

HB

454

HOUSE COMMITTEE REPORT

(7)

Date referred: 2/10/88

FURTHER REFERRALS:

Resources

DATE: 2/23/88

The Labor & Commerce Committee has considered HB 454

"An Act relating to the operation of state hatcheries; and providing for an effective date."

RECOMMENDS:

- replace with 3 HB 454 (L&C) the same title
- attached amendment(s) a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(S):

- fiscal impact same as previous fiscal note published _____
- zero fiscal note same as previous zero fiscal note published _____
- zero with analysis

SIGNING DO PASS:

SIGNING OTHER RECOMMENDATIONS:

Cliff Davidson

~~_____~~

Alto Kosman

J. Ellis

W. F. Moore no rec

Bob L. ... no rec

David ... no rec

David ...

Chairman's signature

FISCAL NOTE

REQUEST:

Revision Date: 2/22/88
Title: An Act relating to the operation of state hatcheries
Sponsor: Eliason
Requestor: Eliason

Agency Affected: Fish and Game
BRU: FRED
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE						

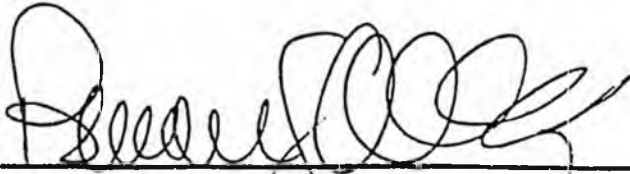
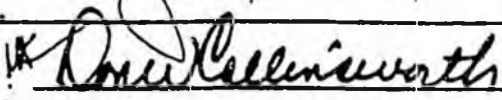
FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Prepared by:  Phone: 465-4160
Division: F.R.E.D. Date: 2/22/88
Approved by Commissioner:  Date: 2/27/88
Agency: Fish and Game

Distribution (by preparer):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

REPRESENTATIVE
BEN GRUSSENDORF

P. O. Box 928
SITKA, ALASKA 99835
(907) 747-8458

RULES COMMITTEE
LEGISLATIVE COUNCIL

DISTRICT 3
ELFIN COVE
PELICAN
PORT ALEXANDER
SITKA
TENAKEE

Alaska State Legislature



WHILE IN JUNEAU
P.O. Box V
JUNEAU, ALASKA 99811

(907) 485-3824
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House of Representatives

SPEAKER OF THE HOUSE

MEMORANDUM

To: Rep. Dave Donley
Chairman
House Labor & Commerce Committee

From: Rep. Ben Grussendorf
Speaker of the House

Date: February 22, 1988

Subject: Proposed committee substitute for House Bill 454
"An Act relating to the operation of state hatcheries."

Attached to this memorandum is a proposed substitute for House Bill 454, a measure authorizing the Commissioner of Fish & Game to contract for the operation of state-owned hatcheries that the department has determined it can no longer operate. The bill provides that the aquaculture association located in the same region as an affected hatchery will be given a preference right in the operator selection process. Should a regional aquaculture association be unable to meet the criteria established by Fish & Game, the department would then select an operator through the procurement process provided for in AS 36.30.

The proposed substitute for House Bill 454 differs only slightly from the original. The substitute allows the Commissioner of Fish & Game to waive the submission of an application for a permit to operate a hatchery. This lengthy permit process is normally required prior to the opening of a new hatchery, a situation not contemplated by this legislation. The substitute bill also deleted the word "transfer" from section one, and instead uses the phrase "provide for" the operation of the hatchery. This change clarifies the fact that the State of Alaska

retains all ownership rights in the hatchery, as well as the right to manage the resource.

House Bill 454 and Senate Bill 410 are an appropriate response by the Department of Fish & Game to intent language placed in the FY 1988 budget that required the department to develop ways to relieve the burden on the general fund caused by state hatchery operation. If the Legislature enacts either bill in short order, the Department of Fish & Game will have enough time to contract for the operation of some hatcheries prior to the start of Fiscal Year 1989, and more importantly before the Spring salmon runs. With the provisions in the legislation which allow operating cost recovery through the limited harvest of excess salmon, at least some of the new operators will be able to begin operation with no impact on the general fund in FY 89.

I hope the House Labor & Commerce Committee will consider this proposed substitute for adoption and will act on the legislation in an expeditious manner.

5-1885B
Bannister
2/22/88

Original sponsors: Grussendorf and Sund

1 IN THE HOUSE

2 CS FOR HOUSE BILL NO. 454 ()

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the operation of state hatcher-
7 ies; and providing for an effective date."

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

9 * Section 1. AS 16.10 is amended by adding a new section to article 8
10 to read:

11 Sec. 16.10.480. CONTRACTS FOR THE OPERATION OF STATE HATCHERIES.

12 (a) If the department determines that it is unable to continue op-
13 erating a state-owned hatchery or that it is in the best interest of
14 the state to provide for the operation of the hatchery by another
15 person or by another person in cooperation with the state, the depart-
16 ment may enter into a contract for the operation or cooperative opera-
17 tion of the hatchery.

18 (b) Notwithstanding AS 36.30, when selecting a contractor under
19 (a) of this section, the department shall give a preference to the
20 regional association organized under AS 16.10.380 that is located in
21 the region in which the hatchery is located. If the department deter-
22 mines that the preferred regional association does not meet the crite-
23 ria established by the department for the contract, the department may
24 not award the contract to the preferred regional association and shall
25 procure the contract under AS 36.30 after considering the recommenda-
26 tions of the preferred regional association.

27 (c) A contract entered into under this section must provide that
28 the hatchery will be operated under AS 16.10.400 - 16.10.445 and
29 16.10.460 - 16.10.470 and the regulations adopted under those

1 sections.

2 (d) The department may issue to a contractor who operates a
3 hatchery under this section a permit to harvest adult salmon during
4 the term of the contract in a quantity sufficient to allow the con-
5 tractor to recover all or part of the contractor's costs of operating
6 the hatchery.

7 (e) A contract under this section for the operation of a
8 hatchery may not affect the state's ownership of the hatchery and does
9 not affect the state's responsibility to manage the resource.

10 * Sec. 2. AS 16.10.400(a) is amended to read:

11 (a) The commissioner or a designee may issue a permit, subject
12 to the restrictions imposed by statute or regulation under AS 16.-
13 10.400 - 16.10.470, to a nonprofit corporation organized under
14 AS 10.20, after the permit application has been reviewed by the re-
15 gional planning team, for

- 16 (1) the construction and operation of a salmon hatchery;
17 (2) the operation of a hatchery under AS 16.10.480.

18 * Sec. 3. AS 16.10.400(b) is amended to read:

19 (b) The application for a permit under this section shall be on
20 a form prescribed by the department and be accompanied by an applica-
21 tion fee of \$100. The commissioner may waive the submission of an
22 application for a permit to operate a hatchery under AS 16.10.480.

