

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

March 7, 2017

10:03 a.m.

MEMBERS PRESENT

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

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

HOUSE BILL NO. 76

"An Act relating to the mariculture revolving loan fund and loans from the fund; and providing for an effective date."

- HEARD & HELD

HOUSE BILL NO. 128

"An Act relating to management of enhanced stocks of shellfish; authorizing certain nonprofit organizations to engage in shellfish enhancement projects; relating to application fees for salmon hatchery permits; and providing for an effective date."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 76

SHORT TITLE: MARICULTURE REVOLVING LOAN FUND

SPONSOR(S): REPRESENTATIVE(S) ORTIZ

01/25/17	(H)	READ THE FIRST TIME - REFERRALS
01/25/17	(H)	FSH, FIN
03/07/17	(H)	FSH AT 10:00 AM GRUENBERG 120

BILL: HB 128

SHORT TITLE: SHELLFISH ENHANCE. PROJECTS; HATCHERIES

SPONSOR(s) : REPRESENTATIVE(s) ORTIZ

02/15/17 (H) READ THE FIRST TIME - REFERRALS
02/15/17 (H) FSH, FIN
03/07/17 (H) FSH AT 10:00 AM GRUENBERG 120

WITNESS REGISTER

REPRESENTATIVE DANIEL ORTIZ
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented HB 76 as prime sponsor.

ELIZABETH BOLLING, Staff
Representative Daniel Ortiz
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Provided the sectional analysis of the proposed committee substitute (CS) for HB 76.

BRITTENY CIONI-HAYWOOD, Director
Division of Economic Development
Department of Commerce, Community & Economic Development (DCCED)
Juneau, Alaska

POSITION STATEMENT: Responded to questions during the hearing on HB 76.

ALPHEUS BULLARD, Attorney
Legislative Legal Services
Legislative Affairs Agency
Juneau, Alaska

POSITION STATEMENT: Responded to questions during the hearing on HB 76.

JULIE DECKER, Executive Director
Alaska Fisheries Development Foundation (AFDF)
Wrangell, Alaska

POSITION STATEMENT: Responded to questions during the hearing of HB 76.

NANCY HILLSTRAND
Pioneer Alaskan Fisheries, Inc.
Homer, Alaska

POSITION STATEMENT: Testified with concern on the proposed committee substitute (CS) for HB 76.

TONI MARSH

OceansAlaska

Ketchikan, Alaska

POSITION STATEMENT: Testified in support of HB 76.

JOHN KISER, Owner

Rocky Bay Oysters

Cordova, Alaska

POSITION STATEMENT: Testified during the hearing on HB 76.

ERIC WYATT, Owner

Blue Star Oyster Company

King Cove, Alaska

POSITION STATEMENT: Testified in support of HB 76.

ANGEL DROBNICA, Representative

Aleutian Pribilof Island Community Development Association (APICDA)

Community Development Quota (CDQ)

Juneau, Alaska

POSITION STATEMENT: Testified in support of HB 76.

JERRY MCCUNE

United Fishermen of Alaska (UFA)

Juneau, Alaska

POSITION STATEMENT: Testified in support of HB 76.

REPRESENTATIVE DANIEL ORTIZ

Alaska State Legislature

Juneau, Alaska

POSITION STATEMENT: Introduced HB 128 as sponsor.

FORREST BOWERS, Deputy Director

Division of Commercial Fisheries

Alaska Department of Fish & Game (ADF&G)

Juneau, Alaska

POSITION STATEMENT: Testified during the hearing on HB 128.

HEATHER MCCARTY, Representative

Central Bering Sea Fisherman's Association (CBSFA)

Juneau, Alaska

POSITION STATEMENT: Testified during the hearing on HB 128.

GINNY ECKERT, PhD

Professor

University of Alaska Fairbanks (UAF)

Fairbanks, Alaska

POSITION STATEMENT: Testified in support of HB 128.

JULIE DECKER, Executive Director
Alaska Fisheries Development Foundation (AFDF)
Wrangell, Alaska
POSITION STATEMENT: Testified in support of HB 128.

NANCY HILLSTRAND
Pioneer Alaskan Fisheries Inc.
Homer, Alaska
POSITION STATEMENT: Testified with opposition to HB 128.

TONI MARSH, President
OceansAlaska
Ketchikan, Alaska
POSITION STATEMENT: Testified in support of HB 128.

JOHN KISER, Owner
Rocky Bay Oysters
Cordova, Alaska
POSITION STATEMENT: Testified in support of HB 128.

MILO ATKINSON, Professor
University of Alaska Fairbanks (UAF)
Fairbanks, Alaska
POSITION STATEMENT: Testified during the hearing on HB 128.

MARY HAKALA, Staff
Representative Dan Ortiz
Alaska State Legislature
Juneau, Alaska
POSITION STATEMENT: Provided the sectional analysis for HB 128.

ACTION NARRATIVE

[10:03:00 AM](#)

CHAIR LOUISE STUTES called the House Special Committee on Fisheries meeting to order at 10:03 a.m. Representatives Stutes, Fansler, Kreiss-Tomkins, and Neuman were present at the call to order. Representatives Tarr, Eastman, and Chenault arrived as the meeting was in progress.

