

SENATE FINANCE COMMITTEE
February 19, 2024
1:34 p.m.

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CALL TO ORDER

Co-Chair Olson called the Senate Finance Committee meeting to order at 1:34 p.m.

MEMBERS PRESENT

Senator Lyman Hoffman, Co-Chair
Senator Donny Olson, Co-Chair
Senator Bert Stedman, Co-Chair
Senator Click Bishop
Senator Jesse Kiehl
Senator Kelly Merrick
Senator David Wilson

MEMBERS ABSENT

None

ALSO PRESENT

Senator James Kaufman, Sponsor; Emma Torkelson, Staff, Senator James Kaufman; Ken Alper, Staff, Senate Finance Committee; Senator Jesse Bjorkman, Sponsor; Konrad Jackson, Staff, Senator Bjorkman; Ken Coleman, Eastside Consolidation Association, Juneau; Glenn Haight, Commissioner, Alaska Commercial Fisheries Entry Commission; Senator Cathy Giessel.

PRESENT VIA TELECONFERENCE

Loren Leman, Self, Anchorage; Tim Keener, Self, Kenai; Sarah Frostad-Hudkins, Self, Kenai; Lisa Gabriel, Self, Kenai; Gary Hollier, Self, Kenai; Gary Deiman, Self, Ninilchik; Allan Crookston, Self, Kenai; Douglas M. Blossom, Self, Ninilchik; Russel Clark, Self, Kenai; Greg Johnson, Self, Vancouver; Teague Vanek, Self, Ninilchik; Ted Crookston, Self, Kenai; Steve Vanek, Self, Ninilchik; Joann Wichers, Self, Kenai; David Wichers, Self, Kenai; John Manley, Self, Kenai; Bruce Manley, Self, Kasilof; Cody

Blossom, Self, Clam Gulch; Robert Williams, Self, Kasilof; Rudy Wilson, Cook Inlet Fisheries, Kenai; Joseph Leman, Self, Anchorage; David Martin, Self, Clam Gulch; Harry Leman, Self, Ninilchik.

SUMMARY

SB 34 CITIZEN ADVISORY COMM ON FEDERAL AREAS

CSSB 34 (FIN) was REPORTED OUT of committee with three "do pass" recommendations, two "no recommendations", and with one new fiscal note from the Department of Natural Resources.

SB 82 COOK INLET: NEW ADMIN AREA; PERMIT BUYBACK

SB 82 was HEARD and HELD in committee for further consideration.

#sb34

SENATE BILL NO. 34

"An Act reestablishing the Citizens' Advisory Commission on Federal Management Areas in Alaska; and providing for an effective date."

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SENATOR JAMES KAUFMAN, SPONSOR, introduced himself.

[1:35:40 PM](#)

EMMA TORKELSON, STAFF, SENATOR JAMES KAUFMAN, introduced herself.

Senator Bishop MOVED to ADOPT the committee substitute for SB 34, Work Draft 33-LS0250\S (Gunther, 2/14/24).

Co-Chair Olson OBJECTED for discussion.

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KEN ALPER, STAFF, SENATE FINANCE COMMITTEE, explained the committee substitute. He referred to the Summary of Changes (copy on file):

Change 1: Clarifies that the establishment of the Commission within the Department of Natural Resources is for administrative purposes only.

Change 2: Adds language clarifying that the commission itself shall determine which matters are considered and heard by them.

Change 3: Establishes that the public (non-legislative) members of the commission must represent all four Alaska judicial districts, with no more than three members being from each of the districts.

Change 4: Requires that at least one member of the commission be enrolled in a federally recognized tribe, and another member be a shareholder in an ANCSA corporation.

Change 5: Changes the effective date of the bill from July 1, 2023 to July 1, 2024.

Co-Chair Olson WITHDREW his objection. There being no further objection, it was so ordered.

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Senator Bishop MOVED to REPORT SB 34 out of committee with individual recommendations and attached fiscal note. There being NO OBJECTION, it was so ordered.

SB 34 was REPORTED OUT of committee with three "do pass" recommendations, two "no recommendations", and with one new fiscal note from the Department of Natural Resources.

