

ALASKA STATE LEGISLATURE
HOUSE SPECIAL COMMITTEE ON FISHERIES

March 7, 2024

10:04 a.m.

MEMBERS PRESENT

Representative Sarah Vance, Chair
Representative Kevin McCabe
Representative CJ McCormick
Representative Ben Carpenter
Representative Craig Johnson
Representative Louise Stutes
Representative Rebecca Himschoot

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

HOUSE BILL NO. 295

"An Act relating to salmon hatchery permits; and authorizing the sale of salmon to permitted persons for stocking lakes."

- MOVED CSHB 295 (FSH) OUT OF COMMITTEE

SENATE JOINT RESOLUTION NO. 14

Calling on the United States Congress and all federal agencies to adopt policies and engage in certain efforts to improve the competitiveness and resiliency of the state's seafood industry.

- HEARD & HELD

HOUSE BILL NO. 329

"An Act relating to state tideland leases; and relating to aquatic farming or related hatchery operation site leases."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 295

SHORT TITLE: SALMON HATCHERY PERMITS

SPONSOR(s): RULES BY REQUEST OF THE GOVERNOR

01/26/24 (H) READ THE FIRST TIME - REFERRALS

01/26/24 (H) FSH
02/06/24 (H) FSH AT 10:00 AM GRUENBERG 120
02/06/24 (H) Scheduled but Not Heard
02/20/24 (H) FSH AT 10:00 AM GRUENBERG 120
02/20/24 (H) -- MEETING CANCELED --
02/27/24 (H) FSH AT 10:00 AM GRUENBERG 120
02/27/24 (H) Heard & Held
02/27/24 (H) MINUTE(FSH)
03/05/24 (H) FSH AT 10:00 AM GRUENBERG 120
03/05/24 (H) <Bill Hearing Canceled>
03/07/24 (H) FSH AT 10:00 AM GRUENBERG 120

BILL: SJR 14

SHORT TITLE: SUPPORT STATE SEAFOOD INDUSTRY

SPONSOR(s): BISHOP

02/15/24 (S) READ THE FIRST TIME - REFERRALS
02/15/24 (S) FIN
02/23/24 (S) FIN AT 9:00 AM SENATE FINANCE 532
02/23/24 (S) Heard & Held
02/23/24 (S) MINUTE(FIN)
02/26/24 (S) FIN RPT 6DP
02/26/24 (S) DP: HOFFMAN, OLSON, WILSON, KIEHL,
MERRICK, BISHOP
02/26/24 (S) FIN AT 9:00 AM SENATE FINANCE 532
02/26/24 (S) Moved SJR 14 Out of Committee
02/26/24 (S) MINUTE(FIN)
02/28/24 (S) TRANSMITTED TO (H)
02/28/24 (S) VERSION: SJR 14
03/01/24 (H) READ THE FIRST TIME - REFERRALS
03/01/24 (H) FSH
03/05/24 (H) FSH AT 10:00 AM GRUENBERG 120
03/05/24 (H) Heard & Held
03/05/24 (H) MINUTE(FSH)
03/07/24 (H) FSH AT 10:00 AM GRUENBERG 120

BILL: HB 329

SHORT TITLE: AQUATIC FARM AND HATCHERY LEASES

SPONSOR(s): VANCE

02/15/24 (H) READ THE FIRST TIME - REFERRALS
02/15/24 (H) FSH, RES
02/27/24 (H) FSH AT 10:00 AM GRUENBERG 120
02/27/24 (H) <Bill Hearing Canceled>
03/05/24 (H) FSH AT 10:00 AM GRUENBERG 120
03/05/24 (H) <Bill Hearing Canceled>
03/07/24 (H) FSH AT 10:00 AM GRUENBERG 120

WITNESS REGISTER

JAKE ALMEIDA, Staff
Representative Sarah Vance
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Explained the committee substitute for HB 295.

SAMUEL RABUNG, Director
Commercial Fisheries Division
Alaska Department of Fish and Game
Juneau, Alaska

POSITION STATEMENT: Gave invited testimony during the hearing on HB 295.

