

**ALASKA STATE LEGISLATURE**  
**SENATE RESOURCES STANDING COMMITTEE**

April 5, 2017

3:31 p.m.

**MEMBERS PRESENT**

Senator Cathy Giessel, Chair  
Senator John Coghill, Vice Chair  
Senator Natasha von Imhof  
Senator Bert Stedman  
Senator Shelley Hughes  
Senator Kevin Meyer  
Senator Bill Wielechowski

**MEMBERS ABSENT**

All members present

**COMMITTEE CALENDAR**

SENATE BILL NO. 65

"An Act establishing the Jonesville Public Use Area."

- BILL HEARING CANCELED

SENATE BILL NO. 88

"An Act authorizing a land exchange with the federal government in which certain Alaska mental health trust land is exchanged for certain national forest land and relating to the costs of the exchange; and providing for an effective date."

- MOVED CSSB 88(RES) OUT OF COMMITTEE

SENATE BILL NO. 28

"An Act relating to the general grant land entitlement for the Petersburg Borough; and providing for an effective date."

- HEARD & HELD

SENATE BILL NO. 89

"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: SB 88

SHORT TITLE: AK MENTAL HEALTH TRUST LAND EXCHANGE

SPONSOR(s): SENATOR(s) STEDMAN

03/10/17 (S) READ THE FIRST TIME - REFERRALS  
03/10/17 (S) RES, FIN  
03/22/17 (S) RES AT 3:30 PM BUTROVICH 205  
03/22/17 (S) Heard & Held  
03/22/17 (S) MINUTE(RES)  
04/03/17 (S) RES AT 3:30 PM BUTROVICH 205  
04/03/17 (S) Heard & Held  
04/03/17 (S) MINUTE(RES)  
04/05/17 (S) RES AT 3:30 PM BUTROVICH 205

BILL: SB 28

SHORT TITLE: MUNICIPAL LAND SELECTIONS: PETERSBURG

SPONSOR(s): SENATOR(s) STEDMAN

01/20/17 (S) READ THE FIRST TIME - REFERRALS  
01/20/17 (S) CRA  
02/02/17 (S) CRA AT 3:30 PM BELTZ 105 (TSBldg)  
02/02/17 (S) Heard & Held  
02/02/17 (S) MINUTE(CRA)  
02/07/17 (S) CRA AT 3:30 PM BELTZ 105 (TSBldg)  
02/07/17 (S) Moved SB 28 Out of Committee  
02/07/17 (S) MINUTE(CRA)  
02/08/17 (S) CRA RPT 3DP 1NR  
02/08/17 (S) DP: BISHOP, GARDNER, STEDMAN  
02/08/17 (S) NR: MACKINNON  
03/20/17 (S) RES REFERRAL ADDED AFTER CRA  
04/05/17 (S) RES AT 3:30 PM BUTROVICH 205

BILL: SB 89

SHORT TITLE: SHELLFISH ENHANCE. PROJECTS; HATCHERIES

SPONSOR(s): SENATOR(s) STEVENS

03/10/17 (S) READ THE FIRST TIME - REFERRALS  
03/10/17 (S) RES, FIN  
04/05/17 (S) RES AT 3:30 PM BUTROVICH 205

**WITNESS REGISTER**

AKIS GIALOPSOS, staff to Senator Giessel

Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Presented SB 88, version R.

MELISSA KOOKESH, staff to Senator Stedman  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Provided information related to SB 28.

LIZ CABRERA, Director  
Community and Economic Development  
Petersburg Borough  
Petersburg, Alaska

**POSITION STATEMENT:** Supported SB 28.

MARTY PARSONS, Deputy Director  
Division of Mining, Land and Water  
Department of Natural Resources (DNR)  
Anchorage, Alaska

**POSITION STATEMENT:** Answered questions on SB 28.

TIM LAMKIN, Staff to Senator Stevens  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Presented SB 89 for the sponsor.

FORREST BOWERS, Deputy Director  
Division of Commercial Fisheries  
Alaska Department of Fish and Game (ADF&G)  
Anchorage, Alaska

**POSITION STATEMENT:** Answered questions on SB 89.

SETH BEASANG, Assistant Attorney General  
Natural Resources Section  
Department of Law  
Anchorage, Alaska

**POSITION STATEMENT:** Answered questions on SB 89.

TOMI MARSH, President  
Oceans Alaska  
Ketchikan, Alaska

**POSITION STATEMENT:** Supported SB 89.

NANCY HILLSTRAND  
Pioneer Alaskan Fisheries, Inc.  
Homer, Alaska

**POSITION STATEMENT:** Expressed concern with SB 89.

JEFF HETRICK, Director  
Alutiiq Pride Shellfish Hatchery  
Seward, Alaska

**POSITION STATEMENT:** Supported SB 89.

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

**POSITION STATEMENT:** Supported SB 89.

GINNY ECKERT, Fisheries Professor  
University of Alaska Fairbanks (UAF)  
Juneau, Alaska

**POSITION STATEMENT:** Supported SB 89.

MICHELLE RIDGWAY, representing herself  
Juneau, Alaska

**POSITION STATEMENT:** Supported SB 89.

#### **ACTION NARRATIVE**

[3:31:19 PM](#)

**CHAIR CATHY GIESSEL** called the Senate Resources Standing Committee meeting to order at 3:31 p.m. Present at the call to order were Senators Stedman, Coghill, Wielechowski, Meyer, Hughes, and Chair Giessel.

