

HB

517

(9)

COMMITTEE REPORT

HOUSE

1/15/80

FURTHER: Finance

Date: 1/29/80

Mr. Speaker:

The Committee on RESOURCES has had HB 517

"An Act

"Making a special appropriation to the Department of Commerce and Economic Development for grants to the Alaska Fisheries Development Foundation; and providing for an effective date."

under consideration and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass do not pass
- do pass with attached amendments(s)
- replace with CS for HB 517 same title
 new title
- and recommends to pass
- AND attaches a "Letter of Intent" New Fiscal Note
- reports it back without recommendation
- referred to the _____ Committee

**MEMBERS SIGNING
DO PASS**

Walt Hatterton

Bob Mason

Carl Cherry

Paul Toth

Alvin Osterback

Rich Halford

John Miller

**MEMBERS HAVING
OTHER RECOMMENDATIONS:**

Guile - No Rec.

Alvin Osterback
CHAIRMAN

COMMITTEE REPORT

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**MEMBERS SIGNING
DO PASS**

**MEMBERS HAVING
OTHER RECOMMENDATIONS:**

[Signature]

[Signature]

[Signature]

[Signature]

[Signature]

[Signature]

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[Signature]

[Signature]

[Signature]

[Signature]

[Signature]

[Signature]

Niles signed letter

CHAIRMAN



Alaska State Legislature

House

HOUSE RESOURCES COMMITTEE

FISH & GAME ISSUES

Alvin Osterback, Chairman

Pouch V, State Capitol
Juneau, Alaska 99811
(907) 555-3715

HEARING NOTIFICATIONS

BILL	DATE INFORMED	LETTER/PHONE	INFORMED (Bettinae Jones) lined up testimony	HEARING DATE
HB517	1/24/80	276-7315	Alaska Fisheries Development Foundation Al Burch, Member of Board of Directors, and 1 st Vice Pres. to testify	1/29/80
	1/25/80	4100	Dept. of Fish and Game	1/29
	1/28/80	2018	Dept. of Commerce; Fred Muller to provide fiscal note	1/29

Memo to: Jack Fuller

HB517 "Special Appropriation (\$1,250,000)
to Commerce Dept. for grants to
Alaska Fisheries Development Foundation."

This Fdn. is a private fdn. originally
funded by federal funds. Their office is in
Anchorage - exec. director is
Sara Hemphill. Al Burch, a member
of the foundation's Board of Directors
(who lives in Kodiak) is to testify.
This foundation is one of the
strongest factors in fisheries development
in the private sector.

These yearly grants are to be used
for projects consistent with the goals
established by the legislature by
resolution for bottomfish development or
which would transfer bottomfish harvesting
or processing from other states or
countries to Alaska's bottomfish industry.

The foundation must receive specified
amounts of matching funds from private
Alaskan bottomfish industry. The
yearly grants to the foundation diminish
in size while the matching funds
from private sector must increase
in proportion each year. A means of
encouraging and stimulating involvement
of private industry in bottomfish
development.

- Need to add wording in Sec. 2 to
spell out what bottomfish "goals" of legislature
are. Will have proposed committee substitute
to add this done by lawyer before meeting.

Full
~~_____~~

Original sponsors: Osterback and Fuller

Funding Information	
General Fund	\$1,250,000
Other Funds	\$ -0-
	<u>\$1,250,000</u>

Alaska

1 IN THE HOUSE

BY THE RESOURCES COMMITTEE

2 CS FOR HOUSE BILL NO. 517

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 ELEVENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act making a special appropriation to the Depart-
 7 ment of Commerce and Economic Development for grants to
 8 the Alaska Fisheries Development Foundation; and pro-
 9 viding for an effective date."

10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

11 * Section 1. The sum of \$1,250,000 is appropriated from the general fund
 12 to the Department of Commerce and Economic Development for distribution in
 13 the form of grants to the Alaska Fisheries Development Foundation in the
 14 following amounts in the fiscal years ending on June 30 of the following
 15 years, subject to sec. 2 of this Act:

16	1981	_____	\$500,000
17	1982	_____	375,000
18	1983	_____	250,000
19	1984	_____	125,000

SK- Funds

20 * Sec. 2. The grants provided in sec. 1 of this Act may only be used for
 21 projects of the Alaska Fisheries Development Foundation which

22 (1) have as a primary purpose the transfer to the Alaska bottom-
 23 fish industry of bottomfish harvesting or processing technology from other
 24 states or countries; or

25 (2) are consistent with the following goals:

- 26 (A) to maximize economic benefits to Alaskans;
- 27 (B) to maximize private-sector participation and to minimize
 28 public-sector involvements;
- 29 (C) to avoid public-sector expenditure commitments which

1 exceed the dollar value of benefits created by the expenditure; and
2 (D) to avoid undesirable environmental, cultural, and social
3 effects.