23 * Sec. 4. AS 16.10.400(e) is amended to read:

24 (e) A qualified regional association formed under AS 16.10.380,
25 if it has become a nonprofit corporation under AS 10.20, has a prefer-
26 ence right to a permit under (a)(1) of this section if its proposed
27 hatchery is provided for in the comprehensive plan for that region
28 developed under AS 16.10.375 and the fresh water source exceeds one
29 cubic foot per second minimum flow. Another [ANY OTHER] local

1 nonprofit hatchery corporation approved by a qualified regional asso-
2 ciation has an identical preference right.

3 * Sec. 5. AS 16.10.410(c) is repealed and reenacted to read:

4 (c) The hearing shall be conducted by the department. At a
5 hearing for a permit under AS 16.10.400(a)(1), the applicant shall
6 present a plan for the proposed hatchery, describing the capacity of
7 the hatchery and other relevant facts that may be of interest to the
8 department or the public. Interested members of the public shall be
9 afforded an opportunity to be heard.

10 * Sec. 6. AS 16.10.450 is amended to read:

11 Sec. 16.10.450. SALE OF SALMON AND SALMON EGGS BY HATCHERY.

12 (a) Except as otherwise provided in a contract for the operation of a
13 hatchery under AS 16.10.480, a [A] hatchery operator who sells salmon
14 returning from the natural waters of the state, or sells salmon eggs
15 to another hatchery operating under AS 16.10.400 - 16.10.470, after
16 utilizing the funds for reasonable operating costs, including debt
17 retirement, expanding its facilities, salmon rehabilitation projects,
18 fisheries research, or [FOR] costs of operating the qualified regional
19 association for the area in which the hatchery is located, shall
20 expend the remaining funds on other fisheries activities of the qual-
21 ified regional association.

22 (b) Fish returning to hatcheries and sold for human consumption
23 shall be of comparable quality to fish harvested by commercial fisher-
24 ies in the area [,] and shall be sold at prices commensurate with the
25 current market.

26 * Sec. 7. This Act takes effect immediately under AS 01.10.070(c).
27
28
29

HOUSE LABOR AND COMMERCE COMMITTEE

ALASKA STATE LEGISLATURE

P.O. BOX Y, JUNEAU 99811


(907) 465-3892



February 25, 1988

M E M O R A N D U M

To: Representative Sam Cotten, Co-Chair
Representative Adelheid Herrmann, Co-Chair
House Resources Committee

From: Representative Dave Donley, Chair
House Labor and Commerce Committee 

Re: HB 454 - Operation of state hatcheries

On Tuesday, February 23, the House Labor and Commerce passed out a committee substitute for HB 454, relating to the operation of state hatcheries. The measure is now before the House Resources Committee.

HB 454 authorizes the state to contract out the operation of state owned hatcheries to regional non-profit associations. As explained to our Committee, there are currently four hatcheries whose operating costs are not included in the FY 89 budget. Without passage of HB 454 and the opportunity for contracting with private non-profits, we were told that these hatcheries would be closed, resulting in the loss of the facility to the state and loss of jobs currently held by state employees who work for the hatcheries.

The House Labor and Commerce Committee responded to the urgency of the issue by passing out HB 454 so that it could be considered by the Resources Committee in a timely manner. However, we did so with extreme reservations about the question of "privatization" of state facilities and the effect on current state employees.

A representative from the APEA offered an amendment to HB 454 that would have required private non-profits to give a hiring preference to state employees displaced by the transfer of the operation of a state-operated facility to the private sector. Our Committee chose not to adopt the proposed amendment because of significant legal questions over imposition of a hiring preference on private non-profits and the sense of urgency described above.

Therefore, I am submitting this letter at the request of the Committee so that the record is clear that we do not endorse the wholesale "privatization" of state facilities without clear statutory guidelines that include protection for current public employees.

To further complicate matters, the Senate version of HB 454 (SB 410) was before the Senate today, held over from the February 24 calendar because

of debate over the question of requiring a hiring preference for displaced workers. SB 410 passed unanimously without amendment but with a Letter of Intent offered by Senators Eliason and Duncan that addresses the issue of displaced workers. We understand that the APEA representative has withdrawn their request for the hiring preference amendment in lieu of the Senate Letter of Intent.

SB 410 should come to the House early next week and will be referred directly to the House Resources Committee. The House Labor and Commerce Committee urges the House Resources Committee to adopt the Senate Letter of Intent with the additional language (as per attached) directing the Department to retain displaced workers for deployment in other hatcheries.

LETTER OF INTENT FOR CS SB 410 (Resources)
Offered by Senator Eliason and Duncan

It is the intent of the Legislature to encourage any entity which enters into a contract with the state to operate a state hatchery, to hire the employees who were laid off from the hatchery as a result of assumption of operation by the contractor. Those state employees not hired by the new operator should be retained by the Department and redeployed to provide better management of our renewable fisheries resources.



STATE OF ALASKA
OFFICE OF THE GOVERNOR
BILL ANALYSIS

DEPARTMENT Fish and Game	DIVISION FRED	BILL NUMBER SB 410/HB 454	SPONSOR Eliason, Jones, Kerttula, Grussendorf
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SHORT TITLE OF BILL

DEPARTMENT POSITION
The department supports this bill as is.

PREPARED BY Brian J. Allee	DATE 2/22/88	COMMISSIONER'S SIGNATURE <i>Brian J. Allee</i>	DATE 2-22-88
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SUMMARY

OTHER AGENCIES AFFECTED BY BILL Department of Commerce and Economic Development	CONSTITUENT GROUP(S) AFFECTED BY BILL Regional aquaculture associations, commercial fishermen, sport fishermen
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ORGANIZATIONAL SUPPORT FOR BILL Regional aquaculture associations, sport fishermen, commercial fishermen	ORGANIZATIONAL OPPOSITION TO BILL
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FISCAL IMPACT: NONE FISCAL NOTE ATTACHED

BACKGROUND/LEGISLATIVE INTENT The 1987 Legislature placed intent language in the FY 88 FRED Division budget that directed the division to develop innovative programs for hatchery operation through cooperation with the regional aquaculture associations (RAA). Contracting operations of state-owned hatcheries to RAAs was recommended by a government/public work group formed to address the intent. Building on the private nonprofit laws that have proved effective, this amendment allows FRED to cooperate with the RAAs in developing innovative

Continued on page 2.

ANALYSIS OF BILL/PROGRAM EFFECTS This bill amends existing statutes to extend a preference right to operate under contract existing state hatcheries in the same manner that qualified RAAs have for the development of undeveloped hatchery locations. This preference right for qualified RAAs to operate existing state hatcheries will allow sole source contracting for the operation of state hatcheries if the state is unable to continue due to insufficient operating funds. These contracts will stipulate that the state remain in control of the total program through a permit, a public hearing, and completion of an annual operational plan, all of which are subject to the approval of the Commissioner of the Department of Fish and Game. Additionally, the RAAs, in order to recover the cost of hatchery operations, will be able to sell salmon returning to the facility which are surplus to the common property fishery.

