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SENATE COMMITTEE REPORT  
FIRST COMMITTEE OF REFERRAL

DATE: 3/23/92

FURTHER:

Date of 5-Day Notice: March 26, 1992  
(in accordance with Uniform Rule 23)

DATE TURNED INTO OFFICE: April 6, 1992

Resources Committee considered SB 457

"An Act relating to management of wild and hatchery stocks of anadromous fish; and amending the definition of "fishery."

and recommends:

replace with \_\_\_\_\_ CS SB 457 (Res)

same title  
 new title  
 technical title change  
(HB only)

attaches amendment(s)

adopts \_\_\_\_\_ Letter of Intent

further referral to the \_\_\_\_\_

do pass

do not pass

no recommendation

individual recommendations

**NEW FISCAL NOTES:** Dept/Date

zero fiscal notes ADFE 4/1/92

fiscal notes \_\_\_\_\_

appropriation--no fiscal note

**PREVIOUS FISCAL NOTES:** Dept/Date

Governor's bill with fiscal notes:  
zero fiscal notes \_\_\_\_\_

fiscal notes \_\_\_\_\_

DO PASS:

Sen. Cost  
John G. ...  
...  
...  
...  
...

OTHER RECOMMENDATIONS:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Lloyd Jones (Do Pass)  
Chair: Signature and Recommendation

SOUTHEAST ALASKA SEINERS ASSOCIATION  
P.O. BOX 9579  
KETCHIKAN, ALASKA 99901  
(907)225-5156

April 3, 1992

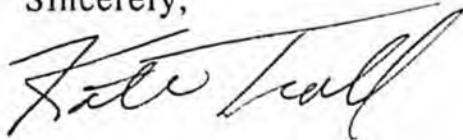
Senator Lloyd Jones  
Alaska State Senate  
P.O. Box V  
Juneau, Alaska 99811

Dear Lloyd,

I have closely reviewed the CS for SB 457, dated 4/3/92. This CS does address the concerns, I expressed at the April 1st hearing in Senate Resources. I strongly encourage you and all the members of Senate Resources to support this CS as written.

On behalf of the Southeast Alaska Seiners Association, I would like to thank you for your interest in the protection and management of our wild salmon stocks.

Sincerely,



Kathryn Troll  
Executive Director

SUMMARY OF CHANGES MADE TO APRIL 1, 1992 PROPOSED CS FOR SB457 TO  
REACH APRIL 1, DRAFT CSSB457 (RESOURCES)

Throughout new version:

"to achieve sustained yield" is changed to "consistent with sustained yield."

Reason: "achieve" was stronger mandate and burden than State Constitution and other statutes require. Constitution requires "on the sustained yield principle."

This language change will keep this directive about wild stock priority at a consistent level of obligation.

Other changes:

Page 1, Sub-section (a)

First word, "Fisheries" is changed to "Fish Stocks."

Reason: This makes it clear that the goal of sustained yield of wild stocks applies to ALL management decisions regarding fish, not only to the management of the HARVEST of fish (fisheries)

Page 1, Sub-section (b)

Just a wordage change from "enhanced fish stocks" to "fish from enhanced stocks"

Reason: clarity of meaning as FISH, rather than STOCKS, return to enhancement projects

Page 2, Sub-section (c)

Throughout this section, references to fish that are "surplus" are changed to references to fish "not needed for broodstock" and "in addition to the fish needed for broodstock."

Reason: Term "surplus" was less accurate and descriptive

Throughout this section, "offset the cost of operating the enhancement project" has been replaced with reference to the harvest and sale of fish to "obtain funds for the purposes allowed under AS 16.10.450 or 16.10.480 (d)." (cost recovery statutes)

Reason: To make it clear that the board may provide for harvest of fish for ALL cost recovery allowed under law (including such things as debt retirement), not ONLY the operating costs.

"Return" of fish is changed to "harvest" of fish for cost recovery

Reason: Clarify that it is the actual harvest and selling of fish for cost recovery that may be provided for, not just the allowing of fish to return to the project.

In last line of sub-section (c), deleted "may adopt criteria for determining the reasonable needs of enhancement projects for surplus fish and"

Reason: Phrase was not necessary for purpose of the sentence which was to state that the board may adopt a plan for managing fisheries which will provide enhancement projects with the fish they are allowed under cost recovery statutes.

**CS FOR SENATE BILL NO. 457 (RESOURCES)  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
SEVENTEENTH LEGISLATURE - SECOND SESSION**

**BY THE SENATE RESOURCES COMMITTEE**

**Offered:  
Referred:**

**Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE SENATE SPECIAL COMMITTEE ON DOMESTIC AND INTERNATIONAL COMMERCIAL FISHERIES**

**A BILL**

**FOR AN ACT ENTITLED**

**1 "An Act relating to management of wild and enhanced stocks of fish; and amending the  
2 definition of 'fishery.'"**

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

**4 \* Section 1. AS 16.05 is amended by adding a new section to read:**

**5 ARTICLE 5. MANAGEMENT OF FISH AND FISHERIES.**

**6 Sec. 16.05.730. MANAGEMENT OF WILD AND ENHANCED STOCKS OF FISH.**

**7 (a) Fish stocks in the state shall be managed consistent with sustained yield of wild fish stocks  
8 and may be managed consistent with sustained yield of enhanced fish stocks.**

**9 (b) In allocating enhanced fish stocks, the board shall consider the need of fish  
10 enhancement projects to obtain brood stock. The board may direct the department to manage  
11 fisheries in the state to achieve an adequate return of fish from enhanced stocks to enhancement  
12 projects for brood stock; however, management to achieve an adequate return of fish to  
13 enhancement projects for brood stock shall be consistent with sustained yield of wild fish stocks.**

**14 (c) The board may consider the need of enhancement projects authorized under**

1 AS 16.10.400 and contractors who operate state-owned enhancement projects under AS 16.10.480  
2 to harvest and sell fish produced by the enhancement project that are not needed for brood stock  
3 to obtain funds for the purposes allowed under AS 16.10.450 or 16.10.480(d). The board may  
4 exercise its authority under this title as it considers necessary to direct the department to provide  
5 a reasonable harvest of fish, in addition to the fish needed for brood stock, to an enhancement  
6 project to obtain funds for the enhancement project if the harvest is consistent with sustained  
7 yield of wild fish stocks. The board may adopt a fishery management plan to provide fish to an  
8 enhancement project to obtain funds for the purposes allowed under AS 16.10.450 or  
9 16.10.480(d).

10 (d) In this section, "enhancement project" means a project, facility, or hatchery for the  
11 enhancement of fishery resources of the state for which the department has issued a permit.

12 \* Sec. 2. AS 16.05.940(12) is repealed and reenacted to read:

13 (12) "fishery" means a specific administrative area in which a specific fishery  
14 resource is taken with a specific type of gear, however, the Board of Fisheries may designate a  
15 fishery to include more than one specific administrative area, type of gear, or fishery resource;  
16 in this paragraph,

17 (A) "gear" means the specific apparatus used in the harvest of a fishery  
18 resource; and

19 (B) "type of gear" means an identifiable classification of gear and may  
20 include

21 (i) classifications for which separate regulations are adopted by the  
22 Board of Fisheries or for which separate gear licenses were required by former  
23 AS 16.05.550 - 16.05.630; and

24 (ii) distinct subclassifications of gear such as "power" troll gear  
25 and "hand" troll gear;



# Alaska State Legislature

Please enter into the record my testimony to the SENATE  
RESOLUTIONS  
committee name

committee on SB #457, dated 4/1/92  
bill/subject

THIS IS NO APRIL FOOL BUT I THINK  
THIS BILL IS !! WHY ARE YOU WASTING  
YOUR TIME ON SOMETHING YOU REALLY  
CAN NOT CONTROL. FILE-13 THIS  
BILL. GET THE BUDGET OUT SO THE  
PEOPLE CAN SEE IT BEFORE IT IS PASSED.

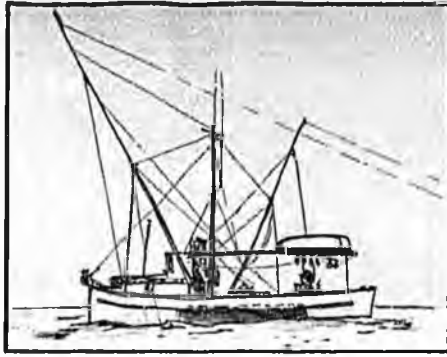
Signed: *Walter J. Doozan*  
Testifier

52112

Representing (Optional)  
359 STATE STREET, P640

Address  
4561869

Phone No.



# Alaska Trollers Association

REPRESENTING ALASKA TROLLERS

130 Seward St., No. 213  
Juneau, Alaska 99801  
(907) 586-9400

April 3, 1992

Senator Lloyd Jones, Chairman  
Senate Resources Committee  
Pouch V  
Juneau, AK 99811

Dear Senator Jones:

On behalf of the Alaska Trollers Association (ATA), I would like to issue support for the April 3, 1992 committee substitute for SB 457. This bill seeks to affirm Alaska's commitment to its fisheries resource by mandating a wild stock management priority; a policy which ATA has endorsed for many years.

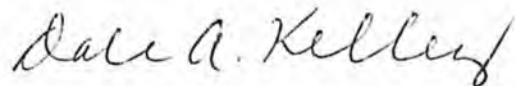
Salmon fishermen throughout the state have been the beneficiaries of more stable fisheries due to hatchery programs. In addition, many wild stocks have enjoyed reduced fishing pressure because of the presence of hatchery fish. Unfortunately, one side-effect of hatchery production has been the confusion which has arisen, due to the lack of a definitive management policy regarding wild stocks.

The success of the fishing industry is deeply rooted in the health of our natural runs of fish. Our members recognize an obligation to sustain healthy populations of fish and do not wish to see enhanced runs given preferential treatment over wild. Also, our fishermen are concerned that without clear statutory wording, the potential exists whereby traditional fisheries could be disrupted to accommodate the needs of hatchery facilities.

ATA believes that by adopting the language in SB 457 the intent of the state, to protect wild stocks of fish above all others, is made sufficiently clear to the Board of Fisheries and the Department of Fish and Game. Without such language, increased levels of frustration, and subsequent polarization of fishing and hatchery interests, is likely. This would be unfortunate, given the obvious benefits that have been realized through our enhancement programs. Finally, it should also be noted that the language is not so restrictive as to prevent the Board of Fisheries from choosing to provide adequate passage of hatchery fish for cost recovery, so long as wild stock needs are given first priority.

Thank you for your efforts on this important piece of legislation. If I can be helpful on this or any other issue, please do not hesitate to contact me.

Sincerely,

A handwritten signature in cursive script that reads "Dale A. Kelley".

Dale A. Kelley  
Executive Director

CHANGES PROPOSED TO SENATE BILL 457 BY THE DEPARTMENT OF FISH AND GAME

The department's proposed changes are underlined and the language that is deleted is set in brackets.

Sec. 16.05.730. MANAGEMENT OF WILD AND HATCHERY STOCKS OF ANADROMOUS FISH. (a) [The Board of Fisheries] Salmon fisheries in the state shall [manage fisheries in the state] be managed to achieve sustained yield for wild [anadromous fish] salmon stocks.

(b) In [managing] allocating hatchery produced [anadromous fish] salmon stocks, the board shall consider the need of [anadromous fish] salmon hatcheries to obtain brood stock. The board may [manage] direct the department to manage salmon fisheries in the state to achieve an adequate return of hatchery produced [anadromous] salmon stocks to hatcheries for brood stock; however, management to achieve an adequate return to hatcheries for brood stock may not prevent achievement of sustained yield for wild [anadromous fish] salmon stocks.

(c) The board may consider the need of hatcheries authorized under AS 16.10.400 to harvest and sell fish produced by the hatchery that are surplus to the needs for brood stock to offset the cost of operating the hatchery. The board may exercise its authority under this title as it considers necessary to direct the department to provide a reasonable return of surplus fish to a hatchery to offset the cost of operating the hatchery, if the return of surplus fish to the hatchery, or the harvest of surplus fish by the hatchery, does not prevent achievement of sustained yield for wild salmon [anadromous fish] stocks. The board may adopt criteria for determining the reasonable needs of hatcheries for surplus fish and may adopt a fishery management plan to provide surplus fish to a hatchery.

DEPARTMENT OF FISH AND GAME

POSITION PAPER

Bill Number: SB 457

Sponsor: Senate Rules Committee by Request of Senate Special  
Committee on Domestic and International  
Commercial Fisheries

Bill Title: "An act relating to management of wild and hatchery  
stocks of anadromous fish; and amending the definition of  
'fishery.'"

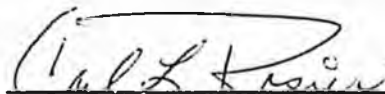
Department Position: Support

Legislative Intent: The purpose of this legislation would be to  
specify in Alaska statute that in managing stocks of enhanced and  
wild fish, sustained yield of wild fish stocks should receive the  
number one priority. This legislation would also clarify the  
authority of the Board of Fisheries to deal with the brood stock  
and cost recovery needs of enhancement programs.

Effects of legislation on department programs: This legislation  
would not change any department programs. The effect of this  
legislation would be to put into statute the current policy of wild  
stock priority that the department follows in the management of  
wild and enhanced stocks.

There has been a considerable amount of confusion and controversy  
surrounding the management and allocation of hatchery stocks.  
This legislation would have the benefit of clarifying for the  
public what the policy is going to be in the management of wild and  
enhanced stocks.

Commissioner's Signature



Date

4/1/92

**CS FOR SENATE BILL NO. 457 (RESOURCES)**  
**IN THE LEGISLATURE OF THE STATE OF ALASKA**  
**SEVENTEENTH LEGISLATURE - SECOND SESSION**

**BY THE SENATE RESOURCES COMMITTEE**

**Offered:**

**Referred:**

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1 AS 16.10.400 and contractors who operate state-owned enhancement projects under AS 16.10.480  
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23 AS 16.05.550 - 16.05.630; and

24 (ii) distinct subclassifications of gear such as "power" troll gear  
25 and "hand" troll gear;

- Corrected copy -  
Page 2 was incorrect.

AMENDMENT

TO: CS FOR SENATE BILL NO. 457

IN THE LEGISLATURE OF THE STATE OF ALASKA

SEVENTEENTH LEGISLATURE - SECOND SESSION

A BILL

FOR AN ACT ENTITLED

"An Act relating to management of wild and enhanced stocks of anadromous fish; and amending the definition of "fishery."

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ARTICLE 5. MANAGEMENT OF FISHERIES.

Sec. 16.05.730. MANAGEMENT OF WILD AND ENHANCED STOCKS OF ANADROMOUS FISH. (a) Fisheries in the state shall be managed consistent with [to achieve] sustained yield for wild fish stocks and may be managed consistent with [to achieve] sustained yield of enhanced fish stocks.

(b) In allocating enhanced fish stocks, the board shall consider the need of fish enhancement projects to obtain brood stock. The board may direct the department to manage fisheries in the state to achieve an adequate return of enhanced fish stocks to enhancement projects for brood stock; however, management to achieve an adequate return to enhancement projects for brood stock may not be inconsistent with [prevent achievement of] sustained yield for wild fish stocks.

