

S B

4 10

SENATE COMMITTEE REPORT

FIRST COMMITTEE OF REFERRAL

Date of 2-17 5-DAY NOTICE
IN ACCORDANCE WITH UNIFORM RULE 23

FURTHER:

**FISCAL NOTE(S) ATTACHED **
IN ACCORDANCE WITH AS 24.08.035
(see below)

2/10/88

DATE TURNED INTO OFFICE _____

Mr. President:

Resources _____ Committee considered SB 410
operation of state hatcheries; efd.

and recommended:

replace with CS 38410(res) same title
 attached amendment(s) and new title

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

letter of intent adopted and attached

** Committee attached or adopted fiscal note(s)
 zero fiscal impact

MEMBERS SIGNING DO PASS

Paul F. Stanoff
William D. Sullivan

OTHER RECOMMENDATIONS

John ... - no Rec

Paul F. Stanoff (Do Pass)
Chairman signature and recommendation

Committee Backup Attached

STATE OF ALASKA
THE LEGISLATURE

POUCH Y STATE CAPITOL
JUNEAU, ALASKA 99811
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

M E M O R A N D U M

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

Cowper authorized the filing of a lawsuit against the National Park Service. At issue are regulations for the use and construction of cabins and other structures within Alaskan national park units. This lawsuit represents the first time that the State has brought suit over any aspect of the implementation of ANILCA and clearly signals a desire to protect the rights of Alaskan citizens' who own and use cabins within the national park system in Alaska.

THE ROLE OF OMBUDSMAN

Another role which the Commission fulfills is that of ombudsman for those citizens who may have a problem or complaint against a federal agency. The Commission can act as an intermediary between a citizen and a federal agency or manager and has, in many instances, been able to help resolve problems. The Commission has also helped agencies to avoid future problems by identifying inconsistencies and potential conflicts during the preparation of management plans.

Membership

The commission is composed of sixteen members, eight appointed by the Governor, four by the President of the Senate, and four by the Speaker of the House. Senators Fahrenkamp and Halford and Representatives Wallis and Goll serve on the commission.

Conclusion

Reauthorization of the Commission will continue to provide the citizens of Alaska with a strong advocate for their right to continue their customary and traditional uses of the federal lands in Alaska and with a "watchdog" agency to guard against erosion of those rights.

A fiscal note of \$150.0 for FY 90 is attached. The commission employs two fulltime employees.

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 12.6 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

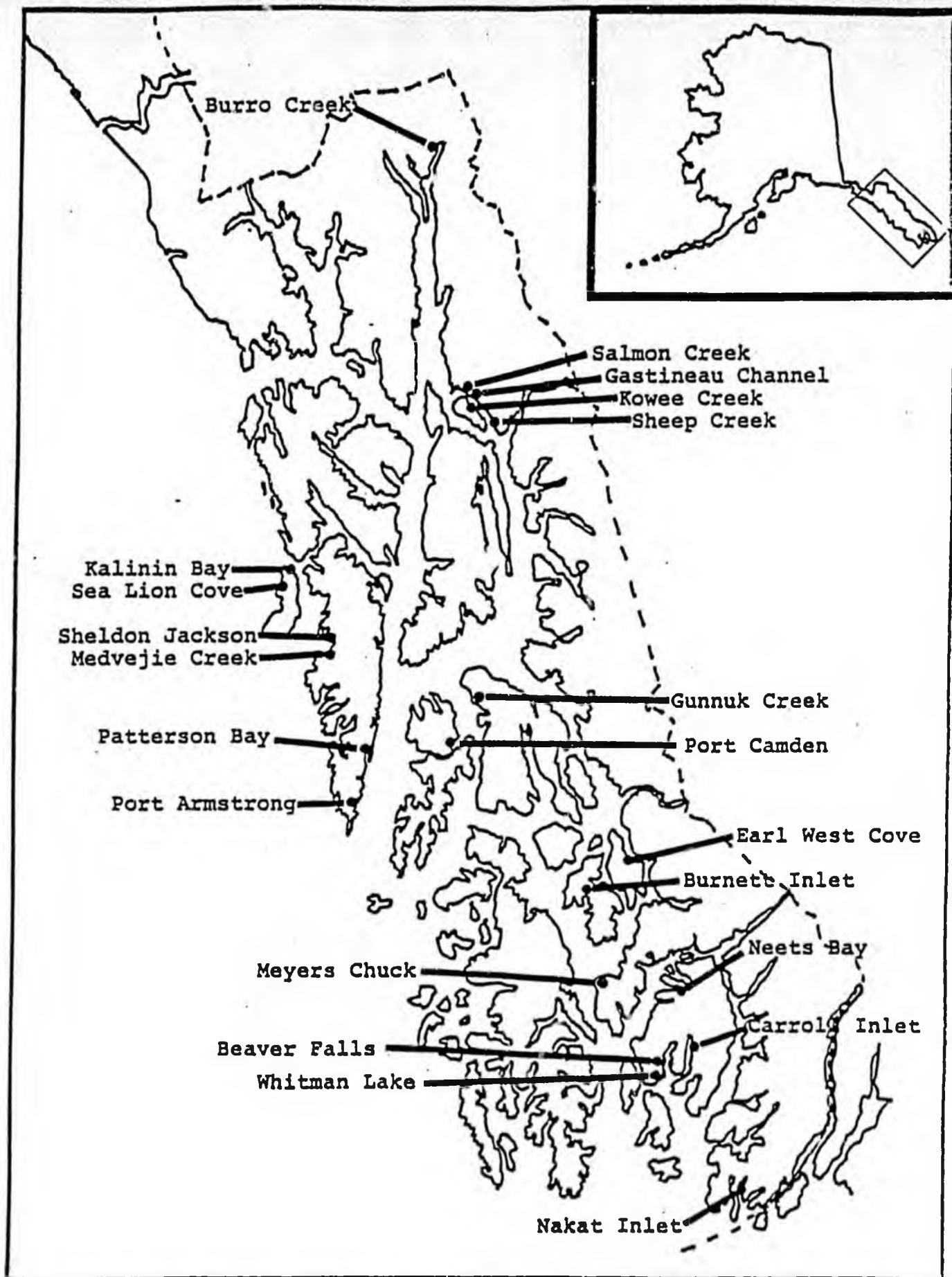


Figure 7. Locations of operational PNP hatcheries and remote release sites in southeast Alaska.

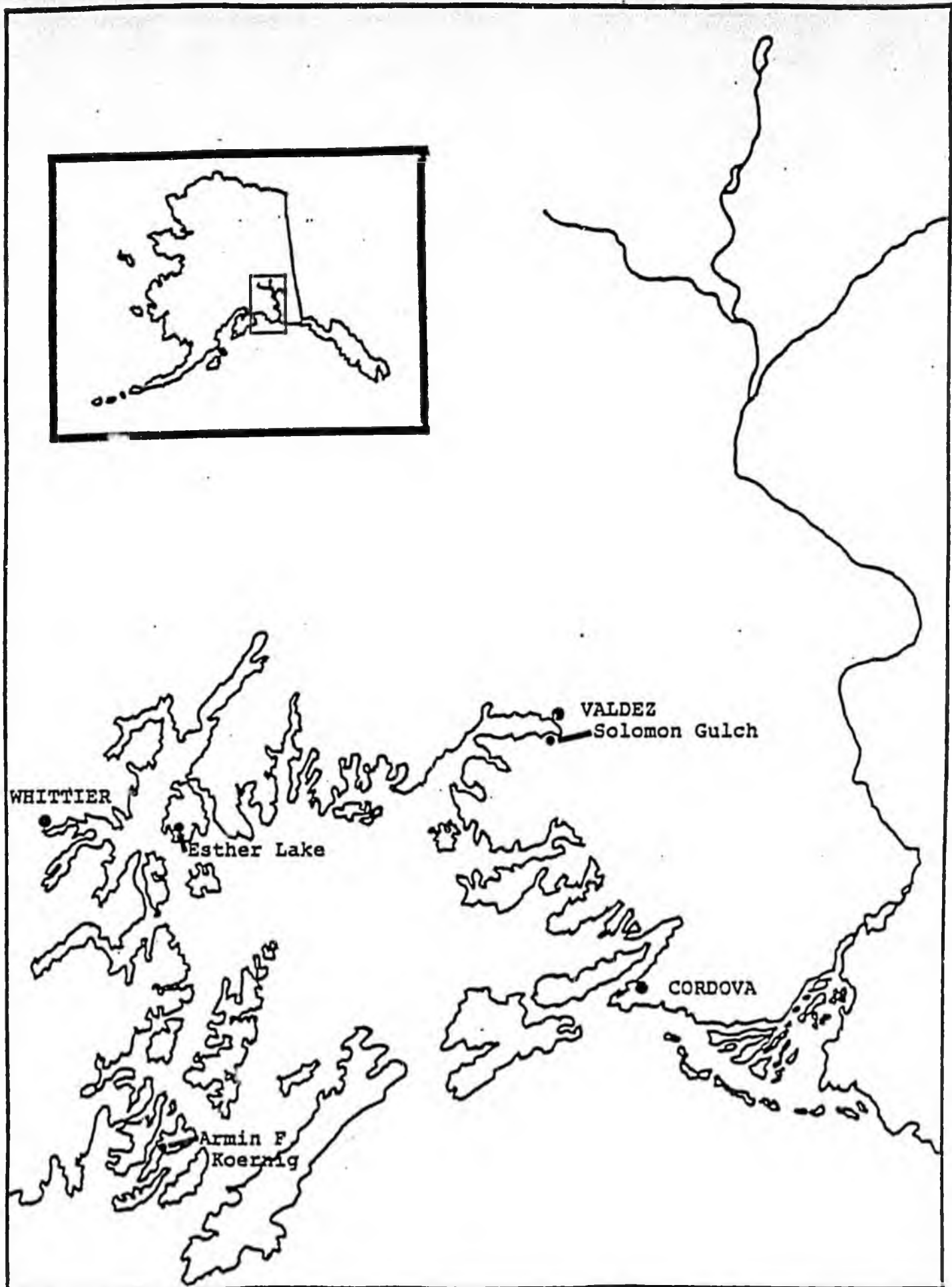


Figure 8. Locations of operational PNP hatcheries and remote release sites in Prince William Sound.

