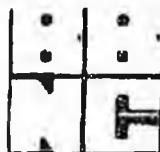


ALASKA LEGISLATURE COMMITTEE FILES 1999-2000 8672

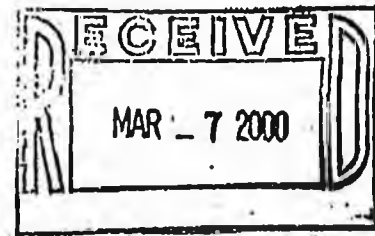
10115 SENATE LABOR & COMMERCE



# Bristol Bay Native Corporation

*Enriching Our Native Way of Life*

800 Cordova Street, Suite 200 / Anchorage, Alaska 99501-6299 / (907) 278-3602 / fax (907) 276-3924



Representative Norman Rokeberg  
State Capitol, Room 24  
Juneau, AK 99801-1182  
Fax: 907-465-2040

March 6, 2000

Re: House Bill 339

Dear Representative Rokeberg:

I am writing in support of HB # 339 sponsored by Representatives Mulder, Hudson and Austerman, entitled "An Act authorizing the Alaska Commercial Fishing and Agriculture Loan Bank to make loans relating to tourism and development or exploitation of natural resources."

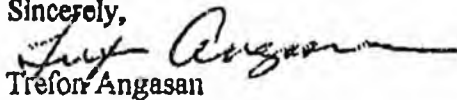
The reason that I support the Bill is because of the enormous benefit that this bill would have for economic development opportunities for village corporations in rural Alaska. Many village corporations in rural Alaska largely have not participated in the growing tourism industry in Alaska. They do not have the venture capital necessary to develop the tourism industry on their lands. When village corporations received their share of the settlement from the Alaska Native Claims Settlement Act, (ANCSA), it was based on a per capita share. Under this formula, if enrollment of the village corporation was under 1,000, it limited their investment portfolio simply because they did not receive enough cash. The cash received was typically spent in the implementation of ANCSA such as Section 14(c) which required that the corporations reconvey to anyone who had a prior use of the land, for expansion of the municipality in the future and for air port expansion. This was a tremendous undertaking and was a financial windfall for the land experts, auditors, and lawyers, but was an economic hardship for the village corporation. Many of us aspire to get into the tourism business but costs are prohibitive when we try to borrow from the existing lending institutions in Alaska.

I understand the concern that some banking institutions of Alaska have about the competition that CFAB would present in the lending industry but if the legislature would adopt HB#339, the earnings would stay in Alaska through the revolving loan philosophy of the co-op. Changes are taking place as I speak. One of Alaska's largest banking institutions is merging with a national conglomerate. The remaining banks have survived the economic downturn of the '80's because of its conservative investment lending practices. I remember when Alaska State Bank, United Bank of Alaska, and other Alaska banks had an expanded portfolio to lend money to rural businesses. They are gone now and no one has stepped forward to fill the

void.

There is some mineral potential on some of the 44 million plus acres conveyed to ANCSA Corporations. The options to develop and exploit that potential is limited. Native corporations have had to search for companies to partner with to develop the mineral potential on Native land. The current trend of the companies that we contact are to focus their exploration money on known reserves and have little interest in exploring or developing the natural resources such as natural gas on our lands. There are known reserves on some Native lands but so far, the companies do not want to risk their venture capital or they consider the prospect too small for their global portfolios.

Sincerely,



Trefor Angasan

Vice President, Shareholder and Corporate Relations

Secretary, Alaska Peninsula Corporation. (A merger of five village corporations in BB)

cc: House of Representatives

# City Of Seldovia

P.O. Drawer B

Seldovia, Alaska 99663

Phone (907) 234-7643

Fax (907) 234-7430

April 11, 2000

Representative Fred Dyson  
Alaska State Legislature  
State Capitol  
Juneau, Alaska 99801-1132

Dear Representative Dyson:

Please review the attached letter representing the City of Seldovia's support for HB 339.

Seldovia, like many small communities through out the state, has no bank, nor do we have an ATM machine despite repeated requests. Obviously, they don't believe there is enough business year-around to justify the placement of a machine in Seldovia. Only on rare occasions do banking representatives visit this community.

CFAB has been involved in the City of Seldovia. At present, other than a few boats that harvest seafood and sell across the bay, we no longer have a fishing industry. Seldovia must look elsewhere to strengthen its economic base.

HB 339, which expands CFAB's lending authority to include natural resource and tourism projects, will greatly assist communities such as ours. For us, this expansion does not compete against the private sector. HB 339 will provide us with an avenue to reverse our downward economic spiral.

Thank you for your time, and your consideration.

Kindest personal regards;

Dave Choquette  
City Manager

# CORRECTION

THE FOLLOWING DOCUMENT(S)  
HAVE BEEN REFILMED TO  
ASSURE LEGIBILITY OR PAGINATION



Rev. 6/98

Central Microfilm Services  
Department of Education & Early Development  
State of Alaska

# City Of Seldovia

P.O. Drawer B

Seldovia, Alaska 99663

Phone (907) 234-7643

Fax (907) 234-7430

April 11, 2000

Representative Fred Dyson  
Alaska State Legislature  
State Capitol  
Juneau, Alaska 99801-1182

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Thank you for your time, and your consideration.

Kindest personal regards;

Dave Choquette  
City Manager



# ALASKA HOSPITALITY ALLIANCE

Representing Alaska's Finest  
Accommodations • Restaurants • Beverage Operations & Hospitality Suppliers



Alaska Restaurant & Beverage Association

February 28, 2000

Office of Representative Eldon Mulder  
State Capital  
Juneau, AK 99801

Dear Representative Eldon Mulder:

On behalf of Alaska's Hospitality Industry, we would like to convey our support of your efforts to pass HB339. As an industry trade association, our goal is to develop and sustain a business environment in the state, which allows hospitality industry businesses the opportunity to flourish. This type of legislation helps our industry to achieve that objective by providing members with access to financing that might not otherwise be available.

We are pleased that you have taken the initiative to progress this legislation, and will be happy to mobilize our membership in support of it. Let us know what we can do.

Best regards,

Karen R. Rogina  
Executive Vice President

*UNITED IN A COMMON GOAL TO MAKE ALASKA THE MOST HOSPITABLE PLACE ON EARTH!*

# City Of Seldovia

P.O. Drawer B  
Seldovia, Alaska 99663  
Phone (907) 234-7643  
Fax (907) 234-7430

March 3, 2000

Honorable Eldon Mulder  
Co-Chair Finance  
State of Alaska  
House of Representatives  
State Capitol  
Juneau, Alaska 99811

Hand Delivered

Reference: HB 339

Dear Representative Mulder:

*Eldon*

On behalf of the City of Seldovia and the Seldovia Chamber of Commerce, please let this letter express our support for HB 338, expanding CFAB's authority to handle loans for tourism and natural resources.

The City of Seldovia and its residents are a prime example of the need for CFAB to include tourism and resource development loans in its preview. Seldovia was once the largest city on the Kenai Peninsula. At one time we have over six major seafood processing plants in the community. Now we have none. Natural resource development once provided numerous jobs for area residents, in timber and mining activities. Now there is no activity.

Seldovia is a community that is losing residents every year. Our school population decreased this last year to the point that we lost a teacher. Once a proud and growing community, where everyone who wanted to work had a job, we were a primary example of why CFAB was founded. After all, very few places in Alaska processed more seafood than we did in Seldovia. We now suffer close to 40% unemployment. Future expansion of the fishing industry in Seldovia seems highly unlikely.

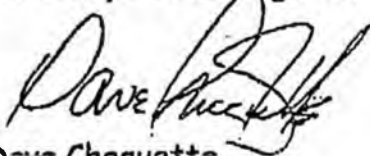
Tourism is one of our major hopes in reversing this downward economic trend. Seldovia is truly a beautiful place. It has the potential of becoming a major destination for both Alaskans and tourists. We are desperately seeking the infrastructure to make this a reality.

For a community that once heavily relied on the fishing industry for its very existence, we are now forced to switch gears. Giving CFAB the authority to include tourism and natural resource development within its scope of operations provides the private sector and the City with an additional and well-respected source of assistance.

Thank you for your time. Please let me know if a resolution from the City of Seldovia and the Seldovia Chamber of Commerce will help achieve passage of your bill.

I hope this letter finds you and your family in good health and enjoying, as best you can, the session.

Kindest personal regards;



Dave Choquette  
City Manager



# TOK CHAMBER OF COMMERCE

"Main Street Alaska"

P.O. Box 389  
Tok, Alaska 99780  
(907) 883-5887  
FAX 883-3682

Representative Eldon Mulder  
Alaska State Legislature  
State Capitol  
Juneau, Alaska

February 22, 2000

Rep. Mulder:

As representatives of businesses in our area, the Tok Chamber of Commerce wholeheartedly supports the efforts of House Bill No. 339 to authorize the Alaska Commercial Fishing and Agriculture Bank to make loans relating to tourism and development or exploitation of natural resources.

An additional source of financing for smaller-sized businesses in our area would be welcome indeed.

H. Dale Young, Jr.  
President

HDY:ss

✓ 8

\*\*\*\*\*

**Subject: Please support HB 339**

**Date: Wed, 08 Mar 2000 12:52:40 -0900**

**From: "Susan W. Springer" <hbay@alaska.net>**

**Organization: Herring Bay Mercantile**

**To: Representative\_Eldon\_Mulder@legis.state.ak.us,  
Representative\_Bill\_Hudson@legis.state.ak.us,  
Representative\_Alان\_Austeman@legis.state.ak.us,  
Representative\_Norman\_Rokeberg@legis.state.ak.us,  
Representative\_Lisa\_Murkowski@legis.state.ak.us,  
Representative\_Andrew\_Halcro@legis.state.ak.us,  
Representative\_John\_Harris@legis.state.ak.us,  
Representative\_Jerry\_Sanders@legis.state.ak.us,  
Representative\_Tom\_Brice@legis.state.ak.us,  
Representative\_Sharon\_Cissna@legis.state.ak.us**

I'm writing to urge your support for HB339, extending the lending authority of CFAB to include resource development and tourism.

I've owned small businesses in Seldovia, Alaska since 1989: a greeting card company, a bed and breakfast, and for the past six years, a retail gift shop. In 1994, my husband and I purchased a city waterfront lot, built a 1200 sf building, and opened Herring Bay Mercantile the following spring. Because of our income/expense ratio at the time, we did not seek conventional bank financing, relying instead on family financing. We were very fortunate to have family money available to us. The business made a profit its first season and has been profitable each year since. Our business contributes sales tax and property tax revenues

[Fwd: Please support HB 339]

to the community, provides a valuable service for residents, a draw for tourists, employs residents for everything from computer consulting to snowplowing, and donates to absolutely every community and school entity that makes a request.

Now that we are successful, the Homer branches of NBA and First National Bank of Anchorage have made field trips to Seldovia, urging us to borrow money. We are a very low credit risk, and they'd love to have our business. Interestingly, we were just as low a credit risk six years ago when our personal balance sheet was not as appealing. We had then the same qualities we have now: vision, talent, and tremendous drive. These are the qualities that made our business a success.

I wonder how many more potential entrepreneurs like us are out there in rural Alaska? How many more communities stand to benefit from new business as Seldovia has benefitted from ours? How many of these folks don't qualify for conventional bank loans, yet still possess the skills necessary to succeed?

My husband went on to purchase a commercial fishing boat through CFAB and found them to be thorough yet helpful and easy to deal with. Furthermore, in 1996-97 I served on a Governor's Small Business Assistance Program Task Force and recall being left with several impressions:

1. That CFAB was well respected for its support of small (fisheries) business development through the Fisheries Business Assistance Program (operated by the Alaska Business Development Center).
2. That not many of the state-funded small business assistance programs worked as effectively as the above.
3. Access to start-up and operating capital is one of the primary challenges facing small Alaskan entrepreneurs trying to establish themselves in business.

Today, I serve on the boards of the Alaska Tourism Marketing Council and the Alaska Travel Industry Association. I also am in my second term on the Seldovia City Council. If there is one common theme among these three bodies, it is the need to support small businesses and enhance economic development in Alaska. You have before you, with HB 339, the opportunity to give small Alaskan entrepreneurs a tremendous shot in the arm, without having to find any scarce state dollars in order to do so. Please throw your support behind HB339 for the benefit of all small businesses in Alaska, and for the state's future economic health.