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AT EASE

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RECONVENED

#sb82

SENATE BILL NO. 82

"An Act relating to the powers of the Alaska Commercial Fisheries Entry Commission; relating to administrative areas for regulation of certain commercial set net entry permits; establishing a buy-

back program for certain set net entry permits; providing for the termination of state set net tract leases under the buy-back program; closing certain water to commercial fishing; and providing for an effective date."

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SENATOR JESSE BJORKMAN, SPONSOR, introduced the legislation.

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KONRAD JACKSON, STAFF, SENATOR BJORKMAN, discussed the Sectional Analysis (copy on file):

Section 1: Amends the uncodified law of the State of Alaska by adding a new section which establishes that this legislation may be known as the East Side of Cook Inlet Set Net Fleet Reduction Act.

Section 2: Amends the uncodified law of the State of Alaska by adding new Legislative findings and intent relating to the bill.

Section 3: Amends AS 16.43.200 by adding 2 new subsections:

(c) Establishes an area of the Upper Subdistrict of the Cook Inlet Central District as a distinct administrative area separate from the Cook Inlet Central District on December 31, 2023. This area is made up of the statistical areas identified on January 1, 2023 as 244-21, 244-22, 244-31, 244-32, 244-41 and 244-42.

(d) Provides that an individual who has a set net permit for the Cook Inlet Central District on December 31, 2023 is not entitled to set net in the administrative area created under this section as of January 1, 2023 unless the permit has been reassigned to that new administrative area.

Section 4: Amends the uncodified law of the State of Alaska by adding a new section which provides how the commission will determine whether an individual who holds a set net entry permit in the Cook Inlet Central District on January 1, 2024 is reassigned an entry

permit for the administrative area established under AS 16.43.200(c) (added by sec. 3 of the bill) or the portion of the Cook Inlet Central District that was not assigned into the administrative area established under AS 16.43.200(c).

Section 5: Amends the uncodified law of the State of Alaska by adding a new section which defines the appeals process in the new administrative area. This section provides that a provisional license will be issued pending resolution of an appeal and the provisional permit holder may cast a provisional ballot in the election established under section 6.

Section 6: Amends the uncodified law of the State of Alaska by adding a new section which requires on April 1, 2024 an election be conducted by the commission among persons holding permits in the new administrative area, to affirm support or opposition to a buy-back program. Requires the commission provide public notice of the election, hold public meetings concerning the election, and clarify the details of the buy-back program to those participating in the election.

Section 7: Amends the uncodified law of the State of Alaska by adding a new section which establishes the set net entry permit buy-back program for certain permits fished in the administrative area established under AS 16.43.200(c) (added by sec. 3 of the bill). This section will only take effect if approved in an election by the set net entry permit holders in the administrative area established under AS 16.43.200(c). If it is approved, the buy-back program will become law 30 days following notification of the Lt. Governor (see secs. 9 and 11). Sets qualifications for participation in the program, provides the buy-back price for permits, requires that the purchased permits be cancelled and not re-issued, provides that certain waters that were fished with permits purchased under the program will be closed to future commercial salmon fishing, and specifies other details of the buy-back program.

Section 8: Amends the uncodified law of the State of Alaska by adding a new section which requires the commission to provide a written report to the

Legislature on the status of the program not later than January 15, 2030.

Section 9: Amends the uncodified law of the State of Alaska by adding a new section which requires the chair of the commission to notify the Lieutenant Governor and the Revisor of Statutes of the outcome of the election held under section 6.

Section 10: Repeals sections 1, 2, 7 and 8 on June 30, 2030.

Section 11: Amends the uncodified law of the State of Alaska by adding a new section which provides that secs. 1, 2, 7, and 8 take effect only if notice is provided under section 9 that the buy-back program established under section 7 was approved.

Section 12: Effective Date Clause. Section 4 of the bill takes effect January 1, 2024.

Section 13: Effective Date Clause. Provides if sections 1, 2, 7 and, 8, take effect under section 11, they take effect 30 days following the date of the notice provided in section 9 that the buy-back program was approved.

