

Original sponsor: Resources Committee

Offered: 4/20/81
Referred: Finance

1 IN THE HOUSE

BY THE RESOURCES COMMITTEE

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CS FOR HOUSE BILL NO. 472 (Resources)

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IN THE LEGISLATURE OF THE STATE OF ALASKA

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TWELFTH LEGISLATURE - FIRST SESSION

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A BILL

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For an Act entitled: "An Act relating to the maximum amounts which may be
7 loaned under the fisheries enhancement loan program."

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

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* Section 1. AS 16.10.520(a) is amended to read:

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(a) A single fisheries enhancement loan may not exceed

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\$10,000,000 [\$6,000,000] for a hatchery or other enhancement or

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rehabilitation activity conducted under a permit granted to a qualified

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regional association which has formed a nonprofit corporation, or to a

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local nonprofit corporation approved by a qualified regional associa-

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tion. A loan for any other nonprofit hatchery corporation project may

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not exceed \$1,000,000.

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SALMON ENHANCEMENT LOAN FUND ADJUSTMENT

Position Paper

The Salmon Enhancement loan limit should be increased from the present \$6 million maximum to \$10 million maximum per facility for several reasons: (1) inflation of construction costs; (2) improved return on investment of larger facilities; (3) changing enhancement strategies that are directed towards improving the Alaskan salmon industry's competitive position by a sustained production at a higher level; and (4) to allow for better fisheries management of wild and hatchery fish and longer availability of fish to harvestors.

(1) Construction Inflation. Major public hatcheries, even those started several years ago, when completed cost in excess of \$10 million, eg. Klawock, Hidden Falls, Snettisham, Main Bay, Ship Creek, Russell Creek. Inflation, while diminishing lately, has caused numerous cost increases after bid acceptance. Full economic benefits are quite difficult to realize when projects are only partially constructed, thus unable to meet planning assumptions. The production necessary to have hatcheries cover fixed and variable costs may require expenditures above what can be provided within a \$6 million ceiling.

(2) Improved Return on Investment. The unit cost of producing salmon has been demonstrated to drop when more are raised at individual facilities. Lower unit costs result in a lower percentage of the total hatchery production having to be sold for operations and debt retirement. Consequently more fish are available to subsistence, sports and commercial fishermen and women--the central objective of the salmon enhancement program.

(3) Salmon Industry Competitive Position. The long run world output of salmon is increasing due to improved management, as well as the output of Russian, Japanese and North American hatcheries. Salmon are an international commodity, and if Alaska is to maintain and improve its market share and economic position, our industry must be as cost competitive as possible. By constructing larger, more cost effective hatcheries, a higher base level of production can be developed. Extreme environmentally caused variations in run sizes that are characteristic of wild fish (six-fold between 1974 and 1982) may well be reduced to as low as two-fold. Processors can consequently produce a steadier output. Much needed private investment in the processing sector becomes significantly more attractive.

(4) Fisheries Management. In order to insure maximum protection to wild fish, hatcheries are better off raising several

stocks and species of salmon, eg., and early and late returning stock of the same species will minimize interaction of local mid-run timed wild stocks. Also, fish will be available for catching and processing for a longer period of time. Multi-stock and species hatcheries, however, do require larger initial investments but may actually have lower operational costs due to fewer fish being present at any one time.

Ronald W. Wendte

Ronald W. Wendte
Executive Director
Southern Southeast Regional
Aquaculture Association

Armin F. Koernig

Armin Koernig
President
Prince William Sound
Aquaculture Corporation

Thomas E. Mears

for Floyd Heimbuch
Executive Director
Cook Inlet Aquaculture
Association

Peter Esquiro

Peter Esquiro
General Manager
Northern Southeast Regional
Aquaculture Association

FISCAL NOTE

I. REQUEST

Bill/Resolution No. CSHB 472 -- An act relating to the maximum amounts which may be loaned
Title under the fisheries enhancement loan program
Requested by _____ Date _____

II. FISCAL DETAIL

Agency Affected Commerce & Economic Development
Program Category Affected Development
BRU, Program, or Subprogram(s) Affected Division of Business Loans
(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL		-0-				

FUNDING (Thousands of Dollars)

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
GENERAL FUND		-0-				
FEDERAL FUNDS						
OTHER (Specify Fund Source)						

POSITIONS

	FY 81	FY 82	FY 83	FY 84	FY 85	FY 86
FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

The additional loans to be generated by the increased limits can be processed and serviced by the existing staff.

IV. DATE

4-22-81

PREPARED BY

Sharon Traylor
Sharon Traylor, Director

AGENCY Commerce & Economic Dev., Division of Business Loans

PHONE 465-2510

Original: Legislative Finance
cc: Budget and Management
Prime Sponsor (First Legislator Named)