

**ALASKA STATE LEGISLATURE
SENATE RESOURCES STANDING COMMITTEE**

April 18, 2018

3:31 p.m.

MEMBERS PRESENT

Senator Cathy Giessel, Chair
Senator John Coghill, Vice Chair
Senator Natasha von Imhof
Senator Bert Stedman
Senator Bill Wielechowski
Senator Click Bishop

MEMBERS ABSENT

Senator Kevin Meyer

OTHER LEGISLATORS PRESENT

Representative George Rauscher
Representative Gary Knopp

COMMITTEE CALENDAR

COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 315 (RES)

"An Act relating to the confidentiality of certain records on animals and crops; and providing for an effective date."

- HEARD & HELD

SENATE BILL NO. 135

"An Act relating to the powers of the Alaska Commercial Fisheries Entry Commission; requiring certain set net fishers to vote on the question of whether their entry permits shall be subject to a state buy-back program; establishing a buy-back program for certain set net entry permits; providing for the termination of set net site leases held by individuals who participate in the entry permit buy-back program; providing for a condition on future leases of certain state land; and providing for an effective date."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 315

SHORT TITLE: CONFIDENTIALITY OF ANIMAL & CROP RECORDS

SPONSOR(s): RULES BY REQUEST OF THE GOVERNOR

01/26/18 (H) READ THE FIRST TIME - REFERRALS
01/26/18 (H) JUD, RES
02/09/18 (H) JUD AT 1:00 PM GRUENBERG 120
02/09/18 (H) Heard & Held
02/09/18 (H) MINUTE(JUD)
02/12/18 (H) JUD AT 1:30 PM GRUENBERG 120
02/12/18 (H) Moved HB 315 Out of Committee
02/12/18 (H) MINUTE(JUD)
02/14/18 (H) JUD RPT 3DP 2NR 1AM
02/14/18 (H) DP: KOPP, KREISS-TOMKINS, CLAMAN
02/14/18 (H) NR: LEDOUX, MILLETT
02/14/18 (H) AM: EASTMAN
03/02/18 (H) RES AT 1:00 PM BARNES 124
03/02/18 (H) -- MEETING CANCELED --
03/16/18 (H) RES AT 1:00 PM BARNES 124
03/16/18 (H) Heard & Held
03/16/18 (H) MINUTE(RES)
03/21/18 (H) RES AT 1:00 PM BARNES 124
03/21/18 (H) Scheduled but Not Heard
03/23/18 (H) RES AT 1:00 PM BARNES 124
03/23/18 (H) -- MEETING CANCELED --
03/26/18 (H) RES AT 1:00 PM BARNES 124
03/26/18 (H) -- Meeting Postponed to 3/27/18 at 6:30
pm--
03/27/18 (H) RES AT 6:30 PM BARNES 124
03/27/18 (H) Scheduled but Not Heard
04/02/18 (H) RES AT 1:00 PM BARNES 124
04/02/18 (H) Moved CSHB 315(RES) Out of Committee
04/02/18 (H) MINUTE(RES)
04/04/18 (H) RES RPT CS(RES) 1DP 8NR
04/04/18 (H) DP: DRUMMOND
04/04/18 (H) NR: BIRCH, PARISH, TALERICO, RAUSCHER,
JOHNSON, LINCOLN, TARR, JOSEPHSON
04/16/18 (H) TRANSMITTED TO (S)
04/16/18 (H) VERSION: CSHB 315(RES)
04/17/18 (S) READ THE FIRST TIME - REFERRALS
04/17/18 (S) RES
04/18/18 (S) RES AT 3:30 PM BUTROVICH 205

BILL: SB 135

SHORT TITLE: COOK INLET: NEW ADMIN AREA;PERMIT BUYBACK

SPONSOR(s): SENATOR(s) MICCICHE

01/16/18 (S) PREFILE RELEASED 1/12/18
01/16/18 (S) READ THE FIRST TIME - REFERRALS
01/16/18 (S) RES, FIN
04/18/18 (S) RES AT 3:30 PM BUTROVICH 205

WITNESS REGISTER

CHRISTINA CARPENTER, Director
Division of Environmental Health
Department of Environmental Conservation (DEC)
Anchorage, Alaska

POSITION STATEMENT: Commented on SSHB 315.

