

**ALASKA STATE LEGISLATURE  
HOUSE SPECIAL COMMITTEE ON FISHERIES**

February 15, 2008  
8:34 a.m.

**MEMBERS PRESENT**

Representative Paul Seaton, Chair  
Representative Kyle Johansen  
Representative Gabrielle LeDoux  
Representative Bryce Edgmon  
Representative Peggy Wilson

**MEMBERS ABSENT**

Representative Craig Johnson  
Representative Lindsey Holmes

**COMMITTEE CALENDAR**

HOUSE BILL NO. 257

"An Act transferring duties relating to aquatic farming and hatchery operations from the Department of Fish and Game to the Department of Natural Resources, eliminating certain permit requirements applicable to aquatic farming and hatchery operations, and directing the Department of Natural Resources to administer and supervise promotional and marketing work for aquatic farm products; and providing for an effective date."

- MOVED CSHB 257(FSH) OUT OF COMMITTEE

OVERVIEW: ADF&G MARICULTURE MANAGEMENT AND PERMITTING

- HEARD

**PREVIOUS COMMITTEE ACTION**

BILL: HB 257

SHORT TITLE: TRANSFER AQUATIC FARMING TO DNR

SPONSOR(s): REPRESENTATIVE(s) HARRIS BY REQUEST

05/11/07	(H)	READ THE FIRST TIME - REFERRALS
05/11/07	(H)	FSH, RES
01/18/08	(H)	FSH AT 8:30 AM BARNES 124
01/18/08	(H)	-- MEETING CANCELED --
02/11/08	(H)	FSH AT 8:30 AM BARNES 124
02/11/08	(H)	-- Meeting Postponed to 02/15/08 --

02/15/08

(H)

FSH AT 8:30 AM BARNES 124

**WITNESS REGISTER**

JOHN BITNEY, Staff  
to Representative John Harris  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Presented HB 257 on behalf Representative Harris, prime sponsor.

DOUG WARNER, Manager  
Inspection/Marketing Services  
Division of Agriculture  
Department of Natural Resources (DNR)  
Palmer, Alaska

**POSITION STATEMENT:** Testified in support of CSHB 257, Version K.

JOHN HILSINGER, Director  
Division of Commercial Fisheries  
Alaska Department of Fish & Game (ADF&G)  
Anchorage, Alaska

**POSITION STATEMENT:** Testified in support of CSHB 257, Version K.

PAUL FUHS, Lobbyist  
PAC Alaska, LLC  
Seafarms Alaska  
Anchorage, Alaska

**POSITION STATEMENT:** Testified in support of CSHB 257, Version K.

RODGER PAINTER, President  
Alaskan Shellfish Growers Association  
Anchorage, Alaska

**POSITION STATEMENT:** Testified in support of CSHB 257, Version K.

JOHN HILSINGER, Director  
Division of Commercial Fisheries  
Alaska Department of Fish & Game (ADF&G)  
Anchorage, Alaska

**POSITION STATEMENT:** Provided the departmental presentation on mariculture management and permitting titled "Alaska Aquatic Farm Program."

PAUL FUHS, Lobbyist  
PAC Alaska, LLC  
Seafarms Alaska  
Anchorage, Alaska

**POSITION STATEMENT:** Participated in the discussion on mariculture management and permitting.

RODGER PAINTER, President  
Alaskan Shellfish Growers Association  
Anchorage, Alaska

**POSITION STATEMENT:** Participated in the discussion of mariculture management and permitting.

CYNTHIA PRING-HAM, Mariculture Coordinator  
Office of the Commissioner  
Alaska Department of Fish & Game (ADF&G)  
Juneau, Alaska

**POSITION STATEMENT:** Participated in the discussion on mariculture management and permitting.

#### **ACTION NARRATIVE**

**CHAIR PAUL SEATON** called the House Special Committee on Fisheries meeting to order at [8:34:16 AM](#). Representatives Seaton, Edgmon, LeDoux, and Johansen were present at the call to order. Representative Wilson arrived as the meeting was in progress.

#### HB 257-TRANSFER AQUATIC FARMING TO DNR

[8:35:04 AM](#)

CHAIR SEATON announced that the first order of business would be HOUSE BILL NO. 257, "An Act transferring duties relating to aquatic farming and hatchery operations from the Department of Fish and Game to the Department of Natural Resources, eliminating certain permit requirements applicable to aquatic farming and hatchery operations, and directing the Department of Natural Resources to administer and supervise promotional and marketing work for aquatic farm products; and providing for an effective date."