(c) The board may consider the need of enhancement projects authorized under AS 16.10.400 and contractors authorized who operate state-owned enhancement projects under AS 16.10.480 to harvest and sell fish produced by the enhancement project that are surplus to needs for brood stock to offset the cost of operating the enhancement project. The board may exercise its authority under this title as it considers necessary to direct the department to provide a reasonable return of surplus fish to the enhancement project to offset the cost of operating the enhancement project if the return of surplus fish to the enhancement project or the harvest of surplus fish by the enhancement project is not inconsistent with [does not prevent achievement of] sustained yield for wild fish stocks. The board may adopt criteria for determining the reasonable needs of enhancement projects for surplus fish and may adopt a management plan to provide surplus fish to an enhancement project.

(d) In this section, "enhancement project" means a project, facility, or hatchery for the enhancement of fishery resources of the state for which the department has issued a permit.

\* Section 2. AS 16.05.940(12) is repealed and reenacted to read:

-- see CSSB 457 for the language of this section --

PRINCE WILLIAM SOUND AQUACULTURE CORPORATION  
P. O. BOX 1110  
CORDOVA, ALASKA 99574

April 6, 1992

Senator Lloyd Jones, Chairman  
Senate Resources Committee  
Alaska State Senate  
P.O. Box V  
Juneau, Alaska 99811

Dear Mr. Chairman:

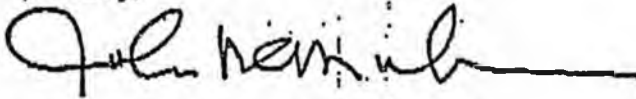
On April 1st, I testified before your committee on Senate Bill 457. A written copy of that testimony is included in your committee's files.

Prior to the time that I testified, a committee substitute for Senate Bill 457 was discussed by the committee. At the close of my testimony, in response to a question from Senator Menard, I tentatively agreed to the language in the Bill.

Since that date, I have received the Committee Substitute and have had an opportunity to discuss it with some members of our board of directors. We are supportive of CSSB 457 as written.

Thank you very much for providing us the opportunity to participate in this legislative process.

Sincerely,



John McMullen  
President

cc: PWSAC EXCOM Members

# Petersburg Vessel Owners Association

P.O. Box 232

Petersburg, Alaska 99833

Phone (907) 772-9323 Voice and Fax

March 23. 1992

Senator Dick Eliason, Chairman  
Senate Special Committee on Domestic &  
International Fisheries  
P.O. Box V  
Juneau, Alaska 99811

Dear Dick,

Now that the King and Tanner crab season has closed, PVOA members have had an opportunity to review the legislative Hatchery Report. Our sincere thanks to you, your staff, and others who worked hard to make this report possible.

Without a doubt, PVOA's primary concern with regards to the State's hatchery program is the health and viability of our natural wild salmon stocks. Here in Southeast, fishermen have long recognized the importance of our wild salmon runs. It is extremely important to PVOA members that these stocks be given a priority. We suggest that statutory language be adopted which would give wild stocks preferential management treatment relative to hatchery raised fish.

We do not believe the State should have an obligation to guarantee either a return of broodstock nor stocks for cost recovery needs. However, we would recommend that the Department of Fish & Game continue to regulate commercial and sport fisheries to obtain escapement goals of wild stocks to natal streams. These same management techniques would also serve to protect a return of broodstock to hatchery sites. What is good for the wild stocks in their natal streams should also benefit the hatchery stocks at hatchery sites. Efforts should be made to protect broodstock but in no way to guarantee it.

Adopting a clear wild stock priority in State statute which clarifies the Board of Fisheries requirement for hatchery broodstock and cost recovery stocks is action that could easily be undertaken and quickly. The concept of statutory clarification of a wild stock priority which specifically indicates that the State has no obligation to guarantee a return of cost recovery stocks to hatcheries is supported not only by PVOA, but the United Fishermen of Alaska Board of Directors and Southeast Alaska Seiners as well.

Chapter VI of the review deals with the current planning and permitting process. PVOA would support the idea of the development of a statewide planning and production process

provided there is regional input. It is important to develop statewide goals and objectives. Each region is ultimately part of the whole picture, the direction a region takes directly and indirectly affects all other regions. State facilities, as well as PNPs, need to comply with a planning and permitting process, with the same requirements for monitoring and review.

Due to our concern for the negative impacts of hatchery production on wild stocks, we support many of the options listed in Chapter VII of the review. PVOA members specifically cited the following options:

- \*Evaluation of how well the current hatchery program protects wild salmon from the negative effects of hatchery salmon,
- \*Obtaining consensus about research priorities concerning the interaction of hatchery and wild fish, coordinating future studies, and deciding how and when to apply the results of those studies to current management practices.
- \*Placing greater emphasis on management concerns in the permitting process in order to protect wild stocks.
- \*Re-examination of escapement goals in order to maximize wild productivity.
- \*Increased use of marking and tagging programs to monitor interactions between hatchery and wild populations.
- \*Policy development to minimize inbreeding and straying, including an evaluation of remote releases.
- \*Monitoring hatchery stocks to determine extent of straying and intermingling.

We are anxious to examine the recommended management actions resulting from the Cordova workshop. Please send us a copy of the proceedings when they become available.

PVOA members believe it is important for the State to initiate research to learn more about the dynamics of wild salmon stocks. We are troubled to learn about problems developing in Oregon and Washington concerning impacts of hatchery production on wild stocks. We are concerned about the State's lack of knowledge about wild salmon stocks. If sometime in the future, wild stocks are found to be in peril here in Alaska, the value of hatcheries may be very significant if they could be made into central incubation facilities.

We have several concerns with regards to Chapter VIII which deals with funding. PVOA believes it may be appropriate to consider restricting further hatchery development or increased production until the Legislative economic cost-benefit studies are complete and a full assessment of the hatchery program can be made. Members are particularly concerned that any major additional production should be discouraged unless new markets are established to handle the increase.

In addition, criteria is needed to show that a public benefit exists before granting permits and loans. A detailed cost/benefit analysis would be in order and a specific

indication of the "significant contribution" to the common property fisheries. For existing hatcheries which are not making a "significant contribution" to the common property fisheries, a mechanism must be developed to close such facilities. Fishermen cannot be expected to continue to fund those facilities if no one but the hatchery operators are receiving benefits.

In addition, we believe the following options have merit:

- \*An analysis of the enhancement tax program is needed to determine 1) whether costs are distributed in proportion to benefits and 2) the impact of a mechanism to allow specific gear groups to opt out of the program or pay in proportion to the enhancement benefits they receive.
- \*Development of an auditing mechanism to ensure that annual PNP operating costs, paid by loans, enhancement tax receipts, and cost recovery, are "reasonable".

Basically the Review contains alot of good suggestions for improving our State hatchery program. Of course one of the tantamount problems is that of funding, for research, planning and the RPT process, hatchery operations, tagging and marking studies, etc.

Many of our members have commented that when the idea of a State hatchery program was first introduced they saw it as an opportunity to provide minimal steady production of salmon. A program that could help take the extreme highs and lows out of the annual salmon runs. Instead, we have a situation in which hatchery production has been a financial drain on fishermen in Southeast, we have a new group competing for markets, there are poor quality cost recovery fish being placed on the markets, efforts have been made to restrict traditional fishing opportunities in order to protect hatchery stocks, etc. And then on top of all this, no one foresaw farmed salmon being a factor to reckon with.

PVOA members are disenchanted with the direction of the State's hatchery program. We hope that you will take our suggestions under serious consideration. We are sincerely interested in continuing this important review process and are willing to assist you and your staff in any way possible.

Sincerely,



Kris Norosz  
Director

SOUTHEAST ALASKA SEINERS ASSOCIATION  
P.O. BOX 9579  
KETCHIKAN, ALASKA 99901  
(907) 225-5156

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March 9, 1992

Senator Dick Eliason, Chair  
Senate Special Committee on  
Domestic and International Fisheries  
P.O. Box V  
State Capitol  
Juneau, Alaska 99811

Dear Dick,

In addition to the oral testimony given by Jim Bacon, President of Southeast Alaska Seiners (SEAS), I am submitting more detailed comments on behalf of SEAS. To assist in your review, I will address my comments to the list of possible options in the Executive Summary.

**Wild Stock Priority**

The top hatchery priority for SEAS is to seek statutory clarification on giving wild stocks preferential management treatment relative to hatchery raised fish.

Support:

Placing a wild stock priority into state statutes which clarifies Board of Fisheries requirement for hatchery broodstock and cost recovery stocks.

Rationale for Action:

- \* The lack of statutory direction prevented the Board of Fisheries in 1991 from acting on a wild stock preference proposal for Southeast Alaska.
- \* Legislative history indicates that legislative intent was to protect wild stocks.
- \* In some regions of the state there already is serious concern for the negative impact of hatchery production on wild stocks.
- \* UFA Board of Directors recently passed a motion supporting statutory clarification for a wild stock management priority which clearly identifies that the state has no obligation for assuring a hatchery's cost recovery.

Recommendation:

Add a new section to AS 16, Chapter 10, Article 8 which states:

**Obligation for Management of Hatchery Stocks.** In managing commercial and sport fisheries that involve hatchery raised fish, the department shall grant a preference to the protection and sustained yield of wild stocks. In managing for a wild stock preference the department recognizes an obligation to manage commercial and sport fisheries to return broodstock to the hatchery site in the same manner as it regulates fisheries to obtain a return to spawners to natural streams. While the department will not institute any irregular restriction on the traditional fisheries, it will strive for an escapement of spawners sufficient for stocking the hatchery. In managing for a wild stock preference, the department does not recognize any obligation to manage commercial and sport fisheries to return cost recovery stocks to the hatchery site. This however, does not prevent the Board of Fisheries from promulgating regulations at the request of regional non-profit associations to alter commercial and sport fisheries for a return of cost recovery stocks.

### **Hatchery Permitting**

Another major concern of SEAS is to tighten up the permitting and funding programs for hatcheries.

#### Support:

As part of permit review and solicitation of state loans, adding new criteria to show public benefit, including marketability, a detailed cost/benefit analysis instead of a financial analysis, an indication of a 70% contribution to be made to the common property fishery, and ability to mark and recover fish. Institute a 10 year permit renewal requirement that would include the same criteria.

#### Rationale for Action:

\* Regional hatchery associations have over time developed internal policy that reflects the criteria mentioned above. It would be sound state policy to extend this "check" to all hatcheries.

\* UFA supports the Regional Planning Teams adopting a guideline of 70% contribution to common property fisheries in their evaluations of hatcheries.

\* If all hatcheries had gone through this type of review when initially applying for a permit, much of this hatchery overview might have been unnecessary.

\* With the potential risk of impacts on the state's common property fisheries, a mechanism for the timely revocation of a permit is necessary.

### **Biological Concerns**

While legislators can not be expected to evaluate and assess the genetic health and biological diversity of wild stocks that have been co-existing with hatchery stocks, general policy and priority direction can be given to ADF&G and other research institutions. Given the experience in the State of Washington, more effort should be taken in Alaska to protect the biological health of wild stocks. To this end, SEAS supports these options listed in the Executive Summary:

\* Evaluation of how well the current hatchery program protects wild salmon from possible negative effects of hatchery salmon.

\* Conducting research to define the minimum conditions for imprinting for remote release programs.

\* Placing a greater emphasis on management concerns in the permitting process in order to protect wild stocks.

\* Increased use of marking and tagging programs to monitor interactions between hatchery and wild populations.

\* Review of current and future programs for their compliance with the state genetics policy.

### **Production Review**

Given the results of last summer's pink salmon season, i.e. lack of sound markets, and small weight of pinks across the state, SEAS believes it is fair to surmise that the impacts of major hatchery production are no longer confined to one region of the state. Yet, there is no mechanism for a statewide review and modification when hatchery production crosses the threshold of inter-regional impacts. This matter was the subject of a vigorous debate at UFA's fall 1991 meeting. One of the outcomes of that meeting was a letter to Commissioner Rosier asking for a production overview through the Regional Planning Teams. UFA has yet to receive a response from Commissioner Rosier. Before commenting further on other possible options, we would like to learn how and when ADF&G will address this critical concern. Perhaps, the Committee could pursue this further with ADF&G.

### **Fair Funding**

Because of the structure within Regional Aquaculture Associations, it may have been assumed that the user groups that pay the lion's share of tax revenues would receive a sizeable share of the returning fish value. This has not been the case for all regions. In fact, in some cases just the opposite is occurring because it is easy to vote to spend someone else's money. As such we support this option:

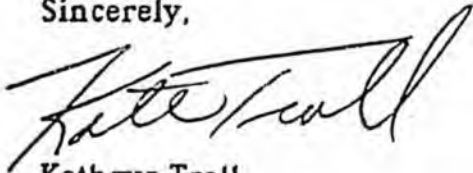
Support: Analysis of the enhancement tax program to determine the impact of a mechanism to allow specific gear groups to opt out of the program or pay in proportion to the enhancement benefits they receive.

While I recognize that the legislative overview will continue on for some time, SEAS urges the Senate Special Committee on Domestic and International Fisheries, to immediately address the outstanding need for wild stock statutory clarification. The Board of Fisheries has requested this direction. More importantly Alaska's wild salmon heritage deserves this critical recognition.

In closing, I must commend the legislative staff that put this concise but comprehensive report together. The Executive Summary did an excellent job of laying out a very complicated issue in a simplified, informed manner. Not only did I enjoy reading the Draft Report, but I learned a lot too. Please extend my appreciation for their efforts.

Thank you for the opportunity to provide input. Please call if you have questions or desire more feedback.

Sincerely,



Kathryn Troll  
Executive Director

c.c. SEAS Board of Directors

# ***Southern Southeast Regional Aquaculture Association, Inc.***

2721 Tongass Avenue  
Ketchikan, Alaska 99901

Phone: (907) 225-9605  
Fax: (907) 225-1348



March 4, 1992

Senator Dick Eliason, Chairman  
Senate Special Committee on  
Domestic and International Fisheries  
P.O. Box V  
State Capital  
Juneau, Alaska 99811

Re: Report of the Legislative Review of the Alaska Salmon Enhancement Program

Dear Senator Eliason:

Thank you for the opportunity to comment on the review of the Alaska salmon enhancement program. This was a timely and monumental task. I will address only a few points for your committee to consider.

## Chapter IV -

1. Hatchery fish should be tagged (marked) with a representative number. Serious consideration should be given to mass marking.
2. Hatchery operators should pay for the marking, but the state should be responsible for the recovery and evaluation.
3. Marking will greatly reduce the mix-stock management problems.
4. Wild stock should be a priority for management.
5. The quality issue can be resolved by changing management practices.

## Chapter V -

1. There should be management protection of hatchery broodstock in the near terminal area but there should be no consideration for cost recovery.

March 4, 1992

Page 2

2. Enhancement should supplement the fisheries not dominate a fishery.
3. Economic development fisheries should be secondary to a wild stock priority or a supplement fishery.

