

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

February 16, 2017

10:07 a.m.

MEMBERS PRESENT

Representative Louise Stutes, Chair
Representative Zach Fansler
Representative Jonathan Kreiss-Tomkins
Representative Geran Tarr
Representative Mike Chenault
Representative David Eastman

MEMBERS ABSENT

Representative Mark Neuman

OTHER LEGISLATIVE MEMBERS PRESENT

Representative Dan Ortiz

COMMITTEE CALENDAR

PRESENTATION: COMMERCIAL FISHERIES ENTRY COMMISSION (CFEC)

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

BEN BROWN, Commissioner
Commercial Fisheries Entry Commission (CFEC)
Alaska Department of Fish & Game (ADF&G)
Juneau, Alaska

POSITION STATEMENT: Provided an opening statement and responded to questions, during the Commercial Fisheries Entry Commission (CFEC) overview.

CRAIG FARRINGTON, Acting Project Leader
Research and Planning
Commercial Fisheries Entry Commission (CFEC)
Alaska Department of Fish & Game (ADF&G)
Juneau, Alaska

POSITION STATEMENT: Provided the Commercial Fisheries Entry Commission (CFEC) overview.

ACTION NARRATIVE

[10:07:27 AM](#)

CHAIR LOUISE STUTES called the House Special Committee on Fisheries meeting to order at 10:07 a.m. Representatives Stutes, Tarr, Eastman, and Chenault were present at the call to order. Representatives Fansler and Kreiss-Tomkins arrived as the meeting was in progress.

PRESENTATION: Commercial Fisheries Entry Commission (CFEC)

[10:07:49 AM](#)

CHAIR STUTES announced that the only order of business would be a presentation by the Commercial Fisheries Entry Commission (CFEC).

[10:08:24 AM](#)

BEN BROWN, Commissioner, directed attention to the committee packet and the CFEC memorandum to Chair Stutes office, 2/15/17, which synthesizes the brief history of the \$3,000 statutory permit fee, established by the 24th Alaska State Legislature, 2005. At that time it was a \$300.00 ceiling in the statute, which was not generating enough revenue to ensure that CFEC was a self-sustaining agency, expected to be entirely supported by designated funds generated by program receipts. Currently, the agency generates funds in excess of operational requirements, and the trend is to continue bringing in more revenue while minimizing expenses. He noted that an additional memorandum was also provided, which contains further information on the entities/individuals that would be affected if the cap is modified.

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CRAIG FARRINGTON, Acting Project Leader, Research and Planning, Commercial Fisheries Entry Commission (CFEC), began the CFEC presentation.

The committee took a brief at-ease at 10:14.

[10:14:55 AM](#)

MR. FARRINGTON directed attention to the committee packet, and the handout labeled, "Alaska Commercial Fisheries Entry Commission," [the home page of the commission's website], page 2, and pointed out the list of over 300 permit types available for fishermen to access. The permits are organized by species of fish or shellfish, further demarcated by the area of the state, gear type, and finally by the size of the fishing vessel. He said permits are issued to persons, not vessels, thus the skipper is the holder of the permit.

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CHAIR STUTES confirmed that it must be the skipper, not just anyone on the boat, who holds the permit.

MR. FARRINGTON concurred, and said crew members are required to be licensed.

CHAIR STUTES stated her understanding that anyone on the boat could hold the permit card; not necessarily the skipper.

COMMISSIONER BROWN interjected that it's a matter of nomenclature, and whomever holds and presents the permit for landing purposes is legally, considered the skipper.

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MR. FARRINGTON described the two broad categories of CFEC permits. Category one: The limited entry permits apply to the 80 fisheries deemed necessary for limited participation, such as the Bristol Bay salmon drift fishery. The limits CFEC imposes are designed to improve conditions for a fishery. Access to a fishery is handled via a one-time, point ranking system, based on a fisherman's ability to demonstrate their historic participation and economic dependence. The number of permits granted will be less than the number of fisherman previously engaged in a given fishery, with the intent to provide opportunity to those who ranked high and eliminate others.

CHAIR STUTES asked whether, once limited, a fishery remains limited indefinitely.

MR. FARRINGTON responded, yes.

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MR. FARRINGTON characterized category two: The interim-use permits are for open-access fisheries, not limited, and available to all comers on an annual basis, such as the halibut fishery for longline vessels that are less than 60 feet. He pointed out that the majority of permits issued are for limited entry fisheries conducted in state waters.

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COMMISSIONER BROWN interjected that although the CFEC considers halibut to be an open access fishery, the federal government requires an Interim Use Permit (IUP), as per the International Pacific Halibut Commission (IPHC) treaty.

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MR. FARRINGTON said that, of the total CFEC permits issued, interim-use permits represent a minority, including those for federal water fisheries; occurring outside of the three mile limit. The latest reportable data, 2015, shows that limited entry permits garnered \$480 million, and interim-use permit sales brought in \$1.34 billion.

