

**ALASKA STATE LEGISLATURE  
HOUSE RESOURCES STANDING COMMITTEE**

March 6, 2002

1:14 p.m.

**MEMBERS PRESENT**

Representative Drew Scalzi, Co-Chair  
Representative Hugh Fate, Vice Chair  
Representative Joe Green  
Representative Lesil McGuire  
Representative Gary Stevens  
Representative Mary Kapsner

**MEMBERS ABSENT**

Representative Beverly Masek, Co-Chair  
Representative Mike Chenault  
Representative Beth Kerttula

**COMMITTEE CALENDAR**

HOUSE BILL NO. 390

"An Act extending the termination dates of certain activities and salmon marketing programs of the Alaska Seafood Marketing Institute and of the salmon marketing tax; expanding the allowable use of that tax for the salmon marketing programs of the Alaska Seafood Marketing Institute; relating to the Alaska Seafood Marketing Institute's salmon marketing committee; and providing for an effective date."

- MOVED HB 390 OUT OF COMMITTEE

HOUSE BILL NO. 287

"An Act relating to the exemption of commercial fishing entry permits from claims of creditors, to loans to satisfy past due federal tax obligations of commercial fishing entry permit holders, and to loan origination charges for loans made by the commercial fishing loan program to refinance a debt obligation; and providing for an effective date."

- MOVED CSHB 287(FSH) OUT OF COMMITTEE

HOUSE BILL NO. 208

"An Act relating to aquatic farming of shellfish; and providing for an effective date."

- MOVED CSHB 208(RES) OUT OF COMMITTEE

HOUSE BILL NO. 503

"An Act relating to evaluating state assumption of the wastewater discharge program under the federal Clean Water Act; and providing for an effective date."

- SCHEDULED BUT NOT HEARD

**PREVIOUS ACTION**

BILL: HB 390

SHORT TITLE:ASMI SALMON MARKETING &MARKTNG TAX

SPONSOR(S): REPRESENTATIVE(S)MCGUIRE

Jrn-Date	Jrn-Page		Action
02/08/02	2181	(H)	READ THE FIRST TIME - REFERRALS
02/08/02	2181	(H)	FSH, RES
02/25/02		(H)	FSH AT 3:30 PM CAPITOL 124
02/25/02		(H)	Moved Out of Committee
02/25/02		(H)	MINUTE(FSH)
02/27/02	2405	(H)	FSH RPT 6DP
02/27/02	2405	(H)	DP: DYSON, COGHILL, SCALZI, KERTTULA,
02/27/02	2405	(H)	WILSON, STEVENS
02/27/02	2405	(H)	FN1: (CED)
02/27/02	2418	(H)	COSPONSOR(S): KERTTULA
03/01/02	2444	(H)	FIN REFERRAL ADDED AFTER RES
03/06/02		(H)	RES AT 1:00 PM CAPITOL 124

BILL: HB 287

SHORT TITLE:EXEMPT ENTRY PERMITS FROM CREDITOR CLAIMS

SPONSOR(S): REPRESENTATIVE(S)SCALZI

Jrn-Date	Jrn-Page		Action
01/04/02	1950	(H)	PREFILE RELEASED 1/4/02
01/14/02	1950	(H)	READ THE FIRST TIME - REFERRALS
01/14/02	1950	(H)	FSH, RES, FIN
01/18/02	2014	(H)	COSPONSOR(S): HUDSON
01/30/02	2101	(H)	COSPONSOR(S): FATE
03/04/02		(H)	FSH AT 3:30 PM CAPITOL 124
03/04/02		(H)	Moved CSHB 287(FSH) Out of Committee
03/04/02		(H)	MINUTE(FSH)
03/06/02	2484	(H)	FSH RPT CS(FSH) NT 3DP 2AM

03/06/02	2484	(H)	DP: SCALZI, KAPSNER, STEVENS;
03/06/02	2484	(H)	AM: COGHILL, KERTTULA
03/06/02	2485	(H)	FN1: ZERO(DFG)
03/06/02	2485	(H)	FN2: (CED)
03/06/02		(H)	RES AT 1:00 PM CAPITOL 124