CHAIR GIESSEL advised that SB 65 was removed from the agenda.

#### **SB 88-AK MENTAL HEALTH TRUST LAND EXCHANGE**

[3:32:10 PM](#)

CHAIR GIESSEL announced consideration of SB 88. It was first heard on March 22 when public testimony was opened and closed. At the second hearing, April 3, the Alaska Mental Health Trust Authority (AMHT) indicated some technical changes were required to comply with federal legislation related to this proposed land exchange.

SENATOR COGHILL moved to adopt CSSB 88(RES), version 30-LS0417\R.

CHAIR GIESSEL objected for discussion purposes.

AKIS GIALOPSOS, staff to Senator Giessel, Alaska State Legislature, Juneau, Alaska, explained the changes in version R of SB 88. He said Section 3 has some minor changes to the acreage of particular parcels and acreage totals due to Congressional action. On page 3, line 15, the total AMHT acreage changed to 18,258. On page 4, line 25, in paragraph 20, parcel acreage is changed to 3,374. On page 4, line 28, the total United States Forest Service (USFS) acreage changed to 20,580 acres. On page 5, line 6, in paragraph 4, parcel acreage is changed to 1,067 acres. On page 5, line 23, language updates the date of maps to reflect Congressional action.

The final changes are found in Section 4, where the past-tense reading of the language was removed to make it clear that the appraisal of the phase 1 transfer will occur before phase 2 land is conveyed. On page 6, lines 3 & 4, "to be" is inserted after Land and "to be conveyed" replaces "described".

CHAIR GIESSEL, finding no questions, removed her objection, and announced that version R was adopted.

SENATOR COGHILL moved to report CSSB 88 (RES), version 30-LS0417\R, from committee with individual recommendations and attached fiscal note. There were no objections and it was so ordered.

[3:35:29 PM](#)

At ease

**SB 28-MUNICIPAL LAND SELECTIONS: PETERSBURG**

[3:37:07 PM](#)

CHAIR GIESSEL announced consideration of SB 28. She said it authorizes a land conveyance to the Petersburg Borough of 14,666 acres from unallotted state land.

SENATOR BERT STEDMAN, sponsor of SB 28, Alaska State Legislature, Juneau, Alaska, stated that this is a simple borough expansion bill to align the Borough of Petersburg with land expansions in other boroughs as required by the Alaska Constitution.

MELISSA KOOKESH, staff to Senator Stedman, Alaska State Legislature, Juneau, Alaska, said this bill would give the Petersburg Borough a chance to grow, generate revenue, and increase economic development from nearby lands. Over the last several months, Senator Stedman's office and representatives

from the Petersburg Borough have reviewed the bill with the Department of Natural Resources (DNR) and discussed where the borough selections would occur, and they have no objection to the bill.

CHAIR GIESSEL asked for a sectional analysis.

[3:39:14 PM](#)

MS. KOOKESH said section 1 adds subparagraph 16 to AS.29.65010(a), setting a general land grand entitlement to the Petersburg Borough of 14,666 acres, an increase from 12,770 acres above what the borough would otherwise receive.

Section 2 is a conforming amendment to allow the borough time to make its additional selections.

Section 3 is also a conforming amendment to allow the land selection process at DNR to apply to the new Petersburg land selections.

Section 4 is an immediate effective date.

[3:40:10 PM](#)

LIZ CABRERA, Director, Community and Economic Development, Petersburg, Alaska, supported SB 28. She said it sets the general land entitlement of Alaska's newest borough to be comparable to the land entitlement received by all other boroughs in the state, an amount equal to approximately .70 percent of a borough's land mass, which, in Petersburg's case, is 14,666 acres.

She explained that the Petersburg Borough is located in central Southeast Alaska and encompasses an area of 3,800 square miles of land and sea. The borough's population center is located on the northern tip of Mitkof Island, which is home to a diverse and prolific commercial fishing fleet and three major seafood processing facilities.

In 2013, the residents of Petersburg voted to form a borough for a number of reasons, which included having a greater say on land-use decisions in the surrounding area and having an opportunity to increase their municipal land base, and many also felt it was very important for all area residents to support their school system through local taxes.