HB 76-MARICULTURE REVOLVING LOAN FUND

[10:03:55 AM](#)

CHAIR STUTES announced that the first order of business would be HOUSE BILL NO. 76, "An Act relating to the mariculture revolving loan fund and loans from the fund; and providing for an effective date."

[10:04:32 AM](#)

REPRESENTATIVE FANSLER moved to adopt the committee substitute (CS), for HB 76, Version 30-LS0343\R, Bullard, 3/6/17, as the working document.

[10:04:45 AM](#)

REPRESENTATIVE EASTMAN objected for discussion.

[10:05:29 AM](#)

REPRESENTATIVE DANIEL ORTIZ, Alaska State Legislature, introduced the committee substitute (CS) for HB 76 stressing the need to diversify the economic drivers for Alaska's economy and underscoring the opportunities that exist within the realm of the seafood and mariculture industries. He described the proposed legislation, paraphrasing from the sponsor statement, which read as follows [original punctuation provided]:

This bill amends the existing Alaska Mariculture Revolving Loan Fund to allow up to forty percent of the fund to be used for loans to permitted shellfish hatcheries for planning, construction and operation.

Alaska shellfish farms currently do not have a stable supply of seed for the propagation of oysters, and no regular, in-state source of seed for resident aquatic plants and other shellfish. A stable supply of seed is one of many hurdles the industry must overcome to grow and become a viable Alaskan industry.

This bill will amend the program to shift its focus and eligibility from individual mariculture farmers to include shellfish hatcheries that would market stock to local Alaskan mariculture farmers.

The mariculture industry in Alaska is not yet fully developed, and is extremely high risk, from a financial standpoint. These obstacles make private financing difficult to obtain, but this bill will

enable Alaskans to maintain their businesses and grow Alaska's mariculture industry.

10:10:09 AM

REPRESENTATIVE NEUMAN noted the substantial increases being proposed to the amount that can be loaned and asked about the fund sustainability.

REPRESENTATIVE ORTIZ deferred the question of sustainability to the department, and said projections indicate that the fund will remain solid. The fund is being underutilized and the bill expands the scope of its use.

10:13:43 AM

REPRESENTATIVE EASTMAN asked about the underutilization of the fund.

REPRESENTATIVE ORTIZ deferred.

The committee took an at-ease from 10:14 a.m. to 10:15 a.m.

10:15:14 AM

ELIZABETH BOLLING, Staff, Representative Daniel Ortiz, Alaska State Legislature, provided the sectional analysis of the proposed committee substitute (CS) for HB 76, paraphrasing from a prepared document, which read as follows [original punctuation provided]:

Section 1

Amends AS 16.10 to create a Declaration of Policy for the program and fund uses. This section was added to ensure the fund promotes mariculture and gives clear direction to the department. The declaration is similar to the Fisheries Enhancement Revolving Loan Fund (AS 16.10.500). This will make clear the intent of the program and protect the department from risks in a developing industry.

Section 2

AS 16.10.900(a) (b) (3) and (c) will incorporate the declaration of policy, to ensure the state promotes

mariculture through the fund, and links to new definitions in AS 16.10.945.

Section 3

AS 16.10.905 (1) (a) will incorporate the declaration of policy, to ensure the state promotes mariculture through the fund, and links to new definitions in AS 16.10.945.

AS 16.10.905(1) (b) ensures the fund covers marine aquatic plants rather than all aquatic plants.

AS 16.10.905(1) (c) This change expands the eligible applicants to include organizations that are actively pursuing shellfish enhancement projects. Enhancement refers to the enhancement of resources, rather than the enhancement of individual organisms.

16.10.905 (4) (b) will incorporate the declaration of policy, to ensure the state promotes mariculture through the fund, and links to new definitions in AS 16.10.945.

16.10.905 (7) will incorporate the declaration of policy, to ensure the state promotes mariculture through the fund, and links to new definitions in AS 16.10.945.

AS 16.10.905(9) allows the Department to make grants only to nonprofit organizations eligible for loans under AS 16.10.910(a)(2) for organizational and planning purposes that will provide for public uses in this developing industry

Section 4

AS 16.10.910(a) will incorporate the declaration of policy, to ensure the state promotes mariculture through the fund, and links to new definitions in AS 16.10.945.

AS 16.10.910(a) (2) expands eligible applicants to include a resident of the state or entity organized under the laws of this state that holds a permit under AS 16.40.100 to operate a hatchery for the purpose of

producing aquatic plants or shellfish for sale or is authorized to operate shellfish enhancement project.

Section 6

AS 16.10.915(a) will incorporate the declaration of policy, to ensure the state promotes mariculture through the fund, and links to new definitions AS 16.10.945.

AS 16.10.915 (2) (a) and (b) clarifies the different categories of loan applicants and their terms. This gives an additional length of time to eligible loan applicants under category 2 for the same purpose of public uses, and these terms are consistent with those terms under the Fisheries Enhancement Revolving Loan Fund.

AS 16.10.915 (4) allows the department to consider additional collateral sources including voluntary assessments which may be agreed to in AS 16 10.923.

Section 7

AS 16.10.915(b) will incorporate the declaration of policy, to ensure the state promotes mariculture through the fund, and links to new definitions AS 16.10.945.

AS 16.10.915(b) will incorporate the declaration of policy, to ensure the state promotes mariculture through the fund, and links to new definitions AS 16.10.945.