4 * Sec. 3. The grants for 1982, 1983 and 1984 in sec. 1 of this Act may
5 not be distributed until the Alaska Fisheries Development Foundation receives
6 the following amounts in the applicable year as matching funds from the
7 private bottomfish industry in Alaska:

8	1982	\$125,000
9	1983	250,000
10	1984	375,000

11 * Sec. 4. The unexpended and unobligated portion of the appropriation
12 made by this Act lapses into the general fund June 30, 1984.

13 * Sec. 5. This Act takes effect July 1, 1980.
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H3517

ALASKA'S FISHING INDUSTRY

Sara Hemphill

Executive Director

Alaska Fisheries Development Foundation, Inc.

Since the end of the gold rush era, the fishing industry has played a key role in the Alaskan economy. This industry, like so many others, has been noted for its boom or bust character with the demise of one fishery forcing the development of another.

The vagaries of harvesting a dynamic migratory resource which is sensitive to climatic changes and a part of a complex ecosystem which we have just begun to study are many. Aside from the natural biological problems which face the harvester/hunter vis a vis what, where and how much will be his catch, it is the man-made and perceived impediments which present industry with the majority of its hurdles. And yet this industry thrives despite increasingly shorter seasons for established fisheries.

While the development of the vast year-round groundfish fishery presents a partial solution to the boom/bust, short season problem, full domestic utilization of this fishery is still several years away and will require extensive coordination and cooperation on the part of all involved, not to mention substantial capital investments, both private and public.

In the interim, the high valued fisheries will continue to dominate the picture. Increased landings in established fisheries was the rule in 1979 with shrimp and troll salmon the notable exceptions. The predicted domestic harvest for 1980 promises even more of the same for Alaska as well as increased activity in the whitefish industry.

STATUS OF THE FISHERIES

A brief recap of the 1979 fishing activity will serve as a general scenario of what Alaska can expect in the near future.

The salmon catch of 87.4 million was the largest since 1941 and is expected to increase next year. The 1979 Bristol Bay fishery significantly exceeded predictions and thus caught the industry by surprise. Plagued with regulations and limits

as a result of increased effort, the troll fishery is gradually waning. As a general rule, increased effort has resulted in a smaller per capita take.

The combination of the glut of salmon and market concentration in Japan has resulted in a love/hate situation which is proving troublesome. It affects prices in all fisheries.

To date, the shell fish catch promises to exceed last year's 334-million pounds. Again, tanner crab landings should surpass king crab. The alarmingly short twenty-two day king crab fishery is a matter of concern despite its estimated harvest of 118,000,000 pounds. Price cuts from \$1.01 to \$.86 after fishing had begun will provide topics for lively conversation at the very least. The shrimp harvest has again significantly dropped off from 1978 landings. The impending moratorium in foreign take of tanner in 1981 with a 50% cut-back in 1980 is hopefully a sample of the hardline the United States is going to follow from now on.

Significantly increased interest in the herring-sac-roe fishery has been demonstrated on all fronts. The domestic harvest has grown dramatically from 0 to 13,000 mt in five years. An early run this spring in Bristol Bay took many by surprise and especially hurt out-of-state fishermen who could not respond soon enough to the alert. This fishery is the last small vessel fishery which is available to the active fishermen living in the Bering Sea area and is one which they have identified as the prime target for their development efforts. One can look for possible legislation and regulations encouraging the small boat fleet.

The "very" managed halibut fishery maintained its 20 million pound harvest in spite of increased effort. As with tanner crab, this fishery will see a moratorium on foreign involvement within two years. The blackcod landings have increased dramatically this year and approach the 4000 mt domestic quota. Despite the fact that the Japanese have a two-year supply of pot caught sablefish from California and Oregon, the market is ever strong for Alaskan line caught blackcod - a situation about which the quality-conscious longline fishermen are very happy.

The limited entry question is becoming livelier and promises to dominate a sizeable portion of the management and decision-making sessions. The king crab fishermen are

"safe" at least for the immediate future; the impending moratorium on foreign take of tanner crab and the developing groundfish fishery pick up the slack harvesting capacity. The halibut fishery is in a somewhat different state. Overfished and with stocks still in a slight decline, the fishermen will face a moratorium on new licenses in 1980, leading to limited entry in this fishery in 1981. Many propose the same course of action for blackcod. Though there is talk among the biologists of decline in blackcod stocks, both in size of individual fish and total poundage, such statements are vehemently contradicted by the fishermen.

Interest in the whitefish fishery is burgeoning and ranges from jigging machines for 30 foot vessels to 250-300 foot factory freezers. Landings from the Gulf of Alaska are up over last year and promise to increase significantly in 1980. Tax breaks and loan guarantee programs have encouraged the construction of new large highly-efficient multi-species vessels; these costly boats will demand year-round fishing in order to stay afloat.