BILL: HB 208

SHORT TITLE:AQUATIC FARMS FOR SHELLFISH

SPONSOR(S): REPRESENTATIVE(S)SCALZI

Jrn-Date	Jrn-Page		Action
03/23/01	0705	(H)	READ THE FIRST TIME - REFERRALS
03/23/01	0705	(H)	FSH, RES, FIN
03/04/02		(H)	FSH AT 3:30 PM CAPITOL 124
03/04/02		(H)	Moved CSHB 208(FSH) Out of Committee
03/04/02		(H)	MINUTE(FSH)
03/06/02	2484	(H)	FSH RPT CS(FSH) 2DP 3AM
03/06/02	2484	(H)	DP: SCALZI, STEVENS; AM: COGHILL;
03/06/02	2484	(H)	KERTTULA, KAPSNER
03/06/02	2484	(H)	FN1: ZERO(DEC)
03/06/02	2484	(H)	FN2: (DNR)
03/06/02	2496	(H)	COSPONSOR(S): MCGUIRE
03/06/02		(H)	RES AT 1:00 PM CAPITOL 124

**WITNESS REGISTER**

SUE ASPELUND, Executive Director  
Cordova District Fisherman United (CDFU)  
P.O. Box 939  
Cordova, Alaska 99574

POSITION STATEMENT: Testified in support of HB 390 on behalf of CDFU and, as Bristol Bay fishermen, on behalf of herself and her daughter; testified in support of HB 287 on behalf of CDFU.

RODGER PAINTER, Shellfish Farmer  
P.O. Box 20704  
Juneau, Alaska 99802

POSITION STATEMENT: Testified in support of HB 390 and HB 208.

BARBARA BELKNAP, Executive Director  
Alaska Seafood Marketing Institute (ASMI)  
Department of Community & Economic Development  
311 North Franklin, Suite 200  
Juneau Alaska 99801-1147

POSITION STATEMENT: Testified on behalf of ASMI in favor of HB 390.

KATHY HANSEN, Executive Director  
Southeast Alaska Fishermen's Alliance  
9369 North Douglas Highway  
Juneau, Alaska 99801

POSITION STATEMENT: Testified in support of HB 390.

GERALD (JERRY) McCUNE, Lobbyist  
for United Fishermen of Alaska (UFA)  
211 Fourth Street, Suite 110  
Juneau, Alaska 998901

POSITION STATEMENT: Testified in support of HB 390.

ROBIN SAMUELSEN  
Bristol Bay Economic Development Corporation (BBEDC)  
P.O. Box 412  
Dillingham, Alaska 99576

POSITION STATEMENT: Testified in support of HB 390.

BRUCE HENDRICKSON, Commercial Fisherman  
P.O. Box 1439  
Homer, Alaska 99603

POSITION STATEMENT: Testified with regard to his proposed amendment to HB 287.

GREG WINEGAR, Director  
Division of Investments  
Department of Community & Economic Development  
P.O. Box 34159  
Juneau Alaska 99803-4159

POSITION STATEMENT: Answered specific questions regarding HB 287 on behalf of the department.

CHERYL SUTTON  
P.O. Box 39214  
Ninilchik, Alaska 99369

POSITION STATEMENT: Testified in support of HB 287.

STEPHEN LaCROIX, Aquatic Farm Applicant  
P.O. Box 5868  
Ketchikan, Alaska 99901

POSITION STATEMENT: Testified in support of HB 208 and reminded the committee that leases had been extended to ten years.

BOB LOEFFLER, Director

Division of Mining, Land and Water  
Department of Natural Resources  
550 West 7th Avenue, Suite 1070  
Anchorage, Alaska 99501-3579

POSITION STATEMENT: Gave the department's support to HB 208 and answered questions.

ROBERT HARTLEY  
Alaska Shellfish Growers Association (ASGA)  
P.O. Box 2284  
Homer, Alaska 99603

POSITION STATEMENT: Testified in support of HB 208 and indicated it would solve many problems for shellfish farmers.

DOUG MECUM, Director  
Division of Commercial Fisheries  
Alaska Department of Fish & Game (ADF&G)  
P.O. Box 25526  
Juneau Alaska 99802-5526

POSITION STATEMENT: Testified in support of HB 208 on behalf of the department.

#### **ACTION NARRATIVE**

TAPE 02-15, SIDE A  
Number 0001

CO-CHAIR DREW SCALZI called the House Resources Standing Committee meeting to order at 1:14 p.m. Representatives Scalzi, Fate, McGuire, Green, and Stevens were present at the call to order. Representative Kapsner arrived as the meeting was in progress.