Section 9

AS 16.10.915(d) will incorporate the declaration of policy, to ensure the state promotes mariculture through the fund, and links to new definitions AS 16.10.945.

Section 10

AS 16.10.915 (f) adds a new subsection to clarify that loans to a hatchery or enhancement project should contribute to common property fishery or otherwise the public interest so the program operates in a manner beneficial to the public interest and be managed in a manner that protects the fund.

Section 11

AS 16.10.920 (a) and (b) mirrors the initial loan period from the Fisheries Enhancement Revolving Loan Fund. This also allows flexibility for farmers in this developing industry.

Section 12

AS 16.10.923 (a) creates a mechanism through which organizations comprising more than one stakeholder can arrange to pay their loan through a voluntary assessment, similar to that of the current Southeast Alaska Regional Dive Fisheries Association and the salmon enhancement program.

AS 16.10.923 (b) protects the department by ensuring only organizations with a plan and agreement to collect an assessment to pay the loan may receive a loan.

Section 13

AS 16.10.935 to allow the department to dispose of property acquired after default.

[10:20:59 AM](#)

REPRESENTATIVE EASTMAN asked about the change included in Sec. 14.

MS. BOLLING responded that it provides a definition of shellfish enhancement project, and referring to the proposed CS, page 6, lines 21-26, read:

(5) "shellfish enhancement project" means a project to
 (A) augment the yield or harvest of shellfish above naturally occurring levels using a natural, artificial, or semiartificial production system; or
 (B) rehabilitate a shellfish stock by restoring it to its naturally occurring levels of productivity.

[10:21:49 AM](#)

REPRESENTATIVE NEUMAN requested a further review of Sec. 12 and Sec. 13, to elaborate on the terms for a loan and the repayment schedule.

MS. BOLLING deferred to the department.

[10:23:15 AM](#)

BRITTENY CIONI-HAYWOOD, Director, Division of Economic Development, Department of Commerce, Community & Economic Development (DCCED), asked to have the question restated.

REPRESENTATIVE NEUMAN pointed out that loan repayment may be deferred until sometime following 6 and 11 years of inception. He asked whether associations may collect payments prior to start of state payments.

MS. CIONI-HAYWOOD clarified that the question regards the voluntary fee assessments that an organization can impose on stakeholders prior to beginning loan repayments to the state, and deferred to legal counsel.

[10:25:38 AM](#)

ALPHEUS BULLARD, Attorney, Legislative Legal Services, Legislative Affairs Agency, referred to the bill, Sec. 12, and said there are no time limitations on when an association can begin to collect assessments for the purpose of either securing or repaying a loan.

REPRESENTATIVE NEUMAN surmised that an association can collect fees and the proposed legislation doesn't provide a schedule for fee activities.

MS. BOLLING concurred, and offered that an association could decide to begin loan repayment earlier than scheduled. Further, if an association imposed fees but didn't use the funds for the loan purposes established, it could be considered an illegal collection.

REPRESENTATIVE NEUMAN conjectured that a loophole might be found by an association collecting fees, and suggested the section language be given further scrutiny.

[10:27:55 AM](#)

REPRESENTATIVE EASTMAN said it appears that an assessment could be collected prior to a loan being secured.

MR. BULLARD responded that the assessments are voluntary from association members.

10:29:08 AM

REPRESENTATIVE NEUMAN asked whether the association owner of a permit could own permits in other states as well, and if so will there be assurance that Alaskan based companies will be prioritized.

CHAIR STUTES said an upcoming presentation would cover this line of questioning.

10:30:02 AM

REPRESENTATIVE EASTMAN noted the new subsection being proposed in Sec. 10, and questioned if it was in the original bill or crafted specifically for the CS.

MS. BOLLING explained that the subsection in question was in the original bill.

REPRESENTATIVE EASTMAN removed his objection and without further objection, Version R was before the committee.

10:31:44 AM

MS. BOLLING said the intent of the legislation is to assist Alaska's developing mariculture industry. A bottleneck, and impediment currently exists, due to the unavailability of a source for year-a-round shellfish seed. Alaska Department of Fish & Game (ADF&G) regulations allow for oyster seed to be brought into the state, but all other seed must be produced in Alaskan waters. The bill is intended to ease the situation, include compatible terms that align with the Fisheries Enhancement Loan Fund, and to further define relatively new concepts such as shellfish enhancement projects.

10:32:57 AM

REPRESENTATIVE NEUMAN pointed out the proposed raise in the application fee, \$100,000 to \$1 million [CS page 4, lines 2-5], to note that this represents a significant change and asked how it is expected to work.

MS. BOLLING said the terms presented are consistent with the terms of the Fisheries Enhancement Revolving Loan Fund. It also provides a time extension to eligible applicants that come under

category two; public use and benefit purposes. She deferred further response.

[10:34:59 AM](#)

JULIA DECKER, Executive Director, Alaska Fisheries Development Foundation (AFDF), said the bill is intended to provide access to funding for individuals with aquatic farms, as well as to organizations, such as those hosting shellfish hatchery/enhancement programs. The monetary need of an organization would be greater than an individual farmer seeking to enter the mariculture industry. It is expected that the number of organizations making application will be few.

REPRESENTATIVE NEUMAN expressed concern that, if the bill is to help small organizations and individuals, coming up with a \$1 million application fee seems daunting.