#### Chapter VI -

1. Permits should be issued only if the enhancement effort provides a minimum of 60% (after broodstock) to the common property fishery.
2. If the permittee does not meet the 60% common property interception within four years after reaching the permitted capacity, the permit should be revoked.
3. Enhancement planning should be on a regional basis, not a state wide basis.
4. The state should increase funding for planning and expand the role of the regional planning teams, such as recommendations for allocating enhanced fish.
5. All permits, including state permits, should be subject to the same RPT review as PNP permits.
6. Regional associations should retain siting preference. By statutes, the regionals represent a broader public interest and represent all user groups. Non-regionals do not. Therefore, the public interest is best served by giving preference to regional PNP's.
7. A moratorium should be declared on increased production until the economic evaluation is completed.

#### Chapter VII

1. The state should fund research to study straying and genetic concerns. There is no consensus among top scientist on how the genetic policy should be changed.
2. The current genetic policy is the best in the nation. It should be changed only when science documents a change is needed.
3. The state should fund an ocean carrying capacity study.
4. Remote release sites should not be considered the same as a hatchery site. Terminal wipe-up fisheries do not impose genetic problems, if the site is suitably separated from wild stocks and the species are matched to the site according to the policy.

March 4, 1992

Page 3

### Chapter VIII

1. **DOCED should develop written policies or regulations on how low interest rates are to be established, and deferment periods should be based upon the species being reared.**
2. **DOCED currently applies the maximum interest rate and the minimum initial deferral period. This is creating excessive and unnecessary costs to the program.**
3. **The loan fund should be capped at its current level and let it revolve as intended.**
4. **A better distinction should be made between regional and non-regional PNP's. Currently, regionals only have 26.7% of the total debt and only 6.5% of their total revenue in operational loans. Also, regionals have not used the loan fund for operations for many years. The non-regionals have 53.9% of their total debt and 45.5% of their total revenue in operational loan. Also, the non-regionals have existed for as long as the regionals, but yet most of the non-regionals still depend on operational loans. There should be a limit on how long loans can be made for operations. A maximum of four years after reaching full production should be applied.**
5. **The regionals have the enhancement tax; therefore, it is understandable that the non-regionals would need more operating funds in the start up years. But it is unwise to put regionals on unsound financial basis to assure funds are available to the non-regionals for operative loans.**
6. **It should not be forgotten that should a non-regional default, the state will be the loser. However, if a regional defaults, the fishermen will continue the enhancement tax until the loan is paid. The state never loses on a regional loan; therefore, as a lending practice, DOCED should treat the non-regionals as a much higher risk and fund them more conservatively. This has not been DOCED's practice as evidenced by how highly leveraged the non-regionals are.**

### Chapter X

1. **Incentives should be given to processors to develop new markets and new product forms to help the marketing issue.**
2. **The state should continue funding ASMI.**

### Chapter XI

1. **Alaska must be more aggressive in getting the chinook quota increased from the U.S./Canada treaty.**

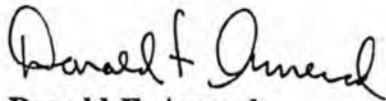
March 4, 1992

Page 4

2. Any user group which is impacted by a treaty quota should be assigned a percentage of the quota. Currently, commercial sport charters are not covered by a percentage of the chinook quota and are impacting the commercial trollers.
3. Any change in environmental regulations for fish hatcheries should be consistent with current, cost-effective technology. If more stringent regulations are developed, the state should provide the funds for existing hatcheries to come into compliance.

I hope my comments are helpful.

Sincerely,



Donald F. Amend  
General Manager

75/14E

# **MADDEN ASSOCIATES**

*Professional Consultants*

P.O. Box 240616  
Douglas, Alaska 99824  
(907) 586-3847

February 24, 1992

Senator Dick Eliason, Chairman  
Senate Special Committee on Domestic and International Fisheries  
Alaska State Legislature  
P.O. Box V  
State Capitol  
Juneau, Alaska 99811

Dear Senator Eliason:

Thank you for providing me the opportunity to review and comment on the Executive Summary of the "Draft Report of the Legislative Review of the Alaska Salmon Enhancement Program."

The Special Committee and others who prepared this Report performed a service not only to those directly involved in the Alaska Salmon Enhancement Program but also to the general public in both Alaska and other states and countries impacted by the program. If the achievements and potential of Alaska salmon ranching are to be realized, a better understanding must exist about the intent of the Alaska Legislature in establishing the program, how it has evolved, its current status and options for the future.

In your attachment letter you particularly requested comment on the lists of options following each chapter. My observations are on options and Report discussion of which I am knowledgeable.

I was employed from 1980-90 by the Alaska Department of Fish and Game (ADF&G) Division of Fisheries, Rehabilitation and Enhancement (FRED) as Salmon Rehabilitation and Enhancement Coordinator. In that position I administered the private non-profit (PNP) aquaculture program, regional planning teams (RPT) salmon production planning, and individual state and private hatchery management planning.

My position in FRED involved extensive policy planning for mixed stock fisheries and allocation of enhanced fish. The options developed for Chapter IV, FISHERIES MANAGEMENT, on pp. 6,7 highlight some of the policy issues I addressed. Options and conclusions about mixed-stock fishery management, and responsibility for funding such management tools as tagging have never been fully agreed-upon by either government or the users. Yet, fish tagging, other stock identification programs and the data they supply hold many of the answers about harvest quality and quantity.

The exchange between attorneys, reported in Chapter V, LEGAL ISSUES RAISED BY THE BOARD OF FISHERIES, on the subject of "...perceived ambiguities in Alaska statutes relating to wild stock and hatchery

fish management..." is interesting but too partisan to provide direction, except, maybe, for the August, 1990, letter prepared by Stephen White.

Throughout the development of the PNP hatchery program, protection of the wild stocks has always been the major consideration in permitting hatchery sites. Unfortunately, during the program's early days in the haste to produce fish, both the state and private sectors did not fully grasp the need to plan and control locations and magnitude of releases so that returns would not conflict with wild stock management, conservation and preservation. Until a few year ago when enhancement production from hatcheries or remote release sites took on major fisheries management and economic implications, the PNP and state programs, generally administered by mid-level management except when political considerations dictated higher-level involvement, functioned largely without Board of Fisheries or ADF&G top management direct involvement.

Alaska Statute (AS) 16.10.440 was amended in the 1970's to restrain the Board of Fisheries from being involved in the permitting process for PNP hatcheries. However, the Board clearly maintained under statute its authority to regulate hatcheries after they were permitted in order to control those areas about which there is now concern--fish production and harvest.

In my experience, the Board's only made one overt attempt to set policy under its statutory responsibility over the PNP program. During an informal work session, members agreed that PNP hatchery operators could conduct harvest activities in the "special harvest area"(SHA), designated in the PNP hatchery permit, until cost recovery needs were met. This conclusion was never recorded as an official action. So, to this day confusion remains about the aquaculture associations' jurisdiction over the SHA and their ownership of returning fish, even though the Board could have clarified that matter with formal action.

An effort was made in 1984 to address the question of SHA fish ownership and other hatchery-related issues by a joint committee of the ADF&G, the Alaska Department of Commerce and Economic Development, The Alaska Attorney General's Office and the aquaculture associations. This group agreed that the Board could clarify the management, escapement and allocation issues for all hatcheries through the process of setting policy and developing regulations that addressed any ambiguities in the PNP statutes.

Four issues concerning management of returns to PNP hatcheries were identified. They were:

1. Management of common property fisheries for mixed stocks containing hatchery returns;

Senator Eliason  
Page 3

2. Management of segregated returns to PNP hatcheries;
3. Priority uses of fish in excess to corporate escapement goals at PNP hatcheries;
4. Methods and gear employed during PNP hatchery special harvest to satisfy corporate economic goals.

An issue paper, proposed policy and regulations to clarify the Board's role in the allocation of enhanced fish were prepared for Board consideration at its winter meeting at Sitka on February 1, 1985. Unfortunately, before they could be considered at the meeting at the meeting, at someone's request the materials were removed from the agenda. Almost five years passed before the issues again surfaced, this time in a crisis mode.

Then in 1989 the Board directed the Prince William Sound Aquaculture Corporation (PWSAC) to develop a plan for allocating all enhanced salmon in the Area E management district. Through this act the Board appears to have delegated enhanced fish allocation planning to a user group association with directions to develop management plans for enhanced fish, even though management planning traditionally and statutorily has been the responsibility of the ADF&G and the Board.

I don't agree that the Board of Fisheries needs "...statutory policy ...to make decisions that would favor wild stocks over hatchery fish or vice-versa..." or that "...statutes are unclear about recovery, and about the hatchery's obligation to contribute to the common property fisheries." I believe the Board and ADF&G have ample authority to manage and allocate hatchery returns if the Board, ADF&G and the aquaculture associations, as representatives of the user groups, cooperated in developing the necessary policies and regulations to clarify and implement existing statutes.

Based on the above observations, in my judgement neither the conclusions or options of Chapter V on pp. 10,11 are valid.

Chapter VI, PLANNING AND PERMITTING PROCESS, addresses the areas with which I am most familiar. I believe all the options listed for this chapter on page 16 have merit except for the following:

- Widening the scope of the RPT review, including recommendations for allocation of enhancement production.
- Exempting the alteration, suspension, or revocation of an enhancement permit for violations from the Administrative Procedures Act.
- Clarifying Board of Fisheries authority to regulate hatchery

Senator Eliason  
Page 4

production levels.

My reasons for not supporting the above options, in order of their listing, are:

The user representatives usually control the RPT's. Such has been the case particularly in recent years, as the aquaculture associations have become more financially affluent, and the ADF&G has cut travel funds so that departmental participation in the planning process has been limited. Another reason for spotty ADF&G participation was that the ADF&G administration for some years did not view the RPT as being a key participant in fishery development, production and management.

Depending on what weight the Board would give RPT recommendations on allocation, the general public might view the result of this RPT involvement in allocation decisions as having the "Fox guarding the henhouse," or the users assuming the Board's responsibility for fishery allocation and the ADF&G responsibility for fishery management.

Taking the permit violation review process out of the Administrative Procedures Act could cause an operator to claim lack of due process and open the State to legal action.

Finally, as I said earlier, the Board of Fisheries already has the authority and responsibility to regulate hatchery production levels, at least in matters when they would impact fishery management decisions or endanger conservation or preservation of wild stocks.

I would make one observation on the text in Chapter VI on page 14 under "5. Allocation Issues." The subsection entitled "Problems and Issues" speaks of the allocation plan developed by PWSAC. Actually, what PWSAC produced is an allocation policy which was then translated by the Prince William Sound RPT into a plan to the extent that it "allocates" through management practices portions of the enhanced fish to various user groups.

Such a plan can only peripherally address the problems of management and harvest of hatchery returns that occurred in Prince William Sound in 1991 and to a lesser extent in 1990. Only the Hatchery Basic and Annual Management Plans, developed in cooperation between ADF&G and PWSAC, have the economic and management tools to deal with the difficult issues of terminal harvest, contribution to the common property, and enhanced fish stocks conflicting with wild stocks harvest or conservation.

In fact after thinking about and rereading the Allocation Issues subsection, I find it confusing and in need of clarification and

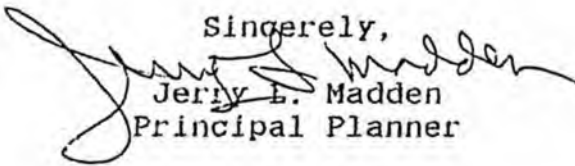
Senator Eliason  
Page 5

further consideration. When the forthcoming economic analysis is available, it may clarify this and other areas of the Report.

I have no comment on the remaining chapters and their options except that the Report seems to have addressed all major areas of concern with the ALASKA SALMON ENHANCEMENT PROGRAM. To my knowledge this is the first time the program has been brought into perspective in one study. I anticipate participating in the teleconferenced hearings.

Thank you for the opportunity to comment.

Sincerely,



Jerry L. Madden  
Principal Planner

FISCAL NOTE

STATE OF ALASKA  
1992 LEGISLATIVE SESSION

BILL NO. SB 457

Revision Date: 3/32/92

Department Affected: Fish and Game

Title: Management of Wild and Hatchery

BRU: Commercial Fisheries

Salmon Stocks

Component: Commercial Fisheries

Sponsor: Senate Rules

Requestor: Senate Resources  
Expenditures/Revenues: (Thousands of Dollars)

COMPONENT SERIAL NO. 

	4	5	9
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OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL	0	0	0	0	0	0
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REVENUE FUND SOURCE:	0	0	0	0	0	0
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FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER FUND SOURCE:	0	0	0	0	0	0
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

Estimate of current year impact: None

ANALYSIS: (Attach a separate page if necessary.)

Prepared By: Geron Bruce GB

Phone: 465-4100

Division: Commissioner's Office

Date: 4/1/92

Approved by Commissioner: Carl R. Resier

Agency: Department of Fish and Game

Date: 4/1/92

Distribution (by preparer): Leg. Fin., Legislative Sponsor, Requestor, OMB/DBR, Gov. Legis. OSC., & Impacted Agency(ies).

## **CHAPTER V. LEGAL ISSUES RAISED BY BOARD OF FISHERIES**

In a May 6, 1991 letter to Senate President Richard Eliason, Fisheries Board Chairman Michael R. Martin stated the following:

In managing fisheries that involve hatchery raised salmon, the Board of Fisheries has encountered problems due to ambiguities in the current Alaska statutes. These problems commonly arise when the management of hatchery stocks conflicts with either the health of wild stocks or with the opportunity of fishermen to harvest wild stocks. Essentially, the statutes are not clear on the status of wild stock management.

State statutes are also not clear about the state's duty to provide fish for hatchery broodstock and cost recovery, and about hatcheries' obligations to contribute to the common property fisheries. We perceive that the development of state policy toward hatcheries may create a conflict of interest. On the one hand, the state manages fisheries as a common property resource for the benefit of all user groups. On the other hand, the state loans money to hatcheries with the expectation that the hatcheries will receive enough fish to be able to repay these loans.

While Chairman Martin went on to note other concerns,<sup>1</sup> *an overriding problem for the board appeared to be the perceived statutory ambiguities which lead to difficulty in resolving conflict between wild stock protection and broodstock/cost recovery.*

### **ALASKA STATUTES AND ADF&G REGULATIONS**

The board was created "for purposes of the conservation and development of the fishery resources of the state . . ." (AS 16.05.221 (a)). In order to carry out that charge, the board may "adopt regulations it considers advisable in accordance with the Administrative Procedures Act (AS 44.62)." (AS 16.05.251(a)).<sup>2</sup>

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<sup>1</sup>These included potential changes to the statutes relating to regional salmon plans (AS 16.10.375), regional associations (AS 16.10.380), and definition of various words and phrases used in Title 16.

