

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

February 8, 2011

5:01 p.m.

**MEMBERS PRESENT**

Representative Steve Thompson, Chair  
Representative Craig Johnson, Vice Chair  
Representative Alan Austerman  
Representative Bob Herron  
Representative Lance Pruitt  
Representative Scott Kawasaki  
Representative Bob Miller

**MEMBERS ABSENT**

All members present

**COMMITTEE CALENDAR**

OVERVIEW(S): DIVISION OF SUBSISTENCE~ ALASKA DEPARTMENT OF FISH AND GAME (ADF&G)

- HEARD

OVERVIEW(S): DIVISION OF HABITAT~ ALASKA DEPARTMENT OF FISH AND GAME (ADF&G)

- HEARD

HOUSE BILL NO. 121

"An Act establishing the commercial charter fisheries revolving loan fund, the mariculture revolving loan fund, and the Alaska microloan revolving loan fund and relating to those funds and loans from those funds; and providing for an effective date."

- HEARD AND HELD

HOUSE BILL NO. 59

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

- HEARD AND HELD

**PREVIOUS COMMITTEE ACTION**

BILL: HB 121

SHORT TITLE: LOAN FUNDS: CHARTERS/MARICULTURE/MICROLOAN  
SPONSOR(S): RULES BY REQUEST OF THE GOVERNOR

01/24/11 (H) READ THE FIRST TIME - REFERRALS  
01/24/11 (H) FSH, RES, FIN  
02/08/11 (H) FSH AT 5:00 PM CAPITOL 120

BILL: HB 59

SHORT TITLE: COMMERCIAL FISHING LOAN ACT  
SPONSOR(S): SEATON

01/18/11 (H) PREFILE RELEASED 1/7/11  
01/18/11 (H) READ THE FIRST TIME - REFERRALS  
01/18/11 (H) FSH, FIN  
02/08/11 (H) FSH AT 5:00 PM CAPITOL 120

**WITNESS REGISTER**

JIM SIMON, Acting Director  
Division of Subsistence

Alaska Department of Fish & Game (ADF&G)

**POSITION STATEMENT:** Provided an overview of the Division of Subsistence, for the Alaska Department of Fish and Game (ADF&G).

MIKE DAIGNEAULT, Regional Supervisor  
Anchorage Area Office  
Division of Habitat

Alaska Department of Fish & Game (ADF&G)  
Anchorage, Alaska

**POSITION STATEMENT:** Provided an overview of the Division of Habitat, on behalf of the Alaska Department of Fish & Game (ADF&G).

KERRY HOWARD, Director  
Division of Habitat  
Alaska Department of Fish & Game (ADF&G)  
Juneau, Alaska

**POSITION STATEMENT:** Provided comments in conjunction with the overview of the Division of Habitat, on behalf of the Alaska Department of Fish & Game (ADF&G).

CURTIS THAYER, Deputy Commissioner  
Department of Commerce, Community & Economic Development (DCCED)  
Anchorage, Alaska

**POSITION STATEMENT:** Provided comments on HB 121, on behalf of the Department of Commerce, Community & Economic Development (DCCED).

WANETTA AYERS, Manager  
Office of Economic Development  
Department of Commerce, Community & Economic Development (DCCED)  
Anchorage, Alaska

**POSITION STATEMENT:** Provided comments on HB 121, on behalf of the Department of Commerce, Community & Economic Development (DCCED).

RUSSELL DICK, President and CEO  
Haa Aani, LLC  
Sealaska Corporation  
Juneau, Alaska

**POSITION STATEMENT:** Testified in support of HB 121.

RODGER PAINTER, President  
Alaska Shellfish Growers Association  
Juneau, Alaska

**POSITION STATEMENT:** Provided comments and responded to questions during the hearing on HB 121.

RICHARD YAMADA  
Vice President  
Alaska Charter Association  
Auke Bay, Alaska

**POSITION STATEMENT:** Testified in support of HB 121.

#### **ACTION NARRATIVE**

[5:01:31 PM](#)

**CHAIR STEVE THOMPSON** called the House Special Committee on Fisheries meeting to order at 5:01 p.m. Present at the call to order were Representatives Thompson, Austerman, Herron, and Pruitt. Representatives Kawasaki, Johnson, and Miller arrived while the meeting was in progress.

**OVERVIEW(S): Division of Subsistence, Alaska Department of Fish and Game (ADF&G)**

[5:01:43 PM](#)

CHAIR THOMPSON announced that the first order of business would be an overview from the Division of Subsistence, of the Alaska Department of Fish and Game (ADF&G).