BOB GERLACH, State Veterinarian
Department of Environmental Conservation (DEC)
Anchorage, Alaska

POSITION STATEMENT: Commented on SSHB 315.

THOR STACEY, lobbyist
Alaska Wild sheep Foundation
Juneau, Alaska

POSITION STATEMENT: Commented on SSHB 315.

SENATOR PETER MICCHICHE
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Sponsor of SB 135.

KONRAD JACKSON, Staff to Senator Peter Micciche
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Provided a sectional analysis of SB 135.

ANDY HALL, Executive Director
Kenai Peninsula Fisherman's Association (KPFA)
Chugiak, Alaska

POSITION STATEMENT: Neutral position on SB 135, mostly because they just got their first look at it.

KEN COLEMAN, Vice President
Kenai Peninsula Fisherman's Association (KPFA)
Kenai, Alaska

POSITION STATEMENT: Supported SB 135.

RICKEY GEASE, Executive Director
Kenai River Sport Fishing Association (KRSFA)

Soldotna, Alaska

POSITION STATEMENT: Supported SB 135.

DALE KELLEY, Commissioner
Commercial Fisheries Entry Commission (CFEC)
Alaska Department of Fish and Game (ADF&G)
Juneau, Alaska

POSITION STATEMENT: Commented on SB 135.

FATE PUTMAN, Commissioner
Commercial Fisheries Entry Commission (CFEC)
Juneau, Alaska

POSITION STATEMENT: Commented on SB 135.

ACTION NARRATIVE

[3:31:12 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, Bishop, and Chair Giessel. Senator Meyer was excused.

HB 315-CONFIDENTIALITY OF ANIMAL & CROP RECORDS

[3:31:41 PM](#)

CHAIR GIESSEL announced consideration of HB 315. [CSHB 315 (RES), version 30-GH2584\D was before the committee.] She said the committee first heard this as SB 164 on February 19. There have been some changes to it and she invited Ms. Carpenter, Director of the Division of Environmental Health, to explain them.

CHRISTINA CARPENTER, Director, Division of Environmental Health, Department of Environmental Conservation (DEC), Anchorage, Alaska, said that the House Resources Committee introduced two amendments at the request of the administration.

[3:33:55 PM](#)

SENATOR VON IMHOF joined the committee.

MS. CARPENTER said the first amendment added language that explicitly allows DEC to share animal importation records with the Department of Natural Resources (DNR) to support the Division of Agriculture's efforts to enforce the Alaska-grown program for Alaska meat producers.

The second amendment struck the language that was specific to business and proprietary information and expanded language in section (b) (1) to clearly outline that in the event of a public health threat, the department would release information from records in its possession and not the records themselves.

SENATOR VON IMHOF asked about the definition of "varietal."

[3:34:36 PM](#)

BOB GERLACH, State Veterinarian, Department of Environmental Conservation (DEC), Anchorage, Alaska, answered that the definition of "varietal" specifically addresses different varieties of seeds for vegetable production.

[3:35:29 PM](#)

SENATOR WIELECHOWSKI joined the committee.

[3:35:40 PM](#)

At ease

[3:37:00 PM](#)

CHAIR GIESSEL opened public testimony on HB 315.

THOR STACEY, lobbyist, Alaska Wild Sheep Foundation, Juneau, Alaska, said he would reference an economic report that was commissioned by Safari Club International and the Alaska Professional Hunters Association. He said the Alaska Wild Sheep Foundation is the Alaska chapter of a national conservation organization whose mission involves conservation of Alaska's wild sheep, mountain goats and muskox.

MR. STACEY said his comments were narrowly confined to this measure and HB 315 is broader than their specific concern. Their concerns focus specifically on domestic sheep and goat information but recognize that the agriculture community is much larger than that. There are about 1,500 of those animals in the state. Their stake in the discussion equals approximately \$27,000 of economic value to the private sector that comes from one guided sheep hunt. That's about 400 annual hunts for a \$10.7 million value.

He said the state take is high; state non-resident hunting license and tags with federal match just for sheep opportunities bring in \$1.75 million. These non-residents share 13,000 pounds of wild sheep with Alaskans. About 67,000 pounds of wild sheep meat is harvested in Alaska annually. These numbers are

significant because they relate to the food value of these animals.