A promising trend generally toward the rebuilding of the stocks of many fisheries is attributed to the reduced foreign harvest and improved management under the 200 mile limit law. Stock availability and harvesting capacity, however, are only part of the picture in predicting the future of Alaskan fisheries.

While full systems are in place and functioning for the harvesting and processing of traditional, high-value fish, such is not the case with the lower value, high volume whitefish. Impediments to the domestic development abound and such issues as the availability of markets, both foreign and domestic; pending and contemplated federal and State legislation and regulation; the availability of private investment capital; degree of real and perceived foreign involvement and control in the industry; extent of infrastructure support facilities including steady affordable labor, ability of the industry to develop technical expertise, both on shore and off shore, the posture and attitude of industry members toward each other, and the degree of cooperation and coordination between the industry and the local, State and federal entities all will play key roles in the future development of the Alaskan fishing industry.

Though numerous and imposing, the impediments are ones about which something can be done; they are man-made. If properly managed, the resource is infinite. With the world food protein shortage on the rise and the annual yield of finfish from waters off Alaska holding steady at 15 million metric tons, the bottomline is: the fish are here! Alaska's future is promising though not promised.

Traditional fisheries are being stressed both from a steady decline in the resource as well as increased effort. Thus, management schemes will underscore natural incentives and encourage development of underexplored species to fill the ever-widening gap between supply and demand. Because the participants are, for the most part, small operations with sizeable cash flow problems and a myriad of roadblocks to circumvent, it will take organization and cooperation on the part of all to realize Alaska's potential.

Having occupied the seat at the bottom of the totem pole in the national scheme of priorities, both Alaska and the fishing industry historically have had an uphill battle. Rather than viewing all the impediments as problems, we can approach them positively as opportunities upon which to build in order to guide and expedite development to suit our needs.

Full domestic utilization of Alaskan whitefish is still at least ten years away and thus difficult to describe. Assuming the biomass of available fish remains constant, one industry forecaster predicted the following as a possible scenario for full utilization of whitefish total allowable catch (TAC)

SOUTHEASTERN ALASKA

Ten, less than 100 foot longline vessels, could realize on an annual basis a catch of 1.47 million pounds each and thus fully harvest the 6700 metric tons (mt) of Southeastern TAC for sablefish, Pacific cod and rockfish. The trawl fish TAC of 15,700 mt would require eight 60-80 foot trawlers to average 4.3 million pounds each annually.

WESTERN GULF OF ALASKA

TAC for sablefish, cod and rockfish of 14,300 mt would be harvested most cost effectively by eight 90-120 foot longline vessels averaging annually 3.9 million pounds apiece. The trawl fishery in this area has a TAC of 289,000 mt which

would most efficiently be harvested by a combination of twenty 80-100 foot trawlers and thirty-four 100-130 foot trawlers averaging annually six and fifteen million pounds apiece, respectively.

BERING SEA

In the Bering Sea, six 110-170 foot longline freezers could each average 5.5 million pounds annually to fill the sablefish and Pacific cod TAC of 15,000 mt or 33 million pounds. It is suggested that in order to encourage a local fishery that an additional cod quota of 20,000 mt could be harvested by seventy-three St. Pierre dories resulting in .6 million pounds per year per vessel. The remaining vast fishery amounting to a TAC of 1,406,500 mt would be harvested most efficiently by a combination of ten 120-130 foot trawlers averaging 20 million pounds per year, thirty-three 140-200 foot block freezers averaging 30 million pounds annually and thirty-two 250-300 foot filleting ships handling an average of 59 million pounds per year.

The hypothesis would involve 234 vessels with an investment of \$944,100,000 and \$197,500,000 investment in shore processing and maintenance facilities. It would employ 5,000 fishermen, 6,000 processing workers and plant support staff. The total private sector investment in Alaska would be \$1,141,600,000.

This scenario does not consider the public expenditures which must necessarily accompany and will exceed such private investment. Nor does it account for the upgrading and modification of vessels in the existing fleet, a situation we can count on. Thus, adjustments can and should be made accordingly in the scenario to account for such participation.

The above is only a single game plan which, with the exception of the Aleutian dories, assumes that the most efficient vessels for targeting the year-round fishery are large (over 80 foot) all-weather boats with substantial hold capacity and state of the art equipment. It assumes further a trend toward on-shore processing where facilities currently exist and off-shore processing where they do not. There are, of course, a myriad of combinations which might occur. One thing is certain: it is a fact that the fishing industry will continue to play a major and ever-expanding role in Alaska's future.



Alaska Fisheries Development Foundation, Inc.

~~XXXXXXXXXXXXXXXXXXXX~~ 805 West Third Avenue
Anchorage, Alaska 99501
(907) 276 7315

February 9, 1980

Mary Levan, Administrative Assistant
Committee on Natural Resources
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Dear Mary:

Sorry for the delay sending the audit information - we moved our office this week. Please note new address, the phone number is the same.