AMENDMENTS PROPOSED

Amend to allow the Commissioner to waive the submission of an application for a permit to operate a hatchery due to the fact that the application process is designed for new hatcheries only, and is unnecessarily time-consuming in this situation.

PLEASE ATTACH A SEPARATE SHEET FOR ADDITIONAL COMMENTS OR ANALYSIS.

(Background/Legislative Intent con't.)

programs. Further, the amendment provides certain assurances to the state, which must maintain jurisdiction over the facilities, to the general public, which bonded themselves for original capital costs to construct the facilities, and to the fishery user groups who depend on the hatchery-produced fish to supplement the natural stocks in off-years. These assurances arise from the proven technical and managerial expertise of the RAAs, along with their financial capability and socially and legally acceptable practice of special harvests of hatchery returns to pay hatchery operational costs. This approach allows for continued hatchery production while reducing the impact on the general fund.



STATE OF ALASKA
OFFICE OF THE GOVERNOR

BILL ANALYSIS

DEPARTMENT Fish and Game	DIVISION FRED	BILL NUMBER CS for SB 410/HB 454	SPONSOR Eliason, Jones, Kerttula/ Grussendorf
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SHORT TITLE OF BILL

DEPARTMENT POSITION
The department supports this bill.

PREPARED BY Brian J. Allee	DATE 2/22/88	COMMISSIONER'S SIGNATURE <i>Donnell Williams</i>	DATE 2-22-88
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SUMMARY

OTHER AGENCIES AFFECTED BY BILL Department of Commerce and Economic Development	CONSTITUENT GROUP(S) AFFECTED BY BILL Regional aquaculture association., commercial fishermen, sport fishermen
ORGANIZATIONAL SUPPORT FOR BILL Regional aquaculture associations, sport fishermen, commercial fishermen	ORGANIZATIONAL OPPOSITION TO BILL

FISCAL IMPACT. NONE FISCAL NOTE ATTACHED

BACKGROUND/LEGISLATIVE INTENT
The 1987 Legislature placed intent language in the FY 88 FRED Division budget that directed the division to develop innovative programs for hatchery operation through cooperation with the regional aquaculture associations (RAA). Contracting operations of state-owned hatcheries to RAAs was recommended by a government/public work group formed to address the intent. Building on the private nonprofit laws that have proved effective, this amendment allows FRED to cooperate with the RAAs in developing innovative

Continued on page 2.

ANALYSIS OF BILL/PROGRAM EFFECTS
The committee substitute for Senate Bill 410 has incorporated all the amendments proposed by the Department of Fish and Game and has had the thorough review of the Attorney General's Office.

AMENDMENTS PROPOSED
None.

PLEASE ATTACH A SEPARATE SHEET FOR ADDITIONAL COMMENTS OR ANALYSIS.

(Background/Legislative Intent con't.)

programs. Further, the amendment provides certain assurances to the state, which must maintain jurisdiction over the facilities, to the general public, which bonded themselves for original capital costs to construct the facilities, and to the fishery user groups who depend on the hatchery-produced fish to supplement the natural stocks in off-years. These assurances arise from the proven technical and managerial expertise of the RAAs, along with their financial capability and socially and legally acceptable practice of special harvests of hatchery returns to pay hatchery operational costs. This approach allows for continued hatchery production while reducing the impact on the general fund.

FISCAL NOTE

REQUEST:

Revision Date: 2/22/88
Title: An Act relating to the operation of state hatcheries
Sponsor: Eliason
Requestor: Eliason

Agency Affected: Fish and Game
BRU: FRED
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE						

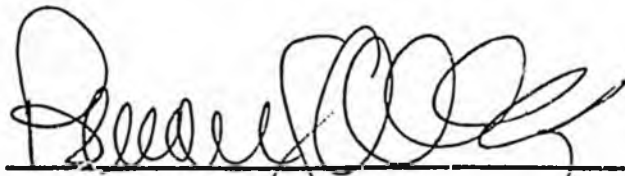
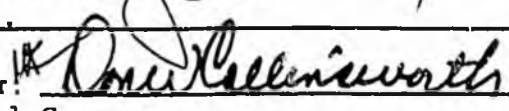
FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Prepared by:  Phone: 465-4160
Division: F.R.E.D. Date: 2/22/88
Approved by Commissioner:  Date: 2/22/88
Agency: Fish and Game

Distribution (by preparer) :
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)



The five incubation boxes at 31 Mile Creek on the Klehini River have a capacity of 850,000 chum eggs. Egg to fry survival in 1986-87 was 95 percent.



Photo by Carl Peterson

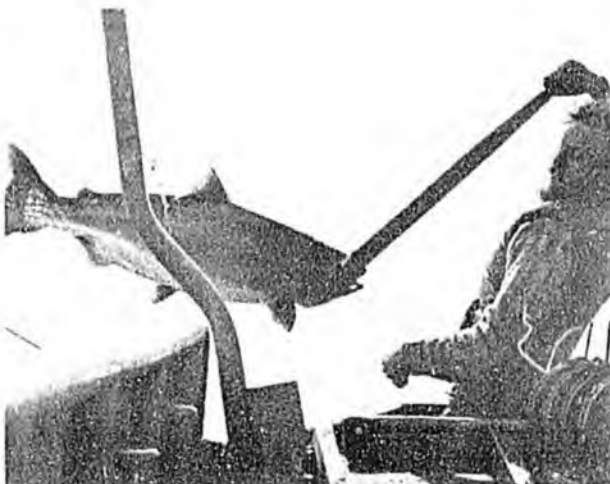


Photo by Hans Wienberg

NSRAA



**Northern
Southeast
Regional
Aquaculture
Association**

103 Monastery Street
Sitka, Alaska 99835
(907) 747-6850

NSRAA Projects

Project	Projected Returns at Capacity
Medvejie Hatchery	25,000 chinook 90,000 chum
Deep Inlet Release Site	720,000 chum
Coho Lake Rearing	50,000 coho
Takatz Bay Release Site*	720,000 chum
Haines Spawning Channel	20,000 chum
Haines Incubation Boxes	8,000 chum
Port Camden Incubation Boxes	100,000 chum
Slippery Creek Stocking*	coho unknown
St. John Creek Stocking*	coho unknown
Redoubt Lake Incubation	sockeye unknown
Earl West Cove*	12,000 chinook 16,000 coho 240,000 chum

*Cooperative Projects

Northern Southeast Regional Aquaculture Association (NSRAA) is a private non-profit cooperative established to increase salmon returns to benefit commercial and other users. NSRAA was established through an election of limited entry salmon permit holders where the majority voted in favor of establishing the Association and taxing themselves 3 percent of their gross landings to support the organization. All limited entry permit holders in Southeast Alaska are members of NSRAA. Revenues collected through the enhancement tax are passed from the State to NSRAA.

