

ALASKA LEGISLATURE COMMITTEE FILES 1997-1998 8672

9684 SENATE RESOURCES

Alaska State Legislature

REPRESENTATIVE
PETER KELLY

Mailing Address
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Fairbanks, Alaska 99701
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White in Juneau
State Capitol
Juneau, Alaska
99801-1182
(907) 465-2327

House District 31

House Of Representatives

Sponsor Statement

House Bill 46

Mining

House Bill 46 provides technical corrections to language in the existing mining code. These corrections reflect the actual practices of the Department of Natural Resources.

Alaska State Legislature

REPRESENTATIVE
PETER KELLY

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House District 3

House Of Representatives

Sectional CS House Bill 46

Sec. 1. Technical reference to the "Lease" in Section 7. Exempts mining lease from oil & gas lease requirements.

Sec. 2. Technical deletion of the old language referring to mining "production licenses" on page 2, and, on page 3, the insertion of the new mining "surface use lease" from section 7.

Sec. 3. Technical renumbering of reference in prior section.

Sec. 4. Deletes "mining," which is an activity, and inserts "location," which establishes the right to mine. Because the closure is prospective, i.e. it is subject to existing rights, it is necessary to close an area to location. Mineral closures do not preclude mining on mineral locations that exist prior to the date of mineral closure. Mineral closures only apply to new mineral locations.

Sec. 5. Updates title 38 definition of corporation to reflect current definitions used elsewhere in state statutes and in federal laws.

Sec. 6. Reduces paperwork within DNR, and provides a clean \$5 unit for increase or change, not fractions of a dollar. The current language could make the calculation of rental payments needlessly cumbersome for both the mineral holder and the state.

Sec. 7. Clarifies the language in this section. The Department of Natural Resources issues Leases not [PERMITS] for a mill site. Miners pay annual rent not a "[charge]." Miners are restricted to a specific set of uses relating to mining.

Sec. 8. Confirms that the mill site lease of Sec. 7, is treated the same as a mining lease, not competitive bid leases.

Sec. 9. Conforms the mining claim abandonment procedures to other technical modifications in the bill.

Sec. 10. Technical renumbering from section 2.

Sec. 11. Eliminates redundancy by deleting the portions of the production license paperwork now achieved better in with the "mining license" issued by the Department of Revenue.

Sec. 12 and 13, and 14. Effective dates.

Alaska State Legislature

REPRESENTATIVE
PETER KELLY

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While in Juneau
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House District 31

House Of Representatives

January 31, 1997

Discussion: House Bill 46

HB 46 has come out of the permitting process undergone by Fort Knox, Illinois Creek and other large operations on State land. In the intensive review undergone by those mines, several flaws and inconsistencies were discovered in Title 38.

This bill provides those technical corrections, and provides some efficiencies for DNR practices.

The bill is supported by the administration and industry. As far as I know it is devoid of controversy.

Sections 1, and 3. Renumber references.

Section 2. Clarifies that the millsite lease (sect. 7) is **exempt from the best interest findings** requirement of Title 38.05.035, just like all other mining leases and claims.

The change from the word "permit" to the word "lease" in Section 7 would result in confusion unless clearly added to the list of mining leases exempted from the best interest finding. See: Attachment 2.

Section 4. Recognizes that a mineral closure closes an area of state land to **location** of a mining claim, and not to mining.

The state does not close an area to mining. A mineral closing order cannot take away the rights of a prior existing miner. This has long been understood, but was incorrect in this part of the statutes.

Section 5. Updates the mining definition of a corporation to reflect the modernization of the US and State codes.

The corporations investing in Alaska pointed out that we have a different definition under mining law than we have under corporate law.

Section 6. Streamlines the inflation indexing for claim rentals. The rental will be rounded to the nearest \$5, every ten years.

The recalculation of the claim rental for inflation would result in rental amounts in odd fractions of a dollar. This is an unnecessary burden to both small miners, and to the agency.

Inflation indexing is based on the Consumer Price Index calculated by the U.S. Bureau of Labor Statistics, for the Anchorage Metropolitan Area. The base date is 1989, and claim rental fees will increase in 1999.

Based on current inflation rates the fees might be:

1996 = \$20	1999 = \$25
1996 = \$40	1999 = \$50 or \$55
1996 = \$100	1999 = \$130 or \$140

Note: there is a sheet in the packet with sample calculations showing the fractional cents for several years. See also attachment 1 for original language.

Section 7. Lease v. Permit. Provides for the state to **lease** a mill site and charge an **annual rental**, rather than a permit fee.

The state's permitting process results in an annual or, at best, a 5 year permit. This is too short a time for banks and loan institutions to provide the hundreds of millions of dollars needed for a modern mill or tailings site.

The goal is to get to a **fair rental value**, rather than a **permit fee**. Permit fees are designed to covering the cost of the permit process, and do not reflect the amount of land used, the nature of the land use, etc.

Section 8. Recognizes the new mill site leases are **not** subject to the Title 28 **competitive bid** requirements.

I.e.: US Borax should not compete with Amax for the mill site at Fort Knox.

Section 9. Clean-up abandonment procedures. Conforming language.

Section 10. Renumbering references.

From changes in Section 2.

Section 11. **Repeals** the production license paperwork.

This paperwork is achieved better by the Department of Revenue with the "Mining License" that they issue to all miners under AS 43.65.010 (see: attachment 5). Attachment 3 & 4 are copies of the statutes being repealed.

Sections 12, 13, and 14. Authority to begin regulation changes. Effective Dates. (Note, we got rid of the need for regulations in original versions of the bill, Section 12 may be redundant.)

Background and Section by Section analysis of CSHB 46 and proposed amendments.

March 5, 1997

General:

The concepts contained in CSHB 46 are housekeeping provisions included last session within the Title 38 bill (HB 191). There were no known controversial issues associated with the mining provisions last session. Last December we distributed to all mineral property holders of record our intention to reintroduce these same housekeeping mining provisions this year. No opposition was noted to the proposed reintroduction and no issues associated with the amendments were presented during the recent deliberation by the House on this bill.

Since passage by the House, one comment has been received that the department believes should be incorporated in CSHB 46. This amendment will be discussed in the Section by Section analysis (see Section 5).

The amendments result in no net gain or loss to the state treasury. No new regulations are required. There will be an improvement in the bookkeeping costs to the state and to the mineral property owner. Potential loss of mineral property ownerships and subsequent appeals will be reduced due to the timely payment of the incorrect rental fees associated with mineral properties of different ages. Another potential cloud on producing mines is removed by eliminating the seldom used production license that also duplicates the mining license issued by the department of revenue.

Sectional analysis:

Section 1 is a technical amendment dealing with the elimination of a production license in Section 11.

Section 2 deletes reference to a production license that is eliminated in Section 11. It also makes it clear that a best interest finding is not mandatory for a mill site lease.

Section 3 is a technical amendment to renumber subsections as a result of Section 1.

Section 4 is a technical amendment to make it clear that a mineral closing order prohibits new mineral locations, but does not stop responsible mineral activities on mineral properties that existed prior to the closing order.

Section 5 brings Alaska law for holding a state-owned mineral property into conformance with similar requirements for other resource businesses. A comment has been received that points out

March 5, 1997

that elimination of subsection (4) "Aliens at least 18 years of age if the laws of their country grant like privileges to citizens of the United States." makes an unwarranted distinction between a foreign business and a foreign person. In researching federal law we find that aliens may hold mineral properties, but cannot get patent to those minerals. Under provisions of the Alaska Statehood Act, the state is prohibited from patenting mineral properties. Accordingly, we recommend that the existing language in AS 38.05.190(a)(4) be retained rather than deleted.

Section 6 amends the way the annual rental for mineral properties are to be adjusted every ten years. Rentals are calculated on the basis of age of each claim or lease starting on September 1, 1989. Under existing law the annual rental fees will be soon adjusted. If we were to make those adjustments today, the \$20 annual rental fee would be \$25.59, the \$40 annual rental fee would be \$51.19 and the \$100 rental fee would be \$127.69. This type of change creates a bookkeeping problem of significant importance to both the state and to the mineral property holder because failure to timely pay the correct annual rental can lead to statutory loss of all or part of the mineral property. The amendment specifies the rental to be calculated to the nearest whole \$5 increment. The change will provide better certainty that the correct courtesy billing has been sent and the mineral property holder has timely paid the correct amount in full. The overall savings to the state will be in the area of bookkeeping and appeals. There will be an increased certainty by the mineral property holder that the properties are not a risk due to an incorrect payment. The overall change of revenue to the state is considered to be minimal since the adjustments will sometimes go to the higher \$5 increment while some will go to the lower increment.

Section 7 makes a technical amendment to change a mill site permit to a mill site lease. A fee will be established that recognizes the limited uses authorized in a mill site lease. It also provides that a mill site may be located on state land that is otherwise not within a state mineral property location or lease.

Section 8 makes it clear that a mill site lease will not be subject to competitive leasing procedures. It is the departments strong belief that it is not in the public interest to have competitive bidding of these sites since the operator of the mine or the mineral property owner have an over riding need to have the mill site lease area to conduct a viable mining operation.

Section 9 incorporates technical amendments in the citations and eliminates the time line for filing a lease application form with the director and also excludes leases from automatic abandonment for the reasons listed.

Section 10 makes a technical amendment to reflect the deletion of a production license.

Section 11 eliminates the production license. The production license is not consistently enforced and is duplicative of the requirements of the department of revenue mining license under AS 43.65.010. The elimination of the production license will reduce paperwork for the state and the mineral industry and at the same time, remove a potential cloud on producing mineral properties.

Section 12, 13, and 14 deal with transition provisions and effective dates.



STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES

JULES V. TILESTON
DIRECTOR
DIVISION OF MINING & WATER MANAGEMENT

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March 5, 1997

3

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

TONY KNOWLES, GOVERNOR

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January 31, 1997

The Honorable Bill Hudson
The Honorable Scott Ogan
Co-Chairmen, House Resources Committee
Capitol Building
Juneau, AK 99801

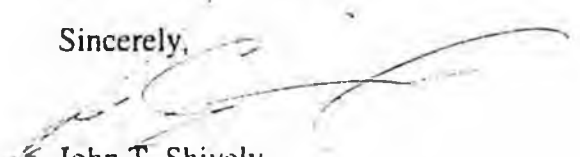
RE: House Bill 46, Related to Mining

Dear Representatives Hudson and Ogan:

The department, on behalf of the administration, is pleased to confirm our support to the changes in Title 38 as amended by the House Resources Committee on January 30th. We appreciate your prompt action in helping government become more efficient by revising outdated sections dealing with mining.

Thank you for your consideration and we urge passage of this bill

Sincerely,



John T. Shively
Commissioner

cc: Representative Pete Kelly, Representative Gene Therriault

A M E N D M E N T

OFFERED IN THE SENATE

TO: CSHB 46(RES)

1 Page 5, lines 12 - 15:

2 Delete "[ALIENS AT LEAST 18 YEARS OF AGE IF THE LAWS OF THEIR
3 COUNTRY GRANT LIKE PRIVILEGES TO CITIZENS OF THE UNITED STATES;

4 (5)]"

5 Insert "aliens at least 18 years of age if the laws of their country grant like privileges
6 to citizens of the United States;

7 (5)"

8 Page 5, line 21:

9 Delete "(5) [(6)]"

10 Insert "(6)"

11 Delete "(1) - (4) [(1) - (5)]"

12 Insert "(1) - (5)"

MAR 04 19

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

DIVISION OF MINING AND WATER MANAGEMENT

TONY KNOWLES, GOVERNOR

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February 27, 1997

Mr. James N. Reeves
Bogle and Gates, P.L.L.C.
1031 West Fourth Avenue, Ste 600
Anchorage, AK 99501-5907

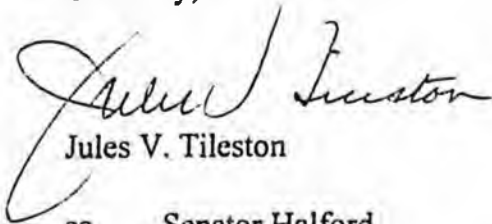
Re: Your letter to me dated February 10, 1997.

Dear Mr. Reeves:

Thank you for your above referenced letter. We have looked into the matter and you are correct that prohibiting individual aliens from acquiring mineral rights under Alaska's mining law while allowing foreign corporations to do so if they are qualified to conduct business in the state is not equitable. We learned that aliens under federal mining law can acquire mineral rights, but may not be granted patented. If alien individuals can acquire mineral rights under federal law they should be able to under state law as well.

As you can see, by this letter we are copying Representatives Therriault and Kelly, and Senator Halford so that they may consider the recommendations in the Senate hearing scheduled for HB 46. I hope it is alright if I attach a copy of your letter to Senator Halford. I believe the hearing may be scheduled for next week sometime. If you have any other thoughts I would appreciate discussing them with you.

Sincerely,



Jules V. Tileston

cc. Senator Halford
Representative Therriault
Representative Kelly

Sent Via Facsimile and mail.

BOGLE & GATES P.L.L.C.

A Professional Limited Liability Company

RECEIVED

FEB 12 1997

K. Krause

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Bellevue
Portland
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Tacoma
Vancouver, B.C.

February 10, 1997

VIA FACSIMILE AND MAIL
563-1853

Mr. Jules Tileston
Director
Division of Mining
Alaska Department of Natural Resources
3601 Street, Suite 800
Anchorage, Alaska 99503-5935

Re: House Bill 46

Dear Mr. Tileston:

Kerwin Krause directed my attention to HB 46. This bill would make several technical amendments to the provisions of the Alaska Land Act dealing with mining rights. When I reviewed the bill, a question occurred to me about the proposed amendments to the qualification statute (AS 38.05.190(a)) dealing with ownership of mining rights by aliens. The purpose of this letter is to bring this question to your attention so that it can be addressed during the legislative session if you consider that necessary.

Existing law reflects a legislative policy decision that aliens who are citizens of certain countries should be qualified to hold Alaska mining rights, but aliens who are citizens of other countries should not be. AS 38.05.190(a)(3). One can debate the wisdom of that policy, of course; but that is the current policy.

Subsection (a)(5) of the statute limits the class of corporations that are qualified to hold mining claims by excluding from the class corporations that are owned or controlled by aliens who are not themselves qualified. This provision carries forward the policy decision that certain aliens should be allowed to hold Alaska mining rights and certain other aliens should not be. It prevents an alien who would not be qualified to hold mining rights in his individual capacity from evading that provision of the statute by acquiring the mining rights through the vehicle of a corporation. In other words, it prevents this class of aliens from doing indirectly (i.e., by means of a corporation) what they are not allowed to do directly. The subsection limiting alien ownership and the subsection limiting corporation ownership are congruent in this respect.

Mr. Jules Tileston
February 10, 1997
Page 2

The proposed amendments to AS 38.05.190(a) set forth in Section 2 of HB 46 would change these provisions; but they would do so in two inconsistent ways. First, the provision under which some aliens may be qualified to hold mining rights would be deleted altogether. If the law were amended in this manner, then no aliens whatsoever would be permitted to acquire and hold mining rights unless they had "declared their intention to become citizens of the United States" under AS 38.05.190(a)(3). The distinction made by the current statute between the category of aliens who are qualified to hold mining rights and those who are not qualified to hold mining rights would be eliminated. None of them would be qualified.

That is a reasonable policy choice; and although reasonable people might disagree about its wisdom, the proposed amendment makes sense. However, the other proposed amendment to the qualification statute is inconsistent with it. That amendment would delete the limitation on the qualification of corporations based upon ownership or control by aliens. If the law were amended in this respect, an alien strictly prohibited by subsection (a)(3) from acquiring mining rights in his own name could readily evade that requirement by forming a corporation to acquire and hold the rights. In other words, the complementary relationship between subsections (a)(3) and (5) under current law would be disrupted and the subsections would operate at cross-purposes.

It seems to me that a legislator who favored prohibiting aliens from owning mining rights would want to make sure that the provision allowing corporations to own mining rights cannot be used by aliens as a vehicle for evasion of that policy. Likewise, it seems to me that a legislator who favored a policy allowing corporations owned or controlled by aliens to hold mining rights would also favor permitting the aliens to own them personally, rather than requiring that they be owned through corporations. Either of these two alternative policy positions would be coherent. The two amendments proposed in House Bill 46, however, are not consistent with either of these two alternative policy positions. Either aliens should be allowed to own or control mining rights in Alaska lands, or else they should not be allowed to do so. Present law addresses that policy issue in a consistent manner, albeit in a manner that many consider to be the wrong policy. If the policy is to be changed, the statutory amendments used to make the change should be consistent with the new policy. The provisions of House Bill 46 are not consistent.

For the record, I am offering this comment as an individual interested in sound natural resources legislation. I am not speaking as a representative or advocate of any client.

If you have any questions please feel free to call.

Yours very truly,

BOGLE & GATES P.L.L.C.



James N. Reeves

cc: Representative Peter Kelly
Representative Gene Therriault
✓ Kerwin Krause

BOGLE & GATES P.L.L.C.



ALASKA MINERS ASSOCIATION, INC.