From the foundation's perspective, if they were to try to ensure Alaska's wild sheep, because ultimately, they bear the cost of a disease outbreak to wild animals, they asked Lloyds of London what it would cost to buy a policy on Alaska's wild sheep insuring them against disease transmission. The relevant factors are:

- The state at this time allows the importation of Micoplasma Ovipneumoniae-positive (M.Ovi) animals to the state.

- It's legal to own M.Ovi-positive animals in any location in the state regardless of their proximity to wild animals.

- There are no testing requirements for M.Ovi in Alaska at this time.

- There is no disease-free certification or any certification similar to "Alaska Grown" or other types of organic certifications.

- There are no laws for domestic owners to indemnify the public at large if there is negligence from a disease outbreak. So, if you are negligent and proven to be so, there is no law that says that you have some kind of skin in the game that you should work towards in paying that cost back.

MR. STACEY Lloyds of London would address other factors like the remote nature of Alaska and the costs associated with fixing the problem. On the positive side, the Division of Wildlife is well-funded, the science is very well understood, their testing is highly reliable, and they understand how to identify, find, and quantify what M.Ovi is or the specific strain in question. Another positive is that there are only 1,500 domestic sheep in the state and only about 75-100 of them are positive for M.Ovi. Lloyds of London would look at all those factors. But state policy at this time is very wide open.

MR. STACEY said language on page 2, lines 8-12, deals with disclosure. So, if disease tests have identified animals, there is a need to disclose this information. It says that DEC "may" disclose information and "based on the identified threat" of that information to the public or other animals. From prior comments from DEC's veterinarian, it appears that he does not view domestic animals infected M.Ovi to be a threat; therefore, no disclosure would occur. Not taking the broader agriculture

community into this, but very specific to domestic sheep and goats, he posited what if HB 315 would result in a lower policy premium or a higher premium by Lloyds of London. He would argue that non-disclosure and the fact that these tests would no longer be accessible by the broader public would raise the premium and the cost to insure the animal, especially given lack of other policies the state has at this time.

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In summary, Mr. Stacey said the foundation isn't interested in upsetting the discussion on HB 315, because they recognize there are more interests involved in the agricultural community than just domestic sheep and goat owners. With that in mind, it is irresponsible to come in to a sweeping piece of legislation and work to upset the apple cart. However, these questions and the concerns are real. A working group had been convened to work on this very issue, but this concept was not brought to it even though the state veterinarian knew that there were ongoing discussions between wild sheep advocates and domestic sheep and goat owners. How this bill relates to the issue of disease transmission and the risk posed to wild animals was not part of that discussion.

MR. STACEY said from his narrow perspective, there is a concern about how this works and they think that it raises perils and closes down access to information related to disease transmission. He summarized that the foundation is obliged to support the concept, because the idea is to provide confidentiality to encourage testing, but if that is the ultimate goal, why not include confidentiality of testing in statute?

[3:46:23 PM](#)

SENATOR BISHOP asked for an example of a comfortable level of testing confidentiality.

MR. STACEY answered that while he has not performed these tests, he has heard second hand that up-to-date testing consists of a nasal swab procedure to identify live bacteria (M.Ovi is a pathogen) and a blood serology test that identifies antibodies. In other words, one identifies live bacteria in the nasal cavity and the other identifies the presence of anti-bodies or past exposure or infection.

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CHAIR GIESSEL, finding nor further questions, closed public testimony and held HB 315 in committee.

SB 135-COOK INLET: NEW ADMIN AREA;PERMIT BUYBACK

[3:48:03 PM](#)

CHAIR GIESSEL announced consideration of SB 135.

[3:48:31 PM](#)

SENATOR COGHILL moved to adopt CSSB 135(), version 30-LS1047\D, as the working document.

CHAIR GIESSEL said she would not object, because she wanted the sponsor to be able to work from this committee substitute as his first presentation. Finding no other objections, she said the CS was before the committee.

[3:49:04 PM](#)

SENATOR PETER MICCICHE, Alaska State Legislature, Juneau, Alaska, sponsor of SB 135, quipped that long before he got into the legislature he heard that some folks disagree on some fishing issues and that wading into a bill like this seemed like the furthest thing from something that he would want to do. He stated that two sides that normally don't hang out together came up with an idea that could work. The set netters routed the interest to their membership in the form of two questions:

1. Do you support the concept of voluntary fleet reduction program for the Cook Inlet set net fishery that would cost nothing to those who do not participate and remain fishing? 79.6 percent of the respondents answered yes; 20.3 percent said no.
2. Do you oppose any form of fleet reduction at this time? 17.7 percent said yes, and 82.3 percent said no.