<sup>2</sup>AS 16.05.251 (b) lists the purposes for which the board may exercise this power, including

- . . . (2) establishing open and closed seasons and areas for the taking of fish;
- (3) setting quotas, bag limits, harvest levels, and sex and size limitations on the taking of fish;
- (4) establishing the means and methods employed in the pursuit, capture and transport of fish; . . .
- (6) classifying as commercial fish, sport fish, personal use fish, subsistence fish, or predators or other categories essential for regulatory purposes;

The board has adopted a number of regulations relating to private nonprofit hatcheries. Codified at 05 AAC 40.005 - 05 AAC 40.900, they include: delegating to the commissioner the authority to specify gear type and fishing periods for hatchery cost recovery; requiring hatchery permit holders who harvest salmon to comply with fish purchaser reporting requirements; allowing hatchery permit holders who harvest salmon for broodstock exemptions from the salmon "waste" statute and the regulations concerning "closed waters" and vessel area registration; designating special harvest areas; procedures for permit application, application review, public hearings, review and determination, and reconsideration; establishing regional comprehensive planning teams and procedures to be followed by them; prohibiting permit transfers; requiring hatchery management plans, inspections, and performance reviews; establishing criteria for the sale of surplus salmon eggs.

A number of these regulations contain references to wild stock protection.<sup>3</sup> However, any regulation may be successfully challenged in court if it falls outside the statutory authority granted to the state agency that adopted it,<sup>4</sup> or if it conflicts with other statutes,<sup>5</sup> or the constitution.

The statutes governing the private nonprofit hatchery system are AS 16.10.375 - AS 16.10.470. They provide for: regional salmon plans; regional associations; criteria for the issuance of hatchery permits; public hearings prior to permit issuance; permit conditions; criteria for permit alteration, suspension or revocation; board regulation authority; department assistance and cooperation for permit applicants and holders; salmon egg sources; salmon egg sales; hatchery inspection; and an annual report to the department by permittees.

There are only two direct references in statute to the protection of wild stocks from harm due to hatchery operations. The first, AS 16.10.400(g) ("Permits for salmon hatcheries"), provides:

During the development of a comprehensive plan for a region, no permit may be issued for a hatchery unless the commissioner determines that such an action would

- 
- (7) watershed and habitat improvement, and management, conservation, protection, use, disposal, propagation and stocking of fish;
  - (8) investigating and determine the extent and effect of disease, predation, and competition among fish in the state, exercising control measures considered necessary to the resources of the state;
  - (9) prohibiting and regulating live capture, possession, transport, or release of native or exotic fish or their eggs; . . .
  - (12) regulating commercial, sport, subsistence, and personal use fishing as needed for the conservation, development, and utilization of fisheries...

AS 16.05.251(b).

<sup>3</sup>/See e.g., 5 AAC 40.005 (c) (segregation of hatchery fish from natural runs), 5 AAC 40.170 (2) (regional planning team review of hatchery permit application to determine extent of wild stock protection),

<sup>4</sup>/See, Beran v. State, 705 P.2d 1280 (Alaska App. 1985)

<sup>5</sup>/Id.

result in substantial public benefits and would not jeopardize natural stocks, (emphasis added)

The second, AS 16.10.420(10) ("Conditions of a permit"), states:

The department shall require, in a permit issued to hatchery operator, that . . . a hatchery be located in an area where a reasonable segregation from natural stocks occurs, but, when feasible, in an area where returning hatchery fish will pass through traditional salmon fisheries.

The board is concerned that these statutes require the department to make a judgment concerning the potential harm to wild stocks only prior to the issuance of a hatchery permit; the inference being that once a judgment is made and a hatchery permit is issued, there is no statutory "protection" for wild stocks that are jeopardized by hatchery-related dangers arising after a permit is issued.<sup>6</sup> This raises the possibility that a management regime which protects wild stocks to the detriment of hatchery operations would conflict with existing statutes that indicate the state should manage hatchery fish for broodstock and cost recovery.

An additional concern, not raised in Chairman Martin's letter, is whether the state constitution requires that hatchery fish be managed for broodstock and cost recovery.

## **RECENT LEGAL OPINIONS**

### ***Hatchery Fish and "Sustained Yield"***

Article VIII, section 4, of the Alaska Constitution states:

Fish, forests, wildlife, grasslands, and all other replenishable resources belonging to the State shall be utilized, developed, and maintained on the sustained yield principle, subject to preferences among beneficial users.

The Alaska Supreme Court has stated that wild salmon, while they are in the natural waters of the State, "belong" to the State. Metlakatla Indian Community, Annette Island Reserve v. Egan, 362 P.2d 901, 914-915 (Alaska 1961). Because wild salmon belonged to the State while in our waters, they are subject to Article VIII, Section 4, of the Constitution, and thus must be managed on the sustained yield principle. Whether hatchery-reared salmon share the same status is less clear, and has been the subject of disagreement among attorneys who have recently written on that issue. The issue is important in the context of Chairman Martin's concerns because if hatchery fish must be managed on the sustained yield principle, that implies the Board of Fish *must* manage fisheries to provide hatcheries with broodstock, and possibly cost-recovery fish, even if the board does not believe that to be in state's best interest.

In an August 1990 letter to Alaska Department of Fish & Game Commissioner Don Collinsworth, Assistant Attorney General Steve White concluded that the Department of Fish & Game and the Board of Fish had the legal authority, and were in fact directed by law, to manage fisheries so that salmon hatcheries receive broodstock and cost recovery fish for their operations. He based these conclusions in part on the assumption that the

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<sup>6</sup>/See Martin letter, p. 2.

law, to manage fisheries so that salmon hatcheries receive broodstock and cost recovery fish for their operations. He based these conclusions in part on the assumption that the above quoted section of the Alaska Constitution mandates that hatchery fish be managed in the same manner as wild stocks. Two other attorneys, George Utermohle of the Legislative Affairs Agency's Legal Services Division, and Juneau attorney Michael Stanley, later called that assumption into question. Sometime after that, Anchorage attorney A. William Saupe analyzed the three prior opinions and concluded that Mr. White's initial assumption was correct.<sup>7</sup> What follows is a summary, extracted from the four opinions, of the arguments on both sides of the question of whether sustained yield management requirement of art. VIII, sec. 4 of the Alaska Constitution applies to hatchery-raised fish.

First is the issue of "ownership." On its face, sec. 4 of art. VIII applies only to resources "belonging" to the state. Are hatchery-raised fish in that category? Stanley and Utermohle argue that they may not be.

Stanley points out that the framers of the Alaska Constitution did make distinctions between resources "occurring in their natural state" and those that are "subject to intensive culture," at least for the purpose of exempting the latter from the requirements of art. VIII, sec. 3 (the "common use clause").<sup>8</sup> Because humans play a substantial role in the growth and development of hatchery fish, Stanley reasons that they may not be the "natural resources" the drafters of article VIII had in mind.

George Utermohle points to the fact that the legislature, when it created the private nonprofit hatchery system, used the following language (AS 16.10.440(a)) to provide for the common use of hatchery fish:

Fish released into the natural waters of the state by a hatchery operated under AS 16.10.400 - 16.10.470 are available to the people for common use and are subject to regulation under applicable law in the same way as fish occurring in their natural state until they return to the specific location designated by the department for harvest by the hatchery operator.

Utermohle finds the above language significant in a number of respects: first, while the statute provides for the common use of hatchery fish, it is silent as to state ownership and makes no mention of sustained yield; second, the fact that hatchery fish are to be treated "in the same way" as fish occurring in their natural state "until they return to the specific location. . ." suggests that the legislature did not consider them a common property resource belonging to state, but merely felt they should be treated as if they were until they returned to the hatchery for harvest; finally, Utermohle suggests that the provision for harvest by the hatchery operator indicates "some lingering private property interest in the hatchery fish by the hatchery," another indicator that these fish may not "belong" to the state for purposes of the sustained yield section of art. VIII.

In his lengthy memorandum to PWSAC President John McMullen, attorney A. William Saupe disagreed with the arguments made by Stanley and Utermohle that the sustained yield clause may not apply to hatchery fish.

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<sup>7</sup>/Copies of the four legal opinions are attached to this memorandum.

<sup>8</sup>/Art. VIII, sec. 3 provides: "Common Use. Wherever occurring in their natural state, fish, wildlife, and waters are reserved to the people for their common use."

Initially, Saupe relies on legislative history to refute the "ownership" argument. He quotes this passage from a Legislative Research Agency memorandum by Linda J. Snow (July 31, 1991) to Senator Eliason:

Consensus is that the legislature had always intended that the fish from PNP hatcheries belong to the common property fishery until such time as they return to the hatchery, and then they belong to the hatchery for broodstock and cost recovery. Testimony by Senator Dick Eliason at a 1975 Senate Resources Committee hearing on SB 180 indicates that the initial concept of a private hatchery system considered profit-making corporate ownership. However, a profit-making corporation might advance a claim to exclusive ownership of everything it produced. Thus, it was felt that private, nonprofit ownership of hatcheries would be more consistent with the concept of publicly-owned hatchery fish. This opinion is echoed by former Representative Terry Gardiner.

At a March 7, 1977 House Resources Committee hearing, Jack Milnes, Executive Director of Souther Southeast Regional Aquaculture Association testified: "I wish to recognize the fact that these are common property fish, that they belong to the state of Alaska and to the people of Alaska and therefore they should be protected by the representatives of the people of the state of Alaska." At a 1979 Senate Resources Committee hearing on HB 48, Don Clocksin, attorney with Alaska Legal Services, discussed the question of ownership of hatchery fish. In his testimony, he asked "When are fish no longer common property fish?" He felt that constitutionally, they were to be considered common property fish at all times. Consequently, it appears there was never any question that hatchery fish were common property of the people of the state while in Alaska waters, and they may or may not be the property of the PNP hatchery operator at the hatchery, but that they be allowed to harvest a sufficient number for broodstock and cost recovery.

(Emphasis his).

Saupe also relies on certain portions of the commentary of the Committee on Resources of the Alaska Constitutional Convention. The first concerns the common use clause:

Game fish, wildlife, fisheries, and water are recognized as belonging to the state so long as in a natural state. These resources are subject to a private right only when they have been acquired or utilized as provided by law. (emphasis his).

Saupe asserts that this passage indicates the framers' belief that fish reserved for common use "belonged" to the state. Because hatchery fish are reserved for common use by AS 16.10.440 (a), Saupe reasons that they must be owned by the state and be subject to the sustained yield principle.

The second commentary is the sustained yield clause itself:

Sustained yield is recognized as a principle applicable to the administration of plant and animal life subject to the immediate authority of the state. (emphasis his).

Because hatchery fish are subject to the authority of the state by AS 16.10.440(a), Saupe reasons, they are subject to the sustained yield clause.

This conclusion, he asserts, "also comports with common sense" because

[i]f they did not belong to the State, it could not reserve hatchery fish for use by others without paying for them. Moreover, if the mere expectation that a hatchery will later be allowed to harvest some unidentified fraction of the returning fish constitutes an ownership interest in all of its fish, then every other limited entry permit holder could be said to have the same "lingering property interest," leading to the false conclusion that none of the fish in Alaska's waters ever belong to the State or are subject to the sustained yield principle of management.

A more reasonable interpretation of these related statutory and constitutional provisions is that, once released, hatchery fish become like wild stocks in every legal respect. They belong to the state, are reserved to the people for common use and must be managed for sustained yield. . .

Saupe, pp. 10-11.

However, even if the state "owns" the hatchery fish, it does not automatically follow that the state must manage those fish on a sustained yield basis. As George Utermohle notes, the drafters of our constitution chose to make sustained yield requirement subject to "beneficial uses". The commentary on Article VIII, Natural Resources, at page 98, states:

This principle [sustained yield] is qualified in terms of "the highest beneficial public use" in recognition of its not being in the public interest to preserve certain parasitic or predatory organisms destructive of more beneficial plant and animal life.

And, during the debate on the sustained yield clause, Delegate Riley explained:

. . . we have in mind no narrow definition of "sustained yield," as is used for example, in forestry, but the broad premise that insofar as possible a principle of sustained yield shall be used with respect to administration of those resources which are susceptible of sustained yield, and where it is desirable. For example, predators would not be maintained on a sustained yield basis. (Alaska Constitutional Convention Proceedings, p. 2451.)

Utermohle argues that:

The delegates understood that the concept of preferences among beneficial uses would allow the state to make reasoned decisions to prefer certain renewable resources over other renewable resources to achieve a more beneficial public purpose. The authority to establish preference among beneficial uses may permit the state to harvest hatchery fish without providing for a sustained yield from the hatchery, provided that those who have vested rights in hatchery fish are compensated for those rights that are taken by the state.

The ability of the state to establish preferences among beneficial users is reflected in AS 16.10.430(b) which allows the commissioner of Fish and Game to terminate the operation of a hatchery in the best interests of the public, if the adverse effects of the operation of the hatchery are irreversible and cannot be mitigated. (Utermohle memo, pp. 3-4.)

Saupe, on the other hand, argues that AS 16.10.430(b) is not merely a reflection of the state's ability to establish preferences among beneficial uses but is in fact the only basis upon which a hatchery permit may be terminated. He also argues that the contribution made by PWSAC to the growth of the commercial fishing industry in Alaska demonstrates its beneficial use to the state, and that "short of the extreme situation envisioned by AS

14.10.430(b) it is hard to conceive how denial of a reasonable hatchery harvest in favor of other beneficial uses could achieve a greater public purpose." Saupe memo, p. 14.

It is unfortunate that our supreme court has never defined "sustained yield," much less taken up the question whether hatchery raised fish must be managed on that principle. Suffice to say that knowledgeable people disagree on this issue and it would probably take a constitutional amendment to guarantee an unassailable legal conclusion one way or the other.

No one would seriously argue that the preservation of wild stocks is not a "beneficial use" of the fishery resource, and there apparently is a concern that managing hatchery fish for broodstock and cost recovery may, in some instances, be harmful to that beneficial use. The difficulty with such a conclusion is that it probably raises more questions than it answers. How significant must the harm be? Can it be clearly substantiated? Is not the continued health and development of hatchery raised fish also a "beneficial use" of the resource?

As the above arguments, conclusions and questions demonstrate, there is no clear answer to the question whether there is a constitutional mandate that hatchery fish be managed on a sustained yield basis. That is not to say, however, that the legislature should not exercise its constitutional law making authority in this area. As Chairman Martin's letter makes clear, the Board of Fisheries is struggling with statutory ambiguities, and the board is obviously looking for legislative action.

### *Allocating for Broodstock and Cost Recovery*

As noted earlier, assistant attorney general Steve White concluded that the board and the department are authorized and directed by law to allocate fishery resources for broodstock. He also concluded that the board has the authority, but is not required, to manage for cost recovery. White memo., p. 7. Going a step further, Mr. Saupe reached the conclusion that the board and the department must manage for both broodstock and cost recovery. Saupe memo., p. 16. In reaching their conclusions, White and Saupe both rely on the notion that hatchery fish must be managed on the principle of sustained yield, discussed above, and on a number of statutes and court decisions which point to legislative approval for such activity.

As noted above, the board is to provide for "the conservation and development of of the fishery resources of the state." AS 16.05.221(a). The Alaska Supreme Court, in Kenai Peninsula Fishermens Coop Ass'n v. State, 628 P. 2d 897, 903 (Alaska 1981), defined "conservation" as "controlled utilization of a resource to prevent its exploitation, destruction or neglect." Steven White argues that, since managing for broodstock helps to perpetuate the fishery resource (i.e., prevents its "exploitation, destruction or neglect"), managing for broodstock is analogous to managing for escapement of wild fish. Therefore, the board has the power to adopt regulations that will provide for hatchery broodstock. White memo., p. 2.