501 W. Northern Lights Blvd., Suite 203, Anchorage, Alaska 99503 FAX (907) 276-7997 Telephone (907) 276-0347

March 17, 1997

Honorable Rick Halford
 Chairman, Resources Committee
 Alaska State Senate
 Capitol Building
 Juneau, AK 99801

RE: House Bill 46, Relating to Mining

Dear Senator Halford,

Thank you for the opportunity to comment on House Bill 46 which is now in your Senate Resources Committee in the form of CSIB-46(RES). This bill makes several housekeeping changes to the mining statutes and is supported by both the Department of Natural Resources and the Alaska Miners Association. We have worked with DNR over the past couple years to develop these changes which will clarify the existing statutes and change some items that could inadvertently become stumbling blocks for miners. Because DNR and industry are in agreement on these changes there has been no controversy over this bill.

It has been suggested that two other items be added into IIB-46. One involves some minor changes to the mineral exploration incentive credit statute that became law in 1995 and the other involves the designation of approximately 540 acres in the Petersville Mining District as a State Recreational Mining Area. We support both of these potential changes.

The changes proposed to the mineral exploration incentive credit (MEIC) statute have been requested by DNR Commissioner John Shively in an effort to reduce the paperwork required to administer the MEIC. Working with DNR, we were able to develop some changes that would reduce their paper workload while at the same time retaining the flexibility for the miner. These changes have been introduced as House Bill 173 by Representative Richard Foster. One other aspect in this bill is that it establishes a fee (specific set amount not variable) for processing the MEICs. We are typically opposed to such fees but in this case feel it is appropriate and it is being included in a way that will encourage the miner to process several years of investment credits at the same time, thus reducing the paper workload for DNR. There are no material changes in the statute for either the state or the industry the cost for both sides should be reduced.

The second item relates to the Petersville Recreational Mining Area. It has been suggested that two areas totalling about 540 acres be designated as a recreational mining area similar to the Caribou Creek Recreational Mining Area located at milepost 104 on the Glenn Highway. The 540 acres are part of an area of federal mining claims that were abandoned and is now being transferred to State ownership. It is a rare situation when quality mining ground is available for such a Recreational Area and is also situated in an area that is accessible for the public. There is great need for more locations where recreational mining can occur and this area will help fill this need.

The Alaska Miners Association and the DNR support the changes to the investment incentive credit and the establishment of a Petersville Recreational Mining Area. Both Representative Kelly, sponsor of HB-46, and Representative Foster, sponsor of HB-173, are amenable to including these items in HB-46. Our only concern is that each and all of these items move forward. We do not foresee any controversy with any of the three parts (housekeeping changes, incentive credit changes, or recreational area) moving together but if this were to develop a controversy we would encourage three separate bills.

Thank you for your consideration of these matters. If we can answer any questions or be of any further assistance please contact me.

Sincerely,



Steven C. Borell, P.E.
Executive Director

- cc: Representative Pete Kelly
- Representative Richard Foster
- Commissioner John Shively

Background and Section by Section Analysis of HB 173

March 5, 1997

General:

AS 27.21.120 (Small Operator Assistance) provides for federal grants to be available for the development of small coal mines in Alaska. The federal grant program, on which the Alaska program is based, was expanded in 1994 to allow federal moneys to be used for more elements of a coal mine permit and increased the size of an eligible coal mine for this program. The amendments are housekeeping and will bring the Alaska program into agreement with the expanded federal grant program. No state funding is associated with this amendment and we have an existing application under current state law. Without the amendment, the applicant, Alaska Power and Telephone Company, will not be able to take full advantage of the expanded federal grant program.

AS 27.30.020 et seq. established an Exploration Incentive Credits program to encourage development of new or reopened mines in Alaska. The existing program requires mandatory annual filing and mandatory annual decisions by the commissioner. The fiscal note attached to the original legislation was not funded. Accordingly, the department is faced with expenditure of funds allocated for other mining work in order to avoid the automatic approval section of law that falls into place should the commissioner take no action. In the first partial year of the program, the department received 33 applications involving \$13.3 million in exploration credits that would have been final without further action. This would have placed the department and the mining companies at risk of litigation involving significant dollar amounts and would have sent a message to the industry that the state is not prepared to fulfill its obligations to encourage environmentally responsible development and jobs for Alaskans. The proposed amendments have been developed in cooperation with the mining industry, Alaska Miners Association, and the department of revenue. The substance of these amendments were introduced last session with the full support of the administration. The proposed amendments eliminate the annual filing/approval process and replace it with an application process that incorporates monetary or transfer of prospective exploration credits as thresholds for application. To reduce the cost to the state for credit approval process a requirement that a certified public accountant (CPA) provide a statement whenever the exploration costs for an individual mineral property equal or exceed \$40,000 in any one year. Application fees have been coordinated with the Alaska Miners Association and are based on the fact that there will be CPA review of the larger requests for credit.

Sectional analysis:

Section 1 is a technical amendment to AS 27.21.100(b) that provides that non-confidential data

March 5, 1997

collected under the federal grant is to be available to the public.

Section 2 is a housekeeping amendment to AS 27.21.120 that increases the definition of a small coal mine for certain federal grants from an annual production of 100,000 tons to 300,000 tons annually. The amendment further conforms existing state law to the federal grant program that was expanded on May 31, 1994. Alaska Power and Telephone Co. has an application pending to develop detailed data required to obtain a state coal mine permit for a part of the Jarvis Creek Coal Field that it has under a state coal lease. Under existing Alaska law, the federal grant can only be used for determination of hydrologic conditions and test and/or bore samplings. The new section will allow the federal grant to also be used for developing a blasting plan, cross-section maps and plans of the coal deposit to be mined, archeological and historic information, and site specific resource information including fish and wildlife and subsistence and any other important environmental values associated with the proposed coal mine.

Section 3 is a technical amendment providing for concurrent preparation of the reclamation plan for the mine site.

Section 4 contains a series of housekeeping amendment to AS 27.30.020 that delete the annual statutory filing date and a statutory date the annual certification decision process by the commissioner. In its place it establishes thresholds for filing (expenditures are at least \$250,000 or the person is ready to take the entire balance of the credit), and requires a statement from a certified public accountant whenever the credit in any one calendar year equals or exceeds \$40,000 for a single mining operation. The existing statutory date for commissioner decision is replaced with a period of six months from the date of filing. The commissioner will have 60 days to approve the taking of the credit when all of the credits are contained within prior certifications. Finally the commissioner will have 30 days after delivery of the exploration data that was developed as part of the exploration credit program to notify the Department of Revenue that the credit has been approved. Applications are to be on a form provided by then department.

Section 5 establishes a new subsection, AS 27.30.025 for a conditional certification process. This new subsection recognizes that there may be innovative exploration techniques, that there may be a substantial question about the nature of the exploration data to be delivered to the department, or there is a substantial question about exploration expenditures that are being transferred to another person. Except for when the ownership of credits are being considered, the conditional certification process will be at a lesser standard of review than for an application for credit because it deals with subjective rather than factual matters. Accordingly, the department's conditional decision is subject to final approval at the time the person applies under the provisions of Section 4, above. The conditional certification application is to be on a form provided by the department.

Section 6 is a technical amendment to make it clear that the total amount of credit cannot exceed \$20 million.

Section 7 creates a new section AS 27.30.095 fees. The fees were developed in cooperation with the mining industry and are based on the amount of the credits being applied-for: \$500 if the total amount is \$1 million or less and \$1,000 if more than \$1 million. The fee structure recognizes that a statement by a certified public accountant will accompany each expenditure that equals or exceeds \$40,000 for a mineral property in any one year. Conditional certifications associated with innovative techniques or the nature of the exploration data is in question will be done without charge as part of the department's ongoing technical assistance program. A conditional certification associated with the change of ownership of exploration costs will be subject to the fees above.

HB

73

SENATE COMMITTEE REPORT

DATE: 3/4/98

FURTHER: Finance

DATE TURNED
IN TO OFFICE: 5/12/98

Resources Committee considered HOUSE BILL NO. 73

"An Act extending the termination dates of the salmon marketing programs of the Alaska Seafood Marketing Institute and the salmon marketing assessment; and providing for an effective date."

and recommends:

be replaced with S CS CS HB 73 (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 OFF PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
<i>John Ingerson</i>	<input checked="" type="checkbox"/>	<i>Syde Green</i>	<input checked="" type="checkbox"/>		
<i>Kevin D. Lemen</i>	<input checked="" type="checkbox"/>				
<i>Demetrius Wright</i>	<input checked="" type="checkbox"/>				
<i>Robin L. Taylor</i>	<input checked="" type="checkbox"/>				
CHAIR:		<i>Rick Halford</i>	<input checked="" type="checkbox"/>		

NEW FISCAL NOTE(S):

Department Date Zero Fiscal

Department	Date	Zero	Fiscal

PREVIOUS FISCAL NOTE(S):*

Department Date Zero Fiscal

Department	Date	Zero	Fiscal
<i>ROV</i>		<i>1/16</i>	<input checked="" type="checkbox"/>
<i>RSU1</i>		<i>1/20</i>	<input checked="" type="checkbox"/>

*APPL
TO
CS*

APPROPRIATION -- no fiscal note

*include fiscal notes accompanying Governor's bill

0-LS0338VE
Utermohle
4/28/98

SENATE CS FOR HOUSE BILL NO. 73(RES)
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTIETH LEGISLATURE - SECOND SESSION

BY THE SENATE RESOURCES COMMITTEE

Offered:
Referred:

Sponsor(s): REPRESENTATIVES HUDSON, Grussendorf, Elton, Kubina

A BILL

FOR AN ACT ENTITLED

1 "An Act extending the termination dates of the salmon marketing programs of
2 the Alaska Seafood Marketing Institute and the salmon marketing assessment; and
3 providing for an effective date."

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

5 * Section 1. LEGISLATIVE INTENT. It is the intent of the legislature that the Alaska
6 Seafood Marketing Institute meet with the residents of Bristol Bay and Western Alaska who
7 hold salmon entry permits and that the Alaska Seafood Marketing Institute work to earn the
8 support of the residents of Bristol Bay and Western Alaska for continuation of the salmon
9 marketing tax by instituting marketing efforts that provide a level of benefit proportionate to
10 the contribution of the residents of Bristol Bay and Western Alaska to the revenue collected
11 through the tax.

12 * Sec. 2. Section 9, ch. 55, SLA 1993, is amended to read:

13 Sec. 9. (a) AS 43.76.110, 43.76.120, and 43.76.130, as those sections apply
14 to salmon taken in an Alaska Commercial Fisheries Entry Commission salmon

1 administrative area for the Bristol Bay area, Kuskokwim area, Kotzebue area,
2 Upper Yukon area, Lower Yukon area, or Norton Sound-Port Clarence area, are
3 repealed June 30, 2000.

4 (b) AS 43.76.110, 43.76.120, and 43.76.130, as those sections apply to
5 salmon taken in an Alaska Commercial Fisheries Entry Commission salmon
6 administrative area, other than an administrative area listed in (a) of this section,
7 are repealed June 30, 2003 [1998].

8 * Sec. 3. Section 10, ch. 55, SLA 1993, is amended to read:

9 Sec. 10. AS 16.51.100(7), 16.51.100(8), and 16.51.100(9) are repealed June 30,
10 2004 [1999].

11 * Sec. 4. This Act takes effect immediately under AS 01.10.070(c).

HOUSE BILL NO. 73

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTIETH LEGISLATURE - FIRST SESSION

BY REPRESENTATIVES HUDSON, Grussendorf, Elton, Kubina

Introduced: 1/15/97

Referred: House Special Committee on Fisheries, Labor and Commerce, Finance

A BILL

FOR AN ACT ENTITLED

1 "An Act extending the termination dates of the salmon marketing programs of
2 the Alaska Seafood Marketing Institute and the salmon marketing assessment; and
3 providing for an effective date."

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

5 * Section 1. Section 9, ch. 55, SLA 1993, is amended to read:

6 Sec. 9. AS 43.76.110, 43.76.120, and 43.76.130 are repealed June 30, 2003
7 [1998].

8 * Sec. 2. Section 10, ch. 55, SLA 1993, is amended to read:

9 Sec. 10. AS 16.51.100(7), 16.51.100(8), and 16.51.100(9) are repealed June 30,
10 2004 [1999].

11 * Sec. 3. This Act takes effect immediately under AS 01.10.070(c).

Revision Date: January 16, 1998 Dept. Affected: Revenue
 Title: Salmon Marketing Assessment & ASMI BRU: Revenue Operations
 Component: Income and Excise Audit
 Sponsor: Rep. Hudson
 Requestor: (H) FSH COMPONENT SERIAL NO. 113

Expenditures/Revenues: (Thousands of Dollars)

OPERATING EXPENDITURES	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL EXPENDITURES						
CHANGE IN REVENUES (GF)	3,000.0	3,000.0	3,000.0	3,000.0	3,000.0	375.0

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						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year cost \$ 0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

(See Attached Analysis)

Prepared by: Paul E. Dick
 Division: Income and Excise Audit
 Approved by Commissioner: Wilson L. Condon
 Agency: Revenue

Phone: 465-3691
 Date: January 16, 1998
 Date: January 16, 1998

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**Alaska Department of Revenue
Income and Excise Audit Division**

HB 73
Salmon Marketing Assessment & ASMI
January 16, 1998
Page 2 of 2

BILL ANALYSIS

Section 1 extends the sunset date for the salmon marketing tax (AS 43.76.110-130) authorized under ch 55, SLA 1993. This bill extends the sunset date from June 30, 1998 to June 30, 2003.

Section 2 extends the sunset date for duties of the ASMI board related to salmon marketing authorized under ch 55, SLA 1993. This bill extends the sunset date from June 30, 1999 to June 30, 2004.

Section 3 establishes an immediate effective date.

Operating Costs

Department of Revenue does not anticipate that there will be any additional costs associated with extending the sunset date for the salmon marketing tax. The department would continue administering this program with existing staff.

Revenue

The department estimates that salmon marketing tax collections will be \$3.0 million for each year during the extension, FY 99 through FY 03. Tax collections will fluctuate depending on prices paid for salmon and the volumes harvested in a given year. We estimate collections of \$375.0 in FY 04 because June 2003 monthly tax returns will be received and processed in July and August 2003. June collections represent about 1/8 of total tax revenues in a fiscal year.

FISCAL NOTE

STATE OF ALASKA
1998 LEGISLATIVE SESSION

BILL NO. HB 73

Revision Date: _____
 Title: An Act extending the termination dates of the
salmon marketing program of the Alaska Seafood Marketing Institute
 Sponsor: HUDSON, Grussendorf, Elton
 Requester: (S) RES

Department: Commerce and Economic Development
 BRU: Alaska Seafood Marketing Institute
 Component: Alaska Seafood Marketing Institute

COMPONENT SERIAL NO. 393

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY 99	FY 00	FY 01	FY02	FY 03	FY 04
PERSONAL SERVICES	500.0	500.0	500.0	500.0	500.0	0.0
TRAVEL	72.0	72.0	72.0	72.0	72.0	0.0
CONTRACTUAL	2,401.0	2,401.0	2,401.0	2,401.0	2,401.0	375.0
SUPPLIES	25.0	25.0	25.0	25.0	25.0	0.0
EQUIPMENT	2.0	2.0	2.0	2.0	2.0	0.0
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	3,000.0	3,000.0	3,000.0	3,000.0	3,000.0	375.0

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

CHANGE IN REVENUES	
--------------------	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 General Fund						
1005 GF/Program Receipts	3,000.0	3,000.0	3,000.0	3,000.0	3,000.0	375.0
1006 GF/MHTIA						
1091 Designated PR						
TOTAL	3,000.0	3,000.0	3,000.0	3,000.0	3,000.0	375.0

Estimate of any current year (FY 98) cost: \$ _____

POSITIONS

FULL-TIME	7	7	7	7	7
PART-TIME					
TEMPORARY					

ANALYSIS: (Attach a separate page if necessary)

The salmon marketing assessment is levied at 1% of the ex-vessel value on all salmon harvested in Alaska. The assessment generates revenue in a range from a high of \$4.8 million to a low of \$3.5 million. In FY98 the revenues are at a low point due to the decline in harvest and value of the 1997 salmon season. The market value of the salmon harvest is anticipated to gradually increase over the next three years to \$4.8 million. Revenues for the marketing assessment are reflected in the Department of Revenue Fiscal Note.

The salmon marketing assessment (AS43 76 110) is appealed effective June 30, 1998.

Prepared by: Cecile M. Rider Phone: 465-5560
 Division: Alaska Seafood Marketing Institute Date: April 23, 1998
 Approved by Commissioner: Debbie Sedwick Date: 4/23/98
 Agency: Commerce and Economic Development

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Alaska State Legislature

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Resources Committee

MEMBER
Transportation Committee
Labor & Commerce Committee

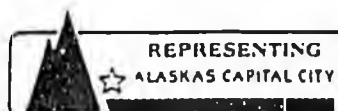
SPONSOR STATEMENT

HB 73, "An Act extending the termination dates of the salmon marketing programs of the Alaska Seafood Marketing Institute and the salmon marketing assessment; and providing for an effective date."