If I may provide you with further information, I'd be happy to do so. I may be reached at 234-7410, 234-7468, or hbay@alaska.net. I'll be out of town from 3/12 through 3/26, but will do my best to respond to you during my absence.

Very truly yours,  
Susan W. Springer

\*\*\*\*\*

Susan W. Springer  
Owner, Herring Bay Mercantile

3/30/200

**PETERSBURG ENERGY LLC**Tel: (907) 772-4414  
Fax: (907) 772-9385P.O. Box 1384  
Petersburg, Alaska 99833

February 21, 2000

The Honorable Eldon Mulder  
Chairman, House Finance Committee  
Alaska State Legislature  
State Capitol, Room 507  
Juneau, Alaska 99811

Dear Chairman Mulder:

Petersburg Energy LLC (PE) is an independent, Alaskan-based oil exploration and production company owned mostly by Alaskan residents. Petersburg Energy presently holds leases on about 12,000 acres of state land on the North Slope, and is actively developing an exploration program with the intent to pursue production as soon as possible.

Petersburg Energy applauds your efforts and those of Representatives Bill Hudson and Alan Austerman in sponsoring House Bill No. 339. This bill will allow the Alaska Commercial Fishing and Agriculture Bank (CFAB) to make loans to Alaskan businesses involved in natural resource development and tourism. Petersburg Energy fully supports the proposed legislation.

While PE's activities have not developed to the point of trying to pursue financial assistance to support field production, we have held discussions with representatives of conventional banking institutions in Alaska and have been told that it is unlikely that commercial loans will be available for this type of enterprise. Broadening CFAB's authority to consider financial opportunities in support of natural resource development provides an Alaskan-owned company like Petersburg Energy a meaningful alternative not presently available to pursue business development plans.

Sincerely,

John R. Winther  
President

cc. Petersburg Energy Board of Directors

Dear Rep. Mulder

2/16/00

In this short note I would like to show my support for Ed Crane & the CFAB Board in their effort to expand CFAB's lending opportunities.

I believe it would be good for CFAB and good for the people of Alaska.

CFAB member, Daniel Farren

Thank you

1

Alan D. Otness  
Post Office Box 317  
Petersburg, Alaska

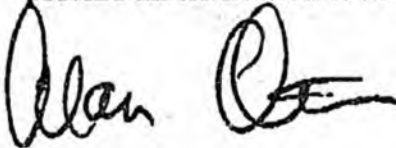
April 12, 2000

Senator Jerry Mackie  
Chairman, Senate Labor and Commerce Committee

I am a life long Alaskan fisherman and have fished Southeast for almost 40 years.

I have borrowed money from CFAB for almost 20 years and I can honestly say that without CFAB, I would not be in business today.

As a consequence, I have substantial equity in CFAB and HB339 will allow CFAB to provide diversification of its loan portfolio and help protect my investment.



Alan D. Otness  
F/V COMMANDER

Clinton R. Mullins  
Post Office Box 436  
Cordova, Alaska 99574

April 12, 2000

Senator Jerry Mackie  
Chairman, Senate Labor and Commerce Committee

I am writing to urge that you support the CFAB's HB339 legislation. I have been a resident Alaska commercial fisherman since 1963. I recall the difficulties securing financing for my fishing business from the commercial banks. I was an early borrower from CFAB at its inception. Over the years I have built up significant equity in this institution and believe that there is a need to allow the bank some opportunity to diversify to provide a broader base for CFAB owner borrowers.

CFAB has provided a very good partnership with the commercial fishing industry. I remember the significant contributions made by CFAB in helping to defeat the "Fish Initiative" in the recent past. CFAB contributed both money and in-kind personnel during this important political battle.

As I said, I live in Cordova and I believe that many small fishermen family operations would very much like to develop small bed and breakfast businesses or other small business opportunities relating to the increased tourist activities. I believe developing tourist activities will provide many new economic opportunities for the coastal communities. Towns like Cordova very much need this opportunity for diversifying their economic base. Due to weak salmon prices in Prince William Sound many are looking for new opportunities.

With your support, I believe that HB339 would be able to receive the support needed to move to a favorable conclusion. Your effort in behalf of this is greatly appreciated and will be long remembered.

Sincerely,



Clinton R. Mullins

**Subject: House Bill 339**

**Date:** Wed, 29 Mar 2000 19:00:06 -0800

**From:** "Karen May Hess" <k.hess@eudoramail.com>

**Organization:** QUALCOMM Eudora Web-Mail (<http://www.eudoramail.com:80>)

**To:** Representative\_Eldon\_Mulder@legis.state.ak.us

Representative Mulder,

My husband and I own and operate a small tour company in Haines and I strongly support House Bill 339. As a small business owner, we would not have been able to survive without the help of a very friendly banker, however not everyone has that available to them and everyone needs help at one time or another during their business years. Alaska is largely made up of small businesses as well as much of the backbone of America. We support House Bill 339.

Don "Duck" & Karen Hess  
River Adventures  
Haines, Ak.

Join 18 million Eudora users by signing up for a free Eudora Web-Mail account at <http://www.eudoramail.com>

April 7, 2000

Guy A. Matthews  
P.O. Box 241  
Tok, AK. 99780  
883-5684  
mbmining@atpajaska.net

To Whom It May Concern:

I would like to express my support for HB 339. This bill could help rural Alaskans develop local renewable and non-renewable resources. For the Tok area this bill could help people with new businesses relating to tourism. This bill could help me to get my placer operation into production as well as further my explorations within the Tintina gold belt area.

Sincerely,

*Guy A. Matthews*

Roseleen "Snooks" Moore  
42122 Kachemak Drive  
Homer, Alaska 99603-9426

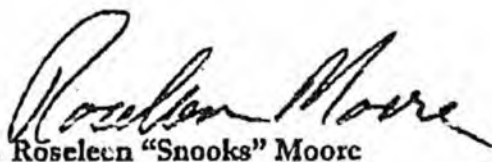
April 12, 2000

Senator Jerry Mackic  
Chairman, Senate Labor and Commerce Committee

I have been a borrower of CFAB as a commercial fisherman and as owner of Northern Enterprises Boat Yard since the early 1980s and I am aware of the volatility of the fishing industries.

The current legislation that would allow CFAB to serve the Alaska owned tourism industry would be good for CFAB by stabilizing their loan portfolio. This in turn would be good for all CFAB's borrowers.

Please support HB339.

  
Roseleen "Snooks" Moore

Dear Representative Mulder,

Authorizing the Alaska Commercial Fishing and Agriculture Bank to make loans for natural resource exploitation is a welcomed and potentially important piece of legislation. Capital is a precious commodity in the mineral business and any additional source; especially one with Alaskan expertise will be welcomed by the mining industry. This proposal deserves to become law.

Sincerely,

E. Neil MacKinnon  
Hyak Mining Co.

My name is John Engle and I have been a CFAB member since 1990. I think that they have always been very responsible in their lending operations and deserve support if they want to diversify. This would also benefit others needing financing in whatever areas they choose to get into. I strongly urge you to continue with HB 339 and thank you for your support. Please feel free to ask me for any help I can offer.

John R. Engle

87 Shoup St.  
Ketchikan, AK 99901

F/V Traveler II

response sent 2-15-00  
*[Signature]*

**Subject:** HB339

**Date:** Fri, 25 Feb 2000 23:47:35 -0800

**From:** "Bob Dindinger" <atalap@email.msn.com>

**Organization:** Microsoft Corporation

**To:** <Representative\_Eldon\_Mulder@legis.state.ak.us>,  
"Representative Bill Hudson" <Representative\_Bill\_Hudson@legis.state.ak.us>,  
<Representative\_Alán\_Austerman@legis.state.ak.us>

**CC:** <Representative\_Lisa\_Murkowski@legis.state.ak.us>,  
<Representative\_John\_Harris@legis.state.ak.us>,  
<Representative\_Andrew\_Halcro@legis.state.ak.us>,  
<Representative\_Tom\_Brice@legis.state.ak.us>,  
<Representative\_Norman\_Rokeberg@legis.state.ak.us>

Dear Representatives Mulder, Hudson, & Austerman

Have reviewed HB339 and support it whole heartedly. The inclusion of tourism businesses in this loan program may well be the States most meaningful action for truly small businesses.

As you know, most Alaska tourism businesses have less than five employees. Given the current nature of Alaska's economy, tourism most probably represents the best opportunity for Alaskan entrepreneurs.

I only have to think back to the early days for my own company (Alaska Travel Adventures) to appreciate the value of this legislation to new businesses.

Bob Dindinger  
Juneau, Alaska

Subject: HB339

Date: Wed, 29 Mar 2000 12:14:43 -0800

From: "Helene Keso" <keso@gci.net>

To: Representative\_Eldon\_Mulder@legis.state.ak.us

CC: Representative\_Eldon\_Mulder@legis.state.ak.us

Good Afternoon,

It would be very beneficial to open financing to us small business operators in the tourism industry.

I own and operate a small Bed & Breakfast but can not make a living at it unless I expand what I have.

I have " The Ridge Way B&B " in Juneau

<http://home.gci.net/~keso/>

Also, I own the tug Tagish, that would make a fantastic lodge and charter but I do not have the capital to convert her. She is a ship assist and towing/fire vessel and averaged putting \$250,000.00 back into S.E. every year between 1978-1994; while employeeding many Alaskans. I have had her for sale for 4 years, but no one has been able to come up with financing. At this point there is no financing for older wooden vessels, even when they are solid and have 20+ years earning power.

<http://home.gci.net/~keso/tagish/>

Please, consider all Alaskans when you are planning. Thank You, Helene Keso (907) 780-4848

**Subject: Support for HB 339**

**Date:** Wed, 29 Mar 2000 12:33:45 -0900

**From:** Dave Nanney <eaglebb@wytbear.com>

**To:** Representative\_Eldon\_Mulder@legis.state.ak.us,  
Representative\_Alán\_Austerman@legis.state.ak.us,  
Representative\_Bill\_Hudson@legis.state.ak.us,  
Representative\_Norman\_Rokeberg@legis.state.ak.us,  
Representative\_Lisa\_Murkowski@legis.state.ak.us,  
Representative\_Andrew\_Halcro@legis.state.ak.us,  
Representative\_John\_Harris@legis.state.ak.us, Representative\_Tom\_Brice@legis.state.ak.us,  
Representative\_Sharon\_Cissna@legis.state.ak.us,  
Representative\_Gene\_Therriault@legis.state.ak.us,  
Representative\_Con\_Bunde@legis.state.ak.us, Representative\_Gary\_Davis@legis.state.ak.us,  
Representative\_Richard\_Foster@legis.state.ak.us,  
Representative\_Gail\_Phillips@legis.state.ak.us,  
Representative\_Bill\_Williams@legis.state.ak.us,  
Representative\_John\_Davies@legis.state.ak.us,  
Representative\_Ben\_Grussendorf@legis.state.ak.us,  
Representative\_Carl\_Moses@legis.state.ak.us

Dear Alaska Representatives,

I am writing in support of the proposal to expand the functions of this lending group to any type of Alaskan business. In these times of restricted state monies it seems only common sense to help grow our economy and available financing is one of the best ways to do just that.

Thank you

Shane Horton, Eagles Nest Motel Haines, Alaska  
Eagles\_Nest@wytbear.com

Dear Representative Mulder,

I am writing in support of House Bill 339, providing lending authority to not only commercial fishermen but opening CFAB up to certain Alaskan small businesses.

I am looking at my 10th season as a Bed and Breakfast owner in Juneau Alaska. I see many Bed and Breakfasts having a hard time obtaining loans when they wish to enlarge their business or begin a remodeling venture. These are successful hardworking Alaskans who are frustrated because the red tape and rules Banks have set up prevent them from seeing their dreams realized. Some end up selling the business and leaving Alaska.

Alaskan Innkeepers are known to be among the hardest working, most dependable visionaries in our state. Banks should drool when we walk through their doors. We pay our bills and we look to expand. Most of us are living our dream by running a tourism business and we want to keep operating in the best capacity possible. Often we run into dead end streets with banking loans unavailable because of various restrictions.

I hope you will be able to get this bill onto the floor and passed. The majority of Alaskans know tourism is a successful venture and we need to keep it that way. This bill would help.