NSRAA has a mix of enhancement projects designed to aid the gillnet, seine and troll fisheries of Northern Southeast Alaska (Petersburg north to Haines). These projects include the Medvejie Hatchery near Sitka, the coho lake rearing program, the Takatz remote release project, the spawning channel near Haines, and remote incubation boxes near Haines and Port Camden. In 1987, NSRAA participated in the release of over 50 million fry and smolts.



The coho lake rearing program stocks coho fry in barred lakes not otherwise accessible to anadromous fish. After rearing in the lakes for a year, the smolts migrate to sea, and in another year return for fishermen to catch.

The enhancement projects undertaken by NSRAA are approved by a Board of Directors composed of commercial fishermen and other salmon user groups. User group representatives are appointed, while commercial fishermen (who compose a majority of the Board) are nominated and elected by limited entry permit holders. Funding for these projects comes from the enhancement tax, hatchery loans and from cost recovery. The State makes loan funds available to private non-profit hatcheries for hatchery construction and operation. Cost recovery involves the sale of a portion of the returning fish that enter a special harvest area near the release site. Cost recovery allows loan payback and the continuation of the project on a self-supporting basis.

All of NSRAA's activities are reviewed and approved by the Alaska Department of Fish & Game (ADF&G). As with all enhancement activities in the state, NSRAA works to find projects that are compatible with the continued health of wild stocks. Many projects are undertaken in cooperation with ADF&G, the U.S. Forest Service, and Southern Southeast Regional Aquaculture Association.

NSRAA's main office is located at 103 Monastery Street in Sitka. If you have questions about any of our activities, please contact us. Our phone number is (907) 747-6850.



Allen Edsall, a fish culturist for the Northern Southeast Regional Aquaculture Association, feeds chum fry shortly before their release last May from Deep Inlet. Photo by Bruce Bachen.



Medvejie Central Incubation Facility near Sitka has a capacity for 825,000 chinook smolts; 1,280,000 coho fry for the lake rearing program and 28,000,000 chum eggs.



The Haines Spawning Channel, located on a small tributary of the Chilkat River, near Mile 24 of the Haines Highway, provides ideal spawning habitat for chum salmon. In 1987 the first return to the channel showed 5,000 chums spawning there, compared to 1,500 in previous years.

STATE OF ALASKA
THE LEGISLATURE

POUCH Y STATE CAPITOL
JUNEAU, ALASKA 99811
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

February 22, 1988

SUBJECT: Sectional analysis of proposed
CSSB 410 (Resources)
(version 5-1821 L)

TO: Senator Dick Eliason

FROM: Theresa L. Bannister ^{TS}
Legislative Counsel

You have requested a sectional analysis of the above described bill.

As a preliminary matter, note that a sectional analysis or summary of a bill should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents.

Section 1. Sec. 16.10.480(a) authorizes the Department of Fish and Game under certain circumstances to contract with another person for the person to operate a state-owned hatchery or for the person to operate the hatchery cooperatively with the state.

Sec. 16.10.480(b) requires the department, when selecting a contractor to operate a state-owned hatchery, to give a preference to the regional association organized under AS 16.10.380 that is located in the region of the hatchery. Directs the department not to contract with the preferred regional association if it determines that the association doesn't meet its criteria, and in that case, to procure the contract under AS 36.30 after considering the association's recommendations.

Sec. 16.10.480(c) requires that the operation contract provide that the hatchery will be operated in accordance with certain statutes and regulations.

Sec. 16.10.480(d) allows the department to issue to the contractor during the contract an adult salmon harvest permit that will be sufficient to allow the contractor to recover all or part of its hatchery operating costs.

Sec. 16.10.480(e) prohibits a contract for the operation of state-owned hatchery from affecting the state's ownership of the hatchery. Declares that the contract does not affect the state's responsibility to manage the resource.

Section 2 allows the commissioner of the department to issue a permit subject to certain restrictions for the operation of a hatchery under sec. 16.10.480.

Section 3 allows the commissioner to waive the submission of an application for a permit to operate a hatchery under AS 16.10.480.

Section 4 clarifies that the subsection does not apply to a permit to operate a hatchery under AS 16.10.480.

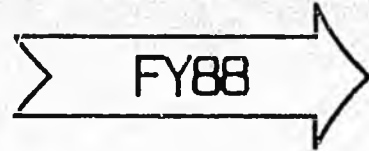
Section 5 clarifies that an applicant for a permit to operate a state-owned hatchery under AS 16.10.480 does not have to provide certain information about the hatchery at the hearing for the permit.

Section 6 exempts the operator of a state-owned hatchery under sec. 16.10.480 from the sale requirements of the subsection to the extent that the operation contract provides differently than the section.

Section 7 provides the bill with an immediate effective date.

TLB:gc
WKG1:104

HIDDEN FALLS
KITOI BAY
CANNERY CREEK
TRAIL LAKES



Operated by State on \$1.4 million
General Funds and \$0.5 million in
other funds. Level of operation
not optimal.



Operated by State at optimal levels
on \$2.4 million in General Funds



State not operating but reprogramming \$1.4 million in General
Funds into areas of deficiency in program.

Snettisham chum salmon increase	-\$271.2
StateWide Sockeye	-\$351.4
Snettisham Sockeye CIF	
Gulkana Expansion	
Main Bay Hatchery Sockeye	-\$151.5
Russell Creek Hatchery	-\$293.7
Crooked Creek Hatchery replace	-\$194.1
Interagency funding	
Tutka Hatchery Program	-\$ 90.0

Fish and Game reconsiders sole-source hatchery contract

By KIRK McALLISTER

THE JUNEAU SCOOP

1/21/88
The Office of the Ombudsman has sharply criticized the Alaska Department of Fish and Game for trying to award a sole-source contract to an aquaculture group that wants to manage a state-owned fish hatchery on Baranof Island.

Fish and Game wanted to transfer management of the Hidden Falls Hatchery to the Sitka-based Northern Southeast Regional Aquaculture Association as part of an effort to cut the cost of the statewide hatchery program.

But the ombudsman's concern about running afoul of the new state procurement code caused Fish and Game to reconsider the sole-source contract, said Brian Allee, director of the Division of Fisheries Rehabilitation En-

hancement and Development.

The department will now put the management of Hidden Falls out to competitive bid, along with three other hatcheries in Prince William Sound, Kodiak Island and Cook Inlet. Contracts are expected to be final by July 7.

"There's a funding crisis in ocean ranching and turning over the management of these four facilities is a responsibility," Allee said. "Our thinking was that the aquaculture associations have the financial wherewithal and expertise to operate these hatcheries."