Enclosed is a copy of the State of Alaska Special Review of December 18, 1978 (which you probably already have) and Financial Statements for the nine months ended June 30, 1979 and for the year ended September 30, 1979.

Thanks for the copy of CSHB517, sorry your secretary resigned, let me know if you need anything else. I tried to reach John Crandall (465-3706) on January 30th regarding the scheduling before the Finance Committee but he hasn't called me back yet. Presumably we will hear when it is set.

Sincerely,

Bettynae Jones
Bettynae Jones
Secretary

bj
encs

*Copies to
House Finance
2/19/80*

ALASKA FISHERIES DEVELOPMENT FOUNDATION, INC.

REPORT ON EXAMINATION OF FINANCIAL STATEMENTS
for the year ended September 30, 1979

COOPERS & LYBRAND

ALASKA FISHERIES DEVELOPMENT FOUNDATION, INC.

REPORT ON EXAMINATION OF FINANCIAL STATEMENTS
for the year ended September 30, 1979

COOPERS & LYBRAND

CERTIFIED PUBLIC ACCOUNTANTS

IN PRINCIPAL AREAS
OF THE WORLD

The Board of Directors
Alaska Fisheries Development
Foundation, Inc.
Anchorage, Alaska

We have examined the balance sheet of Alaska Fisheries Development Foundation, Inc. as of September 30, 1979, and the related statements of revenues, expenses and transfers, changes in fund balances and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the financial position of Alaska Fisheries Development Foundation, Inc. at September 30, 1979, and the results of its operations and changes in financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the change, with which we concur, in the method of accounting for grant revenues as described in Note 3 to the financial statements.



Anchorage, Alaska
November 19, 1979

ALASKA FISHERIES DEVELOPMENT FOUNDATION, INC.

BALANCE SHEET, September 30, 1979

ASSETS	Unrestricted Fund	Restricted Federal Grant Fund	Total All Funds
Cash	\$ 2,979		\$ 2,979
Due from Restricted Federal Grant Fund	20,543		20,543
Receivables:			
Reimbursable grant expenses		\$49,451	49,451
Other	963	377	1,340
Total current assets	<u>24,485</u>	<u>49,823</u>	<u>74,313</u>
Office furniture and equipment	1,333		1,333
Total assets	<u>\$25,818</u>	<u>\$49,828</u>	<u>\$75,646</u>
LIABILITIES AND FUND BALANCES			
Notes payable	\$17,000		\$17,000
Accounts payable		\$27,451	27,451
Accrued interest	148		148
Accrued payroll taxes		1,834	1,834
Due to Unrestricted Fund		20,543	20,543
Total liabilities	<u>17,148</u>	<u>49,828</u>	<u>66,976</u>
Contingencies (Note 5)			
Fund balances	8,670		8,670
Total liabilities and fund balances	<u>\$25,818</u>	<u>\$49,828</u>	<u>\$75,646</u>

The accompanying notes are a part
of the financial statements.

STATEMENT OF REVENUES, EXPENSES AND TRANSFERS

for the year ended September 30, 1979

	Unrestricted Fund	Restricted Funds		Total All Funds
		State Grant	Federal Grant	
Revenues:				
Grants		\$38,012	\$88,774	\$126,786
Donations	\$7,096			7,096
Dues	1,201			1,201
Total revenues	8,297	38,012	88,774	135,083
Expenses:				
Consulting services		3,847	32,124	35,971
Salaries and payroll taxes		12,391	20,476	32,867
Travel - executive director		4,778	4,601	9,379
Travel - board of directors	7,096	1,722	3,510	12,328
Secretarial services		644	7,727	8,371
Accounting fees		4,304	1,796	6,100
Telephone		1,583	4,503	6,086
Employee relocation		5,751		5,751
Office supplies and expenses		16	8,302	8,318
Rent		300	3,838	4,138
Newsletter		2,509		2,509
Postage		167	564	731
Interest	148			148
Total expenses	7,244	38,012	87,441	132,697
Excess of revenues	1,053		1,332	2,386
Transfer for purchases of furniture and equip- ment financed by grantor and capital- ized in Unrestricted Fund	1,333		(1,333)	
Net increase in fund balances	\$2,386	\$	\$	\$ 2,386

The accompanying notes are a part
of the financial statements.