JAKE ALMEIDA, Staff
Representative Sarah Vance
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Gave the sectional analysis for HB 329 on behalf of Representative Vance, prime sponsor.

KATE DUFAULT, Program Manager
Aquatic Farms Leasing Program
Division of Mining, Land & Water
Department of Natural Resources
Anchorage, Alaska

POSITION STATEMENT: Answered questions during the hearing on HB 329.

JASON LESSARD, Executive Director
Alaska Mariculture Alliance
Anchorage, Alaska

POSITION STATEMENT: Gave invited testimony during the hearing on HB 329.

PAUL FUHS, President
Alaska Shellfish Growers Cooperative;
Adak Community Development Corporation
Adak, Alaska

POSITION STATEMENT: Gave invited testimony during the hearing on HB 329.

NICK MANGINI, Mariculture Director
Southwest Alaska Municipal Conference

Kodiak, Alaska

POSITION STATEMENT: Gave invited testimony during the hearing on HB 329.

LEONARDO WASSILIE, representing self

Nenana, Alaska

POSITION STATEMENT: Testified during the hearing on HB 329.

ALEXANDRA MEYER, Mariculture Manager

Alaska Ocean Farms, LLC

Kodiak, Alaska

POSITION STATEMENT: Testified during the hearing on HB 329.

MARGO REVEIL

Jakolof Bay Oyster Company

Homer, Alaska

POSITION STATEMENT: Testified during the hearing on HB 329.

NANCY HILLSTRAND, Owner

Pioneer Alaskan Fisheries

Seldovia, Alaska

POSITION STATEMENT: Testified during the hearing on HB 329.

BRIANA MURPHY

Chugach Regional Resources Commission

Seward, Alaska

POSITION STATEMENT: Testified during the hearing on HB 329.

ACTION NARRATIVE

[10:03:55 AM](#)

CHAIR SARAH VANCE called the House Special Committee on Fisheries meeting to order at 10:04 a.m. Representatives McCabe, Stutes, Carpenter, Himschoot, and Vance were present at the call to order. Representatives McCormick and C. Johnson arrived as the meeting was in progress.

HB 295-SALMON HATCHERY PERMITS

[10:04:44 AM](#)

CHAIR VANCE announced that the first order of business would be HOUSE BILL NO. 295, "An Act relating to salmon hatchery permits; and authorizing the sale of salmon to permitted persons for stocking lakes."

REPRESENTATIVE MCCABE moved to adopt the proposed committee substitute (CS) for HB 295, Version 33-GH2383\S, Bullard, 3/5/24, as the work draft.

REPRESENTATIVE CARPENTER objected for the purpose of discussion.

[10:05:31 AM](#)

JAKE ALMEIDA, Staff, Representative Sarah Vance, Alaska State Legislature, provided an explanation to the committee substitute (CS) for HB 295, which was per the department's request because the first iteration of the bill did not cite the correct statutory reference in Section 1, line 7. In addition to this main change, he explained, Section 2 would add the word "wild" on line 12 in reference to the board of fisheries and its authority over the issuance of permits.

[10:06:33 AM](#)

REPRESENTATIVE CARPENTER removed his objection. There being no further objection, Version S was before the committee.

[10:07:32 AM](#)

SAMUEL RABUNG, Director, Commercial Fisheries Division, Alaska Department of Fish and Game (ADF&G), as invited testifier, expounded on the changes in Version S to HB 295. He reiterated that the main change was to correct the statutory citation. The second change was to an error recognized in the 1980s and "we just lived with it." He provided further background of verbiage back to the 1970s. He said the new language clarifies that the board has authority over allocating wild fish resources and harvesting. He added it is also consistent with the shellfish bill from a couple years ago and is being proposed now to clarify and remove a conflict.

[10:10:21 AM](#)

CHAIR VANCE expressed appreciation for the drafter who clarified Section 1 for better understanding.

[10:11:06 AM](#)

REPRESENTATIVE MCCABE moved to report CSHB 295, Version 33-GH2383\S, Bullard, 3/5/24, out of committee with individual recommendations and the accompanying fiscal notes. There being

no objection, CSHB 295(FSH) was reported out of the House Special Committee on Fisheries.