[3:41:40 PM](#)

SENATOR VON IMHOF joined the committee.

MS. CABRERA continued that about 12 months after borough formation, Petersburg received a general land grant entitlement certification from the state indicating it was entitled to 1,896 acres under AS 29.65.010. However, this amount was reduced by 457 acres that was already received by the City of Petersburg, even though certain tracts of the city's 457 acres is restricted from development and only available for public, charitable, or recreational uses. After deducting the 457 acres, the borough's land entitlement was set at 1,438 acres. Putting this into context, this is approximately one-third the size of Anchorage International Airport.

She explained how the DNR used a statutory formula in the calculation. A municipality is entitled to 10 percent of vacant unappropriated and unreserved (VUU) land within its boundaries. The lands available for selection are designated as VUU by the State of Alaska. These lands were unclassified or classified as agricultural, grazing, materials, public recreation, settlement, and resource management. But, for the most part, no development has occurred on any of the state's VUU land.

Why so small? She said the majority of land within the borough, over 96 percent, is managed by the federal government as the Tongass National Forest. Of the non-federal lands within the borough, 1.73 percent is owned by the Goldbelt Corporation, 1.34 percent by the State of Alaska, and .4 percent by the Alaska Mental Health Trust and University of Alaska. Only .3 percent is in private ownership, and a mere .04 percent is owned by the municipality. When DNR applied the land entitlement formula to the Petersburg Borough, only a very small amount of land remained in VUU status.

They realized their entitlement was inadequate for what they were hoping to accomplish and that other boroughs also received small land entitlements, initially, but were able to increase these through legislation. The most recent example was in 2010 when both Wrangell and Haines received additional acreage. In the late 1990s, the Lake and Peninsula Borough and the Yakutat Borough had their land entitlements set through legislation.

MS. CABRERA said this is important to Petersburg, because just over 96 percent of its land base is federally managed, and of its non-federal lands, the major land holders are the Goldbelt Corporation and the State of Alaska. In short, while the borough itself is large, the majority of its land is not and will never

be included in their local tax base, and most is not available to generate economic returns for residents or the state.

[3:45:16 PM](#)

The Petersburg Borough would like the opportunity to move some of these lands into private ownership and add them to its tax base as residential or commercial developments. They want the opportunity to secure resource development through new sources of rock for construction, road maintenance, and other projects. In general, they would like the opportunity to be more economically self-sufficient, and 1,400 acres simply does not provide enough developable land to support these goals.

MS. CABRERA explained that the DNR has stated it does not generally voice support for this type of legislation, but neither does it oppose the request. The borough provided a general outline of the lands they would select under SB 28, and DNR did not express any concerns about these potential selections.

Lastly, Ms. Cabrera said the committee knows that these are difficult times and in its own small way, Petersburg wants to be part of the solution, not a casualty of the crisis, and an increased land base is a key component to the long-term sustainability of the municipality.

[3:46:28 PM](#)

SENATOR STEDMAN asked her to explain her position in the borough.

MS. CABRERA said that she is the Community and Economic Development Director and works directly with the local planning commission; she has also been the staff for their ad hoc land selection committee, a group of residents that have developed criteria and done some land selections already. She also works with the local Economic Development Council.

SENATOR MEYER said he wasn't as concerned about the number of acres as to their value, and asked how this compares from a dollar standpoint to other boroughs that have been formed and been given land.

MS. CABRERA answered that historically fiscal notes weren't attached to any of the land conveyances, so they don't have a number. But if you were to apply DNR's number, the value for Fairbanks' land grant would have been \$602 million, and Anchorage's would have been \$241 million. So, Petersburg's is

relatively small both in acreage and in dollar amount compared to the other municipalities.

SENATOR MEYER said it would be better to compare it to other boroughs in Southeast where there isn't as private much land.

MR. CABRERA answered that Wrangell's land was valued at \$51,600,000, using the DNR number.

[3:49:15 PM](#)

MARTY PARSONS, Deputy Director, Division of Mining, Land and Water, Department of Natural Resources (DNR), Anchorage, Alaska, answered that question explaining that they were asked by another committee to provide a number for the additional lands based on potential land sales, material development, timber values, and those types of things and they had not done that in the past for other Southeast communities.

SENATOR MEYER said that sort of answered his question.

MR. CABRERA clarified that she was using the number DNR came up with. It's not like that number was attached to the legislation, so it's not necessarily apples and apples.

SENATOR HUGHES noted there is no fiscal note, and asked if she has until October 2018 for land selections and if that is adequate. She also noticed the commissioner didn't have a timeframe for approval and asked if that is normal or problematic.

MS. CABRERA replied that it can be accomplished by the date, but it would be nice if DNR had a timetable. They have been told it it's a matter of years before the conveyance would be completed.