MS. DECKER said collateral would be necessary, but the amount represents the total amount for which they could apply. It is necessary to make a high amount available for an entity developing a hatchery, and these are critical facilities to the industry to provide a secure source of seed. She suggested that hatcheries currently producing king crab may want to expand into shellfish and this fund would be beneficial to that effort.

[10:37:46 AM](#)

REPRESENTATIVE EASTMAN asked for an estimate of the size of the mariculture industry.

MS. DECKER responded that the vision is to grow a billion dollar industry in 30 years, and assets are available to meet that goal. The mariculture task force considers this to be a reasonable aim and sound course of action.

REPRESENTATIVE EASTMAN noted that the target is a billion dollar industry in 30 years, and asked, "Where were we at last year?"

MS. DECKER responded \$1 million.

[10:39:49 AM](#)

REPRESENTATIVE NEUMAN asked how much is in the current fund, and how has it been performing.

MS. CIONI-HAYWOOD responded that the current, available balance is about \$4.5 million. It's a new fund that will take some time to build, she said. Five loans of about \$500,000 each have been made, and no applications received have been denied. Thus far, only individual farmers have benefited.

REPRESENTATIVE NEUMAN questioned how the department manages the fund, and whether the available loan assets are invested by the state.

MS. CIONI-HAYWOOD responded that the balance on hand is managed by the Treasury Division of the department, providing interest for deposit to the general fund, as well as retention. All interest and fees acquired from active loans remain in the fund, making it self-sustaining. To a follow-up question she said the original fund balance was \$5 million.

[10:42:58 AM](#)

REPRESENTATIVE CHENAULT referred to the changes proposed in Sec. 11, to ask about the current loan rate, and the 6 year interest deferral provision; proposed for extension to 11 years.

The committee took a brief at-ease at 10:44 a.m.

[10:44:11 AM](#)

MS. CIONI-HAYWOOD responded that current statute allows the interest to be deferred, and no interest or payments are due in the first six years.

REPRESENTATIVE CHENAULT questioned how hatcheries will be able to repay loans if assessments are collected on a voluntary basis rather than being made mandatory.

MS. CIONI-HAYWOOD deferred response.

[10:46:15 AM](#)

MS. DECKER explained that the components being proposed in the CS are similar to the repayment structure that exists for salmon hatcheries. The hatcheries have been successful, and, although differences exist between mariculture and finfish facilities, financial flexibility is needed by both undertakings.

REPRESENTATIVE CHENAULT asked how long the mariculture fund has been in existence, and whether any of the original loans have been satisfied.

MS. CIONI-HAYWOOD said it was established in 2012, and all original loans are still in the deferment period.

[10:49:55 AM](#)

REPRESENTATIVE EASTMAN referred to the CS, Sec. 10, [subsection] (e), to paraphrase the language which read:

The total of balances outstanding on loans made to borrowers under AS 16.10.910(a)(2) may not exceed 40 percent of the principal of the mariculture revolving loan fund.

REPRESENTATIVE EASTMAN asked if the principal being referred to is the initial \$5 million fund balance.

MS. CIONI-HAYWOOD confirmed that it refers to the initial \$5 million balance, and to a follow-up question responded that, if the borrowers held maximum loan amounts, only two loans could be allowed, under the 40 percent rule.

REPRESENTATIVE EASTMAN directed attention to the CS page 3, lines 22-27, regarding residency requirements and asked if there is a time period being assumed for someone to qualify for the program.

CHAIR STUTES pointed out the residency qualifiers are contained in the language, which stipulates: "may not have" [page 3, line 25].

REPRESENTATIVE EASTMAN questioned whether someone could be denied based on residency previously established in another state, perhaps ten years ago; would that be a disqualifier.

[10:52:29 AM](#)

REPRESENTATIVE FANSLER suggested that the "and" [page 3, line 24], satisfies the concern, as it conjoins to the 24 consecutive months that are stipulated [page 3, line 23]. He paraphrased the language, which read:

(1) shall physically reside in this state and maintain a domicile in this state during the 24 consecutive

months preceding the date of application for the program; and

(2) may not have

(A) declared or established residency in another state; or

(B) received residency or a benefit based on residency from another state.

MR. BULLARD confirmed Representative Fansler's understanding.

CHAIR STUTES opened public testimony.

[10:55:24 AM](#)

NANCY HILLSTRAND, Pioneer Alaskan Fisheries, Inc., emphasized the need to delineate mariculture from shellfish, and to include clear definitions for each. She said the salmon revolving loan fund should be reviewed prior to extending it in the direction of shellfish. Further, natural stocks and the reasons causing depletion should be addressed prior to supporting farming, she cautioned.

[10:57:45 AM](#)

TONI MARSH, OceansAlaska, predicted that the bill will be as good of an assist to mariculture farmers as it has been to fish hatcheries. The allowance for deferred payment is necessary in this type of industry, which has a lengthy incubation period and maturity process, she said and reviewed the seed maturation timeline.

REPRESENTATIVE NEUMAN asked about her affiliation.

MS. MARSH responded that she is the board president for OceansAlaska, a non-profit shellfish hatchery located in Ketchikan.

REPRESENTATIVE NEUMAN asked whether the non-profit shellfish hatchery she represents expects to apply for this funding should it become available, and, if so, for how much.