HB 73, if enacted, would extend the current 1% domestic salmon marketing assessment when the law will sunset on June 30, 1998. Additionally, enactment of HB 73 would authorize Alaska Seafood Marketing Institute (ASMI) to continue to expend those revenues on salmon marketing programs.

In 1981, seafood processors elected to tax themselves in order to form a single marketing voice for Alaska seafood. Each processor who purchases at least \$50,000 of seafood products in Alaska pays a .3% marketing assessment. From 1981-1993 this tax, along with the state's general fund appropriations were the basis for ASMI's domestic market funding. As marketing pressure grew from the heavily subsidized farmed salmon industry, it became apparent that Alaska needed to increase its domestic marketing efforts. In 1993, in order to provide additional funding for this effort, a 1% salmon marketing tax was enacted by the legislature, stipulating that limited entry permit holders shall pay a market tax at the rate of 1% of the value of salmon that is either removed from the state or transferred to a buyer within the state. Current law will be repealed on June 30, 1998 unless legislation is passed to extend the tax.

ASMI's domestic salmon marketing program is paying off in more sales in the Lower 48. Salmon consumption has increased 27% nationwide according to National Marine Fisheries Service. Salmon orders by diners in over 900 restaurants increased almost 60% in 1995 compared to 1994. Additionally, sales in grocery stores increased significantly from 1995 to 1996. At a time when Alaska salmon harvests are at all time highs, and foreign produced salmon are threatening Alaska's traditional markets, it is especially important to increase our markets. Alaska salmon prices are a product of supply, demand and consistency in marketing. HB 73 will enable harvesters to continue underwriting this valuable marketing program.



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Mail Stop 3101

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

MEMORANDUM

January 22, 1997

SUBJECT: Sectional Summary of HB 73; An Act extending the termination dates of the salmon marketing programs of the Alaska Seafood Marketing Institute and the salmon marketing assessment. (HB 73)

TO: Representative Bill Hudson

FROM: George Utermohle *GU*
Legislative Counsel

You have requested a sectional summary of HB 73; An Act extending the termination dates of the salmon marketing programs of the Alaska Seafood Marketing Institute and the salmon marketing assessment.

As a preliminary matter, note that a sectional summary of a bill is not an authoritative interpretation of the bill. The bill itself is the best statement of its contents.

Section 1 of the bill amends sec. 9, ch. 55, SLA 1993 in order to provide that the salmon marketing assessment established by AS 43.76.110 - 43.76.130 is not repealed until June 30, 2003.

Section 2 of the bill amends sec. 10, ch. 55, SLA 1993 in order to provide that the salmon marketing programs of the Alaska Seafood Marketing Institute (ASMI) under AS 16.51.100(7)-(9) are not repealed until June 30, 2004. The salmon marketing assessment provides revenue to offset the cost of the salmon marketing programs of ASMI.

Section 3 of the bill provides that the bill takes effect immediately.

GU:pl
97-019.plm

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Mail Stop 3101

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

MEMORANDUM

April 29, 1998

SUBJECT: Sunset date for the salmon marketing tax (HB 73)

TO: Representative Bill Hudson
Attn: Melinda Hofstad

FROM: George Utermohle *GU*
Legislative Counsel

You have asked whether any constitutional issues are raised by a proposal to establish different sunset dates for the salmon marketing tax under AS 43.76.110 - 43.76.130 in different areas of the state.

Such a proposal would raise issues under state and federal equal protection provisions and the state prohibition against local or special acts.

EQUAL PROTECTION. Because the salmon marketing tax does not affect a fundamental interest or utilize a suspect classification, the tax need only satisfy the rational basis test to survive judicial scrutiny under federal equal protection analysis. Constitution of the United States, amdt. XIV, sec. 1, cl. 2. This is a relaxed level of judicial review. A tax would be sustained if the legislature could reasonably conclude that the challenged tax would promote a legitimate state purpose. Taxes are rarely found to be without a rational basis. The burden of proving that a tax does not satisfy the rational basis test falls upon the person challenging the tax. "[T]he presumption of constitutionality can be overcome only by the most explicit demonstration that a classification is a hostile and oppressive discrimination against particular persons and classes. The burden is on the one attacking the legislative arrangement to negative every conceivable basis which might support it." Katmailand, Inc. v. Lake and Peninsula Borough, 904 P.2d 397, 401 (Alaska 1995), quoting Regan v. Taxation with Representation of Washington, 461 U.S. 540, 547-48, 76 L.Ed.2d 129, ___ (1983). Though the federal constitution is quite deferential in its review of taxation matters under equal protection there is still a risk that the proposed sunset scheme would violate federal equal protection, if the opponents of the scheme can establish that the scheme serves no legitimate purpose or constitutes "hostile and oppressive discrimination."

Under the Alaska equal protection provision, the courts apply a sliding scale to determine the appropriate level of review. Art. I, sec. 1, Constitution of the State of Alaska. The interests involved in challenges to taxes are at the low end of the interests protected by state equal protection and are reviewed under a relaxed scrutiny. With this relaxed scrutiny, a less important governmental objective will suffice and a greater degree of over or under

inclusiveness in the means to end fit will be tolerated. At a minimum, this level of scrutiny requires that the legislation be based on a legitimate public purpose and that the classification be reasonable not arbitrary and rest upon some ground of difference having a fair and substantial relationship to the object of the legislation. Katmailand, 904 P.2d 401-02.

Though equal protection analysis of taxation issues is relaxed under the Alaska Constitution, state equal protection is less deferential to the government than is the federal constitution. Under Alaska equal protection the state must establish the legitimate state purpose underlying a state statute, the courts will not take it upon themselves to find a legitimate reason to justify discrimination by the state. *Id.*

At this point, a legitimate state purpose has not been identified to justify different sunset dates for the salmon marketing tax in different areas of the state. Absent a legitimate state purpose underlying the differential taxation of commercial fishermen based on where they fish, I expect that different sunset dates for the salmon marketing tax in different areas of the state would be found to be violative of state equal protection. There is no obvious distinction between fishermen in the Bristol Bay area and fishermen in other areas of the state that would appear to be relevant in the context of the salmon marketing tax.¹⁷ In the absence of a rational basis for treating otherwise similarly situated fishermen differently, the state cannot validly discriminate between those fishermen.

The proposed scheme to establish different sunset dates for the salmon marketing tax in different parts of the state raises real equal protection issues under the Alaska Constitution. The outcome of those issues is unpredictable due to the absence of a clearly articulated legislative purpose underlying the proposed sunset scheme and the absence of useful precedents from the Alaska courts as to the outer limits of the state's authority to discriminate in the imposition of taxes. To date, the Alaska courts have not responded favorably to equal protection challenges to taxes.

PROHIBITION AGAINST LOCAL AND SPECIAL ACTS. Another provision of the Alaska Constitution that is implicated by the proposed scheme to sunset the salmon marketing tax at different times in different parts of the state, is the prohibition against local or special acts. Art. II, sec. 19, Constitution of the State of Alaska.

¹⁷ Differences in the benefits that various groups of fishermen receive from the salmon marketing tax would not be a valid basis for distinguishing among salmon fishermen. The salmon marketing tax is a general revenue measure. The proceeds of the tax are not dedicated to a specific purpose. The proceeds of the salmon marketing tax are deposited into the general fund and are available for appropriation by the legislature for any public purpose. The state has no obligation to expend the proceeds of the tax in any fashion or for any particular purpose. The precatory language of AS 43.76.120(d) which describes possible uses of the proceeds of the tax does not bind the state to use the tax for those purposes. No group of fishermen has any legitimate claim to special benefits from the tax. Thus the state cannot validly distinguish among fishermen as to who is subject to the tax based on the benefits that any group of fishermen receives from the tax.

The test employed by the Alaska Supreme Court to determine whether an act violates the prohibition against local or special acts is substantially the same as that applied under relaxed equal protection analysis. Upon examining the legislative goals and the means used to advance them, the court determines whether the legislation bears a fair and substantial relationship to a legitimate state purpose. State v. Lewis, 559 P.2d 630, 643 (Alaska 1977), cert. denied, 432 US 901, 53 L.Ed.2d 1073 (1977). To satisfy the "fair and substantial relationship" standard, the classification established by the legislation must be tailored to the purpose of the legislation. The classification must be neither overinclusive nor underinclusive. Isakson v. Rickey, 550 P.2d 350, 362 (Alaska 1976). If the "fair and substantial relationship" standard is met, the bill will not be invalidated because of incidental local or private advantages. Lewis, 559 P.2d at 643.

Whether the proposed sunset scheme bears a "fair and substantial relationship" to the purpose of the legislation is a critical issue. In order to establish the necessary relationship between the sunset dates for the salmon marketing tax and the purpose of the legislation, it is important that the state identify the problem that the proposed sunset scheme is meant to resolve and establish that the approach taken by the legislation is reasonably tailored to address that problem.

If the state cannot establish the fair and substantial relationship between the proposed sunset scheme for the salmon marketing tax and the problem the legislature is trying to resolve, the scheme would be prohibited local or special legislation because it confers a unique benefit on certain areas to the exclusion of other areas of the state.

* * *

It has been suggested that the constitutionality of the proposed sunset scheme may never be an issue as long as the legislature continues to extend the sunset dates for the salmon marketing tax so that the tax was always in place and in effect throughout the state. There is some logic to that rationale -- no one could claim that they are being unconstitutionally discriminated against because they have to pay the salmon marketing tax while a similarly situated fisherman in another fishing area does not have to pay the tax if all fishermen are subject to the salmon marketing tax. In an action to determine the validity of the proposed sunset scheme, the court may withhold relief if the matter for which relief is sought is hypothetical or the relief would be only advisory or would be moot. "On the other hand, declaratory relief may be sought to determine the validity and construction of statutes and public acts." Jefferson v. Asplund, 458 P.2d 995, 999 (Alaska 1969). Whether or not a court would grant declaratory relief in a case involving the proposed sunset scheme for the salmon marketing tax before a sunset had occurred is a matter of judicial discretion. Such discretion is to be exercised in accordance with established principles of jurisprudence, but is to be exercised liberally to achieve the remedial objectives of declaratory relief. Id. at 999.

Thus it is not certain that the Alaska courts would require a person to suffer an actual violation of the person's constitutional rights before the courts would hear a challenge to the proposed sunset scheme. The courts may, in their discretion, decide to hear a challenge to

Representative Bill Hudson

April 29, 1998

Page 4

the proposed sunset scheme based on the possibility that the salmon marketing tax might sunset in one area of the state and not another.

* * *

If I may be of further assistance, please advise.

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Article 2. Salmon Marketing Tax.

Section

- 110. Salmon marketing tax
- 120. Collection of tax
- 130. Definition

Effective date of article. — Section 11, ch. 55, SLA 1993 makes this article effective July 1, 1993.

Delayed repeal of article. — Section 9, ch. 55, SLA 1993 repeals this article effective June 30, 1998.

Sec. 43.76.110. Salmon marketing tax. A person holding a limited entry permit or interim-use permit under AS 16.43 shall pay a salmon marketing tax at the rate of one percent of the value, as defined in AS 43.75.290, of salmon that the person removes from the state or transfers to a buyer in the state. The buyer shall collect the salmon marketing tax at the time the salmon is acquired by the buyer. (§ 7 ch 55 SLA 1993)

Sec. 43.76.120. Collection of tax. (a) A buyer who acquires salmon that is subject to a salmon marketing tax imposed by AS 43.76.110 shall collect the salmon marketing tax at the time of purchase and shall remit the total salmon marketing tax collected during each month to the Department of Revenue by the last day of the next month.

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

(1) maintain records of the value of salmon purchased in the state;

(2) report to the Department of Revenue by March 1 of each year the total value, as defined in AS 43.75.290, of the salmon that the buyer has acquired during the preceding year.

(c) The owner of salmon removed from the state is liable for payment of a salmon marketing tax imposed by AS 43.76.110 if, at the time the salmon is removed from the state, the tax payable on the salmon has not been collected by a buyer. If the owner of the salmon is liable for payment of the salmon marketing tax under this subsection, the owner shall comply with the requirements under (a) and (b) of this section to remit the tax to the Department of Revenue, to maintain records, and to report to the Department of Revenue.

(d) The salmon marketing tax collected under this section shall be deposited in the general fund. The legislature may appropriate revenue generated by the salmon marketing tax to the Alaska Seafood Marketing Institute for the purpose of supporting the institute's salmon marketing program under AS 16.51.100(7) — (9) and the institute's domestic salmon marketing program. Except as otherwise provided in an appropriation by the legislature, the amount of the allocation made to the institute's salmon marketing program under AS 16.51.100(7) and (8) should not exceed 10 percent of the total amount of salmon marketing tax revenue appropriated for the institute. (§ 7 ch 55 SLA 1993)

Sec. 43.76.130. Definition. In AS 43.76.110 — 43.76.130, "buyer" means a person who acquires possession of salmon from the person who caught the salmon regardless of whether there is an actual sale of the salmon, but does not include a person engaged solely in interstate transportation of goods for hire. (§ 7 ch 55 SLA 1993)

Chapter 77. Fishery Resource Landing Tax.

Section

- 10. Landing tax
- 20. Filing return and payment of tax
- 30. Credit for other taxes paid
- 35. Tax credit for scholarship contributions

Section

- 40. Credit for approved contributions
- 45. Fisheries resource landing tax education credit
- 50. Separate accounting
- 60. Revenue sharing

- (7) receive contributions of money from persons;
- (8) establish offices in the state and otherwise incur expenses incidental to the performance of its duties;
- (9) appear on behalf of the institute before boards, commissions, departments, or other agencies of municipal, state, or federal government;
- (10) acquire, hold, lease, sell, or otherwise dispose of property, but such property is limited to that which is necessary to the administrative functioning of the office of the institute;
- (11) establish and maintain one or more bank accounts for the transaction of the institute's business;
- (12) prepare market research and product development plans for the promotion of any species of seafood and their by-products that may be harvested in the state and processed for sale;
- (13) establish committees related to the marketing of salmon and salmon products; the board shall, to the extent practicable, appoint equal numbers of seafood processors and persons engaged in commercial fishing to the committees. (§ 3 ch 106 SLA 1981; am § 5 ch 55 SLA 1993)

Effect of amendments. — The 1993 amendment, effective September 1, 1993, added paragraph (13).

Sec. 16.51.095. Executive Budget Act. The operating budget of the institute shall be prepared and submitted in accordance with AS 37.07 (Executive Budget Act). (§ 3 ch 106 SLA 1981)

Sec. 16.51.100. Duties of board. The board shall

- (1) conduct programs of education, research, advertising, or sales promotion designed to accomplish the purposes of this chapter;
- (2) promote all species of seafood and their by-products that are harvested in the state and processed for sale;
- (3) develop market-oriented quality specifications for Alaska seafoods to be used in developing a high quality image for Alaska seafood in domestic and world markets, and adopt and distribute recommendations regarding the handling of seafood from the moment of capture to final distribution;
- (4) prepare market research and product development plans for the promotion of all species of seafood and their by-products that are harvested in the state and processed for sale;
- (5) submit an annual report to the governor describing the activities of the institute and notify the legislature that the report is available;
- (6) develop marketing programs based on the "inspection" and "premium quality" seals designed under AS 03.05.026 and use the seals in advertising and promotion efforts of the institute;
- (7) collect, organize, distribute, and make available to the public information on prices paid and market conditions for raw salmon and salmon products and provide this information on a regular and timely basis to all salmon fishermen who hold permits under AS 16.43 and to all nonprofit salmon enhancement organizations that hold a permit under AS 16.10.400;
- (8) cooperate with commercial salmon fishermen, fishermen's organizations, seafood processors, the Alaska Fisheries Development Foundation, the Fisheries Industrial Technology Center, state and federal agencies, and other relevant persons and entities to investigate market reception to new salmon product forms and develop commodity standards and future markets for salmon products;
- (9) establish a salmon marketing committee to assist and advise the board in administering the domestic salmon marketing program that is funded through the tax

collected selected (A) for permits (i) one (ii) the establish (B) th (i) one (ii) on institute (iii) o: institute SLA 198

Delaye § 10, ch. paragraph Effect effective

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collected under AS 43.76.110 — 43.76.130; the committee shall consist of seven persons selected by the board, as follows:

(A) four persons shall be engaged in commercial salmon fishing and hold salmon permits under AS 16.43, of whom

(i) one person shall be a member of the board of directors of the institute; and

(ii) three persons shall be Alaska residents from different salmon administrative areas established by the Alaska Commercial Fisheries Entry Commission; and

(B) three persons shall be engaged in processing of salmon, of whom

(i) one person shall be a member of the board of directors of the institute;

(ii) one person shall be a salmon processor who is not on the board of directors of the institute and who has an annual payroll in the state of more than \$2,500,000; and

(iii) one person shall be a salmon processor who is not on the board of directors of the institute and who has an annual payroll in the state of \$50,000 — \$2,500,000. (§ 3 ch 106 SLA 1981; am § 5 ch 57 SLA 1982; am § 6 ch 55 SLA 1993; am § 24 ch 21 SLA 1995)

Delayed repeal of paragraphs (7)-(9). — Under § 10, ch. 55, SLA 1993, effective June 30, 1999, paragraphs (7)-(9) are repealed.

