

**ALASKA STATE LEGISLATURE**  
**HOUSE RESOURCES STANDING COMMITTEE**

February 7, 2022

1:05 p.m.

**MEMBERS PRESENT**

Representative Josiah Patkotak, Chair  
Representative Grier Hopkins, Vice Chair  
Representative Zack Fields  
Representative Calvin Schrage  
Representative Sara Hannan  
Representative George Rauscher  
Representative Mike Cronk  
Representative Ronald Gillham  
Representative Tom McKay

**MEMBERS ABSENT**

All members present

**COMMITTEE CALENDAR**

HOUSE BILL NO. 52

"An Act providing that operation of the Tutka Bay Lagoon Hatchery in Kachemak Bay is compatible with the functions of Kachemak Bay State Park; and providing for an effective date."

- HEARD & HELD

**PREVIOUS COMMITTEE ACTION**

BILL: HB 52

SHORT TITLE: TUTKA BAY HATCHERY

SPONSOR(s): REPRESENTATIVE(s) VANCE

02/18/21	(H)	PREFILE RELEASED 1/8/21
02/18/21	(H)	READ THE FIRST TIME - REFERRALS
02/18/21	(H)	FSH, RES
04/29/21	(H)	FSH AT 10:00 AM GRUENBERG 120
04/29/21	(H)	Heard & Held
04/29/21	(H)	MINUTE(FSH)
05/06/21	(H)	FSH AT 10:00 AM GRUENBERG 120
05/06/21	(H)	Heard & Held
05/06/21	(H)	MINUTE(FSH)
05/18/21	(H)	FSH AT 10:00 AM GRUENBERG 120
05/18/21	(H)	Moved CSHB 52(FSH) Out of Committee

05/18/21 (H) MINUTE (FSH)  
05/19/21 (H) FSH RPT CS (FSH) NEW TITLE 4DP 1NR  
05/19/21 (H) DP: VANCE, STUTES, ORTIZ, TARR  
05/19/21 (H) NR: STORY  
02/07/22 (H) RES AT 1:00 PM BARNES 124

#### **WITNESS REGISTER**

REPRESENTATIVE SARAH VANCE  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** As the prime sponsor of HB 52, reviewed the provisions in the proposed CS, Version D, via a PowerPoint presentation titled "CSHB 52(RES)."

MATTHEW WEDEKING, Operations Manager  
Division of Parks and Outdoor Recreation  
Department of Natural Resources (DNR)  
Anchorage, Alaska

**POSITION STATEMENT:** During the hearing on HB 52, provided background information on the management issues related to the Tutka Bay Lagoon Hatchery within Kachemak Bay State Park.

SAMUEL RABUNG, Director  
Division of Commercial Fisheries  
Alaska Department of Fish and Game (ADF&G)  
Juneau, Alaska

**POSITION STATEMENT** During the hearing on HB 52, answered questions.

CHRISTOPHER ORMAN, Assistant Attorney General  
Natural Resources Section  
Department of Law (DOL)  
Juneau, Alaska

**POSITION STATEMENT:** During the hearing on HB 52, answered questions.

#### **ACTION NARRATIVE**

[1:05:56 PM](#)

**CHAIR JOSIAH PATKOTAK** called the House Resources Standing Committee meeting to order at 1:05 p.m. Representatives McKay, Cronk, Hopkins, Rauscher, Hannan, Gillham, Schrage, and Patkotak were present at the call to order. Representative Fields arrived as the meeting was in progress.

## HB 52-TUTKA BAY HATCHERY

1:06:42 PM

CHAIR PATKOTAK announced that the only order of business would be HOUSE BILL NO. 52, "An Act providing that operation of the Tutka Bay Lagoon Hatchery in Kachemak Bay is compatible with the functions of Kachemak Bay State Park; and providing for an effective date."

1:07:13 PM

REPRESENTATIVE HOPKINS moved to adopt the proposed committee substitute (CS) for HB 52, Version 32-LS0327\D, Bullard, 2/4/22, as the working document. There being no objection, Version D was before the committee.