Section 14: Effective Date Clause. Except as provided in sections 12 and 13, the bill takes effect July 1, 2023.

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KEN COLEMAN, EASTSIDE CONSOLIDATION ASSOCIATION, JUNEAU, discussed, "Eastside Consolidation Association, Presentation to the Alaska State Legislature" (copy on file). He pointed to slide 2, "Goals":

Reduce the number of setnet permits and nets on the Eastside of Cook Inlet

An economically viable and sustainable setnet fishery

Sustainable escapements into our rivers

Reasonable harvest opportunity for ALL user groups

Work Collaboratively in Upper Cook Inlet for the FISH

Passage of SB 82: Cook Inlet: New Admin Area: Permit
Buyback and Gear Reduction Act

Mr. Coleman pointed to slide 3, "Eastside Consolidation
Association":

The Eastside Consolidation Association. Who are we?

The Eastside Consolidation Association (ECA) is a
Qualified Salmon Fishery Association as identified in
AS 16.40.250.

The ECA was formed as a non-profit and is licensed by
the State of Alaska as required by AS 10.20, in
addition is registered with the federal and the
Internal Revenue Code as a Section 501(c)(5) non-
profit.

ECA was formed to promote the consolidation of the
Cook Inlet setnet fishery, primarily by fleet
reduction through buyback of permits and locations.
Further, our position is that such reduction occurs in
the Upper Subdistrict of the Central District,
commonly known as the "Eastside Setnet Fishery".

Our Board of Directors is comprised of limited entry
permit holders as required.

Mr. Coleman addressed slide 4, "We are Eastside
Setnetters":

We are fathers and mothers, we are grandparents, we
are children, sons and daughters, we are families. We
are a community filled with generations of setnetting
families. We are an important part of our local
history. Setnetting is not just a job to us.
Setnetting defines us, it is who we are.

Mr. Coleman highlighted slide 5, "Eastside Setnet History":

For over 150 years these salmon have been feeding
people both locally and all over the world. This rich,
renewable resource was first exported in the 1840's
when ships from America and other nations began

fishing in Alaskan waters and delivering salted salmon to ports around the world.

The first cannery in Cook Inlet was built at the mouth of the Kasilof River in 1882. Six years later the first salmon cannery was constructed on Kenai River. By 1892, thirty-seven canneries had been built in Alaska.

Gillnets had been used to some degree in the silty waters of Cook Inlet from the beginning. Setnetters fished between traps in the early days. After fish traps were outlawed, independent fishermen continued to catch salmon with gillnets to be sold at the canneries.

Mr. Coleman discussed slide 6, "Upper Cook Inlet Setnet Area":

736 Set net permits in Upper Cook Inlet

5 districts:

- Northern District
- Kalgin Island District
- Western District
- Southern District
- Central District Upper (Eastside)

The Eastside spans approximately 60 miles and is home to the two most popular rivers in the State of Alaska: The Kenai and Kasilof Rivers.

The Cook Inlet fleet reduction opportunity will only be available to the Eastside setnet fishery.

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Mr. Coleman highlighted slide 7, "1973 Limited Entry":

In 1972, Alaskan's voted to amend the constitution to create a fisheries limitation system (Article VIII, Sec. 15). The Alaska Legislature approved the Limited Entry Act in 1973 and created CFEC as an exempt and independent agency to carry out the mandate of the people and the legislature.

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.

As a result of Limited entry the number of Cook Inlet setnet permits has never grown from the original number of 746. In 2022 there were 736 Cook Inlet Setnet permits registered.

One Cook Inlet setnet permit allows you to fish three nets, when regulations provide.

Mr. Coleman addressed slide 8, "1984 Permit Migration to the Eastside":

In the mid to late 1980's, after record breaking sockeye runs to the Kenai and Kasilof Rivers, there was a mass movement of Cook Inlet setnet permits to the Eastside from other Cook Inlet districts.