[10:11:39 AM](#)

The committee took an at-ease from 10:11 a.m. to 10:15 a.m.

[10:15:07 AM](#)

SJR 14-SUPPORT STATE SEAFOOD INDUSTRY

[10:15:09 AM](#)

CHAIR VANCE announced that the next order of business would be SENATE JOINT RESOLUTION NO. 14, "Calling on the United States Congress and all federal agencies to adopt policies and engage in certain efforts to improve the competitiveness and resiliency of the state's seafood industry."

[10:15:21 AM](#)

CHAIR VANCE opened public testimony on SJR 14. After ascertaining no one wished to testify, she closed public testimony.

[10:16:01 AM](#)

CHAIR VANCE announced that SJR 14 was held over.

[10:16:57 AM](#)

CHAIR VANCE passed the gavel to Vice Chair McCabe.

[10:17:11 AM](#)

The committee took an at-ease from 10:17 a.m. to 10:19 a.m.

HB 329-AQUATIC FARM AND HATCHERY LEASES

[10:19:18 AM](#)

VICE CHAIR MCCABE announced that the final order of business would be HOUSE BILL NO. 329, "An Act relating to state tideland leases; and relating to aquatic farming or related hatchery operation site leases."

[10:19:29 AM](#)

CHAIR VANCE, as prime sponsor, presented HB 329. She read from the sponsor statement [included in the committee packet], which read as follows [original punctuation provided]:

House Bill 329 promises to provide a significant boost to Alaska's aquatic farming industry, known as mariculture. This legislation has the potential to bolster the state's economy, help preserve its environment, and enrich its coastal communities by streamlining the tideland lease process and extending lease durations to up to 25 years.

Mariculture, the cultivation of marine shellfish and aquatic plants, stands as a beacon of sustainable economic growth for Alaska. Mariculture not only generates employment opportunities across various sectors but also injects vitality into coastal communities. The industry fosters commerce, both domestically and internationally, while nurturing a vibrant ecosystem in Alaska's pristine waters.

One of the key features of HB 329 is the simplification of the lease acquisition process. Currently, prospective mariculturists endure a lengthy multi-agency application and review process which generally takes years to complete. This bureaucratic hurdle often deters potential farmers from entering the industry. HB 329 aims to lessen this burden by enabling quicker access to tidelands, enabling farmers to concentrate more on farming and less on paperwork.

Moreover, the extension of the lease duration to 25 years provides for long-term stability for mariculturists and encourages sustained investment in the industry. This stability is crucial for the development of robust mariculture operations, which contribute significantly to Alaska's economic diversification.

The environmental benefits of mariculture are also noteworthy. Shellfish and seaweed play a vital role in maintaining water quality by filtering out pollutants and excess nutrients. They provide essential habitat for diverse marine life and help mitigate ocean acidification—a pressing concern.

Furthermore, mariculture aligns with Alaska's rich cultural heritage, complementing existing traditions and customs in coastal communities. By promoting the sustainable utilization of marine resources, mariculture strengthens the bond between Alaskans and their natural surroundings.

With HB 329 paving the way for a more supportive regulatory framework, Alaska's mariculture industry is poised to flourish, creating jobs, stimulating commerce, and safeguarding the state's precious marine ecosystems. As stakeholders rally behind this initiative, Alaska's coastal communities stand to reap the benefits of a thriving and sustainable mariculture sector for generations to come.

[10:25:48 AM](#)

JAKE ALMEIDA, Staff, Representative Sarah Vance, Alaska State Legislature, on behalf of Representative Vance, prime sponsor, gave the sectional analysis for HB 329 [included in the committee packet], which read as follows [original punctuation provided]:

Section 1: Amends AS 38.05.081(a) to include the phrase "Except as provided in (n) of this section," which sets the limitation on the commissioner that state tideland may not be leased to a person solely for carbon management purposes.

Section 2: Amends AS 38.05.081 to include Paragraph (n) which will limit the Commissioner of the Department of Natural Resources from leasing out state tidelands solely for carbon sequestration purposes.