#### **HB 390-ASMI SALMON MARKETING**

CO-CHAIR SCALZI announced that the first order of business would be HOUSE BILL NO. 390, "An Act extending the termination dates of certain activities and salmon marketing programs of the Alaska Seafood Marketing Institute and of the salmon marketing tax; expanding the allowable use of that tax for the salmon marketing programs of the Alaska Seafood Marketing Institute; relating to the Alaska Seafood Marketing Institute's salmon marketing committee; and providing for an effective date."

[There was a motion to adopt HB 390 as the working document, but it was already before the committee.]

Number 0120

REPRESENTATIVE McGUIRE, speaking as the sponsor, explained that HB 390 simply extends the sunset date for five years so the Alaska Seafood Marketing Institute (ASMI) can carry on its business. Representative McGuire commented, "They've certainly done a good job, I think, of looking to the people who are going to benefit from it the most, expecting from them a reasonable tax and then using that tax to ... market our seafood and bring dollars back to the State of Alaska."

REPRESENTATIVE McGUIRE pointed out that the bill contains one substantive change. She'd chosen to remove the domestic salmon marketing language in order to allow ASMI flexibility to choose to market its seafood as it sees fit. She explained that she believes ASMI shouldn't be given a tool that is then micromanaged. She said ASMI, with its board, is capable of making decisions in response to the various marketing demands.

REPRESENTATIVE McGUIRE informed the committee that in discussions with Barbara Belknap of ASMI, she'd understood that ASMI doesn't intend to simply shift "all those dollars" away from domestic marketing. Furthermore, ASMI believes [the domestic market] is an important part of the market. However, this flexibility may be utilized in reaching out to the international markets. Representative McGuire noted that the committee packet should include letters of support.

Number 0468

SUE ASPELUND, Executive Director, Cordova District Fisherman United (CDFU), testified via teleconference. Ms. Aspelund informed the committee that CDFU has been involved with the successful promotion of Copper River salmon and thus feels qualified to comment on seafood marketing in Alaska.

MS. ASPELUND announced that CDFU fully supports the 1-percent salmon assessment reauthorization this year. She emphasized that passage this year is very important for project planning and program stability. Furthermore, CDFU supports lifting the domestic marketing restrictions, since it would provide ASMI the flexibility to adapt to changing market conditions. For example, had ASMI had this flexibility during the mad cow disease outbreak, "we" would've been better poised to take advantage of that potential market opportunity overseas. Additionally, lifting the domestic marketing restrictions will allow access to more matching dollars.

MS. ASPELUND turned to the concerns regarding decreasing the domestic marketing program. She highlighted that [the fishing industry] has enjoyed a \$5-million boost in domestic marketing through the "Northwest TAT (ph) grants." Currently, an excellent domestic marketing program is in place, she said.

MS. ASPELUND testified briefly on behalf of herself and her daughter, as Bristol Bay fishermen. Ms. Aspelund said she and her daughter support reauthorization and lifting of the domestic marketing authorization.

Number 0608

RODGER PAINTER, Shellfish Farmer, testified in support of HB 390. Mr. Painter informed the committee that he has been a board member of ASMI for the past eight to ten years. Although [HB 390 refers to] a tax on salmon harvesters, he stressed that it's critical to ASMI. He related his belief that without the 1-percent tax, ASMI wouldn't have a viable program in the U.S. marketplace. Mr. Painter also pointed out that ASMI does much for the entire [fishing] industry. Although the dollars coming in for salmon marketing are directed at the salmon program, he said they create "tremendous coattails for the rest of us to ride on." Mr. Painter urged the committee to support HB 390.

Number 0743

BARBARA BELKNAP, Executive Director, Alaska Seafood Marketing Institute (ASMI), Department of Community & Economic Development (DCED), explained that ASMI is supported by industry assessments and federal grants. The salmon fishermen's 1 percent amounted to \$2 million for this fiscal year, and the .3-percent processor tax on all seafood contributed \$2.8 million. She explained that in fiscal year 2000, the salmon tax constituted 51 percent of ASMI's tax [receipts], whereas the processor tax constituted 40 percent. Next fiscal year, the portion from the processor tax will rise to 61 percent, while the portion from the salmon tax will decrease to 38 percent. Those figures illustrate the decline in salmon prices.