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MR. FARRINGTON provided a pie chart to illustrate the distribution of the 1,729 estimated permits for issuance in 2017, showing that the most popular limited entry permit is for participation in the Bristol Bay salmon drift fishery and representing about 10 percent of the total. The previously described halibut permit is the most popular interim-use permit, also 10 percent of the total. A small percentage of the total permits are distributed to the 15 permit types that are capped by a fee ceiling of \$3,000. He said permit fees are calculated on four tenths of one percent of the market value of the limited entry permit, or the same fraction of the average earnings made with the permit. The exception are the 15 capped permits, comprised of five groupings which include: King crab, fin fish; miscellaneous fin fish, tanner crab, and weathervane scallop. He reiterated that permits are for persons and not vessels. The commonality for the 15 capped fishery types is the high value of the permit, due in part to the high value of the bounty for crab, and the sheer volume for the miscellaneous fin fish categories.

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MR. FARRINGTON defined ex-vessel value as the dockside value of the catch, and provided a pie chart illustrating the share of the \$1.82 billion ex-vessel earnings garnered by permit type: \$105 million for the Bristol Bay drift permits, \$88 million for halibut, and \$1.03 billion by the five capped ceiling groups. He said CFEC expects to issue approximately 485 of the permits capped by the fee ceiling for the 2017 season, and pointed out that these permits carry a fee of \$3,000, which represents about one tenth of one percent of a captain's earnings.

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MR. FARRINGTON reported that the majority of the CFEC permits are issued to Alaskan residents; approximately 76 percent. The ceiling capped permits are primarily held by non-residents; 83 percent versus 17 percent. Given the current fee ceiling, there is an estimated \$2.2 million, which could have been collected for 2017, considered foregone revenue to the state. Thus, if the foregone revenue were to be collected only 10 percent would come from Alaska residents.

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CHAIR STUTES noted that the CFEC formula is complex and removing the \$3,000 cap will have effects that need to be understood. She asked specifically about any impacts on vessels under 60 feet.

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COMMISSIONER BROWN explained that limited entry and interim-use permits are issued to individual skippers; however, the skippers may not benefit from the full ex-vessel value. Individuals may purchase an interim-use permit for use on a vessel that they own, or they may also use the same permit to fish on a vessel owned by someone else. Only one permit is necessary to fish in a given fishery. Thus, someone who owns a 58 foot vessel may purchase a permit for use on that vessel. However, they could also purchase an interim-use permit for the 125 foot and larger vessel category and act as a relief skipper on a larger boat for a quota entity or on a corporate vessel out of Seattle. The anomaly occurs due to CFEC not being able to fully account for the landing data. He said although the information known includes the IUP holder, the vessels they fished, and the ex-vessel values of each vessel, what is not known is whether the individual paid the IUP fee and what percentage of the landing

revenues is retained by that individual. Thus, earnings for individuals are averaged with the longer vessel class, but not with the under 60 foot vessel class, and the result creates a distortion of the statistics related to the IUP renewal, or purchase, fees. A concern exists for removing the cap, as fishermen purchasing IUP's who don't fully benefit from the revenue earned, will pay a significantly larger interim-use fee. He said:

If strictly rational, economical behavior were to result, from lifting the fee cap, an individual would only buy an IUP for the length of vessel that that individual owned and was planning to fish on, and wouldn't have the option of being a free agent and being a relief skipper on a much larger boat.

CHAIR STUTES surmised that there is no disincentive for the owner/operator of a 58 foot vessel to not purchase the \$3,000 permit; the same license fee paid by vessels in excess of 125 feet.

COMMISSIONER BROWN concurred, and offered the analogy of someone purchasing firepower. He said:

You can either have a handgun, a .22, a shotgun, or a cannon. Right now, someone who only needs a handgun can pay the same amount and get a cannon, because of the \$3,000 fee cap. And then that individual can go out ... to the range with his or her handgun when they want, ... but also has the option to go and fire that cannon off and catch a whole bunch more fish.

COMMISSIONER BROWN explained that the CFEC doesn't know who keeps the revenues garnered from the larger vessel, in these situations, and it would be helpful for the agency to gather specific data on the interim-use permit practices, to determine if the fees are fair and reasonable. Evaluating the vessel length categorizations in relation to fees prior to removal of the cap, would help to avoid shocking the system and the fleet. He concurred that there is no disincentive for not purchasing the interim-use permit, because of the cap.

CHAIR STUTES surmised:

If we just took the cap off, people that are buying up on their licenses now could conceivably decrease their expense by buying the appropriate license under the

current categorization, and the 350 footers going to get nailed.

COMMISSIONER BROWN explained that there is a three year process of averaging the gross earnings, and if the cap were eliminated today, the effects would not be immediately apparent. He said CFEC strongly recommends that any change be aligned with the calendar year versus the fiscal year. Thus, if in January 2018, the fee cap were removed, fishermen would need to make personal determinations regarding what permit to purchase. By purchasing the permit for the under 60 foot vessel, the earnings for the season would no longer be averaged in with the larger vessel category. Over a three year period the market would correct itself, he predicted.

