800.8	\$24,650.4
<b>Totals</b>	<b>89</b>	<b>\$7,479.9</b>	<b>\$14,247.7</b>	<b>\$21,727.6</b>	<b>\$18,976.8</b>	<b>\$29,836.1</b>	<b>\$71,640.2</b>	<b>\$49,812.7</b>
Fac. > \$1 Million	28	\$5,164.8	\$10,131.7	\$15,296.5	\$18,548.3	\$25,346.8	\$59,191.5	\$43,895.0
Fac. > \$5 million	6	\$1,109.2	\$3,856.3	\$4,965.5	\$11,659.9	\$19,100.1	\$35,725.5	\$30,760.0
Firms > \$2 million	12	\$5,886.9	\$11,223.1	\$17,110.0	\$16,417.6	\$25,870.6	\$59,398.2	\$42,288.2

\*NOTE - The estimated '89 expenditures shown are 65% of the preapproved amount. See text for description.

### Credits Taken

While reported expenditures totaled \$83 million during the 1986-1988 period, only about \$23 million in actual credits were applied. Credits are limited to 50% of a firm's tax liability and to 50% of qualified expenditures. Generally, the credits taken by most major firms are limited by their tax liability and not by the size of their qualified expenditures. Qualified expenditures made in 1986-1988 generated potential credits of \$42 million, nearly twice as large as the amount actually applied. The credit carry forward is about \$19 million. See Table 5.

The Department of Revenue has preapproved expenditures in 1989 of \$92 million. Total theoretical credits potentially equal \$88 million (half of the 1989 preapproved amount plus the amount carried forward and the amount already claimed). However, based on past experience, qualified expenditures actually reported on tax returns will be about 65% of the amount preapproved (\$60 million), generating an estimated credit of \$30 million. Adding the 1989 estimated credit and the 1987 - 1988 carryover (\$19 million) gives a more probable maximum estimated credit outstanding of \$50 million. See Table 6.

### Anticipated Total Revenue Impacts

Investments in facilities and equipment placed in service during 1989 may be used to qualify for credit through 1991. However, credits actually applied will probably peak in 1988, with the smallest amounts taken in 1987 and 1991. The price and volume of fish and shellfish and thus tax receipts (and credits) are expected to be less in 1989 and 1990 than in 1988. By 1991 most firms with credits to carry forward will have exhausted their 3 year window. The overall credits actually applied during the life of the tax credit program are expected to total between \$48 and \$55 million, about 60% of the total credits potentially available (\$87 million).

### Plant Ownership

In order to show how the benefits of the tax credit program are distributed, an attempt was made to compare expenditures and credits applied according to the following ownership categories: U.S., Foreign and Alaska. There is no practical way to "officially" determine plant ownership and even arriving at consistent, meaningful definitions is difficult. However, ownership of most major facilities is common industry knowledge and it was felt that it would be more useful to do an imperfect comparison than to avoid the issue. Knowledgeable individuals, news reports and other sources were consulted to help arrive at the ownership designations used.

Firms are designated Alaskan owned if the president or general manager resides in the state, if it is owned by a resident corporation, or if it is generally thought of as a locally owned facility. There are instances where a firm may have begun operations in the state, has a significant proportion of resident stockholders and a substantial part of their management staff are residents, but for business

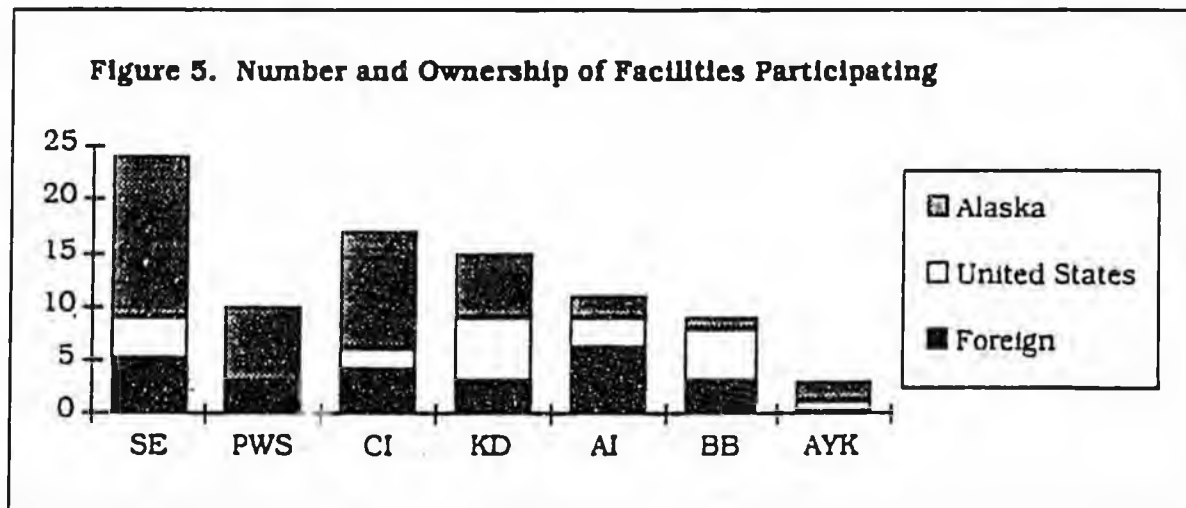
reasons the firm elected to move their corporate offices outside the state. Such firms are also termed Alaskan.

Firms are designated U.S. owned if they are known to be owned by outside corporations, if they have never had their headquarters in the state, if there are no known significant resident stockholders and if most management staff have their homes outside the state.

Firms are termed foreign owned if reports indicate that all or nearly all the company is held by foreign nationals or foreign corporations. In practice, foreign owners tend to have full ownership control of the firms in which they are heavily invested. Those firms classified as foreign in this paper are all thought to have 90% or more foreign ownership.

Of the 89 facilities where expenditures have or will be made under the tax credit program, on the order of 44 are owned by Alaska residents or Alaska-based corporations, 24 by foreign entities, and 21 by U.S. citizens or corporations headquartered outside of the state. See Table 6.

Forty-one percent of the credits actually applied through 1988 were taken by Alaskan firms, 29% by US firms, and 31% by foreign firms. Based on the tax liabilities of the companies involved, the 1989 approved expenditures and the amount of credits carried over from prior years, this ratio is not expected to change appreciably in the future.



### Concentration of Major Investments

Through 1988, 14 firms had made investments of more than \$1 million at 18 plants. These large investments amounted to \$65 million or about 77% of all investments made during the period. As a result of these investments, credits totaling \$18.2 million were actually applied. This amount represented 79% of all credits taken during the period. See Table 7.

Adding 65% of 1989 preapproved expenditures to those reported through 1988 gives an estimate of total expenditures through the life of the credit program. Through 1989, 22 firms will likely have made investments of more than \$1 million at each of 28 plants. This category of large investments will total about \$128 million or 89% of the total estimated expenditures of all participating firms.

Total expenditures by company for the life of the tax credit program are estimated below:

**Table 7. Company Expenditures by Size**

<u>Expenditures</u>	<u>Number of firms</u>	<u>Invested</u>	<u>% of Total</u>
Over \$1 million	22	\$128 million	89%
over \$2 million	12	\$114 million	79%
over \$5 million	8	\$99 million	69%
over \$10 million	5	\$75 million	52%
over \$15 million	2	\$43 million	30%
over \$20 million	1	\$26 million	17%

### Areas

Area designations used in this paper are:

- SE: Southeast, includes Yakutat
- FWS: Prince William Sound, includes Seward
- CI: Kodiak, includes Chignik
- AI: Aleutian Islands, includes Sand Point, King Cove
- BB: Bristol Bay, includes Port Moller, Togiak
- AYK: Arctic, Yukon, Kuskokwim - includes points north of Togiak and interior rivers.

## Wards Cove Packing Company

PHONE (206) 323-3200

88 E. HAMLIN STREET  
P.O. BOX C-5030  
SEATTLE, WA 98105-0030

Day Fax (206) 323-9165

February 21, 1997

The Honorable Jerry Mackie  
Alaska State Legislature  
State Capitol  
Juneau, Alaska 99801-1182

Dear Senator Mackie,

I am writing to express my support for SB 52, which you recently introduced into the Alaska State legislature. Wards Cove Packing Company has been processing seafood in Alaska since 1914. We presently operate seafood processing facilities in Ketchikan, Excursion Inlet, Kenai, Kodiak and Bristol Bay. In addition to our wholly owned facilities we are also involved in joint venture operations in Seward and Dutch Harbor. Our wholly owned operations are based primarily on salmon; the joint venture in Seward concentrates on bottom fish, and the joint venture in Dutch Harbor is a major processor of surimi, crab and codfish. Our seasonal employment in our salmon operations runs to about 2,500 employees in state during the season, and our joint venture operations account for another 500 employees. Again, on a seasonal basis.

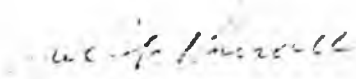
In your letter you inquired as to the extent our company used tax credits in the past and the development purposes that were achieved. In 1987, 1988, and 1989 we undertook a number of major projects in Bristol Bay, Kodiak, Kenai and Southeastern. All of these projects were undertaken to improve our then processing and quality procedures and allowed us to expand our processing capabilities at our existing locations. The expansions were intended to allow us to produce a higher valued product, and in almost every instance it led to the hiring of additional employees. The projects ranged from installation of a skinless and boneless production line to new freezing facilities, bottom fish expansions, and physical improvements for better quality control in processing. The great attribute of the tax credit was that it allowed us to undertake major expansions within a short period of time, rather than having to stretch them out over a period of many years. In short, the tax credit allowed us to jump-start major quality improvements and expand production capabilities into more highly valued products. I would be pleased to furnish you with a list of the cost of the projects, but would not want it to become a public document as it contains some proprietary information. Please let me know if you would like me to provide that information to you under separate cover.

The Honorable Jerry Mackie  
Page 2

The structural change in the world market for salmon is going to require Alaska processors to look for new and more efficient ways to produce salmon with a higher appeal to the consumer. This will require improvements in quality techniques, and expansion and construction of facilities that will help us better meet this new competitive reality. The passage of SB 52 would help the industry meet the additional financing requirements necessary to achieve those objectives. Some specific possible capital investments the existence of the present tax credit would facilitate for Wards Cove are: improved unloading facilities for direct delivery of salmon in Southeastern, Alaska; construction of additional icing and cold storage facilities; value added facilities in Southeastern Alaska and Kodiak, and installation of value added capacity in Bristol Bay and Kenai. All of these possible projects would enhance the quality and marketability of the fishery products we purchase and would require substantial capital outlays at a time when the industry's financial resources are stressed. The assistance of the proposed tax credit would go a long way towards making some, if not all, of the projects a reality.