[5:02:34 PM](#)

JIM SIMON, Acting Director, Division of Subsistence, Alaska Department of Fish & Game (ADF&G), paraphrased from a prepared statement, which read as follows [original punctuation provided] with accompanying slides:

The Division of Subsistence became Alaska's lead agency in collecting information about customary and traditional subsistence uses because of state and federal statutes passed as a compromise following the settlement of Alaska Native land claims.

When the legislature passed the 1978 state subsistence law, it found that "it is in the public interest to clearly establish subsistence use as a priority use of Alaska's fish and game resources and to recognize the needs, customs, and traditions of Alaska residents." The duties of the Subsistence Division are laid out in statute.

ANILCA requires a priority for subsistence uses on federal lands, which make up about 60percent of Alaska's land base. ANILCA also requires a system for providing scientific support data to management and advisory bodies.

Subsistence, as defined in both state and federal law, is not limited to Alaska Natives. In 1989, the Alaska Supreme Court ruled that a rural priority for subsistence is a violation of the Alaska Constitution, which led to the passage of the current state subsistence law in 1992. All Alaskan residents are eligible to participate in subsistence hunting and fishing opportunities.

The Subsistence Division's mission is to scientifically quantify, evaluate, and report information about customary and traditional uses of Alaska's fish and wildlife resources.

We accomplish our mission through systematic human dimensions research following international social science research and ethical standards. These

standards include: systematic data collection methods, data analysis methods, and scientific reporting.

The Subsistence Division's professional ethics standards include following established community and tribal consultation policies to promote extensive community involvement in our research and adherence to state statutes pertaining to confidentiality. We obtain community approval prior to initiating a community study. We hire local research assistants to help conduct household surveys, which provide some limited but much needed winter employment opportunities. We also provide communities with public review drafts of research reports.

The Subsistence Division has identified two core services to accomplish our mission: (1) research and publish research results on customary and traditional uses of fish and wildlife resources; and (2) provide research results to the Alaska Boards of Fisheries and Game and management programs to support implementation of Alaska's subsistence law.

This slide provides an example of some of our research products resulting from comprehensive subsistence research conducted in the community of Kivalina as part of the environmental impact statement associated with expanding the Red Dog Mine. The dots represent 180 resource harvest locations by 35 households and the shape represents the search areas of those same 35 households.

[NOTE: A map was projected from the TP 354 Subsistence Harvests in Northwest Alaska, Kivalina and Noatak, 2007.]

This slide illustrates our budgetary receipt authorities from last fiscal year and for the current fiscal year. This year's increase in General Fund stems from a one-year increment to study the socioeconomic impact of declining returns of Yukon River king salmon and a new program to develop a method of harvest monitoring by using index communities. This year's increase in interagency receipt authority relates to expanding subsistence research associated with the proposed Donlin Creek Mine.

Subsistence Division maintains staff in six Fish and Game offices throughout the state, including Juneau, Anchorage, and Fairbanks, as well as field offices in Dillingham, Kotzebue, and once again in Bethel. Our permanent full-time staff has decreased from 27 in FY09 to 24 in FY10 to 22 in FY11. Correspondingly, we have increased the number of both part-time permanent and nonpermanent staff in an effort to continue to provide core services in an uncertain competitive grant environment.

From Management Plan:

FY11 = 22 Permanent Full Time

16 Permanent Part Time

7 Non-Permanent

FY12 = 22 Permanent Full Time

16 Permanent Part Time

8 Non-Permanent

The division conducts field studies and gathers harvest survey information in communities almost entirely with special project funding. The funding is generally obtained through a competitive proposal process to address questions related to customary and traditional uses of specific fisheries and wildlife resources to assist with providing hunting and fishing opportunities for Alaskans.

Systematic region wide surveys can occur only when relatively larger funding support is available, a rare occurrence in the past 10 years, although recent partnerships with industry has facilitated the division's efforts to meet core service targets.

The target is to have scientific information collected and analyzed in each region at a consistent level each year; and develop a balance across regions, recognizing geographic differences. Specifically, our target is to conduct a minimum of 5 studies in at least 3 of the six regions at a 5-year average. Targets were exceeded only in 2 regions due to limitations in human resources and continuation of multi-year studies in the regions associated with

proposed development projects, where we have been focusing our research activities.