SENATOR MICCICHE said those poll responses sent a strong message to him that it was okay to start this conversation.

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He said you know about the competition for fish in Cook Inlet and about the issues between in-river fishermen and set netters when it comes to king salmon catches along the east side.

SENATOR MICCICHE explained the goal of this legislation is a voluntary buy-back that reduces the amount of people that are fishing on the east side to the pre-1980s migration east when people from all over Cook Inlet moved into the east side because the fishery was more lucrative there. It seemed more manageable

then and it was more profitable for the commercial set netters who were fishing at the time and in the view of many, there was less negative interaction between the two groups.

The plan in SB 135 would reduce the number of fishermen by about 40 percent. For interested parties, there would be three years of a lottery; each year the number in the lottery would be 65 with a target of around 200. If a fisherman decided to sell his operation, it would come with the piece of water where he fishes - from a DNR shore lease, a buoy-tag system, or another identifying system - it would take that piece of water and that permit out of fishing the east side. It would separate these districts from the rest of Cook Inlet set netters and no new fishermen could come into the area that was bought.

A whole operation has been valued at \$260,000 realizing that it would be the ending of a business that in some cases has been there for many generations. The payments would be received over three years for tax considerations. The result would be that that site would be removed from active fishing along with the permit.

SENATOR MICCICHE said they believe that coming back to that 60 percent range would eliminate a significant amount of negative interaction between the two groups and it would make remaining set net operations more efficient and, therefore, survivable. It would increase the amount of in-river opportunities for both the Kasilof and the Kenai Rivers.

CHAIR GIESSEL asked for a sectional analysis Of SB 135.

[3:55:17 PM](#)

KONRAD JACKSON, staff to Senator Peter Micciche, Alaska State Legislature, Juneau, Alaska, provided a sectional analysis of SB 135.

Section 1: Establishes the short title of this legislation as the East Side of Cook Inlet Set Net Fleet Reduction Act.

Section 2: Adds a findings section to the uncodified law of the state establishing that it is in the public interest to reduce the number of commercial set net fishers on the east side of Cook Inlet to allow more fish for in-river users and create a more economically viable and sustainable se net fishery.

Section 3: Amends AS 16.43.200(b) granting Alaska Commercial Fisheries Entry Commission (CFEC) the authority to divide an existing administrative area.

Section 4: Amends AS 16.43.200 by adding 2 new subsections:

(c) Establishes the new Eastern Set Net Subdistrict (ESNS) as distinct administrative area separate from the Cook Inlet Central District. This area is made up of the statistical areas currently identified as 244-21, 244-22, 244-31, 244-32, 244-41, and 244-42.

(d) Restricts those who have not previously fished in the newly established ESNS from beginning to fish in that area.

Section 5: Amends AS 38.05.082 by adding a new subsection:

(g) Notwithstanding (a)-(d) of this section, restricts the DNR director of the Division of Mining, Land, and Water from entering into a new lease for shore fisheries in the statistical area established under AS 16.43.200(c), enacted by sec. 4 of this Act, of an existing shore fishery lease. Does allow for accepting assignment or sublease, extension, or renewal of existing leases.

Section 6: Adds new transition sections to the uncodified law of the State:

(a) Directs CFEC to issue new permits for the Cook Inlet Central District set net fishery.

(b) If an individual shows satisfactory proof of fishing in the new administrative area established under AS 16.43.200(c) within the two years prior to 12/31/18, they will be granted a permit for that new administrative area.

[3:58:13 PM](#)

Section 7: Adds a new section to the uncodified law of the State which requires an election be held on March 1, 2019, to approve or disapprove the fleet reduction program. Establishes the criteria for the election process. The ballot will determine if the program will be implemented; it will indicate region boundaries, details of buy-back program, effective date if the

program is approved, and the date by which the ballots must be returned.