MS. MARSH responded that the organization is anticipating making application in the amount of about \$200,000.

[11:01:17 AM](#)

JOHN KISER, Owner, Rocky Bay Oysters, underscored the need for farmers to have access to seed and encouraged the committee to support a line of funding to the mariculture industry. However, with access to public funds comes the possibility of waste, he cautioned, and said the loans should be performance based. The oyster operation that he owns has been idle for eight years, and he's been working with someone in Cordova to grow seed.

REPRESENTATIVE NEUMAN noted that the available loan balance is \$1.5 million, and asked whether small operators, like himself, will be able to benefit from what is being proposed or will the larger organizations be the primary beneficiaries of the legislation.

MR. KISER replied that the fund began as a good idea but not many small farmers were able to take advantage of it given the collateral requirements. Many of the farmers, including himself, took out small farm loans as an alternative. If larger entities use this fund it shouldn't be a problem, he said, as the small farmers stand to benefit from the production of shellfish seed.

[11:04:47 AM](#)

ERIC WYATT, Owner, Blue Star Oyster Company, stated support for HB 76 and said the company maintains an oyster farm and a nursery. The nursery supplies other farmers; however, the business has been dwindling due to the difficulty in sourcing the seed. The fund should prove helpful to hatcheries and make it possible for them to expand in a number of ways. If the hatcheries have an opportunity to diversify, it will be beneficial to the mariculture farmers, he finished, and said it will allow for a variety of potential.

[11:06:29 AM](#)

ANGEL DROBNICA, Representative, Aleutian Pribilof Island Community Development Association (APICDA) Community Development Quota (CDQ), stated support for the CS for HB 76 and said creating stable fisheries and local economies is the goal of the organizations with which she is affiliated. Diversification is helpful and economic support is necessary. As chair of the investment and advisory committee for APICDA, she said the investment portfolios are affected by the seasonal and fluctuating characteristics of the fisheries, and the addition of mariculture could provide a stabilizing force, as well as diversify the investment profile. The support for the CS comes

from a rural community development perspective. The bill is important as it will provide funding for the advancement of the mariculture industry. Finding funding for hatcheries is a challenge, and the ability to produce seed is essential to farming operations. The legislation is timely and necessary, she finished.

REPRESENTATIVE EASTMAN asked for a cost estimate to get a seed hatchery operational.

MS. DROBNICA said that the size and scope of the undertaking makes the cost highly variable, and deferred further response.

[11:10:16 AM](#)

REPRESENTATIVE KREISS-TOMKINS asked about the amount available in the fund for disbursement.

MS. DROBNICA estimated the loan availability to be \$4.5 million.

REPRESENTATIVE KREISS-TOMKINS acknowledged that the fund has a balance of \$4.5 million; however, as mentioned in earlier testimony, only \$1.5 is effectively available for loan, and asked Ms. Drobica to speak to that situation.

MS. DROBNICA deferred.

MS. CIONI-HAYWOOD explained that the fund has a balance of about \$4.5 million, with \$500,000 currently on loan. She said that the balance is available for lending, outside of a small foreclosure reserve that must be retained. The loans are expected to be appropriately collateralized to avoid the risk of foreclosure. About \$2 million is available for potential hatchery loans, leaving about \$2.2 million available for loans to other entities.

[11:13:18 AM](#)

REPRESENTATIVE NEUMAN directed attention to the CS page 5, lines 5-8, which read:

Sec. 10. AS 16.10.915 is amended by adding new subsection to read:

(e) The total of balances outstanding on loans made to borrowers under AS 16.10.910(a)(2) may not exceed 40 percent of the principal of the mariculture revolving loan fund.

REPRESENTATIVE NEUMAN questioned the mathematics being presented.

MS. CIONI-HAYWOOD acknowledged the difference, and said that up to 40 percent, or \$2 million for hatchery loans, was to be made available, and deferred to the sponsor's staff for further response.

MS. BOLLING said, "That is correct." In response to Chair Stutes request for clarification on which statement should be considered correct, she deferred comment to Ms. Decker.

REPRESENTATIVE NEUMAN noted that generally when funds of this nature are created a charter is filed, and suggested a copy might be helpful.

MS. DECKER said the reference to 40 percent was intended to relate to the initial \$5 million principal, thus there would be up to \$2 million available for these types of new applicants.

REPRESENTATIVE NEUMAN said the intent is not clear in the bill, and expressed consternation at not receiving a response from the director, but rather someone who will be an applicant to the fund and benefit of the proposed legislation.

[11:16:23 AM](#)

REPRESENTATIVE EASTMAN referred to the CS page 2, Sec. 3, to note that it indicates eligible applicants may be developing a mariculture business or a hatchery, and asked whether a hatchery could be considered a mariculture business or are these mutually exclusive terms.

MS. DECKER responded that the key term is business versus non-profit. The hatchery and shellfish enhancement entities would be non-profit organizations, she opined.

[11:17:12 AM](#)

REPRESENTATIVE FANSLER referred to Sec. 10(e) [CS page 5, lines 5-8] to state agreement with Representative Neuman's concern regarding the need to clarify the language regarding how the available loan amount is being determined, and offered to submit a friendly amendment.

MS. BOLLING said the sponsor would be amenable to receiving an amendment.