Effect of amendments. — The 1993 amendment, effective September 1, 1993, inserted in paragraph (3)

“domestic and” and added present paragraphs (7)-(9).

The 1995 amendment, effective August 8, 1995, in paragraph (5), deleted “and the legislature” following “to the governor” and added “and notify the legislature that the report is available” at the end.

Sec. 16.51.10. Prohibited promotions. The board may not promote or make a contract that promotes seafood by

- (1) geographic origin other than from the state generally;
- (2) geographic region of the state; or
- (3) specific brand name. (§ 3 ch 106 SLA 1981)

Sec. 16.51.120. Seafood marketing assessment. (a) A seafood marketing assessment shall be levied on the value of seafood products produced in Alaska as provided in (b), (c), (d), or (e) of this section if an election is held under AS 16.51.140 at which the assessment is approved by eligible processors who together produce at least 51 percent of the value of seafood products produced in Alaska in the calendar year.

(b) Each processor shall pay a seafood marketing assessment of .1 percent of the value of seafood products produced in Alaska by the processor.

(c) Each processor shall pay a seafood marketing assessment of .2 percent of the value of seafood products produced in Alaska by the processor.

(d) Each processor shall pay a seafood marketing assessment of .3 percent of the value of seafood products produced in Alaska by the processor.

(e) Each processor shall pay a seafood marketing assessment of .4 percent of the value of seafood products produced in Alaska by the processor.

(f) An election under (a) of this section shall be held if the proposed election for the levying of an assessment under (b), (c), (d), or (e) of this section is approved by a majority of the whole membership of the board at a regularly scheduled meeting.

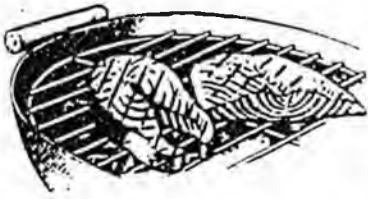
(g) Notwithstanding (a) — (e) of this section and AS 16.51.150(c), a processor is not subject to, or liable for payment of, an assessment under this section on the value of the seafood products produced in Alaska if the value of seafood products produced in Alaska by the processor is less than \$50,000 in a calendar year. This subsection does not exempt a processor from liability for payment of taxes imposed under AS 43.75 or AS 43.77. (§ 3 ch 106 SLA 1981; am §§ 2 — 7 ch 81 SLA 1996)

Cross references. — For legislative findings, intent, and purpose relating to the 1996 amendments to subsections (a)-(e) and to the enactment of subsection (g) by ch. 81, SLA 1996, see § 1, ch. 81, SLA 1996 in the Temporary and Special Acts.

Effect of amendments. — The 1996 amendment,

effective June 21, 1996, rewrote subsection (a); in subsections (b)-(e), deleted “who purchases at least \$50,000 or more of seafood products in Alaska” following “Each processor” and substituted “value of seafood products produced in Alaska” for “value paid”; and added subsection (g).

ASMI'S U.S. MARKETING PROGRAMS FACT SHEET
Alaska Seafood Marketing Institute



THE ASMI RETAIL MARKETING PROGRAM:

- Increases awareness and trial usage of Alaska seafood products.
- Develops distribution and brand (Alaska) identity programs for Alaska seafood at the wholesale/distributor, retail and consumer levels. "Buy Alaska salmon!"
- Jointly funds newspaper ads for Alaska seafood products with grocery store chains during key sales periods: Fall/National Seafood Month, Spring/Lent, Summer/fresh salmon, and other time periods as the budget allows. Salmon must be the lead item in the ads.
- Through extensive research, identifies key retail and consumer obstacles to the purchase, usage and distribution of Alaska seafood products and develops strategies to successfully overcome these obstacles.



THE ASMI FOODSERVICE PROGRAM:

- Targets growing segments of the foodservice industry with the greatest potential for Alaska seafood usage (commercial chain restaurants, hotel chains, foodservice management firms).
- Increases sales of Alaska seafood throughout the year by obtaining promotions and permanent menu placements in targeted, high-volume foodservice chains. For example, Denny's menus now have the word "Alaska" with its salmon dinners.
- Builds and strengthens the Alaska brand to pre-empt further competition from farm-raised products (i.e., "Wild Alaska Salmon", "Natural Salmon from Alaska", "pristine waters of Alaska").
- Establishes a leadership position for ASMI in the areas of seafood education and promotions with the goal of building brand loyalty within the foodservice marketplace.
- Communicates promotion results to the industry.
- Encourages the use of new value-added salmon products in the nation's foodservice industry.



The Tax:

- The Salmon Marketing Tax legislation (Chapter 76, Sec. 43.76.110) was enacted July 1, 1993, and requires that salmon permit holders pay a salmon marketing tax at the rate of 1% of the value of salmon that the person removes from the state or transfers to a buyer in the state. The tax will be repealed June 30, 1998 unless it is extended.
- Representative Bill Hudson has introduced House Bill No. 73 that will extend the 1% salmon tax an additional five years until June 30, 2003.

Changes the tax brought to the ASMI organization:

- The number of harvesters on the Board of Directors changed from five to twelve. ASMI's board has 12 processors, 12 harvesters, and one public member.
- A seven member salmon marketing committee (4 harvesters, 3 processors) was established to assist and advise the board in administering the salmon marketing program funded through the tax.
- The Salmon Market Bulletin was established by ASMI and contracted to the University of Alaska to collect, organize, distribute and make available to the public information on salmon prices and market conditions.
- ASMI cooperates with other fishing, seafood and state/federal entities on new value-added salmon products.

The increase in funds for salmon marketing enabled ASMI to:

- Move 10.7 million pounds of Alaska salmon from the summer of 1995 to the fall of 1996 as a result of ASMI store promotions
- Contract with three marketing representatives to cover the midwest, central south and southwest, south and southeast regions of the United States, who:
 - Establish relationships between ASMI/Alaska salmon and the major retail chains
 - "Sell in" ASMI's customized salmon promotions and set up in-store demonstrations
 - Keep Alaska seafood in front of seafood buyers
 - Provide ASMI's educational literature (recipes, quality guidelines, fact sheets on different species, etc.)
- Increase the sales of canned salmon by 7% through in-store demonstrations and ASMI programs.
- Bring a group of five major seafood purchasers from national grocery store chains to Alaska to see the catching and processing of salmon for themselves.
- Hire ASMI's first Foodservice Program Director in March 1995 to work exclusively with the nation's restaurants, hotels, and non-commercial buyers (company cafeterias, university cafeterias, care centers).
- Through ASMI foodservice promotions, 5 million pounds of Alaska seafood were sold in restaurants and hotels around the country in FY96. Salmon is always the "lead item" in the promotions.
- Train the chefs and product development executives from 24 restaurant chains, 4 major foodservice distributors and the editors from 6 food magazines at ASMI seafood training seminars. Through them, ASMI has been able to influence the seafood purchasing in 11,242 restaurants with sales of over \$16 billion.
- Send 156 fishers from all gear types and regions into grocery stores in cities in the midwest, south, southeast and northeast to do in-store demonstrations of wild Alaska salmon. Over 3 million pounds of seafood were sold in one season, and stores routinely sold out of product whenever the fishers were used.

For more information, please call ASMI at 907-465-5560 or 1-800-278-2903.

January 27, 1997

JAN 31 1997

Dear Representative Hudson,

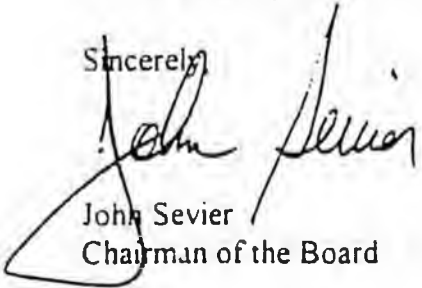
On behalf of the Alaska Seafood Marketing Institute, I extend to you our best wishes for a productive 20th session. We hope you enjoy the Alaska seafood samples enclosed, and that you take a few minutes to read the information provided to you about ASMI and the Alaska seafood industry.

The successful marketing of Alaska seafood in the United States is crucial to the economy of this state. The harvesting and processing of seafood is the number one private employer in Alaska, and contributes approximately \$1.3 billion to the Alaska economy each year. Not only do the state's small coastal communities benefit from seafood harvesting and processing, but it is also a \$100 million industry in Anchorage. In addition to harvesting, processing, transportation and agency support, Anchorage is home to more fishers than any other area in the state.

The seafood industry (harvester and shore-based processor assessments) supports ASMI's marketing in the United States. Last year, the harvesters contributed \$4.8 million and the processors contributed \$3.2 million. ASMI's overseas marketing is funded by a federal grant of \$3.9 million from the federal government. This grant was leveraged by a General Fund cash match from the state. A fact sheet on our export program is enclosed for your information, and we've also included a copy of *MarketLine*, which is our version of ASMI 101. We hope you'll find both helpful in understanding our relationship with the state.

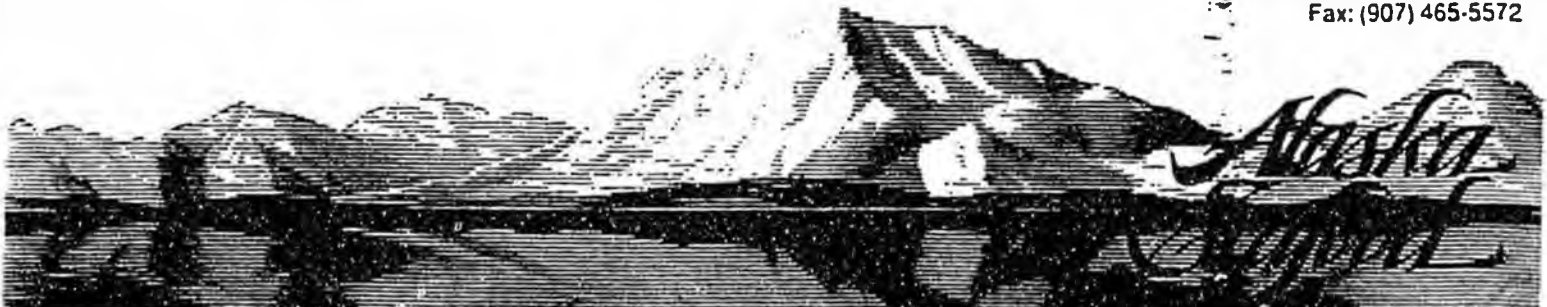
As the newly appointed chairman, I look forward to meeting you. Again, best wishes for a productive session. Please call me or Art Scheunemann, ASMI's Executive Director, if you have any questions about our marketing programs or ASMI itself.

Sincerely,


John Sevier
Chairman of the Board

cc: ASMI Board
Art Scheunemann, Executive Director

Alaska Seafood Marketing Institute
114 West 8th Street, Room 100
Juneau, Alaska 99801-1895
Tel: (907) 465-5560
In Alaska: 1-800-478-2903
Fax: (907) 465-5572



CECELIA A. ANGASAN
P.O. BOX 1389
DILLINGHAM, ALASKA 99576
PHONE (907) 842-5503
FAX (907) 842-1538

February 18, 1997

Representative Bill Hudson
HOUSE OF REPRESENTATIVES
Juneau, Alaska 99801

Dear Representative Hudson:

My name is Cecelia A. Angasan, ASMI Board Member. I first became involved with ASMI in the '80's as a Canned Salmon Committee Member, and later was appointed to the Board.

I have watched with great anxiety what is happening to the salmon industry and the frustration of getting appropriate funds to market our wild salmon with direct competition of farmed salmon.

I have some great concerns about how our State Government views the salmon industry and why it seems to put it on the back burner of priorities.

I'd like to share an experience I had when I was in Juneau last year for an ASMI meeting. I met a man in the lounge who was with a large oil group coming to Juneau to lobby their cause, and what he said, was "its a piece of cake, you just have to have the right connections politically," I sat there and thought about this for a long time, and asked myself what does ASMI, fishermen, processors and Alaskan workers need to do to wake up the legislature to the fact that we have and are losing ground in getting our salmon to the domestic and foreign markets with little or no money to properly advertise our product effectively?

The 1% that is taken from the fishermen to help advertise our salmon in the domestic market has been a great help, but that is still not enough. The beef, poultry, and other commodities in the U.S. get such a large sum of money to market their product, and the results tell the story.

I would like to ask that you support House Bill 73 for another 5 years. Further I would like to ask you to consider a Bill to have the State of Alaska match the 1% that is currently being taken from Fishermen to help ASMI get the much needed funds for marketing in the foreign and domestic markets.

page 2

Again I would like to ask what you can do to emphasize the need for matching funds from the State to increase the ASMI Budget. What ASMI has accomplished with such a small budget is a miracle, but miracles don't last forever. The State of Alaska really needs to focus its attention on what can be done for the survival of our fisheries.

Thank you for your dedicated hard work that you are doing in Juneau and your support for House Bill No. 73.

Sincerely,

A handwritten signature in cursive script, appearing to read "Cecelia A. Angasan".

Cecelia A. Angasan
ASMI Board Member

Norwegian Consul says:

"Blame for lack of salmon market share lies with Alaska"

By Margaret Bauman

ANCHORAGE, Alaska—Norway's consul to Alaska, Anton Meyer says the state must put more money where its mouth is to gain a better market share in the salmon industry.

"Alaska does not have many large truly Alaskan economic entities which are willing to invest in Alaskan fishing ventures," Meyer told fishermen and state officials at a salmon forum in Anchorage, Feb. 28.

"The only one who can do it is state government. A reversal of the present situation depends on the level of involvement by the state and ASMI - the Alaska Seafood Marketing Institute."

Meyer said Alaskans have only themselves to blame for "this phobia of socialism, whereby they think that large involvements by the state are bad. This is also the underlying reason for the fact that Alaska is not really in charge of either of its two largest industries, the oil industry and the fishing industry."

The two-day salmon forum, aimed at increasing market share and consumer preference for Alaska wild salmon, attracted a number of people in the fishing industry. Meyer, a 25-year resident of Alaska, had come to listen, but said he decided to speak up after he "got the feeling they were going around in circles."

Meyer drew cheers from the audience

when he suggested that some of the \$23 billion in the Alaska Permanent Fund be put into improving the state's market share in world salmon fisheries.

"One can well understand an Alaskan salmon fisherman in the present situation, who is asking himself "what has this \$23 billion in the bank done for me lately, with not one penny of it invested in Alaska? For Alaska to regain its place of prominence in sale of this pristine natural product an initiative by the state of Alaska of major proportions will be necessary," he said. "It was done in 1970. Alaska can well afford to do it again."

Meyer drew on strong historic bonds between Norway and Alaska, and the diverse tactics used to tackle similar industry problems.

Back in 1970, the salmon industry found itself at a crossroad both in Norway and

Please turn to page 2

Blame lies with Alaska

Continued from page 1

Alaska, he said.

In Alaska the catch declined to 20 million salmon and was rescued by a state initiative of the hatchery and aquaculture program. The state spent \$35 million building hatcheries. By 1995, catches had increased to 145 million fish. "So indeed Alaska has an excellent and proven tool which to a large degree can control catches," he said. "Alaska's ocean ranching program is much admired in Norway. It rescued Alaska's salmon industry in the 1970s and can well be called upon to do so again."

In Norway, which never had a large wild salmon stock, most coastal fisheries had nearly collapsed due to overfishing, mostly by Norwegians themselves, but also by

many other nations who fish their coastal waters, Meyer said. Norway responded in part by reducing the number of fishermen



Anton Meyer

from 30,000 to 15,000, he said. But salmon farming technology developed in the 1980s has resulted in some 800 salmon farms and 300 hatcheries in Norway today, he said.

Meyer also said fishermen must do whatever they can to keep up the high quality of their fish. A statewide standard of quality is needed, he said.

The salmon forum met initially in Juneau in January 1997 to develop strategies to increase market value and demand for Alaska salmon. Strategists hope their efforts will move the state's salmon industry from a production driven fish industry to a market driven food industry.

The speakers also included Gunnar Knapp, a University of Alaska economist with the Salmon Market Information Service. Knapp spoke on behalf of Tomohiro Asakawa, a fisheries trade specialist with National Marine Fisheries Service in Tokyo, who was unable to attend.

Knapp said the group should consider changes in the Japanese economy and buyer attitudes in Japan as well.

"The Japanese economy continues to be slow," he said. "Although the Japanese gov-

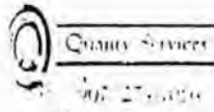
ernment seems reluctant to admit it, many economists report that Japan is in a recession which will continue unless the government takes more drastic action."

Unemployment is up and retail sales have shown consecutive negative growth since April 1997, he said.

Japanese buyer attitudes also have changes, he said.

"They have no immediate need to hold inventory. They can purchase any species in any quantity at any time. They are sensitive to prices and can easily switch from one species to another, depending on prices they wish to pay for quality.

"For instance, a Japanese fast food chain that used to serve Bristol Bay sockeye has now changes to Chilean coho to take advantage of lower prices."



Date NOV 23 1995

Keenokan
Daily News

Client No. 225

Editorial

Encourage innovation

225 ST1

Alaska Seafood Marketing Institute says its salmon promotion is paying off in more sales in the Lower 48.

Salmon consumption has increased 27 percent nationwide, according to National Marine Fisheries Service.