Sincerely,

Cindy Cashen

Casher Quarters Bed & Breakfast

315 Gold Street

Juneau, Alaska

<http://www.cashenquarters.com>

[jscl3@ptialaska.net](mailto:jscl3@ptialaska.net)

586-9863 Fax: 907 586-9861

House Bill 339

"An Act relating to the Alaska Commercial Fishing and Agriculture Bank."

Dear Representative: I heartily support HB 339 as it would give very timely financial assistance to fledgling tourism and resource development businesses and assist Alaska in diversification of its economy.

Yours truly, Dave Nanney Haines, Alaska Tel: 766-2763  
email: eaglebb@wytbear.com

CRAIG MARTIN WEIDNER  
PULLEN CREEK RV PARK  
P. O. BOX 324  
SKAGWAY, AK 99840

CRAIG MARTIN WEIDNER  
PULLEN CREEK RV PARK  
P. O. BOX 324  
SKAGWAY, AK 99840

To,

Representative Eldon Mulder

In regards to House Bill 339.

The access to financing for tourism + the preservation of natural resources is sorely needed in Alaska. Funds for these endeavors would produce jobs and benefit local economies as well as the state as a whole. As a businessman I believe access to financing for these targeted areas is crucial for Alaska's economy.

Craig Weidner  
Pullen Creek RV Park  
P.O. Box 324  
Skagway Alaska  
99840  
800-936-3731

Subject: hb339

Date: Wed, 23 Feb 2000 13:41:58 -0500

From: "Rosemary V. Libert" <info@lynch-kennedy.com>

To: <Representative\_Eldon\_Mulder@legis.state.ak.us>,  
<Representative\_Norman\_Rokeberg@legis.state.ak.us>,  
<Representative\_Lisa\_Murkowski@legis.state.ak.us>,  
<Representative\_John\_Harris@legis.state.ak.us>,  
<Representative\_Andrew\_Halcro@legis.state.ak.us>,  
<Representative\_Tom\_Brice@legis.state.ak.us>

Dear Honorable House Members,

Please support HB 339 in expanding the Fish and Agricultural banks charter to include Alaska based tourism projects. As a small business owner, I know how difficult to find financing for projects. Just the creation of this financing avenue would make current financial institutions in the rural areas more responsive to our needs.

Karl E. Klupar  
Rosemary V. Libert  
Skagway, Alaska

owners

Historic Skagway Inn, LLC  
Lynch & Kennedy Dry Goods, Inc

**Subject:** HB339

**Date:** Wed, 23 Feb 2000 10:45:26 -0900

**From:** Frank Rose <ak1m@ptialaska.net>

**Organization:** Alaska Lodging Mgt., Inc.

**To:** Representative\_Eldon\_Mulder@legis.state.ak.us,  
Representative\_Bill\_Hudson@legis.state.ak.us,  
Representative\_Alán\_Austerman@legis.state.ak.us

**CC:** Representative\_Norman\_Rokeberg@legis.state.ak.us,  
Representative\_Lisa\_Murkowski@legis.state.ak.us,  
Representative\_John\_Harris@legis.state.ak.us,  
Representative\_Andrew\_Halcro@legis.state.ak.us,  
Representative\_Tom\_Brice@legis.state.ak.us

I want to speak in favor of HB339. I believe that the extension of this loan program to allow CFAB lending authority to visitor industry businesses is an opportunity that must be endorsed. As I understand it, the program has not been very active relative to its intended purpose of providing loans to fishing related business. The visitor industry remains a viable and growing sector of our economy and one where small business make up the majority of this industry. To provide opportunity for these businesses to grow is an excellent investment in our state.

Frank Rose  
Alaska Lodging Mgt., Inc.  
PO Box 72478  
Fairbanks, AK 99707



**Subject: House Bill 339**

**Date: Wed, 23 Feb 2000 12:28:08 EST**

**From: KirkAWA@aol.com**

**To: Representative\_Eldon\_Mulder@legis.state.ak.us**

**CC: Representative\_Norman\_Rokeberg@legis.state.ak.us,  
Representative\_Lisa\_Murkowski@legis.state.ak.us,  
Representative\_John\_Harris@legis.state.ak.us,  
Representative\_Andrew\_Halcro@legis.state.ak.us,  
Representative\_Tom\_Brice@legis.state.ak.us, Representative\_Bill\_Hudson@legis.state.ak.us,  
Representative\_Alan\_Austerman@legis.state.ak.us**

February 23, 2000

Dear Representative Mulder,

This is just a short note to say that we support House Bill 339. This bill would provide needed financial assistance to small tourism businesses. As you know, tourism is a growing and thriving force in our economy, and small businesses often need financial support to grow, expand, and compete with the "Walmarts" of the tourism industry, the cruise lines and their related companies. A diverse tourism industry is a strong and vital tourism industry, and this bill would be very helpful in this regard. Thank you for the opportunity to comment.

Respectfully,

Kirk Hoessle, President  
Alaska Wildland Adventures

**Subject: HB 339**

**Date: Thu, 24 Feb 2000 14:00:39 -0900 (AKST)**

**From: Albert Clough <aclough@ptialaska.net>**

**To: Representative\_Eldon\_Mulder@legis.state.ak.us**

Representative Mulder-

This email is in support of HB 339. Expansion of loan access can provide positive benefits to the development of various natural resource projects (to include small and medium sized mining ventures) throughout Alaska. Thank you for your efforts to expand the list of projects which would qualify for funding through the Alaska Commercial Fishing and Agriculture Bank.

Albert H. Clough, P. Geol.  
Chair, Juneau Branch, Alaska Miners Association

P.O. Box 449  
Willow AK  
99688

Representative Eldon Mulder  
Alaska state legislature  
state Capitol (MS 3100)  
Juneau Alaska

99801-1182

Dear Mr. Mulder,

It is good to know that  
our elected officials are trying to  
Diversify the main loaning institute  
so that it can exist. I support  
HB 339 and I hope you vote  
for it.

Thank you.  
David Polushkin  
David Polushkin

**Subject: CFAB Diversification**

**Date: Sat, 12 Feb 2000 09:39:05 -0900**

**From: "John R. Engle" <engle@ktn.net>**

**To: "Eldon Mulder" <Representative\_Eldon\_Mulder@legis.state.ak.us>**

My name is John Engle and I have been a CFAB member since 1990. I think that they have always been very responsible in their lending operations and deserve support if they want to diversify. This would also benefit others needing financing in whatever areas they choose to get into. I strongly urge you to continue with HB 339 and thank you for your support. Please feel free to ask me for any help I can offer.

John R. Engle

87 Shoup St.  
Ketchikan, AK 99901

F/V Traveler II

**HB**

**363**

# FISCAL NOTE

BILL NO. CSHB 363(FIN)

**2000 LEGISLATIVE SESSION**

Revision Date/Time (Note if correction)	Dept. Affected	Revenue
Title <u>Salmon Product Reports</u>	BRU	Revenue Operations
Sponsor <u>Representative Austerman</u>	Component	Income and Excise Audit
Requester <u>(H) Rules</u>	Component Serial No.	<u>113</u>

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

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Personal Services	32.9	32.9	32.9	32.9	32.9	32.9
Travel	0.0	0.0	0.0	0.0	0.0	0.0
Contractual	1.0	1.0	1.0	1.0	1.0	1.0
Supplies	1.0	1.0	1.0	1.0	1.0	1.0
Equipment	3.5					
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING*</b>	<b>38.4</b>	<b>34.9</b>	<b>34.9</b>	<b>34.9</b>	<b>34.9</b>	<b>34.9</b>
<b>CAPITAL EXPENDITURES**</b>	<b>20.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>CHANGE IN REVENUES ( )</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	58.4	34.9	34.9	34.9	34.9	34.9
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
<b>TOTAL</b>	<b>58.4</b>	<b>34.9</b>	<b>34.9</b>	<b>34.9</b>	<b>34.9</b>	<b>34.9</b>

Estimate of current year (FY00) cost: 0.0

**POSITIONS**

Full-time	0.75	0.75	0.75	0.75	0.75	0.75
Part-time						
Temporary						

**ANALYSIS:** (see attached analysis and tables)

\*\* This is a rough one-time cost estimate for FY 2001 (see attached capital expenditure narrative).

Prepared by <u>Brett Fried, Economist and Carl Meyer, Chief of Appeals</u>	Phone <u>465-3682 or 465-2343</u>
Division <u>Income and Excise Audit</u>	Date/Time <u>March 30, 2000</u>
Approved by <u>Wilson L. Condon</u>	Date <u>3/30/2000</u>
Commissioner <u>Department of Revenue</u>	

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**Date:** Tue, 11 Apr 2000 04:01:21 EDT

**Subject:** House Bill 363.

**To:** Senator\_Jerry\_Mackie@legis.state.ak.us

**MIME-Version:** 1.0

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**X-Mailer:** AOL 4.0 for Windows 95 sub 41

April 10, 2000

Dear Senator Mackie:

This bill has been four years in the making. United Salmon Association started work on better wholesale price information after salmon fishermen took price actions in 1995 and 1997. At that time prices had fallen by as much as 80 to 90% in some cases and there was no real time wholesale price information for harvesters to evaluate the ex-vessel prices they were receiving.

Through out this four-year process the primary elements of frequency, timing and content have been contentious issues with some processors. Through administrative proceedings with Commissioner Rue's staff at ADF&G on possible COAR remedies, and through the legislative process in the House of Representatives, the opposition has been consistent and predictable. Their mission has been to kill this bill. Be this as it may, HB 363 has endured the process and is now before you in the senate.

Beyond the contentious elements of harvester vs. processor relations, there is another important significance to this bill. In today's environment of accountability, good stewardship of Alaska's salmon resources requires a timely and accurate accounting of the full value of Alaska's commercial salmon fisheries for the public. At United Salmon Association we view fishermen as the keepers of this public trust (all taxes and assessments derived from commercial salmon fisheries are paid on ex-vessel values) and we feel it is incumbent upon harvesters to foster these stewardship measures for an open and transparent accounting of Alaska's most precious public resource.

---

The following are United Salmon Associations response to the oppositions proposed amendments.

1) Reinstatement of cash discount and commission credits:

Under current law, the definition of "Wholesale Value" pertains only to canned salmon and gives the processors total deductions of 7% for cash discounts and commissions. Accordingly canned wholesale prices are currently reported and published 7% less than their actual value. Future continuity for canned products will be only a matter of simple arithmetic applied to comparisons prior to the passage of this bill. As for all other product forms

contained in HB 363, there will be continuity from the start.

2) Revert back to semi-annual reporting.

In 1998 the old reporting requirements for canned salmon were modernized to reflect changes in the industry at that time from twice yearly reporting to three times a year. Since then the law has worked well to the benefit of all and there has been no mention until today of changing back to semi-annual reporting.

3) Reinsert the 2003 sunset:

Given the importance of wholesale information in relation to the good stewardship of the commercial allocations of Alaska's salmon resources, it is important that the resulting law from this bill have life and provide the public and industry with a consistent picture of salmon markets over time. A sunset is not needed to revisit this matter in three years or at any time for that matter. As salmon harvesters we all remember what a short time the fish ticket price law lasted. Bad law will does not stand the test of time.

4) Changing the effective date to 2001:

It is important to have an effective date that covers the year 2000 salmon season. As users of Alaska's most precious natural recourse it is important to account and show how our efforts benefit industry and public. Good stewardship is of primary concern to fishermen and starting the new millennium with updated accounting of this important industry will benefit all.

Harvesters also must have this information to assess the results of ASMI's new millennium marketing programs. AMSI's salmon marketing is supported by an assessment that harvesters volunteered to pay for the purpose of salmon marketing. Without accurate, real time wholesale information it is impossible to assess the benefits to fishermen of this investment.

---

As you may know an enormous amount of good faith effort has gone into this bill on the part of fishermen, their representatives and the sponsors. At this point processors are grasping at any thing they can to kill this bill. These four requested amendments are the first time proponents of 363 have heard anything but just plain "no" from the opposition through out this whole process. If any one of these amendments are adopted as written, they all will effectively neutralize or kill this bill.

If (and I emphasize if) the opposition compels the Senate to amend this bill, it is most important that they be friendly amendments and an agreement by all parties to move it quickly back to the House for action before adjournment.

Thank you for your consideration in this matter.

Sincerely, Scott McAllister, United Salmon Association.

