

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

March 16, 2010

10:19 a.m.

**MEMBERS PRESENT**

Representative Bryce Edgmon, Chair  
Representative Wes Keller, Vice Chair  
Representative Charisse Millett  
Representative Cathy Engstrom Munoz  
Representative Robert L. "Bob" Buch  
Representative Scott Kawasaki

**MEMBERS ABSENT**

Representative Craig Johnson

**COMMITTEE CALENDAR**

HOUSE BILL NO. 365

"An Act relating to sharing records regarding fish purchased by fish processors with certain federal agencies, to requirements to obtain and maintain a fisheries business license, and to payment of industry fees required of fish processors; and providing for an effective date."

- MOVED HB 365 OUT OF COMMITTEE

HOUSE BILL NO. 389

"An Act relating to loans made to commercial fishermen under the Commercial Fishing Loan Act for energy efficiency upgrades; and providing for an effective date."

- HEARD & HELD

HOUSE BILL NO. 246

"An Act relating to the licensing and regulation of sport fishing operators and sport fishing guides and licensing and registration of sport fishing vessels; and providing for an effective date."

- HEARD & HELD

**PREVIOUS COMMITTEE ACTION**

BILL: HB 365

SHORT TITLE: FISH PROCESSOR FEES, LICENSES, RECORDS  
SPONSOR(s): REPRESENTATIVE(s) MILLETT

02/23/10 (H) READ THE FIRST TIME - REFERRALS  
02/23/10 (H) FSH, RES  
03/09/10 (H) FSH AT 10:15 AM BARNES 124  
03/09/10 (H) Heard & Held  
03/09/10 (H) MINUTE(FSH)  
03/16/10 (H) FSH AT 10:15 AM BARNES 124

BILL: HB 389

SHORT TITLE: COMMERCIAL FISHING LOAN ACT  
SPONSOR(s): REPRESENTATIVE(s) SEATON

02/23/10 (H) READ THE FIRST TIME - REFERRALS  
02/23/10 (H) FSH, RES  
03/16/10 (H) FSH AT 10:15 AM BARNES 124

BILL: HB 246

SHORT TITLE: SPORT FISH GUIDE LICENSES  
SPONSOR(s): REPRESENTATIVE(s) NEUMAN

04/19/09 (H) READ THE FIRST TIME - REFERRALS  
04/19/09 (H) FSH, RES  
03/16/10 (H) FSH AT 10:15 AM BARNES 124

#### **WITNESS REGISTER**

REPRESENTATIVE PAUL SEATON  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Introduced HB 389 as the sponsor.

KATIE KOESTER, Staff  
Representative Paul Seaton  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Presented the committee substitute (CS) for HB 389 on behalf of Representative Seaton, prime sponsor.

CATHY JEANS, Systems Branch Manager  
Division of Investments  
Department of Commerce, Community, & Economic Development  
(DCCED)  
Juneau, Alaska

**POSITION STATEMENT:** Testified during the hearing on HB 389.

GEOFF WHISTLER, Lending Section Manager  
Division of Investments  
Department of Commerce, Community, & Economic Development  
(DCCED)  
Juneau, Alaska

**POSITION STATEMENT:** Testified during the hearing on HB 389.

JAMES ELLIS, Staff  
Representative Mark Neuman  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Introduced HB 246 on behalf of  
Representative Neuman, prime sponsor.

JENNIFER YUHAS, Director  
Public Communications/Legislative Liaison  
Alaska Department of Fish & Game (ADF&G)  
Juneau, Alaska

**POSITION STATEMENT:** Testified in favor of HB 246.

CHARLES SWANTON, Director  
Division of Sport Fish  
Alaska Department of Fish & Game (ADF&G)  
Juneau, Alaska

**POSITION STATEMENT:** Testified in favor of HB 246.

MELVIN GROVE, Charter Operator  
Big Lake, Alaska

**POSITION STATEMENT:** Testified in opposition to HB 246.

KEN LARSON, Secretary  
Prince William Sound Charter Boat Association  
North Pole, Alaska

**POSITION STATEMENT:** Testified in opposition to HB 246.

#### **ACTION NARRATIVE**

[10:19:34 AM](#)

**CHAIR BRYCE EDGMON** called the House Special Committee on Fisheries meeting to order at 10:19 a.m. Present at the call to order were Representatives Edgmon, Buch, Keller, and Millett. Representatives Munoz and Kawasaki arrived as the meeting was in progress.

