

Fiscal Note

State of Alaska
2016 Legislative Session

Bill Version: HB 366
Fiscal Note Number: _____
() Publish Date: _____

Identifier: HB366-DFG-CFEC-03-16-16
Title: COMM. FISH. ENTRY PERMIT LOANS & BANKS
Sponsor: KREISS-TOMKINS
Requester: House Fisheries

Department: Department of Fish and Game
Appropriation: Commercial Fisheries
Allocation: Commercial Fisheries Entry Commission
OMB Component Number: 471

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2017	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2017 Request	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
OPERATING EXPENDITURES	FY 2017	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Fund Source (Operating Only)

None							
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues							
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Estimated SUPPLEMENTAL (FY2016) cost: 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2017) cost: 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? **Yes**
If yes, by what date are the regulations to be adopted, amended or repealed? **12/31/16**

Why this fiscal note differs from previous version:

Not applicable, initial version.

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Division: <u>Commercial Fisheries Entry Commission</u>	Date: <u>03/16/2016 04:49 PM</u>
Approved By: <u>Benjamin E. Brown, Commissioner</u>	Date: <u>03/16/16</u>
Agency: <u>Fish and Game</u>	

FISCAL NOTE ANALYSIS

STATE OF ALASKA
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Analysis

The Alaska Commercial Fisheries Entry Commission (CFEC) would work to adjust its structure and operations as necessary in order to implement the provisions of House Bill 366 if it were to become law.

After consideration by staff, CFEC is proceeding with the hypothesis that the total number of limited entry permits held by all permit banks would not be likely to exceed 160, and would probably not reach that number for some time. This figure is based on an estimate of 16 regions each with a single permit bank each (derived from the 16 CFEC Administrative Areas found in 20 AAC 05.230(a)(3)). Under AS 16.44.060(a), each permit bank could only own permits in its own region, and would be limited to holding no more than four percent of that bank's respective fishery participation (which often would mean less than 10). Proposed AS 16.44.060(b) would allow for an exception to the ten-permit cap if acquisition of additional permits would, "... make the portfolio of entry permits held by the permit bank a better representation of the permits issued for all fisheries in the permit bank region."

Proposed AS 16.44.060(b) would further allow a permit bank to acquire a single additional permit, "... if the acquisition ... would make the portfolio of entry permits held by the permit bank less representative of the permits issued for the fisheries in the permit bank region." Proposed AS 16.44.060(d) would also allow the board of directors of a permit bank that had reached its maximum portfolio size to vote by super-majority to seek a waiver from the Commissioner of Commerce, Community & Economic Development, which would be granted if the waiver would assist the permit bank in achieving the purposes of 16.44.010(a). As these exceptions are either not self-explanatory or otherwise impracticable for incorporation into a hypothetical analysis, CFEC's analysis assumes each permit bank's maximum portfolio will not go beyond ten permits, yielding a potential 160 limited entry permits held under bank authority.

The passage of HB 366 would change two fundamental principles enshrined in the Limited Entry Act which guide CFEC's daily operations:

Corporations, companies, and other entities that are not persons cannot own permits.

Leasing permits is not currently legal.

CFEC envisions some possible ability for permit banks to digitally interact with the commission as well as limited management functionality. The underlying data structure of our current licensing system would change somewhat radically with the introduction of these corporate entities and a new data structure, data normalization, and web deliverable would need to be built by programmers. CFEC believe this could be done with approximately 24 months of full-time programming for an Analyst/Programmer IV, Analyst/Programmer V and a Database Project Manager. All three positions are assumed to be competent programmers, database aware and have sufficient institutional knowledge of CFEC and general fishery management.

As CFEC's Research Section monitors and conducts quality control on the data in those databases, it would mean a small increase in monitoring work for the Research Section. However, it would be prudent to capture and report basic economic information on the leases, and to capture and report on actual performance of the leases in the fisheries.

Reporting would include regularly publishing a '*Lease Value Report*' similar to the Research Section task of publishing the *Permit Value Report*.

Reporting would also include publication of '*Lease holdings of CFEC permits and estimates of Gross Earnings*,' an annual report with a rigorous look at the basic economics and performance of the leases in the fisheries. If HB 366 were to become law and CFEC were to publish a report '*Lease holdings of CFEC permits and estimates of Gross Earnings*,' it would be additional reporting, requiring additional Research Analyst III time.

FISCAL NOTE ANALYSIS

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Analysis Continued

Taken together, performing a regular *'Lease Value Report'* and annually publishing a report *'Lease holdings of CFEC permits and estimates of Gross Earnings,'* the increased workload for the Research Section would require approximately 5 months of Research Analyst III time.

CFEC further assumes that the permit bank leases changing hands could create a corresponding CFEC transfer (either permanent transfers or emergency transfers) and CFEC vessel licensing changes in a year, potentially creating additional undetermined workload for licensing and adjudications.

CFEC also notes that it is unclear what ultimate fiscal impact HB 366 would have on the entity responsible for developing systems to record and report on the types of transactions outlined in this legislation. The scope and effect of Administrative Order 279 (which authorized the transfer of ministerial licensing and permitting services from CFEC to DFG) is currently under consideration.