[11:19:22 AM](#)

JERRY MCCUNE, United Fishermen of Alaska (UFA), stated support for HB 76 and recalled that similar doubts were expressed when funding for hatchery development was first introduced. He expressed optimism for a good outcome and said the mariculture industry deserves to have similar state sanctioned support and opportunity to help it develop.

[11:20:44 AM](#)

CHAIR STUTES closed public testimony and announced the bill as held.

The committee took an at-ease from 11:20 a.m. to 11:26 a.m.

HB 128-SHELLFISH ENHANCE. PROJECTS; HATCHERIES

[11:26:37 AM](#)

CHAIR STUTES announced that the final order of business would be HOUSE BILL NO. 128, "An Act relating to management of enhanced stocks of shellfish; authorizing certain nonprofit organizations to engage in shellfish enhancement projects; relating to application fees for salmon hatchery permits; and providing for an effective date."

[11:27:10 AM](#)

REPRESENTATIVE DANIEL ORTIZ, Alaska State Legislature, presented HB 128, paraphrasing from the sponsor statement, which read as follows [original punctuation provided]:

Enhancement of Alaska's shellfish industry holds the potential of expanded economic opportunities in Alaska's coastal communities and increased resilience of the State's fisheries portfolio.

To tap this potential HB 128 allows qualified non-profits to pursue enhancement and/or restoration projects involving shellfish species including red and blue king crab, sea cucumber, abalone, and razor clams.

The bill creates a regulatory framework with which Alaska Department of Fish & Game can manage shellfish enhancement projects and outlines criteria for issuance of permits. It sets out stringent safety standards to ensure sustainability and health of existing natural stocks. The Commissioner of ADF&G must also make a determination of substantial public benefit before a project can proceed.

In addition, the bill sets the application fee for a shellfish enhancement project at \$1,000 and amends the application fee for a salmon hatchery permit, increasing the fee from \$100 to \$1,000.

HB 128 plays an important role in the development of mariculture in Alaska by providing a method to increase the available harvest of shellfish for public use in an environmentally safe manner.

[11:31:04 AM](#)

CHAIR STUTES opened public testimony.

[11:31:32 AM](#)

FORREST BOWERS, Deputy Director, Division of Commercial Fisheries, Alaska Department of Fish & Game (ADF&G), explained the difference between mariculture and shellfish fishery enhancement projects. The later refers to wild stock enhancement for common property fisheries. The mariculture projects are related to existing shellfish spawn programs. Overlap is inherent in certain aspects of the two projects.

[11:32:41 AM](#)

REPRESENTATIVE KREISS-TOMKINS asked about the genetic dynamics of shellfish enhancement and the management that the department would anticipate; similar to the consideration given wild salmon enhancement.

MR. BOWERS responded that a policy is in place and requires that baseline work be performed to gain an understanding of the local stocks, genetic make-up and distribution, as well as the drift zone distribution that the shellfish, as broadcast spawners, would effect. Genetic concerns would also need to be addressed.

[11:34:49 AM](#)

REPRESENTATIVE FANSLER asked if there is a strict definition that the department follows to identify enhancement versus rehabilitation of stocks.

MR. BOWERS acknowledged that the terms are often discussed in a seemingly interchangeable manner. However, when referring to rehabilitation the effort being made is to rebuild a wild stock to its natural reproductive potential. Enhancement means to identify a stock that is already at healthy levels and increase its production significantly beyond what would otherwise occur in the wild, thus, providing additional harvest opportunity.

[11:37:18 AM](#)

HEATHER MCCARTY, Representative, Central Bering Sea Fisherman's Association (CBSFA), said, located on St. Paul Island, CBSFA is the smallest of the six community development quota (CDQ) program groups in the western region of Alaska. The mission of the CDQ program is to support economic development in coastal communities, particularly in the area of fisheries. As such, CBSFA, holds a considerable quota in the federal crab program in the Bering Sea, and has been a participant in the Alaska King Crab Research, Rehabilitation and Biology (AKCRRAB) program since its inception in 2006, which has a mission to rehabilitate the stocks of the Gulf of Alaska red king crab and the Bering Sea/Pribilof Island blue king crab. The program has depended on hatchery production of juvenile crab, produced under a research permit, and no other type of permit is currently available to allow the production of larger amounts of enhancement stocks for a fishery that has dwindled to the point of being unfishable for the last 25 years. She stressed the need for passage of HB 128 in order to take the next step in the CBSFA mission; rehabilitate of king crab stocks. Without the legislation, there is no means for facilities to produce juvenile crab to serve the purposes of that mission.

GINNY ECKERT, PhD, Professor, University of Alaska Fairbanks (UAF), stated support for HB 128, paraphrasing from a prepared statement, which read as follows [original punctuation provided]:

The Steering Committee of the Alaska King Crab Research, Rehabilitation and Biology (AKCRRAB) program would like to express appreciation and support for House Bill 128.

The AKCRRAB program is a coalition of university, federal and stakeholder groups, formed in 2006 with the goals of adding to the scientific understanding of crab life history and ecology, as well as the eventual rehabilitation of depressed king crab stocks in Alaska. AKCRRAB is developing scientifically sound strategies for hatching, rearing and outplanting king crab in Alaska, in order to help restore populations to self-sustainable levels.