Salmon orders by diners in 900 restaurants and hotels increased almost 60 percent in 1995 compared to 1994.

NMFS also says more fish sold in grocery stores from summer of 1995 to this past summer.

That's good news and points to the value of thoughtful promotion of Alaska products.

The newest marketing effort is paid for with a 1 percent tax of fish sold to processors.

We hope ASMI's success discourages lawmakers from cutting the institute's budget. Funding should be continued, perhaps expanded, to encourage ASMI to extend its marketing of other Alaska seafoods. Alaska's high-quality pollock, specialty seafoods and shellfish would satisfy domestic consumers who want healthful eating.

Efforts to make products from fish, such as salmon ham and surimi and fish sticks from pollock, should be encouraged and new products tested.

ASMI's promotion has been innovative, including sending Alaska fishermen to Midwest markets. That look at Alaskans has increased salmon consumption there.

It's especially important to market the bumper crops of salmon Alaska fishermen are harvesting. The abundance makes prices drop, but if more fish is sold, there's still a chance to make profit. The healthy aspects, as well as its superior taste, are natural qualities to market.

Alaska needs to capitalize on its wild salmon population. Other countries are focusing on farmed salmon, good enough in that category, but not as tasty as the wild Alaska stocks.

We are encouraged by ASMI's efforts and think its continued success should be supported.



Alaska Fisheries Development Foundation, Inc.

Rep. Bill Hudson
State Capitol Room 108
Juneau, Alaska 99801-1182

February 6, 1998

Dear Rep. Hudson,

The Alaska Seafood Marketing Institute's activities have directly resulted in millions of dollars of sales of Alaska salmon and other seafood that probably would not otherwise have taken place.

ASMI's programs open doors into seafood markets that many individual companies could not gain access to on their own.

For example: ASMI was a key player in gaining a contract with the USDA to purchase \$14 million worth of salmon products including nuggets and pouches for the school lunch program. ASMI single-handedly negotiated deals with several major hotel chains including Hilton, Hyatt and Westin, to serve Alaska seafood in their hotel restaurants throughout the country.

They also have negotiated similar deals with large restaurant chains like Skipper's. This kind of grand-scale market development can only be accomplished by an organization like ASMI that represents the whole industry *and* the interests of the citizens of Alaska, who are owners and stewards of the fish.

ASMI has held training seminars for top executive chefs at the Culinary Institute of America, and for three years has been training the nation's domestic chefs with their "Fishermen in the Stores" program. These efforts have eased Alaska salmon over one major hurdle: lots of people would eat more salmon if they just knew how to cook it.

ASMI's international market development efforts have increased exports to Europe and Asia, and most recently opened doors into markets in Spain, Taiwan and China.

Most importantly, ASMI has established a presence for Alaska seafood in the highly competitive world market. Without ASMI's efforts in this regard, producers of Alaska seafood would find it exceedingly difficult to gain visibility for their own products, and would be competing against each other for space in the world's grocery stores.

I urge you most strongly to fully fund the Alaska Seafood Marketing Institute, and to extend the 1% salmon assessment for salmon marketing. Failure to extend the assessment will only provide a greater opportunity for our competitors to wallop us on the market.

Sincerely yours,

Chris Mitchell
Executive Director

**Alaska Independent Fishermen's
Marketing Association**
Post Office Box 80131
Seattle, Washington 98160
Telephone/Fax [206] 542-3930



April 28, 1998

Senator Rick Halford
Chairman, Senate Resource Committee
Alaska State Capitol
Juneau, AK 99801-1182

Dear Senator Halford,

RE: AIFMA's Opposition to HB #73 - ASMI Salmon Marketing Tax Extension

After AIFMA's March 31st letter (sent to Alaska State Senators) in opposition to the ASMI salmon marketing tax extension, many involved parties have requested further clarification of our position and general information about our association.

We also understand that an amendment is being considered that would lift the requirement that tax revenues be used only for domestic salmon promotions. Under no circumstances should this be allowed to occur. The original mission of the ASMI salmon marketing tax was to develop and expand markets in the United States. If the ASMI tax is renewed, it is vital that funds collected from sockeye salmon fishermen be spent in the United States to market sockeye. It is essential to expand U.S. markets for the economic health of the Bristol Bay sockeye fishery.

- AIFMA is an Alaska Corporation. AIFMA is a non-profit association incorporated in the State of Alaska.
- AIFMA has represented the interests of Bristol Bay harvesters since 1966, regardless of residency. Our membership is mostly spread along the West Coast and in Alaska. Only about 4% of our members have a Seattle address, and about 7% when considering the Greater Seattle metropolis. This parallels the percent of Bristol Bay permit holders at-large who live in that region.
- The AIFMA Board includes nine members. Three Board members live in the state of Alaska. Other Board members include three members from Washington, one from Oregon and two from the State of California.
- Our membership, on average, has 25 years of experience fishing in Bristol Bay. AIFMA dues are voluntary and our members, as stakeholders in the Bristol Bay fishery, have shown their desire to preserve and protect the Bristol Bay fishery and its long-term sustainability by contributing to AIFMA's efforts.
- AIFMA's membership is opposed to renewal of the ASMI salmon marketing tax. This issue was discussed at length at AIFMA's regional meetings. We also polled each of our members and overwhelmingly the membership does not support the ASMI tax and feels it should be eliminated. We had an excellent return of ballots with one third of our membership mailing in ballots. 93% voted to oppose renewal of the tax.
- Last fall our Assembly unanimously passed a motion to officially oppose the renewal of the ASMI salmon marketing tax.

We appreciate that you are taking time to consider the interests of Bristol Bay salmon harvesters. Please feel free to call with questions and comments and, of course, we would be happy to give you input.

Sincerely,

David Harsila
President

cc: Alaska State Senate
Media

**Alaska Independent Fishermen's
Marketing Association**
Post Office Box 60131
Seattle, Washington 98160
Telephone/Fax [206] 542-3930



April 28, 1998

Senator Rick Halford
Chairman, Senate Resource Committee
Alaska State Capitol
Juneau, AK 99801-1182

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We appreciate that you are taking time to consider the interests of Bristol Bay salmon harvesters. Please feel free to call with questions and comments and, of course, we would be happy to give you input.

Sincerely,

David Harvella
President

cc: Alaska State Senate
Media

**Alaska Independent Fishermen's
Marketing Association**
Post Office Box 60131
Seattle, Washington 98160
Telephone/Fax [206] 542-3930



March 31, 1998

Senator Rick Halford
Alaska State Capitol
Juneau, AK 99801-1182

Dear Senator Halford,

RE: OPPOSITION TO HOUSE BILL #73 — ASMI SALMON MARKETING TAX EXTENSION

AIFMA (Alaska Independent Fishermen's Marketing Association) represents 400 fishermen who harvest sockeye salmon in Bristol Bay. As such, AIFMA is the largest association of fishers in the Bay.

AIFMA opposes and does not support Bill #73 that would extend the ASMI 1% salmon marketing tax levied upon salmon fishers in Bristol Bay. AIFMA conducted a poll of our members a year ago. Results were overwhelmingly in opposition of the ASMI salmon tax.

93% of respondents did not support the ASMI salmon tax and felt it should be eliminated.
Only 7% of respondents supported the ASMI tax renewal.

The following comments address AIFMA's reasons for opposing renewal of Bill HB #73:

- Tax revenues collected from Bristol Bay salmon fishers are disproportionately high when compared with other salmon fishers and processors, while they receive the least benefit from ASMI's marketing efforts. Very little progress has been made to open up U.S. markets for Bristol Bay sockeye salmon in spite of up to \$2 million in Bristol Bay salmon taxes provided annually for that effort.
- Processors are over-represented on the ASMI Board. They are able to influence how tax dollars are spent to their benefit, often counter to the desires of our fleets. For example revenues for fiscal year 1996 demonstrate that salmon fishermen contributed \$4.2 million dollars and onshore processors contributed only \$2.7 million dollars.
- ASMI has no performance measures to evaluate the effectiveness of its promotions. Performance measures should follow guidelines such as the Government Performance and Results Act (GPRA) of 1993.
- ASMI has failed to go head-to-head with our competition, farmed salmon, and has ignored essential and valuable West Coast markets. We have left these markets wide open to inferior netcatch fish.
- ASMI has been in existence for eighteen years. Fishers now receive nearly the lowest prices paid during this period of time. Markets for our fine "sockeye salmon" and the development of its product life cycle (value-added) remain status quo.
- AIFMA feels that a program to enhance the harvesters' business posture and garner a greater share of the value of our product is in the best interest of the State of Alaska. ASMI has clearly shown no directive to accomplish this.

Thank you for your consideration on this matter.

Sincerely,

David Harsila
President



**ALASKA MARINE
TRUCKING**

February 9, 1998

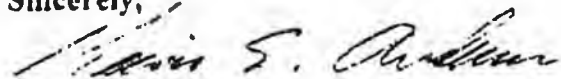
Representative Bill Hudson
State Capitol Room 108
Juneau, AK, 99801-1182

Dear Representative Hudson,

I am writing concerning the importance of the contributions given to the Alaskan Seafood Industry by Alaska Seafood Marketing Institute (ASMI). We at Alaska Marine Trucking recognize the value of marketing. We feel the ASMI effort accomplishes goals vital to the development of new seafood commodities, along with continued support of well established seafood standards. As you know the seafood industry in Alaska has seen a great many changes in the effort to remain competitive in a world market that is driven by complex equations. The seafood industry, along with the industries that support them, need the help of ASMI to define the potential direction of consumer need, which in hand allows us the opportunity to focus our energy in the proper direction.

Representative Hudson, please feel free to forward this letter to whomever you feel needs to recognize the importance of ASMI as a vital marketing gauge in one of Alaska's most important economic basis.

Sincerely,



Kevin Anderson
General Manager
Alaska Marine Trucking

ALASKA SEAFOOD CO.
5434 Shaune Dr. 8-B Juneau, AK 99801

(907) 780-5111

5 Feb 98

To: Rep.. Bill Hudson
fm: Dick Hand


Dear Bill:

I am writing this letter in support of ASMI. Currently I am aware that HB 73 is under attack so that ASMI may not get it's 1% funding.

ASMI is many things to many people. In todays market place the price and volume of Alaska fish is under attack as we have not seen before. To stop funding of our single best advocate for the seafood industry would be suicidal.

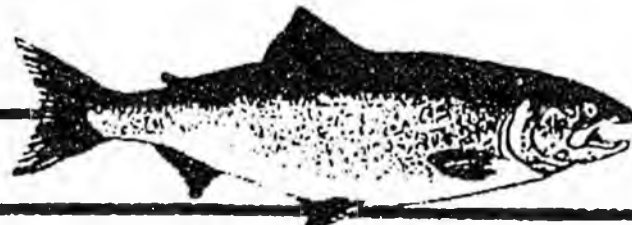
Thank you for your support and time on this bill.

Best regards



Dick Hand

cc: Barbara Belknap





Anchorage • Star of the North
Chamber of Commerce

**Anchorage Chamber of Commerce Resolution 97/98-12
In Support of Marketing Alaska's Salmon**

WHEREAS, commercial fishing is a major industry within Alaska and fisheries prices, especially salmon, are depressed causing economic damage to many Alaska residents and communities dependent on the industry; and

WHEREAS, the State of Alaska has established marketing efforts that are working to reach new worldwide markets and to increase consumption in traditional markets; and

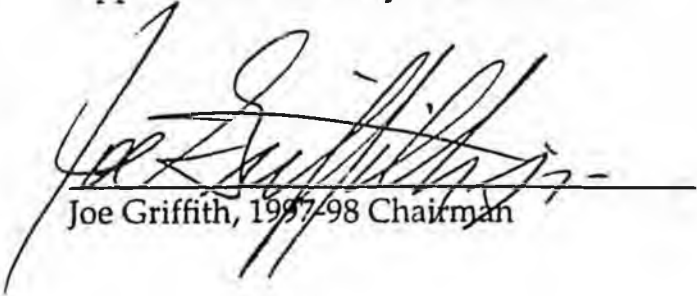
WHEREAS, the world supply of salmon is expanding, resulting in fierce competition against Alaska's wild salmon products; and

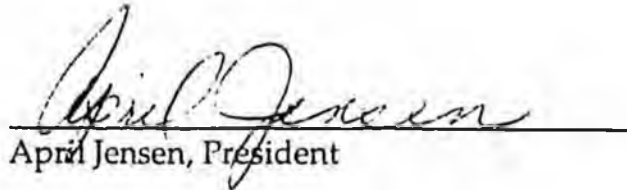
WHEREAS, Alaska's commercial fishing industry previously approved a self-imposed assessment to financially support marketing of Alaska's salmon in the United States and throughout the world; and

WHEREAS, the salmon marketing assessment is set to sunset under state law and House Bill 73 will extend the assessment for five years;

NOW THEREFORE BE IT RESOLVED that the Anchorage Chamber of Commerce Board Directors supports House Bill 73 or another bill that will extend the life of the assessment and that the funds collected from the assessment be spent to market Alaska's salmon.

Approved this 6th day of March 1998.


Joe Griffith, 1997-98 Chairman


April Jensen, President

Bristol Bay Driftnetters' Association
PO Box 21951
Juneau, AK 99802

March 25, 1998

Alaska Senator Rick Halford
State Capitol Building
Juneau, AK 99801

Dear Senator Halford.

The Bristol Bay Driftnetters' Association is in support of the continuation of the 1-% ASMI salmon assessment. As an organization we are concerned that the funds that we contribute to ASMI be effectively spent to promote our Sockeye as much as practical. We also think it is not in Alaska's best interest to overly constrain ASMI from using these funds in the foreign market if by doing so they believe we will get the most sales stimulation for our limited funds. ASMI works hard for us and we should allow them to do the best job we are funding them to do.

We recently met with the General Manager of the Association of Chilean Salmon and Trout Farmers. They too have found that promotion is essential in the seafood market place. It might not be a bad idea to do some promotion with them since we are selling a similar product and they have so much money. We believe that it is even worth exploring how we might significantly increase the demand for salmon by working together. In any event BBDA encourages you to continue this important marketing tool. After all we do want to sell our fish and believe promotion is absolutely necessary and ASMI's salmon efforts are vital.

Sincerely,

Dan Barr President

Dan Barr

Scott Stevenson Vice-President

Scott Stevenson

Leroy Cossette Executive Committee Member

Leroy Cossette

Leroy L. Cabana
6100 Andover Cir.
Anchorage, AK 99516
Ph 907-345-5827
fax 907-345-2190

Representative Bill Hudson
February 13, 1997

Mr Hudson, I recently received a memorandum on HB 73 extending the 1% marketing assessment to June 30, 2003. I would like to thank you for your time and interest in sponsoring HB 73. The salmon industry, indeed all commercial fisheries in Alaska are more dependent now on ASMI's marketing effort than ever before. As a salmon fisherman with 18 years experience as an owner/operator of a seiner, I have witnessed a complete reversal of salmon harvest and marketing opportunities. In the 70's, we had few fish and more markets than we could fill. With farmed salmon production increasing every year and the record harvest of Alaska salmon in recent years, existing markets cannot absorb available production. It is unlikely we as a salmon industry will remain economically viable in the long term if farmed salmon continues to aggressively market and increase production and our reaction is to discontinue ASMI's funding. I know prices are at record lows and a more reasonable reaction would be increasing our marketing assessment, not eliminating our marketing program. I strongly support the marketing assessment and appreciate your time and effort on HB 73.

Sincerely,

Leroy Cabana



TELEPHONE (907) 694-4702

FAX (907) 694-1206

Chugiak-Eagle River Chamber of Commerce

P.O. BOX 770363
EAGLE RIVER, ALASKA 00677

11401 OLD GLENN HIGHWAY, SUITE 110A
EAGLE RIVER, ALASKA 00677

"Place of Many Places"

April 10, 1998

TO: Senator Loren Leman
Alaska State Legislature
Chair, Labor & Commerce Committee

B.S.

FROM: Chugiak-Eagle River Chamber of Commerce
Board of Directors, Jim Young, President

RE: SUPPORT FOR HB 73 - 1% SALMON TAX ON COMMERCIAL HARVESTERS

The Chugiak-Eagle River Chamber of Commerce has been asked by community members to support HB 73 - an extension of the one percent salmon tax on commercial harvesters for a consecutive five years. The current legislation expired in 1997. While the funds raised from this tax go into the general fund of the State of Alaska, funds are reallocated for the Alaska Seafood Marketing Institute. These tax moneys are used to develop programs to promote the sale of salmon in the Lower 48. This legislation has passed the House and is currently in committee in the Senate.

The salmon industry is under heavy competition from the fish farming industry and in order for commercial fishing to be viable economically, it needs to have an aggressive marketing strategy. We understand that the industry is supporting this as the means to that end. Under these conditions, the Chamber endorses the "self-taxing strategy" in order to enhance economic viability of commercial fishing.