[8:36:41 AM](#)

REPRESENTATIVE JOHANSEN moved to adopt CSHB 257, Version 25-LS0676\K, Kane, 2/13/08, as the working document. There being no objection, Version K was before the committee.

[8:37:02 AM](#)

JOHN BITNEY, Staff to Representative John Harris, Alaska State Legislature, explained that all provisions of HB 257 were eliminated, save Sections 1 and 30. Version K, in its simplicity, creates a provision in statute for the Alaska Grown Program to include mariculture products; for promotional/marketing purposes.

[8:39:28 AM](#)

REPRESENTATIVE LEDOUX noted that the sponsor is Representative Harris "by request," and she inquired as to who requested the legislation.

MR. BITNEY said that he doesn't know who specifically requested HB 257, although he said there are significant proponents of mariculture who have been dealing with the issue of sorting out the purview for mariculture.

REPRESENTATIVE LEDOUX inquired why "by request," is sometimes used.

MR. BITNEY opined that at times the sponsor may want to reflect that someone has brought the matter to his/her attention.

[8:41:57 AM](#)

REPRESENTATIVE EDGMON, referred to page 2, paragraph (3), and read: "assist prospective settlers and others desiring to engage in the agricultural industry." He asked for clarification of the use of the language "prospective settlers," and to whom it is directed.

MR. BITNEY pointed out that lines 6-9 [paragraph (3)] is longstanding, statutory language that exists under Title 3; regarding the DNR commissioner responsibilities as related to agriculture.

[8:44:02 AM](#)

CHAIR SEATON said:

The reason this is addressing Department of Natural Resources, although what we're mainly talking about is the regulation of mariculture within fish and game

[ADF&G], is because the Alaska Grown logo is part of [Division of Agriculture], and this is going to that marketing piece. Is that correct?

MR. BITNEY noted his agreement. The marketing of Alaska Grown products is administered through the Division of Agriculture, DNR, and mariculture management is under the purview of ADF&G.

[8:45:42 AM](#)

DOUG WARNER, Manager, Inspection/Marketing Services, Division of Agriculture, Department of Natural Resources (DNR), stated support for Version K, and the authority it provides to implement marketing for the Alaska mariculture program. Currently some shellfish and oyster farmers are able to participate, in the program via grandfather rights, but new/developing mariculture farmers do not qualify. The language in the bill will authorize the extension of the Alaska Grown program to those individuals, and he described the success of the program. The regulations for the Alaska Grown products are undergoing revision, making this legislation timely for expansion of the plan to include aquaculture.

[8:49:11 AM](#)

JOHN HILSINGER, Director, Division of Commercial Fisheries, Alaska Department of Fish & Game (ADF&G), stated official support for Version K.

[8:50:38 AM](#)

REPRESENTATIVE LEDOUX referred to the original bill, and recalled previous hearings, which indicated a concern regarding ADF&G's ability/resource availability to properly research mariculture, thus hindering the formation of this new industry. However, Version K only addresses the marketing and promotional aspect. She questioned how marketing can occur, if there are no funds to research mariculture and create a healthy industry.

CHAIR SEATON pointed out that today's presentation will address that situation.

[8:52:38 AM](#)

REPRESENTATIVE JOHANSEN directed attention to the fiscal note and inquired about the current status of the two positions being proposed for transfer from ADF&G to DNR.

MR. HILSINGER explained that the fiscal note for the original HB 257 would have transferred two positions; Version K holds no fiscal note for ADF&G.

REPRESENTATIVE JOHANSEN surmised then that the DNR fiscal note may still be accurate.

[8:54:07 AM](#)

REPRESENTATIVE LEDOUX asked what is the advantage of having the marketing of aquatic farmed, and hatchery products, administered by DNR, as opposed to the Alaska Seafood Marketing Institute (ASMI).

MR. HILSINGER responded that farmed shellfish products are considered a farm product; different than the commercially harvested products. He then deferred to the industry representative.

[8:56:39 AM](#)

PAUL FUHS, Lobbyist, PAC Alaska, LLC, Seafarms Alaska, stated support for HB 257, and said it will be of benefit to the mariculture industry in their marketing endeavors. In reply to Representative LeDoux's inquiry, he said that DNR has established that marketing of farmed products be labeled Alaska Grown, while ASME promotes the market of Alaska Wild. Mariculture fits well under the Division of Agriculture, he opined.

[8:58:01 AM](#)

RODGER PAINTER, President, Alaskan Shellfish Growers Association (ASGA), expressed support for Version K. He said that a number of shellfish farmers are under the program, and others would like to be involved. He recalled being a board member of ASME, and said that the shellfish farmers do play a small part in the ASME scheme. Further, he informed the committee that ASGA is credited for requesting that Representative Harris introduce this bill.