Hidden Falls, which raises mainly chum salmon for the commercial seine fishery, is widely considered one of the best hatcheries in the state's system, which includes 19 hatcheries, 23 fish ladders, two spawning channels and four laboratories. Alaska's salmon hatchery system is

the largest in North America and one of the most technologically advanced in the world.

In 1987, state hatcheries produced about 6 million salmon, while the private non-profit hatcheries contributed about 19 million fish, according to a FRED division report. But the division has suffered a 30 percent funding cut since 1985.

"The Alaska salmon ocean ranching program has generated \$75 million and 2,000 jobs so it is also an economic development program," Allee said. "It's been a biological and economic success so we're doing what we can to keep it going."

Since 1984, Hidden Falls has produced more than 500,000 chum salmon per year, worth about \$2.5 million to the commercial seine fleet, which harvests most of the

fish. Hidden Falls was built in 1978 and began operating in 1979. The \$3 million initial construction cost was funded by a statewide bond issue.

When the ombudsman reviewed Fish and Game's justifications for asking for a sole-source contract, the legislative watchdog agency didn't buy off on the department's reasoning.

"... It is doubtful that the Northern Southeast Regional Aquaculture Association is the only organization with the expertise and knowledge to operate the Hidden Falls Hatchery," wrote Acting Ombudsman Bruce Aronson in a letter to Fish and Game commissioner Don Collinsworth. "Circumventing the procedures for soliciting a professional services contract by requesting an exemp-

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Hatchery...

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tion from Alaska Statutes not only leaves your department open to just criticism but also possible successful legal action."

In his letter to Collinsworth, Aronson suggested that the commissioner "... take a long pause before proceeding with negotiations on this contract." Aronson also said the ombudsman may consider at a later date "investigating the significant issues raised by the complainant."

The ombudsman's letter was prompted following a complaint from Dale Young, who is no stranger to the hatchery business, having served as Southeast regional hatchery manager for Fish and Game from 1976-82.

"We're not trying to stir up trouble, we just want the state to follow the rules," said Young, who along with some partners is trying to develop a hatchery-salmon farm at Baranof Warm Springs.

Jim Cochran, who has served as the hatchery manager of Hidden Falls since it first opened, said the facility has four full-time, eight seasonal and two support workers who could lose their jobs if the state transfers management of the hatchery. He said that doesn't seem fair to him since their apparent reward for making Hidden Falls the state's top hatchery is to lose their jobs.

"It may or may not be a good management decision to contract the management of the hatchery, but what concerns me more than anything is that I can't find any justification for putting 14 employees out of work," Cochran said.

Cochran and Young have discussed submitting a bid for managing Hidden Falls, which is now possible since the bids will now be open to anyone.

Meanwhile, the change of heart by Fish and Game has left some confusion with NSRAA, which had been negotiating for months on a contract for managing Hidden Falls.

Pete Esquiro, general manager of the aquaculture association, said NSRAA would continue to pursue the Hidden Falls contract and planned to submit a bid under the new competitive process. Under their management plan, some of the 14 current hatchery employees could keep their jobs, he said.

Esquiro said his group was interested in Hidden Falls because of its value to commercial fishermen, who control the board of the aquaculture association.

"An added benefit to this is that if the state doesn't have to spend general fund money managing Hidden Falls, it can increase chum and sockeye production at Snettisham (hatchery), which would help the gillnet fleet," he said.

THE PRIVATE NONPROFIT HATCHERY PROGRAM

Background

The 1974 Alaska State Legislature authorized the Commissioner of ADF&G to issue permits to PNP corporations for the operation of salmon hatcheries for ocean ranching. The intent of the program was to allow private ownership of salmon hatcheries that would contribute to the state's salmon fisheries. The cost of constructing and operating these hatcheries was to be derived from the sale of a portion of the returning fish.

The PNP Program is administered by ADF&G, FRED Division, in cooperation with the department's fisheries management divisions, to carry out statutory and regulatory responsibilities pertaining to public and private aquaculture in Alaska.

The PNP Program is responsible for:

- o strategic salmon production planning;
- o administration of the permitting process for PNP salmon hatcheries, scientific/educational aquaculture programs, and private shellfish farms;
- o development of annual operations management plans for all public and private salmon hatcheries;
- o administration and coordination of the statewide fish transport permit system;
- o coordination of technical assistance to PNP hatcheries; and
- o coordinating the development of and ADF&G relations with qualified regional aquaculture associations.

Regional Associations

The 1976 Alaska State Legislature authorized creation of regional aquaculture associations by the Commissioner of ADF&G. Regional associations are comprised of representatives of commercial fishermen and other user groups in the region, including sport fishermen, subsistence fishermen, and members of local communities. Seven regional associations have been formed:

1. Southern Southeast Regional Aquaculture Association (SSRAA)
2. Northern Southeast Regional Aquaculture Association (NSRAA)
3. Prince William Sound Aquaculture Corporation (PWSAC)

4. Cook Inlet Aquaculture Association (CIAA)
5. Lower Yukon/Kuskokwim Regional Aquaculture Association (LY/KRAA)*
6. Bristol Bay Regional Aquaculture Association (BBRAA)
7. Kodiak Regional Aquaculture Association (KRAA)

These associations cooperate with the department in developing and maintaining regional salmon production plans and in the implementation of various salmon rehabilitation and enhancement activities.

Strategic Planning

The 1976 law authorized the Commissioner to designate regions of the state for the purpose of enhancing salmon production. This same law also established the formation of regional planning teams (RPT) to develop regional salmon plans. Each RPT consists of six voting members, with three department personnel appointed by the Commissioner and three appointed by the board of directors of the appropriate regional aquaculture association. The duties and responsibilities of the RPTs have been mandated in a formal charter from the Commissioner. The responsibilities of the RPTs in developing regional comprehensive salmon plans, including provisions for public involvement in the planning process, are described in regulations. The Commissioner may also request the involvement of representatives of other federal and state agencies.

The status of planning by region follows:

1. Southern Southeast

The southern Southeast regional plans have been approved, and the team is in the plan-maintenance process.

2. Northern Southeast

The northern Southeast regional plans have been approved, and the team is in the plan-maintenance process.

3. Yakutat

No formal salmon planning activities have occurred in Yakutat since the approval of the regional plan. The plan has been accepted by the USFS as a basis for the development of land management plans applicable to the region.

* Indicates inactive regional association

4. Prince William Sound

The Prince William Sound regional plans have been approved. The team has proceeded into the plan maintenance and updating process.

5. Cook Inlet

The planning team efforts in Cook Inlet are presently directed toward watershed system planning, with a goal of assessing the capacity of specific systems to sustain and maintain significant, naturally occurring salmon stocks. Watershed system planning also includes an identification of opportunities for salmon enhancement techniques designed to strengthen existing runs and create new runs. Provisions for user-group access and harvest preferences are given primary consideration in this planning process.