April 10, 2000

The Honorable Jerry Mackie  
Alaska State Senate  
State Capitol Building  
Juneau, Alaska 99801

Re: *House Bill 363*

Dear Senator Mackie:

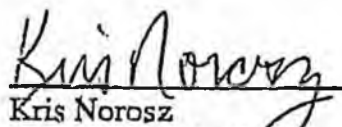
Trident Seafoods Corporation, Icicle Seafoods, Inc., and the Pacific Seafood Processors Association (PSPA) are strongly opposed to House Bill 363. Our reasons for opposing it are contained in the House record of the bill, and will not be repeated here.

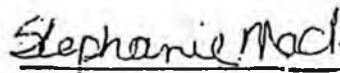
We would like to offer four amendments (see attachment) that soften some of the bill impacts, but do not adversely affect the goals the fishermen are trying to achieve in the bill. Briefly, we propose to

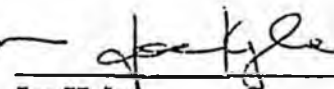
- reinstate the sunset date of July 1, 2003;
- delay the effective date to September 1, 2001 vice September 1, 2000;
- retain the currently legislated definition of wholesale value for continuity;
- revert back to semi - annual reporting as originally legislated.

The Alaska Department of Fish and Game did not testify on the House side. At a minimum, they should be called to explain how the \$ 500k they are receiving from the National Marine Fishery Service to improve data collection and reporting systems by 2003 and the elements of this bill may overlap and require duplicative reporting.

Respectfully,

  
Kris Norosz  
Icicle Seafoods, Inc.

  
Stephanie Madsen  
PSPA

  
Joe Kyle  
Trident Seafoods

Attachment: Proposed Amendments and rationale

CS FOR HOUSE BILL NO. 363(FIN)

An Act relating to salmon product reports and to the sale of fish; and providing for an effective date.

*Requested amendments:*

1.) Reinstate the ability to deduct cash discounts, not to exceed two percent, and commissions paid, not to exceed five percent.

Rationale: By changing the definition of wholesale price the ability to compare past data collection efforts will be lost.

*Page 4, line 24*

\*Sec. 11. AS 43.80.100(7) is amended to read:

(7) wholesale price includes all receipts, whether in the form of money, credits, or other considerations, from the sale of a **[FINISHED THERMALLY PROCESSED]** salmon product at wholesale **[LESS THAN RETAIL]**, without deduction for the costs of property sold, materials used, insurance, labor, services, labeling, transportation, storage, interest, taxes, losses, or any other expense except

(A) cash discounts allowed on sales, not to exceed two percent, and

(B) commissions actually paid to independent brokers, not to exceed five percent.

2.) Revert back to semi-annual reporting as originally legislated before amended in 1998 (SCS CSHB 392(RES)).

Rationale: The addition of all salmon products is a substantial change in the complexity of the reporting requirements. Given this complexity, reducing the number of reports would ease this reporting burden on processors.

*Page 2, beginning on line 8*

...on a form provided by the department, a semi-annual report of the prices received for and quantity of salmon products sold at wholesale by the processors or an affiliate of the processor **[FOR THE SALE OF THERMALLY PROCESSED SALMON]**. Not later than April 30 of each year, a processor shall submit a report for the period October 1- March 31. Not later than October 31 of each year, a processors shall submit a report for the period April 1- September 30 of the reporting year.

*Page 5, line 23*

**TRANSITION.** The first report required by AS 43.80.050, as amended by secs. 3-5 of this Act, is due October 31, 2001, must cover the period of April 1, 2001 through September 30, 2001, and must be filed by a fish processor whose business sold more than 1,000,000 pounds of salmon products at first wholesale during the 12-month period ending August 31, 2001.

*PLEASE NOTE – The above dates would read 2000 if a September 1, 2001 effective date is not adopted by amendment (4) below.*

3.) Reinstated: Section 12, ch.37, SLA 1998 This would continue the sunset date for regulations AS 43.80.050, 43.80.055, 43.80.060, 43.80.065, 43.80.095 and 43.80.100 on July 1, 2003.

Rationale: This provision was added by 1998 legislation. (SCS CSHB 392(RES)) The justification given was to ensure the required reports were being used as proposed. In times of streamlining paperwork requirements, it is appropriate to review data collection requirements. This review date coincides with the probable completion date of ADF&G's project to improve, refine, and update the Commercial Operator's Annual Report, the most comprehensive database on Alaska's fisheries.

*Page 5, Line 20*

\*Sec.13. AS 43.80.050, 43.80.055, 43.80.060, 43.80.065, 43.80.095 and 43.80.100 are repealed July 1, 2003.

4.) Substitute September 1, 2001 as the effective date.

Rationale: This legislation requires approximately 20 additional processors to report that presently are not required to file the Thermally Processed Report. These processors are currently only required to file the annual Commercial Annual Operators Report. These processors may not be aware of this potential new report requirement. The current effective date will require a report due September 30, 2000. This report requires tracking data beginning May 1, 2000, less than three weeks from now. This is effectively making the data collection retroactive from approval of this legislation. Testimony has been provided expressing concern over the significant expansion of the current report. This expanded report represents a major change in the level of complexity of information and will require substantial compliance expense including an increase in personnel.

Beginning on--Page 5, Line 23

**TRANSITION.** The first report required by AS 43.80.050, as amended by secs. 3-5 of this Act, is due September 30, 2001, must cover the period of May 1, 2001 through August 31, 2001, and must be filed by a fish processors whose business sold more than 1,000,000 pounds of salmon products at first wholesale during the 12-month period ending August 31, 2001.

\* Sec. 15. This Act takes effect September 1, 2001.



## REPRESENTATIVE ALAN AUSTERMAN Alaska State Legislature

P.O. Box 2368, Kodiak, Alaska 99615 (907) 486-5930 • Session: State Capitol, Juneau, Alaska 99801 465-2487

### Committee Substitute HOUSE BILL 363(FIN) SPONSOR STATEMENT

House Bill 363 renames the existing Wholesale Price Report (WPR, also referred to as AWPR or WCPR) to become the Alaska Salmon Price Report (ASPR) by updating it to include all salmon product types. This report will capture the bulk of Alaska's commercial salmon trade in a timely and accurate manner.

Currently AS43.80.050 requires processors who sell 240,000 pounds or more of thermally processed salmon in a calendar year to report three times each year, the volume and price of cans sold. The ASPR will reflect the changing times in the processing technology, which has evolved to include all salmon products, thermally processed plus fresh, frozen, and roe products. A Finance Committee amendment changed the reporting threshold from 240,000 pounds to 1,000,000 pounds, which will account for 97% of all salmon products in Alaska.

HB 363 encompasses ex-vessel value, production, and wholesale price reporting to the state. In order to track the production of the state's resource, the ASPR adds a section that requires processors to report the quantity of each salmon product form and species, by area of production, along with the wholesale prices of product sold.

The tax revenue realized from the salmon fishery is generated from the ex-vessel price. Fishery business taxes, raw fish tax, landing tax, ASMI tax and aquaculture assessments are all based on the ex-vessel values of Alaska salmon products. The ASPR information is important for anyone planning income streams derived from the sale of salmon products. For example, legislators projecting revenue to the state or regional aquaculture associations planning production and marketing strategies. The ASPR's accurate and timely information may be used by the university system and by data collectors for up-to-date reporting. It will provide real-time wholesale inventories and values for the public, their decision-makers, and the commercial industry to the benefit of all.

#### History

This issue has been debated for a long time and in numerous forums. In 1984 the Department of Commerce and Economic Development published a report on the possible development of a program to determine wholesale price averages for salmon products. The arguments that were detailed in that report in 1984 are the same today.

Page Two  
CSHB 363(FIN)  
SPONSOR STATEMENT

When mediators suggest that harvesters and processors get together to come up with a compromise and find a way to share price information, the processors say that the information is proprietary and the harvesters say that they need a timely point of reference to begin dialogue about markets and how it can be shared. The ASPR is attempting to provide that platform that would supply accurate information without compromising confidentiality.

Introduction of this bill is the direct outcome of recommendations made in recent in-depth forums:

1) In the Governor's Alaska Salmon Forum '99, a focus group, made up of state agencies, processors and fishermen, came to mutually agreed-upon goals. Among the most important items to be addressed were 1) for the processors to "include fishermen in discussions on short and long-term marketing strategies", and 2) to "expand timely collection of salmon wholesale value and harvest information including, at a minimum, one more COAR report."

2) In November 1999, the Alaska Department of Fish and Game (ADF&G), harvesters, and processors attended a meeting to directly address the United Salmon Association's proposal for a report on wholesale prices for salmon, and if this could be accomplished in the Commercial Operator's Annual Report (COAR). In that meeting, it was determined that "Option 1" was a direction to follow by adding fresh, frozen, and roe salmon product forms to the Department of Revenue's already existing WPR. HB 363 pursues this avenue.

**COAR (ADF&G's Commercial Operators Annual Report)**

Currently, Alaska's fresh and frozen salmon information is published in ADF&G's COAR report, which is made available one time per year, approximately 12 months after the previous fishing season. Since there is no clear definition of FOB (Freight On Board) nor an enforcement mechanism within ADF&G to substantiate the figures, the belated data therein is not reliable nor is it auditable. The only fresh & frozen salmon data that is available in the year 2000 is from the 1998 fishing season.

ADF&G's COAR report contains information from all processors in Alaska, for all fish species and shellfish, detailed by individual product codes and gear types, and from every commercial fishery management area. Out of the 600-700 processors with an intent-to-operate license, 154 are salmon. This is specific information valuable for ADF&G's uses. With the new ASPR, the cost to the state will be less, compared to the cost of compiling and maintaining the COAR database. The ASPR would require 51 salmon processors to report, those producing over 240,000 pounds in a calendar year (which constitutes 99.1% of the products). These reports would be in aggregate product forms, i.e. all roe products, all fillet products, etc., and the production areas will be consolidated.

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SPONSOR STATEMENT

**WPR (Dept. of Revenue's Wholesale Price Report)**

In 1997, the WPR was legislatively updated to mandate three times (3x) per year reporting, increased from twice a year. Since that time, the ex-vessel prices (for canned salmon, which is 36% of the market) have remained constant and the wholesale value has fluctuated in relation to pack size and inventory. The increased reporting has allowed harvesters and processors to enter into year-round revenue-sharing contracts. Since 1997 the 3x per year reporting has allowed for a better understanding of the canned product market without causing any disruption with the market or confidentiality concerns.

**AWPR (Alaska Wholesale Price Report)**

The appropriate vehicle for reporting price information on Alaska's salmon fisheries is the Alaska Salmon Price Report through the Department of Revenue. The new ASPR would publish first wholesale price averages from all processors within large geographical production areas based on reported fishery business taxes. This average price would be an aggregate of product forms and the reports would be published 3-6 months after the fish is caught, thus protecting the confidentiality issues raised by the processors. By requiring one annual report on production, released on March 15, processors' proprietary inventory information will be protected, and the information will be published in time for the coming fishing season negotiations in order provide the harvesters and others with the information that is required.

Finally, the information provided through the ASPR will give the State of Alaska accurate information regarding the fish taxes coming to the state for general fund use.

Passage of HB 363 should help fishermen and others in their pursuit of better information. As industry contracts become the norm, sophistication involving product form and marketing partnerships will become more and more dependent on the state's collection of wholesale data. This process, in turn, should gradually bring a rise to ex-vessel prices, thus benefiting the communities and, in turn, by raising revenue, benefiting the state.

## **Bill Analysis**

Section 1 amends AS 16.05.680 by adding a new subsection to prohibit a person from selling salmon that was not harvested under authority of a permit.

Section 2 amends AS 16.05.690(a) to require record-keeping, by each buyer of fish, of the Department of Fish and Game statistical area in which the fish bought were taken.

Section 3 amends AS 43.80.050(a) to require all fisheries businesses selling more than 1,000,000 pounds of salmon products at wholesale in a calendar year to report to the department for each 4 month period the prices received and the quantities of the products involved in the sales, including sales by affiliates. Under current law, reporting is only required for the prices and quantities of thermally processed salmon products sold at wholesale.

Section 4 repeals and reenacts AS 43.80.050(b) to require the fisheries businesses to include in the reports:

- ◆ The total quantity of each salmon product form sold by area of production and by species; and,
- ◆ The wholesale price received.