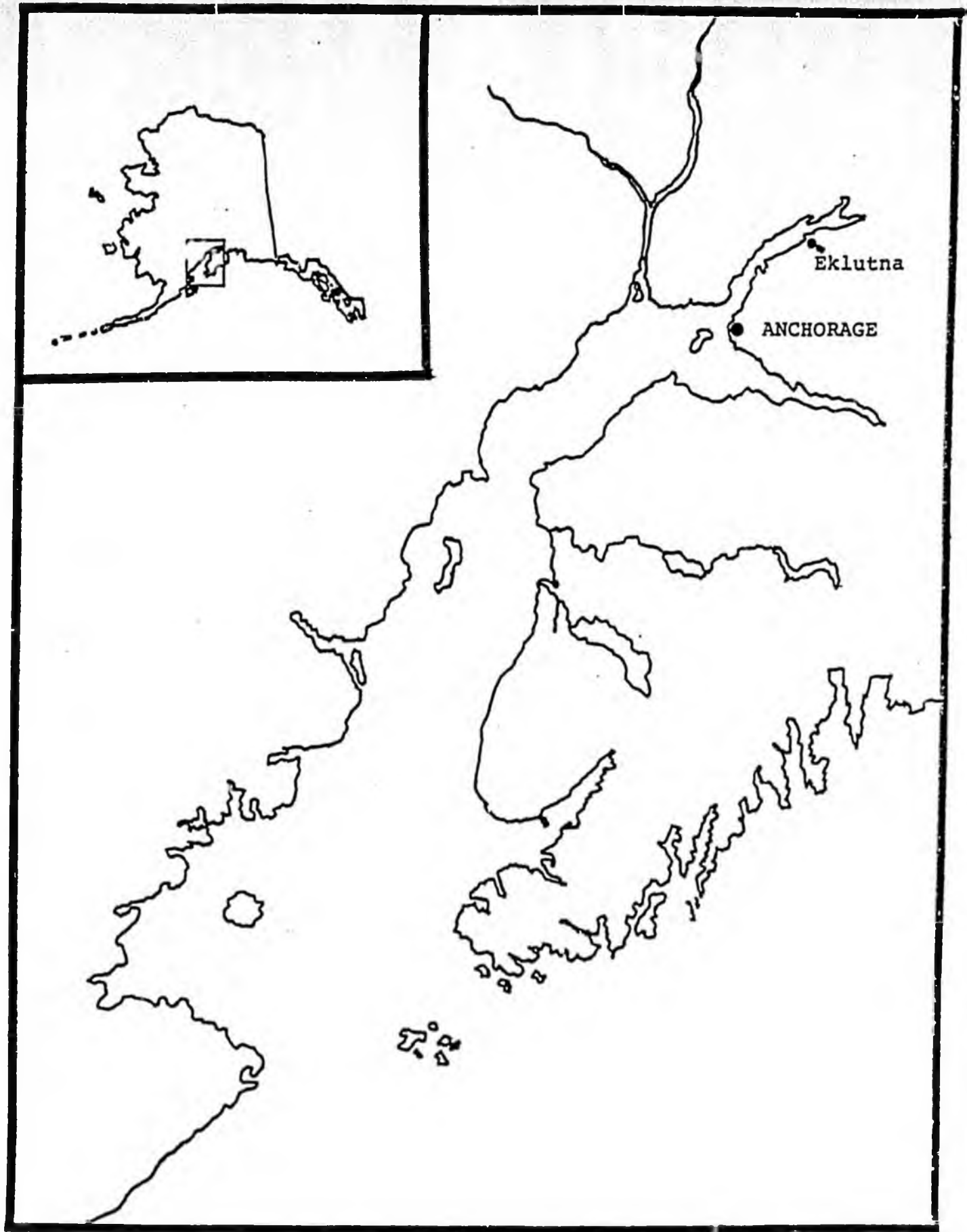


Figure 9. Location of operational PNP hatcheries in Cook Inlet.

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 PNF 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.

**EXECUTIVE SUMMARY OF
1988 REPORT TO THE ALASKA STATE LEGISLATURE
ON THE FUNDING OF THE FISHERY ENHANCEMENT PROGRAM**

**E
X
E
C
U
T
I
V
E**

**S
U
M
M
A
R
Y**

FRED DIVISION

FRED 1988 Report To The Alaska State Legislature On The Funding Of The Fishery Enhancement Program

Brian J. Allee, Ph.D. Director

By the end of the 1987 Alaska legislative session, lawmakers and fishermen became aware that the budget allocation for the Fisheries Rehabilitation, Enhancement and Development (FRED) Division would reduce funding for the public hatchery program (Figure 1), and result in the shut down of several facilities. To avoid the considerable economic dislocation that would result from such a major reduction in the ocean-ranching program, emergency-funding mechanisms were explored through a cooperative effort between the Legislature, FRED Division, and the regional aquaculture associations. The Legislature de-

veloped intent language in the FY 88 ADF&G budget to encourage this cooperative effort and explore a broad range of innovative funding techniques for the fishery enhancement program.

BACKGROUND

Since the early 1900s, the dependence of salmon on favorable environmental conditions has led to dramatic fluctuations in fishing har-

vests that have produced an economically unstable fishing industry. The bust portion of this "boom-and-bust" cycle that brought total salmon harvests to less than 30 million fish could be repeated in the future (Figure 2).

In 1987, Alaskan hatcheries took over 1.3 billion Pacific salmon eggs and over 10 million trout eggs. This makes Alaska's salmon

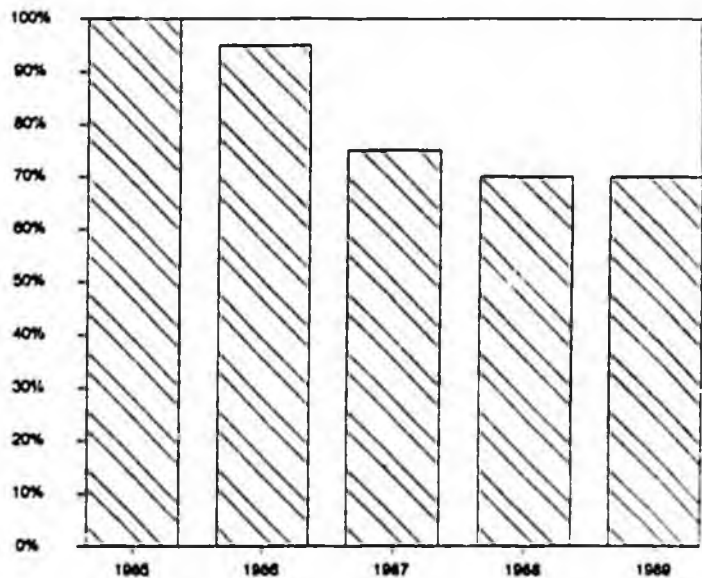


Figure 1. Decrease in General Fund to FRED Division. Percent of FY 1985 Budget. Adjusted for Inflation.

ocean-ranching program the largest in North America, approximately one-half the size of Japan's program, and approaching the size of the Russian program. The sockeye salmon enhancement program in Alaska is the largest and most technologically advanced; over 100 million eggs were taken in FY 1988.

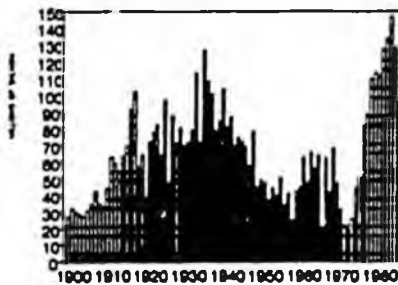


Figure 2. Alaska commercial salmon harvest from 1900 to 1987.

The fishery enhancement program in Alaska has been a tremendous biological success. In some years the number of harvested salmon resulting from Alaskan fishery enhancement has exceeded both the natural and enhanced catch produced by the State of Washington, which is the nation's second-largest salmon producer after Alaska. The combined state and PNP catch estimates equal approximately 26 million salmon in 1987 (Figure 3). This production represents roughly 20% of the total Alaska salmon harvests. Partially obscured by these numbers is the fact that

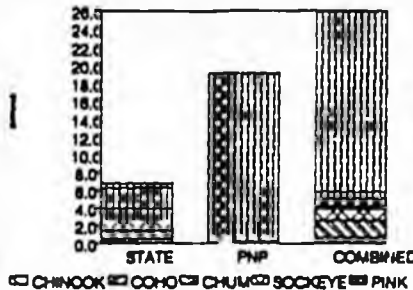


Figure 3. Alaska hatchery salmon returns in FY 1988.

the FRED facilities have focused on production of fewer, high valued species and the PNP facilities have focused on producing larger numbers of lower valued species.

In FY 89 more than 600 million salmon, steelhead, and trout eggs will be taken at state-owned hatcheries. The number of salmon eggs taken by species are shown in Figure 4. This production level will result in approximately 11 million harvested adults in the commercial fishery (Figure 5). Substantial harvests will occur in the recreational fishery also.

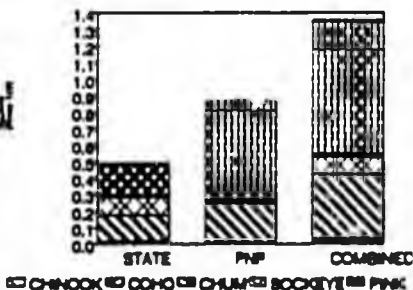


Figure 4. Alaska hatchery salmon egg takes for FY 1989.

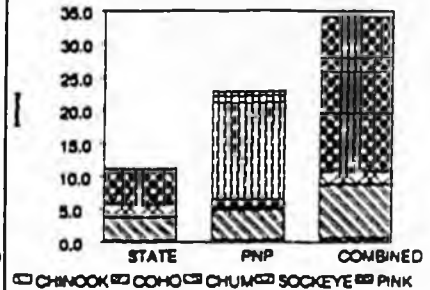


Figure 5. Projected commercial harvests from salmon egg takes in FY 1989.

The PNP salmon catch estimates for returning adults from fiscal year 1989 egg takes equal approximately 23 million. Total projected revenues to fishermen re-emphasize the trend toward higher valued species in the FRED hatchery program (Figure 6).

Currently, Alaska's ocean-ranching program is in a funding crisis. Budget cuts account for a 25% reduction in FRED Division's portion of the general fund since FY 85; in inflation-adjusted terms, FRED funding has been reduced by over 30% since FY 85.