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Section 8: Adds a new section to the uncodified law of the State which defines the east side setnet fleet reduction program:

- Defines the qualifications for participation in the program;
- Establishes that the program is voluntary;
- Establishes that the commission shall hold a lottery each year for three years;
- Sets permit value at \$260,000;
- Establishes a payment plan for the purchase of the permits;
- Program shall terminate when permit count has been reduced by 40 percent of the permits fished in 2017; Permits purchased under this program shall be cancelled and not reissued in place of the cancelled permit;
- A three-year installment payment option shall be provided;
- DNR shall, without penalty, terminate the shore lease and prohibit future leases of the property;
- Acquisition of permits is not subject to the State Procurement Act;
- Establishes that "commission" means Alaska Commercial Fisheries Entry Commission.

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Section 9: Adds a new section to the uncodified law of the State which directs the chair of the commission provide written notification to the Lt. Governor of the results of the election.

Sections 10, 11, and 12: Effective Date Clauses.

SENATOR WIELECHOWSKI asked if a set net entry permit gives one the right to have one set net in the water or is it an area.

SENATOR MICCICHE replied that one permit typically allows three nets wherever you are permitted to fish, unless there is another restriction.

SENATOR WIELECHOWSKI said he knows people own multiple permits and have maybe six or nine nets in the water and asked if they could sell just one permit and keep the other two.

SENATOR MICCICHE replied selling a permit means selling the ability to fish those three nets and that piece of water would have to go with it. They would not have to sell the other permits. The important thing is that in the 40 percent removal they will know who is registered and whether they are qualified by the criteria, so the number of permits and sites in that area is known. The goal is to reduce number by 40 percent. No new permits would be issued to backfill.

SENATOR GIESSEL recognized Representative Rauscher and Representative Knopp in attendance.

[4:03:14 PM](#)

SENATOR VON IMHOF said section 8 is part of the mechanics of the bill and says, "establishes that this program is voluntary," and asked what if no one wants to sell his permit.

SENATOR MICCICHE replied if no permits are sold, people would continue fishing as they have, but that probability is non-existent. Some are worried about "voluntary" being removed, and this bill really is about all the users in Cook Inlet and his intention is to protect the rights of everyone involved including those set net fishermen who have brought this forward.

SENATOR VON IMHOF said if a whole lot of people want to sell their permits, who is paying this \$260,000 per permit and how much is going to be paid per year.

SENATOR MICCICHE replied that this bill has no funding, the total price tag for the full 40 percent reduction would be around \$50 million, and he is working with the congressional delegation on getting federal conservation funds.

SENATOR STEDMAN said it is late in the session and asked why he introduced this buyback bill now, because it takes time to work through. The last one, which he thought was on the verge of being "crooked," was the Southeast seine buyback, and when he sees a buyback bill, it brings those bad memories back. He wanted to hear why there is interest in the buyback; maybe data showing pressure on the fishery - lack of fish or too many permits. He also wanted to know how they arrived at the \$260,000 valuation and what those permits trade for over the last few years for background, and how many trades per year. He cautioned that the Resources Committee should proceed with caution and do a thorough job. He also cautioned the committee on the title being too broad.

SENATOR STEDMAN also recalled that for the last buyback there was a lot of interest in the funding coming out of Washington, D.C.

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SENATOR MICCICHE replied that he didn't know if he heard a question, but he would take a stab at an answer. He lives with these people every day; this isn't a game. No one is proceeding more carefully on this issue than the him. He assured Senator Stedman this will go forward slowly, which is why it has taken four years to get this point from the initial contact. This has to be done right. These are people's lives.

There is nothing dishonorable about this approach he said. This is the result of the second version of the bill. The first one was drafted earlier and pre-filed. The folks from home and the CFEC sent lots of comments and they heard from people all over the state. All of the comments that made sense that seemed to be remotely related to this bill are included in the second version.

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SENATOR STEDMAN clarified that his comment referred to legislative games at the end of session not the district games. He assured Senator Micciche that the Southeast buyback program smelled; it smelled so bad that it drew the attention of the Attorney General's office and he didn't want to see that happen again.

CHAIR GIESSEL said that is the purpose of this hearing and people are online to respond to those concerns and questions.

SENATOR BISHOP said section 6 directs CFEC to issue new permits for the Cook Inlet central district net fishery and asked if he was looking for a third party to buy the permits from the people who want to voluntarily sell them. Could he, as someone from the Interior, purchase one of these permits?

SENATOR MICCICHE replied that Senator Bishop could purchase a site any time; they are open to the public. But the reason it goes through CFEC is because they are trying to stay within acceptable practices. The reason they have to reissue the central district permits is because today all permits are Cook Inlet set net permits.