I hope the above information is useful to you and if you need anything further from us please let me know. I think your proposed bill would be a great benefit to Alaska's fishing industry and hope that the members of the legislature and the administration will be able to support it.

Sincerely,

  
Alec W. Brindle  
President

AWB/cp

# OCEAN BEAUTY

SEAFOODS, INC.

MA file

February 26, 1997

Senator Jerry Mackie  
State Capitol, Room 427  
Juneau, AK 99801-1182

Dear Senator Mackie:

On behalf of Ocean beauty Seafoods, Inc. (OBSI), I extend our complete support for your efforts with the introduction of SB 52 into the Alaska State Legislature. SB 52 should be acknowledge as a pro-active program to stimulate the commercial fishing industry and bring economic stability to those communities that are along Alaska's 34,000-mile coastline from Kotzebue to Ketchikan. Just as important as SB 52 is to Alaskan's on the coastline, your bill will also have a positive effect for Anchorage's \$100 million seafood industry and those 22 companies that are licensed to operate within the Anchorage area.

During Alaska's last tax credit program, OBSI spent over \$4,000,000 for:

- : The construction of the only cold storage facility in Prince William Sound (75,000 cubic feet);
- : Increased freezing capacity - Cordova Plant;
- : Construction of cold storage facility at OBSI's Kodiak Plant;
- : Installation of a mechanical bottom-fish line for OBSI's Kodiak Plant.

To date these investments have afforded OBSI the opportunity to process over 200 million pounds of under utilized seafood. This has benefited the state, its resources, and its citizens. OBSI would not have had this opportunity without the foresight of the state legislature.

With the passage of SB 52, I anticipate OBSI could invest approximately \$1.5 to \$2.0 million for participation in this program between fiscal 1998 and fiscal year 2000. Presently, I foresee our investment directed toward salmon processing equipment that would allow OBSI to move into the new century with consumer oriented Alaska pink salmon products; such as:

- : Flavored Alaska pink salmon with EOE's
- : Alaska Pink fillets in a pouch
- : Alaska smoke salmon
- : Alaska s/l pollock fillets



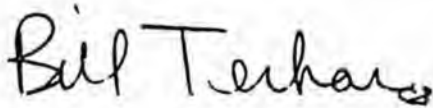
The equipment needed to produce these products for the future would be:

- : Butchering equipment for fillets (flavored)
- : Processing equipment for additives to products
- : Pouch equipment
- : Bottomfish equipment for Cordova to match our Kodiak Plant's success story

On behalf of the 1,000-plus employees that work in OBSI plants located in Kodiak, Cordova, Petersburg and Naknek I thank you for your support of the state's seafood industry with the introduction of your SB 52 program. In addition, please extend our gratitude to Senators Torgerson, Taylor and Leman for their support of SB 52.

Sincerely,

OCEAN BEAUTY SEAFOODS, INC.



Bill Terhar  
President and COO

cc: Honorable Alan Austerman, Chair, House Committee on Fisheries



# cook inlet processing

Box 9  
Kodlak, Alaska 99615  
(907) 488-8385  
Fax (907) 488-8592

2/12/97

Senator Jerry Mackie  
Alaska State Capitol, Room  
Juneau, AK 99801

Dear Senator Mackie,

Attached are data depicting employment trends for Cook Inlet Processing for the years 1993 through 1996.

The data shows that C.I.P. has been relatively consistent in pounds of products purchased during that period; however, the raw fish taxes paid, number of employees and their salaries and wages have actually increased dramatically. An analysis of the data would indicate that harvest periods are limited and/or quotas are smaller resulting in a requirement for more employees (20% increase from 1993 to 1996), higher wages and salaries (13% increase from 1993 to 1995, and fish taxes collected show that we're paying more for the fish (15% increase from 1993 to 1996).

The most adversely affected segment of our fishing industry is clearly salmon. Canned pinks have declined in value steadily over this period-wholesaling for \$36.00 per case in The 1992 to a current \$18.00 per case of 24 tall cans. Canned sockeye have declined from \$75.00 to \$58.00 per case during those years.

Frozen headed and gutted pinks, selling for 75 cents to 85 cents F.O.B. Seattle after 1992 season, sold for 20 cents to 30 cents per pound in 1995. 1996 saw a slight up turn to 50 cents to 60 cents, but still well below processors' costs. Prices for frozen, net chum, coho and sockeye have likewise tumbled by 50% to 90% of their value during the early 90's. The chum markets have been especially impacted as evidenced by the roe stripping operations conducted at the hatcheries in 1996. The fish were of so little value they couldn't even be processed to break-even. The roe stripping exacerbated the deterioration of already weakening sujiko and ikura markets. The primary consumption of pink roe in Japan - sujiko - has dropped in value from an F.O.B. Alaska price of \$3.50 per pound in 1992 to \$2.10 per pound in 1996. Off grade sujiko, selling at \$1.75 in 1992 was sold at \$.80 to \$1.00 or discarded. An educated guess is that up to 30% of all pink roe was discarded in 1996. For a company like C.I.P., whose salmon production represents 40% to 60% of its total pounds purchased, and sales revenue, current trends are not acceptable.

Senator Mackie, your proposal to refund up to 50% of the raw fish taxes to the processor for investment, and / or innovation, is needed now. The salmon industry must adapt to process the increasing numbers of pink and chum salmon being produced in hatcheries and through better survival of wild stocks. Perhaps the greatest deterrent to salmon production is timing. All fish are still returning within a six-week period. Production and technology constraints require that up to 90% of all pinks are canned. The rest are headed and gutted or filleted.

My comments have been primarily focused on the Alaskan salmon industry since, salmon provides more income, sales and employment than any other fishery. A healthy, Alaskan seafood industry can only be achieved in consonance with a healthy salmon industry.

In 1987 the predecessor to your Bill was adopted by the Alaskan Legislature for the purpose of developing an on shore bottomfish industry. The action was notably effective in several ways:

1) Onshore processors were able to afford the expensive pollock and true cod filleting machinery available to the offshore industry through export financing.

2) The technology to harvest and transport bottomfish, to produce acceptable quality fillets and surimi and the marketing of those products all were developed through funds generated by fish tax credits.

3) As the onshore industry developed, so did the understanding of it by the North Pacific Fisheries Management Council. Regulations were adopted to preserve the onshore industry and set the stage for its growth. Factory trawlers were outlawed in the Gulf of Alaska for harvesting cod and pollock. Roe stripping was banned. Observer programs were implemented to provide better management data and to reduce conflicting harvests and damage to non target species. All of the above problems were highlighted by the onshore industry who insisted the fishing processors and mothership operations were, despite their denials, encountering the same set of conditions.

To say that the Fish Tax Credit Bill of 1987 was the only factor in providing for the development of our onshore industry would obviously be only partially correct. What the bill did do was to catalyze the capitalization of the onshore industry while there was still a resource available to harvest.

Your approach to solving the problems of the seafood industry i.e. tax credits, appears to me to be the only viable proposal to date. The additional capital generated by tax credits will be available only for upgrading facilities and buying equipment to expand value-added product lines including boneless skinless canned products. Portioning equipment will be purchased to meet the demands of a growing retail business for salmon and bottomfish fillets. Jobs will be created as the resource is being utilized rather than allowing for roe stripping and carcass disposal.

The problems realized in the salmon industry in recent years have been cumulative through increasing farm production in Europe and South America, ocean ranching in Japan and the favorable survival rates of our own hatchery and wild stocks. Having too many fish is only a perception as it relates to the present concepts of utilization. Future utilization of these stocks and development of markets can only be achieved through consumer acceptance of our salmon products.

Consumer acceptance can be accomplished only at a great expense. Much of that cost is now being borne by the fishermen and processors. Its definitely time to include the State and ask that the 50% of the raw fish taxes destined for State coffers be made available to salvage our failing industry.

Sincerely,



Melvan E. Morris Jr.

Vice President of Operations  
C.I.P.

**TOTAL**

**SALARIES & WAGES**

1993	8361368
1994	8166886
1995	9542995
1996	7727393
<b>FOUR YEAR TOTAL</b>	<b>33798642</b>
<b>FOUR YEAR AVERAGE</b>	<b>8449660.5</b>

**AVG NO. OF EMPLOYEES**

1993	411
1994	450
1995	532
1996	513
<b>FOUR YEAR TOTAL</b>	<b>1906</b>
<b>FOUR YEAR AVERAGE</b>	<b>477</b>

**LBS PURCHASED**

1993	69677628
1994	68527285
1995	88738154
1996	61092306
<b>FOUR YEAR TOTAL</b>	<b>288035373</b>
<b>FOUR YEAR AVERAGE</b>	<b>72008843</b>

**RAW FISH TAXES PAID**

1993	811173
1994	872968
1995	1056303
1996	952978
<b>FOUR YEAR TOTAL</b>	<b>3693422</b>
<b>FOUR YEAR AVERAGE</b>	<b>923356</b>

## 1993-1996 PLANT COMPARISONS

	KENAI	KODIAK	UGANIK	TOTAL
<b>SALARIES &amp; WAGES</b>				
1993	1840030	469707	1830631	4140368
1994	2690207	3852927	1623752	8166886
1995	2975989	4522432	2044574	9542995
1996	2454893	3905352	1387348	7727393
FOUR YEAR TOTAL	9960919	12760418	6886305	28577642
FOUR YEAR AVERAGE	2490230	3187606	1716576	7394411
<b>AVG NO. OF EMPLOYEES</b>				
1993	187	190	34	411
1994	189	214	47	450
1995	238	241	55	532
1996	243	212	58	513
FOUR YEAR TOTAL	858	867	194	1908
FOUR YEAR AVERAGE	214	214	49	477
<b>LBS PURCHASED</b>				
1993	1652822	33304351	19845056	69677628
1994	14069125	36134388	18323772	68527286
1995	19128661	42472426	27139067	88738154
1996	14378767	33868842	12848897	61082306
FOUR YEAR TOTAL	64102774	145778007	78154892	288035373
FOUR YEAR AVERAGE	16025694	36444502	19538648	72008843
<b>RAW FISH TAXES PAID</b>				
1993	301826	333090	178257	811173
1994	323539	381288	168131	872968
1995	206546	483667	294190	1056303
1996	316395	462480	174093	952978
FOUR YEAR TOTAL	1208306	1672445	812671	3693422
FOUR YEAR AVERAGE	302077	418111	203168	923356