The division's Technical Paper series is the cornerstone of detailed scientific reporting of information to the public and the Board of Fisheries and Board of Game. These reports provide harvest and other information on customary and traditional uses of fish and wildlife. The information in these studies is used by the Board of Fisheries, Board of Game, and fisheries and wildlife managers for their allocation among uses and to provide for the sustained yield of resources regulated by the state.

In FY10, the Subsistence Division released 30 new technical reports and special publications to the public, exceeding the most recent 5-year average of 21 reports. This target has been met in all of the five prior fiscal years.

There are now 330 technical papers. Additional Technical Papers and Special Publications will be available by June 2011.

In addition to our technical reports, the Subsistence Division established an on-line searchable database in 2006 called the "Community Subsistence Information System," where the public, fishery and wildlife managers, and division research staff, among others, can access community harvest information from all previous Subsistence Division research. This is the single largest source of subsistence harvest information for Alaskan communities.

Our target is to update the CSIS with all research results from all studies completed during the year. In FY10, information from an additional 64 communities was added to the CSIS, exceeding the target.

The pie chart on the slide is an example of the type of information that can be obtained from the CSIS, in this case, Lime Village harvests in usable pounds from 2007 resulting from research we conducted associated with the proposed Pebble Mine. For example, one can see here the majority of wild resources harvested by Lime Village residents were salmon.

The division's highest priority is reviewing and analyzing 100 percent of all fish and game regulatory

change proposals that have subsistence implications. The division continues to review all proposed state regulations pertaining to customary and traditional uses of fisheries and wildlife and assists the Alaska Boards of Fisheries and Game in implementing the subsistence law by providing the best available information. In the past 5-year period, 170 to 277 regulatory change proposals were reviewed annually for all regions of Alaska. In FY10, we reviewed 252 BOF and BOG proposals.

The division is involved in fisheries and wildlife management planning, as necessary, where customary and traditional use information, including harvest data, is required for Board of Fisheries, Board of Game, and management divisions. Also included are studies and plans related to economic development projects that may affect customary and traditional uses of fish and wildlife resources.

Subsistence Division's regulatory support targets include reviewing and contributing to all relevant management plans requiring customary and traditional use information. On average, the division contributes to 25 plans per year for fisheries and wildlife management. In FY10, we contributed information to 31 management plans.

Key accomplishments by the Subsistence Division in the current fiscal year include:

(1) Completed interviews with salmon fishing households in 5 Yukon River communities representing the lower, middle, and upper Yukon River fishing districts to evaluate the socioeconomic impact of poor returns of Yukon River king salmon. (Emmonak, Marshall, Nulato, Beaver, Eagle)

(2) Initiated a new study to develop a method to comprehensively monitor subsistence harvests of fish and wildlife in all areas of the state through a system of index communities. Data collection is ongoing in Nunam Iqua, St. Marys, Marshall, Nulato, Galena, and Ruby.

(3) Successfully recruited and hired a Subsistence Resource Specialist to reopen the Division's Bethel field office.

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MR. SIMON, in response to a question from Representative Herron, regarding the key accomplishments around the Yukon River Chinook salmon disaster research, said data collection was recently completed and is entering the analysis stage. A final report will be completed by June 30, 2011, which will be presented to the board of fisheries and the Yukon panel.

REPRESENTATIVE HERRON whether the division will develop [recovery] efforts based on the research.

MR. SIMON responded that the technical reports will be provided to the board and panel. The division is a source for information, and consideration is being given to further research regarding the Yukon Chinook salmon.

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REPRESENTATIVE AUSTERMAN asked whether anything more is being done regarding the disaster.

MR. SIMON explained that the research specifically focuses on the socio-economic impacts of the declining salmon return. The investigation is not limited to the subsistence implications. The data collection process included lines of questioning regarding the loss of commercial fishing opportunities and how that has had effects on other subsistence activities.

REPRESENTATIVE AUSTERMAN inquired about the cost of the study.

MR. SIMON answered \$260,000.

[5:21:19 PM](#)

**OVERVIEW(S): Division of Habitat, Alaska Department of Fish and Game (ADF&G)**

[5:21:54 PM](#)

CHAIR THOMPSON announced that the next order of business would be an overview from the Division of Habitat, of the Alaska Department of Fish and Game (ADF&G).

[5:21:56 PM](#)

MIKE DAIGNEAULT, Regional Supervisor, Anchorage Area Office, Division of Habitat, Alaska Department of Fish & Game (ADF&G), paraphrased from a prepared statement, which read as follows [original punctuation provided], with accompanying slides:

Anadromous fish habitat and fish passage responsibilities legislated shortly after statehood.