Section 3: Amends AS 38.05.083(c) to remove the requirement that an aquatic farming or related hatchery operations lease be for not "less than the appraised fair market value of the lease" and replaces the requirement that said negotiations would be "subject to appraisal under AS 38.05.840 only if the commissioner determines in writing that the site is subject to appraisal under AS 38.05.840." AS 38.05.840(a) in part states that land "may not be sold or leased for less than the approved, appraised market value..." This change would remove the requirement to have the land appraised every five years.

Section 4: Amends AS 38.05.083 (f) to include new subsections (1) and (2). Section (1) maintains the current requirement that the commissioner adopt regulations that "provide for the consideration of whether the proposed use of a site is compatible with the traditional and existing uses of the area." Section (2) changes the current requirement for the consideration of upland management policies when the commissioner regulates under this section into an option to consider those policies.

Section 5: Amends AS 38.05.083 by adding new subsections (j) - (n).

(j) sets AS 38.05.073(m) as the framework for compensation paid for the tideland leases. Which, in the discretion of the commissioner, includes:

- (1) a percentage of the annual gross receipts...;
 - (2) a guaranteed annual minimum rent or a percentage of gross receipts, whichever is greater;
 - (3) the fair market rental value;
 - (4) a fixed annual rent that is not less than the fair market rental value of the land;
 - (5) a fee for each user;
 - (6) other compensation acceptable to the commissioner;
- or
- (7) a combination of the above.

(k) gives the commissioner some discretion to determine whether a site should be subject to a survey under 22 AS 38.04.045.

(l) gives a preference to the lessee to release the site, but does not give a preference to purchase the site under AS 38.05.102.

(m) Sets the requirement that a site leased under this section be used for a hatchery for aquatic plants or shellfish or the commercial production of an aquatic farm product.

(n) Allows the director, with the approval of the commissioner, to negotiate a lease for a period of up to 25 years.

Section 6: Amends the uncodified law of the State of Alaska by adding a new section to make it clear that Sections 1 and 2 of this legislation only apply to a lease or renewal of state tideland for carbon management purposes entered into on or after the effective date of this Act.

[10:28:43 AM](#)

REPRESENTATIVE STUTES, questioning the compilation of the fiscal note, mentioned the decrease in staff time that would be required due to extensions of the lease renewals and the loss of revenue based on that. She inquired where the loss of revenue accounts for the decrease in the labor involved or not involved anymore.

[10:29:52 AM](#)

KATE DUFAULT, Program Manager, Aquatic Farms Leasing Program, Division of Mining, Land & Water, Department of Natural Resources, answered that the revenue losses were solely based on the loss of application fees that were received for the renewals. She clarified that lengthening the term resulted in the loss of renewal application revenue.

REPRESENTATIVE STUTES reiterated that she looked at accounting for labor and staff time and she did not see where that was applied to the loss of revenue for the extension of the lease.

MS. DUFAULT agreed and said staff time would be used for other adjudication tasks for other existing leases.

[10:31:34 AM](#)

CHAIR VANCE requested further clarification of the equation in regard to staff time and loss of revenue.

[10:32:10 AM](#)

VICE CHAIR MCCABE opined that the bill would reduce the size of government.

REPRESENTATIVE HIMSCHOOT asked whether there was a review of the operation to make sure that it is biologically sound.

MS. DUFAULT responded that appraisals are not needed under current statute for aquatic leases.

[10:34:06 AM](#)

VICE CHAIR MCCABE asked whether the Alaska Department of Fish and Game (ADF&G) did an inspection or approval or "certificate of good health."

MS. DUFAULT explained that ADF&G conducts an on-bottom survey if an applicant is proposing to use on-bottom rearing structures, otherwise, the department does not do an inspection of the lease prior to it being authorized.

[10:35:18 AM](#)

JASON LESSARD, Executive Director, Alaska Mariculture Alliance (AMA), provided a brief background on AMA and noted the many communities and organizations with which they are involved. He noted that this new industry would provide opportunities that would have long-term benefits for the state and transformational potential at the community level. He said rules developed for different industries do not always apply to new industries, and requirements for farm leases in Alaska are an example of that. He provided suggestions for changes to statute and said that he looked forward to working with the committee. In reference to future revisions, he stated that AMA stands ready to engage in crafting language that works better for everyone.