6. Kodiak

The Kodiak regional plans have been approved and the RPT has proceeded into the plan-maintenance process.

7. Bristol Bay

The Bristol Bay RPT has completed the final draft of the comprehensive salmon plan for Bristol Bay. The plan is unique in that, unlike plans for other salmon production regions in Alaska, it does not concentrate on fisheries enhancement through such strategies as hatcheries; rather, it emphasizes maintenance and restoration of fish habitat and effective management practices.

8. Lower Yukon/Kuskokwim

No formal salmon planning activities are presently occurring in the Lower Yukon/Kuskokwim region.

PNP Hatchery Funding

Since 1977, funding necessary for the implementation of salmon rehabilitation and enhancement activities by PNP corporations has been obtained primarily through the Fisheries Enhancement Revolving Loan Fund administered by the Alaska Department of Commerce and Economic Development (DCED). The loan program has gone through several modifications by the Legislature, the most recent occurring in 1987. The maximal loan amount available for an individual project is \$10 million, with a payback period of up to 30 years at approximately a 9.5% interest rate. Payments and accrual of interest on these loans can be deferred for 6 to 10 years. Loans for projects not endorsed by the regional aquaculture association may also have these terms, except that they are limited to a maximum of \$1 million. Loans are available for the purpose of planning, construction, and operation of salmon rehab-

ilitation and enhancement projects, primarily salmon hatcheries. These loans are secured through collateral that may include returning hatchery fish and assessments of commercial fishermen.

A cooperative agreement between ADF&G and DCED addresses an interagency/review and coordination process regarding PNP hatchery permit applications, the alteration of previously issued PNP hatchery permits, loans related to PNP hatchery operations, or other rehabilitation and enhancement activities.

Table 6 presents cumulative state loans secured by corporations for capital construction and operations, cumulative enhancement funds returned to the regional aquaculture associations, and revenue generated during 1987 by corporate sales of returning hatchery fish. Through July 1987, \$54.5 million has been borrowed by PNP corporations. Another \$20.1 million has been generated through assessments. In 1987, PNP operators sold fish worth more than \$6.5 million to recover the cost of building and operating their hatcheries.

Program Implementation

The application procedures and standards for issuance of PNP salmon hatchery permits are defined by regulations issued in 1985.

These regulations require the completion of a management feasibility analysis by ADF&G prior to the submission of a PNP hatchery application. This analysis must be completed within 30 days after the applicant provides the information requested in 5 AAC 40.130 of the regulations. The application process takes approximately 135 days and is designed to comply with the coastal zone consistency review process established by the Governor's Office of Management and Budget.

The appropriate RPT reviews each application and makes a recommendation to the Commissioner on the application's compatibility with the regional comprehensive plan. The RPT uses review criteria that are defined in the PNP regulations.

PNP permit holders may request alterations of their permits and basic management plans, based on accumulated experience and changing conditions. The RPT may review and make a recommendation to the Commissioner on a permit alteration request. The team's review is conducted in accordance with performance standards identified in the PNP regulations.

Since the inception of the PNP Program, 25 salmon hatchery permits have been issued, and 33 applications have been either denied or withdrawn. Eighteen of the permitted PNP hatcheries are in operation and 15 had returns of adult salmon during 1987. Currently, there are eight preliminary or final applications for PNP hatchery permits under consideration. In addition, 31 scientific/educational permits for PNP research projects or

school district aquaculture programs were issued in 1987 by the Commissioner. These permits are administered by the PNP Program.

Regulations and application forms for shellfish farm permits are in the final stage of development.

Locations of operational PNP programs and remote release sites are illustrated in Figures 7, 8, and 9.

Hatchery Production

In 1987, PNP corporations estimated that 19.1 million adult salmon originally released as juveniles from corporate facilities were either harvested in common-property fisheries or returned to hatchery special harvest areas (Table 7). In Prince William Sound returns to PNP hatcheries were estimated by the operators to have contributed over 11.6 million pink salmon to the commercial fishery. SSRAA estimates its hatcheries at Neets Bay and Whitman Lake contributed over 280,000 chum, coho, and chinook salmon to the common-property fisheries in Southeast.

Statewide production data since 1975 for combined species, including adult returns and harvests, are presented in Table 8. Preliminary estimates by the PNP corporations indicate that common-property harvests of the 1987 return were over 13.4 million fish. This represents a 200% increase over 1986 in common-property harvests. Cumulative data for chum salmon produced by PNP corporations since 1975 are presented in Table 9. Similar data for sockeye, pink, coho, and chinook salmon are presented in Tables 10, 11, 12, and 13, respectively.

Egg takes and fry or smolt stocking are regulated by ADF&G through fish transport permits (FTP), which are administered by the PNP Program. During 1987, fry and smolt releases increased to 461 million juvenile fish, an increase of over 80 million (or 21%) from 1986 levels (Table 14). 1987 egg takes for PNP hatcheries totaled over 868 million green eggs, up 346 million (or 66%) from 1986 levels. The largest egg take of 1987 was at Esther Lake Hatchery where over 314 million green pink, chum, coho, chinook, and sockeye salmon eggs were taken for incubation (Table 15). This was followed by the Valdez Fisheries Development Association's (VFDA) Solomon Gulch Hatchery with over 167 million pink, chum, and coho salmon eggs, and the PWSAC's Armin F. Koernig Hatchery with over 125 million pink salmon eggs. In southeast Alaska, the SSRAA took nearly 82 million eggs of all five species for its three hatcheries, and DIPAC took nearly 62 million pink, chum, and coho salmon eggs for its three facilities.

Significant progress was made in initiating hatchery-originated sockeye salmon production from PNP hatcheries. Releases of juvenile sockeye salmon totaled 750,000 in 1987. Sockeye salmon egg takes totaled 1.3 million eggs, an increase of 270,000 over 1986 levels. Significant increases in pink, chum, and coho