Over the years, 32 refuges, critical habitat areas and sanctuaries were also established.

Functions initially distributed throughout Department.

"Sections" created in Sport Fish (Access Section), Comm. Fish (Water Rights), and Game Divisions (Lands).

About 1969 or 1970, the above sections were consolidated into the "Habitat Section".

Division responsibilities expanded in late 70s-early 80s when state and federal planning efforts escalated.

Habitat granted "Division" status in 1981.

In 2003, Habitat was moved to DNR, and renamed the "Office of Habitat Management and Permitting." The division also sustained an 18percent reduction in staff and an 11percent reduction in budget.

In 2008, Habitat was moved back to ADF&G, and re-established as the "Habitat Division".

The Division currently has 49 positions, 3 Regional Offices, and 3 Area Offices.

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MR. DAIGNEAULT provided the mission statement, which is:

To protect Alaska's valuable fish & wildlife resources and their habitats as Alaska's population and economy continue to expand.

MR. DAIGNEAULT cited the division's statutory authority, to wit:

AS 16.05.841 Fish Passage

AS 16.05.871 Fish Habitat

AS 16.20

Legislatively Designated Special Areas

[5:25:23 PM](#)

MR. DAIGNEAULT established the division's core services, which are [original punctuation provided]:

Review applications and issue permits for activities in anadromous water bodies and fish-bearing waters and legislatively designated Special Areas (Title 16); provide expertise to protect important fish and wildlife habitat; monitor authorized projects and conduct compliance actions.

Maintain and revise the Catalog of Waters Important for the Spawning, Rearing, or Migration of Anadromous Fishes.

Manage Alaska's Special Areas in accordance with legislative guidelines; prepare and update management plans for these areas.

Review proposed timber harvest activities; conduct field inspections; work cooperatively with timber operators and other governmental agencies.

Review development projects (e.g., oil and gas, hard-rock mining, roads, T16 elements of hydropower projects) authorized under other agencies' authorities.

Conduct applied research to develop methods and means to minimize impacts of development projects on fish and wildlife resources.

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MR. DAIGNEAULT said the end result is to protect Alaska's valuable fish and wildlife resources and their habitats during resource development activities. The first target is to have 100 percent of resource developers meet agency requirements for protection of fish, wildlife, and their habitats; in FY10, 99.6 percent of all developers were in compliance with issued Fish Habitat and Special Area permits.

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MR. DAIGNEAULT continued, explaining the three strategies that the division has developed, the associated targets and status updates. Beginning with strategy A1 and the four associated targets, he paraphrased [original punctuation provided]:

Enhance our Fish Habitat and Special Area review processes by reviewing projects in a timely manner, adding appropriate conditions to protect resources, and monitoring, as needed.

Target 1: 8.2-day average permit review timeframe for Fish Habitat Permits

Status 1: In FY10, Fish Habitat permits were reviewed and issued in an average of 9.1 days, statewide, almost meeting the performance target.

Target 2: 100percent of Fish Habitat permit applications received are reviewed and acted on by either: 1) approving as proposed; 2) approving after modification with appropriate conditions to protect resources; or 3) denying if resources could not be protected.

Status 2: In FY10, 100percent of Fish Habitat permits were reviewed and completed, meeting the target.

Target 3: 15 day average permit review time for Special Area permits.

Status 3: In FY10 Special Area permits were reviewed and issued in an average of 12.4 days, statewide, exceeding the 15 day average permit review time performance target.

Target 4: 100 percent of Special Area Permit applications received are reviewed and acted on by either: 1) approving as proposed; 2) approving after modification with appropriate conditions to protect resources; or 3) denying if resources could not be protected.

Status 4: In FY10, 100 percent of Special Area permits were reviewed and completed, meeting the performance target.

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MR. DAIGNEAULT continued with strategy A2, and the two associated targets, he paraphrased [original punctuation provided]:

Actively and timely participate in coordinated project reviews to ensure appropriate protection of important habitats.

Target 1: 11.5 day average timeframe for a coordinated project review.

Status 1: In FY 10, coordinated project reviews were completed in an average of 12.9 days, statewide, just short of the 11.5 day average timeframe for a coordinated project review performance target.

Target 2: 93.2 percent of projects in a coordinated process are reviewed to ensure appropriate protection of important habitat.