The irony of this crisis is that with the exception of the enhancement program, few other general and capital operating budget expenditures, available to Alaska are able to improve the level of economic activity in the state, by expanding the output of the economy. In this

Gross Revenues For Alaskan Hatcheries from 1988 Egg Takes

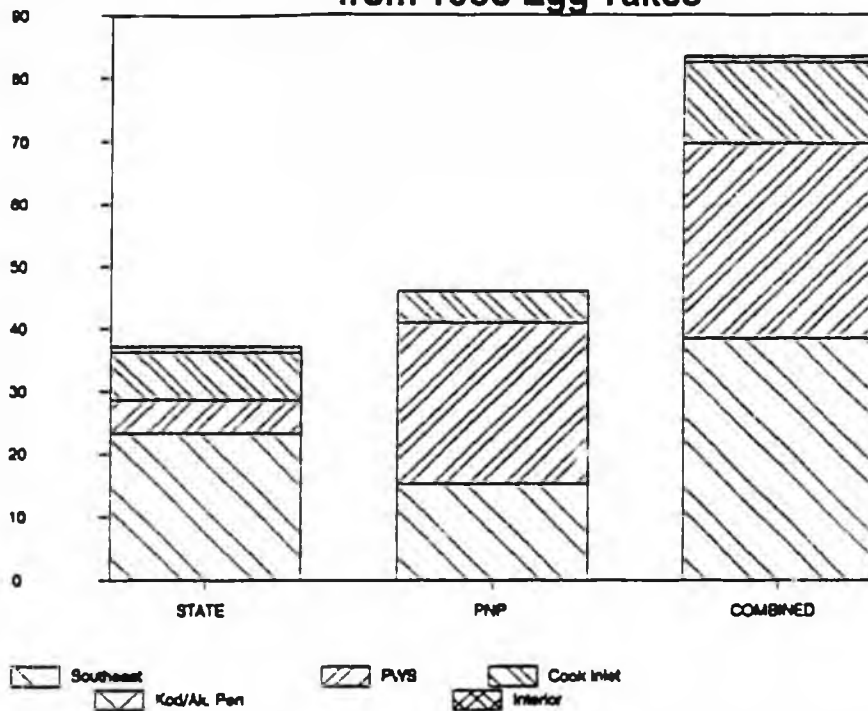


Figure 6. Projected commercial fishery revenue for hatcheries from eggs taken in FY 1989 in millions of dollars.

regard, salmon enhancement is very attractive because it offers impressive net benefits and impacts in the salmon industry and throughout the regional economies of Alaska.

In the commercial fishery, the net benefits, or profits from these projects, first accrue to the fishermen who own limited entry permits; however, the impacts of the program ripple through the general state economy. The net benefits of the commercial fishery portion of the statewide program are approximately \$90 million. This

results in an overall benefit-cost ratio of 1.4:1. This means that \$1.40 in fish values will be generated for each \$1.00 expended. Alaskans in almost all regions of the state realize increases in personal income in not only the fishing sector, but also the fish processing sector, government sector, and through service, wholesale and retail trade sectors. The impacts in terms of personal income to resident Alaskans are greater than the dollar-for-dollar impacts of typical state expenditures from the general fund, capital projects, and the permanent

fund disbursements. The FY 89 budget proposed by FRED Division would generate approximately \$35 million in resident income to Alaskans as well as 1,040 jobs. The analysis of the PNP enhancement program impacts resulting from brood year 1988 are preliminary at this time; however, preliminary estimates project approximately \$40 million in resident income and 1,100 Alaskan jobs. This economic impact analysis has been generated by a model designed by The Institute of Social and Economic Research (ISER) at the University of Alaska in Anchorage.

CONCLUSIONS

There was a clear consensus among fishermen and in the work group at large that the FRED Division should receive full funding for hatcheries from the general fund as a first priority. Most work group members acknowledged that this was the most secure way of continuing the economic net benefits of enhancement projects.

A key issue in the funding discussions was whether primary users should pay a greater share of fishery enhancement costs than now.

Fishermen groups were unanimously opposed to tax and license fees that might increase their contribution to the state treasury for fishery enhancement. The regional association representatives and fishing leaders have pointed out that existing tax revenues from the fishing industry are already large and approximately offset general fund expenditures for fishery management and enhancement. Fishermen also assert that they are large contributors to the general fund, and there should not be additional fees imposed on them. The fishing leaders explain that any additional costs of fishing may impose

financial hardships on a fleet already burdened with many costs.

The second view presented to the work group states that the salmon fishery is a common property fishery that belongs in part to all Alaskans. As with the royalty oil taxes, the residents of Alaska have a right to collect rents to the state treasury that are equal to or in excess of the amount required to manage and enhance the fishery or to find other methods of sharing costs of enhancement among the primary beneficiaries.

These are difficult issues for Alaska to sort out. It is not the intent of the FRED Division or this report to suggest which view is appropriate. The Legislature has to determine the social and economic goals it wishes to achieve with fishery enhancement. Many of the state-owned facilities were created to produce broadly distributed benefits. As such, it is difficult to find a voluntary method to shift the funding burden to a specific interest group without changing the goals and or the beneficiaries of the hatchery production. Also, the availability of funding for statewide enhancement as well as the net benefits from the state fishery enhance-

ment program could be dramatically effected by legislative action on user financing. If the legislature should choose to go forward with professional service contracts or other funding mechanisms the timing for the approach will be critical. This is because a phased reduction of the General Fund would have to be accompanied by appropriate legislation to avoid a major discontinuity of the economic benefits of hatchery production.

In the absence of full funding for the projects, the division's short term and incremental approach to future funding is the FY 89 proposed budget strategy of contracting operation of selected state hatcheries to the private non-profit sector.

The concept of contractual agreements in the FY 89 budget represents a significant shift toward a greater user participation in hatchery funding and hatchery decision making. They allow for greater user participation in financing in return for considerable additions in future harvests, net benefits to fishermen, and personal income and employment in Alaska's economy. These benefits derive from reprogramming funds that would otherwise

be spent to operate conventional, commercial fish production hatcheries. None of the parties involved in the many user group meetings opposed the use of contracting out hatcheries to the regional aquaculture associations as a short-term solution.

Since the contracts for state hatchery operation are innovative, legal or administrative obstacles may delay or stop the process. The fishing industry and the entire state economy would suffer both short- and long-term losses if the targeted hatcheries were shut down or other FRED programs were put in "mothball" status. Perhaps the Legislature could suggest other solutions to avoid these losses, such as an exemption from the new

procurement code or an amendment to the PNP statutes.

Fulfilling the requirements of the FY88 (SLA 87) legislative intent has been a highly interactive and revealing process for all participants. On one hand, the interacting with varied interests in the work group as well as developing the analytical information, has allowed us to examine funding methods open to government. On the other hand, it has shown us that implementation of effective and innovative funding methods must be incremental in nature and will require patience and cooperation of government, user groups, and the Legislature. In the final analysis, it may be possible in FY 89 and, perhaps, FY 90 to promote increased user par-

ticipation in funding fishery enhancement. Other measures have been taken to reduce FRED Division's dependence on the general fund and generate program receipts. However, in the short term, there remain no other legal and politically acceptable quick fixes that would result in larger scale reductions in FRED's operating budget without significant reductions in enhanced salmon production and considerable dislocation in the general economy.

The FRED Division believes this report should not be the end point for the funding investigation process. The division intends to continue the work group effort in designing longer term solutions.

**EXECUTIVE SUMMARY OF
FRED DIVISION ANNUAL REPORT FOR 1987**

E X E C U T I V E
S U M M A R Y

FRED DIVISION

FRED DIVISION ANNUAL REPORT FOR 1987

The Fisheries Rehabilitation, Enhancement, and Development Division (FRED) of the Alaska Department of Fish and Game came into being through legislation enacted in 1971. Its purpose is to sustain and enhance Alaskan fisheries through the development and application of technologies in supplemental production and natural stock rehabilitation. It is the major component of the state's salmon enhancement program. FRED provides many services to the state's fisheries programs through its operation of 19 hatcheries and four laboratories, its complement of technical specialists and its administration of the regional aquaculture associations. FRED is closely associated

with the Private Non-Profit (PNP) program in Alaska through its regulatory functions, its technical assistance, and its many cooperative ventures with various groups comprising the program.

Salmon production programs of both state and PNP operations are growing and contributing significantly to the fisheries and the economy of the state (Table 1). In 1987, the salmon enhance-

ment program in Alaska (see map) produced almost 26 million adults, continuing a sweeping upward trend in production (Figure 1). FRED projects produced 6.8 million salmon plus over a half million trout, char, and grayling. Of the salmon produced, approximately 78% were harvested in non-property fisheries statewide. All of the non-salmon production was harvested in the sport fishery. Of the salmon pro-

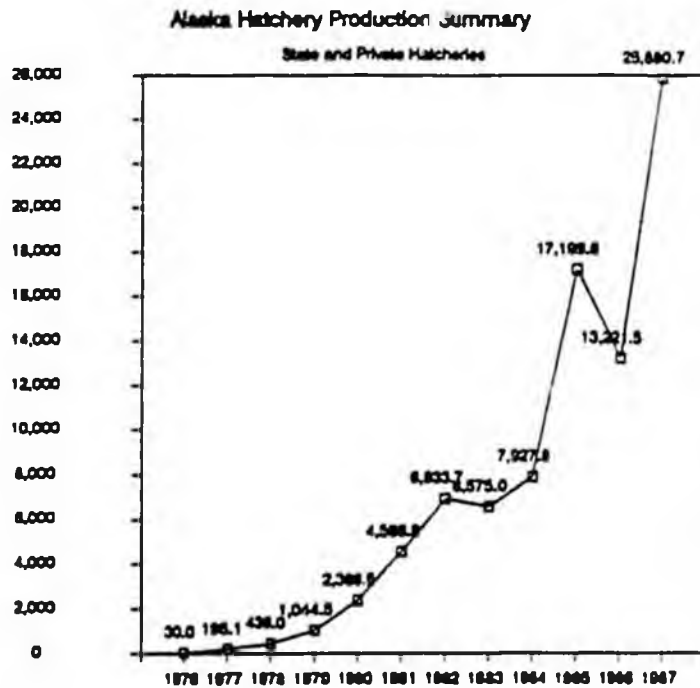


Figure 1. Alaska hatchery production in thousands of adult salmon.

duced at FRED Hatcheries in 1987, approximately 61% were pink salmon, with diminishing percentages of sockeye, chum, coho, and chinook salmon in that order. Individual PNP operators reported that their hatchery programs produced 19 million salmon. Of those salmon produced, approximately 22% were harvested in special harvests and 70% in common property harvests. PNP operators report that 94% of their production was pink salmon with diminishing percentages of chum, coho, and chinook salmon in that order. Releases and egg takes were also up in the Alaskan enhancement programs in 1987. Approximately 1.3 billion salmon eggs were taken by Alaskan hatcheries with an additional 10 million non-salmon eggs taken by FRED facilities. Almost 840 million salmon juveniles were released from state and PNP facilities in 1987 and 10 million non-salmon juveniles were released from Fred facilities.