#### **HB 365-FISH PROCESSOR FEES, LICENSES, RECORDS**

[10:19:46 AM](#)

CHAIR EDGMON announced that the first order of business would be HOUSE BILL NO. 365, "An Act relating to sharing records regarding fish purchased by fish processors with certain federal agencies, to requirements to obtain and maintain a fisheries business license, and to payment of industry fees required of fish processors; and providing for an effective date."

[10:21:13 AM](#)

CHAIR EDGMON reminded the committee that public testimony on HB 365 was closed.

[10:21:35 AM](#)

REPRESENTATIVE MILLETT stated HB 365 is a continuation of a program enacted in 2002 to allow fishermen to buy back limited entry permits. The program, established by fishermen, is voluntary, and intends to provide access to federal dollars in order to stabilize their fishery.

[10:22:24 AM](#)

REPRESENTATIVE KELLER moved to report HB 365, 26-LS1514\A, out of committee with individual recommendations and the accompanying fiscal notes.

There being no objection, HB 365 was reported from the House Special Committee on Fisheries.

[10:22:51 AM](#)

The committee took an at-ease from 10:22 a.m. to 10:24 a.m.

[10:24:42 AM](#)

**HB 389-COMMERCIAL FISHING LOAN ACT**

[10:25:11 AM](#)

CHAIR EDGMON announced that the next order of business would be HOUSE BILL NO. 389, "An Act relating to loans made to commercial fishermen under the Commercial Fishing Loan Act for energy efficiency upgrades; and providing for an effective date."

10:25:38 AM

REPRESENTATIVE PAUL SEATON, Alaska State Legislature, sponsor, introduced HB 389 as a bill that addresses investments that encourage Alaska's workforce and the utilization of Alaskan products. It allows for a lower loan rate on loans through the Division of Investment, Department of Commerce, Community, & Economic Development (DCCED) if the borrower uses products that are manufactured in Alaska. A manufacturer of refrigeration units for fishing vessels proposed the bill in order to provide an incentive for the purchase of Alaskan products.

10:27:01 AM

REPRESENTATIVE KELLER moved to adopt CSHB 389 as the working document. Hearing no objection, CSHB 389 was before the committee.

10:27:24 AM

KATIE KOESTER, Staff to Representative Paul Seaton, Alaska State Legislature, further explained the bill, paraphrasing from a prepared statement [original punctuation provided]:

HB 389 allows the Department of Commerce, Community, & Economic Development to give Commercial Fishing Loan Fund borrowers a reduction in the interest rate on their loan of up to 2 percent if 50 percent of their loan is spent on a product produced or manufactured in the State of Alaska.

MS. KOESTER continued to explain that the loan programs eligible for this rate reduction are the Product Quality Enhancement and Engine Efficiency Replacement programs, and include products such as refrigeration units, ice machines, slush bags, and more fuel efficient engines. She pointed out the legislation defines "manufactured or produced" as processing, developing, or making an item into a new item with a distinct character and use. Ms. Koester noted that labor is often 30 percent of the cost of a project and said that the sponsor wanted to emphasize that the loan is focused on the product, not the labor. Furthermore, this is voluntary to the department, and DCCED may choose when to make the program available, depending on the prime interest rate.

MS. KOESTER pointed out minor changes made by the committee substitute (CS) including the addition of the Product Quality

Enhancement program, and language that requires the department to offer the rate reduction to all applicants.

[10:30:41 AM](#)

REPRESENTATIVE BUCH noted the committee packet does not contain any comments on the bill.

[10:31:00 AM](#)

MS. KOESTER advised that Representative Seaton's office has not received any objections to the program; if so, any written objections would have been included in the committee packet.

[10:31:02 AM](#)

REPRESENTATIVE KELLER requested a list of products manufactured in Alaska that would qualify for a loan. He pointed out that energy efficient engines are not manufactured locally.