1:07:50 PM

REPRESENTATIVE SARAH VANCE, Alaska State Legislature, as the prime sponsor of HB 52, reviewed provisions of the proposed CS, Version D, via a PowerPoint presentation titled "CSHB 52(RES)." She said the proposed CS represents community collaboration on an agreement that can help protect the land. Speaking to the first slide, "CSHB 52(RES)," she outlined the bill's overall objectives: adds state land to Kachemak Bay State Park, cures a legal land disposal issue, maintains that the Alaska Department of Fish and Game's Tutka Bay Lagoon Hatchery, protects Tutka Bay Lagoon lands, and supports the China Poot dipnet fishery.

1:09:05 PM

REPRESENTATIVE VANCE provided a sectional analysis of Version D. She said Section 1 of Version D amends the section adding three parcels totaling about 267 acres to the Kachemak Bay State Park (KBSP) in the Cottonwood-Eastland unit on the north side of Kachemak Bay. Parcel A provides much needed access from East End Road to the underutilized Cottonwood Eastland unit about 17 miles northeast of Homer. Parcels B and C connect adjacent portions with the Cottonwood-Eastland unit.

REPRESENTATIVE VANCE explained that Section 2 adds a new section that removes Tutka Bay Lagoon and the land on which the Tutka Bay Lagoon Hatchery (TBLH) sits, approximately 123 acres, out of the KBSP and requires it to be managed as general use lands by the Department of Natural Resources (DNR). Section 2 cures the legal land disposal issue and secures the lands to be managed by

DNR in perpetuity so that it cannot be sold to any private entity. This language is specifically different than the previous version - it clarifies that the land will be managed by DNR in the long term.

REPRESENTATIVE VANCE specified that Section 3 repeals the removal of Tutka Bay Lagoon and the land on which the hatchery is located out of the Kachemak Bay State Park if the Department of Fish and Game (ADF&G) does not operate or contract with another party to operate TBLH within a 3-year period. Section 3 is a change included in Version D to allow ADF&G an opportunity during a 3-year period to either change a contract or determine if the hatchery is needed in the future. If ADF&G chooses not to continue the hatchery operation, the section of land that has been removed would automatically revert to state park land.

[1:11:06 PM](#)

REPRESENTATIVE VANCE stated that Section 4 adds a new section to include the aforementioned conditional language that transfers the Tutka Bay Lagoon and the land on which the hatchery sits back into the state park if ADF&G does not continue hatchery operations within a 3-year period.

REPRESENTATIVE VANCE related that Section 5 requires the Commissioner of the Department of Natural Resources to notify the revisor of statutes of Section 4 giving 30 days to be able to revise those statutes accordingly. Section 6 is the immediate effective date.

REPRESENTATIVE VANCE said the proposed CS is a compromise with the people in her community, many of whom do not want to lose state park lands by any means necessary. While she understands where they are coming from, she pointed out that there is a legal land disposal issue. Version D therefore gives a compromise that carves out the lagoon to be managed according to DNR's general use land to continue hatchery operations. However, it safeguards that land for the future by saying that access to park land will continue as it is now, but if hatchery operations do not exist it will then automatically be reverted to state park land.

[1:12:38 PM](#)

REPRESENTATIVE VANCE turned to the second slide, "What does the bill do?" She specified that the bill adds the 267 acres on the north side of Kachemak Bay to the state park, which is land that

KBSP has been trying to get for the past 20 years. The bill seeks to cure the legal land disposal issue [by removing Tutka Bay Lagoon, and the land on which the hatchery sits, out of the park]. Further, Version D adds conditional language that [if ADF&G does not operate or contract with another party to operate TBLH within a 3-year period, the land will revert to Kachemak Bay State Park].