Returns to FRED facilities in 1988 are projected to be over 7 million fish. This is about one million less than the projections for 1987, but about the same number that actually returned in 1987. The lower projection is largely due to: changing emphasis

from pink and chum salmon to coho, sockeye, and chinook salmon; effects of decreasing funding; and severe climatic conditions that have potentially affected certain pink and coho salmon runs.

Significant progress is being made in many areas of the Alaskan salmon enhancement program. Of the 26 million fish produced, approximately 18.8 million were harvested in the common property fisheries in 1987. This represents approximately 20% of the total statewide harvest in a year in which harvests of many natural stocks were down. The primary objective of enhancement production is to lessen the effect of lows in natural production. The 1987 harvest was the lowest in 8 years. Without production it would have been approximately 75 million fish instead of the 94 million that were harvested. Significant progress is also seen in chinook salmon production. The hatchery add-on to the quota of chinook salmon allowed by the U.S./ Canada Pacific Salmon Treaty was 16,000 fish -approximately 6% of the quota.

In other areas of progress, FRED is continuing its world technology leadership posi-

tion by developing sockeye salmon hatchery techniques for rearing sockeye salmon to the smolt stage in fresh water. This has never been done before. The number of sockeye salmon eggs taken, (100 million) the increasing hatchery technology, and the lake stocking and enrichment activities undertaken by FRED put it at the forefront of sockeye salmon production in the world. The coded-wire-tag (CWT) lab operated by FRED is a model of efficiency in CWT retrieval and data processing. It has hosted visitors from many areas of the Pacific northwest who are interested in emulating the successes attained by this lab in decoding tags, information storage, and dissemination of timely, accurate reports of CWT information. The FRED pathology section opened a second laboratory to better serve the salmon enhancement program, as well as other Alaskan fishery and mariculture operations.

The new lab is in Juneau and will primarily serve the southeast Alaska area. During 1987, the FRED fish pathology staff set in place a statewide infectious hematopoietic necrosis virus (IHNV) control, monitoring, and evaluation program. FRED personnel are actively in-

volved in the recently legislated shellfish mariculture program with major feasibility studies in the Kodiak and Sitka area. Shellfish permitting and regulation activities are a part of the FRED PNP Program.

The FRED Limnology Laboratory processed over 30,000 individual water and zooplankton samples and contributed greatly to a lake fertilization program in which state, federal, and private agencies cooperated.

FRED biological staff continued evaluations of Alaska Dry Pellet (ADF), a diet designed for Alaskan salmon culture and made in Alaska. Latest results are generally excellent.

In 1987, fish hatcheries and other enhancement activities of FRED and the PNP hatchery system have been the subject of economic studies designed to ensure maximal social and economic benefits from the state's investment.

A study conducted in 1984 for the Governor's Mini-cabinet on Fisheries predicts that the statewide enhancement program will generate benefits in excess of costs in the amount of \$90 million to the Alaskan economy for just the

commercial fishery portion of the program.

A recent study utilizing an economic impact model developed by the Institute of Social and Economic Research at the University of Alaska in Anchorage suggests that the economic impact on resident income for the public and PNP program for the FY89 budget will be \$75 million in resident personal income and over 2,000 resident jobs. These impacts result from fishing industry expenditures, government expenditures, and related spending in the rest of the economy. The studies have attempted to quantify the economic impacts of the salmon ranching program to the economy, but economic impacts of the recreational fishery are not available at this time. This work will be completed in early 1988. Thus, current estimates of personal income and employment for Fisheries Enhancement in Alaska are underestimated at this time.

1987 was a year of change and budget reduction for FRED. Under a new director, the division underwent a reorganization to bring about clarity of purpose and greater operating efficiency. Several FRED hatcheries were operated with help and

cooperation from regional aquaculture associations and fishermen groups. Serious attempts at generating new and innovative funding strategies, based upon legislative intent, met with varying levels of success. FRED led an effort to analyze the statewide enhancement program with the specific goal of defining potential short and long term funding strategies for state facilities. A short term operating plan was designed for the FY89 budget which involves contracting the operation of four FRED hatcheries to private non-profit operators. In all its activities, FRED is committed to reaching the full potential of fisheries enhancement which will support the economic and social integrity of Alaskan communities.

ALASKAN HATCHERIES

STATE AND PRIVATE

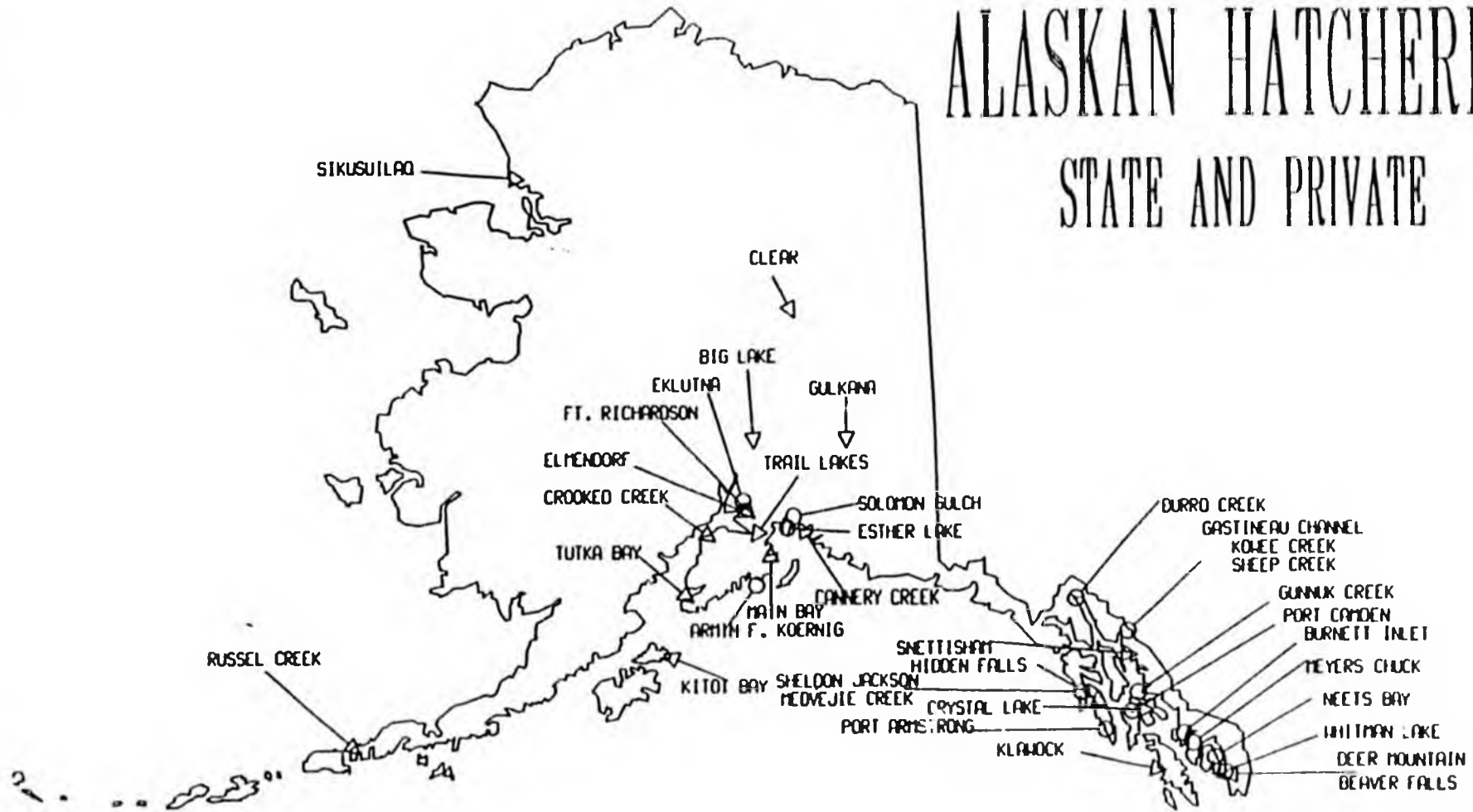
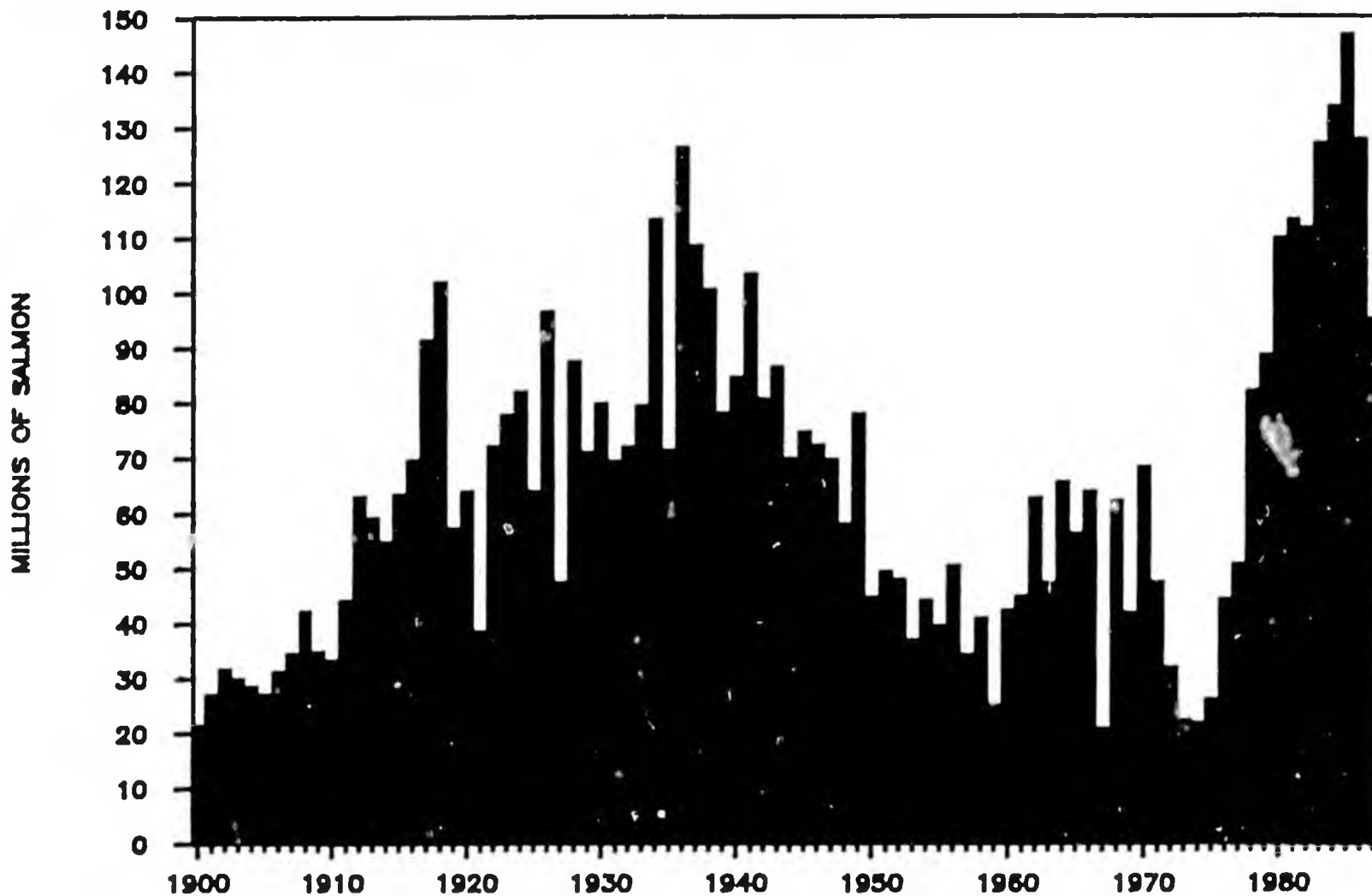