SENATOR BISHOP asked if he bought one of these permits, could he fish it on the east side, because that is where they are trying take permits out. Could he fish in the central district?

SENATOR MICCICHE replied today he can fish wherever he'd like. Today, a set net permit in Cook Inlet can move anywhere it wants to as long as the site is a legal site in which to fish. This measure would separate the east side district from the rest of Cook Inlet. So, they would have to reissue the other Cook Inlet permits. Senator Bishop could purchase an east side set net permit, but it would cost more. He could likely purchase another Cook Inlet set net permit outside of that area - Calgon Island and the Northern District - for a lower price.

SENATOR BISHOP asked how the value of \$260,000 for three pieces of gear was calculated.

SENATOR MICCICHE replied that some of the sites are worth far more than that and some are worth less. Keeping in mind that when a site is being retired, it is a small business in Alaska that will be retired forever, that value was brought to him by the groups that put this together. The sites that are worth more will not be interested in this, and the stakeholders want the productive efficient sites to stay in place.

This bill does not allow a target; a person has to win a lottery. They hope the productive sites that are worth far more stay in production. If someone wants to keep fishing, they could invest in a more productive site and keep those active and would be able to do that after the election.

SENATOR COGHILL asked if reducing the fleet would make a vacuum somewhere else and incent people to rush in. And if someone has an exclusive area, does that become a right?

[4:19:24 PM](#)

SENATOR MICCICHE replied at this point the bill uses a constitutional approach that doesn't have those challenges. He is a "drifter" and once the fish hit the beach, they are gone for drifters; they are heading for the river. If and when a site is removed, a certain proportion of fish will be caught by the sites upstream/downstream from them and a higher proportion will escape and make it into the river. For every site that is removed, some of those fish will be caught by others, which increases the efficiency of the remaining sites, but more fish will inevitably end up within the river. The sites will not be patchwork but will represent a general reduction in gear. He

said Anchorage is two hours and twenty minutes away and the two (three, if one includes personal use) user groups have really struggled with this issue for the last 40 years and believe this is a way to take the pressure off while still giving someone an honorable way to go "do something else, perhaps."

SENATOR WIELECHOWSKI said he appreciated Senator Micciche bringing this bill forward; and while it probably won't pass this session, it is a good conversation starter. He thought the pressure is for kings more than anything else and asked if he had given any thought to changing the structure so as to offer the ability to the state or conservation groups to go out and buy [permits] instead of having a lottery. Conservation groups could be willing to pay millions of dollars for that on a conservation basis. However, he didn't know if this idea would be constitutional.

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SENATOR MICCICHE responded that it's certainly constitutional; anyone can buy the sites, but that's not how it works. The most effective way to manage interception of kings is through reduction of gear and experts agree with that.

He added that he brought this forward at this late date in the session because he wanted to get it heard and get something real on the table and take it back to the experts and stakeholders and talk about it over the interim - and make sure it works.

[4:26:44 PM](#)

ANDY HALL, Executive Director, Kenai Peninsula Fisherman's Association (KPFA), Chugiak, Alaska, said they are neutral on SB 135, mostly because they just got their first look at it. He supported Senator Micciche's statistics and added that KPFA represents all set netters in Cook Inlet but Senator Micciche seems to primarily represent east side set netters, which is a majority of their membership. There are 736 permits in the Cook Inlet and 440 of them fish in what is defined as the east side, but only 193 people responded to the KPFA survey, the one Senator Micciche referred to. He didn't know if that was a good representation of stakeholders, but it at least tells him there is interest. Of those who responded, 80 percent support the concept of a fleet reduction.

The bill seems to be a move in the right direction, but some issues remain. If it's a placeholder and fishermen can work with Senator Micciche and his staff to improve it, it could get to a point where KPFA would support putting it in front of fishermen

and let them decide their own fate. It's remarkable that both sides of this "interminable fish war" seem to be talking and he would hate to miss this opportunity.

4:29:17 PM

KEN COLEMAN, Vice President, Kenai Peninsula Fisherman's Association (KPFA), Kenai, Alaska, said he is currently president of the East Side Consolidation Association which is a qualified salmon association of interested parties who are limited entry permit holders; it is also a 501(c)(5) non-profit. He and his wife are commercial set netters and fish on the east side beach near the mouth of the Kenai River. He has fished here for 45 years and been involved in fish politics in almost every way imaginable since the advent of the Upper Cook Inlet Management Plan in 1977. He is currently president of the East Side Consolidation Association.

