
MADE IN ALASKA

MARICULTURE

To: Senator Anna MacKinnon, Co-Chair
Senate Finance Committee
Senator.Anna.MacKinnon@akleg.gov

From: Julie Decker, Chair
Alaska Mariculture Task Force

RE: Clarification of questions on HB 76 – Mariculture Revolving Loan Fund

Dear Members of the Senate Finance Committee,

April 16, 2018

On behalf of the Alaska Mariculture Task Force, I am writing to help clarify questions the Senate Finance Committee may have related to HB 76, specifically related to the following:

- why it is necessary for the state to make loans for these purposes;
- the need for the grant section of the bill; and
- how these non-profit entities interact with for-profit businesses to create additional economic opportunities.

First, it is important for the state to provide loans for the purposes of shellfish or seaweed hatcheries or enhancement projects, because private banks are highly unlikely to lend under these circumstances. Mariculture is a new area of development in Alaska, therefore, shellfish or seaweed hatcheries or enhancement projects have little or no history of production to assure private lenders. Additionally, these non-profits are supplying a product (seed) which is then placed into “common property” (in the case of enhancement) or provided to farmers (in the case of aquatic farming) and the non-profit no longer owns the product, rather it is available to others from which to benefit.

It is a question of public policy to determine whether or not the state is appropriate to accept higher risk at the developmental stage of this industry. The Task Force believes it is appropriate, because the risk is outweighed by the long-term benefit provided to the state in the form of increased economic opportunities and jobs in commercial fishing, aquatic farming, and seafood processing. This represents a common example of public-private partnerships in developing new industries, and Alaska has a successful model in the salmon industry of a similar public-private partnership which spurred long-term economic benefits for the state (Fisheries Enhancement Revolving Loan Fund - AS 16.10.500-560).

Second, the grant section of this bill would provide one-time organizational and planning grants up to \$100,000, to non-profit hatcheries or enhancement projects, and cap the total grants made from the fund at \$500,000. The grant component is needed in order to provide initial seed funds which will spur development more quickly and is similar to the salmon model in the Fisheries Enhancement Revolving Loan Fund (AS 16.10.510(8)). The reality is that these grant funds will only represent a small portion of the total private investment which will be required

to sustain these organizations and operations long-term (i.e. through voluntary assessments, seed sales, or some other cost recovery methods).

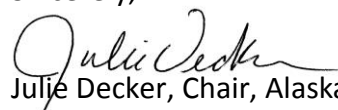
Making grants from the Mariculture Revolving Loan Fund reduces the overall Fund (again, capped at \$500,000 or 10% of the total Fund principal) and induces additional risk to the long-term solvency of the Fund. However, it is more important to put this investment capital to work developing the mariculture industry in these identified areas of critical need, particularly now that there is a statewide comprehensive plan in place and increased private investment interest in aquatic farming and enhancement opportunities. During this period of reduced state revenues, it is critically important that the State fully utilize its existing financial assets to diversify its economy.

Third, it is important to note the role of these non-profit organizations in providing for-profit businesses with expanded economic opportunities related to commercial fishing, aquatic farming and seafood processing. These non-profits provide for a type of “infrastructure” that is absolutely necessary for the industry – production of seed or juveniles. The seed will either be released into the wild (enhancement) or be provided to individual farmers. The seed will be grown out in coastal Alaska waters and then be harvested, processed, and sold by for-profit businesses. Shellfish enhancement (similar to salmon enhancement) would never be conducted by a private business, because of Alaska’s common property laws (the entity conducting enhancement does not retain ownership of the product). As the aquatic farming industry grows, and larger farms demonstrate their success in Alaska, it is likely that some private businesses will vertically integrate a private hatchery into their business plans. For example, Taylor Shellfish operates its own private hatchery. It is also the largest shellfish farming company in the U.S., has been in business for over a century, and has current annual revenues of approximately \$70-100 million. However, Alaska’s industry is at a developmental stage during which private investors usually limit their exposure to risk and develop their businesses incrementally, beginning with first growing, harvesting, and selling the product.

In closing, HB 76 expands the use of the Mariculture Revolving Loan Fund by allowing it to also be used as investment towards the development of critical “infrastructure” components of the mariculture industry: shellfish and seaweed hatcheries, or enhancement projects. The Fund represents a relatively small amount of capital, however, if invested correctly, it could make a big impact in advancing the mariculture industry.

The goal of the ***Alaska Mariculture Development Plan*** ([see link](#)) is to grow a \$100 million industry in 20 years. Mariculture Task Force has identified HB 76 as one of the top priorities in order to reach this goal. Consequently, the Task Force supports this bill. Thank you for your time and consideration. If you have any further questions, please do not hesitate to contact me.

Sincerely,



Julie Decker, Chair, Alaska Mariculture Task Force