NO. OF EMPLOYEES IS BASED UPON ADOL MULTIPLE WORKSITE REPORT  
 RAW FISH TAX AMOUNTS DO NOT INCLUDE THE .3% FOR ASMI



# WOODBINE ALASKA FISH COMPANY

□ P.O. BOX 218  
NAKNEK, AK 99833  
PH: (907) 246-4241  
FAX: (907) 246-3487

□ WAFCO-EGEGIK  
P.O. BOX 218  
EGEGIK, AK 99579  
PH: (907) 233-2205  
FAX: (907) 233-2200

□ P.O. BOX 767  
RIO VISTA, CA 94571-0767  
PH: (707) 374-5012  
FAX: (707) 374-2300

February 28, 1997

Senator Jerry Mackie  
Alaska State Legislature  
State Capitol  
Juneau, AK 99801-1182  
via fax: 907 465-3517  
and regular mail

re: SB52

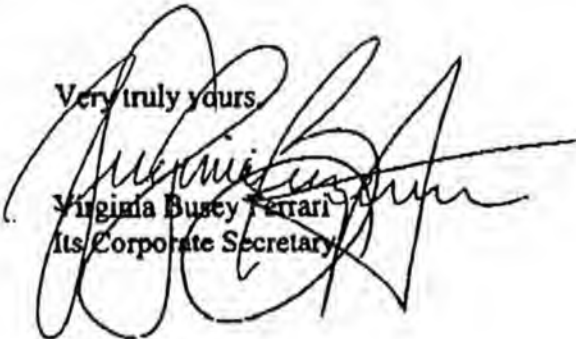
Dear Senator Mackie:

We are in receipt of your SB52 proposal and we are very much in favor of it. We were able to use the prior Fishery Tax Credit to install much needed processing equipment which greatly increased the quality of the product we produced. Our industry is in much need of additional investments to further stimulate sales and quality / product improvement and new development if we are to keep up with the rapidly changing world markets.

We own and operate a floating processor, for herring (from PWS to Norton Sound) and Salmon (primarily Bristol Bay and the Kuskokwim). We also own and operate a freezer plant and cannery, shore-side in Egegik, Alaska (Bristol Bay). We process not only Bristol Bay products, but we tender in from other areas as well. We presently employ approximately 250 people during the peak of the season, and if we are able to increase production / quality through additional investments by incentive, we would anticipate that the employment figure would certainly increase.

If we can be of any assistance in working with you on the successful passage of SB52, please don't hesitate to call on us.

Very truly yours,

  
Virginia Bussey Ferrari  
Its Corporate Secretary



January 27, 1997

Senator Jerry Mackie  
State Capitol  
Juneau, Alaska 99801

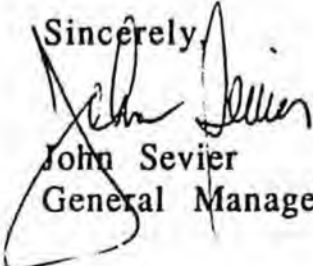
Re: SB 52, Fisheries Business Tax Credits.

Dear Senator Mackie,

I want you to know of our strong support for SB 52. It offers the best way to improve the marketability of Alaskan seafood products. We used the last program in 1988 and it was instrumental in our expanded use for white fish products. If SB 52 is enacted, the communities where we have processing plants today would improve product quality and give the opportunity for year round production to the benefit of both our harvesters and work force.

I applaud your efforts for the fishing communities. I am pleased that you and the cosponsors are giving serious attention to the needs of the seafood industry.

Sincerely,

  
John Sevier  
General Manager

(907) 747-6662

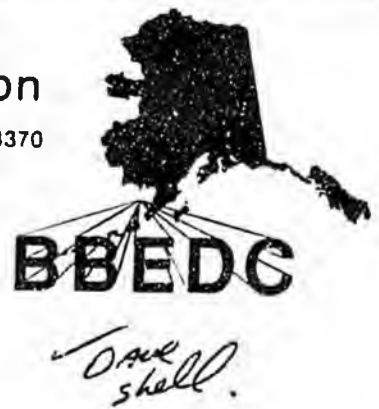
FAX (907) 747-6268

FRESH AND FROZEN SALMON, COD, SABLEFISH, HALIBUT, ROCK FISH, CRAB, HERRING



# Bristol Bay Economic Development Corporation

P.O. Box 1464 • Dillingham, Alaska 99576 • (907) 842-4370 • Fax (907) 842-4333 • 1-800-478-4370



January 31, 1997

Senator Jerry Mackie  
Alaska State Senate  
Room 404  
State Capital  
Juneau, Alaska 998801-1182

Re: Senate Bill 52

Dear Senator Mackie:

The Bristol Bay Economic Development Corporation, the CDQ group for 14 villages in the Bristol Bay Region, is supportive of Senate Bill 52. Our purpose is to promote economic development in the Bristol Bay area. Tax incentives for those looking at value added salmon products makes a positive impact on future success for the business.

Wild Salmon markets must be expanded to maintain our market share. Adding new and diverse products is the most advantageous way to accomplish this goal. New economic enterprises also add to our local economy with long term employment and diversity of activity.

Sincerely,

Judith Nelson  
Executive Director

cc: Senator Leman  
Senator Taylor  
Senator Torgerson  
Senator Hoffman

# Inlet Fish Producers, Inc.

P.O. Box 114, Kenai, AK 99611  
(907) 283-9275 • FAX (907) 283-4097

D ✓

February 27, 1997

Senator Jerry Mackie  
Alaska State Legislature  
State Capitol  
Juneau, AK 99801-1182

Dear Senator Mackie:

Inlet Fish Producers, Inc. (IFP) was incorporated in 1989 and claimed Fisheries Tax Credit (FTC) for 1989. The FTC law at that time allowed a fisheries business to claim a credit for a maximum period of three consecutive years, with the applicant electing to begin the three-year period with any tax year from 1987 through 1989. It seemed clear to us at the time that IFP could begin its three-year period in 1989 and continue to earn and utilize the FTC for 1990 and 1991, the last two years of our three-year period that began within the 1987 - 1989 legislated period.

IFP learned that the Alaska Department of Revenue did not interpret the law in the same way it did and that the Department's regulations only allowed the credit to be earned within the 1987 - 1989 period and utilized within the three consecutive year elected period. IFP was informed that it could begin its three-year period in 1989, earn credit in 1989 (the final year per regulations), utilize credits up to 50% of its 1989 tax liability, and any unused credits left over could carry over to 1990 & 1991, but that no new credits could be earned in 1990 & 1991.

The following enclosures relate to the issue at the time; 1) 11/30/89 letter from Senator Frank Zharoff, one of the original bill sponsors, to the Dept. of Revenue explaining, on our behalf, the intent of his bill and his disagreement with the Department's Regulations, and 2) 12/5/89 letter outlining our problem to our State Senator, Paul Fisher.

IFP continued in its stance that the FTC could be earned and utilized in 1990 & 1991 and claimed the FTC for 1990. Needless to say, the Dept. of Revenue denied our claim application. On 1/5/90, IFP appealed DOR's denial of our 1990 credit. On 3/21/91, a Revenue Hearing Officer, Myron Klein, issued his decision on our appeal and ruled in our favor, see enclosed Decision No. 91-008. A Supplemental Order to Decision No. 91-008 was issued 4/2/91, copy enclosed, that invalidated DOR's regulations regarding this issue.

IFP spent \$15,000 teaching DOR how to interpret a plainly stated law, and to top it off, we received no help when asked for a reimbursement of our costs, see enclosed 9/13/91 letter from our attorney, Phil Blumstein, and DOR's response, dated 9/18/91. Along with our loss, I've often wondered how much many other fisheries businesses lost because they were not informed of the availability

of the credit in timing circumstances like ours.

Now that all this long background is out of the way, I'd like to offer some comments so that we, and other fisheries businesses, will not have to go through our past pains again.

1. There is a difference in FTC ~~earned~~ and FTC allowed to be utilized. I highlighted these terms above because it makes a difference in what is intended in a bill. The following suggestions are made to clarify an intent similar to the past FTC bill. New text will be underlined and deleted text [bracketed].

2. Page 1, line 14 - (b) A fisheries business may earn and claim a credit...

3. Page 2, line 2 - ... from 1998 through 2000[.]therefore, the latest possible year an applicant could earn and/or claim the credit would be the tax year 2002.

Comment #2 and/or #3 above are needed to clarify the term when credits can be earned and not just utilized.

4. Page 2 - sections (c) & (d) do not clearly define the separation of how the credit is calculated and how it is utilized. I assume that you intend the credit to be 50% of the qualified capital expenditures, that utilization of the credit is limited to 50% of the tax under AS 43.75.015, and that the credit earned percentage is increased by the same amount by which a municipalities tax refund is reduced.

I suggest (c) be rewritten as follows:

(c) A tax credit earned under this section shall be calculated at a rate of [may not be approved for more than] 50 percent of a capital expenditure, plus any increase required under (d) of this section.

I do not believe the above deleted approval language is needed for this subsection as (a) of the section already defined the approval needed for the capital expenditures.

I suggest (d) be rewritten as follows:

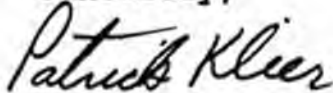
(d) The amount of a credit earned under [(a) of] this section [for a capital expenditure involving a shore-based fisheries business facility of cooperative seafood industrial park located or to be located in a municipality] shall be increased by the amount by which the municipality's fisheries business tax refund is reduced under AS 43.75.130(h). The total amount of a credit increase under this subsection during a three-year period may not exceed 25% of the amount of the capital expenditure.

Summary of IFP's past FTC		
Year	Credit Earned	Credit Utilized
1989	2,651	0
1990	156,744	48,870
1991	14,980	115,308

As you can see, IFP was able to save \$164,178 through the previous tax credit bill. Those savings were applied toward the construction of a facility in Seward, AK, thereby expanding our efficiency and production capabilities. A current SB 52 program would be utilized by IFP towards construction of a facility in a remote location to increase our capacity, efficiency and quality. In this time of increasing competition in our industry, product quality and diversity must be improved, however, such improvements cost money that all processors always seem short of. SB 52 would greatly assist all Alaskan processors in meeting today's challenges to our industry.

I hope the above suggestions will assist you in passage of your bill and to prevent the problems we encountered with a department that was not very friendly to our industry nor receptive to the legislature's direction.