Table 1
ALASKA PRODUCTION SUMMARY 1982-87
STATE AND PNP FACILITIES

	STATE CHINOOK	COHO	CHUM	PINK	SOCKEYE	TOTAL
1982	7,935	47,896	97,366	1,389,029	51,070	1,593,296
1983	13,420	22,340	152,800	1,864,800	226,000	2,279,360
1984	17,950	58,550	777,980	1,941,000	368,300	3,163,780
1985	20,434	130,956	863,859	7,312,900	765,000	9,093,149
1986	22,467	321,856	1,179,615	2,630,220	1,163,850	5,318,008
1987	69,624	393,707	974,946	4,037,212	1,308,290	6,783,779
PNP						
1982	3,500	61,709	22,459	5,259,208	0	5,346,876
1983	872	71,781	126,783	4,086,552	0	4,285,988
1984	3,656	121,112	1,001,449	3,637,927	0	4,764,144
1985	8,181	168,427	525,088	7,404,789	0	8,106,485
1986	11,156	344,749	779,637	6,767,984	0	7,903,526
1987	8,643	169,149	955,294	17,963,785	0	19,096,871
COMBINED						
1982	11,435	109,605	119,825	6,648,237	51,070	6,940,172
1983	14,292	94,121	279,583	5,951,352	226,000	6,565,348
1984	21,606	179,662	1,779,429	5,578,927	368,300	7,927,924
1985	28,615	299,383	1,388,947	14,717,689	765,000	17,199,634
1986	33,623	666,605	1,959,252	9,398,204	1,163,850	13,221,534
1987	78,267	562,856	1,930,240	22,000,997	1,308,290	25,880,650