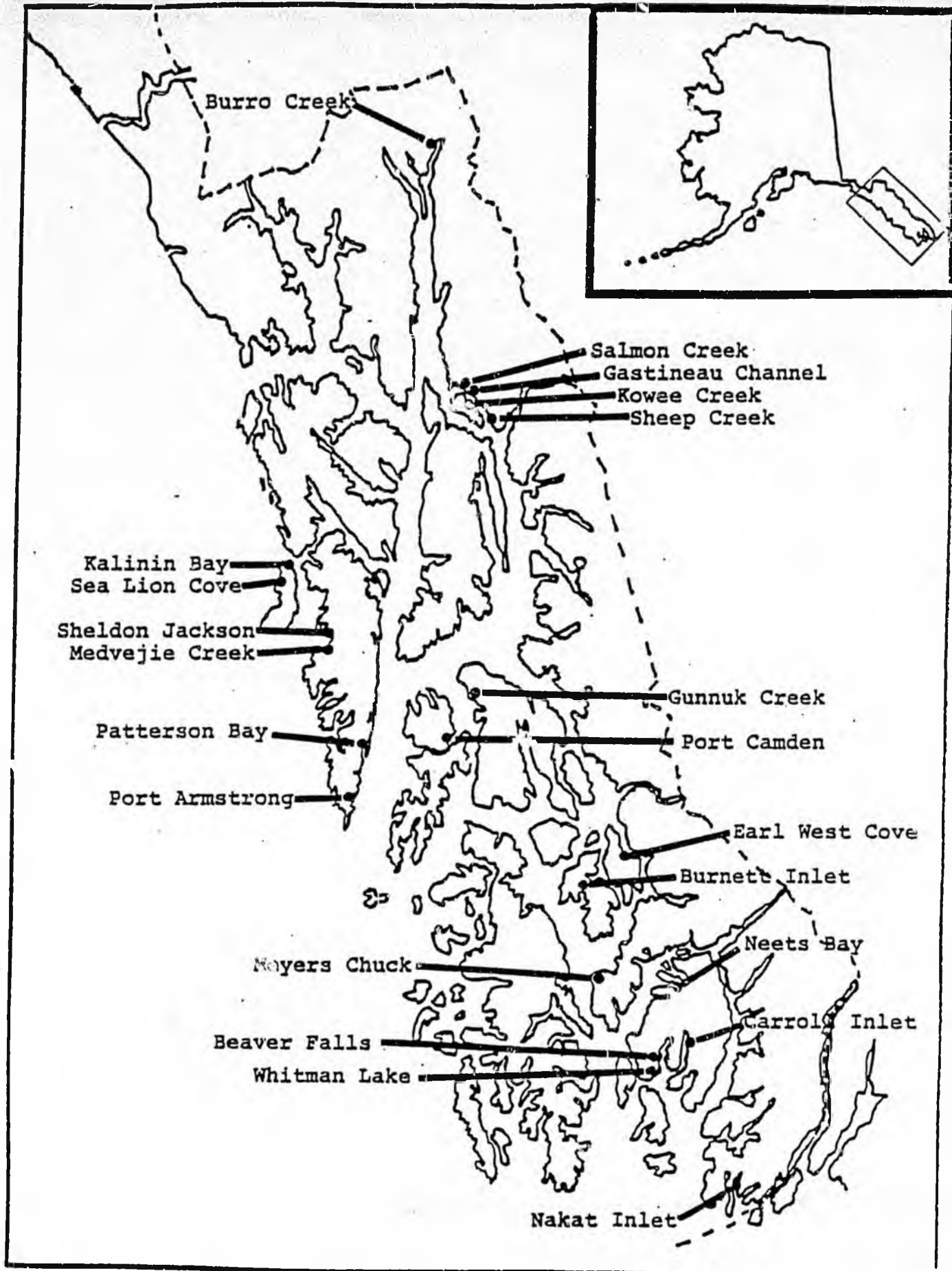


Figure 7. Locations of operational PNP hatcheries and remote release sites in southeast Alaska.

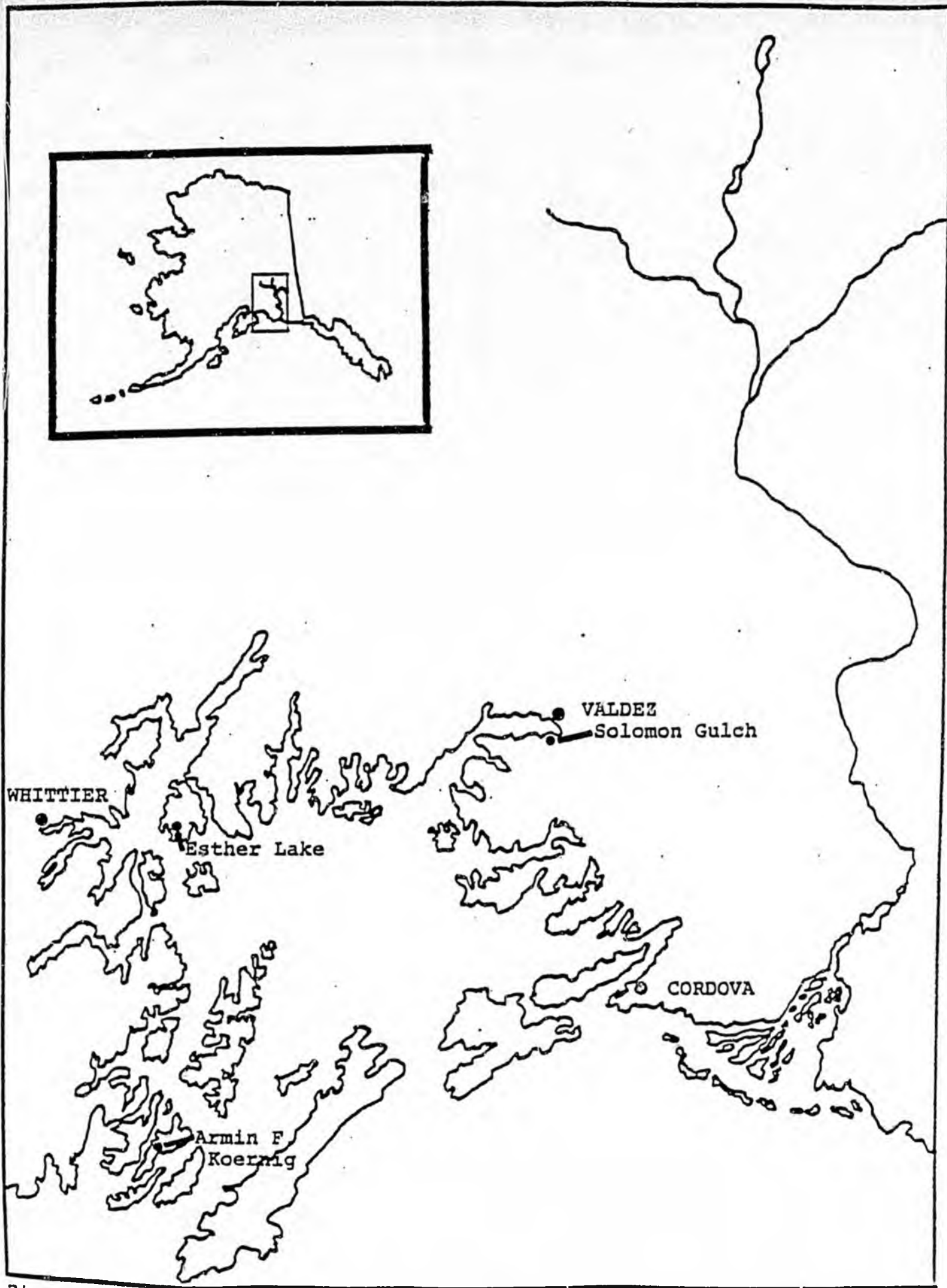


Figure 8. Locations of operational PNP hatcheries and remote release sites in Prince William Sound.