SENATOR HUGHES asked if she is aware that any of the past legislation had included a timeline for the commissioner.

MS. CABRERA answered none that she has seen.

SENATOR HUGHES asked that question of DNR.

MR. PARSONS commented that normally those timeframes are not included in this kind of legislation. They work with statutory requirements that have to do with when the actual selections are received from the borough; some of which are rejected. Completing a conveyance is an interactive process he said.

SENATOR HUGHES asked if he knew of any cases that have a timeframe in statute.

MR. PARSONS said he had not seen legislation with a timeframe attached to completion of a conveyance.

SENATOR WIELECHOWSKI asked Mr. Parsons to describe the 14,000 acres.

MR. PARSONS answered the lands are varied; some are close to Petersburg, some are outlying as in Thomas Bay, some are settlement lands and some lands the state could have used for material sites for road construction. Some of the land has timber value and some is muskeg, but some areas are relatively high-value residential subdivisions.

[3:53:49 PM](#)

SENATOR WIELECHOWSKI asked if he could figure out the value of the lands that were provided for Wrangell and Anchorage in relation to the proposed 14,000 acres in this bill.

MR. PARSONS replied they looked at lands that were available for settlement: both high-value lands and not-so-high value. They looked at estimated timber resources and a base value per acre. They also looked at certain material sites that they had a revenue history on, and that's where the number of \$68,638,000 came from.

SENATOR WIELECHOWSKI responded that they just got the fiscal note, and asked if he had estimated \$5,375/acre.

MR. PARSONS answered yes.

SENATOR WIELECHOWSKI asked how this acreage compares to what would be given to a borough and if he department had done any sort of comparison like that.

MR. PARSONS answered the department did not do a calculation on Wrangell, but rather negotiated quite heavily with them to reach a solution. For the acre number, he normally calculates 10 percent of the VUU land, which according to statute is what is made available for the municipal entitlement. In this particular case, the 14,666 acres calculate out to about 95 percent of the borough's VUU land.

SENATOR WIELECHOWSKI asked if the standard for VUU land is 10 percent and if he is saying that all the other communities have

10 percent of it. Statutory exceptions were made for Haines at 21.3 percent and Wrangell at 44.2 percent, and he wanted to know what percent the Petersburg entitlement is.

MR. PARSONS replied the Petersburg entitlement is approximately 95 percent of the VUU land within the borough boundaries.

SENATOR WIELECHOWSKI asked if he has a position on that and if it is a reasonable amount.

MR. PARSONS answered that DNR normally doesn't take a position on this issue, but leaves it up to the committee to determine. So much of the land in Southeast is the Tongass National Forest. The same is true for Wrangell.

SENATOR STEDMAN added that Sitka Borough is the same. It's virtually all Tongass National Forest and very little private land.

[3:58:34 PM](#)

CHAIR GIESSEL asked about the borough's economic base and how this land will be of value to Petersburg residents.

MS. CABRERA replied that commercial fishing and seafood processing is the primary economic force in Petersburg. With this land they could diversify: some remote property could be suitable for development for tourism, and some property could be available for resource development, specifically sand and gravel sites. She explained that generally muskeg needs to be filled in before one can build on it, and their supply of good gravel is running out. Some parcels are suitable for settlement into private hands and onto the tax base.

SENATOR STEDMAN remarked that families used to live in Cleveland Passage and Whitney Island 100 years ago and it used to have a post office. Now it's grown over. So, some of the land has been used before, which could provide planning opportunities. He was not too sure about the timber value, because it is all broken up.

[4:03:18 PM](#)

SENATOR MEYER asked if she intends to subdivide this land for homes and businesses, which he thinks this is a great idea, but he didn't want to give away all this acreage to be made into one large park.

MS. CABRERA responded that they live in the middle of a big park already.

CHAIR GIESSEL opened public testimony. Finding none, she closed it.

SENATOR STEDMAN closed saying he appreciated the committee's time in hearing this bill.

[SB 28 was held in committee.]

**SB 89-SHELLFISH ENHANCE. PROJECTS; HATCHERIES**

[4:06:21 PM](#)

CHAIR GIESSEL announced consideration of SB 89. She said that last year the governor introduced SB 172 that dealt with the enhancement of fish, shellfish, and hatcheries. This committee worked on the bill quite a bit, but the legislation did not pass. So, this year they have SB 89, which is virtually identical to last year's bill.

[4:06:55 PM](#)

TIM LAMKIN, Staff to Senator Stevens, Alaska State Legislature, Juneau, Alaska, presented SB 89 for the sponsor. He said SB 89 is an effort to diversify the economy with the seafood and mariculture industry. It provides for qualified nonprofits to pursue enhancement and restoration projects for shellfish, which includes, for example, crab, clams, oysters, and sea cucumbers. To date, a handful of small hatcheries have demonstrated the need for scaling up these fisheries, and SB 89 is an effort to set such a policy and framework into place and to effectuate it.