REPRESENTATIVE VANCE discussed a map of Kachemak Bay State Park displayed on the third slide. She drew attention to the red dots on the map and explained that she is trying to give a view of where the hatchery/lagoon is located, where the China Poot dipnet fishery is located directly across from the Homer Spit, and the three added parcels on the north side of Kachemak Bay. She noted that the added parcels are not directly adjacent to the park land where the lagoon is located.

REPRESENTATIVE VANCE reviewed another map of the state park shown on the fourth slide. She said the bill adds parcels A, B, and C, totaling about 267 acres in the Cottonwood-Eastland unit on the north side of Kachemak Bay. The blue outline designates the current state park, she noted, and parcels B and C are currently managed as state park land and harmonize the long-term objectives. Parcel A allows road access into the park on East End Road about 17 miles northeast of Homer. It would be the only road access directly into the park and would take pressure off the private landowners there by allowing parking and, possibly in the future, cabins.

[1:16:23 PM](#)

REPRESENTATIVE VANCE turned to the map on the fifth slide and stated that HB 52 removes the Tutka Bay Lagoon and the land on which the Tutka Bay Lagoon Hatchery is located, approximately 123 acres, out of the park and requires that it to be managed as general use lands by DNR. This section cures the legal land disposal issue and secures the lands to be managed by DNR in perpetuity so the land cannot be sold to any private entity.

REPRESENTATIVE VANCE proceeded to the sixth slide and stated that the China Poot dipnet fishery is a benefit of curing this legal land disposal issue within the park, retaining the success of a personal use dipnet and commercial fishery. She said the Tutka Bay Lagoon Hatchery supports several fisheries across Kachemak Bay, Cook Inlet, and the Kenai Peninsula, and accounts for more than 25 million pounds of commercial fish harvest and nearly \$32 million in ex-vessel value.

REPRESENTATIVE VANCE concluded by stating that the changes proposed in HB 52 present clear benefits to the public interest from a legal, wildlife management, and public lands perspective. The bill's net effect would double the acreage to the state park that is proposed for removal, a net gain of about 144 acres. The bill meets the needs of constituents who wish to preserve as much of the state park as possible and those who harvest fish commercially and personally, as the Tutka Bay Lagoon Hatchery plays a direct role in the commercial harvest of pink salmon and the China Poot Bay personal use dipnet fishery. The Tutka Bay Lagoon Hatchery is the only permitted hatchery for the egg-take and release of the brood stock that is necessary to help provide for the China Poot personal use dipnet fishery. The bill provides security for the lands on which the hatchery sits in that the lands will be under DNR's possession in perpetuity. The bill only pertains to the land disposal issue, she stressed, it does not pertain to the hatchery, the hatchery's permitting, or the contractor that is currently managing the hatchery.

[1:19:03 PM](#)

REPRESENTATIVE HANNAN inquired about which salmon species are harvested in the China Poot Bay dipnet fishery.

REPRESENTATIVE VANCE replied that it is mainly a red [sockeye] salmon dipnet fishery for personal use.

REPRESENTATIVE HANNAN asked whether the Tutka Bay Lagoon Hatchery is currently producing that sockeye.

REPRESENTATIVE VANCE responded that the Tutka Bay Lagoon Hatchery does the egg-take, then utilizes the Trail Lakes Hatchery, and then brings [the juveniles] back to the China Poot.

[1:19:55 PM](#)

REPRESENTATIVE FIELDS inquired about the number of driftnetters versus seiners in Cook Inlet. He further inquired about the number of those fishermen who pay into the [Tutka Bay Lagoon Hatchery] and how many of them fish for the pink salmon that are raised at the hatchery.

REPRESENTATIVE VANCE deferred to Mr. Sam Rabung of ADF&G to answer the question.

[1:20:35 PM](#)

REPRESENTATIVE GILLHAM asked about the number of people who participate in the dipnet fishery, and the number of fish taken.

REPRESENTATIVE VANCE deferred to Mr. Sam Rabung of ADF&G to answer the question.

[1:21:02 PM](#)

REPRESENTATIVE HOPKINS inquired about the differences between Version D and the original bill.