Status 2: In FY10, 92.2 percent projects in a coordinated process were reviewed to ensure appropriate protection of important habitat, almost meeting the performance target to review 93.2 percent of projects in a coordinated process.

[5:29:19 PM](#)

MR. DAIGNEAULT continued with strategy A3, and the associated target, he paraphrased [original punctuation provided]:

Continue to actively manage legislatively designated Special Areas by developing and updating management plans.

Target 1: One Special Area management plan completed or revised each fiscal year.

Status 1: No new Special Area management plans were completed in FY10; target not met.

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REPRESENTATIVE HERRON noted that the division has a timely turnaround time for permits, and asked how they are handled in such an efficient manner.

MR. DAIGNEAULT responded that the permit applications are a focus, and are prioritized as they are received.

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REPRESENTATIVE AUSTERMAN, referred to strategy A3, targeting one Special Area management plan for completion and revision each year, and asked how many Special Area management plans exist.

MR. DAIGNEAULT answered six, which are in the management planning development process. He said that given the various stakeholder groups, planning teams, and public involvement, the process time is lengthy. The division is currently engaged in the planning process for five Special Areas in the Bristol Bay region and one for a critical habitat area in the southeast region.

REPRESENTATIVE AUSTERMAN asked how many legislatively designated Special Areas exist.

MR. DAIGNEAULT said there are a total of 32; six of which are in the active management plan process.

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MR. DAIGNEAULT presented the FY12 proposed fiscal authority, in the form of a pie chart. The majority of the funding is received from state general funds, and interagency receipts. A small percentage is received from four other funding sources.

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REPRESENTATIVE AUSTERMAN asked for an example of interagency receipts.

MR. DAIGNEAULT explained that funds may be received from other agencies, such as the Department of Natural Resources (DNR). The funds are received at DNR directly from an industry, for example mining, and remitted to the Division of Habitat for permit review and related research projects.

[5:33:42 PM](#)

KERRY HOWARD, Director, Division of Habitat, Alaska Department of Fish & Game (ADF&G), interjected that the division has been relocated to ADF&G, but no operating policies, or priorities, have been changed.

HB 121

**HB 121-LOAN FUNDS:CHARTERS/MARICULTURE/MICROLOAN**

[5:35:25 PM](#)

CHAIR THOMPSON announced that the next order of business would be HOUSE BILL NO. 121, "An Act establishing the commercial charter fisheries revolving loan fund, the mariculture revolving loan fund, and the Alaska microloan revolving loan fund and relating to those funds and loans from those funds; and providing for an effective date."

[5:35:46 PM](#)

CURTIS THAYER, Deputy Commissioner, Department of Commerce, Community and Economic Development (DCCED), paraphrased from a prepared statement, which read as follows [original punctuation provided]:

The Department of commerce, Community and Economic Development (DCCED) is on a mission to foster a business climate in this state that is conducive to job creation and economic growth. We have been actively and introspectively engaged in examining how we operate, in an effort to be more responsive to the needs of the business community and deliver services that are relevant and useful to the private sector. Recent realignment of resources and services within the department has bolstered the state's economic development toolbox and is helping us aggressively reassert the state's role in creating a business-friendly environment in Alaska.

We have spent a lot of time listening to the private sector. The governor's recently formed Economic Advisory Council, comprised of industry leaders from around the state, has been instrumental in helping this administration plot a productive course to economic development. Additionally, we solicited

input from NGOs and trade associations, regional development organizations (ARDORs), CDQs, ANSCA corporations and legislators. A commonly heard theme has been to increase financing options for small businesses. Access to critically needed capital can be the difference between simply getting by and thriving.

House Bill 121 is a step in the right direction. The proposed legislation would create a suite of three new revolving loan funds: to incentivize development of the shellfish mariculture industry; to assist Alaska charter operators in acquiring halibut permits to transition to the new regulatory and management regime instituted by NOAA; and to seed microenterprise development across the state.

The Commercial Fisheries Revolving Loan Fund would: provide access to capital for Alaskan-owned charters; repatriate permits to Alaska; increase economic benefits to Alaska from this sector from recirculation of earnings.

The Mariculture Revolving Loan Fund would: provide a spark to the growing industry with great year-round potential for coastal Alaska communities and entrepreneurs. (Currently, there are 67 permitted farms in the state, but only 25 producing farms - 10 in Southeast, 15 in Southcentral.)

The Microloan Revolving Loan Fund would: Help small businesses grow by providing loans for start-up costs, working capital, inventory expansion, or a variety of other commercial purposes; -Alaska one of few remaining states without a microloan program, -Proven track record in other states and through SBA.