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CHAIR STUTES pondered whether, in the anticipation of removing the cap, it would be fair and reasonable to have minimal increments of an increase to the current cap, over a three year period possibly. At the end of the three year period a new categorization could be introduced that would reflect a fair and equitable system.

COMMISSIONER BROWN responded that the means for altering the situation represents a policy call for the legislature, and offered that the \$3,000 cap was established through a phase in process. He acknowledged that any change is difficult but a compromise may be struck with the appropriate approach.

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REPRESENTATIVE FANSLER expressed concern for barriers faced by new fishermen trying to enter the industry. He asked about the constitutionality for allowing a lower fee/license percentage for first time fishermen as an incentive to encourage new skippers.

COMMISSIONER BROWN said the equal protection law, of the Alaska constitution is strictly upheld, and no provision exists in the limited entry act to allow those types of incentives. The renewal fees for open-access fisheries could be set at a more approachable level, he suggested. The CFEC makes no attempts to manipulate prices of permits being transferred between fishermen, although oversight of the transfer is held by the agency. The CFEC continues to work with legislators and regional committees to enhance the ability of Alaskans seeking

to join the fleet, he noted. Many approaches can, and are, being considered legislatively, to address the greying of the fleet; however, inclusion of an age discriminatory exception would be challenged under the equal protection clause.

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REPRESENTATIVE CHENAULT directed attention to the committee handout, page 6, to note that 485 permits fall under the capped fee ceiling, which should garner about \$1.455 million in fees. He said the capped permits earned fishermen \$1.03 billion in 2015, and asked what the projection is for the vessel take versus the income to the state, mentioning that it represents the use of a state resource.

COMMISSIONER BROWN responded that the figures are gross earnings and the CFEC has no means to determine how the funds are disbursed. Further data would be helpful and the permit application could be changed to include questions that would track disbursement of the earnings.

REPRESENTATIVE CHENAULT expressed an interest in knowing what the fishing industry pays to the state; the net receipts. He said it is important to not damage the fishing industry; however, there needs to be assurance that the state is receiving a fair share of the profits garnered from the resource.

CHAIR STUTES added that figures are available and offered to provide further information to members.

COMMISSIONER BROWN responded that the CFEC fees are not above scrutiny, but more information should be gathered prior to removal of the fee cap.

[10:48:24 AM](#)

REPRESENTATIVE KREISS-TOMKINS asked about the home ports for the vessels that participate in the fisheries under the capped fee permits; the vessels that constitute the majority of the ex-vessel value of the Alaskan catch.

COMMISSIONER BROWN said the permits are not vessel based, but, when the catch is landed, CFEC is able to collect information for who holds the permit, the name of the vessel, and the home port can then be ascertained. Although that information is available, it doesn't answer the question of where the money is going, he pointed out, and offered to provide further

information. He directed attention to the committee handout, final page, and the resident, non-resident comparison for removing the fee cap. He noted that the 485 permits, estimated for issuance in 2017, will be held by Alaska residents, although 83 do not list an Alaskan address. Not having an Alaskan address doesn't mean that the skipper doesn't work for a community quota entity. Thus, a large share of the earnings that a Seattle based person realizes may end up in a CQE in Western Alaska. He agreed that more questions should be asked to get a better understanding of how the fishery revenues are being disbursed.

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REPRESENTATIVE TARR asked if a legislative action is needed to empower the CFEC to alter the permit application information that is being collected.

COMMISSIONER BROWN said the statutory authorization already exists, and the 2017 interim-use permits have already been issued by CFEC. The questions can be inserted into the 2018 permit applications, he suggested.

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REPRESENTATIVE TARR questioned the time-line involved and when the new data analysis would be available for reporting to the legislature.

COMMISSIONER BROWN said the 2018 application would be targeted for revision and in 2019 the report could be provided. Phasing in a change in the fee cap could also begin in 2018, he suggested.

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REPRESENTATIVE EASTMAN noted that the greying of the fleet is a continuing concern that requires a response, and asked whether CFEC has considered an approach.

COMMISSIONER BROWN said solving the greying of the fleet issue can best be approached by encouraging young people to see fishing as a great industry to enter into. The state fishing loan program a valuable means to bolster the industry, he stressed, and pointed out that only two loan programs can use CFEC permits as collateral. The CFEC dialogs with fishing organizations to approach young people and discuss fishing as a

career opportunity and the United Fishermen's Association (UFA) is certainly active in the effort.

[10:58:13 AM](#)

CHAIR STUTES thanked the presenters and announced the next meeting.

ADJOURNMENT

There being no further business before the committee, the House Special Committee on Fisheries meeting was adjourned at 10:58 a.m.