REPRESENTATIVE VANCE answered that the main substantive change is the addition of conditional language that safeguards the land to be managed by DNR. [The original bill] carved out the Tutka Bay Lagoon and the land on which the hatchery sits and put it into general use DNR land. Version D creates conditional language that says if hatchery operations are ceased, that land will automatically be reverted to state park land.

REPRESENTATIVE HOPKINS asked whether there is a sunset date for when that land is supposed to be coming out of the park or whether that is what is happening now with the management plan.

REPRESENTATIVE VANCE replied that the bill removes this land from the state park, so there would be no sunset date. However, the state park management plan, as written and which has not yet been signed, states that because the land is an impermissible disposal of state land, the hatchery operations would need to cease and be phased out within a 10-year timeframe. The bill intervenes in that and removes it from the state park so it will no longer be an unconstitutional disposal of land.

[1:23:34 PM](#)

REPRESENTATIVE HOPKINS related that a letter received [by the committee] states that land parcels A, B, and C are already in the process of being incorporated into the park. He asked whether legislation is needed specifically to include those parcels given they are already being incorporated into the park.

REPRESENTATIVE VANCE responded that the parks groups have been working on that for several years, and parcels B and C are currently being managed as park lands. However, she pointed out, the Alaska State Legislature is the only one with the authority to legislatively designate any land as state park

land, which is the ultimate safeguard for those lands in the future, and this bill does that.

REPRESENTATIVE HOPKINS asked whether donations were given to local organizations or the Homer city or borough to manage these lands as park lands.

REPRESENTATIVE VANCE offered her belief that the group called Friends of Kachemak Bay has raised the money and has been working through this process. She said DNR has told the group that if this bill passes, the money the group raised would be refunded to them.

REPRESENTATIVE HOPKINS inquired whether Friends of Kachemak Bay is currently managing and handling these three parcels.

REPRESENTATIVE VANCE answered that DNR manages the parcels, and Friends of Kachemak Bay works as a nonprofit that helps in doing fund raising and trail grooming.

[1:26:13 PM](#)

REPRESENTATIVE RAUSCHER drew attention to the fourth slide and inquired about the [road] access in parcel A.

REPRESENTATIVE VANCE replied that parcel A is currently DNR general use land and is the only parcel that is connected to East End Road that would add road access into the park. Parcel A is not currently being managed as park land, so it is a key piece to add to ease the burden off private property landowners. She offered her belief that a portion of parcel A has a borough easement, and an agreement is trying to be found to be able to utilize that for parking and such.

REPRESENTATIVE RAUSCHER asked whether there is already road access in the park.

REPRESENTATIVE VANCE responded that [road access] is not currently designated as park land.

REPRESENTATIVE RAUSCHER asked whether it is envisioned that there will be [road access in parcel A].

REPRESENTATIVE VANCE answered yes.

REPRESENTATIVE RAUSCHER inquired whether [parcel A] is needed to make this happen or whether it would be an enhancement.

REPRESENTATIVE VANCE confirmed that it is needed. She explained that DNR is trying to work with the Kenai Peninsula Borough to see if an easement is a possible way to be able to include this land, but HB 52 makes it a simpler process.

[1:28:08 PM](#)

REPRESENTATIVE GILLHAM offered his understanding that the 123 acres on which the hatchery sits would be taken out of the park and 264 acres would be added to the park.

REPRESENTATIVE VANCE replied that is correct.

REPRESENTATIVE GILLHAM remarked that that seems like it would be a better deal.

[1:28:39 PM](#)

REPRESENTATIVE VANCE thanked DNR, ADF&G, and the Citizens Advisory Board of Kachemak Bay State Park for working through the bill. She said there has been a lot of consternation over removing the park land. Coming to this agreement through public engagement has been beneficial, she continued, and coming to a compromise with the reverting language will protect the park land for the future.