Sincerely,



Patrick Klier  
Secretary

# *Sahalee of Alaska*

SUPERIOR QUALITY • SUPERIOR SERVICE

March 18, 1997

Senator Jerry Mackie  
Alaska State Legislature  
State Capitol  
Juneau, AK 99801-1182

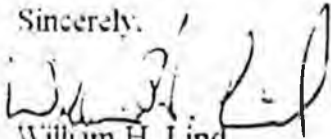
Dear Senator Mackie:

Sahalee of Alaska, Inc., is a primary seafood processing facility located in Anchorage with buying stations in both Homer and Seward. We operate year round and employ a monthly average of approximately 50 workers.

Established in 1992, Sahalee did not participate in the tax credits offered through the tax credit program from 1986 to 1991. We, however, would consider capital investments of expanding the size of our current facility and purchasing equipment that would allow Sahalee to increase production and employment positions. Skinning and fillet machines would be extremely helpful in the production of a consistent finished product.

We support your efforts in the introduction and hopeful passage of legislation that will help with the burden of such costly investments necessary for expansion. Please call us if you need any other information.

Sincerely,



William H. Lind  
President

WHL:sjb



# SEAFOOD PRODUCERS COOPERATIVE

PRODUCERS, PROCESSORS & MARKETERS OF PREMIUM QUALITY SEAFOODS

January 23, 1997

Senator Al Adams  
State Senate  
State Capitol, Room #417  
Juneau, AK 99801-1182

Dear Senator Adams:

The 475 member fishermen of Seafood Producers Cooperative urge you to support Senate Bill 52, introduced by Senator Jerry Mackie.

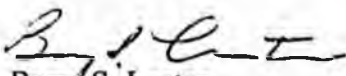
It is our belief that this bill will provide processors like ourselves the incentive to expand our processing facilities, purchase new equipment, increase efficiency, improve quality, add value to our fishery products, and develop new markets for those products.

It will provide more jobs in the processing sector, increase ex-vessel prices to fishermen, and have a positive economic impact on local communities and businesses.

This tax credit initiative is extremely important to all of us in the seafood industry. Please support Senate Bill 52.

Sincerely,

SEAFOOD PRODUCERS COOPERATIVE

  
Barry S. Lester  
General Manager/CEO

PC: Senator Jerry Mackie



# NORTH PACIFIC PROCESSORS, INC.

HOME OFFICE 2300 EASTLAKE AVE EAST • SEATTLE, WASHINGTON 98102 • (206) 726-9900  
PO BOX 31179 • SEATTLE, WASHINGTON 98103-1179

✓  
*Dave Shell*

January 23, 1997

The Honorable Senator Jerry Mackie  
Alaska State Senate  
State Capital  
Juneau, Alaska 99801-1182

Dear Senator Mackie:

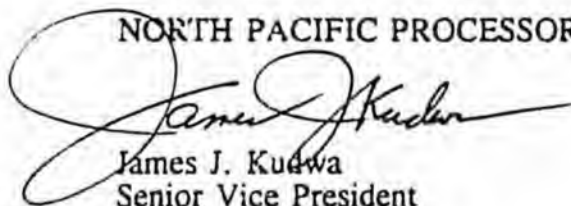
North Pacific Processors has had the opportunity to review your Senate Bill 52 and wishes to express its support of you for the passage of SB 52.

The prior enacted program helped North Pacific Processors diversify into new product lines and increases its efficiency, capacity and quality of seafood products.

We feel that the passage of SB 52 would again financially help North Pacific Processors in the development of new product lines, thus increasing our ability to acquire more product from the fishermen and create more year-round jobs at our processing facilities in Alaska.

Very truly yours,

NORTH PACIFIC PROCESSORS, INC.



James J. Kudwa  
Senior Vice President

JJK/lli

*Processors of Quality Alaska Seafoods*

**Prime Select Seafood's Inc.**PO Box 846  
Cordova, Alaska 99574  
USAAnchorage Phone 907-274-3176  
Anchorage Fax 907-274-3176

March 3, 1997

Senator Jerry Mackie  
Alaska State Legislature  
State Capital  
Juneau, Alaska

Dear Senator Mackie,

In reading over SB 52, Fisheries Business Tax Credit I can see how it would be a popular bill for the industry to get behind. Tax credits by their very nature are popular animals. If in fact these tax credits go for equipment upgrades that add value to the Alaska salmon production then great. However I need some clarification on what part of the raw fish tax is credited. Is it all the raw fish tax that the processors collect from the fishermen, or is it just the processor contribution?

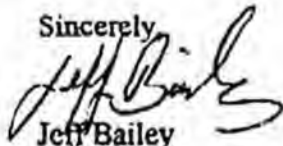
My only problem with SB 52 is that it excludes companies like Prime Select Seafood's. The reason for this is that we contract with a local Cordova processor to do all of our custom processing. By not actually owning our own plant we would not be upgrading or buying new equipment ourselves. In effect eliminating us from benefiting from SB 52 and putting us at a competitive disadvantage within the industry.

Our reason for contracting out our processing is simply to keep our costs down so we are competitive in the market place. This arrangement not only helps North Pacific Processors keep their costs down by maximize the over all plant production, it also keeps us from going into debt building our own facility. The last thing this state needs is another empty fish processing plant.

We have been innovative in working together with others in the industry. This innovation helps share the high cost of processing which keeps us competitive with farm salmon. What we do makes good business sense and as we both know the Alaska salmon industry needs all the good business sense it can find.

In closing I would ask that you consider adding partnership arrangements like ours to SB 52.

Sincerely



Jeff Bailey

President

Prime Select Seafood's Inc.



**YUKON RIVER DRAINAGE FISHERIES ASSOCIATION**

733 WEST 4TH AVENUE SUITE 881 ANCHORAGE, ALASKA 99501 (907) 279-6519

**Resolution 97-2**

**In support of Senate Bill 52**

WHEREAS the Yukon River Drainage Fisheries Association (YRDFA) represents commercial, subsistence and sport users of salmon and other fish within the Alaska portion of the Yukon drainage;

WHEREAS the tough economic conditions being experienced by shore-based seafood processors throughout the state of Alaska make it difficult for them to invest in new equipment to modernize their plants to improve quality and efficiency and diversify their product line or to invest in the development of a cooperative seafood industrial park;


WHEREAS Senate Bill 52 would allow fisheries businesses to claim a credit of not more than 50 percent of a capital expenditure involving a shore-based fisheries business facility or cooperative seafood industrial park;

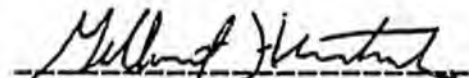
BE IT RESOLVED that the Alaska State Legislature approve Senate Bill 52 so that Alaska's shore-based processing facilities can be assisted in improving their facilities and developing seafood industrial parks so that Alaska's seafood industry and its many participants can survive into the 21st century.

COPIES of this resolution to be sent to the the Commissioners of Fish & Game, Commerce & Economic Development, and Revenue, and to Governor Tony Knowles and to the Alaska State Legislature.

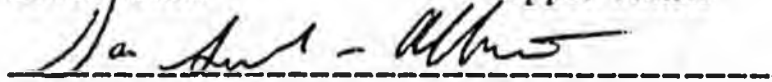
APPROVED unanimously this 12th day of February 1997 by the Board members and Delegates of YRDFA assembled at their Seventh Annual Meeting held in Mountain Village, Alaska.

CERTIFIED:

  
-----  
Harry Wilde, co-chair  
Lower Yukon

  
-----  
Gilbert Huntington, co-chair  
Upper Yukon

ATTEST:

  
-----  
Dan Senecal-Albrecht, executive director

04/09/97

LEGISLATIVE TELECONFERENCE NETWORK SYSTEM

LTN1150

16:35:00

PARTICIPANT LIST (ALL PARTICIPANTS)

BY:KOD

TCN:70592

SCHEDULED FOR:04/09/97 16:30 TO 18:00

FOR:KOD

PUBLIC HEARING

SENATE RESOURCES

LOCATION:KODIAK

SB 52

MR

DAVE

WOODRUFF

PROCESSOR MANAGETESTIFY



NO



# SEAFOOD PRODUCERS COOPERATIVE

PRODUCERS, PROCESSORS & MARKETERS OF PREMIUM QUALITY SEAFOODS

JAN 28 1997

January 23, 1997

Senator Rick Halford  
State Senate  
State Capitol, Room #121  
Juneau, AK 99801-1182

Dear Senator Halford:

The 475 member fishermen of Seafood Producers Cooperative urge you to support Senate Bill 52, introduced by Senator Jerry Mackie.


It is our belief that this bill will provide processors like ourselves the incentive to expand our processing facilities, purchase new equipment, increase efficiency, improve quality, add value to our fishery products, and develop new markets for those products.

It will provide more jobs in the processing sector, increase ex-vessel prices to fishermen, and have a positive economic impact on local communities and businesses.

This tax credit initiative is extremely important to all of us in the seafood industry. Please support Senate Bill 52.

Sincerely,

SEAFOOD PRODUCERS COOPERATIVE

  
Barry S. Lester  
General Manager/CEO

PC: Senator Jerry Mackie

**S B**

**64**

# SENATE COMMITTEE REPORT

DATE: 2/4/97

FURTHER: Finance

DATE TURNED  
IN TO OFFICE:

3/11/97

Resources Committee considered

SENATE BILL NO. 64

"An Act relating to the Shuyak Island State Park."

and recommends:

- be replaced with \_\_\_\_\_ CS SB 64 (RES)
- adopt previous \_\_\_\_\_ CS \_\_\_\_\_
- attached amendment(s)
- adopt Letter of Intent by \_\_\_\_\_ Committee
- further referral to the \_\_\_\_\_ Committee

- Senate Bill:**
- same title
  - new title
- House Bill:**
- same title
  - technical change
  - new: SCR# \_\_\_\_\_

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
<i>[Signature]</i>		<i>Christ. Korb</i>		<input checked="" type="checkbox"/>	
		<i>Loren A. Blum</i>	<input checked="" type="checkbox"/>		
		<i>[Signature]</i>	<input checked="" type="checkbox"/>		
		<i>[Signature]</i>		<input checked="" type="checkbox"/>	<i>Amend. An</i>
		<i>[Signature]</i>			
<b>CHAIR:</b>		<b>CHAIR:</b> <i>Rick Halber</i>	<input checked="" type="checkbox"/>		

**NEW FISCAL NOTE(S):**

Department	Date	Zero	Fiscal

**PREVIOUS FISCAL NOTE(S):\*** To (CRA) CS

Department	Date	Zero	Fiscal
DNR / PARKS	1/29		X
DPS / FISH & WILDLIFE	1/31	X	

APPROPRIATION -- no fiscal note

\*include fiscal notes accompanying Governor's bill



# SENATOR JERRY MACKIE

ALASKA STATE LEGISLATURE

## SPONSOR STATEMENT

### SB 64, Shuyak Island State Park

I introduced SB 64 at the request of Mayor Jerome Selby and the Kodiak Island Borough Assembly. It presents one of the final actions of a long and complex effort by state and federal authorities and locally affected municipalities to compensate for the effects of the Valdez oil spill. The bill adds specific land and water areas to the Shuyak State Park. Shuyak Island was the first part of the borough that was heavily impacted by the westward streaming oil patches and tar balls from the 1989 accident.