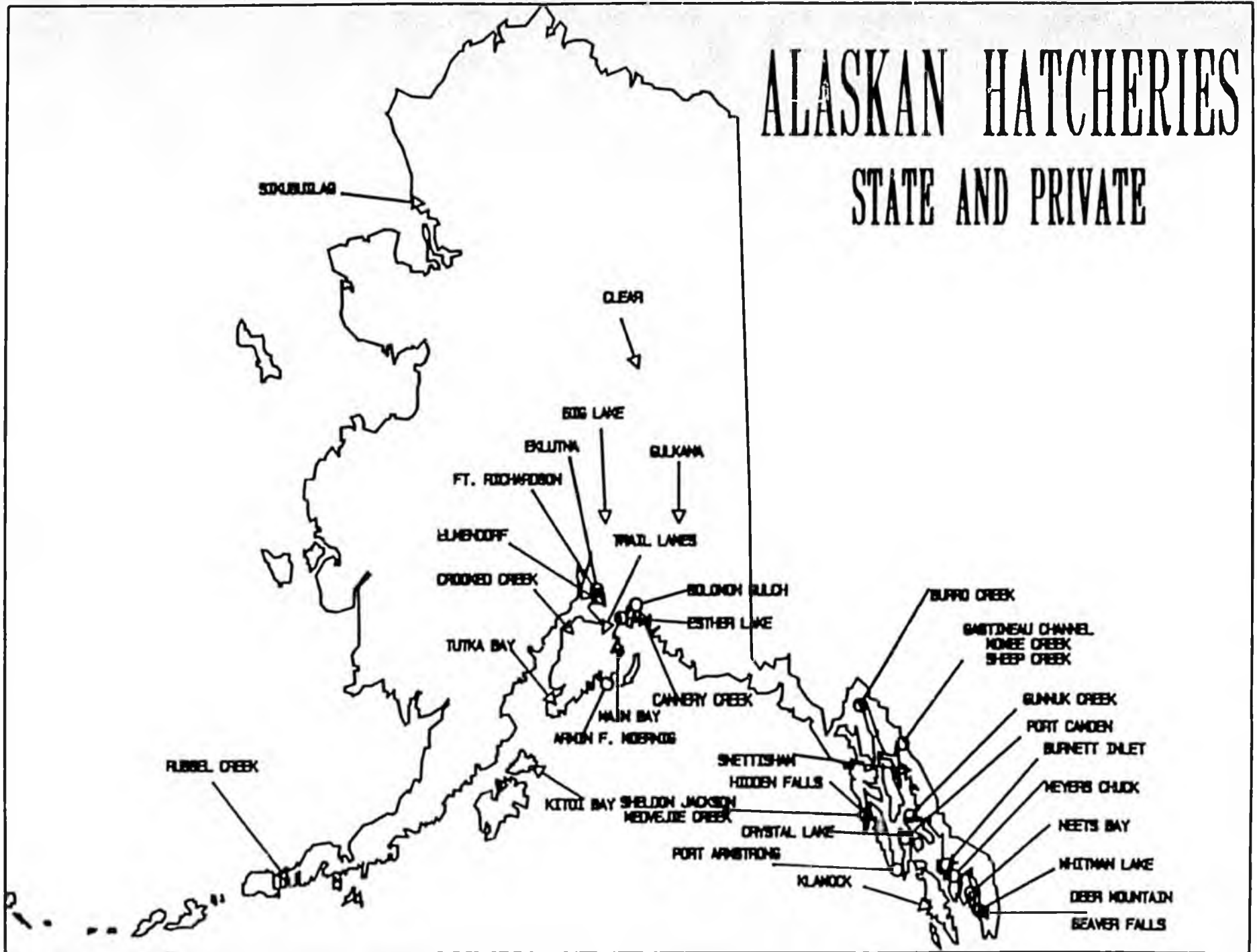
PRODUCTION FIGURES

ALASKA COMMERCIAL SALMON HARVEST



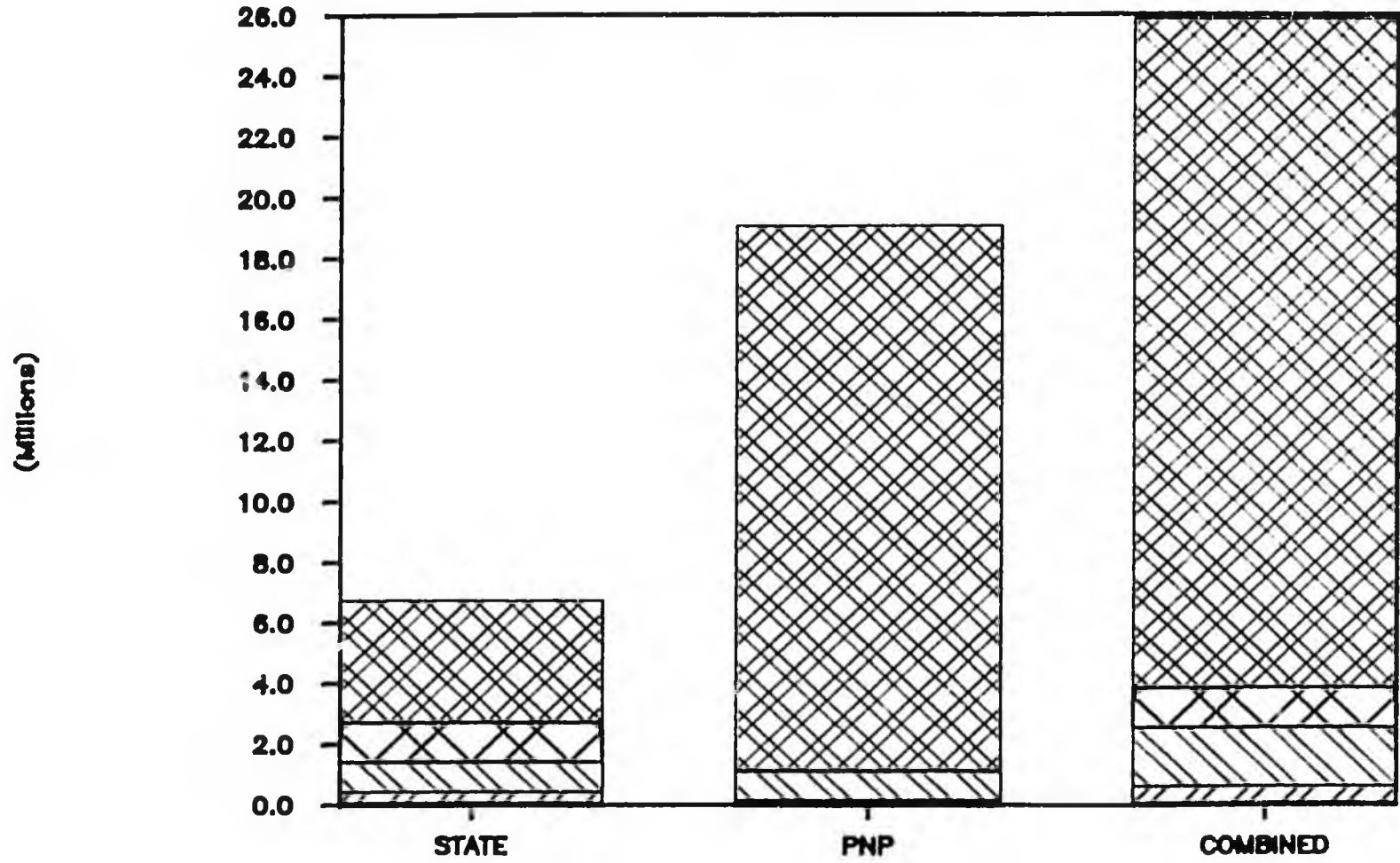
ALASKAN HATCHERIES

STATE AND PRIVATE



ALASKAN HATCHERY RETURNS 1987

SALMON



CHINOOK

COHO

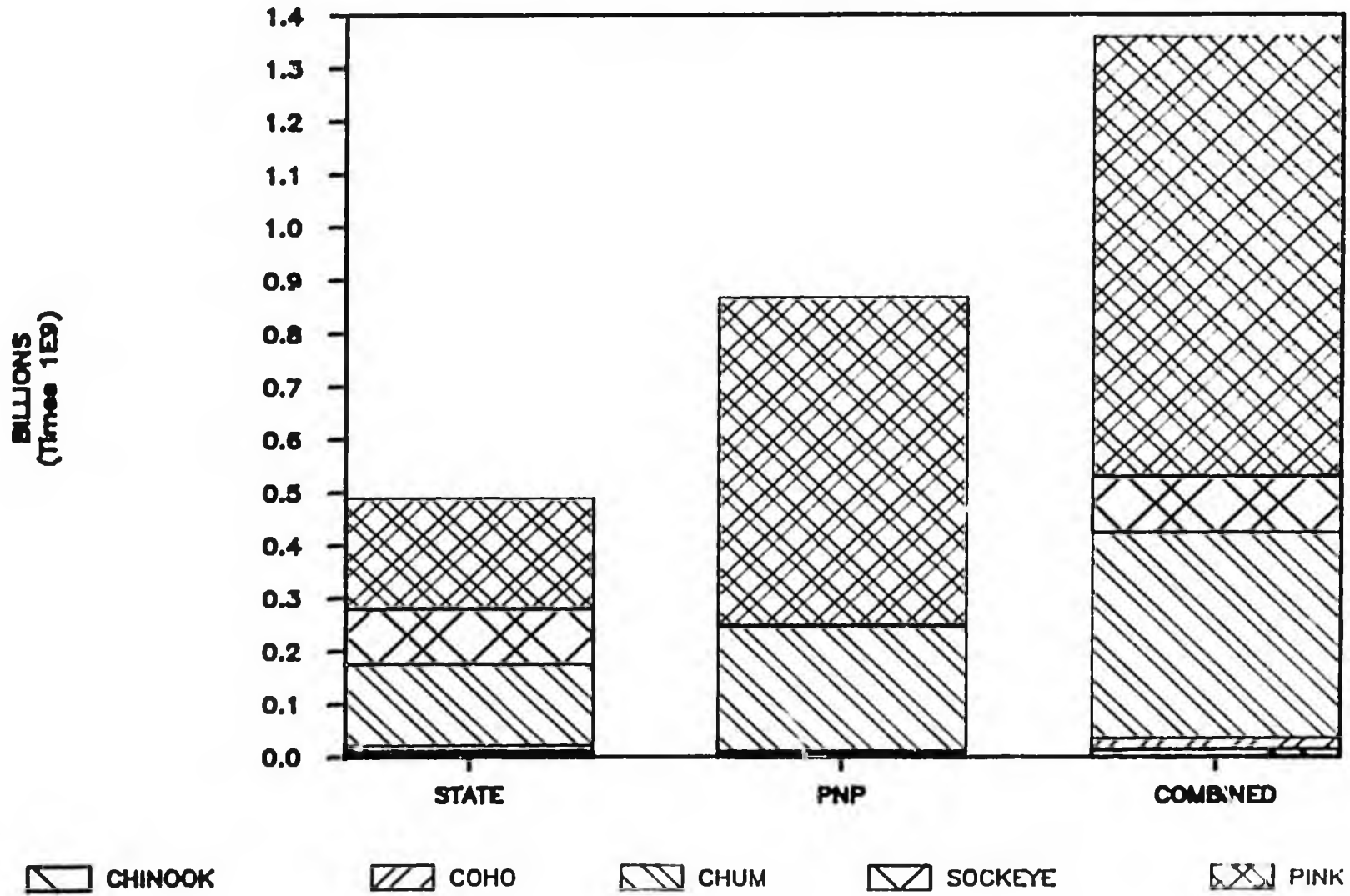
CHUM

SOCKEYE

PINK

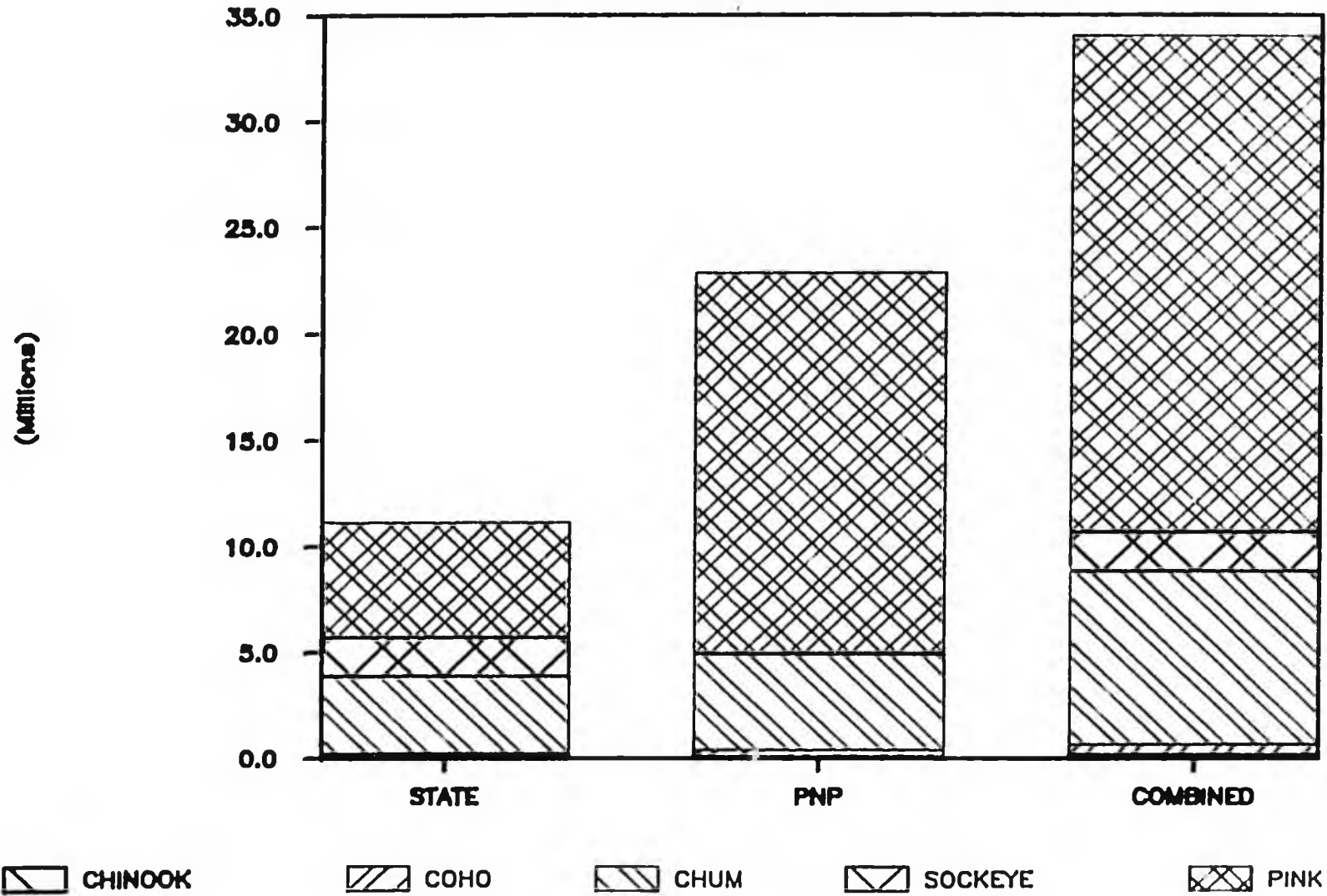
ALASKAN HATCHERY EGGTAKES 1987

SALMON



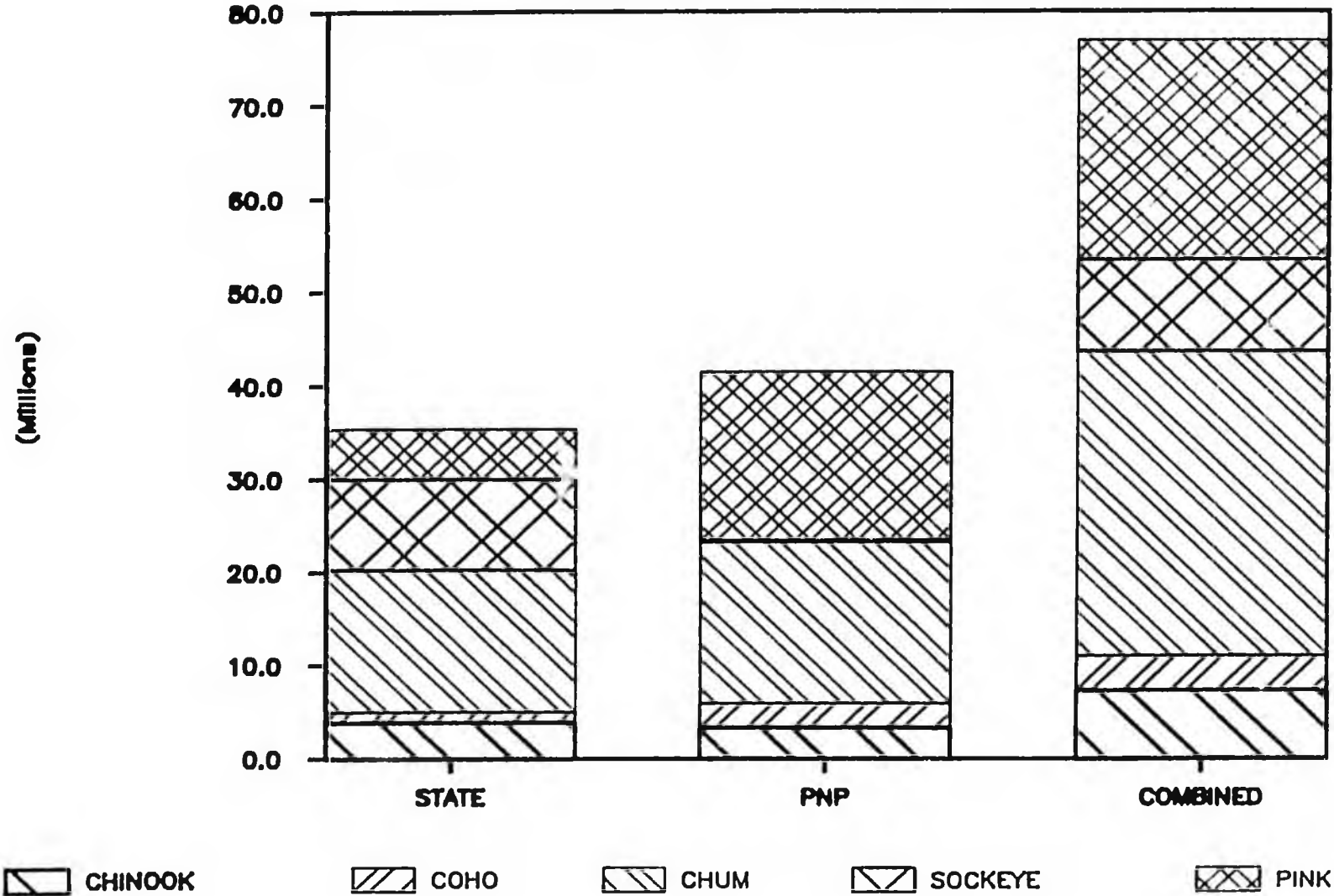
ALASKA STATE AND PNP HATCHERY PROGRAMS

PROJECTED HARVEST FROM FY89 PRODUCTION

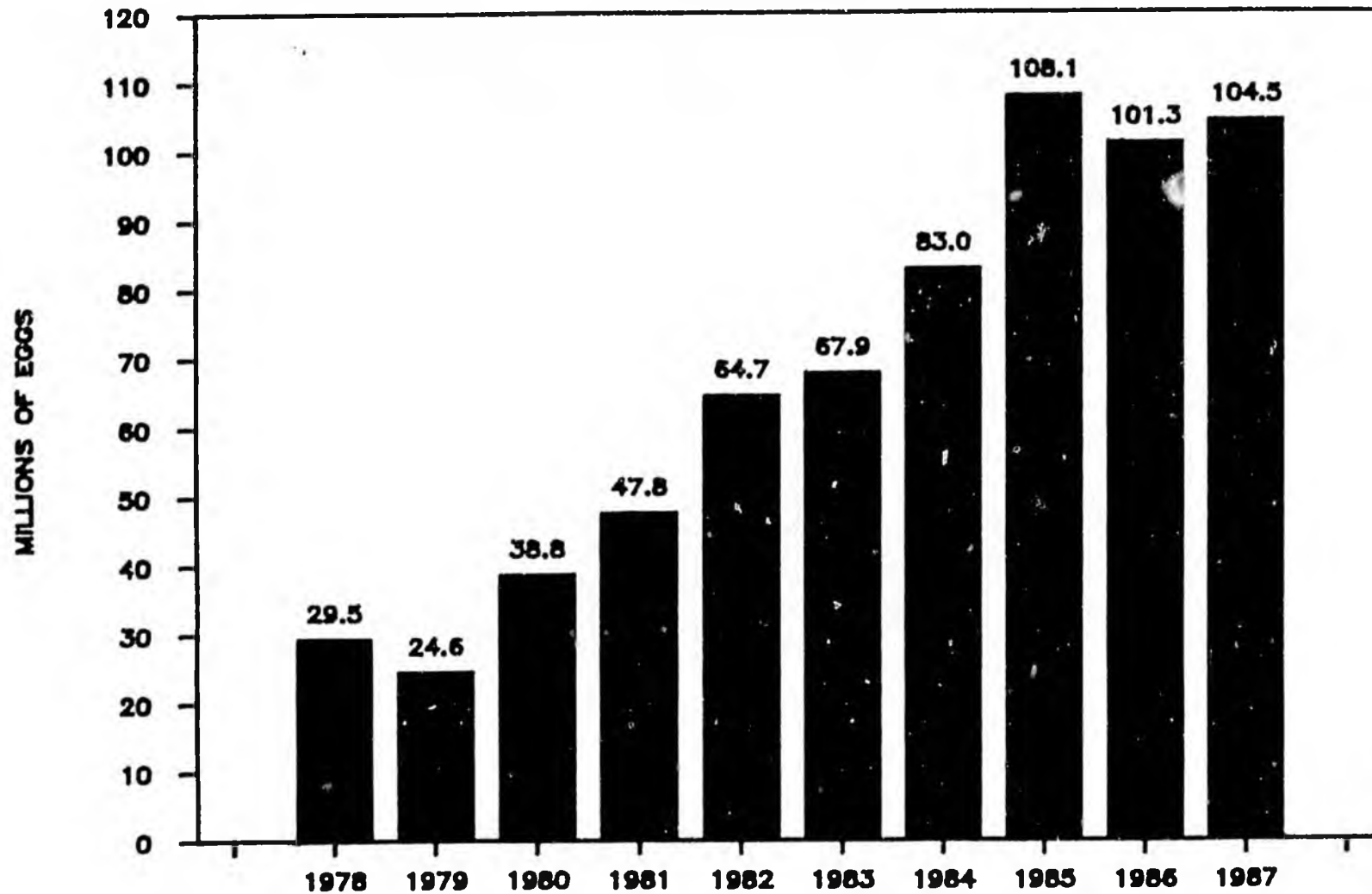


ALASKA STATE AND PNP HATCHERY PROGRAMS

PROJECTED REVENUE FROM FY89 PRODUCTION



SOCKEYE EGGS COLLECTED IN ALASKA FOR STATE FACILITIES





ECONOMIC VIABILITY OF THE STATEWIDE ENHANCEMENT PROGRAM

BENEFIT/COST ANALYSIS