MS. BELKNAP informed the committee that the ASMI Board of Directors had voted to support the removal of the restriction on the 1-percent [tax] for domestic marketing. Furthermore, the Salmon Marketing Committee that oversees the 1-percent tax also supported the removal of the domestic restriction as well as allowing the ASMI Board of Directors to determine where those

funds are spent overall. She noted that the [Salmon Marketing Committee] will continue to be present as a oversight committee.

Number 0873

REPRESENTATIVE STEVENS inquired as to the impact if [HB 390] isn't [passed].

MS. BELKNAP answered that ASMI wouldn't be able to match grants. Currently, ASMI is in the second year of a \$5-million grant that is a dollar-for-dollar match. That grant was spread over three years in order that it could be matched with the 1-percent dollars. Without the 1-percent tax, ASMI wouldn't be able to try for other grants. Furthermore, there wouldn't really be a viable program. She remarked that at a certain point, either more money must be put in or the method of operation would have to change.

Number 1008

KATHY HANSEN, Executive Director, Southeast Alaska Fishermen's Alliance, testified in support of HB 390. She explained the importance of passing the 1-percent tax this year so ASMI doesn't get into the same crunch as the last time the 1-percent ASMI tax was renewed. The last time, ASMI proceeded into the summer without knowing that the 1-percent tax was renewed; thus no planning could be done. She felt that a summer's worth of promotion was lost.

MS. HANSEN also announced support for lifting the domestic restriction. She emphasized that ASMI has had an incredible ability to obtain matching funds. For instance, ASMI has leveraged as much as \$9-\$12 per \$1. [Through] the ability to free up a small amount of domestic marketing and leverage it as mentioned, the marketing ability is greatly increased, and it benefits everyone.

Number 1120

GERALD (JERRY) McCUNE, Lobbyist for United Fishermen of Alaska (UFA), testified in support of HB 390. He expressed the importance of getting HB 390 moving in order to make plans for the future.

Number 1186

ROBIN SAMUELSEN, Bristol Bay Economic Development Corporation (BBEDC), testified via teleconference in support of HB 390. He related the belief that this assessment is necessary, especially in light of salmon farming.

CO-CHAIR SCALZI closed public testimony on HB 390.

Number 1258

REPRESENTATIVE FATE moved to report HB 390 out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, HB 390 was moved out of the House Resources Standing Committee.

HB 287-EXEMPT ENTRY PERMITS FROM CREDITOR CLAIMS

Number 1287

CO-CHAIR SCALZI announced the next matter before the committee, HOUSE BILL NO. 287, "An Act relating to the exemption of commercial fishing entry permits from claims of creditors, to loans to satisfy past due federal tax obligations of commercial fishing entry permit holders, and to loan origination charges for loans made by the commercial fishing loan program to refinance a debt obligation; and providing for an effective date."

Number 1339

[There was a motion to adopt CSHB 287(FSH), labeled 22-LS1106\L, but it already was before the committee.]

CO-CHAIR SCALZI, speaking as sponsor of HB 287, characterized the bill as a reauthorization of the state's current federal tax loan program. Reauthorization would prevent the program from being phased out by a "sunset" provision. Co-Chair Scalzi told the committee that this would be the second reauthorization of the program. It would allow up to \$30,000 to be leveraged from the state loan program for federal tax obligations. He pointed out that the bill would eliminate the .5-percent loan fee that goes along with the current program. He characterized the process as streamlined and not expensive to the department. He said the expense of the loss of the .5-percent fee would be borne by the loan program itself, not the general fund.

CO-CHAIR SCALZI spoke to the problem of creditors trying to place liens on entry permits. The bill makes clear the fact

that commercial fishing entry permits are not property, but rather "user rights" allowed by the State of Alaska to help manage the state's fisheries. He referred to page 8, Section 7, and said it specifies [in AS 16.10.333 - 16.10.338, AS 16.43.170(g), AS 44.81.215, and AS 44.81.231 - 44.81.250] what permits may be used to satisfy claims of creditors, including the Division of [Investments]. Co-Chair Scalzi mentioned [Section] 9 of the bill and stated his wish to have the department address it.

Number 1570

ROBIN SAMUELSON, Bristol Bay Economic Development Corporation (BBEDC), testified via teleconference. He characterized the bill as very important to the people of Bristol Bay. He said BBEDC has a Bristol Bay [entry] permit brokerage that deals with permit financing problems; it dealt with 161 individuals who were at risk of losing their permits in the previous year. He said in the current year 361 people were in trouble; these people are watershed residents. He said the bill would help to protect the fishermen of his community and the state as a whole.