[10:39:11 AM](#)

REPRESENTATIVE HIMSCHOOT said she was told that in Southeast Alaska the permitting process had been smooth, but the issue was more with the Army Corps [of Engineers], and she asked Mr. Lessard if he could speak to that.

MR. LESSARD answered that he was unable to speak to the inquiry; however, he would get back to the committee after speaking with membership.

[10:40:13 AM](#)

REPRESENTATIVE CARPENTER asked whether it would be feasible to do a renewal for up to 25 years after the first renewal was up.

MR. LESSARD affirmed that AMA was open to looking at all options and was not fully opposed to 25 years. He added that the lease must be put to productive use, as these are public waters.

REPRESENTATIVE CARPENTER restated that he was looking for an alternative to the language that would acknowledge not locking up tidal waters too soon prior to knowing whether the operation was successful. He questioned whether 25 years was a valid compromise.

MR. LESSARD opined there was some merit to the suggestion, and there was much good that could come out of it such as further guarantees to get financing. He reiterated the leases must be used properly and that locals must not be "shouldered out" of the process.

[10:43:37 AM](#)

PAUL FUHS, President, Alaska Shellfish Growers Cooperative;, Adak Community Development Corporation, stated that aquatic farming was an area where Alaska's economy could really diversify and grow. With any economic development, he explained, you must have site control and leases must be stable. He expounded on lease term lengths and the results that could occur, and he provided pictures of geoduck noting the length of time it takes to mature, which comes into play with extending leases. He agreed that 25 years was a good time period, but 20 years would be acceptable as well. He said there are current regulations that state you must sell a certain amount, or the lease can be cancelled. He added there are various reasons why harvesting cannot be successful from year to year. He suggested to the committee that "farming" should be defined in statute, and he offered to provide a draft list. He further noted the Aleutian Islands should be included in the bill, as he opined "it is a tremendous area."

[10:49:52 AM](#)

REPRESENTATIVE STUTES commented on amendments and that "the department" 100 percent supported the inclusion of the Aleutian Islands.

[10:50:22 AM](#)

The committee took a brief at-ease at 10:50 a.m.

[10:50:36 AM](#)

NICK MANGINI, Mariculture Director, Southwest Alaska Municipal Conference, related that he supported HB 329 and that he had been a farmer since 2016. He said the lease term extensions

would help with loans and getting funding, but most importantly, access to the water must be kept and rural Alaskans must have access to the coast. He said kelp in particular had an uphill battle being it was also competing with waterfront property to do all the processing, and the bill would reduce this competition and allow farmers to have the water they need.

[10:54:06 AM](#)

VICE CHAIR MCCABE opened public testimony on HB 329.

LEONARDO WASSILIE, representing self, testified that he supported mariculture and when he first read the bill, he was alarmed about the definition of "aqua". He added it could be defined in different ways depending on the agency. He pointed out people want leases they can rely on, and he suggested automatic renewals. He reiterated that the language could be defined better.

[10:57:26 AM](#)

ALEXANDRA MEYER, Mariculture Manager, Alaska Ocean Farms, LLC, related that she had been farming since 2018 and had multiple leases, some of which are not being used, since there was not a market for kelp. She gave examples of time frames surrounding leases and when one can begin farming and, in addition, reinvesting back into the operation which does not allow a lot of time. She said she supported the amendments and would be willing to work with the committee on the bill and its iterations.

[11:00:13 AM](#)

REPRESENTATIVE CARPENTER acknowledged growth challenges as a new farmer, as well as the marketing. He asked Ms. Meyer why she commented that there was no market for kelp.

MS. MEYER responded that there are small markets and a handful of buyers, and that more people are growing kelp than there are markets. She stressed it was something they were working on, and she pointed out the risks and that it took time. She expressed that she needed assurance so Alaska Ocean Farms, LLC can continue to help build the industry.