These programs would complement two existing small business loan programs administered by DED - the Small Business Economic Development Revolving Loan Fund and the Rural Development Initiative Fund, both of which are geared toward long-term financing. Small businesses are the No. 1 creator of private-sector jobs. So this legislation, which will help us in our efforts to spur sustainable economic growth in Alaska, will be good for our economy and for Alaska families.

[5:39:02 PM](#)

MR. THAYER pointed out that the microloan bill passed the house in 2010, but failed to win approval in the waning hours of the senate.

[5:39:41 PM](#)

WANETTA AYERS, Manager, Office of Economic Development, Department of Commerce, Community & Economic Development (DCCED), said that the role of economic development is to address the underserved sectors of the state, where local banking facilities may not exist, as well as support high risk professions, such as commercial fishing. The loan funds in this bill are geared towards these types of opportunities. The capitalization levels, loan limits, repayment terms, interest rates, and special features of the various funds, were developed in consultation with stakeholders including nongovernmental organizations (NGOs), government agencies, and the private sector. She explained that HB 121 proposes a suite of three loan funds for commercial charter fisheries, mariculture development, and microloans. The loan commonalities include: set up as revolving loans; earnings, loan repayments, and fees to be retained by the fund for future loans; and operating expenses are also to be paid from earnings of the fund.

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MS. AYERS explained that each fund has key functions, and described the current situation faced by the halibut charter industry; paraphrasing from a prepared statement, which read [original punctuation provided]:

Effective February 1, 2011, all vessel operators in Areas 2C and 3A with charter anglers onboard catching and retaining Pacific halibut must have an original, valid Charter Halibut Permit (CHP). Based on log books NOAA estimates 532 Eligible Permittees; some 800 applications were received. Permit prices are still being established in the marketplace. Current asking prices range from \$40,000 to over \$100,000 depending on the number of fishermen the permit allows.

Commercial Charter Fisheries Revolving Loan Fund [will]:

-Provide access to capital for Alaskan-owned Charters

-Repatriate permits to Alaska

-Increase economic benefits from this sector

By offering a loan program to Alaska residents, business owners will have greater access to capital

when purchasing permits over non-residents.

This in turn should allow Alaska business owners to repatriate more permits than otherwise using traditional financing. Additionally, with Alaska's

year-round residents owning permits, Alaska's economy

will realize more of the benefits associated with the sport/charter industry. Resident's contribution to the local economy will be greater than nonresident permit holders as they circulate funds in the economy year round.

Loan Fund Features:

Capitalization \$5 million

Loan Limit \$100 thousand

Term 15 years

Interest may not exceed prime + 2

Floor/Ceiling 3-10.5 percent

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MS. AYERS said the mariculture revolving loan fund will serve 67 permitted farms, and 25 producing farms, that are governed by a number of agencies including: ADF&G Commercial Fisheries Division/Mariculture Program; Department of Natural Resources (DNR) Aquatic Farm Lease Program; Department of Environmental

Conservation (DEC) Food Safety and Sanitation Program/Shellfish Section; and the Alaska Coastal Management Program. The 2009 performance report, from the existing mariculture activity, indicates a value of approximately \$473,000.

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MS. AYERS pointed out that the bill contains an industry specific training requirement. Training resources that have been funded in recent years include: Alaska Sea Grant/Marine Advisory program - mariculture research education and extension and the NOAA mariculture initiative; collaborative research; Alaska Shellfish Growers Association - grant to write best management practices for the industry.

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MS. AYERS reviewed the suggested mariculture loan fund features, which are:

- Capitalization \$3 million
- Loan Limit \$100 thousand
- Term 20 years
- Interest may not exceed prime + 1
- Floor/Ceiling 5-9 percent
- Delayed repayment and accrual

MS. AYERS explained that the delayed repayment and accrual feature is unique to the program to allow for the six year product growing time.

[5:47:20 PM](#)

MS. AYERS proceeded to describe the microloan revolving loan fund, stating that the 2010 bill, HB 412, passed the house unanimously; however, it failed to pass the senate. Many states offer microloans as a means to seed new businesses, and she stressed the important to have this available in Alaska. The suggested loan features are:

- Capitalization \$3.5 million
- Loan Limit \$35/\$70 thousand
- Term 6 years
- Interest prime + 1
- Floor/Ceiling 6-8 percent

[5:49:23 PM](#)

REPRESENTATIVE AUSTERMAN directed attention to the bill page 3, [line 13], noting that it states funds may be used to purchase a charter halibut fishing vessel.