**GOVERNORS MINI-CABINET ON FISHERIES PROJECTS LONG TERM BENEFITS
OF THE STATEWIDE FISHERY ENHANCEMENT PROGRAM OF :**

\$90 MILLION DOLLARS

BENEFIT / COST RATIO OF 1.4 : 1

**NET BENEFITS OVER THE 25 YEAR ECONOMIC LIFE
OF THE STUDY**

**THE NET BENEFITS DO NOT INCLUDE THE CONSIDERABLE VALUE OF
THE RECREATIONAL FISHERY**



ECONOMIC VIABILITY OF THE STATEWIDE ENHANCEMENT PROGRAM

ECONOMIC IMPACTS OF THE FISHERY ENHANCEMENT PROGRAM

**THE STATEWIDE ENHANCEMENT PROGRAM EXPANDS RESIDENT EMPLOYMENT
AND PERSONAL INCOME TO ALASKANS IN 5 REGIONS OF THE STATE**

THE IMPACTS GENERATED BY THE STATE AND PNP HATCHERIES ARE :

STATE HATCHERIES : PERSONAL INCOME : \$35 MILLION

RESIDENT EMPLOYMENT : 1030 JOBS

FISH HARVESTED : 11 MILLION SALMON

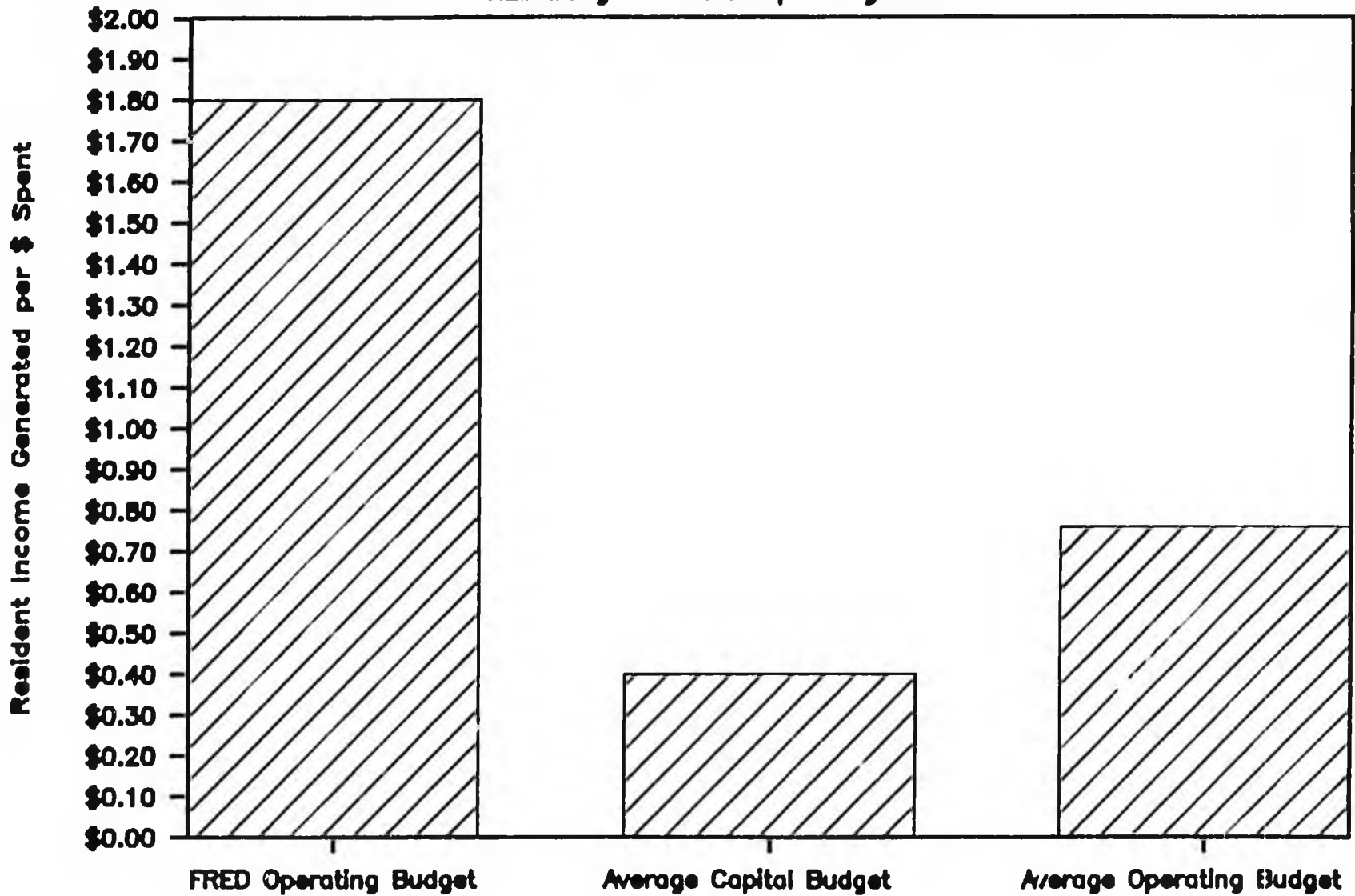
PNP HATCHERIES : PERSONAL INCOME : \$40 MILLION