[11:01:49 AM](#)

MARGO REVEIL, Jakolof Bay Oyster Company, testified on behalf of Jakolof Bay Oyster Company. She shared that she hadn't had time to read the bill in its entirety and she would have more questions than opinions. She questioned excluding hatcheries or nurseries from commercial use requirements, as anyone with a bucket of seawater can call themselves a hatchery, especially with regard to aquatic plants. She opined the state should be enforcing the existing commercial use requirements, not provide loopholes. She mentioned derelict farms as being an issue and said she supported preference for functioning farms. She further supported the idea of the [lease] renewal being longer.

[11:04:03 AM](#)

NANCY HILLSTRAND, Owner, Pioneer Alaskan Fisheries, noted the strict regulations her business has and being responsible for its actions. She said her permits can be pulled each year for noncompliance. She opined that HB 329 would remove tide land from the public without adequate oversight of impacts over time if there is a 25-year time frame, and she expressed her belief that there should be more oversight and monitoring. She added that there should be more viewpoints and added counsel to the committee before the bill moved. She stressed to keep large industries out so small farms can have a chance.

[11:07:51 AM](#)

BRIANA MURPHY, Chugach Regional Resources Commission, provided a professional background and, on behalf of her business, said she did not support the bill's amendment to extend the lease terms. She opined it would be detrimental to new leases where businesses already face challenging hurdles. She further added that she did not want to see the industry move ahead without consultation and representation from tribal communities.

[11:10:01 AM](#)

VICE CHAIR MCCABE, after ascertaining no one else wished to testify, closed public testimony on HB 329.

[Vice Chair McCabe passed the gavel back to Chair Vance.]

[11:10:31 AM](#)

CHAIR VANCE addressed comments that came up. She noted the wait for approval from the Department of Natural Resources (DNR) was a common complaint received from growers. She offered her

understanding that their regulations were compiled with a larger regulation package which have been awaiting approval, and this was out of the reach of the legislature; however, her proposed legislation looked to the future. She read language from page 2, line 26, which also referenced other definitions and statute that did not change. She said she would continue to have conversations with DNR and growers.

[11:13:53 AM](#)

REPRESENTATIVE MCCORMICK commented that bureaucracy sometimes keeps food off people's tables. He expressed reservation relating to what the proposed legislation would mean to scientific scrutiny on some of the projects and application processes. He noted the delicate nature of Alaska's ecosystems.

CHAIR VANCE responded that the bill would not change any process; it dealt with leases and removal of the requirement for the fair market appraisal every five years, which was seen as unnecessary. Because of food security, she included language on page 2, which related to policy on property.

[11:16:50 AM](#)

REPRESENTATIVE C. JOHNSON inquired about any provisions for subleases from the leaseholder.

CHAIR VANCE offered her understanding the department did not allow subleasing.

MR. ALMEIDA added that as the bill was drafted, the department would be allowed to include that scenario.

[11:18:14 AM](#)

REPRESENTATIVE C. JOHNSON restated his inquiry.

MS. DUFAULT responded that the department was able to sublease aquatic farm leases, but she had not received a request yet. She offered to research and provide the information in writing.

REPRESENTATIVE C. JOHNSON stressed that he was more interested in the leaseholder being able to sublease, not the department.

MS. DUFAULT confirmed that any request for a sublease would need the department's approval.

[11:20:03 AM](#)

REPRESENTATIVE CARPENTER commented that marketing would be an economy of scale problem for those starting out. The timeframes for leases are crucial to get right to prevent small operators from getting squeezed out, he said.

[11:22:09 AM](#)

REPRESENTATIVE HIMSCHOOT referred to page 2, Section 4, regarding the proposed use of the site. She expressed her concern with existing fisheries.

CHAIR VANCE replied that it was part of considerations that the commissioner must make when deciding whether or not to permit a lease.

REPRESENTATIVE HIMSCHOOT commented that seasonality may also be an issue.

CHAIR VANCE noted there are conversations between other growers and fishermen and people are "trying to be good neighbors" in terms of tide lands.

[11:24:21 AM](#)

MS. DFAULT added that the department already considered traditional and existing uses of the site under their regulations.

[11:25:08 AM](#)

REPRESENTATIVE MCCABE announced that HB 329 was held over.

[11:25:51 AM](#)

ADJOURNMENT

There being no further business before the committee, the House Special Committee on Fisheries meeting was adjourned at 11:26 a.m.