[9:00:16 AM](#)

CHAIR SEATON closed public testimony.

[9:01:01 AM](#)

REPRESENTATIVE JOHANSEN moved to report CSHB 257, Version 25-LS0676\K, Kane, 2/13/08, out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, CSHB 257(FSH) was reported from the House Special Committee on Fisheries.

[9:01:27 AM](#)

CHAIR SEATON asked if Version K has a fiscal note attached.

MR. WARNER answered yes. The fiscal note addresses the need to provide a minimum amount of support to the shellfish farming industry. He said that the Alaskan Grown Program intends to cooperate with ASME in order to compliment both marketing efforts. Passage of Version K allows the state to enter into market access programs administered by the USDA (United States Department of Agriculture). The fiscal note total is \$132.7 thousand.

OVERVIEW: ADF&G MARICULTURE MANAGEMENT AND PERMITTING

[9:04:15 AM](#)

CHAIR SEATON announced that the final order of business would be and overview from Alaska Department of Fish & Game (ADF&G) on mariculture and permitting.

[9:04:39 AM](#)

JOHN HILSINGER, Director, Division of Commercial Fisheries, Alaska Department of Fish & Game (ADF&G), paraphrased from the presentation document titled "Alaska Aquatic Farm Program," which read as follows[original punctuation provided]:

Status and Production

Currently there are 63 farm sites, one hatchery, and 4 nurseries approved to operate in the state. Total acreage permitted for aquatic farming is 330 acres, an increase from 290 acres permitted in 2006.

Table 1 shows historical statewide aquatic farm production in Alaska Based on 2006 data which is most

complete, production totaled \$614,843 with production almost evenly divided between southcentral and southeast Alaska. Peak production for the industry was in 2005 and totaled \$676,045. Over 79 percent of the production came from the sale of Pacific oysters and the remaining 21 percent was predominately for littleneck clam sales. Littleneck clam production went up 6 percent from FY [fiscal year] 2005 totals.

Based on annual reports submitted to the department thus far for calendar year 2007, the overall production estimates for 2007 are anticipated to be lower than 2006. Reports for 15 farms are still outstanding. Preliminary farm data reports for the calendar year 2007, shows 47 percent of the 63 permitted farms reported some level of production activity compared to 42 percent at the end of 2006 based on 60 permitted farms.

Table 2 shows the number of farms that had production and non-production since 1990. The percentage of active farm sites has been consistently in the 40-50 percent range since 2000 and peaked at 73 percent in 1999.

In water inventory for Pacific oysters at aquatic farm sites at the end of 2006 was 8,902,721 and was valued at \$3,828,170. This is [an] 8 percent decrease from 2005 inventory which was 9,687,442. The inventory estimate was based on farm gate values of an average 0.43/oyster. The reduced inventory was probably due to number of spat availability, quality of spat received, and mortalities due to hard winter.

Aquatic farm employment in 2006 showed 71 people were employed at farm sites totaling 2,848 days of work. This was an increase from the 2005 aquatic farm employment which had 60 people and 2,439 days of work.

#### Permitting

In [FY] 07, ADF&G staff issued 3 new operation permits, 6 operation permit renewals, amended 11 operation permits, completed transfer of 1 permit to a new permit holder, and conducted 26 site inspections to determine compliance with permit conditions.

In addition, ADF&G has completed 99 percent of all the aquatic farm sites operating under a current aquatic farm site operation permit. In comparison, over half of the operation permits were expired in 2003. This renewal effort provided current permits for 35 farm sites.

There are currently 5 applications that are pending due to the need for more information from the applicants and the need for biomass surveys.

Staff issued 78 transport permits, 10 acquisition permits and 2 fish resource permits for enhancement research projects.

#### Certification

Four Pacific oyster sea suppliers were certified in 2007, three of which are in the Lower 48 (Lummi, Coast, and Kona Coast). Pacific oyster seed stock supplies were not adequate to meet demands of the farmers this last year.

#### Hatchery

The number one goal of the shellfish industry is the availability of high quality seed for farmers use. The Mariculture Program has been working with Jeff Hetrick, Alutiiq Pride Shellfish Hatchery Manager, for over a year to develop a Hatchery Management Plan which includes details on anticipated seed production and transport to farms, disease control measures, planned brood stock acquisition and schedule, specific and anticipated breeding practices to maintain and improve genetic fitness. This Management plan is similar to what is required of the Alaska salmon hatcheries and will help in planning for future activities the hatchery plans to do and ensures that hatchery operations are producing spat from native species with sufficient genetic diversity.