We appreciate your support of this important legislation and if we can answer any questions, please feel free to contact the Chamber at 694-4702.

cc: Senator Rick Halford
Senator Randy Phillips
Representative Peto Kott
Representative Vic Kohring
Representative Fred Dyson

**CORDOVA CHAMBER OF COMMERCE
RESOLUTION 98-03**

**A RESOLUTION URGING THE STATE OF ALASKA TO SUPPORT
SEAFOOD MARKETING EFFORTS**

WHEREAS, commercial fishing is a major industry within our region; and

WHEREAS, fisheries prices, specially salmon prices, are depressed causing economic damage to many Alaska residents and communities in traditional markets; and

WHEREAS, the State of Alaska has established vital marketing efforts that are working to reach new worldwide markets and to increase consumption in traditional markets; and

WHEREAS, the world supply of salmon is expanding, resulting in fierce competition for Alaska's wild salmon products,

NOW THEREFORE BE IT RESOLVED that the Cordova Chamber of Commerce of Cordova, Alaska urges the Governor of Alaska and the Alaska state Legislature to support seafood marketing efforts by:

- fully funding the Alaska Seafood Marketing Institute (ASMI);
- supporting the passage of legislation extending the 1% salmon harvester assessment for a salmon marketing programs at the Alaska Seafood Marketing Institute.

Passed and approved by the Cordova Chamber of Commerce this the ..17.. day of
..March.. 1998.

Marina Briggs
.....
Marina Briggs, President



GRAYSTAR

GRAYSTAR PACIFIC SEAFOOD, LTD.

P.O. BOX 100500 • ANCHORAGE, ALASKA • 99510-0500 • USA
TELEPHONE: (907) 272-5600 • TELEX: 710-111-5427 • FAX: (907) 272-5603

23 April 1998

Senator Rick Halford
Juneau
fax: 465-4928

phone: 465-4958

Dear Senator Halford:

GRAYSTAR is an Anchorage-based company, founded in 1985. We provide strategic services in commercial fisheries development and seafood marketing.

We wholeheartedly support the Alaska Seafood Marketing Institute. ASMI is eminently successful in its mission of generic promotion of all of Alaska's seafood. It is a service that is of great benefit to our industry, and any substantive change to ASMI would hurt all Alaskans, even those who think that they might benefit from a change.

As you know so well, it is impossible to please everyone. I urge you and your committee to keep ASMI intact, and to support it in its mission. Please do not allow a vocal minority to disrupt an organization that is doing a superb job under increasingly difficult circumstances. In other words, "ASMI ain't broke, so please don't fix it."

Thank you for your attention.

Sincerely,

GRAYSTAR Pacific Seafood, Ltd.

Stephen T. Grabacki, CFS
President

Representative Hudson
State Legislature Office
Juneau, Alaska
Fax: 465-2273

Dear Representative Hudson,

Thank you for sponsoring House Bill 73, the ASMI 1% renewal to 2003. The renewal this year will save money, time and energy. The salmon industry needs the efforts of ASMI.

I am a 20+ year harvester and have not been making much money lately but feel without ASMI's efforts, it would be even less. The raw fish tax to the state and communities is dependent on the value of salmon when it leaves the fishing vessels, the state should do all it can to keep that value up. I know for Cordova raw fish tax is essential for the city to survive. The fish tax revenues have gone down and our sales tax and property tax have increased, and budgets have been cut. It is easy to see how the value of salmon can directly relate to the education our children receive. ASMI's efforts have a definite impact on ex-vessel value. I would rather pay more assessment than to loose the edge ASMI gives. To not be assessed would be much more costly, to the harvesters, to the communities and to the state.

Earlier this month at the Salmon Forum it became very obvious that ASMI is the only body the industry has in common. Every time there was an assignment or a need ASMI was the only entity that people thought of that could accomplish the goals. The industry is going through tough times but without ASMI we would be crippled!

I would like to ask that you also support the \$518,000 that is in the Governor's budget so that ASMI can receive the federal grant money from USDA to maintain their overseas marketing program.

The investment the state makes generates 13 times that dollar value for the marketing budget from federal and foreign contributions. That is a 1,306% return. This does not include the contributions made by the communities and their citizens. When a French group came to Cordova the community had a potluck BBQ to welcome them. The owner of a cafe donated the space. The fishermen pulled game (cherished by the French) out of their freezers and the processors donated fish. A family invited them into their home for a reception (they loved the idea of seeing how we live). The processors gave them tours of their facilities. The harvesters invited them on their boats. One year when a group was there during a fishing opener the fishermen welcomed them on their boats out fishing. The value of the fishery resource to the state and the citizens and the impact of the fisheries with such a snowball effect on coastal communities, I hope the overwhelming value of this program is recognized.

Thank you again for your support.

Kathy Halgren
Box 784
Cordova, Alaska 99574-0784

Rose Heyano
PO Box 1409
Dillingham, Ak. 99576
907-842-1053
fax # 907-842-1355

February 9, 1997

Representative Bill Hudson
Alaska State Legislature
State Capitol
Juneau, Ak. 99801-1182

via fax @465-2273

Dear Representative Hudson:

Thank you for introducing HB 73 that would extend the 1% assessment for marketing programs initiated by the Alaska Seafood Marketing Institute. Governor Tony Knowles appointed me to the board of directors of ASMI in October 1996. The two meetings I've attended since appointed has clearly shown me the importance of marketing Alaska salmon. Alaska's wild salmon is facing very stiff competition with farmed salmon in domestic as well as world-wide markets. We must continue our efforts to keep the market share we currently have and strive to increase our salmon markets both domestically and internationally.

I have been a commercial drift fisherperson in Bristol Bay for the past 20 years. We are experiencing declining salmon prices which is directly attributed to the influx of farmed salmon. The days of our wild salmon selling itself is no longer. We must continue to design marketing programs to help us compete in this rapidly evolving market place.

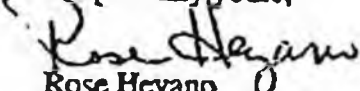
The Alaska Seafood Marketing Institute is the marketing agency that needs to represent fisherpersons in the State of Alaska. ASMI needs fishermen's support as well as the State's. The State of Alaska needs to support the salmon industry by continuing to provide the 20% match that ASMI needs to receive the US Dept. of Agriculture's export grant. Without the 1% fisher assessment and the State of Alaska's match ASMI's marketing efforts would be sharply curtailed.

In the Bristol Bay region most fisherpersons feel that the 1% assessment helps them very little since it can only be used for promoting and increasing domestic markets. Bristol Bay contributes close to 37% of the entire assessment and their product is sold primarily in Japan. Realizing any benefit of the 1% assessment is not forthcoming. If you can add into HB 73 the change in the wording that would allow the 1% assessment to be used nationally as well as internationally many fishermen would support the continuation of it.

Alaska's salmon industry is vital to Alaska's economy. We are the largest employer in the State and provide revenue from the raw fish tax that pays for all aspects of the State government. In order for the salmon industry to continue to play such a vital role in Alaska we must all continue to support and promote the marketing of the product.

In closing I would like to emphasize the importance of supporting the ASMI program, the continuation of a 1% assessment used worldwide; and to encourage the legislatures to provide the match that the ASMI program needs for their export marketing grant. I strongly support the passage of this bill with the above mentioned changes and encourage our State legislator to do the same. Thank you for your time.

Respectfully yours,


Rose Heyano

cc: Representative Ivan M. Ivan
Representative Jeannette A. James
Representative Carl E. Moses
Representative Richard Foster

February 17, 1998

FEB 25 1998

Representative Bill Hudson
State Capitol - Room 108
Juneau, AK. 99801-1182

Re: 1% Salmon Tax

Dear Rep. Hudson,

I am a commercial fisherman in Bristol Bay. I am writing you in support of legislation to continue the 1% marketing tax on salmon.

I have worked with marketing salmon in the Lower 48 and have witnessed the increase of sales of salmon in grocery stores because of the efforts of ASMI.

ASMI now has a very competent and personable new director in Barbara Belknap! I am confident that she will be able to work with the ASMI Board and bring about some necessary changes in marketing strategies. But, she needs your and our support to do this, as well as the help of the 1% tax to provide her with a program budget.

With the erosion of the Japanese yen and the increase of farmed salmon effecting our markets, it is now more important than ever for fishermen to support the 1% tax to help promote salmon in the domestic market.

I hope that you will be supportive of ASMI and the 1% tax.

Thank you.

Tom Huffer
18207 Sanctuary Drive
Eagle River, Alaska 99577
Tel: 907-694-2326

cc: Sen. Rick Halford
Sen. Randy Phillips
Rep. Fred Dyson
Rep. Vic Kohring
Rep. Pete Kott..

February 17, 1998

FEB 25 1998

Representative Bill Hudson
State Capitol - Room 108
Juneau, AK. 99801-1182

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I hope that you will be supportive of ASMI and the 1% tax.

Thank you,

Tom Huffer
18207 Sanctuary Drive
Eagle River, Alaska 99577
Tel: 907-694-2326

cc: Sen. Rick Halford
Sen. Randy Phillips
Rep. Fred Dyson
Rep. Vic Kohring
Rep. Pete Kott..

Post-It® Fax Note	7671	Date	3/24/98
To	Bill Hudson	From	Bob Weinstein
Co./Dept.		Co.	City of Ketchikan
Phone #		Phone #	
Fax #	465-2273	Fax #	

CITY OF KETCHI

RESOLUTION NO. 98-1903

File w. Bill H

A RESOLUTION URGING THE STATE OF ALASKA TO SUPPORT SEAFOOD MARKETING EFFORTS

WHEREAS, commercial fishing is a major industry within our region; and,

WHEREAS, fisheries prices, especially salmon prices are depressed causing economic damage to many Alaska residents and communities dependent on the industry; and,

WHEREAS, the State of Alaska has established vital marketing efforts that are working to reach new worldwide markets and to increase consumption in traditional markets; and,

WHEREAS, the world supply of salmon is expanding, resulting in fierce competition for Alaska's wild salmon products,

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF KETCHIKAN, ALASKA, as follows:

Section 1: The Council of the City of Ketchikan urges the Governor of Alaska and the Alaska State Legislature support seafood marketing efforts by:

fully funding the Alaska Seafood Marketing Institute (ASMI); and,

supporting the passage of legislation extending the 1% salmon harvester assessment for salmon marketing programs at the Alaska Seafood Marketing Institute.

Section 2: This resolution shall be effective upon passage and approval.

PASSED AND APPROVED this 19th day of March, 1998.

Bob Weinstein

 Bob Weinstein, Mayor

ATTEST:

Katherine M. Suiter

 Katherine M. Suiter
 City Clerk

Memo—King Salmon

To: Sen. Rick Halford

From: Ralph Angasan, Jr.

King Salmon Traditional Village Council

Date: 04/27/98

Re: ASMI

Has Asmi ever advertised Bristol Bay sockeye? They have not to the amount of money we have donated. Maybe it should put into law that our salmon is advertised. Bristol Bay fisherman pays dearly to the cause and we get no recognition. We would be happy to pay the 1% of our fishing income if our salmon was advertised for its fair share of the money that is brought in.

If this is not possible to advertise for our fair share then we would prefer not to pay the Asmi tax.

KODIAK CHAMBER OF COMMERCE
RESOLUTION 98-02-01

A resolution urging the State of Alaska to support seafood marketing efforts

WHEREAS, commercial fishing is a major industry within our region; and.

WHEREAS, fisheries prices, especially salmon prices, are depressed causing economic damage to many Alaska residents and communities dependent on the industry; and.

WHEREAS, the State of Alaska has established vital marketing efforts that are working to reach new worldwide markets and to increase consumption in traditional markets; and.

WHEREAS, the world supply of salmon is expanding, resulting in fierce competition for Alaska's wild salmon products.

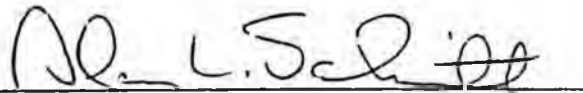
NOW THEREFORE BE IT RESOLVED that the Board of Directors of the Kodiak Chamber of Commerce urges the Governor of Alaska and the Alaska State Legislature to support seafood marketing efforts by:


- fully funding the Alaska Seafood Marketing Institute (ASMI);
- supporting the passage of legislation extending the 1% salmon harvester assessment for salmon marketing programs at the Alaska Seafood Marketing Institute.

PASSED AND APPROVED BY THE BOARD OF DIRECTORS OF THE KODIAK CHAMBER OF COMMERCE ON THIS 23rd DAY OF FEBRUARY 1998.

Signed this 24TH day of February 1998.

Attest:


Alan L. Schmitt, President
Kodiak Chamber of Commerce


Genedine D. Taan, Secretary to the Board
Kodiak Chamber of Commerce



February 1, 1995

Representative Bill Hudson
State Capitol - Room 108
Juneau, AK 99801-1182

Re: 1% Salmon Tax

Dear Rep. Hudson,

My family and I are commercial fishermen in Bristol Bay. We own three limited entry permits for salmon and run a family fishing business. We are writing you in support of legislation to continue the 1% marketing tax on salmon.

My wife and I have worked with marketing salmon in the Lower 48 and have witnessed the increase of sales of salmon in grocery stores because of the efforts of ASMI. We believe that fishermen working with ASMI can make a difference in the amount of wild salmon sold in the Lower 48 grocery chains. ASMI once strongly supported a Fisherman in the Stores Program whereby Alaskan fishermen could help promote their products directly to the public. Mary Gore, Sen. Miller's aide was in charge of this program. We believe it was very successful and also developed a strong support among fishermen for the 1% tax.

A change in leadership of ASMI brought with it a change of philosophy concerning the Fisherman in the Stores Program. From a high of 116 fishermen going outside to promote their products the program was cut to almost zero. My family's effort to bring about a change of direction went unheeded by the director. I understand the frustration of Senator Donley and we certainly supported the efforts by some legislators to get a change in the leadership of ASMI.

We now have a very competent and personable new director in Barbara Belknap. We are confident that she will be able to work with the ASMI Board to bring about necessary changes in marketing strategies. But, she needs your and our support to do this, as well as the help of the 1% tax to provide her with a program budget.

With the erosion of the Japanese yen and the increase of farmed salmon effecting our markets, it is now more important than ever for fishermen to support the 1% tax to help promote salmon in the U.S.

We hope that you will be supportive in our efforts with ASMI.

Thank you.

Bill and Diane Kuhlmann
P O Box 770891
Eagle River, Alaska 99577
Tel: 907-694-2426
FAX: 907-694-2435



L A K E A N D P E N I N S U L A A I R L I N E S

February 17, 1997

House Special Committee on Fisheries
Attn: Chairman Rep. Alan Austerman

Re: House Bill 73 - 1% renewal to 2003

Dear Rep. Austerman:

As a fisherman in Bristol Bay for the last 30 years and with all of our immediate and extended family involved in both the salmon fishery and herring fishery, I (we) have real concern regarding our future.

Like any other industry we must market aggressively if we are to protect the Alaska industry from encroachment by every other protein source, especially farmed salmon.

Marketing is mostly a long term effort and results come only as we are consistent and aggressive industry wide, in presenting our products

Over the last three years ASMI has become an exceptional organization in the marketing arena. ASMI has a marketing plan and works the plan very aggressively.

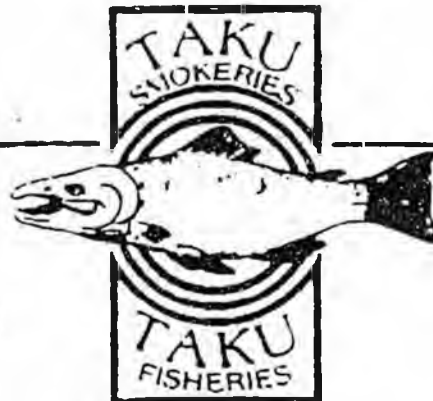
On behalf of the many members of my family who are fishers in Bristol Bay and on behalf of many fishers in the "Lake Country" who may never contact you, I urge you to support H.B. #73. Please allow us as an industry to do what the Legislature must eventually expect of every other industry in the state. Assess ourselves 1% to market and promote the well being of the Alaska Seafood Industry.

Thank you for your consideration of my voice vote.

Sincerely,

David Wilder

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



February 4, 1997

via fax @ 465-2273

Dear Representative Hudson,

I would like to thank you for introducing HB 73, " An Act extending the termination of the salmon marketing programs of the Alaska Seafood Marketing Institute and the marketing assessment, and providing for an effective date " I strongly support the passage of this Bill. Please feel free to use my letter as public testimony

In light of competition from the farmed salmon industry, Alaska's Salmon industry has, at least on the short term, lost much ground. We can accept this and do nothing about it, or, we can get smart and attempt to design marketing programs to help us compete in this rapidly evolving marketplace. This second option takes a bit of money as well as a unified and organized effort, like ASMI, to take the lead role.

The ASMI annual budget is over \$10,000,000. Processors make the largest contribution (approximately 3.7M) to this budget with their 03% assessment on the value of all fishery resources purchased. Fishermen contribute slightly less, approximately 3.4M, with their 1% assessment on salmon. The Federal government matches 6 to 1 the \$550,000 appropriated by the State Legislature.

We need ASMI now more than we did 10 years ago when there were very few farmed fish on the market and Alaska's salmon was "king". This is not the case today. We are now entering the "era of ASMI". We have invested in ASMI for over fifteen years, and ASMI, through its successes and failures, has learned a lot about marketing salmon. While global salmon supply has doubled so has salmon consumption and much of this growth in consumption can be directly attributed to ASMI's marketing efforts. It is important now that the State show unity with the industry and continue its support of the ASMI program.