He said the mission of the Commercial Fisheries Entry Commission (CFEC) is to limit the number of participants in a particular fishery to allow for sustainable and economic viability, and as a further product, conservation of the resource for the common property into the future.

East side set netters have been discussing gear reductions for many years and in the last few years have been pursuing it formally. The CFEC has a method for reduction called an optimization study, which in part, considers numbers of permits, their value, the economic value of the catch, and the history of the fishery. Such a study is typically lengthy and whatever reduction is proposed or not or limited must be applied to the entire fishery and cannot be overlaid or applied to a particular area. This method doesn't work in most set net fisheries. The Cook Inlet set net fishery has 736 permits spread throughout five different districts in Cook Inlet: the northern district, Calgon Island district, the western district, the southern district, and the eastern district where the fish wars occur every year.

He said the CFEC method of optimization is suitable for other fisheries that are more homogenous in nature such as the seine fisheries or drift fishery that "scooch around" together whereas set netters used fixed gear and in the case of Cook Inlet, are spread over five districts that have little commonality. The one thing they seem to all agree on is that a voluntary reduction would result in increased viability.

He said the east district has a keen interest in moving forward with the fleet reduction program and another poll sent out three years ago came back with an 88 percent favorability rating on gear reduction in Cook Inlet.

MR. COLEMAN said 440 fishers are spread over 50 miles of beach in the eastern district and as the result of their inability to affect an outcome through the CFEC optimization process, they approached Senator Micciche a couple years ago and this draft evolved. It has the elements of what could be a successful program. He has some "tweaks" if they were able to move forward with it; one is price. They arrived at the \$260,000 figure by taking the average earnings of a set net permit each year over the prior ten years, and those averaged a little above \$20,000 per year per permit and added a number which seemed at the time to be the tax implications, so that if volunteer fishers are included in a program that comes to fruition they would leave with a \$200,000 sale for small business that in many cases have been around for generations.

Historically in 1980, the fishery was about half the size that it is today and for many reasons including increased bio-mass, limitations on area, aquaculture inclusions into the fishery, and an historically high price. In many cases, set net permits came into the area from other parts of Cook Inlet.

In summary, Mr. Coleman said the bones of a good program are in this bill and he would stand by for questions.

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RICKEY GEASE, Executive Director, Kenai River Sport Fishing Association (KRSFA), Soldotna, Alaska, supported SB 135. He said this is the first time that set netters have had a common purpose and appreciate the time working with Senator Micciche in moving towards a voluntary buyback program.

KRSFA supports the concept of a voluntary fleet reduction program he said and that back in the 1980s about half the number of permits were fishing in the Kenai and Kasilof Rivers. Now they are in a situation where the runs have returned, but to a lower level, and there is a lot of gear in the water not catching enough fish. In Cook Inlet that is reflective of the average price for permits. In 2016 they were about \$15,000 and earnings are about \$20,000. So, one of the improvements coming from a gear reduction is that the remaining permits become more valuable and will have a higher price point in their gross earnings per year.

As an association of sport anglers, KRSFA would be interested in decreasing the harvest of king salmon, a primary fishery for the in-river sport fisheries and think that a reduction of 45 percent would reduce interceptions of king salmon. The regional ADF&G biologist indicated that with about 55 percent of the gear he still feels comfortable that the east side set net fleet, itself, would still have the historical harvests of their money fish, which is sockeye salmon.

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Typically, you can figure out how many permits are necessary to catch 100,000 salmon by taking the average around the state, which is around 3.2 salmon permits for every 100,000 fish. But in Cook Inlet, it's close to 25 permits. A lot of gear is concentrated in that water.

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CHAIR GIESSEL thanked him and finding no further comments, closed public testimony.

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SENATOR BISHOP asked when limited entry started and what its purpose was.

DALE KELLEY, Commissioner, Commercial Fisheries Entry Commission (CFEC), Alaska Department of Fish and Game (ADF&G), Juneau, Alaska, replied it was started in 1973 and its purpose was to protect sustained yield of our salmon resources and protect commercial fishermen from economic dislocation.