This reporting would be required for the following product forms:

- ◆ Thermally processed salmon products by the number of each size of container
- ◆ Fresh headed and gutted salmon products by pounds
- ◆ Fresh fillet salmon products by pounds
- ◆ Frozen headed and gutted salmon products by pounds
- ◆ Frozen fillet salmon products by pounds
- ◆ Salmon roe products by pounds

Section 5 amends AS 43.80.050(c) to require all fisheries businesses selling to affiliates to report only the subsequent sales of that salmon product by the affiliates at wholesale. The information to be reported includes:

- ◆ A description of the products sold;
- ◆ The total quantity of each salmon product form sold by area of production and by species; and,
- ◆ The wholesale price received.

Section 6 amends AS 43.80.050 by adding a new section (f) to require the filing of an annual report. The annual report covers the period from January 1 through December 31 of the calendar reporting year and must be filed by January 31 of the following calendar reporting year. The report is to include a description of the products and the

quantity, by size of container for thermally processed salmon and pounds for other salmon product forms, of each salmon product form produced by the processor and affiliates in each area of production and by species.

Section 7 amends AS 43.80.055 to require the department to determine from the reports the average monthly and annual wholesale prices for the sale of salmon products. These averages are to be determined for each pound by area of production by species by product form, except that for thermally processed salmon products the averages are determined by size of container by species.

Section 8 amends AS 43.80.055 to add a new subsection to require the department to publish the average wholesale prices in a report to be entitled the "Alaska Salmon Price Report".

Section 9 amends AS 43.80.060 to require the department to make the Alaska Salmon Price Report available to the legislature by March 15 of each year. The report is to include the wholesale prices paid and the quantities of salmon products produced during the preceding year.

Section 10 amends AS 43.80.100(5) to provide that the reporting year is the calendar year after the calendar year in which the fisheries business sells more than 1,000,000 pounds of salmon products at wholesale.

Section 11 amends AS 43.80.100(7) to eliminate deductions in the nature of cash discounts allowed on sales and commissions paid to independent brokers in determining the wholesale price.

Section 12 amends AS 43.80.100 to add new paragraphs to define the following terms: the "area of production" in which a salmon product was processed means specified fisheries areas of the state; "produce" means to process salmon into a salmon product; and "wholesale" means the first sale of a salmon product at wholesale after the fisheries business tax was paid or became payable on the salmon from which the product was produced. One problem with the definition of 'wholesale' is that 'wholesale' is also included in the meaning presenting a circular conundrum. Another problem is that since the fisheries business tax is neither paid nor payable until March 31<sup>st</sup> of the following calendar year, an argument could be made that sales made before this date are not reportable. We believe the intent, however, is that wholesale is to mean the first sale of a salmon product to a person other than the final consumer that occurs after the liability for the fisheries business tax is incurred on the salmon from which the product was produced.

Section 13 repeals Section 12, ch. 37, SLA 1998, which would have repealed AS 43.80.050 – 100 on July 1, 2003.

Section 14 amends the uncodified law to add a new section to provide that the first report required by AS 43.80.050 is due on September 30, 2000 for the period beginning May 1, 2000 and ending August 31, 2000, and must be filed by a fisheries business that sold more than 1,000,000 pounds of salmon products at first wholesale during the 12 months ending August 31, 2000.

Section 15 provides a September 1, 2000 effective date.

### Operating Expenditures

The following functions must be performed by DOR to meet the requirements of this bill: (1) public service (responding to questions from the public and processors), (2) data entry, (3) report production, (4) report and form dissemination, (5) accuracy and confidentiality checks, (6) non-filer identification, and (5) programming. We already perform these functions for the relatively simple average wholesale thermally processed salmon report (2 page report and 4 page report form). We produce this report three times a year and it takes the equivalent of one month for one individual.

The increase in estimated form length, from 4 to 20 pages does not address the increase in complexity. Table 1 (see attached spreadsheet) provides some help in understanding the change in the level of complexity. The 20 page number assumes that each page of the form includes production area, pounds (or size of container for thermally processed salmon products), wholesale price and product form by species by month. Consequently, there is a potential for 48 rows of data (8 production areas times 6 product forms). We are, however, assuming that, at most we will need to accommodate 32 rows per page. With 4 months of data and 5 species of salmon we have 20 pages. We will also have to produce an annual report using annual data. This form should be approximately 5 pages long.

Not only will the number of filers increase, by approximately 3 times, but the amount of information they must report will increase from 1 to 6 product forms, and from statewide to by 8 different regions. This increase in complexity compounds the difficulty associated with accuracy and confidentiality checks.

Because of the large increase in complexity and amount of data, we are requesting a  $\frac{3}{4}$  position to meet our obligations under this bill. An Analyst Programmer I (@\$32,850) will be needed to do the following: (1) query development and execution, (2) non-filer identification, (3) data base maintenance, (4) data entry, (5) report and form development, dissemination, and production, (6) accuracy and confidentiality checks, and (8) public service. Equipment, supplies and contractual obligations will be \$5,500 the first year because of a one-time cost of \$3,500 for computers and other equipment. After the first year, equipment costs will be zero and contractual and supply costs will be \$2,000 a year.

Another way to approach this issue is to examine how this cost compares to the cost of other tax programs that the tax division currently administers. The fisheries business tax return is the closest in similarity (in terms of complexity) to the proposed Salmon Product Report. Table 2 provides a comparison of the attributes of both of these programs.

Clearly, the fisheries business tax has more returns, species, and reporting areas. Processors must also identify whether the processing activity is established or developing and if the activity is floating, salmon cannery or shore-based. Additionally, the cost of the program includes accounting and collections costs, which would not be an issue for the Salmon Product Report. However, the fisheries business data is annual not monthly, does not include product forms, and is only received once a year, not 3 times a year. Also, because firms filing the report will be larger fishery businesses, the reports will be more comparable to the most complex of the fisheries business tax returns. Additionally, in our experience, fisheries businesses tend to fill out their tax returns more carefully than informational reports. This then requires more vigilance and time on the part of DOR. The total administrative cost of the fisheries business tax is \$229,174, which is 6.6 times the estimated \$34,850 operating cost associated with this bill.

### Capital Expenditures

The only capital expenditure would be the contract for creating a database and the associated data entry interface. We currently use an excel workbook because we only need 48 spreadsheets to accommodate the current information. At a maximum we would need 640 spreadsheets (4 months x 5 species x 32 processors) to accommodate the sales data and 160 spreadsheets (5 species x 32 processors) for the production data. Each processor would have a separate spreadsheet for each month recording the pounds, product form and production area for a particular species. Although we know we would not need this many spreadsheets, even doubling the current number of spreadsheets would be too cumbersome to do in an excel workbook. We will also need to be able to execute relatively complex queries and to have a simple data entry interface.

Another advantage of using a database is it opens up the possibility of electronic filing. If electronic filing was required, we believe operating expenditures would decrease. Although we have not had time to estimate the cost of contracting out for the development of a database, from previous experience we believe it would be at least a one-time cost of \$20,000. After the database system is set up, we believe the analyst programmer will be able to maintain the system and adjust it for changes.

### Revenue

There is no direct revenue effect of this bill.

ALASKA DEPARTMENT OF REVENUE

Salmon Price Reports  
 CSHB 363(FIN)  
 March 30, 2000  
 Page 6 of 7

**TABLE 1 - CHANGES TO REPORTING REQUIREMENTS: CSHB 363**

	<u>Status Quo</u>	<u>CSHB 363 Estimates</u>
Number of processors reporting <sup>1</sup>	12	32
Number of product forms <sup>2</sup>	1	6
Number of reporting areas <sup>3</sup>	1	8
Number of species <sup>4</sup>	5	5
Reporting point <sup>5</sup>	sale	sale and prod.
Reporting time period <sup>6</sup>	monthly	monthly
Report due <sup>6</sup>	3 times a year	3 times a year
Report threshold <sup>7</sup>	240,000 lbs.	1,000,000 lbs.
Pages per report form <sup>8</sup>	4	20
Software <sup>9</sup>	excel	database

<sup>1</sup> According to the Alaska Department of Fish and Game, 32 processors exceed the minimum reporting threshold.

<sup>2</sup> The following product forms are to be reported: (1) fresh headed and gutted, (2) thermally processed, (3) fresh fillet salmon products, (4) frozen headed and gutted, (5) frozen fillet and (6) salmon roe. Because thermally processed salmon products must be reported by the size of the container in which they are sold, they must be broken out separately from the other product forms. Although there are a large number of sizes, the vast majority of thermally processed salmon will fall under the four most common can sizes.

<sup>3</sup> The eight areas of production are (1) Southeastern and Yakutat, (2) Prince William Sound, (3) Cook Inlet, (4) Kodiak, (5) Chignik, (6) Aleutian Islands, Atka-Amlia Islands and Alaska Peninsula, (7) Bristol Bay, (8) Kuskokwim, Yukon-Northern, Norton Sound-Port Clarence, and Kotzebue.

<sup>4</sup> Under CSHB 363, there are the following five species of salmon (1) Chinook, (2) Sockeye, (3) Coho, (4) Pink, and (5) Chum.

<sup>5</sup> Under CSHB 363, the total quantity of salmon products produced and sold must be reported. However, production must only be reported once a year on an annual (not monthly) basis.

<sup>6</sup> The processor must provide monthly sales data every four months to the Department of Revenue and annual production data once a year.

<sup>7</sup> Under CSHB 363, a processor only has to fill out the report if during the previous calendar year the processor has sold more than 1,000,000 pounds at wholesale.

<sup>8</sup> Because of the increase in the number of product forms (from 1 to 6), and the reporting by production area (8 production areas), we estimate that the report length will increase by a factor of 5. Additionally, it will increase in complexity. For example, for thermally processed salmon it will increase from three data fields (pounds or size, value and months) to 5 (pounds or size, value, months, product form and production area) data fields.

<sup>9</sup> An excel spreadsheet with 48 pages linked to a summary page is all that is currently necessary. This will no longer work with 32 processors reporting 6 product forms, by 8 production areas, by species and by month (see operating expenditures discussion).

ALASKA DEPARTMENT OF REVENUE

Salmon Price Reports  
 CSHB 363(FIN)  
 March 30, 2000  
 Page 7 of 7

**TABLE 2 - A COMPARISON OF CSHB 363 REPORT & FISH. BUS. TAX**

	<u>Fisheries Business</u>	<u>CSHB 363 Estimates</u>
Number of processors reporting <sup>1</sup>	449	32
Number of product forms <sup>2</sup>	0	6
Number of reporting areas <sup>3</sup>	54	8
Number of species <sup>4</sup>	all	5
Reporting point <sup>5</sup>	proc. or trans.	sale and prod.
Reporting time period <sup>6</sup>	annual	monthly
Report due <sup>6</sup>	once a year	3 times a year
Report threshold <sup>7</sup>	none	1,000,000 lbs.
Pages per report form <sup>8</sup>	26	20
Software <sup>9</sup>	database	database

<sup>1</sup> According to the Alaska Department of Fish and Game, 32 processors exceed the minimum reporting threshold.

<sup>2</sup> Under CSHB 363, the following product forms are to be reported: (1) fresh headed and gutted, (2) thermally processed, (3) fresh fillet salmon products, (4) frozen headed and gutted, (5) frozen fillet and (6) salmon roe. Because thermally processed salmon products must be reported by the size of the container in which they are sold, they must be broken out separately from the other product forms. Although there are a large number of sizes, the vast majority of thermally processed salmon will fall under the four most common can sizes.

<sup>3</sup> The eight areas of production are (1) Southeastern and Yakutat, (2) Prince William Sound, (3) Cook Inlet, (4) Kodiak, (5) Chignik, (6) Aleutian Islands, Atka-Amliia Islands and Alaska Peninsula, (7) Bristol Bay, and (8) Kuskokwim, Yukon-Northern, Norton Sound-Port Clarence, and Kotzebue. For the fisheries business tax, we have included the number of communities that received fisheries business shared tax revenue in FY 99.

<sup>4</sup> Under CSHB 363, there are the following five species of salmon (1) Chinook, (2) Sockeye, (3) Coho, (4) Pink and (5) Chum. Species are listed by species code on the fisheries business tax return.