STATEMENT OF CHANGES IN FUND BALANCES
for the year ended September 30, 1979

	<u>Unrestricted Fund</u>	<u>Restricted Funds State Grant</u>	<u>Federal Grant</u>	<u>Total All Funds</u>
Fund balances, October 1, 1978:				
As previously reported	\$44,296			\$ 44,296
Adjustments (Note 3):				
To segregate				
Restricted State Grant Fund	(38,012)	\$38,012		
Reclassification of unexpended grant funds as deferred revenue		(38,012)		(38,012)
As restated	<u>6,284</u>			<u>6,284</u>
Fiscal 1979 activity:				
Revenues	8,297	38,012	\$88,774	135,083
Expenses	(7,244)	(38,012)	(87,441)	(132,697)
Transfer to (from)	<u>1,333</u>		<u>(1,333)</u>	
Fund balances, September 30, 1979	<u>\$ 8,670</u>	\$	\$	<u>\$ 8,670</u>

The accompanying notes are a part
of the financial statements.

STATEMENT OF CHANGES IN FINANCIAL POSITION

for the year ended September 30, 1979

	Unrestricted Fund	Restricted Funds		Total All Funds
		State Grant	Federal Grant	
Working capital provided (used):				
From operations:				
Excess of revenues over expenses	\$ 1,053		\$ 1,333	\$ 2,386
From (to) other:				
Purchase of office equipment and furniture			(1,333)	(1,333)
Increase in working capital	\$ 1,053		\$	\$ 1,053
Changes in components which increased (decreased) working capital:				
Cash	\$ (3,305)	\$ (75,424)		\$ (78,729)
Due from (to) other funds	20,543		\$ (20,543)	
Receivables	963		49,828	50,791
Notes payable	(17,000)			(17,000)
Accounts payable		12,412	(27,451)	4,961
Accrued interest	(148)			(148)
Accrued payroll taxes			(1,834)	(1,834)
Accrued Director's fee		5,000		5,000
Deferred revenue		12,012		12,012
Increase in working capital	\$ 1,053	\$	\$	\$ 1,053

The accompanying notes are a part
of the financial statements.

NOTES TO FINANCIAL STATEMENTS

1. Organization and Summary of Significant Accounting Policies:

Organization

The Alaska Fisheries Development Foundation, Inc. (incorporated March 6, 1978 as Alaska Fisheries Development Corporation) was organized for the purpose of identifying the research and development needs of the Alaskan fishing industry, and soliciting funding for projects and studies which address those needs.

The Foundation is an Alaska nonprofit corporation exempt from income tax under Section 501(c)(3) of the Internal Revenue Code.

Significant Accounting Policies

The financial statements of the Foundation have been prepared on the accrual basis of accounting. To ensure observance of limitations and restrictions placed on the use of resources available to the Foundation, the accounts of the Foundation are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purposes.

Revenues received that are restricted to program use in periods subsequent to the end of the accounting period are recorded as deferred revenues and will be recognized as earned when the services are performed. Expenses are recognized when incurred.

Contributions are considered unrestricted funds unless the contribution has been restricted to a specific program or purpose by the donor. Noncash contributions are valued at their fair market value at the date received.

Office furniture and equipment acquired by purchase are recorded at cost. Those acquired by contributions are recorded at their estimated fair value at the time of donation. All fixed assets are accounted for in the Unrestricted Fund. Purchases of furniture and equipment and related debt service payments financed by transfers in the Restricted Funds are accounted for as transfers from such funds to the Unrestricted Fund. Depreciation will be computed on the straight-line method over the estimated useful lives of the related assets.

NOTES TO FINANCIAL STATEMENTS, Continued

2. Description of Funds:

Unrestricted Fund - This fund accounts for all sources of revenue or expenditures not related to grants or contracts and all transactions not required to be accounted for in another fund.

Restricted Fund

State Grant Fund - This fund accounts for all grants received from the State of Alaska and for which the donor has restricted usage to a specific purpose or program. This fund has accounted for grant proceeds totaling \$ 0,000 awarded in 1978 by Acts of the State Legislature for the purpose of establishing an office in Alaska and hiring an executive director (\$100,000) and to establish bottom fish research (\$10,000).

Federal Grant Fund - This fund accounts for all grants and contracts received from the Federal government and the use of which are restricted to a specific purpose or program. This fund currently accounts for a grant from the National Oceanic and Atmospheric Administration, National Marine Fisheries Service for an implementation plan of a groundfish fishery off Alaska.

3. Restatement of Financial Statements:

The beginning fund balance of the Unrestricted Fund has been restated to reflect accounting practices recommended in Statement of Position 78-10 Accounting Principles and Reporting Practices for Certain Nonprofit Organizations issued in December 1978 by the American Institute of Certified Public Accountants and to segregate the Restricted State Grant Fund.

This statement recommends that grants should be accounted for in the statement of revenues and expenses to the extent that expenses have been incurred for the purpose specified by the grantor during the period. Amounts received but not yet expended should be accounted for as deferred revenue until grant restrictions are met.

The effects of the required retroactive accounting change upon beginning fund balances of the Unrestricted Fund and Restricted State Grant Fund are detailed in the adjustments reflected in the accompanying statement of changes in fund balances.