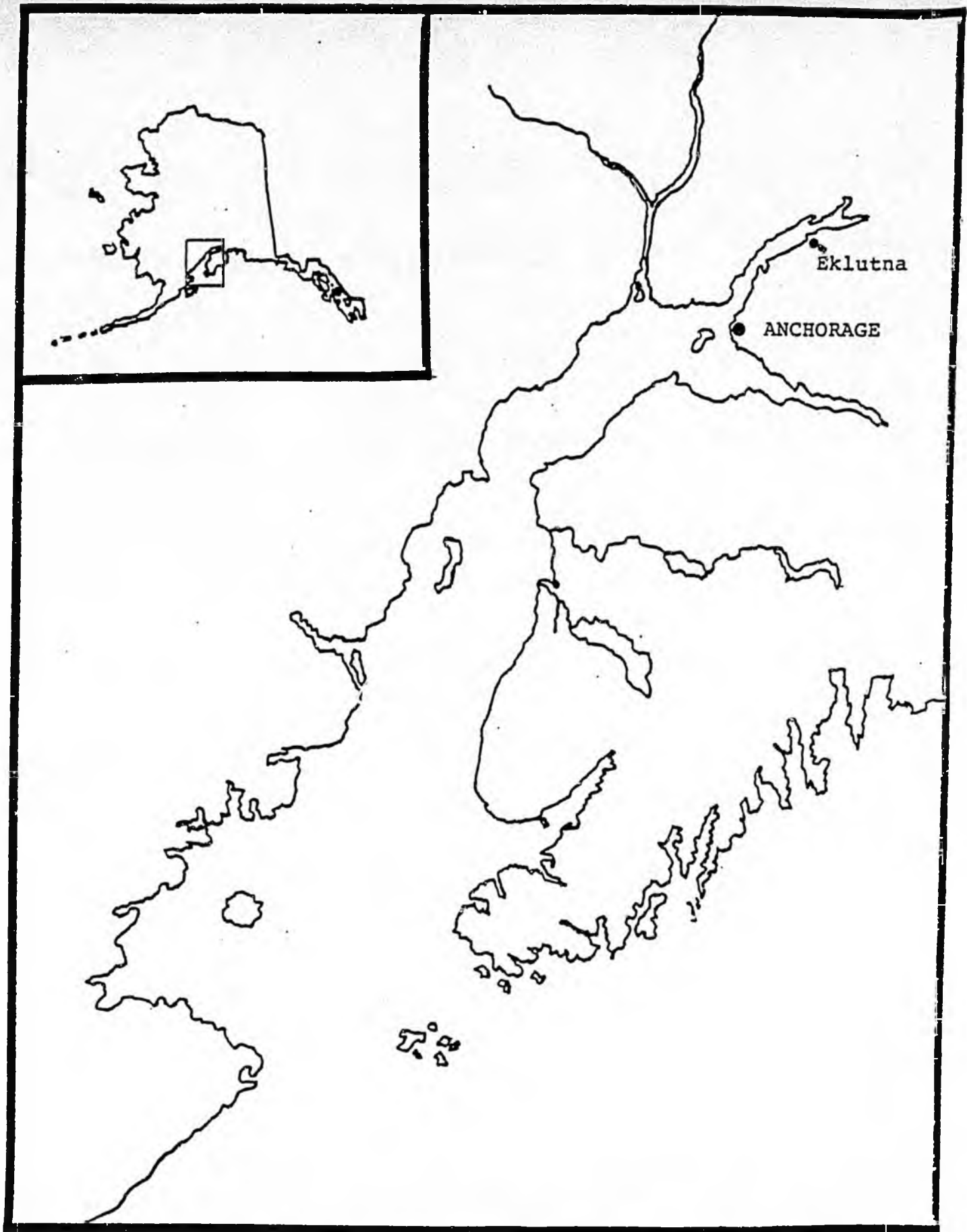


Figure 9. Location of operational PNP hatcheries in Cook Inlet.

salmon production also were made in 1987. Pink salmon egg takes increased by 293 million or 90% over 1986 levels as the Esther Lake, Solomon Gulch, and DIPAC facilities came up to capacity. Chum salmon egg takes increased by 53 million, or 29%, over 1986 levels; coho salmon egg takes increased by nearly 1.0 million, or 11%, over 1986 levels. Chinook salmon egg takes decreased for the first time in five years due to poor egg-take conditions in southeast Alaska.

Many PNP hatcheries are currently in the process of broodstock development and, consequently, have not reached their permitted capacities. Permitted capacities for PNP hatcheries now total over 1.26 billion eggs, an increase of over 129 million from 1986 levels (Table 16). Potential returns from statewide PNP hatchery-originated production at the 1.3 billion-egg level should exceed 20 million adults, assuming FRED standard assumptions of hatchery and marine survival. Exceptional marine survival, similar to that experienced during recent years, could boost adult production considerably over these estimates. Under the existing permits, approximately 52% of hatchery capacity is scheduled for pink salmon, 43% for chum salmon, and 5% for sockeye, coho, and chinook salmon.

For the 1988 season, projected returns to PNP facilities in southeast Alaska are expected to include approximately 43,000 chinook salmon, 240,000 coho salmon, 1,446,000 chum salmon, and 663,000 pink salmon, assuming standard survival conditions. Returns to PNP facilities in Prince William Sound are projected at 13,500,000 pink salmon, 343,000 chum salmon, and 14,500 coho salmon for 1988.

Significant hatchery special harvests are expected at the Armin F. Koernig, Esther Lake, Solomon Gulch, Sheldon Jackson College, Sheep Creek, Neets Bay, Port Armstrong, Burnett Inlet, and Medvejie Creek Hatcheries. Common-property terminal harvests by commercial gear groups are expected at the Neets Bay and Whitman Lake (Nakat Inlet, Carroll Inlet, and Earl West Cove) Hatcheries.

Annual Management Plans

The PNP regulations require that ADF&G prepare, in conjunction with PNP permit holders, an annual management plan (AMP) to guide hatchery operations for the succeeding calendar year.

AMPs will be developed for each state and PNP hatchery facility prior to the 1988 operating season. The AMPs will be reviewed by both the department and the RPTs before final approval by the Commissioner. The AMPs outline expected operational activities at each facility, including wild and hatchery egg takes, proposed fish and egg transports and releases, anticipated adult returns, anticipated impacts on the management of mixed-stock fisheries, and terminal-harvest management strategies. Also included are anticipated facility broodstock requirements and, in the case of PNP facilities, hatchery cost-recovery plans that identify legal

gear types for hatchery harvest and the number of fish required in order to meet capital and operating expenses.