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MR. LAMKIN provided a sectional analysis of SB 89, version A.

Section 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.

Section 2 increases the permit application fee for new private nonprofit salmon hatcheries from \$100 to \$1,000.

Section 3 is the most substantive part of the bill adding a new chapter 12 to Title 16, "Shellfish Stock Enhancement Projects."

4:09:24 PM

AS 16.12.010 provides direction to the commissioner of the Department of Fish and Game on issuance of permits for private nonprofit shellfish fishery enhancement project 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.

AS 16.12.020 provides for a hearing and public notification and input process prior to issuance of a permit.

AS 16.12.030 describes terms and conditions for permit holders to conduct their work, including cost recovery fisheries, harvest, sale, and release of enhancement project produced shellfish, and selection of brood stock sources.

AS 16.12.040 describes the revocation process should a permit holder fail to comply with terms and conditions of the permit.

AS 16.12.050 specifies that shellfish produced under an approved enhancement project are a common property resource, with provision for special harvest areas by permit holders. This section also specifies that the Board of Fisheries shall establish regulations related to this chapter.

AS 16.12.060 directs the department to advise and assist permit holders in their planning, operations, and construction of facilities to a reasonable and appropriate extent.

AS 16.12.070 provides department authority to approve source and number of shellfish taken for use as broodstock.

AS 16.12.080 places restriction on how monies received from sale of shellfish may be used only for operating costs associated with their facilities.

AS 16.12.090 relates to cost recovery fisheries and provides a means by which a shellfish hatchery may contract to either harvest and sell shellfish, or to

implement a self-assessment from amongst its membership. for purposes of recovering operational costs associated with the hatchery or enhancement project.

AS 16.12.100 gives the department authority to inspect facilities at any time while the facility is in operations.

AS 16.12.110 requires a permit holder to submit an annual report to the department.

AS 16.12.199 provides definitions for commonly used terms in this chapter including "enhancement project," "facility," "genetically modified shellfish," "hatcher," and shellfish."

[4:12:38 PM](#)

Section 4 provides the Commercial Fisheries Entry Commission (CFEC) authority to issue special harvest entry permits to holders of private nonprofit shellfish rehabilitation or enhancement project permit holders.

Section 5 defines legal fishing gear for special harvest area entry permit holders.

Section 6 provides an exemption for shellfish raised in a private nonprofit shellfish project from the farmed fish definition.

Sections 7-8 establish a state corporate income tax exemption for a nonprofit corporation holding a shellfish fishery enhancement permit.

Section 9 exempts shellfish harvested under a special harvest area entry permit from seafood development taxes.

Section 10 establishes an effective date for the salmon hatchery permit application fee described in sec. 2.

Section 11 authorizes the Department of Fish and Game to adopt implementing regulations.

Section 12 establishes an immediate effective date for sec. 11 pursuant to AS 01.10.070(c).

Section 13 establishes an effective date for sec. 8 concomitant with sec. 2, Chapter 55, SLA 2013.

SENATOR WIELECHOWSKI remarked that it looks like "no genetically modified shellfish," was inserted (from last year's bill) along with a provision saying it had to be native to state waters. So, you couldn't have invasive species.

MR. LAMKIN said that was correct.

SENATOR WIELECHOWSKI asked why one would get a special harvest area entry permit "for salmon," an addition on page 9, lines 7-9.

MR. LAMKIN asked the department to respond.

4:15:20 PM

FORREST BOWERS, Deputy Director, Division of Commercial Fisheries, Alaska Department of Fish and Game (ADF&G), Anchorage, Alaska, explained that adding those two words is related to lines 10 and 11 and clarifies that lines 8 and 9 (existing language) are related to hatchery permits for salmon enhancement. It's a grammatical construct.

CHAIR GIESSEL asked if one could say what is identified now in lines 8 and 9 were assumed to be for salmon, and now that shellfish are being added, the two are being distinguished.

MR. BOWERS answered that was correct.

SENATOR WIELECHOWSKI asked under what circumstances one would get a special harvest area entry permit for salmon.

MR. BOWERS answered that special harvest area permits for salmon are issued for cost recovery operations.

4:17:30 PM

SENATOR WIELECHOWSKI asked if this language opens the door to farmed fishing.

MR. BOWERS replied, "Definitely not."

SENATOR MEYER asked if language on page 3 that states "notice of the hearing shall be published in a newspaper of general

circulation" includes internet posting or Facebook and if general circulation would include Anchorage.

MR. LAMKIN answered these provisions are similar to existing enhancement project language. So, he assumed that would apply to shellfish, but he deferred to the department to confirm that.