In phase one, from 2006 to 2011, AKCRRAB researchers made significant accomplishments in developing and improving methods of hatchery rearing of larval and juvenile king crab from wild-caught brood stock, to the point where large-scale production is feasible. Parallel field and laboratory studies of crab ecology and population genetics were also conducted during this time.

In the second and current phase, hatchery studies have been complemented by studies essential to understanding optimal release strategies, appropriate habitat, and potential impact on existing ecosystems. This research is providing the science necessary for informing the responsible release of hatchery-reared animals. Increased knowledge will allow scientists and managers to assess the feasibility of ecologically sound rehabilitation of depressed stocks, with potentially substantial benefits to Alaska.

In the third and final phase, AKCRRAB intends to evolve from the current, research-oriented coalition, to a formal entity focused on transitioning hatchery techniques and outplanting technologies to communities and industry as part of statewide efforts to help rehabilitate depleted king crab stocks. As phase three develops, the program will require support and guidance from the State of Alaska, as the transition from feasibility to implementation will need to be guided with a new regulatory structure.

House Bill 128, similar to last year's House Bill 300, is a response to the need for new regulations for shellfish culture. The AKCRRAB Steering Committee is pleased that the Legislature is addressing this need.

We intend to participate fully in further discussions and hearings on this important legislation. The AKCRRAB Steering Committee stands ready to interact with Committee members and staff as needed. Please let us know how we can be of help.

[11:42:17 AM](#)

REPRESENTATIVE KREISS-TOMKINS inquired about successful case studies of shellfish enhancement occurring elsewhere in the world.

DR. ECKERT said that the enhancement of European lobster in Norway has proven successful.

REPRESENTATIVE KREISS-TOMKINS queried whether there are examples specific to king crab.

DR. ECKERT responded that the Russians introduced king crab into the Barents Sea and created a vibrant fishery.

REPRESENTATIVE KREISS-TOMKINS noted that the Barents Sea program represented an introduction of a species to an area versus restoration or enhancement of an existing stock. He asked whether there are any biologic, genetic, or other scientific concerns around shellfish species propagation that the committee should be made aware of, in consideration of the proposed legislation.

DR. ECKERT answered that genetics are always a consideration in a hatchery, and every effort is made to expand the genetic diversity of the pool of animals being reared. It is an essential step that Alaska Department of Fish & Game (ADF&G) regulates. The bill stipulates that the adult/parent brood stock will be taken from the area to which they are native, in order to not disrupt the local gene pool.

MS. MCCARTY added that genetics is a focus and concern in the development of the king crab enhancement project being conducted by AKCRRAB, and the department has been integral to the effort. An entire research section has been dedicated to that purpose alone.

REPRESENTATIVE KREISS-TOMKINS commented that the report on the scope of the work being conducted speaks loudly to the diligence that is being brought to the subject at hand, and he stated support for the bill.

[11:47:39 AM](#)

JULIE DECKER, Executive Director, Alaska Fisheries Development Foundation (AFDF), states support for HB 128, paraphrasing from a prepared statement, which read, in part, as follows [original punctuation provided]:

AFDF is the Client for seafood sustainability certification programs such as the Marine Stewardship Council (MSC) and the Alaska Responsible Fisheries Management (RFM) program. As the Client and facilitator for these certification programs, AFDF has a unique viewpoint on this issue. As a part of these certifications, the Alaska Department of Fish & Game's (ADF&G) management of the salmon fishery (including salmon enhancement) is reviewed every year by independent third-party experts to determine whether it meets internationally accepted standards for sustainably managed fisheries. Alaska salmon maintains the Alaska RFM certification, because ADF&G's management incorporates a precautionary approach that prioritizes wild fish and minimizes adverse impacts to wild stocks. ADF&G has extensive enhancement policies which protect wild stocks (e.g. genetics, marking, and disease). Given these policies, AFDF and independent third-parties experts have confidence that ADF&G is fulfilling its constitutional mandate to manage the State's fishery resources for sustainability. AFDF is confident that ADF&G would manage shellfish enhancement with the same priority to wild stocks, therefore, AFDF support HB 128 which will give ADF&G the authority and regulatory framework to manage shellfish enhancement.

[11:49:44 AM](#)

REPRESENTATIVE KREISS-TOMKINS asked where the primary perspective shellfish enhancement activity in Alaska might take place, and with which species.

MS. DECKER answered that the two groups furthest along on the research side for enhancement are the programs undertaken by the AKCRRAB, on king crab, and the Southeast Alaska Regional Dive Fisheries Association, for sea cucumber.

[11:50:53 AM](#)

NANCY HILLSTRAND, Pioneer Alaskan Fisheries Inc., stated opposition to HB 128, paraphrasing from a prepared statement, which read as follows [original punctuation provided]:

Please be very cautious with this bill so all facts and figures are on the table. Present salmon legislation is 42 years old. These multiple statutes and regulations are obsolete in many ways because they do not reflect what we have learned over these 4 decades of time.

In the 1976 ADFG Annual Report, the then Commissioner admitted that we had been over harvesting crab and shrimp. The harvest levels take populations over the thresholds of sustainability to withstand other mortality factors like predation, female male size restraints, etc.

Another danger especially with our budget as it is. Monitoring is scanty and there is no money to perform sustainably. All oversight rests on one man...the ADFG commissioner. There needs to be an unbiased oversight Board that can see all angles of this biological introduction into our ecosystems.