SENATOR BISHOP asked her to help him understand that after 1973 no new permits were issued.

MS. KELLEY said that wasn't correct. She explained that in 1973, most of the fisheries were open to being limited except the salmon hand troll fleet that wasn't limited until the early 80s. Since that time, other non-salmon fisheries have been limited.

SENATOR BISHOP asked how the Cook Inlet east side fleet grew by 50 percent under a limited entry program.

MS. KELLEY answered because the east side doesn't have its own permit; it's a Cook Inlet set net permit, and people are free to M.Ovi around. So, if the north side wasn't as lucrative, maybe people would migrate to another area in the Inlet.

SENATOR BISHOP said so those permits already existed, but they just got word that the fishing was better on the east side.

MS. KELLEY answered yes.

SENATOR BISHOP asked if DNR leases these sites.

MS. KELLEY replied that she wasn't sure but suspected that DNR leased some sites and others were privately owned.

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FATE PUTMAN, Commissioner, Commercial Fisheries Entry Commission (CFEC), added that he wasn't familiar with DNR permits, but he knows that most fishermen have an upland permit and they often fish three nets and often stack them. So, they may go out up to a mile offshore from the permit site. The upland sites are very valuable; DNR handles the leases. He reported that they had seen four east side set net permits turn over since last September for an average cost of \$14,500.

SENATOR BISHOP said he would direct his questions to DNR.

SENATOR VON IMHOF asked if he was saying one permit site would be sold for \$14,500 and how that figures.

MR. PUTMAN replied that is the price of the permit not the site. Buying a set net permit in the Cook Inlet area would cost \$14,500 and then you would also have to buy the upland DNR lease. In this case, that is what is valuable.

SENATOR VON IMHOF asked what the price is now.

MR. PUTMAN said he wasn't an expert in DNR's leases, but rather knows the value of the permits.

CHAIR GIESSEL said they would submit that question to DNR.

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SENATOR STEDMAN said the leases are transferred not bought, and he asked to get the lease terms and rates from DNR. They need this information, and he would really like to see a full presentation on the Cook Inlet fishery including the history to get a better feel for what they are dealing with.

CHAIR GIESSEL noted that about four years ago the committee had a Cook Inlet fishery week and had all the different gear types come in and an update would be good. She invited Senator

Micciche back to the table for additional questions and closing remarks.

SENATOR BISHOP said this seemed like trying to help alleviate an overfishing issue.

SENATOR MICCICHE responded that the returns to Cook Inlet can vary dramatically from 1.5 million fish to 6 or 7 million fish. On those heavy years - hence the draw of the east side - when the Kenai and Kasilof produced phenomenal amounts of fish and people on the west side starved to death, they moved east. Once you move east and find the fishing is pretty good, it's hard to move back to where the fishing is not nearly as good. Those folks can move back if they choose to, but that does not seem to be working.

He explained that the east side is also easier to fish because it has better access to delivery facilities and facilities for processing, and fishermen get a higher price per pound because they don't have to worry about transportation and ice and things like that, and typically, it's more lucrative.

Regarding overfishing, he said ADF&G decides on what is an adequate return to the river and has been very successful at it. They don't know what the problems are with king returns, but now that they are challenged, they have become more important. Hence the struggle has gotten worse not better. The thought is to reduce that pressure. It is fascinating to have both sides at the table, because normally they don't spend a lot of time socializing together.

SENATOR BISHOP said he thought this was a fascinating subject, but he thought ADF&G should be helping with this discussion.

SENATOR MICCICHE said the department decided to stay out of the fray, but thinks it is a worthy discussion. He noted that about half the permits have a DNR lease. People can fish where they want to, but they just have to register the area. Some of them are more lucrative sites and do have a DNR lease but focusing on the permit value is not point in this discussion. There is a dramatic spectrum of income and value. Some permits are worth \$15,000 and some sites are worth half to three-quarters of a million dollars, and there are sites with a \$15,000 permit that are probably worth \$25,000. His goal is to have a more efficient fishery and folks living together in peace, at least for a time. He thanked the chair for hearing the bill.

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CHAIR GIESSEL said during her time in the Senate, this was one of the districts she represented, and she applauded him for being able to bring the stakeholders all together.

Finding no further questions, she held SB 135 in committee.

CHAIR GIESSEL adjourned the Senate Resources Standing Committee meeting at 4:55 p.m.