Number 1652

BRUCE HENDRICKSON, Commercial Fisherman, testified via teleconference. He made reference to a letter he'd sent the committee with a proposed amendment to HB 287. The amendment would be to add a section to AS 16.10.333 that authorizes the Division of Investments to "write down the value of permit loans to the most recent value of the last two sales of the loan in cases where the decline in value exceeds one-third of the value of the loan." He asked the committee to keep their minds open to his suggestions.

Number 1781

GREG WINEGAR, Director, Division of Investments, Department of Community & Economic Development, testified before the committee. He told the committee that the sunset of the tax obligation program would be disenabled by the bill. The program is not large in volume - the division has made about 300 loans since the program's inception - but it is an important tool for the division to work with individuals who are in difficulties with the Internal Revenue Service (IRS).

MR. WINEGAR also addressed the removal of the .5-percent origination fee for the refinancing program. The refinancing

program has been very popular on account of the low interest rates in recent years. Mr. Winegar said the removal of the fee would reduce the amount of money going into the fund but would not injure the integrity of the fund, since it is very strong and receives no general fund monies. If the bill is not signed into law before the tax obligation sunsets, a provision in the bill would remove the sunset provision.

Number 1898

CO-CHAIR SCALZI asked if the fact that much of the bill concerns the expiration date was the reason for the bill's lengthiness.

MR. WINEGAR answered in the affirmative.

CO-CHAIR SCALZI brought up the refinancing fee and asked Mr. Winegar what the department's opinion was with regard to it.

MR. WINEGAR characterized the department's process of dealing with the refinancing of loans as "very streamlined." The application is one page, and the department is processed internally. He said the process would not cause any difficulties.

CO-CHAIR SCALZI asked rhetorically if the .5-percent savings on refinancing would be a help to fishermen in the current times of low prices for fish and permits.

MR. WINEGAR said that was correct.

CO-CHAIR SCALZI raised the "once in a lifetime" provision that would provide loans for federal tax relief. He referred to the discussion in the House Special Committee on Fisheries about whether or not people would seek this tax relief every year. He said that was not the intent of the bill. He asked Mr. Winegar to expand on what result the department envisioned from changing from a once-in-a-lifetime opportunity to one available once a year.

Number 2025

MR. WINEGAR told the committee this change was to provide the department the flexibility to help people more than once. He expressed his belief that people would not abuse the program by getting the loan every year because it is a loan [that must be repaid], and the department would treat it as such when reviewing collateral, repayment, and debt service.

Number 2072

REPRESENTATIVE STEVENS pointed out that the only reason to obtain loans every year would be a reduction in interest rates.

MR. WINEGAR said currently there is no restriction to the refinancing program. The restriction comes into play for the tax obligation program. Under the bill, the program would be able to assist fishermen with tax relief multiple times, instead of just once.

Number 2133

REPRESENTATIVE FATE asked what the process is for reviewing loan applications, especially for second and third loans.

MR. WINEGAR answered that the loans would be treated like any other loans. Applicants would fill out a complete application. The division would look at credit and collateral, among other things.

REPRESENTATIVE FATE asked if the loans would be reviewed within the department.

MR. WINEGAR answered in the affirmative.

REPRESENTATIVE KAPSNER said she thought it was a great bill because it protected the market for permits by precluding the IRS from seizing and selling permits at very low levels. The state is able to keep the permit market healthy with the bill.

Number 2249

SUE ASPELUND, Cordova District Fishermen United (CDFU), testified via teleconference. She characterized HB 287 as another "important tool in the box" for fishermen to utilize during the current downturn in the industry. She called the bill a "buffer" during a difficult time. She said the help may not be large in terms of dollars, but might mean the difference between being able to work or not. She gave CDFU's support to the bill.

Number 2308

KATHY HANSEN, Executive Director, Southeast Alaska Fishermen's Alliance, gave her group's support to the bill and characterized it as "a tool that we need in order to function."

Number 2340

MARY McDOWELL, Commissioner, Commercial Fisheries Entry Commission (CFEC), Alaska Department of Fish and Game (ADF&G), testified before the committee. She said Sections 1, 5, 6, and 7 would clarify and firm up the legal status of limited entry permits under state law. She announced that the State of Alaska has always maintained that limited entry permits are not property and are not to be seized by creditors. In the current Limited Entry Act - AS 16.43.150(e) - "An entry permit constitutes a use privilege that may be modified or revoked by the legislature without compensation." She qualified this as an important part of the state's fisheries management system because it ensures the state's control of fishing privileges.