The two large land owners on Shuyak Island are the state and the Kodiak Island Borough. Previous litigation had imposed management restrictions that required the state to maintain wildlife habitat and public recreation values while the borough was partially prohibited from commercial or industrial uses on its lands. In 1984 the Shuyak State Park was established from part of the state's holdings to protect the area's fish and wildlife habitat and public recreation opportunities, while maintaining customary hunting and fishing uses.

One of the provisions of the spill settlement was the establishment of a joint federal and state council to manage remediation and recovery efforts. These responsibilities include the replacement of lost fish and wildlife habitat with the acquisition and protection of other high value habitat. It is for this purpose that the Oil Spill Trustee Council selected the borough's Shuyak Island lands and purchased them in 1996. The final part of this effort is the consolidation of the lands under the protective management of the Shuyak State Park.

SB 62 completes the transaction by formally incorporating all state lands on the island into the Shuyak Island State Park. The expanded park retains the management goals, purposes, and allowed uses of the original park.

AMENDMENT

OFFERED IN THE SENATE

BY SENATOR TAYLOR

TO: CSSB 64(RES) ("B" Version, Dated 3/6/97)

1 Page 3, following line 25:

2 Insert a new bill section to read:

3 **\*\* Sec. 4. AS 41.21.174(b) is amended to read:**

4 (b) The Department of Fish and Game is responsible for the management of  
5 fish and game resources in the Shuyak Island State Park, consistent with the sustained  
6 yield principle and the purposes and provisions of this chapter. The Board of  
7 Fisheries, the Board of Game, and the commissioner of fish and game are responsible  
8 for adopting regulations governing uses of fish and game in accordance with AS 16.  
9 The fish and game habitat and breeding areas shall be managed to ensure that the fish  
10 and game resources of the park continue on a sustained yield basis. In managing the  
11 fish and game resources of the Shuyak Island State Park and adopting  
12 regulations governing uses of the fish and game, the Board of Fisheries, the  
13 Board of Game, or the commissioner of fish and game may not close any fishing,  
14 hunting, or trapping within the park unless the closure is

15 (1) approved by the legislature; or

16 (2) temporary and implemented because of a biological  
17 emergency."

18 Renumber the following bill sections accordingly.

CS FOR SENATE BILL NO. 64(RES)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTIETH LEGISLATURE - FIRST SESSION

BY THE SENATE RESOURCES COMMITTEE

Offered:  
Referred:

Sponsor(s): SENATOR MACKIE

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the Shuyak Island State Park."

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

3 \* Section 1. AS 41.21.170(a) is amended to read:

4 (a) The purpose of AS 41.21.170 - 41.21.178 is to establish, subject to valid  
5 existing rights, the state-owned or acquired land and water [UPLANDS AND  
6 FRESHWATER BODIES] described in AS 41.21.172 as the Shuyak Island State Park.  
7 In accordance with the covenants and deed restrictions set by the Kodiak Island  
8 Borough that support the basic tenets of the Alaska lifestyle, the [THE] primary  
9 purpose [PURPOSES] of establishing the Shuyak Island State Park is [ARE] to  
10 preserve, protect, and enhance traditional public access to and use of the area's  
11 natural resources for various activities including [THE AREA'S RECREATIONAL  
12 AND SCENIC RESOURCES, TO PROTECT THE AREA'S FISH AND WILDLIFE  
13 HABITAT, AND TO PRESERVE AND ENHANCE THE CONTINUED USE OF  
14 THE AREA FOR] sport and subsistence hunting, sport, subsistence, and commercial  
15 [AND] fishing, and trapping [, AND RECREATIONAL ACTIVITIES].

1 \* Sec. 2. AS 41.21.172 is repealed and reenacted to read:

2           **Sec. 41.21.172. Designated state land and water.** The upland, shoreland,  
3 tideland, land underlying tidally influenced inland water, and water overlying this land,  
4 including both the surface and subsurface estate, owned or acquired by the state within  
5 the following described parcels are designated as the Shuyak Island State Park:

- 6           (1) Township 17 South, Range 19 West, Seward Meridian  
7                 Section 18  
8                 Section 19  
9                 Section 30;  
10          (2) Township 17 South, Range 20 West, Seward Meridian  
11                 Section 24  
12                 Section 25;  
13          (3) Township 18 South, Range 18 West, Seward Meridian  
14                 Section 6  
15                 Section 7  
16                 Section 20  
17                 Section 28  
18                 Section 29;  
19          (4) Township 18 South, Range 19 West, Seward Meridian  
20                 Section 1  
21                 Section 2  
22                 Section 4  
23                 Section 5  
24                 Sections 7 - 36;  
25          (5) Township 18 South, Range 20 West, Seward Meridian  
26                 Section 2  
27                 Section 3  
28                 Sections 9 - 11  
29                 Sections 13 - 17  
30                 Sections 19 - 36;  
31          (6) Township 18 South, Range 21 West, Seward Meridian

- 1 Section 36;
- 2 (7) Township 19 South, Range 19 West, Seward Meridian
- 3 Sections 1 - 24
- 4 Sections 26 - 34;
- 5 (8) Township 19 South, Range 20 West, Seward Meridian
- 6 Sections 1 - 30
- 7 Section 32: N1/2
- 8 Sections 33 - 36;
- 9 (9) Township 19 South, Range 21 West, Seward Meridian
- 10 Section 1
- 11 Sections 12 - 14
- 12 Section 24
- 13 Section 25;
- 14 (10) Township 20 South, Range 19 West, Seward Meridian
- 15 Section 4
- 16 Section 5
- 17 Section 6: N1/2, N1/2S1/2;
- 18 (11) Township 20 South, Range 20 West, Seward Meridian
- 19 Section 1: N1/2, N1/2S1/2
- 20 Section 2: N1/2
- 21 Section 3: N1/2.

22 \* Sec. 3. AS 41.21.174(a) is amended to read:

23 (a) The state land and water [UPLANDS AND FRESHWATER BODIES]

24 described in AS 41.21.172 are assigned to the department for control, maintenance, and

25 development consistent with the purposes and provisions of AS 41.21.170 - 41.21.178.

26 \* Sec. 4. AS 41.21.174(g) is amended to read:

27 (g) Nothing in AS 41.21.170 - 41.21.178 prohibits the Department of Fish

28 and Game from engaging in [STREAM] rehabilitation, enhancement, and development

29 of fish and game habitat under AS 16.05 [AS 16.05.092] on land and water within

30 the Shuyak Island State Park.

31 \* Sec. 5. AS 41.21.176 is amended to read:

1           Sec. 41.21.176. Incompatible uses. (a) Except as provided in this section,  
2 the [THE] commissioner may designate by regulation incompatible uses within the  
3 land and water of the Shuyak Island State Park [PARK UPLANDS AND  
4 FRESHWATER BODIES].

5           (b) Use of a weapon in the Shuyak Island State Park shall be allowed at all  
6 times for personal protection and may be prohibited only under extraordinary  
7 circumstances and only at such times that public safety is threatened [EXCEPT  
8 IN UNIQUE AREAS THAT MAY BE CLOSED FOR PURPOSES OF PUBLIC  
9 SAFETY BY REGULATION BY THE COMMISSIONER].

10           (c) The [THE REGULATIONS GOVERNING PUBLIC USE OF THE  
11 SHUYAK ISLAND STATE PARK SHALL PROVIDE AMPLE ACCESS FOR  
12 LEGAL SPORT AND SUBSISTENCE HUNTING AND FISHING, TRAPPING, AND  
13 RECREATIONAL USES. EXCEPT TO PROTECT PUBLIC SAFETY THE]  
14 commissioner may not restrict lawful [THE EXERCISE OF] sport, [OR] subsistence,  
15 or commercial fishing, snort or subsistence [OR] hunting, or trapping permitted  
16 under law or under a regulation of the Board of Fisheries or the Board of Game within  
17 the Shuyak Island State Park.

18 \* Sec. 6. AS 41.21.176 is amended by adding new subsections to read:

19           (d) The commissioner shall allow traditional access to

20               (1) Shuyak Island State Park for recreational purposes and for lawful  
21 sport, subsistence, and commercial fishing, sport and subsistence hunting, and trapping;

22               (2) private land within the park.

23           (e) If the commissioner determines that a use is incompatible with one or more  
24 other uses in a portion of the Shuyak Island State Park, the commissioner shall state

25               (1) each determination of incompatibility;

26               (2) the specific area where the incompatibility is determined to exist;

27               (3) the time within which the incompatibility is determined to exist; and

28               (4) the reasons for each determination of incompatibility.

29 \* Sec. 7. AS 41.21.178 is amended to read:

30           Sec. 41.21.178. Additions to park. Land and water outside of the  
31 boundaries established in AS 41.21.172 may be added to the Shuyak Island State

1  
2  
3

Park only by an act of the legislature. The commissioner may [NOT] acquire land and water within the boundaries of the Shuyak Island State Park except by eminent domain.

# FISCAL NOTE

STATE OF ALASKA  
1997 LEGISLATIVE SESSION

BILL NO. SB64

Revision Date: \_\_\_\_\_ Dept Affected: Natural Resources  
 Title: An Act relating to the Shuyak Island BRU: Parks & Recreation Management  
State Park Component: Parks Management  
 Sponsor: Mackie  
 Requestor: (S)CRA Component Serial No. 452

**Expenditures/Revenues** (Thousands of Dollars)

OPERATING EXPENDITURES	FY98	FY99	FY00	FY01	FY02	FY03
PERSONAL SERVICES	5.0	7.0				
TRAVEL	5.0	3.0				
CONTRACTUAL						
SUPPLIES	5.0	3.0	4.0	5.0	5.0	6.0
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>15.0</b>	<b>13.0</b>	<b>4.0</b>	<b>5.0</b>	<b>5.0</b>	<b>6.0</b>
<b>CAPITAL EXPENDITURES</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>CHANGE IN REVENUES ( )</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts	15.0	13.0	4.0	5.0	5.0	6.0
1037 GF/Mental Health						
Other						
<b>TOTAL</b>	<b>15.0</b>	<b>13.0</b>	<b>4.0</b>	<b>5.0</b>	<b>5.0</b>	<b>6.0</b>

Estimate of any current year (FY97) cost: \$ 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

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

Day-to-day management of the expanded park can be handled by existing staff and volunteer levels with some additional supply monies to pay for boat gas and other supplies. These costs are necessary for expanded patrol areas. A new park brochure would need to be designed and printed in FY98.