Saupe argues that, in addition to the constitutional mandates, managing for broodstock is required by AS 16.10.443, which states:

Department assistance and cooperation. (a) Before and after permit issuance under AS 16.10.440 - 16.10.470, the department shall make every effort, within the limits of time and resources, to advise and assist applicants or permit holders, as appropriate, in the planning, construction, or operation of salmon hatcheries.

Saupe concludes that, because broodstock recovery is essential to hatchery operations, and the department is required to assist in hatchery operations, any regulation or action of the department that denies broodstock recovery would be invalid as inconsistent with the above-quoted statute. Saupe memo., p. 15.

Whether the board has the authority to manage for cost recovery is less clear than it is for broodstock. The board does have the authority to allocate fish to various user groups.<sup>9</sup> However, private nonprofit hatcheries are not specifically designated in law as a user group. Nevertheless, Steve White has concluded that private nonprofit hatcheries could be considered a "subgroup" of commercial users. Because the Alaska Supreme Court has upheld the board's power to allocate among subgroups (e.g., drift gillnetters and set gillnetters),<sup>10</sup> White concludes that the board could make a valid allocation to hatchery operators as a "subgroup."<sup>11</sup>

Michael Stanley, on the other hand, argues that the statutory definition of "commercial fishing" leads to a different conclusion. AS 16.05.940(5) states:

the taking, fishing for, or possession of fish, shellfish, or other fishery resources with the intent of disposing of them for profit, or by sale, barter, trade, or in commercial channels . . .

Stanley asserts that hatchery operators do not sell cost recovery fish "for profit." He does acknowledge that cost recovery sales may be "in commercial channels," but argues that a reading of that phrase broad enough to include hatchery operators would also have to include other users, such as salmon derby operators. The inference he makes is that the legislature did not intend hatchery operators to be included in either definition, and therefore hatchery operators cannot be allocated to as a subgroup. Stanley also points to the statutory definition of "commercial fisherman, AS 16.10.940 (5), which states that they are "individuals," meaning natural persons and not corporations.

Saupe, on the other hand, argues that cost recovery is essential to sustain hatchery yields and to promote aquaculture, two requirements of the state constitution.<sup>12</sup> He also points to a number of statutes which he believes evince a legislative mandate for cost recovery. Principal among these is AS 16.10.450 (a), which provides:

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<sup>9</sup>/See AS 16.05.251(e).

<sup>10</sup>/Meier v. State, 739 P.2d 172, 174 (Alaska 1987)

<sup>11</sup>/White op., p. 3.

<sup>12</sup>/Along with the sustained yield requirement already discussed, Saupe relies on art. VIII, sec. 15, which states:

No Exclusive Right of Fishery. No exclusive right or special privilege of fishery shall be created or authorized in the natural waters of the State. This section does not restrict the power of the state to limit entry into any fishery for the purposes of resource conservation, to prevent economic distress among fishermen and those dependent upon them for a livelihood and to promote the efficient development of aquaculture in the State. (emphasis added).

Sale of salmon and salmon eggs by hatchery. (a) Except as otherwise provided in a contract for the operation of a hatchery under AS 16.10.480, a hatchery operator who sells salmon returning from the natural waters of the state, or sells salmon eggs to another hatchery operating under AS 16.10.400 - 16.10.470, after utilizing the funds for reasonable operating costs, including debt retirement, expanding its facilities, salmon rehabilitation projects, fisheries research, or costs of operating the qualified regional association for the area in which the hatchery is located, shall expend the remaining funds on other fisheries activities of the qualified regional association.

Also cited by Saupe as evidence of the legislature's mandate for cost recovery: AS 16.43.420 (Limited Entry Act provision allowing sale of fish caught under special harvest area entry permit); AS 16.10.430 (b) (allowing a holder of a terminated hatchery permit to harvest salmon during the termination period); AS 16.05.020 (requiring the commissioner of Fish & Game to "improve and extend" the fish resources of the state in the interest of the state's economy and general well-being).

### ***Restricting Hatchery Output***

The Saupe memorandum also discusses the authority of the board to restrict individual hatchery output. Based in part on Linda Snow's legislative history memorandum, and in part on a review of the board's authorizing statute, Saupe concluded that there is "little or no basis for regulation of hatchery output by the board." Saupe memo., p. 28. He asserts that AS 16.10.440 (b), which allows the board to amend the terms of a hatchery permit,<sup>13</sup> speaks only to regulation of harvest, not production. Saupe memo., p. 30.

As to whether the board can set regional production limits, such as by capping the hatchery sockeye output in Prince William Sound to maintain historical levels relative to Bristol Bay sockeye production, Saupe is not as sure. However, he does suggest that the board's authority to regulate propagation and stocking<sup>14</sup> is a "very slender thread from which to hang an unprecedented, statewide regulatory program of production allocations." He also asserts that serious practical and policy problems would arise when the board attempts to allocate between regions of the state.<sup>15</sup>

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<sup>13</sup>/AS 16.10.440(b) allows the board to amend "the terms of the permit relating to the source and number of salmon eggs, the harvest of fish by hatchery operators, and the specific locations designated by the department for harvest."

<sup>14</sup>/AS 16.05.251(7)

<sup>15</sup>/Saupe memo., p. 31-32.

## **CONCLUSIONS**

This chapter illustrates some of the ambiguities in Alaska law relating to the authority of the Board of Fisheries to manage hatchery fish and leads to several conclusions:

1. There is no specific statutory mandate directing the board to give wild stocks preferential management treatment relative to hatchery raised fish.
2. The Alaska Constitution may require that hatchery fish be managed to allow for broodstock and cost recovery by the hatcheries, but that requirement may be invalidated by a determination that the sustained yield of hatchery fish is not as "beneficial" a "use" of the fishery resource as that of protecting the health of the wild stocks.
3. Existing statutes appear to allow the board to allocate to hatcheries fish for broodstock, but are less clear as to the authority for cost recovery.
4. Existing statutes are not clear on the board's authority to restrict hatchery production on a local or regional basis.

## **OPTIONS FOR POSSIBLE CONSIDERATION**

- *Placing a wild stock priority into state statutes; or alternatively, making the status of wild and hatchery stocks of equal priority, or leaving the statutes ambiguous.*
- *Clarifying in state statutes whether or not the Board of Fisheries is required to provide for hatchery broodstock or for cost-recovery fisheries.*
- *Clarifying the Board of Fisheries' authority to restrict hatchery production.*

Attachments  
to Chapter II.

LETTER  
BD. OF FISHERIES FROM

May 6, 1991

The Honorable Richard Eliason  
President  
Alaska State Senate  
P.O. Box V  
Juneau, AK 99811

Dear President Eliason:

This letter is in response to a request by the Senate Resources Committee and the Special Senate Fisheries Committee when Board of Fisheries members appeared before the committee in March. We appreciated the opportunity to sit down with the committee and discuss items which will improve the board's ability to serve the people of Alaska.

In managing fisheries that involve hatchery raised salmon, the Board of Fisheries has encountered problems due to ambiguities in the current Alaska statutes. These problems commonly arise when the management of hatchery stocks conflicts with either the health of wild stocks or with the opportunity of fishermen to harvest wild stocks. Essentially, the statutes are not clear on the status of wild stock management.

State statutes also are not clear about the state's duty to provide fish for hatchery broodstock and cost recovery, and about the hatcheries' obligations to contribute to the common property fisheries. We perceive that the development of state policy toward hatcheries may have created a conflict of interest. On one hand, the state manages fisheries as a common property resource for the benefit of all user groups. On the other hand, the state loans money to hatcheries with the expectation that the hatcheries will receive enough fish to be able to repay these loans.

The board has the following comments on the existing statutes:

1. AS 16.10.375 Regional Salmon Plan. Should new language require a review or synthesis of the regional plans to give a statewide perspective on hatchery production?

President Richard Eliason  
May 6, 1991  
Page Two

2. AS 16.10.380 Regional Associations. One of the great strengths of the regional associations is the representation of all user groups on their boards of director. However, the PNP's have no such requirement. Should all hatcheries and enhancement activities in a region be under the control of the regional associations?

Should state laws apply to all hatcheries and enhancement activities in Alaska and not just private non-profit hatcheries? Other activities that might be covered include state-owned hatcheries, regional hatcheries, and the U.S. Fish and Wildlife Service, the U.S. Forest Service, and the National Marine Fisheries Service. Should all these activities be included in the Regional Comprehensive Plan?

Should the role of the regional associations be to coordinate region wide production and allocation subject to biological review by the Regional Planning Team and allocative review by the Board of Fisheries?

Given an expanded role for the regional associations, should their means and levels of funding be re-examined by the legislature?

3. AS 16.10.400 Permits for Salmon Hatcheries. The legislature should re-examine (g) of this section: "During the development of a comprehensive plan for a region no permit may be issued for a hatchery unless the commissioner determines that such an action would result in substantial public benefits and would not jeopardize natural stocks."

The first ten words of this section, "During. . . region . . .", suggest that once the plan is completed, the prohibited actions could be allowed. Perhaps this wording should be deleted. Also, we believe that there should be more specific grounds and procedures for terminating hatchery permits after they have been issued.

President Richard Eliason  
May 6, 1991  
Page Three

Legislators should note that 5 AAC 40.860 provides generic standards for performance review of hatchery success in producing smolt from broodstock. There are no statutory standards, however, for performance review of hatchery contribution to common property fisheries. If a hatchery cannot demonstrate that it is providing "substantial public benefit", is the state required to continue to provide for returns to the hatchery for broodstock or cost recovery purposes?

In this subsection, "substantial public benefit" is not clearly defined. The board recommends that the legislature consider linking the number of eggs taken as broodstock or the number of smolt released by a hatchery to that hatchery's required contribution to the common property fisheries.

The board may contribute to clarifying "substantial public benefit" by requiring the marking of hatchery fish. While we believe that the board has the authority to require this, it would be helpful to have this authority specifically provided by statute. Should the cost of implementing a marking program be borne by the producers of hatchery fish or by the state?

The last five words of this subsection, ". . . would not jeopardize natural stocks", is one of only two places (the other is AS 16.10.420(10)) which declares that it is the legislature's intent that the conduct of the entire state hatchery system is conditional on the protection of natural stocks. Perhaps because our hatcheries have flourished over time, and given some of the intense debate occurring in Oregon, Washington and Canada on how hatchery stocks have impacted natural systems, it is especially timely for the legislature to review the treatment natural stocks receive.

4. The necessity of protecting Alaska's vigorous natural stock populations is recognized by Department of Fish and Game regulations and policies. The regulations are in 5 AAC 40. For example, some of the strongest language exists in 5 AAC 40.220(b)(1), "the proposed hatchery returns may not unreasonably or adversely affect management of natural stocks. . ." Additional language exists in 5 AAC 40.005(a), (c), and (e), 5 AAC 40.007(b), 5 AAC 40.170 (2), 5 AAC 40.220 (b)(1), (3) and (7), and 5 AAC 40.860 (b)(2) and (4). As this issue of natural stock protection is examined by the legislature, the board recommends that the legislature seek input from the Commissioner of the Department of Fish and Game.

President Richard Eliason  
May 6, 1991  
Page Four

5. The legislature may wish to further clarify their intent in additional and more concise definitions of terms used in Title 16. For example, the following terms should be clarified: "escapement", "brood stock", "cost recovery", "substantial public benefit", and "private non-profit."

Should escapement apply strictly to natural stocks returning to natural systems?

Should broodstock be defined as the number of eggs authorized by permit to meet the production levels of the hatchery and to contribute to the common property fisheries? Some wording to this effect would be valuable in light of AS 16.10.420 and AS 16.10.450 which allow for the sale of salmon and salmon eggs for cost recovery. Fish which return to the hatchery for broodstock should be differentiated from fish which return and may be taken for cost recovery.

Does the legislature wish to rank or prioritize escapement to natural systems compared to return of broodstock to hatcheries?

"Cost recovery" is another term which warrants some further clarification. However, a clear definition of broodstock, coupled with a definition of substantial public benefits in terms of what is contributed to common property fisheries from broodstock, would provide a de facto identification of fish available for cost recovery as long as identification of hatchery stocks can be achieved.

These concerns of the Board of Fisheries are presented for your consideration. Your interest, and past support, in these resource issues has been greatly appreciated.

Should you have further questions, please feel free to call me.

Sincerely,

Michael R. Martin  
Chair  
Alaska Board of Fisheries

cc: Board of Fisheries members  
Carl Rosier, Commissioner, ADF&G

# MEMORANDUM

State of Alaska  
Department of Law

TO: Hon. Don W. Collinsworth  
Commissioner  
Department of Fish and Game

DATE: August 1, 1990

FILE NO: 663-90-0327

TEL. NO: 465-3600

SUBJECT: ADF&G authority to manage  
fisheries for hatchery  
broodstock and cost  
recovery

*Stephen M. White*

FROM: Stephen M. White  
Assistant Attorney General  
Natural Resources Section

You have asked whether the Department of Fish and Game has legal authority to manage fisheries so that salmon hatcheries receive broodstock and cost recovery fish for their operations. You also asked whether the department is required to manage fisheries for these results. Your staff has also asked us to compare the department's authority with that of the Board of Fisheries.

## I. ANALYSIS

### A. Factual and Legal Background

There are two types of salmon hatcheries in Alaska. These are private, nonprofit hatcheries and state-owned hatcheries.

The regulation of private, nonprofit hatcheries is provided for in AS 16.10.400 - 16.10.470. These hatcheries have received a significant amount of public funds, principally in the form of loans from the state's fisheries enhancement revolving loan fund established by AS 16.10.507. 1/ Until fish raised by private, nonprofit hatcheries return to a location where they can be harvested by the hatchery operators, these fish "are available to the people for common use and are subject to regulation under applicable law in the same way as fish occurring in their natural state." AS 16.10.440(a).

The only law that deals with state-owned hatcheries is the one that gives the commissioner of the Department of Fish and Game authority to design and construct public hatcheries. AS 16.05.050(3).

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1/ According to the Department of Commerce and Economic Development, the current amount owed to the state by private, nonprofit hatcheries is approximately \$63.1 million.

B. Board of Fisheries' Authority to Manage for Hatchery Returns

1. Board's authority to manage for broodstock fish

The Board of Fisheries was created "for purposes of the conservation and development of the fishery resources of the state." AS 16.05.221(a) (emphasis added). The board has authority to "adopt regulations it considers advisable in accordance with the Administrative Procedure Act (AS 44.62) for . . . regulating commercial, sport, subsistence, and personal use fishing as needed for the conservation, development, and utilization of fisheries." AS 16.05.251(a)(12) (emphasis added).