[1:29:35 PM](#)

MATTHEW WEDEKING, Operations Manager, Division of Parks and Outdoor Recreation (DPOR), Department of Natural Resources (DNR), provided background information on the management issues related to the Tutka Bay Lagoon Hatchery within Kachemak Bay State Park. He specified that when the Alaska State Legislature created Kachemak Bay State Park in 1970 these lands were withdrawn from the public domain and designated as a special purpose site under Article VIII, Section 7, of the Alaska Constitution. Kachemak Bay State Park was created to protect and preserve the land and water for its unique and exceptional scenic values; it mandated that the land and water be managed as a scenic park.

MR. WEDEKING explained that the Executive Branch is prohibited from disposing of legislatively designated lands like those within Kachemak Bay State Park. An unconstitutional disposal of legislatively designated land includes leasing these lands or granting any easements. State land disposal case law has

developed in the last 20 years. Several recent Alaska Supreme Court cases have led to the Department of Natural Resources, and specifically the Division of Parks and Outdoor Recreation, to review the use of state park lands for potential disposal. These potential disposals are often found, as is this one, through the development or revision of park management plans. Once potential disposals are found, DNR moves to address that.

MR. WEDEKING said DNR believes the Tutka Bay Lagoon Hatchery's operations constitute an unconstitutional disposal of state park lands. Removing the lands and waters of the Tutka Bay Lagoon where the hatchery operates from Kachemak Bay State Park would resolve this disposal problem and thus allow hatchery operations to continue. Removing these lands and waters from the Kachemak Bay State Park also resolves a long-standing management issue for the Division of Parks and Outdoor Recreation, as the division would no longer be involved in the management of hatchery operations within the lagoon.

[1:32:42 PM](#)

REPRESENTATIVE RAUSCHER drew attention to the map on the fourth slide and asked why the two pieces of land next to parcel B are not included in the state park.

MR. WEDEKING offered his understanding that those parcels are private inholdings that existed prior to the park's creation.

[1:33:25 PM](#)

REPRESENTATIVE HANNAN asked what would happen if HB 52 did not pass and the status quo remained. She shared her understanding that the current contractor to the state to operate the hatchery has until 2030. She further understood that since 1970 the case law has developed that has created the legal issue that is trying to be remedied.

MR. WEDEKING replied that the management plan would work to phase out the hatchery within 10 years. He said he assumes that during that time [the division] would look for other solutions as well as continuing to phase out the hatchery.

REPRESENTATIVE HANNAN asked what phasing out the hatchery would entail; for example, whether it would be closed by 10 years out or whether it would be incremental growth in phasing it out.

MR. WEDEKING responded that the Executive Branch cannot dispose of legislatively designated lands, so operation of that hatchery would have to be ended unless another solution was found.

REPRESENTATIVE VANCE specified that not only would the hatchery have to cease operation, but ADF&G would have to remove all the buildings and facilities and return the land to its natural state. Cook Inlet Aquaculture Association's (CIAA's) current loans would still need to be repaid and would fall back on the fishermen who paid the enhancement tax; their permits are the collateral for the loans. It is in everyone's best interest to continue working on the success of the hatchery so the loans can be repaid in full and utilize the current operations.

[1:36:15 PM](#)

REPRESENTATIVE HANNAN asked whether CIAA operates other hatcheries and whether the loan repayments are specific to each hatchery; for example, whether the loans for Tutka Bay Lagoon Hatchery must be paid out of Tutka Bay earnings or whether they can be repaid with revenue from other fisheries in which CIAA participates.

REPRESENTATIVE VANCE deferred to Mr. Samuel Rabung to provide an answer.

[1:36:59 PM](#)

SAMUEL RABUNG, Director, Division of Commercial Fisheries, Alaska Department of Fish and Game (ADF&G), replied that Cook Inlet Aquaculture Association is responsible for repaying its loan regardless of which facility the loan was made for. He explained that the salmon enhancement tax is one of the things that secures these loans, so commercial fishery permit holders would be required to continue paying the salmon enhancement tax until all debt is repaid to the state's revolving loan fund, regardless of whether any fish are being produced.