\$10.0 is needed in FY98 and FY99 to revise the Shuyak Island State Park Master Plan. The first year is \$5.0 each for personnel and travel to gather baseline information on use patterns in the new park area. Second year is \$7.0 for personnel and \$3.0 for travel to prepare the written update and hold the requisite public meetings and public comment period leading to adoption of a revised park plan.

Prepared by: Jim Stratton, Director *Jim Stratton* Phone: 269-6700  
 Division: Parks Date: 29-Jan-97  
 Approved by Commissioner: *Alison Bass for Governor* Date: 1-29-97  
 Agency: Natural Resources

# FISCAL NOTE

STATE OF ALASKA  
1997 LEGISLATIVE SESSION

BILL NO: SB 64

Revision Date: \_\_\_\_\_

Dept. Affected: Public Safety

Title: An Act relating to Shuyak Island State Park

BRU: Fish and Wildlife Protection

Component: Detachments

Sponsor: Rules Committee

Requester: S. CRA

COMPONENT SERIAL NO. 0490

**EXPENDITURES/REVENUES: (Thousands of Dollars) (inflation not included)**

OPERATING	FY 96	FY 99	FY 00	FY 01	FY 02	FY 03
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	-0-	-0-	-0-	-0-	-0-	-0-
<b>CAPITAL</b>	-0-	-0-	-0-	-0-	-0-	-0-
<b>CHANGE IN REVENUES ( )</b>	-0-	-0-	-0-	-0-	-0-	-0-
Revenue Code						

**FUNDING: (Thousands of Dollars)**

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program						
1006 GF/MHTIA						
Other						
<b>TOTAL</b>	-0-	-0-	-0-	-0-	-0-	-0-

Estimate of current year (FY 97) impact: \$ -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

ANALYSIS: (Attach a separate page if necessary.)  
This Bill will have no impact on this Department's programs or budget.

Prepared By: Lt. Joel L. Hard

Phone: 269-5409

Division: Fish and Wildlife Protection

Date: January 31, 1997

Approved by Commissioner: *Dee Smith*

Date: 1/31/97

Agency: Ronald L. Otte, Department of Public Safety

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# SENATOR JERRY MACKIE

ALASKA STATE LEGISLATURE

## SECTIONAL

### CS SB 64 (RES), Shuyak Island State Park

**Section 1.** The purpose section, AS 41.21.170, is amended to broaden the description of lands and waters that constitute the park. It also requires the Division of Parks, Department of Natural Resources to respect the covenant and deed restrictions of Kodiak Island Borough which protect traditional usage of the lands and waters. Sport, commercial, and subsistence fishing are specifically identified as traditional activities.

**Section 2.** The current description of park lands and waters is replaced with a new description that adds new lands and waters to the existing park lands and waters, including land previously owned by the Kodiak Island Borough.

**Section 3.** Section 1 conforming amendments.

**Section 4.** The Department of Fish and Game's management authority within the park is further described and protected.

**Section 5.** The commissioner's ability to deny the use of weapons and legal hunting and fishing activities is restricted.

**Section 6.** Adds new subsections that mandate access to park land and private land in holdings. The commissioner is required to specifically justify incompatibility determinations.

**Section 7.** Section 1 conforming amendment and restatement of eminent domain prohibition.

## MEMORANDUM

TO: Senator Halford  
FROM: Brett Huber  
DATE: 11 March 1997  
SUBJECT: SB 64 - Shuyak Island State Park

=====

The Senate Resources Committee heard, and passed out, CSSB 64(RES) on March 10. The Resource CS contained the following changes from the CRA version of the bill:

1) Page 1, lines 7-11

Requires that the DNR, Division of Parks follow the agreement they reached with the Kodiak Island Borough to keep the traditional uses of Shuyak Island as management priorities for the Park. Adds commercial fishing as one of those traditional uses.

2) Page 3, line 26 through Page 4, line 7

Stipulates that any permanent closure of fishing, hunting or trapping within the park is allowable only because of biological emergency.

3) Page 4, lines 8-12

Adds specific language to ensure the Department of Fish and Game's management authority within the park.

4) Page 4, lines 18-21

Restricts the ability of Division of Parks to prohibit the use of a weapon within the Park.

5) Page 4, line 23-30

Adds commercial fishing to protected uses - conforms with the changes in section 1.

6) **Page 4, line 31 through Page 5, line 10**

Requires that the Commissioner, if declaring an incompatible use within the park, to issue specific findings supporting the decision.

7) **Page 5, line 14-15**

Prohibits the Commissioner from acquiring land within the park by eminent domain.



Official Business

# ALASKA STATE LEGISLATURE

## SENATE RESOURCES COMMITTEE

State Capitol  
Juneau, AK 99801

Chairman: Senator Rick Halford  
Vice Chair: Senator Lyda Green  
Senator Loren Leman  
Senator Bert Sharp  
Senator Robin Taylor  
Senator John Torgerson  
Senator Georgianna Lincoln

### MEMORANDUM

TO: Jerry Luckhaupt  
Legislative Legal Services

FROM: Brett Huber, Aide  
Senate Resources Committee

DATE: 10 March 1997

SUBJECT: SB 64 - changes made in Resources Committee

=====

The Senate Resources Committee heard, and passed out, CSSB 64(RES). Please prepare a Resource CS in final incorporating the following changes to the Resource CS (LS0417\B - 3/6/97) you had previously prepared.

The Committee adopted 3 amendments as follows:

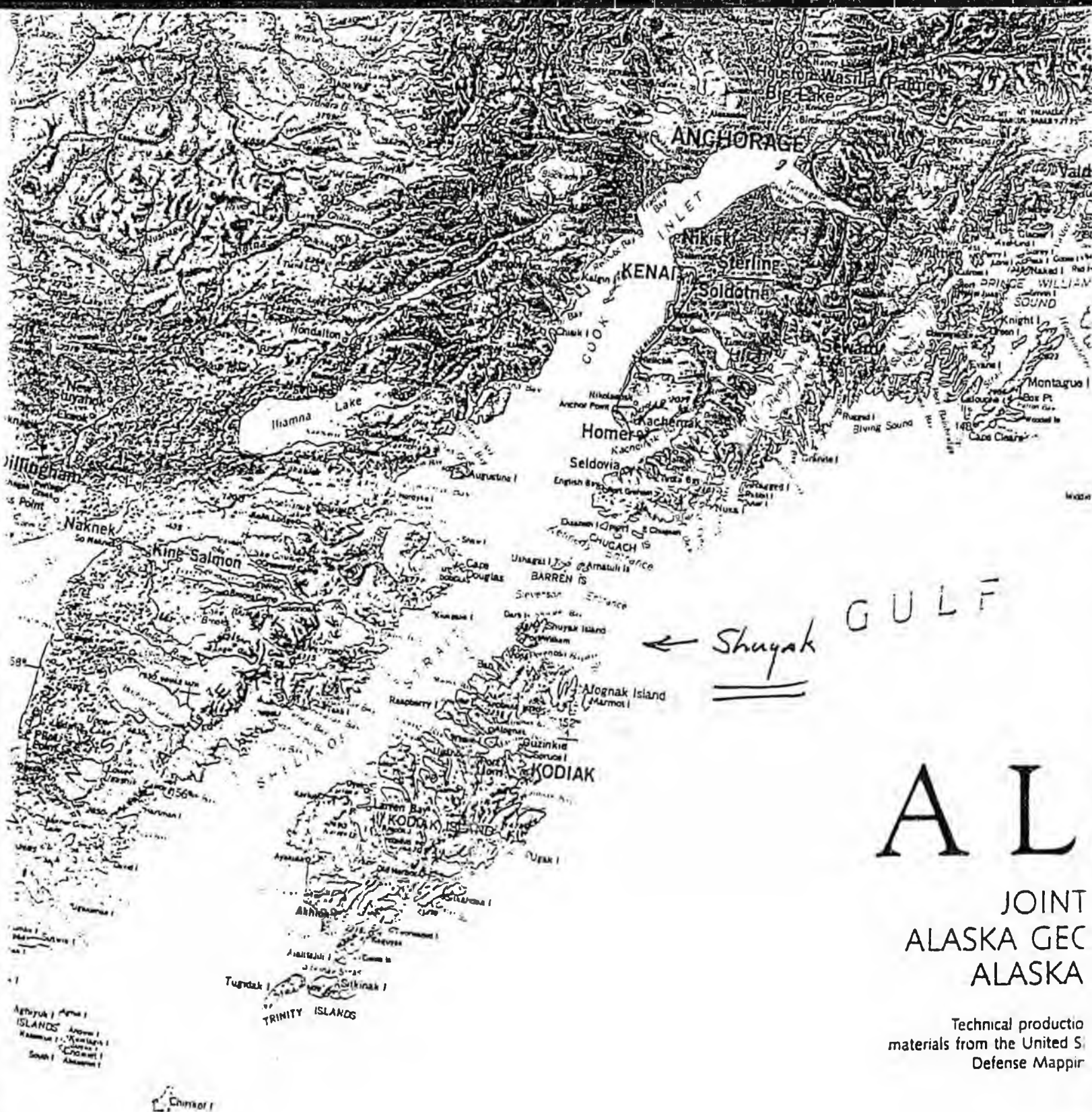
- 1) Page 4, line 5 replace (b) and the following text with:
  - (b) Possession and use of a weapon in the Shuyak Island Park shall be allowed at all times and use of the weapon may be restricted only under extraordinary circumstances and only in such areas where public safety is threatened.
- 2) Page 5, line 1 after "legislature." should read:

The commissioner may not acquire land and water within the boundaries of the Shuyak Island State Park by eminent domain.
- 3) Amendment LS0417\B.1 was adopted with the following changes:

Line 13 after "not" add "permanently"

Line 14 after "is" delete:
  - (1) approved by the legislature; or
  - (2) temporary and

If you have any questions, feel free to call.