I need not emphasize the importance of this industry on the Alaskan economy. It would be a disaster to allow legislators, who lack in understanding of the huge impacts of this industry, dictate policy which would permanently alter the wild salmon industries' ability to compete. Thank you for your time.

Respectfully yours,

A handwritten signature in black ink, appearing to read "Sandro Lano", written over a horizontal line.

Sandro Lano, President
Taku Smokeries

550 South Franklin Street
Juneau, AK 99801
(907) 463-4617

Author: GregoryMcIntosh@commerce.com Greg McIntosh at ASMI
Date: 2/9/98 9:34 PM
Priority: Normal
TO: vna jennings at DCED ASMI
Subject: Copy of: Attached Letter

----- Message Contents -----

----- Forwarded Message -----

From: Greg McIntosh, 74603,1714
TO: Barbara Belknap, INTERNET:alaska_seafood@commerce.state.ak.us
Barbara Belknap, INTERNET:Barbara_Belknap@commerce.state.ak.us
DATE: 2/9/98 9:30 AM

RE: Copy of: Attached Letter

Barb-
Can you use this? Still on the road. Greg

February 9, 1998

McIntosh Marine, Inc.
Post Office Box 6494
Halibut Cove, AK 99603
February 6, 1998

The Honorable Bill Hudson
State Capitol
Room 109
Juneau, AK 99801

Dear Mr. Hudson:

I understand the House and the Senate may soon be discussing the merits of the 1% tax, used to fund the Alaska Seafood Marketing Institute (ASMI). I encourage you and your colleagues to act responsibly and fund ASMI in order that it may continue to contribute to and enhance the State's economic base. Let me be a bit more specific.

As one of the founders of Arctic Alaska Seafoods, Inc., developers of the award winning (1997 Symphony of Salmon, Governor's Export Award, 1997), "Pinks in a Pouch" value-added salmon products, I can assure you the product would not be experiencing the success it presently enjoys were it not for ASMI's marketing efforts. This breakthrough process, that provides jobs by allowing canneries to continue production throughout the winter, was introduced into the Federal School Lunch Program, in part by the efforts of Claudia Hogue and her ASMI colleagues. As you know, full employment at Alaska's canneries means economic stability in coastal communities. Economic stability means work for fishermen; work for fishermen means timely payment of loans; timely payment of loans means more efficient banking. ASMI's makes sense. Allowing ASMI to founder, by not continuing or increasing its funding, would not be good business.

Those of us who have spent time and money in an effort to bring Alaska's fishery resources up to full utilization appreciate and rely upon ASMI's marketing abilities. We encourage the House and Senate to act responsibly and continue to provide mechanisms that will ensure ASMI's continued success. A guarantee of funding will allow ASMI staff to market Alaska's fine seafood products, rather than market itself to the Legislature for funding.

Sincerely,

Greg McIntosh

Gregory S. McIntosh
President
McIntosh Marine, Inc.

February 6, 1998

Representative Bill Hudson
Capitol Building, Room 08
Juneau, AK 99801

Dear Representative Hudson:

I am writing to you as a Juneau seafood processor who depends upon the marketing support of the Alaska Seafood Marketing Institute. I support the passage of House Bill No. 73, extending the 1% salmon marketing assessment that provides the majority of the funding for domestic marketing programs of the Alaska Seafood Marketing Institute.

The Alaska seafood industry is at a crossroads. Expanding supplies and competitive marketing across the globe have caused depressed prices and economic damage to many Alaska residents and communities who depend upon the industry.

It is not an exaggeration to say that the failure to pass this tax will mean the dissolution of the Alaska Seafood Marketing Institute and, with it, the strong marketing presence Alaska has in the marketplace.

The Alaska seafood industry is the number one private employer in Alaska, generating revenues second only to the oil industry. More than 700 processing facilities of all sizes operate in Alaska, employing nearly 70,000 full-time and seasonal workers. Almost 50,000 people harvest fish commercially in Alaska annually.

Thank you for your efforts to protect the voice of the industry in world markets by maintaining our marketing programs for Alaska seafood.

Sincerely,

Eric R. Norman
Gen. Mgr.
Taku Fisheries

ERIC NORMAN

**PETERSBURG CHAMBER OF COMMERCE
RESOLUTION 98-01**

A Resolution of the Petersburg Chamber of Commerce urging the honorable Tony Knowles, Governor of Alaska State and the Alaska State Legislature to support the seafood marketing efforts of our State.

Whereas, commercial fishing is a major industry within our region; and

Whereas, the City of Petersburg's local business and residential community is largely involved in the active production of seafood; and

Whereas, the economic well being of Petersburg is largely dependent upon the stability of prices and the increase of healthy markets for seafood; and

Whereas, the State of Alaska has established vital marketing efforts to increase consumption in traditional domestic markets

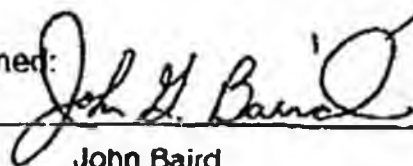
THEREFORE BE IT RESOLVED:

The Petersburg Chamber of Commerce requests that Alaska State continue its support of seafood marketing efforts by fully funding the Alaska Seafood Marketing Institute (ASMI)

Further, we request that the Governor urge and support the passage of legislation extending the 1% Salmon Harvester Assessment, for salmon marketing programs at the Alaska Seafood Marketing Institute

Passed and Approved by the Petersburg Chamber of Commerce Board of Directors, this 12th day of FEBRUARY 1998

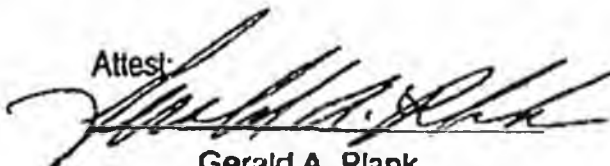
Signed:



John Baird

President, Board of Directors

Attest:



Gerald A. Plank

Director

Petersburg Vessel Owners Association

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

January 26, 1998

Representative Bill Hudson
Chair, Committee on Resources
Alaska State Capitol
Juneau, AK 99801-1182

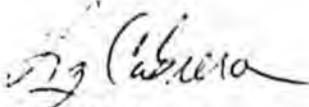
Dear Representative Hudson:

We are writing in support of H.B. 73, an act extending the termination dates of the salmon marketing programs of the Alaska Seafood Marketing Institute and the salmon marketing assessment.

We are supporting reauthorization of the 1% marketing assessment because we recognize ASMI's work as essential to maintaining our share of the domestic salmon market. Over the years, ASMI has developed programs which are having measurable results on the sale of our seafood products. It would be shortsighted of us to believe we could improve upon our current position without a strong marketing effort directed at the seafood consumer. ASMI's programs can only serve to bolster the seafood industry's position in what has become a highly competitive marketplace and we support your efforts to continue these programs.

Thank you for introducing and working on this important piece of legislation.

Sincerely,



Liz Cabrera
Director

JAN 28 1998

cc: Senator Robin Taylor
Representative Ben Grussendorf
ASMI
UFA

HB 73 ⊕

MAR 09 1998

Box 1367
Sitka, Alaska 99835

To: Senator Rick Halford, Chairman, Senate Resources

From: Robert D. Schell, Board Chairman, Seafood Producers Cooperative

Subject: HB 73

Date: March 9, 1998

I am writing on behalf of the members of Seafood Producers Cooperative in support of HB73, the continuation of the 1% marketing tax. SPC is composed of almost 500 individual fishermen who have joined together to market their catch. Our major port of production is in Sitka where we own and operate a cold storage plant. Our primary products are troll salmon, black cod and halibut.

ASMI is the only avenue Alaskan processors have to market their catch on a world wide basis and, through the 1% marketing assessment, market on a broad basis in the USA. There have been positive sales results for our cooperative as a result of ASMI's efforts. Our salmon products have been exposed to a large segment of the seafood consuming population in the USA. This would not have been possible without the 1% tax that allowed ASMI to expand its programs.

As with many of the salmon producers, our traditional markets have been in Japan and Europe. With the explosion of farmed fish in Europe, sales have lagged there. With the downward trends in the Asian economy and the infusion of Chilean coho into these markets there has been a downward trend in sales into these markets.

We need to find and secure markets in the U.S. to take the place of these traditional overseas markets, if we as fishermen are willing to tax ourselves to find and develop domestic markets, you know we feel that ASMI's work is important to our continued existence as a viable industry.

Thank you for your consideration of these comments.

CC: Ben Gruesdorff
Robin Taylor

Sponsor: Administrator

CITY AND BOROUGH OF SITKA

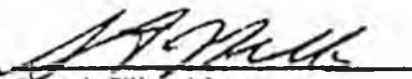
RESOLUTION NO. 98-698

**A RESOLUTION OF THE ASSEMBLY OF THE CITY AND BOROUGH
OF SITKA, ALASKA URGING THE STATE OF ALASKA TO SUPPORT SEAFOOD
MARKETING EFFORTS**

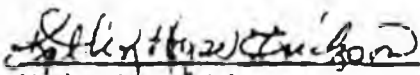
- WHEREAS,** commercial fishing is a major industry within our region; and
- WHEREAS,** fisheries prices - especially salmon prices - are depressed, causing economic damage to many Alaska residents and communities dependent on the industry; and
- WHEREAS,** the State of Alaska has established vital marketing efforts that are working to reach new worldwide markets and to increase consumption in traditional markets; and
- WHEREAS,** the world supply of salmon is expanding, resulting in fierce competition for Alaska's wild salmon products;

NOW, THEREFORE, BE IT RESOLVED by the Assembly of the City and Borough of Sitka, Alaska that the City & Borough of Sitka urges the Governor of Alaska and the Alaska State Legislature to support seafood marketing efforts by fully funding the Alaska Seafood Marketing Institute (ASMI);

PASSED AND APPROVED by the Assembly of the City and Borough of Sitka, Alaska on this 24th day of February, 1998.


Stan J. Filler, Mayor

ATTEST:


Kathy Hope Erickson
Municipal Clerk

END



3300 Arctic Boulevard, Suite 203
 Anchorage, Alaska 99503
 Phone (907) 562-7300
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 Email: swamc@alaska.net
 http://www.alaska.net/~swamc

RESOLUTION 98-7

A RESOLUTION RELATING TO SEAFOOD MARKETING

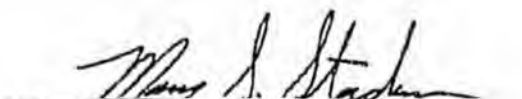
- WHEREAS,** commercial fishing is the major industry within the Southwest Alaska Municipal Conference (SWAMC) region; and
- WHEREAS,** commercial fishing is important to the economy and stability of Southwest coastal communities; and
- WHEREAS,** many of the fisheries in the SWAMC region, particularly salmon, suffer from poor runs, depressed markets, and increasing competition from farmed salmon; and
- WHEREAS,** domestic and international seafood marketing, including promoting new markets and new products, is vital to the Southwest economy;

NOW, THEREFORE BE IT RESOLVED that the Southwest Alaska Municipal Conference strongly encourages the Governor of Alaska and the Alaska State Legislature to work closely with commercial fishing representatives to ensure a strong and adequately-funded marketing program for seafood products produced in Alaska; and

BE IT FURTHER RESOLVED that the Governor of Alaska and the Alaska State Legislature reevaluate state law regarding the expenditure of State and Federal monies that limits promoting the fisheries products produced in the SWAMC region.

PASSED AND APPROVED BY THE SOUTHWEST ALASKA MUNICIPAL CONFERENCE THIS
31ST DAY OF JANUARY 1998.


 Frank Kelty, President


 Mary S. Statham, Executive Director

TAX ?

Kodiak Island ♦ Alaska Peninsula ♦ Bristol Bay ♦ Aleutian Chain ♦ Pribilof Islands

February 18, 1997

Representative Bill Hudson
c/o House Resources Committee
State Capital, Juneau, Alaska 99801

Dear Representative Hudson,

I would like this letter to show my support to the efforts you and Rep. Grussendorf have made in the introduction of House Bill No. 73. You have a very solid base of sometimes "quiet" support from the commercial fishermen in the Southeast Alaska region. Please, keep up the good work!

I am a life-long resident of Alaska and a full-time commercial fisherman. My family has been in the seafood industry in Alaska for over 65 years and we hope to continue well into the future in this dynamic industry. Many fishermen sometimes wonder as to the best use of the assessments or whether there should be an assessment at all? My experience and judgment clearly indicate that marketing is the key to getting a stable demand for our resource.

I shudder to think of the consequences that would suffocate our already stressed industry if the assessments are not continued into the future and our sole marketing ability is severed. Without trying to dramatize the future without a marketing assessment, I surely feel the salmon industry may collapse from within. Our industry collectively has some substantial obstacles to hurdle, but without the marketing presence of an organization such as ASMI, (in the words of my 8 yr. old) *we are doomed!*

I feel the successes that ASMI has made on behalf of our industry are beyond dispute. It probably is the one entity capable of keeping our processing and harvesting working together toward a market-driven industry which is the only premise that our industry can survive under.

Any way, the vast majority of commercial fishermen in this community definitely realize the importance of marketing and the future positive impact it will have on our livelihoods and the value of our industry to the entire state of Alaska.

Again, thank you for your support of our industry needs.

Regards,



John R. Swanson F/V Logan T (Salmon Seine, Halibut, Sablefish, Roe Herring)
PO Box 1546 F/V Ruthie (Bristol Bay Salmon)
Petersburg, Alaska 99833
Ph. & fax #(907) 772-3501

cc: Co-sponsor Representative Ben Grussendorf fax #907-465-2278
Senator Robin Taylor, fax #907-465-3922
Barbara Belknap, fax #907-465-5572

RESOLUTION

A RESOLUTION URGING THE STATE OF ALASKA TO SUPPORT SEAFOOD
MARKETING EFFORTS

WHEREAS, commercial fishing is a major industry within our region; and,

WHEREAS, fisheries prices, especially salmon prices, are depressed
causing economic damage to many Alaska residents and
communities dependent on the industry; and,

WHEREAS, the State of Alaska has established vital marketing efforts that
are working to reach new worldwide markets and to increase
consumption in traditional markets; and,

WHEREAS, the world supply of salmon is expanding, resulting in fierce
competition for Alaska's wild salmon products.

NOW, THEREFORE BE IT RESOLVED that the Chamber of Commerce urges
the Governor of Alaska and the Alaska State Legislature to support
seafood marketing efforts by:

- fully funding the Alaska Seafood Marketing Institute (ASMI);

- supporting the passage of legislation extending the 1% salmon
harvester assessment for salmon marketing programs at the Alaska
Seafood Marketing Institute.

PASSED AND APPROVED BY THE Chamber of Commerce THIS
3 DAY OF ^{MARCH} JANUARY 1998.

[Signature]
Chamber President

[Signature]
Chamber Executive Director

Don McConachy
PRESIDENT

HB

109

SENATE COMMITTEE REPORT

DATE: 5/6/97

FURTHER:

DATE TURNED
IN TO OFFICE: 5/8/97

Resources Committee considered CS FOR HOUSE BILL NO. 109(FIN)

"An Act relating to the management and disposal of state land and resources; relating to certain remote parcel and homestead entry land purchase contracts and patents; and providing for an effective date."

and recommends:

- be replaced with S CS HB 109 (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>John Ingram</i>	✓				
<i>Rene A. Seman</i>	✓				
<i>Demetrius...</i>	✓				
<i>Lyle Green</i>	✓				
CHAIR: <i>Rick Halford</i>	✓				

NEW FISCAL NOTE(S):

Department Date Zero Fiscal

PREVIOUS FISCAL NOTE(S):*

*APPLIES TO
SCS*

Department Date Zero Fiscal

DNR	4/15		X

APPROPRIATION -- no fiscal note

*include fiscal notes accompanying Governor's bill

Alaska State Legislature

REPRESENTATIVE
GENE THERRIAULT

Mailing Address
119 N. Cushman, Suite 101
Fairbanks, Alaska 99701
(907) 488-0857
FAX (907) 488-4271



House Of Representatives

While in Session
State Capitol
Juneau, Alaska
99801-1182
(907) 465-4797
Fax: (907) 465-3884

House District 33

House Bill 109

"An Act relating to the management and disposal of state land and resources; relating to certain remote parcel and homestead entry land purchase contracts and patents; and providing and effective date."

SPONSOR: Rep. Gene Therriault

SPONSOR STATEMENT:

House Bill 109 is a housekeeping measure intended primarily to clarify certain Title 38 statutes governing the Department of Natural Resources' management of state land and resources. This bill is intended to bring greater efficiency to the management of state lands by simplifying programs and reducing costs to DNR.

Some highlights of HB 109 include:

- rewrite of the "remote cabin permit program" to a program that would allow for either the sale or lease of land for a remote cabin site. The permit program was never implemented because of the associated administrative costs with only a minimal return to the state.
- Clarifies that the sale of state land does not obligate the state to provide additional services.
- Simplifies the methods to receive a homestead parcel title by requiring that within five years, a parcel must be lived on for 25 months or purchased at fair market value.