#### Mariculture Development Zones

Before the passage of HB 208, the ASGA [Alaska Shellfish Growers Association] and the Alaska Marine Advisory Program worked with ADF&G, ADNR [Alaska Department of Natural Resources], ADEC [Alaska

Department of Environmental Conservation], ADGC Alaska Division of Government Coordination [no longer in service], the Southeast Conference, the Alaska Cooperative Extension Service, and numerous other organizations, were working on designation of Mariculture Development Zones with an overall purpose of improving rural economies through the expansion of an environmentally sound mariculture industry. ADF&G is working with Ray Ralonde, Alaska Marine Advisory Program Aquaculture Specialist to resurrect this important effort in the coming years.

[9:12:55 AM](#)

MR. HILSINGER related the need for the department to improve service in the private non profit (PNP) hatchery and mariculture permitting section. He opined that the staff, in this sector, has not received appropriate support to accomplish the task that the state has requested. The necessary activities have become more complex, but only five people are employed in the section: two cover salmon hatchery operations; two work with mariculture; and one handles the permits. Today the salmon hatcheries require remote releases, the mariculture industry is growing and expanding into new species, and the permitting/ planning aspect has become more complex. An increment was submitted to add positions to this section. The increment addition would allow full-time positions to attend to mariculture, and PNP hatchery permitting. Additionally, a regional supervisor level employee would be recruited to supervise, coordinate, and integrate the overlapping functions of mariculture and PNP. These steps will greatly improve the sections effectiveness.

[9:17:08 AM](#)

CHAIR SEATON outlined inception of the mariculture program, how it differs from commercial fishing, why its administration overlaps within ADF&G and DNR, and the circumstances surrounding the state's interest in the development of this industry.

[9:19:38 AM](#)

REPRESENTATIVE EDGMON asked if ADF&G is tracking the noxious weed concern, which has lead to the recommendation for establishing a board to address invasive land and water based species.

MR. HILSINGER responded that he would like to assume that department is tracking the issue, but stated that he has not been directly involved.

[9:20:28 AM](#)

CHAIR SEATON referred to the "Alaska Aquatic Farm Program" document, Table 1, to note the industry fluctuations and inquire whether the current downward turn should be considered a trend. He also asked if the increment revisions being proposed will impact the aforementioned decline.

MR. HILSINGER answered that he didn't necessarily view the decline as a trend. He explained that 79 percent of the value is in the oyster industry, which has had difficulty receiving adequate oyster spat. He opined that this should not prove to be a long term problem. The department can facilitate the issuance of permits, and identify sites, which will hopefully spur new development to offset the decline. Technological difficulties are posing a challenge in introducing new species, such as little neck clam and geoduck farming. These are hurdles that the department expects to overcome.

CHAIR SEATON highlighted that the legislature has supported efforts to develop geoduck farming.

[9:24:12 AM](#)

PAUL FUHS, Lobbyist, PAC Alaska, LLC; Seafarms Alaska, informed the committee that the industry has backed Version K, because of the new departmental management and administration. During her campaign, the governor pledged support for the development of the mariculture industry. Additionally, each of the production sites is located in a rural setting; making this a strategic economic consideration. He related his understanding of the difficulties that people are having in making application, and obtaining permits through the department. The requirements have become more restrictive, he opined, resulting in few, if any, new applications in 2007 for geoduck farming. He described a number of the hurdles involved in developing a geoduck operation. These include a significant upfront cost for developing spat to market size, the need for bonding, and specific site exit requirements. Further, he said, following spat introduction, it may be difficult to ascertain at what point the product should be considered a farmed geoduck. He expressed his disappointment that Mr. Hilsinger didn't discuss these issues, and opined that new positions within the

department will not solve these issues. However, he suggested that one solution may be to allow the cultivation of an area for five years, after which time the existing geoducks could be considered a farmed product.

CHAIR SEATON said he shares some of Mr. Fuhs frustrations. He then requested that the industry and department meet to develop written guidelines, and reportable to this committee, in order to provide continuity of understanding.

[9:33:32 AM](#)

RODGER PAINTER, President, Alaskan Shellfish Growers Association, related that for the past 35 years he has watched the department grapple with aquatic farming. The process has been difficult and slow. Two years ago, shellfish growers met with the Murkowski Administration and put together a vision plan for aquaculture. The number one recommendation was to move the mariculture program from ADF&G due to the long-standing frustrations, and awkwardness, of having it administered under commercial fisheries. He explained why the FRED (Fisheries Rehabilitation and Enhancement Development) Division was created, under ADF&G, and how it was later eliminated, during years of cut backs. However, the need still exists to provide aquaculture a better voice in the department. With the support of the new administration, departmental recognition that a problem exists, and the increment request, it appears that a response is occurring. The increment will essentially reinstate a condensed version of FRED Division, with similar concepts. However, this does not solve all of the problems, he opined.