[1:37:51 PM](#)

REPRESENTATIVE HANNAN asked whether CIAA operates other hatcheries in the region. She further inquired about CIAA's current debt load on Tutka Bay and the annual payment on that debt load.

MR. RABUNG responded that CIAA operates other hatcheries, including the Port Graham and Trail Lakes hatcheries, as well as

a "mothballed" hatchery at Eklutna that is used as a backup. He said he doesn't have CIAA's debt figures at hand, but believes it is about \$12-\$15 million in corporate debt.

REPRESENTATIVE HANNAN inquired about the annual payment to the state on that debt load of \$12-\$15 million.

MR. RABUNG guessed that it is about \$800,000-\$1 million a year.

CHAIR PATKOTAK stated that the committee will work with the sponsor on receiving details in this regard.

[1:40:03 PM](#)

REPRESENTATIVE HOPKINS asked whether the administration agrees with Legislative Legal Service's interpretation that the language in Version D does not allow for the hatchery or the land to be sold in the future should the hatchery cease operation.

[1:40:55 PM](#)

CHRISTOPHER ORMAN, Assistant Attorney General, Natural Resources Section, Department of Law (DOL), qualified that any of the policy questions, or anything that might be related to that, whether it's appropriate or not, is not necessarily his purview. However, he stated, he has reviewed the [proposed] CS and, legally, his review is that that was the intention, and it is carried out through this [proposed] CS.

REPRESENTATIVE HOPKINS requested Mr. Orman to elaborate further.

MR. ORMAN explained that the policy determinations and decisions that might have gone into that are not why he is here and not what he is supposed to talk about. In reviewing the [proposed] CS and his understanding of the intent of the [proposed] CS, his reading is that, yes, if the goal is to ensure that nothing will happen with the land and water that have been carved out except for the hatchery, and should the hatchery no longer be operated, then those lands will, pursuant to the "reverter," return to Kachemak Bay State Park, that is accomplished through Version D. Regarding DNR's ability once these lands are public domain land, and DNR's scope, ability, and authority pursuant to and addressed in Version D, he said he thinks Version D accomplishes that. Whether it could be different language, he added, or stronger language, or drafted in a different way, he said he isn't going to go into that.

[1:43:27 PM](#)

REPRESENTATIVE GILLHAM asked whether Mr. Rabung knows how many people participate in the fishery and how many fish are caught. He further asked what the season is on the dipnet fishery.

MR. RABUNG answered that 19 purse seine permits fish in Lower Cook Inlet in the commercial fishery, and they typically harvest around 65,000 fish. The personal use fishery is managed by the Division of Sport Fish, and somewhere around 6,000 fish are caught per year.

[1:45:27 PM](#)

CHAIR PATKOTAK requested that the committee receive answers regarding the figures for payback.

[1:45:56 PM](#)

REPRESENTATIVE HANNAN asked whether the committee will be hearing from the Cook Inlet Aquaculture Association.

MR. RABUNG shared the details of an email he had just received from CIAA. He said the email states that the association's total loan balance as of 1/3/[22] is \$15,829,578; of that total amount \$3,666,148 or 23.2 percent is attributed directly to the Tutka Bay Lagoon Hatchery.

REPRESENTATIVE HANNAN asked how much money the association is making each year on that debt payment of \$3,666,148.

MR. RABUNG replied that he does not have the information regarding what portion of the total loan payment is attributable to the Tutka Bay Lagoon Hatchery. He offered his guess that it is around 23.2 percent.

[1:47:39 PM](#)

REPRESENTATIVE HANNAN noted that the Tutka Bay Lagoon Hatchery produces pink salmon, a species that is not the most profitable. She explained she would like to hear from CIAA to learn whether its debt load would be impacted if this hatchery wasn't operational or whether CIAA is still making those payments because the price of pink salmon is down. She said she is trying to determine whether CIAA is making headway on that loan and whether instead of talking about Tutka Bay as one piece,

needing to understand CIAA's whole debt load and productivity towards that debt load so the Tutka Bay profitability to CIAA can be determined.