GULF

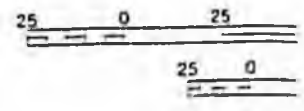
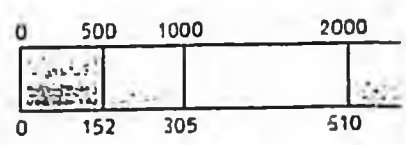
← Shuyak

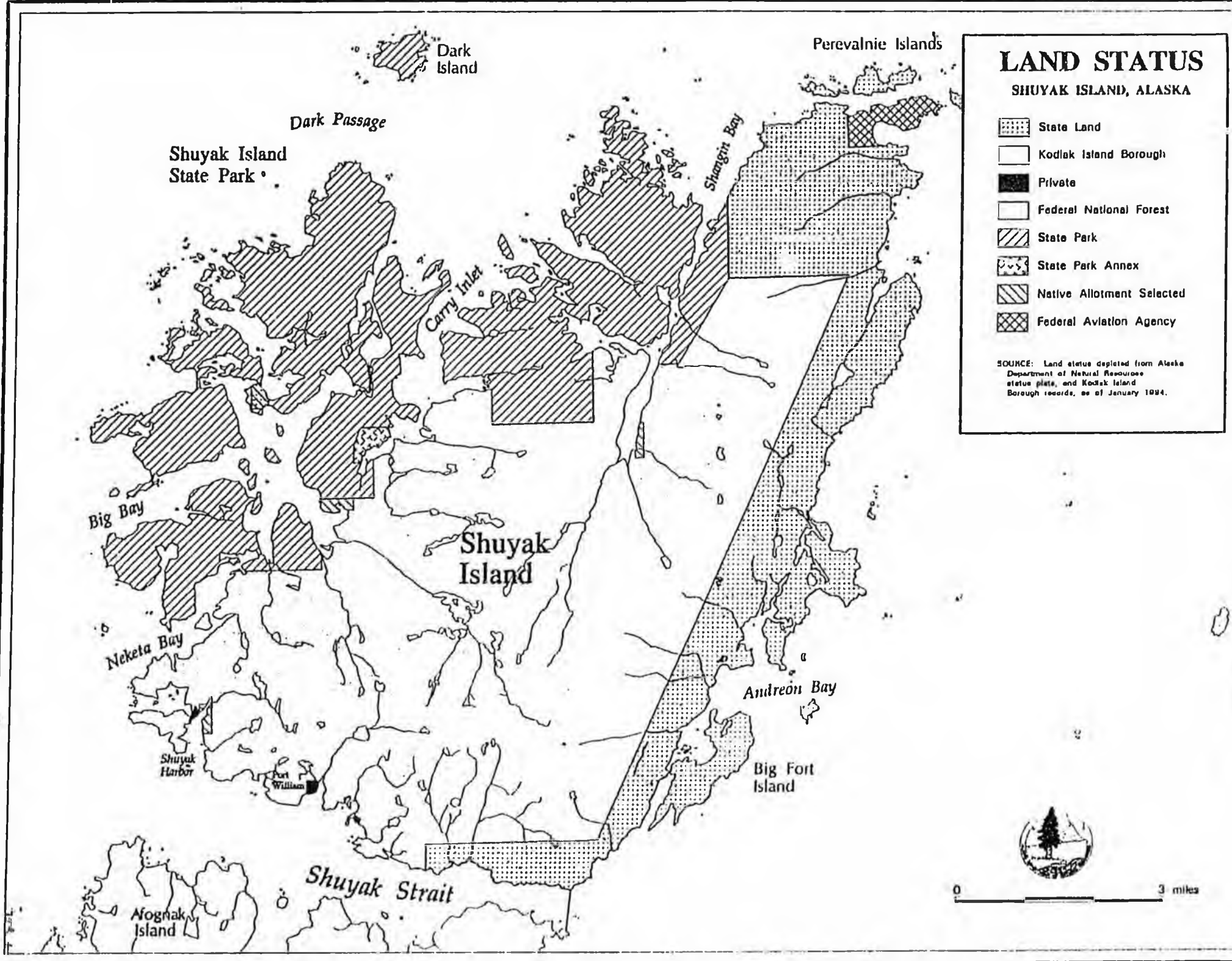
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JOINT  
ALASKA GEC  
ALASKA

Technical production  
materials from the United States  
Defense Mapping Agency

Base Map ©





# LAND STATUS

SHUYAK ISLAND, ALASKA

-  State Land
-  Kodiak Island Borough
-  Private
-  Federal National Forest
-  State Park
-  State Park Annex
-  Native Allotment Selected
-  Federal Aviation Agency

SOURCE: Land status compiled from Alaska Department of Natural Resources status plates, and Kodiak Island Borough records, as of January 1984.



0 3 miles

S.M.; then east along the N 1/4th line of Sections 32 and 33 approximately 0.3 miles to the NW 1/4th corner of Section 33, T18S, R19W, S.M.; then northeasterly approximately 1.5 miles to the section corner common to Sections 22, 27, 28, and 21, T18S, R19W, S.M.; then north along the west boundary of Sections 22 and 15, T18S, R19W, S.M., to the point of mean high tide in Shangin Bay. (§ 1 ch 167 SLA 1984)

**Sec. 41.21.174. Designation of management responsibility.** (a) The state uplands and freshwater bodies described in AS 41.21.172 are assigned to the department for control, maintenance, and development consistent with the purposes and provisions of AS 41.21.170 — 41.21.178.

(b) The Department of Fish and Game is responsible for the management of fish and game resources in the Shuyak Island State Park, consistent with the sustained yield principle and the purposes and provisions of this chapter. The Board of Fisheries, the Board of Game and the commissioner of fish and game are responsible for adopting regulations governing uses of fish and game in accordance with AS 16. The fish and game habitat and breeding areas shall be managed to ensure that the fish and game resources of the park continue on a sustained yield basis.

(c) The department shall consult with the Department of Fish and Game before adoption of regulations governing public use of the Shuyak Island State Park.

(d) The Department of Fish and Game shall consult with the department before adoption of regulations governing fish and game management in Shuyak Island State Park.

(e) The regulations established under this section shall be adopted in accordance with AS 44.62 (Administrative Procedure Act).

(f) The commissioner shall permit reasonable camping within the Shuyak Island State Park on an extended basis on request.

(g) Nothing in AS 41.21.170 — 41.21.178 prohibits the Department of Fish and Game from engaging in stream rehabilitation enhancement and development under AS 16.05.092 on land within the Shuyak Island State Park.

(h) The Department of Public Safety and the Department of Fish and Game shall have necessary access for fish and game management, research, and enforcement purposes. (§ 1 ch 167 SLA 1984)

*Editor's notes.* — Section 3, ch. 167, SLA 1984, provides: "Subject to the availability of funds, the Department of Natural Resources shall construct public use cabins within the Shuyak Island State Park."

Section 4, ch. 167, SLA 1984, provides: "The commissioner of natural resources shall identify the

boundaries of the Shuyak Island State Park by posting each inland boundary described in AS 41.21.172 as enacted in sec. 1 of this Act or as added under sec. 2 of this Act at its beginning and its end and not less often than each one-eighth of a mile."

**Sec. 41.21.176. Incompatible uses.** (a) The commissioner may designate by regulation incompatible uses within the park uplands and freshwater bodies.

(b) Use of a weapon in the Shuyak Island State Park shall be allowed except in unique areas that may be closed for purposes of public safety by regulation by the commissioner.

(c) The regulations governing public use of the Shuyak Island State Park shall provide ample access for legal sport and subsistence hunting and fishing, trapping, and recreational uses. Except to protect public safety the commissioner may not restrict the exercise of sport or subsistence fishing or hunting, or trapping permitted under law or under a regulation of the Board of Fisheries or the Board of Game within the Shuyak Island State Park. (§ 1 ch 167 SLA 1984)

**Sec. 41.21.178. Additions to park.** Land may be added to the Shuyak Island State Park only by an act of the legislature. The commissioner may not acquire land within the boundaries of the Shuyak Island State Park by eminent domain. (§ 1 ch 167 SLA 1984)

Revisor's no. 1984, the follow Island State Par — 36; T18S, R1.

**Sec. 41.21.180** — acquired lan purposes of ational and for hunting

(b) The le the Point Br further reco to the reside private land land to seek

Legislative letter of intent (Res)), see 198

**Sec. 41.2** water with: 41.21.182 a All state Township Section 1 Section 1 Section 1: A-061005 Section 1 408

Section : Section 1 Section 2 Section right-of-wa

Revisor's numbered in

**Sec. 41.** land, the purchase ( or otherw acquired b State Pari

Revisor's Renumbered

**Sec. 41** land and maintena 41.21.180

# Exxon Valdez Oil Spill Trustee Council

Restoration Office

645 G Street, Suite 401, Anchorage, Alaska 99501-3451

Phone: (907) 278-8012 Fax: (907) 278-7178



## MEMORANDUM

L. B. A. Reyes

**TO:** Nancy Slagle  
Director  
Division of Budget Review  
Office of Management and Budget

**FROM:** Molly McCammon  
Executive Director

**DATE:** December 20, 1995

**RE:** Exxon Valdez Oil Spill RPL <sup>10-6-4011</sup> ~~11-6-6683~~

In accordance with Chapter 1, FSSLA 1992, the Department of Natural Resources requests authority to receive and expend \$42,000,000 from Exxon Valdez oil spill settlement trust funds to purchase 26,665.62 acres of surface estate on Shuyak Island from the Kodiak Island Borough.

This parcel of land was evaluated as part of the Trustee Council's Comprehensive Habitat Protection Process - Large Parcel Evaluation and Ranking (November, 1993) and found to be among the highest ranked parcels in the spill area.

This land provides important habitat for several species of fish and wildlife for which significant injury has been documented. These include harlequin ducks, black oystercatchers, marbled murrelets, pigeon guillemots, river and sea otters, harbor seals, Pacific herring, pink salmon, and Dolly Varden. Restoration of these injured species will benefit from acquisition of this important habitat through protection from activities and disturbances which may adversely affect their recovery. The area has exceptional scenic qualities and supports wilderness-based recreation activities including sport hunting and fishing. The area also possesses significant cultural resource values with fifteen documented historical/archaeological sites.

These lands will be managed by the Alaska Department of Natural Resources, with protection of fish and wildlife habitat and populations as the highest management

### Trustee Agencies

State of Alaska: Departments of Fish & Game, Law, and Environmental Conservation  
United States: National Oceanic and Atmospheric Administration, Departments of Agriculture and Interior

priority. Under the terms of the agreement, public use of these lands must be allowed and must include sport, personal use, and subsistence hunting, fishing, trapping and recreational uses, consistent with public safety and permitted under law or regulations of the Board of Fisheries and Board of Game. Limited commercial use may be allowed if consistent with state and federal laws and the goals of restoration.