NOTES TO FINANCIAL STATEMENTS, Continued

4. Notes Payable:

Note payable to bank on
February 1, 1980, bearing
13½% interest; without
collateral \$10,000

Note payable to bank on demand,
bearing 13½% interest; without
collateral 7,000

\$17,000

5. Contingencies:

Reimbursement claims under Federal and State grants are subject to audit and adjustment by grantor agencies. In the opinion of management, no material liability exists with respect to such contingencies.

PRELIMINARY

STATE OF ALASKA

A SPECIAL REVIEW
OF THE
ALASKA FISHERIES DEVELOPMENT
CORPORATION

January 25, 1978 - September 30, 1978



DIVISION OF LEGISLATIVE AUDIT

Juneau, Alaska

A SPECIAL REVIEW
OF THE
ALASKA FISHERIES DEVELOPMENT
CORPORATION

January 25, 1978 - September 30, 1978

Commissioner, Department of
Commerce and Economic Development
Deputy Commissioner, Department
of Commerce and Economic Development
President, Alaska Fisheries
Development Corporation

H. Phillip Hubbard
Bertram L. Wagon
Ronald Jensen

AUDIT DIVISION
POUCH W—ALASKA OFFICE BUILDING

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

FINANCE DIVISION
POUCH W—STATE CAPITOL

JUNEAU, ALASKA 99871

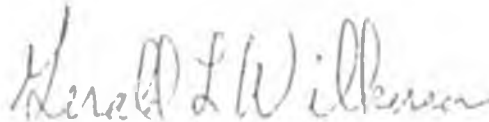
December 18, 1978

Members of the
Legislative Budget and Audit Committee:

In accordance with the provisions of Title 24 of the Alaska Statutes, the attached report is submitted for your review.

A SPECIAL REVIEW
OF THE
ALASKA FISHERIES DEVELOPMENT
CORPORATION

January 25, 1978 - September 30, 1978



Gerald L. Wilkerson, CPA
Legislative Auditor
Division of Legislative Audit

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Agency Response

PURPOSE OF THE REVIEW

In accordance with the provisions of Title 24 of the Alaska Statutes, a special review of the Alaska Fisheries Development Corporation (AFDC) was conducted to determine:

1. The extent and nature of financial transactions relating to \$110,000 in funding received from the State.
2. The progress AFDC has made towards meeting the stated goals and objectives relating to the above funding.
3. Progress made by AFDC towards obtaining other sources of funding to ensure AFDC's continued existence.

ORGANIZATION AND FUNCTION

The Alaska Fisheries Development Corporation (AFDC) is a private, not-for-profit corporation, chartered on March 6, 1978. The purpose of the Corporation as defined by its Articles of Incorporation is "to provide a non-political, non-partisan, industry-wide organization interested in the commercial development of fisheries and aquatic products"; and "to conduct business and plan industry research and development needs, secure financing, administer projects and disseminate results and conclusions".

As of November 10, 1978, the voting membership of AFDC included ten harvester groups and thirteen processing companies. In addition, there are fifteen non-voting associate members, including interested businesses and associations.

The corporate powers of the Corporation are vested in the Board of Directors, which is made up of ten directors. Five Board members are harvesters who are elected from each of five geographic regions designated by the Articles of Incorporation; the other five members are processors who are elected without regional consideration. Nominations for the directors are submitted by the Corporation's membership; nominees are elected by the voting members of the Corporation at the Corporation's annual meeting.

In addition to the ten voting Board members, the Board also includes eight ex officio members.

The Corporation received \$110,000 in 1978 from the State of Alaska, through the Department of Commerce and Economic Development in two separate grants. A \$10,000 grant was to be used to establish a bottomfish research association. The purposes of the \$100,000 grant was to allow AFDC to establish an office in Alaska and hire an executive director.

AFDC publishes a newsletter to keep its members up-to-date on the Corporation's activities and new developments in the bottomfish industry. Four newsletters have been published since March, 1978.

BACKGROUND AND CONCLUSIONS

Compliance

The following is an analysis of the requirements the Alaska Fisheries Development Corporation (AFDC) must meet in order to be in compliance with the two grants given it by the State of Alaska:

1. \$10,000 grant awarded to AFDC to establish a bottomfish research association.

Alaska Fisheries Development Corporation was formed as of March 6, 1978. Per its Articles of Incorporation, one of the purposes of the Corporation is to plan research for the commercial development of fisheries and aquatic products. The Corporation is specifically interested in bottomfishing.

2. \$100,000 grant awarded to AFDC to establish an office in Alaska and hire an executive director.

Sara Hemphill was hired as executive director of AFDC as of October 15, 1978. Ms. Hemphill had worked with the Corporation as a consultant since its inception. She had also served on the Board of Directors as a harvester representative from the Yakutat-and-South-to-Sitka region.