[10:31:38 AM](#)

REPRESENTATIVE SEATON stated that there are several manufacturers of refrigeration units in Alaska, as well as accessory refrigeration equipment and possibly ice machines. Although there may not be engine manufacturers now, the purpose of the bill is to encourage the production of engines, possibly the newer, lighter-weight diesel engines, in Alaska. In addition, as the energy efficiency money now available will spur additional interest in local manufacturing of products such as thermal pane windows, this type of legislation will provide an incentive for investment in manufacturing in Alaska. Representative Seaton further explained that this provision does not affect the fishermen's loan fund, but only changes the interest rate, and "will only be there when the Division of Investments has interest loans that they can absorb this without losing money on that loan for the services."

[10:34:55 AM](#)

REPRESENTATIVE KELLER gave an example of a loan application for an upgrade to a boat, and asked whether the loan amount would only be for equipment, or if labor would be included.

REPRESENTATIVE SEATON responded that at least 50 percent of the loan proceeds used by the borrower must be for product quality improvements. In fact, the manufactured equipment installed

must be 50 percent of the loan, not including labor, but the total amount of the loan can include labor. He advised that the Department of Commerce, Community, & Economic Development (DCCED), Division of Investments, provided guidance on this aspect of the legislation.

[10:36:51 AM](#)

REPRESENTATIVE KELLER asked for clarification regarding the possibility of obtaining a loan for a labor-intensive project.

[10:37:44 AM](#)

REPRESENTATIVE SEATON deferred the question to a representative from DCCED.

[10:38:11 AM](#)

REPRESENTATIVE MILLETT, reflecting on her experience as a fisher from Bristol Bay, offered her support for the bill, especially as it will provide for quality-of-fish upgrades for boats. She reminded the committee that each fishery is trying to improve the quality of its fish by adding refrigeration or slush bags, and this is a valuable program for exported products.

[10:39:20 AM](#)

REPRESENTATIVE KAWASAKI asked for a description of a slush bag.

REPRESENTATIVE SEATON described how a slush bag is installed in each section of the hold of a boat, and how it works to reduce the need for ice while improving the quality of fish products.

[10:40:33 AM](#)

REPRESENTATIVE KAWASAKI referred to the definition of "manufactured or produced," and asked whether the construction of a kit purchased elsewhere would qualify as a product made in Alaska.

REPRESENTATIVE SEATON advised that the construction of a refrigeration system from materials would qualify; however, the installation of a product would not.

[10:42:04 AM](#)

REPRESENTATIVE KAWASAKI restated his question.

REPRESENTATIVE SEATON recommended clarification from the Division of Investments on this issue.

[10:42:34 AM](#)

CHAIR EDGMON referred to page 1, line 14, of the bill, and suggested the addition of "in Alaska" after "new item."

[10:42:58 AM](#)

CHAIR SEATON pointed out that on page 1, line 10, the language of the bill specifies "products manufactured or produced in the state," and he expressed his belief that is sufficient.

[10:44:00 AM](#)

CATHY JEANS, Systems Branch Manager, Division of Investments, Department of Commerce, Community, & Economic Development, informed the committee that the Division of Investments is the agency that administers several state loan programs, including the commercial fishing revolving loan fund amended by this legislation. She advised that the bill allows the agency to reduce the interest rate if a borrower purchases an item manufactured or produced in Alaska. Ms. Jeans called attention to the zero fiscal note submitted with the bill.

[10:44:56 AM](#)

GEOFF WHISTLER, Lending Section Manager, Division of Investments, Department of Commerce, Community, & Economic Development, provided the example of an Alaska company that ships in an engine and then adds a power generator. In that case, he advised that the borrower should look at the value added, and the cost of the addition, to measure the percentage of the manufacture of the product in the state.

CHAIR EDGMON observed that is the interesting part of the bill. In fact, the agency would need to determine regulations to carry out the statute. He asked whether the language in the bill is sufficient for the successful development of regulations.

[10:46:27 AM](#)

MS. JEANS advised her agency may need to confer with the Department of Law (DOL).

[10:46:57 AM](#)

CHAIR EDGMON mentioned proposed legislation on an energy efficiency loan program and asked whether the two bills "overlap."