<sup>5</sup> Under CSHB 363, the total quantity of salmon products produced and sold must be reported. Because both of these separate events occur at different points in time, they will be reported separately. However, production must only be reported once a year on an annual (not monthly basis). For the fisheries business tax, pounds and value must be reported once, either when the fish is processed or transported out-of-state unprocessed.

<sup>6</sup> Under CSHB 363, the processor must provide monthly data every four months to the Department of Revenue. The fisheries business tax return is due once a year.

<sup>7</sup> Under CSHB 363, a processor only has to fill out the report if during the previous calendar year the processor has sold more than 1,000,000 pounds at wholesale.

<sup>8</sup> Because of the increase in the number of product forms (from 1 to 6), the reporting of salmon products produced and sold (from just sold) and the reporting by production area (8 production areas), we estimate that the report length will be 20 pages. Currently, the fisheries business tax return is 26 pages long.

<sup>9</sup> An excel spreadsheet with 48 pages linked to a summary page is all that is currently necessary. This will no longer work with 32 processors reporting 6 product forms, by 8 production areas, by species and by month (see operating expenditures discussion).

Excerpts from the MEETING NOTES from COAR Meeting  
November 9-10, 1999

\*Entire meeting notes available upon request from Sponsor

*Meeting focus: Discussions of potential changes to the Commercial Operators Annual Report database, processor reporting requirements, and United Salmon Association proposal for a report on wholesale prices for salmon products.*

Options

1. Add product forms to Revenue WPR
2. USA Proposal to use COAR.
3. Tune-up COAR
4. 3<sup>rd</sup> party reporting directly to fishermen/ processors subject to contract.

Larry Persily arrived; the group resumed discussion of Option 1 – Add product forms to WPR. Larry felt that the WPR was not a Revenue function. Revenue doesn't audit these reports nor do they have the staff to do audits. Scott and Bruce disagreed. Every tax dollar is at the exvessel level. Expansion to the wholesale level is a proprietary black hole. Harvesters pay ASMI and other taxes and it gives us a tool to negotiate and increase the exvessel price. It is in our best interest to increase world market share. This will bring up the tax base.

Larry said it would take the equivalent of one person or \$60,000. And that would not include any auditing capabilities. Revenue would have to respect confidentiality. Revenue will release summarized information for 3 or more taxpayers.

**Option 1 – Add product forms (fresh, frozen, roe) to WPR**

Goals/ Objectives

- a) Provide fishermen information they need
- b) Doesn't change COAR
- c) Good fit between WPR and additional reporting
- d) Reporting frozen, fresh, roe by ADF&G area

**Option 1 – Add product forms (fresh, frozen, roe) to WPR**

Method to achieve objectives

- a) Seek legislation
- b) Seek funding
- c) Industry agreement to support this option and the means to achieve – lobby for it

**Option 1 – Add product forms (fresh, frozen, roe) to WPR**

What are intended uses/ Who uses

- a) Fishermen
- b) Customers of processors
- c) Academics/ researchers
- d) Salmon Marketing Information Service
- e) Any member of the public

# STATE OF ALASKA

TONY KNOWLES, GOVERNOR

## DEPARTMENT OF FISH AND GAME

### DIVISION OF COMMERCIAL FISHERIES

P.O. BOX 25526  
JUNEAU, AK 99802-5526  
PHONE: (907) 465-6133  
FAX: (907) 465-2604

March 2, 2000

Mr. Bruce Schactler  
USA  
Kodiak, AK 99515

Dear Mr. Schactler:

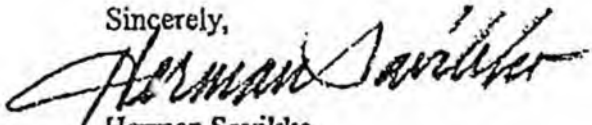
You asked that I run some numbers from our Commercial Operators Annual Report database to determine salmon processing statistics.

I completed those today. While individual data is confidential, I can summarize some numbers for you with reference to HB 363.

The most current available data is for 1998. That year there were 165 companies (unique Federal Identification numbers) processing salmon in Alaska. Using the Alaska Department of Revenue's 240,000-pound limit, there would be 51 companies that fall above that poundage limit. Those 51 companies also process 99.1% of the total production volume for that year (442.7 million pounds net weight was the reported total for salmon production that year). If the cutoff requirement were raised to 540,000 pounds instead of 240,000, there would be 39 companies falling within those limits. If the limit were raised to 1,000,000 pounds then 32 companies would fit that category. Those 32 companies account for nearly 97% of all salmon production in Alaska. Finally, if the limit was 10 million pounds, 12 companies would be involved, accounting for approximately 79% of Statewide salmon production.

If you have any additional questions, please contact me.

Sincerely,



Herman Savikko  
Fishery Information Officer/Fishery Biologist  
Fisheries Coordination Section

## Final Average Wholesale Price Report Recipients

US Department of Commerce, NOAA Fisheries Development Division  
National Marine Fisheries Service/Statistics & Economic Division  
Alaska Department of Fish and Game  
Alaska Board of Fisheries  
Department of Commerce and Economic Development  
University of AK-Anchorage/ Gunnar Knapp  
Alaska SeaGrant – Craig Weise  
McDowell Group  
The Fisherman  
Seafood Trend Newsletter  
United Fishermen's Marketing Association.  
United Salmon Association  
SE AK Seiners Association  
C.D.F.U. – Chris Nerison  
National Food Processors Association  
Alaska General Seafoods  
Deep Creek Custom Packing Inc.  
Icicle Seafoods Inc.  
Kodiak Salmon Packers  
Nelbro Packing Company  
Norquest Seafoods Inc.  
North Pacific Processors Inc.  
Ocean Beauty Seafoods Inc.  
Peter Pan Seafoods Inc.  
Polar Equipment/Cook Inlet Processing  
Royal Pacific Canning  
Sea Catch, Inc  
Trident Seafoods Corporation  
Ward Cove Packing Company  
Wrangell Seafoods Inc.  
Woodbine Alaska Fish Company  
Senator Jerry Mackie  
Representative Alan Austerman



February 23, 2000

This letter is in response to a request made by Representative Austerman's office regarding House Bill 363, a proposal to increase the frequency of wholesale price reporting of certain salmon products. The Salmon Market Information Service (SMIS), as a user of such data, was asked to comment on increased reporting frequency.

The SMIS program would benefit substantially from increased reporting frequency of Alaska production and wholesale salmon prices specified in HB 363. The program would welcome the consistency of such government-compiled data, an improvement over the information that is now available. It should be noted that the absence of this data (the result of present data-release timing) is not a major impediment to the existing program. Market indicators are available from other sources and the program is currently using those sources.

The SMIS researches and reports on market conditions for salmon. The "flagship" of the program is the Salmon Market Bulletin, published 6-7 times annually. Since November 1998, McDowell Group has published eight bulletins, serving a subscription list of just over 3,000. Two times a year, the bulletin is sent to all Alaska salmon permit holders (over 11,000) plus the non-permit holders on the subscriber list.

A comparison of two state-generated reports containing wholesale price and volume data illustrates the usefulness of more frequent reporting. The two reports are:

- The Wholesale Price report (WPR) for thermally processed salmon, including canned salmon. Published three times a year by Alaska Department of Revenue. Between 1989 and 1998, canned salmon made up 36% of Alaska production volume.
- Data from the Commercial Operators Annual Report (COAR) is available through ADF&G, via database queries, usually 5 to 6 months after the end of the calendar-year reporting period. The COAR covers those fresh and frozen salmon products specifically identified in HB 363. Between 1989 and 1998, fresh and frozen salmon made up 61% of Alaska production volume.

The COAR, because of its timing, is of limited use in reporting market trends. We use it primarily for historical analyses of data and for identifying product-form composition of past seasons. Data drawn from the COAR is used in two of our eight bulletins, both times as a source for back-page items in the "bits and pieces" section. By comparison, six of eight salmon market bulletins contain information from the WPR for canned salmon, including two major articles with accompanying tables and graphs. The WPR is more pertinent because of its reporting frequency and we use it to identify volume and pricing trends of the current sales year. It is used frequently in the bulletin, in presentations and to satisfy a large number of data requests.



Consulting and Research in Economics, Business and Marketing

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While additional information on salmon markets is always desirable, the data that would result from HB 363 would be especially useful, as fresh and frozen salmon make up over 60% of Alaska production. Such data would enable the SMIS to provide reasonably pertinent reporting and analysis of Alaska production and wholesale price information for over 95% of production. Currently, the SMIS is able to do so for only 36% of production: namely, canned salmon as reported in the WPR three times a year.

A handwritten signature in cursive script, appearing to read "Chris McDowell".

Chris McDowell

Project Manager, Salmon Market Information Service



P.O. Box 762 • Kodiak • AK • 99615

Phone: (907) 486-6899 • Fax: (907) 486-7058 • Email: [usalmon@ptialaska.net](mailto:usalmon@ptialaska.net)

---

Six reasons United Salmon Association supports HB 363, that creates the new Alaska Salmon Price Report.

1. So all stake holders will know the full value of Alaska's salmon industry in a timely and accurate accounting of current wholesale values. Existing information sources are outdated and unreliable once they become available.
2. So ASMI can better plan and evaluate marketing strategies. All salmon fishermen pay one percent of their gross into salmon marketing. Without timely wholesale price information there is no way for them to accurately assess the benefits of their marketing efforts.
3. So PNP aquaculture associations may best plan their production and cost recovery efforts. Assessing the results of wholesale prices will be helpful in making good decisions based on timely and accurate market information.
4. For the University of Alaska and its ongoing evaluation of commercial fisheries. Where ever the value of Alaska's salmon fisheries is in demand reliable and timely wholesale information is lacking.
5. So the legislature and the board of fish can best assess the value of Alaska's commercial salmon fisheries. Information concerning the economic benefits of commercial salmon fisheries is always sketchy when these two bodies meet to discuss salmon fisheries and their economic benefits.
6. So all stakeholders can better assess the relationship between ex-vessel prices and wholesale markets. Without this information no one knows if ex-vessel prices or the revenues they generate are fair.

Accounting the benefits of commercial fishing revenues and taxes has little meaning to stakeholders and administrators without also accounting wholesale values as a means of evaluating the economic performance of this most important Alaskan industry.

Sincerely,

A handwritten signature in black ink that reads "Bruce Schactler". The signature is written in a cursive, flowing style.

Bruce Schactler  
President



# UNITED FISHERMEN OF ALASKA

March 2, 2000

211 Fourth Street, Suite 110  
Juneau, Alaska 99801-1172  
907/586-2820  
Fax: 907/463-2545  
E-Mail: ufa@alaska.net

Representative Carl Morgan, Jr.  
Representative John Harris  
Co-Chairs  
House Special Committee on Fisheries  
Alaska State Legislature  
State Capitol (MS 3100)  
Juneau, AK 99801-1182

Dear Representatives Morgan and Harris,

United Fishermen of Alaska represents 23 commercial fishermen's groups and over 8,000 fishermen. We support HB 363.

This bill is intended to modernize and clarify the economic value of Alaska's commercial salmon fisheries for all stakeholders and to end the mystery of how ex-vessel salmon prices are determined.

All Alaskans are stakeholders in commercial salmon fisheries. There is a clear link between stakeholders and the salmon resources, for the salmon belong to all Alaskans.

But the connection between stakeholders other than harvesters and commercial salmon fisheries may not be so clear. Given that commercial salmon fisheries generate fisheries business taxes that go into Alaska's general fund and 50% is passed on to local government, all Alaskans are clearly stakeholders in those fisheries.

History shows us that for the first seventy years of the last century the salmon industry was the largest industry in Alaska and a major contributor to this nation's food production. Canned salmon was a staple on food shelves particularly through out the British Commonwealth. Through this time a business culture developed between processors and harvesters based on a "buy now settle later" price arrangement. In this arrangement grounds prices are paid to fishermen in season, then later when the harvest is over and the bulk of fish have been sold, final payments are made to fishermen based on wholesale prices, known only to the processors.

Also during this time, it was established that the taxes the industry pays are based on ex-vessel prices. This "buy now settle later" price arrangement on which all taxes are paid clearly impacts harvesters and all stakeholders in the outcome of wholesale prices. But to this day stakeholders are denied the price information needed to know and understand their position in wholesale markets that determine salmon prices.