[4:18:51 PM](#)

MR. BOWERS responded that the Department of Law (DOL) could give a more complete answer to the public notice question.

[4:19:04 PM](#)

SETH BEASANG, Assistant Attorney General, Department of Law, Anchorage, Alaska, answered that the prior speaker was correct. This is modeled after existing statutes providing for salmon hatcheries and the intent is that the same rules would apply to notices from those hatcheries.

SENATOR MEYER said that maybe they need to look at overall standards again, because he didn't know if people read newspapers much anymore. He also asked what a "reasonable period" is referring to section 16.12.040 on page 4, line 10. He also thought "in the discretion of the commissioner" on line 11 should be "at the discretion".

[4:20:35 PM](#)

MR. LAMKIN replied he was pretty certain the "discretion of the commissioner" would be embodied in regulation and it would be 30 days to 120 days, depending on the season of the fishery.

MR. BOWERS answered if the department identifies an issue with a permit holder's operations they would try to work with them to try to correct the deficiency before getting to the point where a permit would be suspended or revoked. The preference is to correct the problem.

SENATOR MEYER noted a Finance Committee member was present, and referring to page 5, line 15, he asked if the money going to support fisheries management would be a dedicated assessment or fee.

MR. LAMKIN replied that particular section is about when an enhancement project organization is contracting to have shellfish harvested, and they have the rights to the funds to go back into the operational costs of the enhancement project itself, or likewise for a self-assessment. He wasn't sure it would go to the general fund at all.

MR. BOWERS said that Mr. Lamkin was correct; this relates to the sale of shellfish that would be taken for cost recovery, and those assessment monies are collected by the Department of Revenue and are eventually transmitted back to the permit holders. They are used to pay for operating costs related to the enhancement project.

[4:24:37 PM](#)

SENATOR MEYER noted that a permit holder is a nonprofit, and the income it gets from selling the shellfish is exempt from Alaska corporate income tax law. He asked if that is typical of nonprofits and why.

MR. BOWERS replied that the nonprofits described in this bill are exempt from corporate income tax, and that's identical to the current salmon enhancement programs. The intent is that they are producing a resource that is used by the common property fisheries, so it's benefiting all Alaskans.

[4:26:14 PM](#)

CHAIR GIESSEL commented on publication in newspapers. Legislation expanding notifications to include electronic notification was introduced a few years ago but didn't pass.

SENATOR HUGHES said she was wondering about whether the requirement that the department respond in writing to any member of the public who objects, on page 3, is normal. What is the purpose, and is it done with other enhancement projects or other permit public hearings across the board at DNR? Is this opening up something new or is it standard?

MR. LAMKIN answered that he was quite sure this is standard based on practices in other enhancement projects.

MR. BOWERS confirmed that.

SENATOR WIELECHOWSKI said his understanding is that salmon enhancement zones can be taxed, and asked if these shellfish enhancement projects can be taxed.

MR. BOWERS answered that the common property commercial fisheries in the enhanced fishery areas would be paying the normal fishery business or seafood landing taxes.

SENATOR WIELECHOWSKI said AS 16.20.090 talks about cost recovery fisheries and asked if that can be done for shellfish since they move around.

MR. BOWERS replied that is a good question, and there are two approaches: one works well with the salmon program, because adult salmon return to the area where they were released as juveniles. So, those hatchery-produced salmon can be harvested at a known area. With shellfish, most of the projects they envision would be intermingled with naturally produced shellfish, so a cost recovery fishery might not be the best. A cost recovery assessment might be used, where an additional fee is paid by each fisherman who participates in the fishery, similar to the fishery business tax or landing tax.

[4:31:47 PM](#)

SENATOR WIELECHOWSKI asked if that section needs to be looked at before passing this bill.

MR. BOWERS answered that the bill language provides options for both models.

CHAIR GIESSEL asked if Senator Wielechowski wanted the assistant attorney general's opinion, and he said yes.

MR. BEASANG said he agreed with everything Mr. Bowers said just now and that he has no conflicting information.

SENATOR VON IMHOF asked what kind of entities (demographics) will apply for a grant and how much grant money can each entity get. Do they have to provide a business plan and who vets those and decides how much money goes to it and how is the money allocated to them over time, so they can get this shellfish regeneration effort under way?

MR. LAMKIN answered that he is involved in other legislation that speaks specifically to grants to nonprofits, but it's not in this bill.

SENATOR VON IMHOF added that the sponsor statement says the use of state funds through "capital grants and investment in hatchery infrastructure". So, this is the technical part, but it's part of a bigger picture, which she wanted to know more about.

MR. LAMKIN answered that this piece of legislation sets up the mechanics of the program, and a related piece of legislation

covers the financing. The current legislation proposes to cap the grants at \$100,000. He added that a loan program is also under way that would also have caps of up to about \$1 million, and those monies must be fully accounted by the organizations.