MR. RABUNG responded that if the Tutka Bay Lagoon Hatchery ceases to operate, that debt will remain on the books and will have to be repaid. The pink salmon do pay the bills, and while the price for pinks is lower, the pinks make up for it in volume. There's not a hatchery program in the state other than the state's own programs that doesn't have a pink or chum component to pay for the other fish that are produced - chinook, coho, sockeye. The Tutka Bay Lagoon Hatchery's pink salmon pay for the China Poot sockeye fishery. If the hatchery is closed, not only will the pink salmon cease to be a revenue stream, the sockeye salmon projects in the Lower Cook Inlet lakes that are supported by that will also cease to exist. However, the debt will remain and will have to be paid off through the salmon enhancement tax, contributions from commercial fishermen, in the entirety of Cook Inlet as well as through cost recovery generated through [CIAA's] other facilities. The loans are made to Cook Inlet Aquaculture Association, not to Tutka Bay Lagoon Hatchery, so the nonprofit corporation is on the hook to pay back the loans regardless of whether the operation is continued.

[1:50:27 PM](#)

CHAIR PATKOTAK stated that besides looking at current debt and debt payment, the committee should also look at the initial capital investment - what the loan was initially taken out for. When looking at the long-term return on the overall investment, he continued, a look must also be taken at what has already been paid off with the operation.

[1:51:09 PM](#)

REPRESENTATIVE HOPKINS asked whether the Tutka Bay Lagoon Hatchery has been in operation since the start of having the sockeye [juveniles] there for 4-6 weeks for the China Poot dipnet fishery.

MR. RABUNG answered that the Tutka Bay Lagoon Hatchery was built by the State of Alaska and is owned by ADF&G. The department operated the hatchery until the early 1990s when the operation was contracted out due to budget efficiency. He recounted that ADF&G used to have the Division of Fisheries Rehabilitation, Enhancement and Development (FRED), and hatcheries were built and operated all over the state. Over time, however, it was

realized that the private sector was better and more efficient at operating the hatcheries. So, except for the two sport fish hatcheries that ADF&G still operates, the department has contracted out the operation of its state hatcheries to the private sector, the nonprofits, at no cost to the state. The department still maintains ownership of the buildings, which were built with state bonds in the 1970s, bonds that have long since been paid off.

[1:52:52 PM](#)

REPRESENTATIVE HOPKINS observed from the information included in the committee packet that from 2004-2011, CIAA suspended pink salmon operations due to low market prices. He asked whether the China Poot dipnet fishery continued to operate successfully during those seven years.

MR. RABUNG replied that the China Poot dipnet fishery is a "put-and-take" - every year fry are stocked into the lakes. Prior to 2011, Cook Inlet Aquaculture Association conducted annual wild egg takes from Tustumena Lake. Those eggs were flown to the Trail Lakes Hatchery, incubated to the fry stage, and then planted into Hazel and Leisure lakes in Lower Cook Inlet to supply the China Poot fishery. That egg-take ended when a federal court found that it was an unlawful activity because Tustumena Lake is within federal land [the Kenai National Wildlife Refuge]. There was a short gap during the search for an alternative brood source. The entire Resurrection Bay sockeye fishery is produced by Trail Lakes Hatchery and Bear Lake, and CIAA wanted to use its brood source from Bear Lake near Seward. However, ADF&G's genetic policy didn't allow that stock to be brought into Lower Cook Inlet's lakes, so a Lower Cook Inlet stock had to be found to be used there. It was decided to use stock from English Bay Lakes, so 2011 or 2012 became the start of a whole new brood stock, and those eggs were incubated at Trail Lakes Hatchery. The juveniles were then taken to Tutka Bay Lagoon Hatchery and imprinted and released there so they would come back to Tutka Bay Lagoon Hatchery as adults. Now, when those adults come back to Tutka Bay Lagoon Hatchery, the eggs are collected and taken to Trail Lakes Hatchery to incubate. A portion of them is brought back to Tutka Bay Lagoon Hatchery to be released to continue the brood stock, and the remainder are stocked into the Lower Cook Inlet lakes and Kirchner Lake on the other side of Cook Inlet.

