



February 4, 2011

**Representative Steve Thompson, chair
House Special Committee on Fisheries
Room 428 State Capitol
Juneau, AK 99801**

Dear Representative Thompson:

Governor Sean Parnell's legislation to establish a mariculture revolving loan program (HB 121) will help provide a needed boost to one of the most promising small business opportunities in economically distressed communities from the Panhandle to Kodiak. The Alaskan Shellfish Grower's Association (ASGA) urges you to hear the legislation as soon as possible and pass it on to the Resources with unanimous "do pass" recommendations.

The loan fund is patterned after the state's salmon hatchery loan program, a key component of what might be the most successful economic development initiatives by the State of Alaska. The long-term loans allowed private nonprofit hatcheries to cover construction and front-end operating costs while they undertook cooperative planning efforts with ADF&G and built cost recovery programs to repay the loans. The result is one of the most successful salmon enhancement programs in the world and huge economic contributions to the economies of coastal communities from Kodiak to Ketchikan.

Those Gulf of Alaska communities certainly need an economic boost now as outmigration of residents is startling. Consider the population projections by state economists for two census areas in the region: (1) Prince of Wales had 6,995 residents in 1996, but may drop to 3,894 in 2030, or a 56.6 percent decrease; and (2) Skagway-Hoonah-Angoon, 3,823-1,945, 62.2 percent decrease.

A broad coalition of community leaders, Native organizations, university, state and federal officials have identified shellfish farming as one of the top economic development opportunities in efforts to rebuild the economy of the Tongass National Forest. Overcoming high front-end costs and a long lag in revenues has been identified as the biggest obstacle to development of more shellfish farms.

HB 121 tackles that issue head-on with terms of up to 20 years and the ability to avoid interest accrual up to the first six years of a loan. The kind of terms provide the farmer with the ability of getting the farming operation going and build sales revenues before interest begins accruing and have to be made. To create a business with enough sales revenues to support a living wage, cover operating expenses, pay state lease and permit fees, and meet loan payments, a new oyster farmer might have to invest \$150,000 in

capital and forego salary for 3-4 years. Another \$10,000 will be spent paying tidelands lease fees and meeting DEC harvesting and processing requirements before revenues begin flowing.

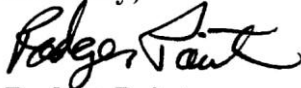
It takes 3-4 years to move a crop of oysters through a farm and geoduck clams might take 8 years. Once yearly crops begin rotating through the farm a steady income flow is created.

Numerous new shellfish farms are developing in Southeast as two unique mariculture "incubator" projects produce their first crop of "graduates." Five new farmers recently completed Naukati's "Weekend Warrior" program and Sealaska has created joint ventures in Kake and Yakutat that are supporting eight shellfish farming apprentices in four new small businesses. The loan fund would be a tremendous help to these new small business operators.

Governor Parnell's legislation is the best solution to the major roadblock to creation of an industry composed of independent small businesses located in rural Alaska. That's why the legislation also is supported by the Southeast Conference (a unique coalition of communities and businesses) and the Southeast Shellfish Mariculture Coalition (Sealaska, Yak-Tat Kwaan, Organized Village of Kake, Shaan-Seet, Organized Village of Kasaan, Alaska Oyster Cooperative, OceansAlaska and ASGA).

I'd be pleased to provide any additional information you may require. Thank you for considering our request.

Sincerely,

A handwritten signature in black ink, appearing to read "Rodger Painter", with a stylized flourish at the end.

**Rodger Painter
ASGA President**

c.c. Representative Craig Johnson
 Representative Alan Austerman
 Representative Bob Herron
 Representative Lance Pruitt
 Representative Scott Kawasaki
 Representative Bob Miller