As reflected in the Trustee Council resolution, the Trustee Council's appraisal process resulted in a finding that the Shuyak parcel has a fair market value in the range of \$27 million to \$33.32 million. Taking into account the basis for the various appraisal numbers, the position of the landowner as to its minimum selling price, and given the exceptional restoration values of the Shuyak lands, the Council felt an offer at the upper end of that range was appropriate. The appraised value is based upon a single cash payment of \$33.32 million. Because the payments will be over a period of eight years, in lieu of interest, the purchase price has been adjusted to a total purchase price of \$42 million. It should be noted here that the Kodiak Island Borough commissioned three separate appraisals on their own, and these ranged in value from \$36 million to \$54 million.

There has been widespread support for this acquisition. The Kodiak Island Borough has committed \$3 million to be received through this sale to expand the existing Fisheries Technology Center. This expansion, referred to as the Near Island Research Facility, will provide for the consolidation of federal and state fisheries agencies in Kodiak, which will greatly increase their ability to respond to fisheries management and research needs. Borough Mayor Jerome Selby has provided additional information on this facility in his enclosed letter of endorsement.

Additional documentation supporting this request is also being provided:

- Trustee Council Resolution dated December 11, 1995
- Restoration Benefits Report
- Map
- Appraisal Information (selections)
- Endorsement from Kodiak Island Borough
- Photos
- Letters of support

Since this is a capital project, authority to receive and expend subject to AS 37.25.020 is requested. If you have any questions about this RPL, please do not hesitate to contact me at 278-8012.

Department of Natural Resources

OK - NO 08.55.1.5.2

RPL # 10-6-4011

CIP

Exxon Valdez Trustee Council Projects

\$42,000,000 Exxon Valdez Oil Spill Settlement Trust Funds

*Statutory Authority: AS 37.14.405*

The Department of Natural Resources requests authority to receive and expend \$42,000,000 in EVOSS trust funds for purchase of approximately 26,665.6 acres of surface estate on Shuyak Island from the Kodiak Island Borough.

The Exxon Valdez Trustee Council adopted a resolution in December, 1995 finding that purchase of the Shuyak Island land is consistent with its final restoration plan for natural resources injured by the Exxon Valdez oil spill. The land was found to include habitat for injured species that will benefit from protection from activities that might adversely impact habitat and water quality. In addition, the Trustee Council found that the land has significant scenic, cultural resource, and recreational values.

An appraisal of the land prepared for the Trustee Council determined that the present fair market value was from \$27,000,000 to \$33,320,000. Appraisals prepared for the Kodiak Island Borough determined the fair market value to range from \$36,000,000 to \$54,000,000. The lowest price the Borough will accept is \$33,320,000, based on a single cash payment. A purchase price of \$42,000,000 has been agreed upon which is to be paid over a seven year period, as follows: \$8,000,000 at closing; \$2,194,266 on October 1, 1996; \$4,000,000 on October 1, 1997; \$4,000,000 on October 1, 1998; \$4,000,000 on October 1, 1999; \$4,000,000 on October 1, 2000; \$4,000,000 on October 1, 2001; and \$11,805,734 on October 1, 2002. This payment schedule is predicated on a rate of approximately 6.45% on the unpaid balance due, assuming a closing date of October 1, 1995. The payment schedule will conform with the cash flow requirements of the EVOSS trust fund, which cannot provide a single cash payment of \$33,320,000.

If the sale is completed, the Kodiak Island Borough will use at least \$6,000,000 of the sale proceeds for construction of its proposed Near Island Research Facility. Remaining sale proceeds will be deposited in the Borough's facilities fund, the earnings on which will provide funding for maintenance of Borough facilities.

✓  
**Legislative Fiscal Analyst's recommendation: Approval of the request.**

To: <i>Dove Loran</i>	From: <i>Cartney</i>
Co. <i>1</i>	Co. <i>Leg. Audit</i>
Dept.	Phone #
Fax # <i>3517</i>	Fax #

The meeting  
that evening

at 5:00 p.m.

Chairman Terry Martin RECONVENED the January 8, 1996 meeting of the Legislative Budget and Audit Committee at approximately 5:02 p.m.

REVISED PROGRAMS

10-6-4011            Natural Resources            Requesting \$42,000,000 of EVOS Trust Funds to Purchase Shuyak Island. Approved

Sen. Adams MOVED to approve the action and discussion ensued.

Sen. Zharoff explained that the project would entail one month and that the EVOS Trustee Counsel had completed a number of appraisals and approved of the investment for the State. Sen. Zharoff described the area as rich in fish and wildlife. Chairman Martin requested clarification regarding the agreement with the Trustee Counsel, in view that a number of special interest groups in the past have requested State monies to purchase land, and then have subsequently resold the land to another special interest group. Sen. Zharoff expressed his concern that the agreement would also allow for public use to continue.

JEROME SELBY, Mayor of the Kodiak Island Borough, expressed his view that the land acquisition is the best land purchase that the Exxon Valdez Trustee Counsel will consider, and the best investment that the State of Alaska could make with the \$900 million settlement. He further explained that the State of Alaska owns the rest of Shuyiak Island, with the exception of the parcel in question; with the acquisition of the parcel, the State of Alaska will own the entire island, enabling the implementation of a comprehensive land management plan.

In terms of land restoration, Mr. Selby described the parcel as a prime habitat in terms of impact on species damaged by the Exxon Valdez oil spill, thereby maximizing the opportunity for recovery. The parcel is also a heavily used recreational property for the State of Alaska, with a great deal of hunting and fishing activity on Shuyiak Island from residents of Anchorage, the Kenai Peninsula, and Kodiak. Therefore, the acquisition presented a unique opportunity whereby the State may forward the recovery of fish and wildlife species, while encouraging public activities, and implement land management. One third of the island is a state park; one quarter of the island is a state wildlife refuge. The parcel is situated to the southwest of those two parcels and completes the island.

Mr. Selby expressed his view that the acquisition is in full keeping with the Municipal Lands Act as a means to convert a capital asset. He further explained that \$6 million of the funds will be used to develop the Near Island Research Facility, which is a part of a \$16 million dollar facility planned to provide fisheries research in the Gulf of Alaska. Scientists from Federal National Fisheries, Alaska Fish and Game, and the University of Alaska will be co-located into the facility, where they will share research efforts to produce "world class" fisheries data to be used to managed fisheries in the Gulf of Alaska. Mr. Selby expressed his concern that if a research project was not implemented, fisheries in Alaska would face long-term jeopardy. The Near Island facility would be completed at no additional cost to the State. The balance of the funds would then be placed in a Facilities Fund by the Kodiak Island Borough, in order to maintain school facilities, thereby preventing future appropriation requests for the purpose. Mr. Selby reiterated that the acquisition would convert a capital asset, an island parcel worth \$42 million, into programs which would benefit the State in many areas.

Sen. Frank recalled an earlier purchase of property of the Exxon Valdez Trustee Counsel that required its conversion into a State Park, and questioned if there were any such restrictions placed on the State in the current acquisition agreement.

MOLLY MC CAMMON, Executive Director of the Exxon Valdez Oil Spill Trustee Counsel, explained that the current acquisition proposal contained no such language as was put forth in the Seal Bay Acquisition, to which Sen. Frank referred. Ms. McCammon explained the intent of the Department of Natural Resources to manage the Shuyak Island parcel as State land for recreation and wildlife habitat, with no "blackmail clause" stating that if is not placed in a State Park that it will be reverted to the Nature Conservancy or the Federal Government. In response to a question by Sen. Phillips, Ms. McCammon explained that the current acquisition proposal takes into account the legislature's response to language in the prior agreement.

Sen. Davis requested clarification as to whether there was written agreement guaranteeing that the balance of the funds, minus \$6 million for fisheries research, will be placed in a facilities fund, and whether annual earnings on the fund will be known to the public. Mr. Selby explained that the fund has already been established to manage the \$36 million, and that an ordinance restricted spending to interest only for the following uses: maintaining existing facilities, renovating existing facilities, and repaying bonded debt on existing facilities. In addition, he explained that 15% of the interest would return to the principal each year to keep the fund up with inflation. Responding to a question by Sen. Phillips, Mr. Selby explained that the ordinance required a public bill in order to be changed.

In response to a question by Sen. Phillips, Ms. McCammon pointed out that the Counsel was currently committed to spend approximately \$450 million, roughly half of the total settlement. Of that expenditure, close to \$200 million was spent on land acquisition. She further noted that in September, during her presentation on the Counsel's overall work plan, it was discovered that many people desired to spend the entire \$900 million on land acquisition, while others wanted to spend the entire amount on research projects. The Counsel adopted a plan three years ago committing approximately one third of the funds toward habitat protection. Following the commitment, they met with Federal counterparts to determine the priorities for Federal and State acquisitions. She explained that the Counsel continues to proceed according to the restoration plan.

Providing further clarification for Sen. Phillips, Ms. McCammon explained that approximately 60% of the settlement funds would be placed in research efforts. The Counsel has adopted a restoration reserve, in anticipation of further development over the next 15 to 20 years; currently \$36 million are placed in the restoration reserve earning interest, with a commitment of to place \$12 million in the reserve. By the year 2000, this amount would reach a total of \$150 million, and, if inflation-proofed, could provide \$5 to \$6 million a year of revenue for the Counsel.

Addressing Sen. Phillips' concern that the Counsel would once again approach the Legislature to request funding for land acquisition, Ms. McCammon confirmed the Counsel's intention to request a state, joint venture acquisition of a large parcel on Frog Neck Island. In addition, she explained that there are smaller, discreet areas which the Department of Natural Resources would like to use for marine parks and recreation. She also referenced the small parcel program for lands under one thousand acres, through which the Counsel has authorized agencies to make offers on approximately \$16 million's worth of small properties, in areas such as Seward, Palmer, and other locations along the Kenai River, which are key habitat areas. As the transaction progress, the Counsel intends to approach the Legislature for approval.

In response to a question by Sen. Bunde, Ms. McCammon explained the restrictions on the use of the land acquisition. Since the main purpose for the acquisition was to ensure protection of habitation, commercial timber harvest is restricted. Other activities on State Lands, such as hunting and fishing, would still be allowed.

**CRAIG TILLERY**, Assistant Attorney General, Civil Division, Environmental Section, Alaska Department of Law, responded to Sen. Halford's question about the language of these restrictions by referring to the Conservation Easement, on page 9 of Exhibit B. He also referenced the Warranty Deeds themselves, containing a covenant which states that "public use of land shall