MR. RABUNG explained that without operation of the Tutka Bay Lagoon Hatchery, China Poot goes away because there is no site

for the brood stock. Eggs cannot continue to be taken from English Bay Lakes because the upland owners aren't going to allow access and Tustumena Lake [is not an option]. During the time that the Tutka Bay Lagoon Hatchery stopped operating for pink salmon, CIAA was able to take the sockeye eggs from Tustumena Lake. The only alternative that has been found for doing sockeye and doing a brood stock release is at Port Graham Hatchery, but that hatchery does not have adequate freshwater. Adult sockeye need freshwater in which to ripen, or mature, so that their eggs can be collected and be viable. Without adequate freshwater ripening, sockeye egg-takes cannot be done.

[1:57:38 PM](#)

REPRESENTATIVE VANCE related that she is continuing to have public engagement on questions about CIAA's operations and about fishery management, and she is willing to have these discussions with committee members outside of committee meetings. She stressed, however, that the hatchery operations, the loans, and the fisheries management are separate from what HB 52 addresses, which is simply the legal land disposal issue. The bill would cure this unconstitutional disposal of land for the long term. The department's lease agreement with CIAA is up for renewal in about 10 years, at which time ADF&G could choose to continue the lease, or to find a different manager, or to have the state assume the hatchery's operation. There will not be that option moving forward if this legal land issue is not cured.

[1:59:16 PM](#)

REPRESENTATIVE SCHRAGE asked whether a reason for currently supporting the hatchery is because of the sockeye production. He further asked about [the relationship between] a viral disease and sockeye being able to make it into China Poot.

REPRESENTATIVE VANCE deferred the questions to Mr. Rabung to answer.

MR. RABUNG explained that infectious hematopoietic necrosis virus (IHNV) is an endemic viral disease that is carried in every stock of sockeye, and therefore ADF&G is very cautious with its sockeye work. Sockeye are typically kept quarantined and grown under different conditions than other salmon species. Sockeye don't make it into China Poot Lake because it is a barriered system. The sockeye can't get past the falls to ripen and spawn, which is why it was chosen as a put-and-take fishery. It doesn't have anything to do with the IHNV issue. The

department has worked hard and been successful in its programs managing IHNV; ADF&G has very strict quarantine and protocols in culture. The sockeye are tested before they are a gram in size, and anything that comes up positive is culled, put in Clorox, and removed.

[2:01:54 PM](#)

REPRESENTATIVE SCHRAGE asked whether Kachemak Bay State Park is subject to the federal [Land and Water Conservation Fund (LWCF) Act] agreements that the state has made.

REPRESENTATIVE VANCE deferred the question to DNR to answer.

MR. WEDEKING confirmed that Land and Water Conservation Fund money has been spent within Kachemak Bay State Park. The division has been working through its LWCF liaison to identify the conversion process, which is the process that occurs when land is removed that was designated with LWCF money and potentially using the lands that are being acquired as that. That process is an ongoing and separate process from this specific bill.

[2:03:45 PM](#)

REPRESENTATIVE VANCE provided closing comments. She pointed out that this is directly in her backyard. The China Foot dipnet fishery was her first dipnetting experience as a teenager. Members of the community directly benefit from the commercial fishery that the hatchery supports. There is also the ability to access the incredible park. She said she has toured the hatchery and the net pens with Commissioner Doug Vincent-Lang of ADF&G and with Mr. Rabung to see firsthand what is being dealt with in this decision because it is impacting her community in a big way.

[HB 52 was held over.]

[2:05:31 PM](#)

#### **ADJOURNMENT**

There being no further business before the committee, the House Resources Standing Committee meeting was adjourned at 2:05 p.m.