RESIDENT EMPLOYMENT : 1100 JOBS

FISH HARVESTED : 23.8 MILLION SALMON

Impacts upon Alaskan Resident Income

FRED Budget vs State Operating and CIP



**LETTER FROM OMBUDSMAN
REGARDING SOLE SOURCE AUTHORITY TO NEGOTIATE**



December 23, 1987

Don Collinsworth, Commissioner
Department of Fish and Game
Post Office Box 3-2000
Juneau, Alaska 99811-1100

State of Alaska

Reply to:

3201 C Street, Suite 403
Anchorage, Alaska 99503
(907) 563-3673

P.O. Box W0
Juneau, Alaska 99811
(907) 465-4970

RE: Ombudsman Complaint J37-0811 (Closed)

Dear Commissioner Collinsworth:

The Office of the Ombudsman recently received a complaint from Dale Young against the Department of Fish and Game alleging that the department is proceeding, contrary to law, to negotiate a contract for transferring the operation of the Hidden Falls Fish Hatchery to the Northern Southeast Regional Aquaculture Association (NSRAA).

Our office has reviewed the copies of the approved Authority to Negotiate (ATN) and the Request for Alternative Procurement Method (RAPM). Your RAPM indicates two reasons for the exemption: (1) The contracting agency demonstrates that there is a single source of expertise or knowledge required, and (2) the service is provided by a political subdivision, state agency or the federal government.

Frankly, I have concerns regarding both reasons expressed in the RAPM. To begin with, 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. I believe there is sufficient evidence to the contrary.

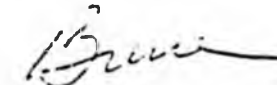
Your second reason for exemption from solicitation is that the service would be provided by a political subdivision of the State of Alaska. Section 16.10.360 of Alaska Statutes allows the formation of regional aquaculture associations, and paragraph C of that section goes on to say that a qualified regional association is established as a service area in the unincorporated borough for the purpose of providing salmon enhancement services. I am wondering if your office has sought legal advice regarding this section as the Hidden Falls Fish Hatchery is within the City and Borough of Sitka, and the NSRAA may not be empowered to operate there. Also the municipality might be interested in operating the facility directly. There is some interesting language on this subject in State, N.S.E. Regional Aquaculture Ass'n v. Alex (Alaska, 646 P.2d 203).

Circumventing the procedures for soliciting a professional services contract by requesting an exemption from Alaska Statutes not only leaves your department open to just criticism but also possible successful legal action.

Since this is a sole source contract there is no formal appeal procedure but I understand the complainant may contact you directly for a review, and because of this, it is considered closed in our files. I would suggest that if you have not already done so, your department take a long pause before proceeding with negotiations on this contract.

If this matter is not resolved after your review, the Office of the Ombudsman may consider investigating the significant issues raised by the complainant. If you have any question, please do not hesitate to contact me.

Sincerely,



Bruce Aronson
Acting Ombudsman

BCA:JRT:pjc

cc: Dale Young

✓Bev Reaume, Dir. Administration
Brian Allee, Dir. FRED program

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)

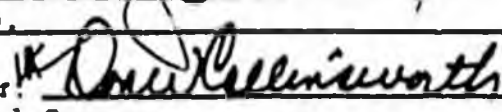
GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Prepared by: 
Division: F.R.E.D. Phone: 465-4160
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)



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
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

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
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.



**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
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>[Signature]</i>	DATE 2-22-88

SUMMARY

OTHER AGENCIES AFFECTED BY BILL Department of Commerce and Economic Development	CONSTITUENT GROUPS AFFECTED BY BILL Regional aquaculture associations, 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 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.

Fish and Game reconsiders sole-source hatchery contract

By KIRK McALLISTER

THE ALASKA NEWS

1/21/88
The Office of the Ombudsman 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 1.

"There's a funding crisis in ocean ranching and turning over the management of these four facilities is a response to that," 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 8 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-

Please turn to Page 8

Hatchery...

Continued from Page 1

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 1978-82.

"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.

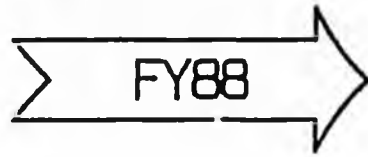
Meanwhile, the change of heart by Fish and Game has left some confusion with NSR/ A, which had been negotiating for months on a contract for managing Hidden Falls.

Pete Esquire, general manager of the aquaculture association, said NSR/ A 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.

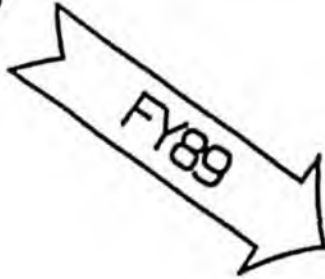
Esquire said his group was interested in Hidden Falls because of its value to commercial fishermen, who control the board of the aquaculture association.

"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.

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

5-1821L ✓
Bannister
2/19/88

Original sponsors: Eliason, Jones
and Kerttula

1 IN THE SENATE

2 CS FOR SENATE BILL NO. 410 ()
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 AS
14 10.20, after the permit application has been reviewed by the regional
15 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.

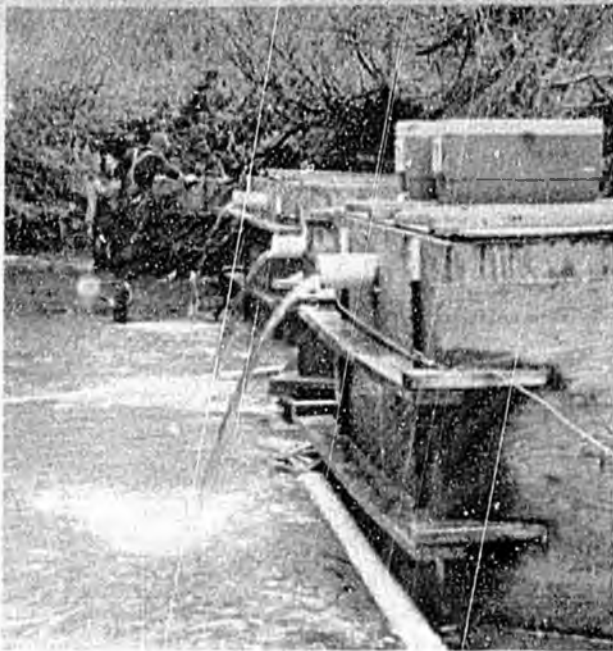
10 * Sec. 6. AS 16.10.450 is amended to read:

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



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.

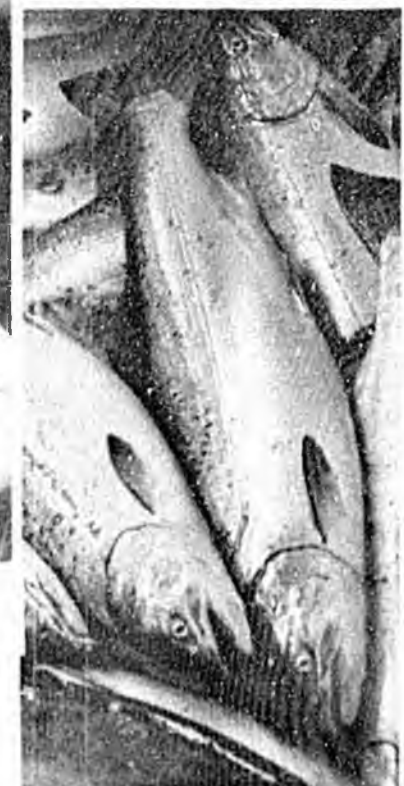
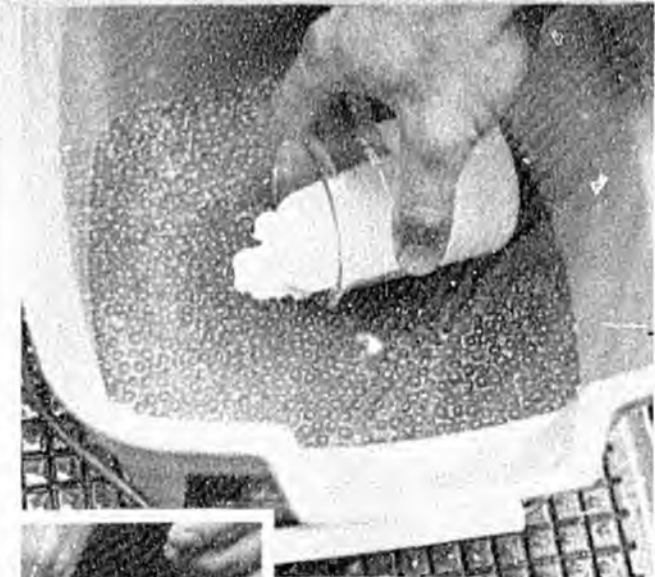


Photo by Carl Peterson



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

theast Regional Aquaculture Association is a private non-profit cooperative established to provide returns to benefit commercial and other fishermen. It was established through an election of limited entry 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. The permit holders in Southeast Alaska are members of NSRAA. Revenues collected through the tax are passed from the State to NSRAA.

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



The Central Incubation Facility near Sitka has a capacity for 825,000 chinook smolts; 1,000,000 coho fry for the lake rearing program and 10,000,000 chum eggs.



The coho lake rearing program stocks coho fry in barriered 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.



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.