To select an executive director, the Board of Directors of AFDC appointed five of its members to a Search Committee to make a recommendation for the executive director position. The Search Committee, after studying the resumes received from nineteen applicants, interviewed five of the applicants, determined to be best qualified. The Search Committee recommended to the Board that Ms. Hemphill be offered the position after determining that she was most qualified for the job. The full Board of Directors then voted to offer Ms. Hemphill the job.

Ms. Hemphill accepted the job and has moved from Seattle to Anchorage to assume the duties as executive director. Her salary as executive director is \$45,000 annually. Office space was rented by the Corporation at Alaska Pacific University in mid November, 1978.

The \$100,000 grant also stipulates that the Corporation shall submit a financial report to account for all State and Federal funds received by the Corporation. These reports are to be submitted to the Department of Commerce and Economic Development by June 30 of each year. The first report will be due June 30, 1979.

Financial

As of September 30, 1978, Alaska Fisheries Development Corporation incurred expenses of \$71,988 compared with revenues of \$116,284, per the Corporation's financial statements on pages 10 through 15. This leaves a fund balance of \$44,296.

Of the \$71,988 in expenses, actual expenditures as of September 30, 1978, amounted to \$34,576; accounts payable and accrued executive director's fees amounted to \$32,412 and \$5,000 respectively.

During our review, we noted that the \$110,000 received from the State was put directly into a checking account. In the future, excess funds should be invested in order to take advantage of any interest income that accrues. The funds can then be transferred to a checking account as needed.

Program Evaluation

In February of 1978, AFDC applied to the National Marine Fisheries Service (NMFS), under the U. S. Department of Commerce, for \$1.45 million in Saltonstall-Kennedy (S-K) funds. It was intended by the drafters of the S-K Act that S-K funds be used for fisheries research; AFDC's proposal involved research in the bottomfish industry.

At the time AFDC submitted its proposal and up until December, NMFS and the U. S. Department of Commerce promised AFDC that it would receive the funds applied for.

However, as of late December, no Federal funds have been awarded to AFDC. The decision to award the S-K funds to AFDC has been forestalled in the Federal budgeting process. Therefore, the status of S-K funding is uncertain until a decision is made during the 1979 Congressional session.

Alaska Fisheries Development Corporation is presently looking into a possible alternative source of funding from the Economic Development Administration, U. S. Department of Commerce, in the form of grants-in-aid. These grants would probably be limited to approximately \$100,000 for administration purposes.

SUPPLEMENTAL INFORMATION

RECEIVED

DEC 26 1978

LEGISLATIVE
AUDIT

ALASKA FISHERIES DEVELOPMENT CORPORATION

Cordova, Alaska

FINANCIAL STATEMENTS

SEPTEMBER 30, 1978
(Unaudited)

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JOHNSON AND MORGAN
CERTIFIED PUBLIC ACCOUNTANTS
ANCHORAGE ALASKA

Board of Directors
Alaska Fisheries Development Corporation
Cordova, Alaska

The accompanying balance sheet of Alaska Fisheries Development Corporation (a nonprofit corporation) as of September 30, 1978, and the related statement of revenues, expenditures and changes in fund balance for the seven-month period then ended were not audited by us and accordingly we do not express an opinion on them.

Johnson + Morgan
Certified Public Accountants

December 1, 1978

ALASKA FISHERIES DEVELOPMENT CORPORATION

BALANCE SHEET

SEPTEMBER 30, 1978
(Unaudited)

Assets

(Restated)

Cash	<u>\$81,708</u>
Total	<u>\$81,708</u>

Liabilities and Fund Balance

Accounts payable	\$32,412
Accrued acting executive director's fees	<u>5,000</u>
Total liabilities	<u>37,412</u>
Fund balance	<u>44,296</u>
Total	<u>\$81,708</u>

The accompanying notes are an integral part
of these financial statements.

ALASKA FISHERIES DEVELOPMENT CORPORATION

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE

FOR THE SEVEN-MONTH PERIOD ENDED SEPTEMBER 30, 1978
(Unaudited)

	<u>(Restated)</u>
Revenues:	
State of Alaska	\$110,000
Membership fees	6,000
Donations	<u>284</u>
Total revenues	<u>116,284</u>
Expenditures:	
Professional services	39,676
Acting executive director's fees	5,000
Travel and lodging--board of directors	8,433
Travel and lodging--acting executive director	6,947
Printing and Xeroxing	3,977
Newsletter	2,500
Advertising	600
Postage	1,107
Secretarial services	118
Telephone	2,680
Heating expenses	<u>870</u>
Total expenditures	<u>71,988</u>
Excess of revenues over expenditures	<u>\$ 44,296</u>
Fund balance, beginning of period	<u>\$ -</u>
Fund balance, end of period	<u>\$ 44,296</u>

The accompanying notes are an integral part
of these financial statements.