Before we "just add fish"...Preliminary information is required. We first need information on all interacting limiting mortality factors of wild shellfish in their nursery grounds. For instance

- what are the predators in these near shore nurseries?
- have we identified and mapped the critical shellfish nurseries in Alaska?
- are there introduced magnitudes of hatchery pink salmon in these nurseries?
- do the introduced magnitudes of hatchery fish draw in or cause a "swamping" of additional depredation creating a predator pit on shellfish larvae and mega lops?

There has been concern in California that hatchery coho held some responsibility in the crash of their Dungeness crab fishery in San Francisco.

The Barents Sea had an introduction of King Crab that created competition with traditional fisheries.

[11:53:19 AM](#)

TONI MARSH, President, OceansAlaska, stated support for HB 128, paraphrasing from a prepared statement, which read as follows [original punctuation provided]:

HB 128 creates a regulatory framework with which ADF&G can manage shellfish fishery enhancement, restoration and shellfish hatcheries. This will allow interested stakeholders to either continue or begin enhancement and/or restoration of certain species. OceansAlaska supports HB 128 as it will diversify economic development, sustain cultural legacy and increase environmental stewardship through:

1. Enhancement of traditional and economically important shellfish species.
2. Enhancement of shellfish species integral to marine ecosystems and habitat restoration.
3. Enhancement of shellfish species that are vital to climate change and pollution mitigation.

Thank you for your support of HB 128 and the mariculture industry.

[11:54:27 AM](#)

JOHN KISER, Owner, Rocky Bay Oysters, stated support for HB 128 with reserved concern regarding the private mariculture operations as opposed to the state run hatcheries. Cost recovery operations should not come into conflict with the individual farming businesses, which can be accomplished via regulation of the species allowed to be grown.

[11:55:53 AM](#)

MILO ATKINSON, Professor, University of Alaska Fairbanks (UAF), encouraged the committee to focus on maintaining oversight and protection of wild stocks, by reinforcing the need for diligence with ADF&G. He reiterated the need to be clear about the difference between enhancement and mariculture. As previously noted, the potential exists for negative effects to occur regarding interbreeding of hatchery reared and wild stocks, as well as possible overharvest of wild stocks when reared stocks are taken. Unlike salmon, the potential for damage is much higher, he opined, and said strong oversight will need to be practiced by the department.

CHAIR STUTES closed public testimony.

[11:58:53 AM](#)

MARY HAKALA, Staff, Representative Dan Ortiz, Alaska State Legislature, provided the sectional analysis, paraphrasing from a prepared statement, which read as follows [original punctuation provided]:

Sec. 1

Provides the Alaska Board of Fisheries authority to direct the department to manage production of enhanced shellfish stocks, beyond brood stock needs, for cost recovery harvest.

Sec. 2

Increases the permit application fee for new private nonprofit salmon hatcheries from \$100 to \$1,000.

Sec. 3

Adds a new Chapter 12 to Title 16, "Shellfish Stock Enhancement Projects". Provides direction to the commissioner of the Department of Fish and Game on issuance of permits for private nonprofit shellfish fishery enhancement projects and establishes a \$1,000 permit application fee. This section directs the commissioner to consult with technical experts in the relevant areas before permit issuance. This section provides for a hearing prior to issuance of a permit and describes certain permit terms including cost recovery fisheries, harvest, sale, and release of enhancement project produced shellfish, and selection of brood stock sources. This section describes reporting requirements and terms for modification or revocation of a permit. It specifies that shellfish produced under an approved enhancement project are a common property resource, with provision for special harvest areas by permit holders.

Sec. 4

Provides Commercial Fisheries Entry Commission authority to issue special harvest area entry permits to holders of private nonprofit shellfish rehabilitation, or enhancement project permits.

Sec. 5

Defines legal fishing gear for special harvest area entry permit holders.

Sec. 6

Exempts shellfish raised in a private nonprofit shellfish project from the farmed fish definition.

Sec. 7 and 8

Establish state corporate income tax exemption for a nonprofit corporation holding a shellfish fishery enhancement permit.

Sec. 9

Exempts shellfish harvested under a special harvest area entry permit from seafood development taxes.

Sec. 10

Establishes an effective date for the salmon hatchery permit application fee described in sec. 2.

Sec. 11

Authorizes the Department of Fish and Game to adopt implementing regulations.

Sec. 12

Establishes an immediate effective date for sec. 11 pursuant to AS 01.10.070(c).

Sec. 13

Establishes an effective date for sec. 8 concomitant with sec. 2, Chapter 55, SLA 2013

[12:01:38 PM](#)

MS. HAKALA referred to the bill, page 2, Subsection (e), lines 28-30, and the language which reads:

The commissioner may not issue a permit under this section unless the commissioner determines that the action would result in substantial public benefits and would not jeopardize natural stocks.

MS. HAKALA pointed out that additional language [page 4, lines 13-19] establishes a course of action for permit termination should the commissioner find that an operation is not proceeding in the best public interest. Thus, the bill ensures that the

department has teeth to maintain accountability among permit holders, she stressed.

CHAIR STUTES announced HB 128 as held.

[12:02:56 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Special Committee on Fisheries meeting was adjourned at 12:03 p.m.