Although HB 109 is not intended to be a complete rewrite of Title 38, I believe it is a positive step in the effort to streamline state government.

FISCAL NOTE

No. 1
 Bill Version: HB 109
 BILL NO. (H) Publish Date: 4/23/97

STATE OF ALASKA
1997 LEGISLATIVE SESSION

Revision Date: _____ Dept Affected: Natural Resources
 Title: An Act relating to the management and disposal BRU: Resource Development
of state land and resources; relating to...remote parcels and... Component: Land Development
 Sponsor: Rep. Theriault
 Requestor: H(RES) Component Serial No. 431

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY98	FY99	FY00	FY01	FY02	FY03
PERSONAL SERVICES	0.0	0.0	0.0	0.0	0.0	0.0
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
CHANGE IN REVENUES (1005)	93.0	93.0	93.0	93.0	93.0	93.0

FUND SOURCE (Thousands of Dollars)

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

Estimate of any current year (FY97) cost: \$ None

POSITIONS

FULL-TIME	0.0	0.0	0.0	0.0	0.0	0.0
PART-TIME	0.0	0.0	0.0	0.0	0.0	0.0
TEMPORARY	0.0	0.0	0.0	0.0	0.0	0.0

ANALYSIS: (Attach a separate page if necessary)

There is no fiscal impact associated with this legislation based on the assumption that the bill's improvements to land management and disposal laws will allow the division to focus on processing the existing backlog of applications more efficiently.

Change in revenue assumes 200 acres of new homesteads are purchased each year at \$350/acre, \$225/acre more than they would bring under current law (\$45.0), and ten existing homesteads or remote parcels "buy out" their conveyance restrictions at \$4.8 per parcel (\$48.0).

Prepared by: Jane Angvik, Director *[Signature]* Phone: 269-8503
 Division: Land Date: 15-Apr-97
 Approved by Commissioner: *[Signature]* Date: _____
 Agency: Natural Resources

Sectional Analysis of CS HB 109 (FIN)

Sec

- 1 adds new subsection, lifts six year statute of limitations for the state to bring action to confirm the state's interests in real property or protect public resources (AS 09.10.120)
- 2 clarifies that the department's consideration of timber, firewood, and water supplies before offering land for disposal does not imply that any person has exclusive use of those resources or constitute a limitation on future state disposals. (AS 38.04.010(b))
- 3-4 removes the requirement of a "land disposal bank." Under laws passed in the last decade, regional land use plans are used to identify land that will be offered for private ownership. More than 2,000,000 acres have been classified through this process, making the land bank obsolete. Subsections c, f, j, and k relating to the land disposal bank are repealed in Sec.44. (AS 38.04.020(a)-(b))
- 5 rewrites subsection: the report available to the legislature will contain information on the current inventory of state land available for disposal, tailored to the way the inventory is catalogued. Land is classified as suitable for settlement purposes including homestead, commercial, and industrial disposals; agricultural disposal; and grazing leases. (AS 38.04.020(d))
- 6 puts the state land disposal program on the same footing as other natural resource sale programs, submitting a budget request each year would not be mandatory. But each budget proposal would be complete. It would request the full funding needed to get the land disposal projects ready for sale, including any access roads or other capital improvements that might be required. (AS 38.04.020(e))
- 7 makes technical corrections, dropping an out-of-order classification reference (land must already be planned and classified for disposal before it is surveyed and platted), an erroneous reference to a homestead "lease" is removed, and a reference to homestead staking is removed to conform with repeals in sec 44. (AS 38.04.020(g))
- 8 clarifies the five-acre limit on subdivision lots applies to land sold for residential and recreational uses, not agricultural parcels, commercial parcels, etc. This clarification is needed because under current law, any division of a tract for purposes of sale constitutes a subdivision. The amendment would also allow larger lots if it would increase the return to the state. (AS 38.04.020(h))
- 9 updates a list of state land disposal programs by adding the homestead law and the remote recreational cabin site lease/sale program enacted by Sec. 29 of the bill. (AS 38.04.020(i))
- 10 clarifies that the commissioner's disposal funding request must go to the governor not to the legislature. (AS 38.04.021(a))
- 11 deletes a cross-reference to an annual land demand study, repealed by this bill. (AS 38.04.021(b))
- 12 allows the Department of Natural Resources to create new land disposal programs by regulation, provided they are competitive and produce at least fair market value for the land. (AS 38.04.030)
- 13 clarifies that sales of public land to private individuals shall be at fair market value unless specifically exempted, sale programs are preferred although lease programs may be used under certain circumstances, and removes a reference to remote cabin permits (repealed by this bill), . (AS 38.04.035)
- 14 deletes language exempting random-staked homesteads and remote parcels from cadastral survey requirements. The remote parcel program was repealed in 1983, effective 1984, and the homestead program was changed in 1988 to preclude random staking. (Remote recreational cabin site leases, as enacted by Sec. 29 of the bill, would be exempt from this statute because they are short-term leases. The statute would not apply until the remote recreational cabin site was ready to sell.) (AS 38.04.045(b))
- 15 allows discretion on where to hold land auctions and lotteries. (AS 38.05.050)
- 16 deletes the personal-appearance requirement for land auctions, allowing bidders to be represented by an agent. (AS 38.05.055) (personal appearance requirement found unconstitutional)

- 17 along with repealer, deletes the requirement that purchasers appear in person at land lotteries and pay the down payment on the spot. Instead, they would have 30 days to make the payment. It also drops language about consulting with the local assessor to determine land values, which is unnecessary because AS 38.05.840 requires a formal appraisal before the land can be offered for sale. (AS 38.05.057(a), plus repeal of (g))
- 18- repeals the current system for sale contract interest rates that relies on the old Federal Land Bank's "prevailing" rate. (The Federal
19 Land Bank's successor now uses many different rate systems with multiple variables, rather than a single prevailing rate.) It would also change the point at which the rate is determined, solving the problem of the rate changing after the contract is mailed out for signature but before both parties have signed. (State land sale contracts are not signed in a face-to-face closing ceremony.) Sec. 18 would also let contracts for auction parcels be issued for less than 20 years, as already allowed for lottery parcels. (AS 38.05.065(a)-(b).)
- 20 replaces the old Federal Land Bank interest rate with a new system for state land sale contracts. Interest would be based on the prime rate, the widely quoted market rate used for a bank's most credit-worthy corporate loan customers. A four percent add-on would adjust for the unique circumstances of state land sale contracts, which do not involve any credit check. The total would be capped at 9.5% for agricultural use contracts and 13.5% for other contracts. The rate would be computed monthly and would apply to all contracts prepared that mor. h. (AS 38.05.065(i))
- 21 corrects a 1984 error, restoring the original intent of the veterans' preference auction law. It clarifies that although that law does not apply to the lottery, homesite, or homestead programs, a veterans' preference auction must be held before restricted residential lots can be sold at auction to the general public. A combination of amendments in 1984 had made veterans' preference sales inapplicable to all subdivision sales. (AS 38.05.067(d))
- 22 updates the agricultural preference right law (see Sec. 21) by defining the term "adjacent," instead of "approximate vicinity." The latter was removed from the body of the law in 1984. (AS 38.05.069(e)(2))
- 23 updates programs exempt from the general standard that state land leases must be offered at auction. It removes a reference to remote cabin permits (repealed by this bill), and substitutes a reference to remote cabin site recreational leases (enacted by Sec. 29 of this bill) (38.05.075(a))
- 24- allows upland owners to obtain a noncompetitive shoreland lease, treats shoreland leases same as tideland and submerged land
25 (38.05.075 (c),(d))
- 26 rewrites the aquatic farm site law to let standard state leasing laws be used. Sites could be offered directly at auction or by negotiated lease, rather than first being developed under a three-year permit process. As with other types of land disposals and leases, public hearings on the leasing decision would be held as needed, but would not be mandatory. (AS 38.05.087, plus repealers of AS 38.05.855, AS 38.05.856, AS 38.05.946(b))
- 27 modernizes requirements to restore surface lease sites after lease termination, protecting the state against liability and high cleanup costs. Because other provisions of AS 38 apply this leasing statute to terminated homesites, homesteads, remote cabin sites, etc., special measures of the existing AS 38.05.090 would be retained to compensate individuals for authorized private residential improvements that are not removed from the site and are worth more than \$10,000 net value. (AS 38.05.090)
- 28 conforming amendment needed due to repeal of 38.05.040 bonding requirement for the director of the statutory Alaska Division of Lands) would be repealed by Sec. 44 of this bill. (AS 38.05.131(a))
- 29 creates a remote recreational cabin site lease/sale program for land disposals in remote, lightly populated areas. At any time during a total term of ten years, the lessee could purchase the site after getting it appraised and surveyed, just as in the former "open-to-entry" and "remote parcel" programs (repealed in 1979 and 1993 respectively). (AS 38.05.600)
- 30 allows "other public" facilities, beyond cemetery or solid waste facility that may be disposed of to a tax-exempt, non-profit corporation, or other organization to operate for a public purpose and allows the department to convey "common areas" in state subdivisions to the subdivision's homeowners' association for retention and management. Many state subdivisions were platted with certain lots reserved from disposal to provide open space and recreation for subdivision residents. The intention was eventually to transfer these reserved lots to local government. But where there is no local government or it does not want to assume management responsibility, conveyance to the homeowners' association is a logical substitute. The department would be required to ensure that the conveyance serves a public purpose. (AS 38.05.810(a))

- 31 allows a two year shelf life for appraisals, amended from one year (AS 38.05.840 (a))
- 32 clarifies that the division may allow livestock grazing, commercial berry picking or mushroom harvesting, and similar minimal-value consumptive uses by issuing permits, an authority the Department of Law recently questioned. (AS 38.05.850(a))
- 33- deletes references in the public notice law to special aquatic farm site permit procedures repealed by this bill: mandatory public
34 hearings and preliminary findings before issuing permits. (AS 38.05.945(a)(5)-(6), d)
- 35 raises the application fee for homesites from the current \$10 to a maximum of \$25, the same as for lottery parcels. (AS 38.08.030(b))
- 36 adds a cross-reference to the lottery process used to select the winner of a homesite entry permit. It would also require a token annual rental of \$100 until the permit holder "proves up" or purchases the lot. Because a homesite entry permit is a contract, the rental requirement would not apply to existing entry permits. (AS 38.08.040(a))
- 37 adds a new subsection directing that homesite entry permits be offered at lottery. Using the lottery procedures of AS 38.05.057 was formerly a statutory requirement, but a 1984 amendment left the connection unclear. The department would be required to adopt regulations as consistent as possible with AS 38.05.057. (AS 38.08.040(f))
- 38 deletes the authority to make applicants appear in person at a homestead lottery. (AS 38.09.010(g))
- 39 Raises the fee to receive a non-agricultural homestead entry permit to \$20 per acre. This is a one-time rental fee, lasting for the entry permit's five-year term. The rental fee for agricultural homesteads would remain at the current \$5 per acre. In addition, combined with repealers in the bill, it would eliminate staking and legal-description requirements that became obsolete in 1988. In that year, the homestead law was changed to require the department to do a cadastral survey before offering the parcels, instead of making the homesteader survey it five years later. (AS 38.09.030(a), plus repealers of AS 38.09.010(e), 38.09.020, 38.09.040(a)(2), 38.09.040(a)(4), AS 38.09.060, AS 38.09.070, and 38.09.900(1))
- 40 along with repealers, reduces and simplifies the ways to receive title to a homestead parcel. (Currently there are three methods. A homesteader may obtain the land for free by living on it and building a house, plus meeting clearing requirements applicable to agricultural homesteads only. Or he can buy the parcel at almost-current fair market value without building a house and living on it, if he applies within two years. Or he can buy the parcel at current fair market value without living on the parcel, if he builds a house and applies to purchase within five years.) Repealers eliminate the house-building requirement and the distinction between two-year and five-year purchase. Within five years the homesteader either "proves up" by living on the parcel for 25 months, or purchases the parcel at fair market value. (As with all state land sales, the purchaser may pay cash for the homestead, or enter into an installment contract under AS 38.05.065.) With either method, the homesteader must reimburse the state for survey and platting costs, and must meet agricultural clearing requirements if the land is classified agricultural.
- 41 a conforming amendment eliminating a reference to a permanent dwelling (AS 38.09.050(a)-(b), plus repealers of AS 38.09.040(a)(3), 38.09.090, 38.09.900(3), and 38.09.900(4))
- 42 New section along with repealers in Sec. 44 of the bill, affects both the remote parcel program and the homestead program. (The remote parcel law was repealed in 1983, effective in 1984, but the program will be alive until at least the year 2016. The last parcels were staked in 1984, and the last leases issued in 1985-1986. The lessees will have until 1996 or later to survey their parcels, and can then enter into 20-year purchase contracts.) This section would prohibit the department from imposing the conditions of the former AS 38.05.078(d) in new remote parcel purchase contracts. These conditions restricted the sale or subdivision of remote parcel land after it was conveyed into private ownership. It would also allow the department to amend existing remote parcel or homestead purchase contracts or patents to remove these restrictions if the holder consents and reimburses the state for the difference in value. (Each parcel's purchase price was cut by 50% to account for the resale restrictions.) (AS 38.09.105, plus repealers of AS 38.09.050(d)-(e))
- 43 the homesite disclaimer language is made applicable to all state land disposals: unless specifically provided, the state is not obligated to provide services to the grantee of a state land disposal. Also clarifies that the state is free to dispose of other land or resources in the future, without restrictions as to type, parcel density, etc. (38.95)

44 Repealers affecting the land disposal bank (AS 38.04.020) and down payments at land lotteries (AS 38.05.057(g))

Repealing AS 38.05.057(j) eliminates special lottery procedures for an agricultural project statute that was repealed in 1979.

Repealing AS 38.05.040 would eliminate the requirement for a \$150,000 bond for the director of the statutory Division of Lands, which was subsequently reorganized and subdivided into several different divisions.

Repealing AS 38.05.079 eliminates the remote cabin permit program, which provided for 25-year leases for cabin sites.

Repealing AS 38.05.855, AS 38.05.856, and AS 38.05.946(b) eliminates requirements associated with aquatic farm site permits

AS 38.08.090 is made unnecessary by Sec. 43 which broadens its language and expands it to other land disposals.

Repealing 38.09.010(e), 38.09.020, 38.09.040(a)(2), 38.09.040(a)(4), AS 38.09.060, AS 38.09.070, and 38.09.900(1) eliminates requirements related to staking, flagging, brushing, and filing a legal description on a homestead; see Sec. 39. Repealing AS 38.09.040(a)(3), 38.09.090, 38.09.900(3), and 38.09.900(4) eliminates homestead dwelling requirements and the distinction between two- and five-year purchase;

Repealing AS 38.09.050(d) and (e) would remove restrictions on selling or subdividing land after it has been conveyed to a homesteader

45 would authorize railroad, highway, and utility line rights-of-way within Chugach State Park necessitated by a Seward Highway relocation project at Bird Point (between Anchorage and Girdwood)

46 savings clause protecting aquatic farm permit holders (and lease holders) by giving them a preference right to a lease under the terms and conditions outlined in section 26 of this bill.

47 adds a savings clause protecting homesite entry permits (and subsequent patents) granted by lottery after July 6, 1984. Which was the effective date of an amendment that dropped a reference to the lottery statute, leaving no statutory guidance on how to issue homesite entry permits.

48 specifies that the interest rate changes made by Secs. 18-20 of the bill apply to all contracts sent out to be signed after the bill's effective date.

49 allows the department to adopt regulations in advance of the bill's effective date, but may not take effect until July 1, 1997. Includes a savings clause for the existing homesite disposal regulations until they can be changed.

50 retroactive clause for sec 1

51- are effective dates

52

.....
rescues existing permittees, people who don't have permits at the moment but are entitled to renewals, and people eligible for new permits right now.

(b) Notwithstanding the repeal of AS 38.05.856 by sec. 41 of this Act and the decision of the Alaska Supreme Court in Kachemak Bay Watch v. Noah, _____ p.2d _____ (Sup. Ct. No. S-7326; April 11, 1997)], the Department of Natural Resources shall allow a person who, on April 10, 1997, held a permit issued under former AS 38.05.856, or had timely applied for a renewal of such a permit, or had received a final decision to be granted such a permit, [THAT HAD NOT BEEN REVOKED OR FOR WHICH RENEWAL HAD NOT BEEN DENIED TO CONTINUE] to operate under the terms and conditions of the permit, final decision, and existing departmental regulations as they [IT] read on the day before the effective date of this act if the person applies within 90 days of the effective date of this Act for a lease under AS 38.05.083, as amended by sec. 26 of this Act. The department shall provide a preference right to a person applying for a lease under this subsection who has developed an aquatic farm site under former AS 38.05.855 by October 1, 1998. The right of a person to continue to operate under the terms and conditions of a [PREVIOUS] permit continues until the earlier of the date the person's lease application is denied by the department, the date the person is issued a lease by the department, or July 1, 1999. The right of a person to continue to operate under the terms and conditions of a [PREVIOUS] permit as allowed by this subsection is proper notwithstanding a failure of the department to properly identify districts under former AS 38.05.855 before the issuance of the permit.