The Alaska Supreme Court has defined "conservation" as "controlled utilization of a resource to prevent its exploitation, destruction, or neglect." Kenai Peninsula Fisherman's Coop. Ass'n v. State, 628 P.2d 897, 903 (Alaska 1981). We believe that the board's authority to conserve the fishery resource of the state, that is, to prevent its "exploitation, destruction, or neglect," is an expression of the constitutional requirement that fish be "utilized, developed, and maintained on the sustained yield principle." Alaska Const. art. VIII, § 4.

We understand that the term "broodstock" means the portion of returning fish that a hatchery uses to provide eggs for raising its next contribution to the common-property fishery. Because broodstock helps to perpetuate the fishery resource, we believe that managing for broodstock is analogous to managing for escapement of wild fish to achieve sustained yield. It follows, therefore, that the Board of Fisheries is empowered to adopt regulations that will provide brood stock to the hatcheries. Furthermore, because management for sustained yield is required by article VIII, section 4, of the Alaska Constitution, we believe that the law directs the board to manage for this result.

2. The Board's Authority to Manage for Cost Recovery Fish

We understand that "cost recovery fish" are the portion of returning fish that a private, nonprofit hatchery harvests and sells to help meet its financial obligations. We also understand that state-owned hatcheries do not presently harvest fish for cost

Hon. Don W. Collinsworth, Commissioner  
Department of Fish and Game  
AGO file: 663-90-0327

August 1, 1990  
Page 3

recovery. Thus, the question of managing fish for cost recovery concerns only private, nonprofit hatcheries. 2/

As noted above, the Board of Fisheries has authority to adopt regulations for development as well as for conservation of the fisheries. AS 16.05.221(a); AS 16.05.251(a)(12). The Alaska Supreme Court has defined "development" as "management of a resource to make it available for use." Kenai Peninsula, 628 P.2d at 903.

We have previously advised that this authority empowers the board to allocate fish that are beyond those needed to assure sustained yield. This power is established by AS 16.05.251(d), which mandates that the board provide "a fair and reasonable opportunity for the taking of fishery resources" by fishery user groups and by AS 16.05.251(e), which requires that the board adopt criteria for making allocations among these groups. 1990 Inf. Op. Att'y Gen. (Jan. 12; 663-90-0227); 1989 Inf. Op. Att'y Gen. (Apr. 7; 663-89-0465).

The courts have endorsed various forms of allocation. These have included allocations between the various overall user groups identified in the fish and game code -- personal use, sport, and commercial fishers. For example, in the Kenai Peninsula case, the Alaska Supreme Court said that the board could establish priorities of use between recreational and commercial fishers. Kenai Peninsula, 628 P.2d at 903. In other cases, the courts have upheld regulations that allocate harvest between competing subgroups of a particular user group. For example, the court upheld the board's allocation of fish between drift gillnet fishers and set gillnet fishers, both of whom are commercial users. Meier v. State, 739 P.2d 172, 174 (Alaska 1987).

Private, nonprofit hatcheries are not identified in the law as an overall user group. Nevertheless, we know of no reason why they could not be considered a subgroup of commercial users and thus be targeted for allocations like any other distinct subgroup of commercial harvesters.

The law establishes seven criteria that the board may consider when making allocations. AS 16.05.251(e). See also 05 AAC 39.205, 05 AAC 75.017, and 05 AAC 77.007. We have

2/ If state-owned hatcheries, operated by the state or by private contractors, harvest cost-recovery fish, this would raise issues that are beyond the scope of this memorandum. In that event, we would be pleased to provide you with further analyses of those issues.

Hon. Don W. Collinsworth, Commissioner  
Department of Fish and Game  
AGO file: 663-90-0327

August 1, 1990  
Page 4

previously noted that the board is not limited to just these factors. We cautioned, however, that if the board considers additional factors, it should insure that the resulting allocation satisfies constitutional requirements of substantive due process and of equal protection. 1990 Inf. Op. Att'y Gen. (Jan. 12; 663-90-0227). 1/

To satisfy substantive due process, an allocation cannot be arbitrary and it must further a legitimate governmental purpose. Mobile Oil Corp. v. Local Boundary Comm'n, 518 P.2d 92 (Alaska 1974). To satisfy equal protection, a distinction between competing users must be "based on a legitimate public purpose and . . . be reasonable, not arbitrary, and . . . rest upon some ground of difference having a fair and substantial relation to the object of the [allocation scheme]." State v. Ostrovsky, 667 P.2d 1184, 1193 (Alaska 1983) (citation omitted).

Earlier we noted that private, nonprofit hatcheries have received substantial loans from the state. We assume that cost recovery fish are a significant, if not essential, source of income for meeting these hatcheries' debt service. If the borrowers do not receive sufficient cost recovery fish, it may not only threaten their ability to contribute to the common-property fishery, but also their ability to repay state loans. Accordingly, we believe that preventing the economic failure of borrower hatcheries would certainly be a "legitimate government purpose."

We also believe that distinguishing between private, nonprofit hatcheries, who make a direct contribution to sustained yield, and other users who do not make such a contribution bears a "fair and substantial relationship" to the goals of sustaining common-property fisheries and replenishing the loan fund. Thus, we believe that an allocation to provide cost recovery fish would satisfy the requirements of substantive due process and equal protection.

We note, however, that none of the present criteria in AS 16.05.251(e) precisely describe the positive attributes of hatcheries. Factors (5) (economic importance) and (6) (regional importance) could, under narrow circumstances, justify an

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1/ We also opined that allocations must satisfy the provisions of article VIII of the Alaska Constitution. Specifically, these are section 1 (maximum use), section 2 (maximum benefit), section 3 (common use), section 15 (no exclusive right of fishing), and section 17 (equal application). 1990 Inf. Op. Att'y Gen. (Jan. 12; 663-90-0227). We do not believe that an allocation for cost-recovery would violate any of these sections.

Hon. Don W. Collinsworth, Commissioner  
Department of Fish and Game  
AGO file: 663-90-0327

August 1, 1990  
Page 5

allocation that provides for cost recovery. <sup>1/</sup> Although the board is not limited to using these criteria, they still affect the public and implement a legislative mandate. Thus, any unlisted criteria that the board wishes to use should be adopted by regulation. See Kenai Peninsula, 628 P.2d at 905, 906. In other words, if the board intends to allocate for cost recovery, it should adopt by regulation criteria that more closely describe the special attributes of private, nonprofit hatcheries.

The board's authority to allocate for cost recovery, then, is based upon characterizing private, nonprofit hatcheries as another type of commercial subgroup. But, there is nothing in the law that requires the board to allocate to a particular group or subgroup. Accordingly, we do not believe that the board is required by law to allocate cost recovery fish to this subgroup.

C. Department's Authority to Manage for Hatchery Returns

1. Department's authority to manage for broodstock

The commissioner of the Department of Fish and Game has limited tools for managing commercial fisheries independently of the board. This authority is contained in AS 16.05.060(a). It allows the commissioner to use emergency orders "when the circumstances require" to summarily open and close seasons or areas or to summarily change weekly closed periods.

The law does not define what circumstances will enable the commissioner to use his or her emergency order power. However, we have previously advised that in light of the commissioner's statutory charge to "manage, protect, maintain, improve, and extend the fish . . . resources of the state," emergency orders can be issued to protect sustained yield, based on conservation concerns. AS 16.05.020(2); 1989 Inf. Op. Att'y Gen. (Apr. 7; 663-89-0465).

Earlier we recognized an analogy between managing escapement of wild stocks for conservation/sustained yield and managing for hatchery broodstock in order to serve the same purposes. Thus, we believe that the department, acting through the commissioner's power to issue emergency orders, can independently

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<sup>1/</sup> For example, if (1) a certain fishery were an important segment of an economy, (2) a hatchery made a critical contribution to the perpetuation of this fishery, and (3) the hatchery could not survive to make this contribution without an allocation of cost-recovery fish, the board could conclude that the allocation would be very important to that economy. . . .

manage fisheries to provide broodstock to hatcheries. In the same way that the Alaska Constitution directs the Board of Fisheries to manage for the return of broodstock, we believe that the law also directs the department to manage for the same result.

2. Department's authority to manage for cost recovery fish

The law is not clear on the question of whether the department, through the commissioner's emergency order power, is authorized to independently manage fisheries for cost recovery fish. It is also not clear whether it is required to do so.

On one hand, it can be argued that the commissioner's statutory charge in AS 16.05.020(2) to "maintain and improve" the resource authorizes actions that will enable private, nonprofit hatcheries to survive. Unless they are able to meet financial obligations, hatcheries will not be able to raise broodstock, and thereby not be able to contribute to the "maintenance and improvement" of the resource. It can also be argued that it is unlikely that the legislature would have created a program for financing the hatcheries and yet not intended for fisheries to be managed so that these hatcheries could pay back their loans and contribute to the fishery resource.

On the other hand, cost recovery fish, unlike broodstock fish, do not directly contribute to the perpetuation of the resource. They are sold to meet economic needs of a user subgroup. Thus, they can be likened to fish that exceed the amount needed for sustained yield and are thus available for allocation among various users.

In the past, we have opined that the commissioner probably cannot allocate fish through his or her emergency order power. Only the board can allocate fish among competing fisheries or user groups. 1990 Inf. Op. Att'y Gen. (Jan. 12; 663-90-0227); 1989 Inf. Op. Att'y Gen. (Apr. 7; 663-89-0465). According to this argument, the department could not independently manage fish for cost recovery because it is not authorized to allocate fish among users. 5/

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5/ Although it is not clear whether the department, independent of the board, is authorized or required to allocate fish for cost recovery, we note that there are several ways that the department, in conjunction with the board, could manage for this purpose. First, under AS 16.05.270 the board could delegate to the department its own authority to allocate for certain fisheries. Next,

Hon. Don W. Collinsworth, Commissioner  
Department of Fish and Game  
AGO file: 663-90-0327

August 1, 1990  
Page 7

The arguments on both sides of this question depend upon implication and analogy. The law does not clearly point to one answer or the other. Although we believe we could defend an emergency order that was issued to provide cost recovery fish, we hesitate to predict the outcome of any challenge. Accordingly, if the department wishes to independently manage for cost recovery fish, we recommend that it seek clear authority from the legislature to do so.

## II. CONCLUSION

The Board of Fisheries and the Department of Fish and Game are authorized, and in fact are directed, to manage fisheries so that broodstock returns to hatcheries. The board can manage through its power to adopt regulations and the commissioner, when he or she acts independently of the board, can manage through the power to issue emergency orders. The authority of both is based upon statutory provisions for managing for conservation and on constitutional mandates for managing for sustained yield.

The board has the statutory authority to manage fisheries so that cost recovery fish return to a private, nonprofit hatchery. However, it is not clear that the present allocation criteria recognize the special attributes of hatcheries. If the board adopts such criteria, the board's regulatory authority to manage for cost recovery would be clear as well. On the other hand, there is no basis to conclude that the board is required to allocate fish for this purpose.

Absent the board's delegation of allocation authority to the department, it is not clear that the latter is authorized or required to independently manage for cost recovery, even by emergency order. Although we believe we could defend such an action, we could not predict the outcome of such suit. Therefore, we recommend that the department seek legislation that more clearly establishes this power.

We hope this answers your questions. Please do not hesitate to contact us if we can be of further help.

SMW:tg

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5/ (...continued)

the board could by regulation direct the department to manage a particular fishery for this purpose. Examples of this are in 5 AAC 24.365 and 5 AAC 24.366. Finally, the board could by regulation establish an allocation framework that the department could implement through emergency orders.

8  
Hon. Don W. Collinsworth, Commissioner  
Department of Fish and Game  
AGO file: 663-90-0327

August 1, 1990  
Page 3

cc: Bonnie Harris, Assistant Attorney General  
Anchorage

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**MICHAEL A. D. STANLEY**

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ATTORNEY AT LAW

PHONE (907) 586-6077  
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DATE: February 28, 1991

TO: Kate Troll, Executive Director  
Southeast Alaska Seiners

FROM: Michael A. D. Stanley *MAS*

SUBJ: Department of Law Opinion Re Management Of Fisheries  
For Hatchery Broodstock And Cost Recovery

You have asked me to review an opinion authored by Assistant Attorney General Stephen White, dated August 1, 1990, concerning the legal authority of the Board of Fisheries ("Board") and the Alaska Department of Fish and Game ("ADF&G") to manage fisheries for return of hatchery broodstock and cost recovery.

This memo is not intended as a lengthy analysis of Mr. White's conclusions or the issues presented, but is instead meant to identify questions raised by his opinion.

Briefly stated, White's conclusions are as follows:

1. The Board has the authority and, under article VIII, section 4 of the Alaska Constitution (the sustained yield clause), the obligation to manage fisheries to provide broodstock to hatcheries.
2. The Board has the authority to allocate fish to nonprofit hatcheries for cost recovery, as a subgroup of commercial users.
3. Like the Board, ADF&G has the authority and the obligation to use its management powers -- i.e., its emergency order authority -- to assure return of broodstock to hatcheries.
4. ADF&G does not have clear authority to use its emergency order authority to manage for cost recovery, which is a form of allocation among competing users, but could achieve such result
  - a. by working in conjunction with the Board (e.g., receiving a delegation of the Board's authority or implementing a Board regulation requiring such allocation), or
  - b. by seeking legislation that clearly establishes such power.

DISCUSSION

The difficulty I have with Mr. White's opinion is not so much what he says, but what he doesn't say; that is, assumptions or legal inferences that are implicitly made but not discussed. Once these are understood, it can be seen that his conclusions regarding the Board's and ADF&G's authority to manage for broodstock and cost recovery are subject to some question.

1. Are Hatchery Stocks Subject To Article VIII?

White's memo is premised on the assumption that hatchery fish are necessarily subject to the provisions of article VIII of the Alaska Constitution. This leads him, among other things, to conclude that the Board and ADF&G are required to manage fisheries for return of hatchery broodstock, just the same as they are required to manage for escapement of wild stocks. I believe there is reason to question this assumption.

Article VIII does not use a single term for what it covers, but all seem to have a similar meaning: "natural" resources, resources in their "natural state," and "replenishable resources belonging to the state." The question is, do these terms encompass man-made hatchery fish? Put another way, does the state "own" hatchery fish in the same way as it "owns" wild fish and game. If the answer to that question is no, then it may well be that hatchery fish are not subject to the requirements of article VIII at all.

I have not studied this "ownership" question for hatchery stocks at length, but I have run across items that suggest they might be different from wild stocks. For instance, in the commentary on what became section 3 of article VIII (the common use clause), the framers indicate that it "does not apply to the domestication of fur-bearing animals or other animals subject to intensive culture, to fish in private ponds, or to registered trap lines if authorized by law." Commentary on Article on State Lands and Natural Resources, January 16, 1956, Alaska Constitutional Convention Proceedings, Part 6, Appendix V, p. 98 (emphasis mine). Although the examples mentioned do not include hatchery fish, a common thread is creatures which man plays a substantial role in propogating.

Further, it could be argued that the legislature itself, when it passed the statutes authorizing private nonprofit hatcheries, did not view hatchery fish as subject to article VIII. As White points out, AS 16.10.440(a) provides that hatchery fish are "available for common use and are subject to regulation under applicable law in the same way as fish occurring in their natural state." However, this legislation would not have been necessary if hatchery fish were already believed to be subject to article VIII. The very fact that

AS 16.10.440 was enacted suggests that, in a constitutional sense, hatchery fish may be different from wild stocks.