[4:35:41 PM](#)

SENATOR VON IMHOF said, as nonprofits, these entities are not necessarily expected to make a profit, and the bill has a way for cost recovery through the sale of some of the shellfish. It is an investment by which the fisheries will hopefully recover and then profit will be taken at that time.

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CHAIR GIESSEL opened public testimony.

TOMI MARSH, President, Oceans Alaska, Ketchikan, Alaska, said they are a nonprofit shellfish hatchery located in Ketchikan and they support SB 89. She said mariculture is important for economic diversification, businesses, and the fisheries. She said it creates a regulatory framework with which the ADF&G can manage shellfish fishery enhancement, restoration, and shellfish hatcheries. It will allow existing stakeholders to either continue or begin enhancement and a restoration of certain species. It will diversify economic development, sustain cultural legacy, and increase environmental stewardship through enhancement of traditional and economically important commercially harvested shellfish species, such as sea cucumbers and geoducks, which have been impacted by sea otter predations. It will help with enhancement of shellfish species integral to the marine ecosystem and habitat restoration.

MS. MARSH added that enhancement of shellfish species is vital to climate change and pollution mitigation, as many of species are the cleaners of the oceans.

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NANCY HILLSTRAND, Pioneer Alaskan Fisheries, Inc., Homer, Alaska, expressed concern with SB 89 because of cost recovery issues and possibly putting fish where they shouldn't be or moving them around the state by accident. These are 40-year old statutes, and a lot has been learned since they were created. They have no monitoring or oversight. The commissioner is mentioned in the statutes 50 or 60 times. It's unrealistic.

In 2000, the common property fishermen in Lower Cook Inlet took in \$8,580 in pink salmon, whereas the Cook Inlet Aquaculture Association took in \$1,043,705. The non-profit aquaculture

associations can use their money to get them out of financial problems. It becomes self-serving, and there is no way to stop it. Once the permits are in place you can't get rid of them.

MS. HILLSTRAND said hatchery strays come all the way from Prince William Sound, 87 percent in some streams in lower Cook Inlet, and no one is saying a word about that, and there is no monitoring to recognize the problem. Existing statutes need to be looked at closely and someone needs to understand them fully. She provided the committee with the 2015 annual report of the Lower Cook Inlet management for fin fish.

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JEFF HETRICK, Director, Alutiiq Pride Shellfish Hatchery, Seward, Alaska, spoke in support of SB 89. The hatchery is operated by Chugach Regional Resources Commission, an umbrella organization that focuses on natural resources in Southcentral Alaska. He said he is one of the reasons this legislation is being introduced. He has been conducting shellfish restoration projects for almost a decade under a fisheries resource permit that is managed by ADF&G. Projects they work with are little neck clams, cockles, butter clams, sea cucumbers, and king crab. This legislation will allow them to go beyond the limited fisheries resources permit. They believe they have proven the technology in the hatchery and other experiments that can bring back some of the depressed shellfish populations. Many people don't realize that most of the hard-shell clam stocks and crab stocks are very depressed.

He said funding for the shellfish hatchery, because cost recovery is decades down the road, is very important. He explained that federal agencies and granting organizations they work with need to know that the state supports this kind of work. Working under a fisheries resource permit is experimental and limiting; under it they don't have the framework to go to a larger size operation. With State of Alaska support they could get federal funds and funds from nongovernmental organizations and other types of organizations.

JULIE DECKER, Executive Director, Alaska Fisheries Development Foundation (AFDF), Juneau, Alaska, supported SB 89. Her organization broadly represents the seafood industry, the harvesters, processors, and it supports industry sector businesses. A few years ago, they started looking at ways to expedite development of the mariculture industry in the state, because it is a significant opportunity that is being done in other places in the world, like New Zealand, Europe, and the

State of Washington. It's a very real possibility for Alaska, as it marries very well with the existing seafood industry in the sense that Alaska has seafood processing plants, harvesting vessels, and people already active in this area. Alaska also has the Alaska Seafood Marketing Institute (ASMI).

MS. DECKER said they recognized that the State of Alaska had to be on board in a very significant way and play a pro-active role in spearheading something like this. So, they discussed this vision with the governor and asked him to create a Mariculture Task Force to look at a comprehensive plan for how to do this in a strategic way.

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MS. DECKER said she now serves on that task force along with 10 other people. The task force has identified this bill as one piece of a framework to help move this concept forward. The House companion bill (HB 128) has 14 letters of support from 14 different organizations that are working their way over to the Senate version. She said this legislation is modeled after the Salmon Enhancement Program, which is very a successful model. Back in the 1980s, the state helped support and create salmon hatcheries and an entire enhancement program, and a revolving loan fund that helped build and operate those hatcheries in the short term was created until salmon were returning on a regular basis that could be taxed, a portion of which could be taken through cost recovery to pay back those loans. Now those loans are paid back with interest, and salmon are still returning, amounting to \$100-200 million annually.