Setnetters at that time were looking for more lucrative fishing and processing capability. A Cook Inlet permit allows a permittee to move anywhere in Cook Inlet making the migration legal. However, in the upper sub district known as the Eastside Setnet site, the permittee is required to register their intent to fish a specific statistical area.

Although the total number of permits in Cook Inlet have not changed, the migration to the Eastside doubled the number of nets fishing around the Kenai and Kasilof Rivers.

Mr. Coleman highlighted slide 9, "Cook Inlet: New Admin Area: Permit Buyback and Gear Reduction Act":

"An Act relating to the powers of the Alaska Commercial Fisheries Entry Commission; relating to administrative areas for regulation of certain commercial set net entry permits; establishing a buy-back program for certain set net entry permits; providing for the termination of state set net tract leases under the buy-back program; closing certain water to commercial fishing; and providing for an effective date."

Mr. Coleman pointed to slide 10, "Reducing Permits":

736 Cook Inlet Permits

440 permits registered to the Eastside (2022 Season)

Senate Bill 82 currently proposes to remove 200 or more Eastside permits

440 permits = 1,320 nets on the Eastside today

200 permits = 600 nets on the Eastside removed

After fleet reduction: some 240 permits or less = 720 Eastside nets or less could remain

Mr. Coleman discussed slide 11, "Closing Waters - Removing Nets":

- Roughly 44 percent of fishing permits in Cook Inlet have leases assigned to them
- A lease is not mandatory to setnet in Cook Inlet
- The most crucial element of SB 82 is closing vacated tideland waters on the Eastside

If a set netter voluntarily decides to participate in the gear reduction program that SB 82 creates, the immediate tideland area associated with their permit will be retired. It is important to note that without the closure of the associated immediate tideland area, the result could be a re-migration into vacated net locations. It is important that there be no re-migration or backfill of permits and nets into the retired net locations. Without the "closed water" feature of SB82, it would result in a repeat of the 1980's migration and the diluting of the financial prospects and stability for setnetters who remain.

Mr. Coleman looked at slide 12, "Voluntary Reduction Approved by Fleet":

In 2021, former Senator Micciche conducted a survey of the registered permit holders in the Eastside Setnet fleet. 56 percent (229) responded to the following question:

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?

An astounding 92.4 percent responded that they were in support!

Mr. Coleman pointed to slide 13, "Estimated Value":

When a setnet permit and the accompanying tidal areas are retired, the result is a small business that will be retired forever.

The estimated value of \$260,000 was determined by taking the average earnings of a setnet permit each year over the prior ten years. Equivalent to an average of \$20,000 per year, per permit. Adding a number for tax implications, if volunteer participating fishermen are included in a buyback program, they would exit the fishery with a \$200,000 sale for a small business that in many cases has been in existence for generations.

The remaining permits will gain value and will have a higher price point in their gross earnings per year.

Co-Chair Stedman assumed the average earnings was the net after operations.

Mr. Coleman agreed.

Mr. Coleman addressed slide 14, "Reduction in Setnet Permits":

For 46 years Upper Cook Inlet Setnet permits have seen a decrease from 746 to 736 permits today. 84 percent of those permits are owned by Alaska residents.

As a set net permit is retired, three nets will be permanently removed from the waters on the Eastside of Cook Inlet.

As a result, a higher percentage of the available fish on a certain day may be harvested by the remaining sites, yet will provide a higher percentage of fish moving to the rivers overall.

Reducing the nets by 600 will result in a Chinook and Sockeye harvest savings.

SB 82 is the mechanism moving forward to provide the Eastside set net fleet the opportunity and the capability of harvesting sockeye while reducing the harvest of non-targeted Chinook salmon in accordance with current regulations.

Mr. Coleman addressed slide 15, "Fighting to remain viable - ESSN Sockeye Harvest."

Mr. Coleman looked at slide 16, "Future Generations":

The Cook Inlet Eastside Setnet fleet reduction will work to ensure a sustainable and financially stable setnet fishery that will be around for future generations.

We will continue to work with In-River user groups to ensure that the fish entering the rivers are harvested responsibly and sustainably.