Similarly, the sustained yield clause surely prohibits the Board or ADF&G from extinguishing a wild run. Yet, under certain circumstances hatchery permits may be revoked and production stopped. AS 16.10.430. Assuming hatchery fish were subject to section 4's command to sustain production, wouldn't terminating operation of a hatchery likewise be a constitutional violation? The answer may be that section 4 does not apply to hatchery fish.

The point simply is, White's conclusion that the Board and ADF&G are constitutionally mandated to manage for broodstock, just as they are required to manage for escapement of wild stocks, is subject to some question or, at the least, further analysis.

## 2. Are Nonprofit Hatcheries Engaged In Commercial Fishing?

In concluding that the Board can allocate fish to private nonprofit hatcheries for cost recovery, White states that "we know of no reason why they could not be considered a subgroup of commercial users and thus be targeted for allocations like any other distinct subgroup of commercial users." He conspicuously fails to refer to the definition of "commercial fishing" in articulating this premise. "Commercial fishing" is defined in AS 16.05.940(5) as

the taking, fishing for, or possession of fish, shellfish, or other fishery resources with the intent of disposing of them for profit, or by sale, barter, trade, or in commercial channels...

Nonprofit hatcheries do not take cost recovery fish "for profit." Are such fish nonetheless taken "with the intent" of disposing of them "by sale...or in commercial channels?" Although it could be argued that they are, that leads to a fairly expansive definition of commercial fishing. Salmon derbies possess fish with the intent of selling them; are they engaged in commercial fishing, too? Could the Board make an allocation to a fishing derby as subgroup of commercial users? At some point such an interpretation of "commercial fishing" becomes rather strained.

The definition of "commercial fisherman" in AS 16.10.940(4) may also provide guidance. That term is defined in terms of an "individual" -- i.e., a natural person -- and would not appear to include a nonprofit corporation.

Thus, there is a question whether nonprofit hatcheries are indeed engaged in "commercial fishing." If not, then White's conclusion that they may be the recipients of an allocation is undermined.

3. May Nonprofit Hatcheries Receive An Allocation?

The conclusion that the Board can allocate hatchery fish to a hatchery for cost recovery is, as White's memo states, "based upon characterizing private, nonprofit hatcheries as another type of commercial subgroup." I discussed above my doubts that hatcheries can really be said to be engaged in "commercial fishing."

There is another basis for questioning whether hatchery fish can be the subject of a specific allocation to a hatchery. AS 16.10.440(a) provides that hatchery fish are subject to regulation in the same manner as wild stocks "until they return to the specific location designated by the department for harvest by the hatchery operator." This suggests two things: (1) it is the department, not the Board, which is responsible for "allocating" hatchery fish to a hatchery through designation of special harvest areas, and (2) such allocation occurs only after those fish have traversed the common property fisheries and returned to the specific location designated for hatchery harvest. This statutory scheme is circumvented if the Board takes it upon itself to make an allocation to a hatchery prior to those fish returning to the designated area, while they are still in the common property fisheries.

Similarly, the statute which governs allocation of fisheries resources -- AS 16.05.251(e) -- does not really square with the idea of an allocation to a hatchery. The various factors which may be considered as allocation criteria are all tied to the term "fishery." But the definition of "fishery" in AS 16.05.940(12) does not include a hatchery. This suggests that a hatchery was never intended as the recipient of an allocation by the Board under AS 16.05.251(e).

Thus, the structure of applicable legislation suggests that hatchery operators may receive an allocation only through the procedures set forth in AS 16.10.440 (after leaving the common property fishery and in an area designated by ADF&G) and not from the Board pursuant to AS 16.05.251(e).

I must emphasize that the foregoing -- especially the discussion of the constitutional issue -- are not intended as definitive legal advice on whether the Board or ADF&G have the authority and/or the obligation to manage fisheries in order to assure the return of broodstock to nonprofit hatcheries or to provide for cost recovery. More analysis remains to be done. But I do think that this points up some significant problems with the Department of Law's opinion.

## DIVISION OF LEGAL SERVICES

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#### MEMORANDUM

April 8, 1991

**SUBJECT:** Sustained Yield Management of Salmon Produced by Private Nonprofit Hatcheries (Work Order 7LS0990)

**TO:** Senator Dick Eliason

**FROM:** George Utermohle *GU*  
Legislative Counsel

You have asked whether the state must manage salmon produced by private nonprofit hatcheries according to principles of sustained yield.

The Department of Law in its consideration of this issue has concluded that the sustained yield section of the Alaska Constitution (art. VIII, sec. 4) is applicable to private hatchery stocks of salmon and that the Board of Fisheries is required to manage private hatchery stocks of salmon according to sustained yield principles in order to provide broodstock to the hatcheries. Memorandum to Don W. Collinsworth file no. 663-90-0327, August 1, 1990. The Department of Law reached this conclusion by finding that the return of hatchery-bred salmon to the hatchery for use as broodstock, like the escapement of wild salmon to the spawning grounds, is necessary to achieve sustained yield of the salmon resource.

The sustained yield section can be reasonably construed as supporting the conclusion reached by the Department of Law, however the section is also open to other interpretations which would support different conclusions. Article VIII, sec. 4 states:

**SUSTAINED YIELD.** Fish, forests, wildlife, grasslands, and all other replenishable resources belonging to the State shall be utilized, developed, and maintained on the sustained yield principle, subject to preferences among beneficial uses.

Of particular significance is the fact that this section applies to fish "belonging to the State" and that utilization, development, and maintenance of fish on the sustained yield principle is "subject to preferences among beneficial uses."

Fish belonging to the state are clearly to be managed according to sustained yield principles. The general rule is that salmon while in state water are property of the state and are held in trust for the benefit of all people of the state. Merlakatla Indian Community, Annette Island Reserve v. Egan, 362 P.2d 901, 914-915 (Alaska 1961). Part of the state's trust responsibility includes the management of salmon according to sustained yield principles. However it is unclear whether the sustained yield requirement applies to salmon raised by a private nonprofit hatchery, because the ownership of hatchery salmon is uncertain.

Private nonprofit salmon hatcheries are authorized under AS 16.10.375 - 16.10.470. AS 16.10.375 - 16.10.470 that does not answer the question of who owns hatchery stocks of salmon, though a number of provisions do suggest that some property interest in hatchery salmon stocks may pass to the hatchery under the terms of the hatchery permit. There are at least four references to salmon eggs or fry being sold to or by a hatchery. AS 16.10.420(3), (7), and (8); 16.10.450. The ability to sell salmon eggs and fry implies an ability to transfer property rights in the eggs and fry.

AS 16.10.440, which provides for the common use of hatchery fish while the fish are in the natural water of the state, is silent as to whether hatchery fish belong to the state. AS 16.10.440(a) provides

Fish released into the natural waters of the state by a hatchery operated under AS 16.10.400 - 16.10.470 are available to the people for common use and are subject to regulation under applicable law in the same way as fish occurring in their natural state until they return to the specific location designated by the department for harvest by the hatchery operator.

The phrase "occurring in their natural state" used in AS 16.10.440(a) mirrors the language of the common use section of the state constitution (art. VIII, sec. 3) in order to assure that while in the water of the state hatchery fish are to be subject to common use. However providing that hatchery fish are available for common use neither implies state ownership of the hatchery fish nor entails a concomitant responsibility to manage hatchery fish for sustained yield, because the requirements for common use and sustained yield are separate provisions of the constitution.

AS 16.10.440(a) does not use the important phrase "belonging to the state" which would invoke the sustained yield section. According to AS 16.10.440(a), hatchery fish are to be treated "in the same way as fish occurring in their natural state until they return to the specific location. . ."; this language does not say that hatchery fish are a common property resource belonging to the state, but only that they are to be treated as though they were a common property resource until they return to the designated location, at which time the fish become subject to private use by the hatchery. This language suggests some form of lingering private property interest in

hatchery fish by the hatchery even after the hatchery releases the fish into the wild. If there is a latent private property interest in hatchery fish while they are in the wild, then those fish may not necessarily be fish belonging to the state. If the fish do not belong to the state then they are not subject to the requirements for sustained yield management under the state constitution. This could permit the state through the Board of Fisheries and the Department of Fish and Game to manage fisheries through which hatchery fish pass without regard to assuring a sustained yield escapement to the hatchery.

Even if the hatchery fish do belong to the state for the purposes of the sustained yield section, the requirement of the sustained yield section of the state constitution is not absolute, because the management of fish and other replenishable resources belonging to the state shall be utilized, developed, and maintained on the sustained yield principle, subject to preferences among beneficial uses. The delegates to the Alaska Constitutional Convention considered this qualifying language to be necessary because they found that the sustained yield principle becomes meaningless and ineffective, if it is not qualified by the concept of beneficial use. Alaska Constitutional Convention Proceedings, Delegate Riley, p. 3054-55. The delegates to the convention did not discuss in detail how they felt the concept of preferences among beneficial uses would be applied in the context of sustained yield management of replenishable resources, except to say that certain kinds of resources (e.g. predators and parasites) should not be maintained on a sustained yield basis. Alaska Constitutional Convention Proceedings, Delegate Riley, p. 2451; Commentary on Article on State Lands and Natural Resources, 6 Proceedings of the Alaska Constitutional Convention at 98. However the delegates did discuss the concept of beneficial uses in regard to water rights. Section 13 of article VIII, relating to water rights, contains the same "subject to preferences among beneficial uses" language that is contained in the sustained yield section. The delegates understood preference among beneficial uses to allow the state to choose among competing beneficial uses of water in order to achieve the greatest public good, even if it meant eliminating other existing, vested beneficial uses of water, provided that the owner of those rights are compensated for the loss of the rights. Commentary on Article on State Lands and Natural Resources, 6 Proceedings of the Alaska Constitutional Convention at 102. Thus the delegates understood that the concept of preferences among beneficial uses would also allow the state to make reasoned decisions to prefer certain renewable resources over other renewable resources to achieve a more beneficial public purpose. The authority to establish preference among beneficial uses may permit the state to harvest hatchery fish without providing for a sustained yield from the hatchery, provided that those who have vested rights in hatchery fish are compensated for those rights that are taken by the state.

The ability of the state to establish preferences among beneficial uses is reflected in AS 16.10.430(b) which allows the commissioner of fish and game to terminate the

Senator Dick Eliason  
April 8, 1991  
Page 4

operation of a hatchery in the best interests of the public. if the adverse effects of the operation of the hatchery are irreversible and cannot be mitigated.

If I can provide further assistance, please advise.

GU:pl  
91-235.plm

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October 17, 1991

Mr. John McMullen, President  
Prince William Sound Aquaculture Corporation  
Box 1110  
Cordova, AK 99574

PRINCE WILLIAM  
SOUND AQUACULTURE

OCT 21 1991

RE: Proposed Hatchery Regulations  
Our File No. 91-7618

Dear John:

Enclosed is the long memorandum that I promised on the cost recovery and production limitations issues that you raised. I would be happy to discuss these matters with PWSAC at any time that is convenient for you.

In addition to the questions addressed in the enclosed memorandum, you also asked whether the Board of Fisheries could change the Prince William Sound Allocation Policy this year, out of its normal sequence. My understanding is that the policy has been implemented in the form of regulations, which are codified at 5AAC 24.370. To my knowledge, there is no absolute bar that would prevent the Board from amending or repealing its regulations at any time, so long as it fulfills the statutory requirements for promulgating regulations. Those detailed requirements are included in the Administrative Procedures Act.

However, any new regulations must be consistent with existing statutes, within the scope of the authorizing statute, and reasonably necessary to carry out the purpose of the statute. As with any law or regulation, any amending regulations must also be "reasonable and not arbitrary." Kelly v. Zamarello, 486 P.2d 906 (Alaska 1971).

Given the substantial public testimony in favor of the allocation policy, and the exhaustive back-up documentation that supported the allocation regulations adopted last year, it seems highly unlikely that the Board could make significant amendments that would be "reasonable and not arbitrary." An extensive record would have to be developed showing a dramatic change in circumstances and public support in order to support a change in the policy.


Mr. John McMullen  
Page 2  
October 17, 1991

Even if such a record were to be made, any new regulations would have to preserve PWSAC's ability to continue a reasonable level of broodstock and cost recovery, for all of the reasons stated in my memorandum. For the same reasons, any new policy that attempted to limit PWSAC's salmon production would be vulnerable to legal challenge.

If you have further questions, please give us a call.

Very truly yours,

ASHBURN & MASON



A. William Saupe

AWS/nk

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ASHBURN AND MASON

LAWYERS

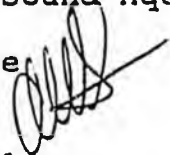
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MEMORANDUM

TO: John McMullen, President  
Prince William Sound Aquaculture Corporation

FROM: A. William Saupé  
Ashburn & Mason 

DATE: October 16, 1991

RE: Regulation of Private Hatcheries

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I. Issues Presented

You have asked us to research several legal issues that go to heart of PWSAC's ability to conduct its business as it has for the past 14 years. First, you asked for the legal basis for of PWSAC's right to conduct broodstock and cost recovery harvests, and an analysis of the degree to which the Department of Fish and Game (the "Department") and the Board of Fisheries (the "Board") can regulate broodstock recovery and cost recovery by private profit hatcheries. In that connection, you requested an analysis of an Attorney General's Opinion by Stephen White (Op. No. 663-90-0327, August 1, 1990) and two other opinions on the same topic. One is a memorandum written to Senator Eliason by George Utermohle, Legislative Counsel, dated April 8, 1991, and the other is a

John McMullen, President  
RE: Regulation of Private Hatcheries  
October 17, 1991

February 28, 1991 memorandum from Michael A. D. Stanley to Kate Troll, Executive Director of the Southeast Alaska Seiners.

You also asked for an evaluation of the extent of the Board's authority to regulate hatchery production levels on a regional or individual hatchery basis, with specific reference to AS 16.05.440(b), regarding salmon egg take.

The analysis and arguments that we would make follow.

## II. Brief Conclusion

Based upon the relevant provisions of the Alaska Constitution, applicable statutes, and related legislative history, we would argue that PWSAC has a constitutional and statutory right to continue a reasonable level of broodstock and cost recovery harvest. Any regulation by the Board or Department that significantly restricted PWSAC's ability to continue its present broodstock and cost recovery practices would be inconsistent with an extensive statutory scheme that explicitly authorizes broodstock and cost recovery by private non-profit hatcheries and regional aquaculture associations. Any such restriction would also conflict with Article VIII, Section 4, of the Alaska Constitution (requiring fish resources belonging to the State to be "utilized,

John McMullen, President  
RE: Regulation of Private Hatcheries  
October 17, 1991

developed, and maintained on the sustained yield principle"), Article VIII, Section 15 of the Alaska Constitution (prohibiting any exclusive right or special privilege of fishery, except insofar as limited entry may be imposed by the State "to promote the efficient development of aquaculture in the State").