MS. JEANS said no, the bills will not jeopardize one another.

[10:47:38 AM](#)

REPRESENTATIVE BUCH observed that installation labor costs can amount to a large portion of the total cost of a project. He asked how labor costs are handled through the loans.

[10:48:36 AM](#)

MR. WHISTLER agreed that installation, modification, and fabrication can amount to 30-40 percent of costs. He advised that HB 389 "would deal with just the equipment going in, manufactured in the state for product quality improvement, it would still qualify for the whole ... two points under prime loan program. Those labor costs are inclusive."

[10:49:19 AM](#)

REPRESENTATIVE BUCH asked whether the cost of labor will be separated in the application process.

[10:49:50 AM](#)

MR. WHISTLER stated the loan request asks for the total dollar amount but, with the application, "quotes" are submitted that break down each item.

REPRESENTATIVE KELLER expressed his belief that the intent of the bill is to provide an incentive to purchase products made in Alaska, and he questioned whether the language in the bill was sufficiently specific to fulfill the intent of the sponsor.

[10:51:05 AM](#)

CHAIR EDGMON stated that the bill would be held pending responses to the questions posed, and for public testimony.

[10:52:04 AM](#)

**HB 246-SPORT FISH GUIDE LICENSES**

10:52:07 AM

CHAIR EDGMON announced that the final order of business would be HOUSE BILL NO. 246, "An Act relating to the licensing and regulation of sport fishing operators and sport fishing guides and licensing and registration of sport fishing vessels; and providing for an effective date."

10:52:22 AM

JAMES ELLIS, staff to Representative Mark Neuman, Alaska State Legislature, informed the committee Representative Newman has offered an amendment to the bill; however, as the sponsor, Representative Neuman has requested that the committee address only the bill at this time so that the amendment can be considered by the next committee of referral. Mr. Ellis introduced the bill paraphrasing from the sponsor statement, which read as follows:

HB 246 extends Alaska's sport fish guide licensing and reporting program for one year. The data collected through this program has been an important tool for the proper management of sport fisheries through a better understanding of our fish stocks and their harvest. In addition, the licensing has ensured a standard for professionalism and responsibility for sport fish businesses and guides, benefiting both consumer and businesses alike.

The data collected through the reporting program is important in Alaska's exemption from the National Saltwater Angler Registry which will prevent Alaskans from purchasing a certificate of registration.

10:54:53 AM

REPRESENTATIVE BUCH pointed out HB 246 may become a companion bill to SB 294 and asked for an explanation.

MR. ELLIS expressed his understanding that SB 294 is intended to be "a repeal also."

10:55:53 AM

JENNIFER YUHAS, Director, Public Communications/Legislative Liaison, Alaska Department of Fish & Game (ADF&G), informed the

committee that HB 246 is the priority legislation for ADF&G this session. She recalled that similar legislation was passed by the committee last year without the one-year sunset clause. In fact, the sunset was added by amendment in the House Resources Standing Committee. Ms. Yuhas reiterated the purposes of the bill, and added that the bill will ensure basic standards for sport fishing guides for the benefit of the public. She pointed out the department has attached a zero fiscal note indicating that ADF&G subsidizes the costs associated with this legislation.

[10:57:22 AM](#)

CHARLES SWANTON, Director, Division of Sport Fish, Alaska Department of Fish & Game (ADF&G), explained the department supported the original legislation that was passed in 2004, and effective in 2005, enacting three main elements: collecting information on guides and their activities; establishing minimum standards, such as safety and liability insurance, for these business activities; providing a comprehensive and credible data base on guided sport fishing activities for regulatory agencies such as the Alaska Board of Fisheries, the International Pacific Halibut Commission, and the North Pacific Fishery Management Council. Mr. Stanton pointed out that fees are charged as follows: \$100 for a combination business owner/operator; \$100 for a business; \$50 for a guide. He explained that the Division of Sport Fish has three primary harvest and data collection programs: the statewide harvest survey provides a comprehensive catch harvest level for various fisheries; surveys of anglers in intensive fisheries; guide licensing and logbooks. At the request of ADF&G Commissioner Lloyd, the programs are being modernized so that logbook data and the purchase of licenses can be recorded electronically, and he described the possibilities thereof.