#### MEMBER ORGANIZATIONS

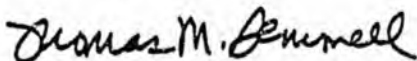
Alaska Longline Fishermen's Association • Alaska Trollers Association • Concerned Area "M" Fishermen  
Cook Inlet Aquaculture Association • Copper River Salmon Producers Association • Cordova District Fishermen United  
Kenai Peninsula Fishermen's Association • Kodiak Regional Aquaculture Association • Kodiak Seiners Association • North Pacific Fisheries Association  
Northern Southeast Regional Aquaculture Association • Northwest Seiners Association • Petersburg Vessel Owners Association  
Prince William Sound Aquaculture Corporation • Purse Seine Vessel Owners Association • Seafood Producers Cooperative  
Southeast Alaska Seiners Association • Southern Southeast Regional Aquaculture Association

Without knowledge of wholesale prices the "buy now settle later" arrangement between processors and harvesters leaves an unaccounted hole in the price structure of Alaska's salmon industry. This is the mystery of commercial salmon prices. How much money does the commercial salmon harvest generate at first wholesale and how does that compare to ex-vessel prices where taxes are collected? All stakeholders directly or indirectly have an interest in salmon markets and it is important to have a clear picture of this revenue source for the use and benefit of all Alaskans.

Passage of Sb 363 will fill this unaccounted hole in salmon pricing and provide all stakeholders in Alaska's most precious natural resource the information they require to know and understand the benefits of the commercial salmon industry.

We are aware of some concerns raised by some processors and are willing to work toward a reasonable resolution of this issue.

Sincerely,



Thomas M. Gemmell  
Executive Director

Copy: Representative Alan Austerman

# Cordova District Fishermen United

Celebrating 65 Years of Service to Commercial Fishermen in Cordova, Alaska  
P.O. Box 939 Cordova, Alaska 99574 / Telephone (907) 424-3447 / Fax (907) 424-3430

February 24, 2000

House Special Committee on Fisheries  
State Capitol (MS 3100)  
Juneau, AK 99801-1182

SENT VIA FACSIMILE TO 907.465.3799

Dear Members,

Cordova District Fishermen United (CDFU) is pleased to provide comment to you regarding our support for HB 363.

Timely, accurate, and verifiable reporting of the ex-vessel and wholesale values of Alaska's salmon, as well as known production, provides a variety of benefits to our industry, coastal communities, programs dependent upon ex-vessel value assessments, and the State of Alaska. HB 363 provides a proven mechanism for gathering and providing the information that will form the basis for better decision-making by those dependent upon the reporting that this legislation requires.

We are all too well aware of the vagaries of natural resource markets. Access to timely and accurate information regarding the condition of salmon markets will afford more accurate evaluation of the myriad of decisions that are constantly being made by those impacted by Alaska's salmon fisheries.

We urge your support for HB 363.

Respectfully Submitted,

*Sue Aspelund*

Sue Aspelund  
Executive Director

cc: Representative Alan Austerman

# KODIAK REGIONAL AQUACULTURE ASSOCIATION

BOX 3407 KODIAK, ALASKA 99615

(907) 486-6555

Fax (907) 486-4105



February 23, 2000

Representative Alan Austerman  
Alaska State Representative  
State Capitol  
Juneau 99801-1182

Dear Alan:

House Bill #363, an Act Relating to Salmon Production Reports, was reviewed by the Kodiak Regional Aquaculture Association's Board of Directors, at their meeting of February 22, 2000. The Board voted 9-2 to support passage of this Bill as written.

KRAA, being an active, major financial supporter of Kodiak salmon enhancement projects and an entity whose funding source is directly related to salmon ex-vessel value has a keen interest in developing a clear understanding of how ex-vessel salmon prices are determined.

To that end, we offer our support for passage of House Bill #363.

Sincerely,

Lawrence M. Malloy,  
Executive Director



Chapter 36

1 deposits in the general fund; notwithstanding (g) of this section, the annual estimated  
2 balance in the account that is in excess of the cost of issuing special request plates  
3 may be appropriated by the legislature into the principal of the Alaska children's trust  
4 under AS 37.14.200.



LAWS OF ALASKA

1998

Source  
SCS CSHB 392(RES)

Chapter No.  
37

AN ACT

Relating to access by the Department of Environmental Conservation and the Department of Fish and Game to confidential records for fisheries businesses and resources prepared or kept by the Department of Revenue under AS 43.75.015; relating to certain salmon products reports; and providing for an effective date.

---

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

THE ACT FOLLOWS ON PAGE 1

Approved by the Governor: May 18, 1998  
Actual Effective Date: Section 2 is conditional; remainder of Act takes effect  
September 1, 1998

1 (2) 24-POUND CASE OF ONE-HALF-POUND CANS (48 CANS);

2 (3) 12-POUND CASE OF ONE-QUARTER-POUND CANS (48  
3 CANS); AND

4 (4) 48-POUND CASE OF FOUR-POUND CANS (12 CANS)].

5 \* Sec. 8. AS 43.80.055 is amended to read:

6 Sec. 43.80.055. Wholesale price averages. (a) Based on the information  
7 provided in reports submitted under AS 43.80.050, the department shall determine the  
8 statewide average wholesale prices paid to fish processors and their affiliates for the  
9 sale of thermally processed [CANNED] salmon.

10 (b) The department shall determine under this section the monthly and annual  
11 wholesale price averages for each species of thermally processed [CANNED] salmon  
12 for [IN] each size of the container in which the salmon is sold [UNIT-OF-SALE  
13 CATEGORY].

14 \* Sec. 9. AS 43.80.060 is amended to read:

15 Sec. 43.80.060. Report. Not later than the 15th day of each regular legislative  
16 session, the department shall make available to the legislature a report of statewide  
17 average wholesale thermally processed [CANNED] salmon prices. The department  
18 shall notify the legislature that the report is available.

19 \* Sec. 10. AS 43.80.100(5) is amended to read:

20 (5) "wholesale price" includes all receipts, whether in the form of  
21 money, credits, or other consideration, from the sale of a finished thermally processed  
22 [CANNED] salmon product at less than retail, without deduction for the costs of  
23 property sold, materials used, insurance, labor, services, labeling, transportation,  
24 storage, interest, taxes, losses, or any other expense except

25 (A) cash discounts allowed on sales, not to exceed two [ONE  
26 AND ONE-HALF] percent; and

27 (B) commissions actually paid to independent brokers, not to  
28 exceed five percent.

29 \* Sec. 11. AS 43.80.100 is amended by adding new paragraphs to read:

30 (6) "container" means the can, pouch, or other similar container in  
31 which the salmon is thermally processed;

1 (7) "reporting year" means the calendar year after the calendar year in  
2 which a fish processor's business sells more than 240,000 pounds of thermally  
3 processed salmon products;

4 (8) "thermally processed" means processed by the application of heat  
5 to render the salmon free of microorganisms that are capable of reproducing in the  
6 salmon under normal nonrefrigerated conditions of storage or distribution.

7 \* Sec. 12. AS 43.80.050, 43.80.055, 43.80.060, 43.80.065, 43.80.095, and 43.80.100 are  
8 repealed July 1, 2003.

9 \* Sec. 13. TRANSITION. The first report required by AS 43.80.050(a), as amended by  
10 sec. 4 of this Act, is due September 30, 1998, must cover the period of April 1, 1998, through  
11 August 31, 1998, and must be filed by a fish processor whose business sold more than  
12 240,000 pounds of thermally processed salmon products at wholesale during the 12-month  
13 period ending August 31, 1998. In this section, "fish processor" and "thermally processed"  
14 have the meanings given in AS 43.80.100.

15 \* Sec. 14. Section 2 of this Act takes effect only if AS 09.25.100 is repealed and reenacted  
16 under sec. 148(c), ch. 87, SLA 1997.

17 \* Sec. 15. Sections 1 and 3 - 13 of this Act take effect September 1, 1998.

18 \* Sec. 16. If sec. 2 of this Act takes effect, it takes effect on the effective date of the  
19 repeal and reenactment of AS 09.25.100 under sec. 148(c), ch. 87, SLA 1997.

**HB**

**382**

# FISCAL NOTE

Bill Version: CSHB 382 (L&C)  
 (H) Publish Date: 3/3/00

**STATE OF ALASKA  
 2000 LEGISLATIVE SESSION**

Revision Date/Time (Note if correction) \_\_\_\_\_ Dept. Affected Community & Econ. Dev.  
 Title An Act relating to licensing of social workers. BRU Occupational Licensing  
 Component Occupational Licensing  
 Sponsor Rep. James  
 Requester House Labor & Commerce Component Serial No. 2360

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

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
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**FUND SOURCE (Thousands of Dollars)**

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

Estimate of any current year (FY99) cost: 0.0

**POSITIONS**

Full-time						
Part-time						
Temporary						

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

HB 382 provides for temporary social worker licenses and extends the date by which the individual must have a license to use the title "social worker." The division will absorb any additional work created by this bill within the existing budget.

Prepared by Jennifer Strickler, Administrative Manager Phone 465-2144  
 Division Occupational Licensing Date/Time 3/1/2000 9:30 AM.  
 Approved by Commissioner Deborah B. Sedwick Date 3/1/00  
 Agency Community & Economic Development

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From D. HSS



**The passage of HB 382 is crucial to the Division of Family and Youth Services.**

**HB 382 provides the Division and other agencies an ability hire social workers who meet the qualifications for a social work license and who have initiated the licensing process, but have not yet completed the process. This would be accomplished through the provision of a temporary license.**

The temporary license requires that the applicant meet the education and experience criteria of a regular license. Those who receive a temporary license have one year to complete the licensing process, including passing the exam, and having the licensing board review the complete application. Currently, the exam for all levels of social work licensure is available only in Anchorage and Fairbanks. This significantly increases the financial burden of taking the exam for many Alaskans. The temporary license provides applicants the ability gain professional employment while preparing for and taking the licensing exam.

The temporary license, will allow DFYS to recruit and hire qualified candidates without delay due to their licensing status. Candidates such as BSW students with DFYS Internship experience, will be able to start employment immediately after their graduation. The stipend program was designed specifically to increase the pool of candidates with child protective services experience. It seems logical that an intern with successful experience should be eligible for employment with DFYS, without delay.

Currently, University of Alaska at Anchorage and Fairbanks graduates approximately 80 students per year, through the School of Social Work. This number includes BSW's and MSW's. A significant number of these graduates indicate a desire to pursue employment in child protection. Being able to employ them prior to their sitting for the test will be extremely valuable.

**HB 382 allows current social workers an appropriate amount of time to make the decision to apply for a transitional license or not, and to financially afford the licensing processes.**

HB 382 would delay the implementation date the new licensing statute for one year, to July 1, 2001. This would allow current DFYS social workers and other social workers the necessary time to complete the licensing application and exam, if they choose to pursue a transitional license. The application and regulations were made available in late December. This has not provided current social workers adequate time to evaluate the impact this may have on their current and future employment. The extra year allows current social workers the time necessary to think through the process and have their questions answered. It allows current social workers time to prepare for the exam, and it allows time for DFYS to support social workers in preparing for the exam.

The Division of Family and Youth Services supports the move toward higher educational standards for our workforce. The division strongly supports HB 382 as it will allow for a time limited temporary license for qualified applicants and give the Division adequate time to prepare our current workforce for the changes.

# Alaska State Legislature

REPRESENTATIVE  
JEANNETTE JAMES

P.O. Box 56622  
North Pole, Alaska 99705  
(907) 488-1546  
FAX (907) 488-4271



While in Juneau  
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House of Representatives  
House District 34

## SPONSOR STATEMENT FOR HB 382

REPRESENTATIVE JEANNETTE JAMES

February 29, 2000

"An Act relating to the licensing of social workers and to the use of the title 'social worker' without a license; and providing for an effective date."

In 1998, I introduced HB 349 that prohibited the use of the title 'social worker' without a license. The intent was to promote, preserve and protect the health, safety and welfare of the public through the licensure of qualified social workers.

In 1999, the Division of Family and Youth Services found that the restrictions were creating hiring problems and they requested some changes. Experience has shown that the requirements for social workers within the state and private sector are too restrictive. There were problems due to the wide turnover of social workers, the limited pool of qualified applicants, and the difficulty for applicants to take the required licensing exam. More time is necessary for implementation of the law.