MS. McDOWELL warned that if the legal status of entry permits were left open in any way to varying interpretations, it could be detrimental to the interests of the state. If the argument could be made that permits are property, and thereby available to seizure by creditors, the state's fisheries management program could be destabilized. The state could lose control to the courts. She characterized the issue as especially important in the current times of struggling fisheries.

Number 2444

MS. McDOWELL referred to Section 1 of [CSHB 287(FSH)] and said it revises Title 9, the Code of Civil Procedure. She said that the current law includes entry permits in the list of types of property entitled to exemption; there might be the implication that permits are property because they show up in a list of exempt properties. The bill removes permits from that section of Title 9 and places precise language in Section 5 of the bill - page 7, line 26 - that states clearly that an entry permit is not property.

MS. McDOWELL said Section 6, page 7, lines 30-31, inserts language in the limited entry statutes that makes it absolutely clear that the only time a person may request the commission to transfer an entry permit, due to an execution on the permit, is if that execution is for the purpose of enforcing a lien recorded with the commission under the statutes of the Child Support Enforcement Division (CSED).

MS. McDOWELL said Section 7, page 8, lines 19-24, spells out that fishing privileges are exempt from the claims of all creditors, except for fishing loans under the Division of Investments and under the Commercial Fishing and Agriculture Bank (CFAB) - the only two institutions allowed to treat permits as collateral - and for CSED's authority to place a lien on a permit. Ms. McDowell urged the bill's passage.

Number 2553

GERALD (JERRY) McCUNE, Lobbyist for United Fishermen of Alaska (UFA), testified before the committee. He characterized the bill as very important because in many villages, people's only livelihood is from fishing. He said taking away someone's permit takes away the ability to feed one's family. There are many fishermen who would benefit from the removal of the .5-percent fee for refinancing, he suggested.

Number 2606

CHERYL SUTTON testified before the committee. She addressed a point made by Representative Kapsner by saying the IRS has attempted to seize permits but has never been successful in doing so. She said the Commercial Fisheries Entry Commission's position has become more tenuous since then. This bill strengthens the commission's position by classifying the permit as a fishing privilege rather than property.

MS. SUTTON said she was aware that Co-Chair Scalzi had the situation of fishermen in Bristol Bay in mind when he added the portions of the bill concerned with federal taxes. She said the bill was "so necessary" and expressed her wish that it be approved and moved forward.

Number 2685

REPRESENTATIVE STEVENS moved to report CSHB 287(FSH) out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, CSHB 287(FSH) was moved out of House Resources Standing Committee.

#### HB 208-AQUATIC FARMS FOR SHELLFISH

CO-CHAIR SCALZI announced the final matter before the committee, HOUSE BILL NO. 208, "An Act relating to aquatic farming of shellfish; and providing for an effective date."

REPRESENTATIVE GREEN made a motion to adopt the proposed committee substitute (CS), version 22-LS0763\P, Utermohle, 3/5/02, as the working document. There being no objection, Version P was before the committee.

Number 2820

STEPHEN LaCROIX, Aquatic Farm Applicant, testified via teleconference, extending his support to the "basic bill." He pointed out that in the year since the bill was first crafted, leases for farm sites had been extended to ten years.

Number 2874

BOB LOEFFLER, Director, Division of Mining, Land and Water, Department of Natural Resources, testified before the committee. He informed members that the department was in full support of the bill.

Number 2904

REPRESENTATIVE STEVENS asked about the ten-year lease Mr. LaCroix had asked about, and said he did not see it in the bill.

MR. LOEFFLER said it was in the original bill, and the question of valuation is not in [Version P]. He said it was taken out because it would be more expensive for the aquaculture growers.

Number 2940

RODGER PAINTER, Alaska Shellfish Growers Association, testified before the committee. He thanked all involved for working hard on the bill. He pointed to the biggest change in Version P.

TAPE 02-15, SIDE B

Number 2945

MR. PAINTER said [the biggest change] provides for 90 sites that may be contained in a smaller number of areas. Another change, on line 11, adds the word "potentially" between the words "sites" and "suitable". This is to clarify that not all questions would be fully answered and that there would be more permits to obtain after a bidder secures the lease at auction. He pointed to the change on line 16 and said it made the language consistent with existing statutes.