MS. AYERS said yes, that would be an eligible use of the funds.

REPRESENTATIVE AUSTERMAN expressed disagreement for this aspect of the bill, stating that it should support existing halibut charter operations, not assist someone to purchase a boat and begin a halibut fishing venture. Moving to page 6, line 16, he read "have experience or training in the mariculture industry," and suggested the language include a definition of experience/training; it is a vague statement.

MS. AYERS said that the requirement for training was specifically requested by existing operators in the industry, who are willing to provide training and mentorship to entrants; it is not meant to be an onerous requirement. She indicated that the regulation process might provide further details

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REPRESENTATIVE AUSTERMAN referred to page 9, line 26, to state that a definition for "reasonable amount" would be helpful.

MS. AYERS suggested that specifics would be set forth in regulation rather than statute.

[5:55:41 PM](#)

REPRESENTATIVE HERRON paraphrased questions that will be provided to the sponsor for written comment, which read [original punctuation provided]:

Does the production from aquatic shellfish farms contribute to common property fishery harvests?

There has been controversy relative to Geoduck farms, having been a "grab of the resource" in some locations. Are there similar concerns with other mariculture activities such as mussel and oyster farming?

Salmon farms have been opposed in this state due to the conflicts that they potentially pose to wild stocks and the direct competition they represent for

existing historical fisheries. Along the same lines, have we been able to demonstrate that the expansion of shellfish farms does not present similar risks such as potentially lending to the spread of disease among existing wild stocks?

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REPRESENTATIVE JOHNSON directed attention to page 7, line 17, and read:

The department may not require the repayment of principal on a loan made under AS 16.10.910 for the initial period of the loan.

REPRESENTATIVE JOHNSON asked, "Does this mean they don't have to pay anything, or any interest, for six years."

MS. AYERS answered yes; the intent is to allow the mariculture producer to have three to six years to produce a revenue stream.

[5:58:13 PM](#)

CHAIR THOMPSON turned to bill page 7, line 1, and asked for clarification of having a loan amount specified per year, versus the other loans that specify a total loan limit.

MS. AYERS said that it is a feature of the mariculture loan to allow a yearly amount of not more than \$100,000 to be borrowed.

[5:59:12 PM](#)

REPRESENTATIVE MILLER inquired how the mariculture revolving loan program would have funds replenished, given the fact that the initial borrowers would not be making payments for six years; how will the fund be recapitalized during the interim.

MS. AYERS confirmed that the fund may become fully subscribed and until repayment occurs, no more loans would be available.

REPRESENTATIVE MILLER turned to page 9, line 3, and read, "make loans to eligible applicants under AS 44.33.950-44.33.990 to be used for working capital, equipment, construction, or other commercial purposes by a business located in the state," and asked whether this applies to any commercial business in the state.

MS. AYERS responded yes.

REPRESENTATIVE MILLER asked, "Is that what is intended."

MS. AYERS answered yes.

REPRESENTATIVE MILLER inquired how defaulted loans would be handled.

MS. AYERS indicated that seizure of property and resale is handled through the financing office; measures are in place for inevitabilities of this kind.

[6:03:26 PM](#)

CHAIR THOMPSON opened public testimony

[6:03:45 PM](#)

RUSSELL DICK, President and CEO, Haa Aani, LLC, Sealaska Corporation, stated support for HB 121, and applauded the efforts for removing the barriers of entrepreneurs to attain affordable capital. Communities are being targeted for mariculture development and this type of support is essential, he stressed, and said that apprentice oyster farmers will also benefit. Pioneering new industry is always a challenge and gaining experience and training is important, and requires an innovative approach, he said.

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RODGER PAINTER, President, Alaska Shellfish Growers Association, said that the terms of the loans are very important, as it requires a minimum of three years to generate income from a new mariculture farm; up to eight years for certain species. Annual expenses will need to be met, in the interim years, which can range from \$125,000 to \$150,000. Many costs accrue annually, including the purchase of seed, state fees, and labor. He observed that the mariculture loan program is based on the successful private salmon hatchery non-profit model. The mariculture industry may not match the economic gains of the salmon hatcheries; however, he reported, Canada has seen industry growth with the private farms that have received government support. He stated his belief that the economic demographics, particularly in the southeast region of Alaska, require the stimulus that will be encouraged by passage of HB 121. Regarding the industry training that the bill requires, he

said that the association is in favor of the stipulation, and is working with the UA to provide the appropriate course work. Shellfish farms do not contribute to the common property resources with the exception of geoducks; a minimal amount of spawn may tend to drift. In response to a committee question, he said that the existing farms started up through a state loan guarantee program. The newest farms are a result of Sealaska's efforts to promote mariculture, and grants from the United States Department of Agriculture.