HB 382 will amend the current laws relating to social worker licensing by allowing the temporary licensing for newly hired social workers to obtain their social worker license (up to one year), providing they have met the educational qualifications and other requirements, including receipt of a completed application for a social worker license and the full payment of all fees. Secondly, HB 382 extends the provision AS 08.95.100(b)(1) relating to the criminal penalty for use of the title "social worker" without being licensed under AS 08.95 by one year to July 1, 2001.

**HB**

**398**

# FISCAL NOTE

No: 7

Bill Version: CSHB 398 (L&C)

(H) Publish Date: 3/6/00

**STATE OF ALASKA  
2000 LEGISLATIVE SESSION**

Revision Date/Time (Note if correction) \_\_\_\_\_ Dept. Affected Community & Economic Development  
 Title An Act relating to the Alaska Life and Health BRU Insurance  
 Insurance Guaranty Association \_\_\_\_\_ Component Insurance  
 Sponsor Representative Harris  
 Requester (H) L&C Component No. 354

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

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
-----------------------------	--	--	--	--	--	--

<b>CHANGE IN REVENUES ( )</b>						
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**FUND SOURCE (Thousands of Dollars)**

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

Estimate of any current year (FY2000) cost: 0.0

**POSITIONS**

Full-time						
Part-time						
Temporary						

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

No fiscal impact on this component.

Prepared by: Robert A. Lohr  
 Division Insurance  
 Approved by Commissioner Deborah B. Sedwick  
 Agency Community & Economic Development

Phone 269-7900  
 Date/Time 2-28-00 12:17 PM  
 Date 2-28-00

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## Teleconference Update Summary

TCN: 10784

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### Summary Data

TC Date: April 15, 2000	Moderator:
Time: 1:30 PM TO 3:00 PM	Toll Free Number: 800 368 8772
Status: Announced	Dial-up Number: 907 257-0740
Sponsor: SL&C: LABOR & COMMERCE	Personal Number: 907 258 8772
Chairs: Mackie	Testimony Allowed: Invitational
Purpose: PUB	Time Limit: 99 minutes
Contact: Dave Gray 4653844	Backup Material: No
	Meeting ID: none

Public Remarks:  
Internal Comments: DIRECT DIAL ONLY

### Agenda

Bill Number	Bill Subject
HE 310	ALASKA INSURANCE GUARANTY ASSOCIATION

*Daine Harvard and Don Thomas*

### LIC Sites

Chair	Name	Room
x	JUNEAU	CAP211

### VT Sites

Chair	Code	Name	Location	LIO
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### Off-net Sites

Chair	Code	Name	Location	Phone
	OF1	Michael Lessmier		907 257-0740

### Participants

Name	Type	Bill
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*Don*

*Daine - Thomas*

*Harvard*

*9-1-907-257-0740*

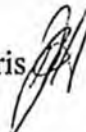


ALASKA STATE LEGISLATURE  
REPRESENTATIVE JOHN HARRIS  
STATE CAPITOL 110, JUNEAU, ALASKA 99801-1182 (907) 465-4859

MEMORANDUM

April 11, 2000

To: Senator Jerry Mackie, Chairman  
Senate Labor and Commerce Committee

From: Representative John Harris 

Subject: Scheduling for HB 398

Please schedule HB 398, relating to the Alaska Life and Health Insurance Guaranty Association, for consideration by the Senate Labor and Commerce committee as soon as your calendar will permit it. This bill adopts the most recent model Act of the National Association of Insurance Commissioners to the Alaska statutes.

Attached are sponsor statement and other background materials. If you need any further background information, please contact John Manly of my staff at 465-4859. Thank you.

## HB 398 – Alaska Life and Health Insurance Guaranty Association

In Summary, CSHB 398(Jud) adopts a model Act of the National Association of Insurance Commissioners to update Alaska's laws governing this particular guaranty association.

### What is the Alaska Life and Health Insurance Guaranty Association?

This particular guaranty association is established to protect the holders of life and health insurance policies if the insurance company that issued their policy becomes insolvent or goes out of business. Membership in the guaranty association is mandatory for every life and health insurer licensed to do business in Alaska. The guaranty association endeavors to place active policies with other companies so that coverage will continue uninterrupted.

### In general, CSHB 398(Jud) will:

- make sure guaranty association benefits are implemented more promptly, efficiently and at lower cost to policyholders
- clarify ambiguous language that currently could promote lawsuits
- provide added benefits to policyholders

### For a more complete explanation of specific changes, see sectional.

The sponsors of HB 398, the American Council of Life Insurers, have worked closely with the Division of Insurance on crafting the current CS, and the two are in agreement on every aspect of it, with the exception of a two-word amendment added by the Labor and Commerce committee (page 13, line 21 "or intervene").

## SUMMARY OF PRINCIPAL CHANGES TO THE NAIC LIFE AND HEALTH INSURANCE GUARANTY ASSOCIATION MODEL ACT

In 1997, the NAIC adopted a number of changes to the NAIC Life and Health Insurance Guaranty Association Model Act (Model Act). Taken together, these changes:

- A. Facilitate the implementation of guaranty association benefits more promptly and efficiently, thereby providing benefits to policyholders more expeditiously and at less cost.
- B. Clarify a number of provisions which could foster delay by promoting litigation.
- C. Provide additional benefits to policyholders.

In 1999, the ACIL proposed, and the NAIC subsequently adopted other amendments to the Model Act. These amendments clarified the appropriate coverage limits on equity indexed products and included a non-controversial provision noting that guaranty association coverage is not afforded to charitable gift annuities issued by entities that are not member insurers.

### Amendments to the Model Act include changes in the following areas:

#### 1. Coverage Issues

- a. A shift in the responsible guaranty association for structured settlement annuities from the state of the residence of the owner to the state of the residence of the payee. The shift mitigates possible issues regarding a guaranty association's capacity to assess and make payments to policyholders.
- b. A shift in the responsible guaranty association for unallocated annuity contracts from the state of the residence of the owner to the state of the residence of the plan sponsor.
- c. A provision allowing all guaranty associations to take action with respect to an impaired insurer.
- d. Extension of coverage to residents of foreign countries
- e. Provisions clarifying or codifying guaranty association positions and practices, including (i) the determination of guaranty association limits, (ii) no payments to those who are offered a plan which fulfills guaranty association obligations but who decline to participate, (iii) exclusion of obligations not arising under the express written terms of the contract, (iv) the exclusion of claims covered by the PBGC, and (v) a definition of policy ownership (which excludes beneficial ownership).

- f. Exclusion of coverage of (i) synthetic GICs, (ii) economically immaterial policy guarantees, and (iii) benefits exceeding \$5,000,000 on COCI/BOLI products.

## II. Fulfillment of Obligations

- a. The domiciliary Insurance Director or Commissioner and the Receivership Court may approve alternative policies and rates, thereby allowing for a nationwide rehabilitation plan.
- b. The Association may provide substitute coverage of annuities.
- c. Deferral of payments of cash values during moratorium periods (except for hardships).
- d. The Guaranty Association Board of Directors has discretion, and may exercise reasonable business judgment, to determine means to provide benefits in an economical and efficient manner.

## III. Rights to Assets

- a. Provisions giving the guaranty associations rights under specified circumstances to reinsurance proceeds on claims arising after the insolvency, thereby allowing for the reinsurance to continue.
- b. Rights to a specified portion of special deposits.
- c. Rights to early access and to propose an early access plan.
- d. Clarification to subrogation rights, including a right to recover from a person that is paid amounts to which a guaranty association has subrogation rights.

## IV. Assessments

- a. Guaranty association may authorize and call an assessment at different times.
- b. Clarification regarding the 2% cap with respect to two or more insurers that become insolvent or impaired in different years.
- c. Eliminates requirement that other accounts be assessed once a line of business has been subject to a 1% assessment.

V. Miscellaneous

- a. Clarifications regarding the public representatives of the board of directors.
- b. Right to organize as a corporation or other legal form.
- c. Right to request information from a person seeking coverage and from member insurers.
- d. Elimination of the liberal construction rule.

**Alaska House Bill 398, a bill designed to update Chapter 79, The Alaska Life and Health Insurance Guaranty Association Act.**

**(Please note that references to the Model Act are to the NAIC Life and Health Insurance Guaranty Association Model Act, which is the basis for all proposed revisions to Chapter 79.)**

**Section 1.**

21.79.010

Would amend the *Purpose Section of Chapter 79* to reflect non-substantive differences between current law and the NAIC Life and Health Insurance Guaranty Association Model Act. The changes, while not changing the underlying law, will help to promote uniformity and consistency.

**Section 2. - Section 4.**

21.79.020

Would amend the *Scope Section of Chapter 79* to, among other things, exclude unallocated annuities and structured settlement annuities from the general rule that coverage is provided to owners; clarify circumstances under which a guaranty association provides coverage to non-resident policyowners; clarify coverage for equity indexed products; and, change the situs of guaranty association coverage for unallocated annuities.

**Section 5. - Section 6.**

21.79.025

Would amend the *Liability Limits Section of Chapter 79* to set forth the state life and health guaranty association's liability limits for health insurance benefits, disability insurance and unallocated annuities; and, clarifies that the state life and health insurance guaranty association is responsible only for the shortfall in estate assets within covered limits and, therefore, estate assets attributable to covered policies may reduce the amounts for which the guaranty association is responsible within such covered limits.

**Section 7. - Section 8**

21.79.030

Would amend the *Construction Section of Chapter 79* to clarify that, while the chapter should be construed to effect the purposes under Section 1., it should not be construed to provide coverage where none was intended.

**Section 9.**

21.79.040

Would amend the *Association Established Section of Chapter 79* to clarify those insurance products contained in the annuity and unallocated annuity accounts of the state life and health insurance guaranty association.

Section 10. - Section 11.

21.79.050

Would amend the *Board of Governors Section of Chapter 79* to clarify the director's role in appointing members to serve on the Alaska Life and Health Insurance Guaranty Association Board of Directors.

Section 12. - Section 24.

21.79.060

Would amend the *Powers and Duties of the Association Section of Chapter 79* to include foreign insurers; permit the domiciliary insurance director and the receivership court to approve different premium rates for re-issued policies, thereby providing full and complete regulatory and judicial review of any proposed changes; and, set forth the rights of the state life and health insurance guaranty association.

Section 25. - Section 31.

21.79.070

Would amend the *Assessments Section of Chapter 79* to allow the state life and health insurance guaranty association's board of directors flexibility in authorizing assessments by board resolution in one year, thereby utilizing available assessment capacity before year end; require the life and health insurance guaranty association to notify member insurers of all authorized assessments that have not been called; and, sets forth further procedures for assessing member insurers.

Section 32. - Section 34.

21.79.080

Would amend the *Plan of Operation Section of Chapter 79* by setting forth guidelines for the adoption of a plan of operation not disapproved by the director; and, expressly permits the life and health insurance guaranty association to conduct meetings telephonically.

Section 35.

21.79.100

Would amend the *Prevention of Insolvencies Section of Chapter 79* by setting forth the state life and health insurance guaranty association's authority and ability to make reports to the director.

Section 36. - Section 38.

21.79.110

Would amend the *Miscellaneous Provision of Chapter 79* to confirm the state life and health insurance guaranty association's entitlement to the receipt of assets out of the marshalled assets available to it as credits against paid contractual obligations; and, sets forth further rights and obligations of the state life and health insurance guaranty association.

Section 39.

21.79.120

Would amend the *Examination of the Association, Annual Report Section of Chapter 79* to state that the state life and health insurance guaranty association shall provide a copy of the report to a member insurer upon request.

Section 40.

21.79.140

Would amend the *Civil Immunity Section of Chapter 79* to clarify that the association, its agents, and the director and the director's agents are not civilly liable for actions taken in carrying out their duties, including participating in one or more life and health insurance guaranty associations.

Section 41.

21.79.150

Would amend the *Stay of Proceedings; Default Judgement Section of Chapter 79* to conform with technical changes to the Model Act.

Section 42.

21.79.160 -170-180

Would add a new section to *Chapter 79* regarding the prohibition on advertising the existence of the state life and health insurance guaranty association for marketing purposes. *also to determine principal place of business and residency of certain individuals*

Section 43. - Section 44.

21.79.900

Would amend the *Definitions Section of Chapter 79* to reflect recent changes to the Model Act, and incorporate appropriate definitions for changes made in earlier sections of the chapter.

The remaining sections of House Bill 398 reflect technical changes necessary to adopt revisions to Chapter 79.