Number 2854

ROBERT HARTLEY, Alaska Shellfish Growers Association (ASGA), testified via teleconference. He expressed his support for the bill and told the committee the bill would solve many problems for shellfish farmers. He characterized shellfish farming as a remedy to some of the economic ills that had recently befallen the commercial fishing industry; he said the two dovetail nicely. Noting that Alaskan aquatic farmers produce some of the highest-quality shellfish in the world, he said the industry in Alaska can barely meet the demand in Anchorage.

Number 2759

DOUG MECUM, Director, Division of Commercial Fisheries, Alaska Department of Fish & Game, testified before the committee. He said the bill is an example of good government, with the industry, legislature, and agencies working together to develop legislation that will be good for Alaskans. He added that the money is an issue, and new sources of funds will have to be located to make the program work.

Number 2708

REPRESENTATIVE McGUIRE asked what expenses the department was incurring prior to the bill, when there was only the Aquatic Farm Act on the books. She also asked why there is such a large fiscal note for the bill now.

MR. MECUM responded by saying the existing program consists of a mariculture coordinator, an assistant, and a small amount of operational funds. He said that money had been reprogrammed for the assistant position, different from the year before. He said his department's budget for the program is approximately \$200,000. He characterized the fiscal notes from ADF&G [from the Division of Habitat Restoration and the Division of Commercial Fisheries] as "a one-time infusion of funds." The Division of Commercial Fisheries' cost was estimated to be \$90,000 - down from \$200,000 in the original bill - in the first year; in the second year, there would be a decrease of about half. He said there were similar numbers for the Division of Habitat Restoration. Mr. Mecum said he has talked with the ASGA about the fiscal notes, which agreed the numbers were reasonable. He added that the intent of the bill was to double the size of the industry.

Number 2536

REPRESENTATIVE McGUIRE asked if [the department] had been pulling \$200,000 from its existing budget to run the program, prior to the bill.

MR. MECUM said the funds wouldn't be needed after two years, in his estimation. He said the bill aims to find areas suitable for 90 sites.

Number 2502

Co-Chair Scalzi asked what the difference would be between what the bill legislates and what the program was in the past.

MR. MECUM said currently people can submit applications for sites statewide. He said it is a problem, however, and offered the analogy: "Bring me a rock. No, I'm sorry, that's not the right rock; bring me another rock." He characterized the intent of the bill as having the department do a "brush-clearing exercise," saying the department would clear things away in order to find areas where people can feasibly farm shellfish. He said the bill is a very different approach.

Number 2445

REPRESENTATIVE McGUIRE answered that she didn't "have a problem with that" and would continue to support the bill, even though she thought it would be doomed by the fiscal note. She gave the analogy of the oil industry: the state doesn't allow it to develop all over the state, but the oil industry is instrumental in identifying areas where it has been successful in drilling.

MR. MECUM characterized Representative McGuire's point as a good one. He told of his vision of a partnership between the industry and the department wherein proposals would be brought forth by the industry and the department would do the basic survey and inventory to determine whether a site would be right for development.

Number 2346

REPRESENTATIVE GREEN asked what sort of revenue would be generated by offering lease sites through public auction.

MR. MECUM deferred to Bob Loeffler of the Department of Natural Resources (DNR), since DNR would be in charge of leasing. He

said ADF&G would be concerned with the biological aspects of shellfish farming.

Number 2304

CO-CHAIR SCALZI said there were problems with the old system. He expressed his belief that the partnership approach of the bill would be "productive and streamlined." He said DNR has increased the budget by means of "oil and water-rights issues that do make us money." He said Alaska has to look for things that will generate money for the state coffers, and this bill might help in that pursuit.

Number 2209

MR. LOEFFLER told the committee the 90 sites would generate roughly \$55,000 per year. The three-acre lease sites would require a few years to be completely taken up.

REPRESENTATIVE GREEN said it was more palatable to see some estimated income for the state's \$250,000 than to see the money dumped into allowing "those guys [to] go out and do some aquaculture."

Number 2123

REPRESENTATIVE GREEN moved to report CSHB 208 [version 22-LS0763\P, Utermohle, 3/5/02] out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, CSHB 208(RES) was moved out of the House Resources Standing Committee.

#### **ADJOURNMENT**

There being no further business before the committee, the House Resources Standing Committee meeting was adjourned at 2:20 p.m.