CHAIR SEATON suggested that, as work with the department continues, documentation on the development of the mariculture industry needs to be formalized in writing. He invited Mr. Painter to participate, in that endeavor, as an interested party.

[9:39:58 AM](#)

REPRESENTATIVE EDGMON inquired about the start-up costs involved in an aquatic farming operation.

MR. PAINTER responded that it varies greatly depending on the species. With the geoduck the start-up investment is significant, given that a market return may not be realized for the first seven years, of the geoduck spat to maturity cycle. Set-up for oyster farming is different, and the variables are

many. He offered that his oyster farm investment was approximately \$250,000.

REPRESENTATIVE EDGMON surmised that it takes a significant amount of up-front capital, with much risk involved.

MR. PAINTER pointed out that there are loan programs available under the United States Department of Agriculture for aquatic farming, however qualification is restricted to those with prior farming experience. He referred to Table 1, of the committee handout, to add that the 2007 downward trend for oysters was a result of significant low growth rates. Many farms had to shutdown due to these low growth rates, attributable to Mother Nature related phenomena.

[9:44:02 AM](#)

REPRESENTATIVE EDGMON returned to the issue of invasive noxious plants in Alaska, and asked whether there is a concern for the aquatic farmer.

MR. PAINTER explained that the industry is regulated to farm indigenous species only, save Pacific oysters, minimizing the concern for the generation of invasive species. However, the farmers are concerned about the changes in the ocean waters. The warming trend will bring in a host of new plants and animals; Manila clams for example.

[9:46:18 AM](#)

CHAIR SEATON described the community aspect of developing a mariculture farm, such as geoducks. It could be taken on as a long-term project within the community vs. an individual with investment capital.

[9:47:41 AM](#)

CYNTHIA PRING-HAM, Mariculture Coordinator, Office of the Commissioner, Alaska Department of Fish & Game (ADF&G), said her duties include oversight of the operation permitting for aquatic farms in Alaska.

[9:48:06 AM](#)

CHAIR SEATON restated his concerns for the factionalism and discord that has stifled this industry. He suggested that written guidelines, as well as an historical account, for

mariculture development in Alaska be issued. The document may be crucial for a congruent resolve of the situation, and he asked if it is something that would come under her purview, as a coordinator.

MS. PRING-HAM agreed that consistency provides the key to bring necessary guidance to the program. She opined that creating a working document will be very useful, and provide long-term benefits, as the industry continues to develop.

9:50:40 AM

CHAIR SEATON reviewed that the proposed ADF&G increment is to support the shellfish hatchery. He pointed out that it is the only hatchery that serves the mariculture industry. Recalling that the initial long-range plan was for this hatchery to be financially solvent, he said that it now appears it will require continued subsidization; a scenario he believes the legislature will not support. Options have been explored, resulting in the king crab enhancement program. Another direction of note, has been to incubate Washington State geoduck smolt to spat size, for resale, to provide the needed economic base for the shellfish hatchery. He asked for the department's perspective on the situation.

MR. HILSINGER noted that he received a recent letter from the Alutiiq Pride Shellfish Hatchery, regarding the on going work towards developing a geoduck plan. The pathologists are working to provide an assessment on the feasibility of the program. A timely determination should be forthcoming from the biologists. Also legal review is occurring, as to whether regulation changes, or statute amendments, will need to be considered. He acknowledged the fiscal concerns that surround state involvement.

9:56:16 AM

CHAIR SEATON said that a precedent already exists for incubation of non indigenous species, and cited an Alaska based hatchery doing similar work with British Columbia salmon stock.

MR. HILSINGER added that Alaskan weathervane scallops have been propagated in a Washington State hatchery, and the spat returned to Alaska.

CHAIR SEATON stressed the strong commitment from the legislature for the viability of the hatchery.

[9:58:39 AM](#)

MR. FUHS provided the committee with a document titled "Tipping the Balance; Removing the Barriers - Growing a Sustainable Shellfish Industry in Coastal Alaska." It addresses various goals and provides a strategic plan, from the private sector perspective. He also expressed concern for the viability of the state's hatchery program.

[10:00:40 AM](#)

CHAIR SEATON provided information on future committee agendas.

**ADJOURNMENT**

There being no further business before the committee, the House Special Committee on Fisheries meeting was adjourned at 10:00 a.m.