[11:02:30 AM](#)

REPRESENTATIVE MUNOZ asked how the charter industry feels about the fee structure.

[11:02:50 AM](#)

MR. SWANTON restated the fee structure. Currently, income from license fees is about \$242,000, and the program costs about \$437,000 to administer. The difference of \$195,000 is offset by sport angler license fees.

REPRESENTATIVE MUNOZ remembered there was discussion about raising the fees.

[11:04:04 AM](#)

MR. SWANTON indicated that the fees have not changed. In response to Representative Buch, he said that electronic forms will accelerate the process to the point where his division may be able to provide fish harvest data within one to two weeks of harvest, rather than eight months.

[11:05:04 AM](#)

REPRESENTATIVE BUCH surmised the passage of this legislation means the program will take effect this summer.

MR. SWANTON stated the intention is to institute the scan-able logbook sheets for saltwater in 2010, followed by logbook sheets for freshwater in 2011.

[11:05:55 AM](#)

CHAIR EDGMON opened public testimony.

[11:06:10 AM](#)

MELVIN GROVE, Charter Operator, informed the committee he operates a charter boat in Valdez, is affiliated with the Prince William Sound Charter Boat Association, and is testifying on his own behalf. Mr. Grove stated his adamant opposition to HB 246. Although he is not against data collection, he is opposed to the cost of the license. He opined that the program was "instituted as a license with a disguise of paying for the data collection under the license requirement." In 2004, the logbook program cost \$80,000, and now the cost is nearly \$450,000. Furthermore, the sensors and surveys for data collection are paid for by the fishing license revenue from his clients and, as an operator, he is charged a fee to support the logbook program; this appears to be "double-dipping" by the department. Mr. Grove expressed his hope that electronic improvements to the reporting program may lead to a reduction in fees. Finally, he questioned the benefit of data collection to the charter operators; in fact, there has not been an increase in the allotment of fish and the release of data to federal authorities has been detrimental to the charter operators. Mr. Grove restated his opposition to the bill; however, should the bill pass, he encouraged the committee to retain the 2012 sunset clause.

[11:11:05 AM](#)

REPRESENTATIVE MUNOZ inquired as to the federal requirements with which charter operators must comply.

[11:11:13 AM](#)

MR. GROVE said a federal limited entry program is being instituted in 2011, requiring a permit to fish for halibut. He predicted 38 percent of the halibut charter operators will be put out of business because of the limited entry program.

REPRESENTATIVE MUNOZ asked whether there is a compensation component.

MR. GROVE said no.

[11:12:30 AM](#)

KEN LARSON, Secretary, Prince William Sound Charter Boat Association, stated that the members of his organization and sister organizations want the record to reflect their opposition to HB 246. While recognizing the need for the guide and logbook program, the program should not be funded as it is. Additionally, many members support the termination or sunset clause of the guide license fees. He recommended that ADF&G "look for other funding sources, like sport fish licenses, or other internal funds, because ... the economy has definitely tanked; ... things like the one-fish limit down in Southeast, the limited entry program which will put 38 percent of the charter, halibut charter operators out of business in 2011, and ... the program has only generated about 55 percent of the operating expense." Mr. Larson referred to the fiscal note and pointed out that the program received no federal funds from the National Oceanic and Atmospheric Administration (NOAA) to pay for the logbook data from which it benefits. Charter boat operators pay \$100 for the annual state business license and also buy individual sport fishing licenses; in fact, the national registry only costs \$25 per angler. As NOAA is handling the halibut limited entry permit program, Mr. Larson said he expects there will be charges similar to those assessed to commercial fisherman. He stressed the inequity of requiring charter operators to purchase a state business license, a guide license, and a sport fishing license, when commercial fishermen are not required to do the same. Mr. Larson encouraged the committee to allow the legislation to "sunset."

11:15:59 AM

CHAIR EDGMON closed public testimony, and announced that HB 246 would be held.

11:16:47 AM

**ADJOURNMENT**

There being no further business before the committee, the House Special Committee on Fisheries meeting was adjourned at 11:16 a.m.