MS. DECKER said there has been some activity around king crab, sea cucumbers, and geoducks, but other shellfish need help also. ADF&G's conservative approach always gives wild stocks a priority, and they will continue to do that with shellfish. She urged their support and quick action.

GINNY ECKERT, Fisheries Professor, University of Alaska Fairbanks (UAF), Juneau, Alaska, said she serves as associate director of Alaska Sea Grant. She has been in Alaska since 2000 as a fisheries expert and fisheries professor; for about the last 10 years she has been working on king crab rehabilitation. In that capacity, she serves as the science director and co-chair of the Alaska King Crab Research Rehabilitation and Biology Program (AKCRRAB).

She spoke to the need for rehabilitation of shellfish, particularly king crab. King crab is native to Alaska and many

of these stocks crashed in the 60s, 70s, and 80s. Many of the fisheries were closed in the early 80s and have not recovered. Overfishing is likely the cause of the decline, but people didn't realize that these stocks were being fished as hard as they were. In addition, by-catch in trawl fisheries and foreign fisheries happened before the 1976 bill, the Magnuson Stevens Act, that prohibited it.

MS. ECKERT said research was conducted trying to determine the feasibility of rehabilitating king crab and many other stocks that have crashed, and much has been learned about king crab in the first few years of life. Efforts have been made to grow king crab in the hatchery, and work has been done in the field to identify whether habitat has changed, which it hadn't. A lack of natural recruitment has been identified in many of these places indicating the possibility of enhancing and rehabilitating through hatchery supplementation. Experiments in the 50s and 60s were conducted suggesting that this is possible. For instance, the Russians introduced king crab to the Barents Sea where it was not native, and it is now a vibrant fishery in Russia and Norway. AKCRRAB is only proposing to do this in places where crabs were traditionally harvested and were traditionally an important sport, subsistence, and commercial fishery.

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SENATOR WIELECHOWSKI said this bill is a great idea but asked if she was concerned with the "horror stories" from across the world about introduced species that outcompete everything else.

MS. ECKERT responded that this is just a proposal, and the bill adds special qualifications that only native species would be used for the shellfish enhancement. The ADF&G specifies that the adults that would be used for any supplementation would come from the local area. She agreed that they didn't want to introduce things that don't belong here, and she wants to protect wild stocks.

MICHELLE RIDGWAY, representing herself, Juneau, Alaska, supported SB 89. She is also a marine ecologist on the science panel of the Alaska King Crab Research Rehabilitation and Biology Program (AKCRRAB). She appreciated the depth of the questions on financial, management, and big picture scenarios. She believes a wholistic approach is needed to support recovery of the stocks. She said she is a lifelong Alaskan and now lives in Georgia where one of the new hatcheries is potentially going to be taking off. Shellfish enhancement and mariculture provide an opportunity for coastal communities for year-round economic

employment and more advancement of some of the science that supports those industries. It is extremely important now to consider carefully how to proceed.

She related that she had also served for 10 years on the North Pacific Fisheries Management Council (NPFMC) as well as worked with ADF&G for many years out of Craig, and she has seen some very significant declines in that time. She observed first-hand the decline of abalone in southern Southeast Alaska; she worked in the Pribilof region and saw the decline of blue king crab and others. These things occur, and technology is available to improve enhancement efforts. It takes years to understand the life history of these species and years of commitment on the state's part to see some of these efforts come to fruition.

MS. RIDGWAY said this bill is a good vehicle to advance this enhancement effort even if it needs some fine-tuning of language to better fit a shellfish-based, mariculture enhancement industry for Alaska. This will not only benefit our fishermen, it will benefit the young up and coming scientists in the university programs who need jobs. It is a great, comprehensive program to do that. She encouraged them to maintain their broad thinking, because this requires not just money, not just law, but community support.

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SENATOR COGHILL said the timeline for cost recovery in shellfish is very different from finfish and asked for a concept of what they are talking about in terms of cycles: decades, years, months?

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MS. RIDGWAY answered that many of these species - sea cucumbers, red king crab, blue king crab, scallops, and abalone - have very different life histories, and their longevity is variable. The very youngest of these species could be harvested as young as 3 years and some would not be available for harvest until 7 years, as in the case of a blue king crab.

SENATOR WIELECHOWSKI asked if any ADF&G biologists have expressed concerns about this concept.

CHAIR GIESSEL said she would forward the question and distribute the answer. Finding no further testimony, she closed public testimony and held SB 89 in committee.

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CHAIR GIESSEL adjourned the Senate Resources Committee meeting  
at 5:02 p.m.