ALASKA FISHERIES DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 1978
(Unaudited)

Note 1 Summary of Significant Accounting Policies

- a) The corporation maintains its books and records on the cash basis of accounting and adjusts to the accrual basis for financial statement purposes.
- b) The Alaska Fisheries Development Corporation intends to apply for tax exempt status under Sec. 501 of the Internal Revenue Code. As of September 30, 1978, no application had been filed.

Note 2 Accounts Payable

The accounts payable at September 30, 1978, are as follows:

<u>Payable To</u>	<u>For</u>	<u>Amount</u>
Stafne & Hemphill	Professional services	\$29,580
Members of the board of directors:	Travel and lodging	2,816
	Other expenditures	16
		<u>\$32,412</u>

Note 3 Professional Services

The amount expended for professional services (\$44,676) was for services performed by Stafne & Hemphill, for the period from January through August of 1978, in preparing proposals for Alaska Fisheries Development Corporation and in negotiations with various agencies on behalf of the corporation.

Note 4 General

Alaska Fisheries Development Corporation was formed in March, 1978, as a nonprofit educational and scientific research and development organization with the purpose of providing a nonpolitical, nonpartisan, industry-wide organization interested in the commercial development of fisheries and aquatic products in Alaska.

Note 5 Restatement

These financial statements have been restated to correct an overreporting of expenditures for professional fees and travel and lodging and a corresponding overreporting of accounts payable.



LAWS OF ALASKA

1978

Source

Chapter No.

HCSS 118

21

AN ACT

Making miscellaneous appropriations to the Municipality of Anchorage, the Department of Revenue, the Legislative Affairs Agency, the Steering Council for Alaska Lands, and the Department of Commerce and Economic Development, and providing for an effective date.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA

* Section 1 The sum of \$60,000 is appropriated from the general fund to the Municipality of Anchorage to fund the youth employment services program.

* Sec. 2 The sum of \$35,000 is appropriated from the general fund to the Department of Revenue to fund participation by that department in a study which will analyze the extent of investment in tanker vessels, costs of the use of those vessels and rates charged for the use of those vessels in the transport of Alaskan crude oil.

* Sec. 3 The sum of \$35,000 is appropriated from the general fund to the Legislative Affairs Agency to offset the costs of the Legislative Council's investigation of the extent of investment in tanker vessels, costs of the use of those vessels, and rates charged for the use of those vessels in the transport of Alaskan crude oil.

* Sec. 4 The sum of \$18,000 is appropriated from the general fund to the Steering Council for Alaska Lands to provide for funds for public television and radio that provide information with a balanced presentation of the national public interest lands issues under Sec. 17(d)(2) of the Alaska National Lands Settlement Act (P.L. 92-703).

* Sec. 5 The sum of \$10,000 is appropriated from the general fund to the Department of Commerce and Economic Development for the purpose of a grant to establish a business research association.



LAWS OF ALASKA

1978

Source

Chapter No.

CSHB 878 am

97

AN ACT

Making a special appropriation to the Department of Commerce and Economic Development for allocation to the Alaska Fisheries Development Corporation; and providing for an effective date.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

• Section 1. The sum of \$100,000 is appropriated from the general fund to the Department of Commerce and Economic Development to be allocated to the Alaska Fisheries Development Corporation for the purpose of establishing an office in Alaska and hiring an executive director. The Alaska Fisheries Development Corporation shall, as a condition to the receipt of the money appropriated in this section, promise to provide to the Department of Commerce and Economic Development on June 30 of each year an accounting of all expenditures of state and federal funds received by the corporation.

• Sec. 2. The unexpended and unobligated portion of this appropriation lapses into the general fund June 30, 1979.

• Sec. 3. This Act takes effect immediately in accordance with AS 01.10.070(c).

Approved by the Governor July 5, 1978
Actual Effective Date July 6, 1978

LISTING OF CONTACTS

The following persons were contacted by our auditors for information used in preparing this report:

Sara S. Hemphill
Executive Director
Alaska Fisheries Development Corporation

Constance Taylor
Secretary-Treasurer
Alaska Fisheries Development Corporation

Terry Leitzell
Assistant Administrator for Fisheries
National Marine Fisheries Service
U. S. Department of Commerce

Steve Perles
Legislative Assistant
Senator Ted Stevens' Washington, D. C. Office

Tom Roach
Legislative Aide
Senator Mike Gravel's Washington, D. C. Office

Jim Edenso
Bottomfish Coordinator
Office of the Governor
State of Alaska

Richard Eakins
Director
Department of Commerce and Economic Development, Division
of Economic Enterprise, State of Alaska

Richard Reynolds
Development Specialist - Fisheries
Department of Commerce and Economic Development, Division
of Economic Enterprise