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RICHARD YAMADA, Vice President, Alaska Charter Association, stated support for HB 121, saying that it will allow current charter captains to stay in business or to purchase permits and maintain operation. He predicted that, in the long term, it will allow new entrance into the halibut charter industry. The halibut industry has been an economic resource for many communities, and increases access for the public to fishing resources. He suggested a change to the name of the loan fund, removing the word "commercial" and inserting "sport".

REPRESENTATIVE AUSTERMAN asked whether the term "commercial sport charter" would be applicable.

MR. YAMADA said the term "sport" defines the business more accurately than "commercial."

REPRESENTATIVE AUSTERMAN inquired whether a sport charter operator is not technically considered a commercial business.

MR. YAMADA responded, according to the business license, yes.

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REPRESENTATIVE AUSTERMAN referred to the loan eligibility allowances, and asked if the loan program would not be primarily for operators to purchase a permit, versus as boat.

MR. YAMADA stated his belief that the cost for entering the industry may be prohibitive considering the requirement for an expensive permit, along with the purchase of a boat.

CHAIR THOMPSON announced that the bill would be held over.

**HB 59-COMMERCIAL FISHING LOAN ACT**

[6:25:29 PM](#)

CHAIR THOMPSON announced that the final order of business would be HOUSE BILL NO. 59, "An Act relating to loans made to commercial fishermen under the Commercial Fishing Loan Act for product quality improvements and energy efficiency upgrades; and providing for an effective date."

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REPRESENTATIVE SEATON paraphrased from the sponsor statement, which read as follows:

HB 59 allows the Department of Commerce Community and Economic Development to give Commercial Fishing Loan Fund borrowers a reduction in the interest rate on their loan if 50 percent of the loan is spent on a product produced or manufactured in the State of Alaska. The Commercial Fishing Loan Fund was created by the State of Alaska to aid commercial fishermen in securing new equipment, quota shares and upgrades to their vessels. The Department already allows reductions in interest rates for borrowers who pay on time, and make engine and fuel efficiency upgrades or product quality improvements.

To be eligible for the rate reduction under HB 59 at least 50 percent of borrower's purchases with the loan fund have to be manufactured in the State of Alaska. The definition of manufacture is "processing, developing, or making an item into a new item with a distinct character and use."

HB 59 does not make the rate reduction mandatory because the Department needs to have the discretion to institute it when the market allows. For example, in today's market the interest rates are so low, if the Department were required to issue the interest rate discount it would create a loss for the fund.

HB 59 promotes economic development in Alaska by encouraging Alaska fisherman to purchase equipment manufactured in the State of Alaska when using Commercial Fishing Loan Fund dollars.

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REPRESENTATIVE MILLER directed attention to the bill, page 1, line 7, to read "the department may," and asked what criteria the department would use to accept or reject an application.

REPRESENTATIVE SEATON answered that the financial condition of the fund would be the guiding factor; it is necessary that prime interest rates be high enough to generate an income that covers the service cost of the loan. All applicants would be eligible during times of a healthy economy.

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REPRESENTATIVE PRUITT inquired whether competition, within the industry, is being served by passage of HB 59.

REPRESENTATIVE SEATON stated his understanding that no discrimination is being made regarding new versus existing businesses; nothing that would advantage a current manufacturer over someone new to the industry. The difference is that the loan would provide an incentive to purchase locally. The intent of the bill is to create and sustain jobs in Alaska, he said.

REPRESENTATIVE PRUITT queried what constitutes/defines made in Alaska.

REPRESENTATIVE SEATON referred to the bill page 1, line 13, and read:

In this subsection, 'manufactured or produced' means processing developing, or making an item into a new item with a distinct character and use.

REPRESENTATIVE SEATON said the Department of Commerce, Community & Economic Development contributed to the bill language, to ensure an accurate, and adequate, definition.

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CHAIR THOMPSON opened public testimony and announced that the bill would be held in committee for further consideration.

#### **ADJOURNMENT**

There being no further business before the committee, the House Special Committee on Fisheries meeting was adjourned at 6:36 p.m.