Healthy limits on every user group will ensure there will be healthy sustainable fisheries for generations to come. By forming partnerships between user groups through open dialog and collaboration, we can protect our resource while enjoying its many benefits well into the future.

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Mr. Coleman pointed to slide 17, "Collaboration by Users":

Cook Inlet setnet permits have decreased in the past 46 years. An Eastside setnet fleet reduction will be a start to the solution.

The Kenai River is home to the largest dipnet fishery in the State of Alaska. This fishery has increased in participation in the last 20 years. Eastside setnetters will continue to work with the Board of Fisheries to ensure healthy returns are achieved to maximize harvestable surplus.

The Kenai River In-river Sport fishery has increased in the last 20 years. Eastside setnetters look forward to working with In-River user groups to ensure healthy, strong and sustainable runs.

Eastside setnetters will step forward to work collaboratively to repair the contentious environment that surrounds Upper Cook Inlet Fisheries. We look forward to other users joining the conversation. The next generation and our State of Alaska deserve respectful dialog in the search for collaborative solutions.

Mr. Coleman pointed to slide 18, "Letter to Erin":

I have fished every Upper Cook Inlet salmon season of my life. Forty-five years, minus however long I was in diapers. I have never lived without fishing. I have never lived without fish.

Seasons have been bountiful. Nets sunk. Fighting against wind and tide and regulations to get our gear in on time. Long hours spent bent over picking sockeye after sockeye until my hands were sore, my back was sore, my being was sore – and I smiled. It was the best kind of sore. Seasons have been bleak. Waterhauls and a narrative running from, "it's still early," to "everything is running late this year," to "well, there's always next year."

Good years or bad, it has all been satisfying. Fishing is not just something I do, it is who I am. It is my passion. And my identity. Political pressures grew along with the population. Our voice doesn't carry. What does this one little fishery matter? But to those of us who grew up in it, those whose families have fished these beaches since the Territorial days of Alaska, it seems like everything.

Most of us work other jobs in the off-season. I strove to become a veterinarian, and it is a profession I am extremely proud of. I love my work, yet here is the difference. I became a veterinarian. I was born a fisherman. People ask what it is like, being a woman commercial fisherman. I tell them I don't know. I am not trying to be cryptic; the truth is, I knew I was a fisherman before I knew I was a woman.

I am not naive. I see the handwriting on the wall. One of these days, my fishery will merely be a small anecdote in Alaskan history.

My most terrifying day of fishing hasn't happened yet. But I fear it is close. The day they close our fishery, the day I have to figure out who I am when I am not a fisherman... That will be my most terrifying day.

[2:12:53 PM](#)

GLENN HAIGHT, COMMISSIONER, ALASKA COMMERCIAL FISHERIES ENTRY COMMISSION, discussed the straightforward implementation of the bill.

[2:17:29 PM](#)

Co-Chair Stedman queried the required amount.

Mr. Haight responded that it was \$15,000 after taxes and expenses.

Co-Chair Stedman queried the current net income.

Mr. Haight agreed to provide that information.

Co-Chair Stedman wondered whether other fisheries had problems.

Mr. Haight replied that there were a number of other fisheries that the permits did not get fished, but stressed that the others did not have as many issues as the proposed segment.

Co-Chair Stedman queried the provisions to ensure that there were not frontrunning and other issues with the Southeast buyback.

Senator Bjorkman replied in the affirmative.

[2:21:44 PM](#)

Co-Chair Stedman surmised that there were some set netters that had zero income, and requested a calculation of the gross and expected net income.

Senator Bjorkman replied that studies could be very invasive on the set netters. He stated that the latest analysis was less invasive.

Mr. Jackson furthered that the \$20,000 value was the result of examining a normal fishing year.

[2:26:11 PM](#)

Co-Chair Stedman wondered whether it would be a model for buybacks and other preents for other fisheries.

Mr. Haight replied what was seen in Cook Inlet could be seen in most fisheries. He felt that it would inform what was done within ten years. He stressed that there could be other solutions in other areas.

Senator Bjorkman stated that the process would provide a way for the commercial setnet industry in Cook Inlet to survive.

Co-Chair Stedman wondered whether there was no economic base, would there be a stop to fishing.

Senator Bjorkman replied that reducing the amount of gear, the ability to fish increases so less salmon would be taken in the industry.

[2:31:11 PM](#)

Co-Chair Stedman requested the market value of the permit.

Mr. Haight replied that the permit was fairly volatile, so there were swings in the permit values from \$225,000 to \$40,000.

Mr. Jackson stated that there was not a great possibility for purchasing of others' permits.

Co-Chair Stedman surmised that the opportunity for profit on permits was closed.

Senator Bjorkman agreed.

[2:34:43 PM](#)

LOREN LEMAN, SELF, ANCHORAGE (via teleconference), spoke in support of the bill.

Co-Chair Stedman stressed that Alaska became a state to be rid of fish traps.

Mr. Leman agreed.

[2:39:24 PM](#)

TIM KEENER, SELF, KENAI (via teleconference), spoke in support of the bill.

[2:44:40 PM](#)

SARAH FROSTAD-HUDKINS, SELF, KENAI (via teleconference), spoke in support of the bill.

[2:46:18 PM](#)

LISA GABRIEL, SELF, KENAI (via teleconference), spoke in support of the legislation.

Co-Chair Olson OPENED public testimony.

[2:48:59 PM](#)

GARY HOLLIER, SELF, KENAI (via teleconference), spoke in support of the gear reduction.

[2:51:18 PM](#)

GARY DEIMAN, SELF, NINILCHIK (via teleconference), spoke in support of the bill.

[2:52:12 PM](#)

ALLAN CROOKSTON, SELF, KENAI (via teleconference), testified in support of the bill.

[2:55:33 PM](#)

DOUGLAS M. BLOSSOM, SELF, NINILCHIK (via teleconference), spoke in support of the legislation.

[2:57:36 PM](#)

RUSSEL CLARK, SELF, KENAI (via teleconference), spoke in support of the legislation.

[3:00:14 PM](#)

GREG JOHNSON, SELF, VANCOUVER (via teleconference), testified in support of the bill.

[3:02:44 PM](#)

TEAGUE VANEK, SELF, NINILCHIK (via teleconference), testified in opposition of the bill.

[3:05:08 PM](#)

TED CROOKSTON, SELF, KENAI (via teleconference), spoke in support of the bill.

[3:06:58 PM](#)

STEVE VANEK, SELF, NINILCHIK (via teleconference), spoke in opposition to the bill.

[3:09:36 PM](#)

JOANN WICHERS, SELF, KENAI (via teleconference), testified in support of the bill.

[3:10:47 PM](#)

DAVID WICHERS, SELF, KENAI (via teleconference), spoke in support of the legislation.

[3:11:36 PM](#)

JOHN MANLEY, SELF, KENAI (via teleconference), testified in support of the bill.

[3:12:29 PM](#)

BRUCE MANLEY, SELF, KASILOF (via teleconference), spoke in support of the legislation.

[3:13:55 PM](#)

CODY BLOSSOM, SELF, CLAM GULCH (via teleconference), testified in support of the bill.

[3:14:37 PM](#)

ROBERT WILLIAMS, SELF, KASILOF (via teleconference), spoke in support to the legislation.

[3:16:12 PM](#)

RUDY WILSON, COOK INLET FISHERIES, KENAI (via teleconference), spoke in support of the bill.

[3:17:00 PM](#)

JOSEPH LEMAN, SELF, ANCHORAGE (via teleconference), spoke in support of the bill.

[3:19:11 PM](#)

DAVID MARTIN, SELF, CLAM GULCH (via teleconference), testified in opposition to the bill.

[3:22:12 PM](#)

HARRY LEMAN, SELF, NINILCHIK (via teleconference), testified in support of the legislation.

Co-Chair Olson CLOSED public testimony.

[3:23:47 PM](#)

Senator Bjorkman thanked the committee.

SB 82 was HEARD and HELD in committee for further consideration.

#

ADJOURNMENT

[3:24:25 PM](#)

The meeting was adjourned at 3:24 p.m.