On the related question of the Board's authority to restrict hatchery production (as distinct from its authority to regulate harvests), the Board is statutorily authorized to regulate such things as the "propagation and stocking of fish" (AS 16.05.251(7)), and the "source and number of salmon eggs" taken by a hatchery (AS 16.10.440(b)), which suggests that it might have some measure of control over individual hatchery output. However, the available legislative history strongly suggests that the legislature never intended to give the Board the power to limit hatchery production on either a local, regional or statewide basis. Nothing in the current law would permit regional production ceilings designed to restore historical market share percentages, which we understand to have been proposed.

If the Board does have power to regulate production, at some point it would come into conflict with the constitutional provisions mentioned above and the numerous other statutes, such as

John McMullen, President  
RE: Regulation of Private Hatcheries  
October 17, 1991

the statutes creating the FRED Division, the Limited Entry Act, and the State Hatchery Loan Program, which together evidence a strong policy in favor of hatchery development as well as enhancement and extension of the State's fisheries. Because there are no court decisions interpreting the Board's power to regulate propagation or egg take, and because the Alaska Supreme Court has not elucidated either the meaning of the constitutional reference to "efficient development of aquaculture," or the meaning and application of the sustained yield concept, there is no sure way to know precisely where the collision might occur until a specific restriction is imposed and challenged in court.

It would seem reasonable to conclude, however, that in the absence of a strong factual showing that hatchery production posed a serious genetic or disease threat to wild salmon stocks or perhaps was causing severe economic distress, neither the Department nor the Board could legally restrict PWSAC's output below a level necessary to sustain hatchery yields, to efficiently develop aquaculture, to repay state loans and to recover its costs.

### III. Discussion

#### A. The Board And The Department Are Required By The

John McMullen, President  
RE: Regulation of Private Hatcheries  
October 17, 1991

Alaska Constitution And Numerous Statutes To Manage  
For Broodstock Recovery

In its August 1990 opinion, the Attorney General's Office advanced the argument that the Board is obligated to manage Alaska's fisheries to provide for broodstock recovery by hatcheries. Analogizing broodstock fish to wild stock escapement, the Assistant Attorney General Stephen White reasoned that Article VIII, Section 4 of the Alaska Constitution mandates that conclusion. That section provides as follows:

Sustained Yield. Fish, forests, wildlife, grasslands, and all other replenishable resources belonging to the State shall be utilized, developed, and maintained on the sustained yield principle, subject to preferences among beneficial uses.

Alaska Const. Art. VIII, §4. White implicitly assumes that hatchery fish "belong to the State" and argues that without broodstock harvests, hatchery stocks obviously could not be sustained.

In an opinion on this subject requested by Senator Eliason, Legislative Counsel George Utermohle questioned White's conclusion that the sustained yield principle applies to hatchery

John McMullen, President  
RE: Regulation of Private Hatcheries  
October 17, 1991

fish, on the grounds that they may not "belong to the State." He bases his argument entirely on AS 16.10.440(a), which provides:

Fish released into the natural waters of the state by a hatchery operated under AS 16.10.400 - 16.10.470 are available to the people for common use and are subject to regulation under applicable law in the same way as fish occurring in their natural state until they return to the specific location designated by the department for harvest by the hatchery operator.

AS 16.10.440(a).

Utermohle points out that the phrase "occurring in their natural state" used in this section mirrors the language of the common use clause of the constitution (Art. VIII, Sec. 3).<sup>1</sup> He then argues that merely providing that hatchery fish are available for common use "neither implies state ownership of the hatchery fish nor entails a concomitant responsibility to manage hatchery fish for sustained yield, because the requirements for common use and sustained yield are separate provisions of the constitution." Next, Utermohle asserts that AS 16.10.440(a) does not use the phrase "belonging to the state," which would invoke the sustained

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<sup>1</sup>Article VIII, Sec. 3 provides: "Common Use. Wherever occurring in their natural state, fish, wildlife, and waters are reserved to the people for common use."

John McMullen, President  
RE: Regulation of Private Hatcheries  
October 17, 1991

yield clause. Instead, he argues that the statute requires only that hatchery fish be treated in the same way as fish occurring in their natural state until they return to the specific hatchery location. Utermohle Memo. p. 2.

From this phrasing in AS 16.10.440(a), Utermohle reasons that there may be "some form of lingering private property interest in the hatchery fish even after the hatchery releases the fish into the wild." Id. at 3. If the fish do not "belong to the State," Utermohle concludes that they are not subject to the sustained yield requirement and neither the Board nor the Department is required to manage hatchery fish to assure a sustained yield escapement to the hatcheries.

Utermohle's ownership argument does not stand up to closer analysis and is contradicted by the available legislative and constitutional history. Certainly PWSAC has understood since its creation in 1975 that once it releases its fish, it no longer owns or controls them. From the point of release forward, they are "fish occurring in their natural state" and, as Utermohle acknowledges, Article VIII, Section 3 of the constitution reserves them to the people for common use. This is consistent with the general rule, which he also cites, that salmon while in state water

John McMullen, President  
RE: Regulation of Private Hatcheries  
October 17, 1991

are property of the state and held in trust for the benefit of all people of the state. Metlakatla Indian Community v. Egan, 362 P.2d 901, 914-915 (Alaska 1961).

That hatchery fish belong to the State is also consistent with the views of the legislature that created the nonprofit hatchery program. In her July 31, 1991 memorandum to Senator Eliason, Linda J. Snow, a Legislative Analyst, wrote as follows:

Consensus is that the legislature had always intended that the fish from PNP hatcheries belong to the common property fishery until such time as they return to the hatchery, and then they belong to the hatchery for broodstock and cost recovery. Testimony by Senator Dick Eliason at a 1975. Senate Resources Committee hearing on SB 180 indicates that the initial concept of a private hatchery system considered profit-making corporate ownership. However, a profit-making corporation might advance a claim to exclusive ownership of everything it produced. Thus, it was felt that private, nonprofit ownership of hatcheries would be more consistent with the concept of publicly owned hatchery fish. This opinion is echoed by former Representative Terry Gardiner.

At a March 7, 1977 House Resources Committee hearing, Jack Milnes, executive director of Southern Southeast Regional Aquaculture Association testified: "I wish to recognize the fact that these are common property fish, that they belong to the state of Alaska and to the people of Alaska and therefore they should be protected by the representatives of the

John McMullen, President  
RE: Regulation of Private Hatcheries  
October 17, 1991

people of the state of Alaska." At a 1979 Senate Resources Committee hearing on HB 48, Don Clockson, an attorney with Alaska Legal Services discussed the question of ownership of hatchery fish. In his testimony, he asked "When are fish no longer common property fish?" He felt that constitutionally, they were considered to be common property at all times. Consequently, it appears there was never any question that hatchery fish were common property of the people of the state while in Alaska waters, and they may or may not be the property of the PNP hatchery operator at the hatchery, but that he is allowed to harvest a sufficient number for broodstock and cost recovery.

Snow Memo. p. 14 (attached as Attachment A) (emphasis added). These statements effectively answer the "ownership" issue. When the legislature created private hatcheries, it intended that the fish would belong to the State, contrary to Utermohle's supposition.

The commentary of the Committee on Resources of the Alaska Constitutional Convention is also significant on this point. Referring specifically to the "common use" clause, which Utermohle seeks to distinguish from the sustained yield clause, the commentary states in relevant part as follows:

Game fish, wildlife, fisheries, and water are recognized as belonging to the state so long as in a natural state. These resources are subject to a private right only when they have been acquired or utilized as provided by law.

John McMullen, President  
RE: Regulation of Private Hatcheries  
October 17, 1991

Alaska Constitutional Convention Proceedings, Part 6, p. 98 (emphasis added). Thus, the framers of the common use clause thought that the fish being reserved for common use "belonged" to the State. Hatchery fish are reserved for common use by AS 16.10.440(a) and the common use clause itself. Therefore, they must belong to the State and be subject to the sustained yield principle.

Also significant is the commentary to the sustained yield clause, which states in relevant part:

Sustained yield is recognized as a principle applicable to the administration of plant and animal life subject to the immediate authority of the state.

Id. (emphasis added). Because hatchery fish are subjected to the authority of the State by AS 16.10.440(a), among other provisions, it follows that they are subject to the sustained yield clause.

This conclusion also comports with common sense. If they did not belong to the State, it could not reserve hatchery fish for use by others without paying for them. Moreover, if the mere expectation that a hatchery will later be allowed to harvest some unidentified fraction of the returning fish constitutes an ownership interest in all of its fish, then every other limited entry permit holder could be said to have the same "lingering

John McMullen, President  
RE: Regulation of Private Hatcheries  
October 17, 1991

property interest," leading to the false conclusion that none of the fish in Alaska's waters ever belong to the State or are subject to the sustained yield principle of management.

A more reasonable interpretation of these related statutory and constitutional provisions is that, once released, hatchery fish become like wild stocks in every legal respect. They belong to the State, are reserved to the people for common use and must be managed for sustained yield. Therefore, broodstock recovery must be permitted by the Board and the Department at a level sufficient to produce a sustained yield of hatchery stocks.

Even if this is true, Utermohle goes on to argue that the sustained yield principle in Article VIII, Section 4 is not absolute and is "subject to preferences among beneficial uses." He suggests that this phrase implies the power on the part of State regulators to deny hatchery harvests altogether, in order to achieve a "more beneficial public purpose." According to Utermohle, the ability of the State to establish preferences among beneficial uses is reflected in AS 16.10.430(b), which allows the Commissioner of Fish and Game to terminate the operation of a

John McMullen, President  
RE: Regulation of Private Hatcheries  
October 17, 1991

hatchery if its adverse effects are irreversible and cannot be mitigated. Utermohle Memo., p. 4.<sup>2</sup>

A more plausible interpretation of AS 16.10.430(b) is that the listed conditions under which a hatchery operation may be terminated are the only bases upon which termination is permitted. In other words, unless there are irreversible adverse effects that cannot be mitigated, a licensed hatchery operation cannot be terminated, directly through a termination order, or indirectly through a denial of broodstock or cost recovery funds.

Utermohle's argument also overlooks, among other things, Article VIII, Section 15 of the constitution, which provides:

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<sup>2</sup>AS 16.10.430(b) provides as follows: "If the commissioner finds that the operation of the hatchery is not in the best interests of the public, the commissioner may alter the conditions of the permit to mitigate the adverse effects of the operation, or, if the adverse effects are irreversible and cannot be mitigated sufficiently, initiate a termination of the operation under the permit over a reasonable period of time under the circumstances, not to exceed four years. During the period of time that the operation is being terminated, the permit holder may harvest salmon under the terms of the permit but may not release additional fish."

John McMullen, President  
RE: Regulation of Private Hatcheries  
October 17, 1991

No exclusive right or special privilege of fishery shall be created or authorized in the natural waters of the State. This section does not restrict the power of the State to limit entry into any fishery for purposes of resource conservation, to prevent economic distress among fishermen and those dependent upon them for a livelihood and to promote the efficient development of aquaculture in the State.

This provision strongly suggests that the framers of our constitution considered the efficient development of aquaculture to be an important value to be protected. It also indicates read to mean that the efficient development of aquaculture is one of the purposes of limited entry, a principle that is central to fisheries management in Alaska.

Hatchery harvests for broodstock (and cost recovery) are absolutely essential to conservation of the resource and to the efficient development of aquaculture. If deprived of broodstock (or the funds generated by cost recovery), PWSAC could not continue in existence, much less develop efficiently. Furthermore, other beneficial uses, such as the harvest of PWSAC produced fish by commercial, sport and subsistence users, would be seriously harmed, not helped by a restriction on broodstock harvest. Over the past 14 years, PWSAC has harvested an average of less than 30% of the

John McMullen, President  
RE: Regulation of Private Hatcheries  
October 17, 1991

salmon returning to its hatcheries. During the period from 1986 through 1990, PWSAC fish constituted 50 percent of the total commercial harvest. During that period PWSAC contributed an average of approximately \$15.4 million annually in value to the common property fishery, while costing the State little or nothing. PWSAC harvests have consistently sustained other user groups throughout the region, while causing no demonstrable harm to wild stocks. Short of the extreme situation envisioned by AS 16.10.430(b), it is hard to conceive how denial of a reasonable hatchery harvest in favor of other beneficial uses could achieve a greater public purpose.

Any regulation that severely limited or denied PWSAC's right to harvest a reasonable number of fish would violate both Section 4 (sustained yield) and infringe on the values reflected in Section 15 (limited entry and efficient development of aquaculture) of Article VIII and the Limited Entry Act, of which hatchery harvests are an integral part.

Utermohle's argument also overlooks an extensive web of statutory provisions that evidence an unwavering legislative intent to sustain and expand hatchery operations through hatchery harvests. A good example is the very provision that Utermohle

John McMullen, President  
RE: Regulation of Private Hatcheries  
October 17, 1991

cites, AS 16.10.440(a), which provides that hatchery fish are available for common use "until they return to the specific location designated by the department for harvest by the hatchery operator." This indicates a legislative expectation and intent that hatchery harvests are necessary.

The obligation of the Department to affirmatively assist with broodstock recovery is embodied in AS 16.10.443, which states:

Department assistance and cooperative. (a) Before and after permit issuance under AS 16.10.440 - 16.10.470, the department shall make every effort, within the limits of time and resources, to advise and assist applicants or permit holders, as appropriate, in the planning, construction, or operation of salmon hatcheries.

As explained above, broodstock recovery is essential to hatchery operations. Without it, they could not exist. The Department is obligated under AS 16.10.443 to assist in the operation of hatcheries. Any departmental regulation, action or order that denied broodstock recovery would be inconsistent with this obligation and would be invalid.

Other relevant statutory provisions that establish the obligation of the Department and the Board to manage for hatchery harvests are discussed below, in relation to cost recovery.

John McMullen, President  
RE: Regulation of Private Hatcheries  
October 17, 1991

B. The Board And The Department Must Also  
Manage For Cost Recovery Harvests

Assistant Attorney General White concluded that the Board and the Department "are authorized, and in fact directed, to manage fisheries so that broodstock returns to hatcheries." Both the reasons given by White and the additional reasons set forth above support this conclusion. On the related issue of whether the Board and the Department must manage for cost recovery, White is less certain. He believes that the arguments on both sides of the question "depend upon implication and analogy" and concludes that "the law does not clearly point to one answer or the other." White Memo., p. 7. However, we would argue that the Alaska Constitution and an extensive statutory scheme require the Board and the Department to manage for hatchery cost recovery.

As an initial matter, it is important to remember that the Board and the Department manage the fisheries primarily through regulations and orders. In order to be valid, a regulation must be within the scope of the authorizing statute and it must be "consistent with standards prescribed by other provisions of law." Beran v. State, 705 P.2d 1280 (Alaska App. 1985), citing AS 44.62.020. In Beran, the court struck down a Board regulation on

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John McMullen, President  
RE: Regulation of Private Hatcheries  
October 17, 1991

the basis that it was inconsistent with other provisions of law and therefore invalid. Id. at 1289. If the Board or the Department were to issue regulations that curtailed PWSAC's ability to conduct a cost recovery harvest, the regulations would be inconsistent with numerous provisions of law and could be successfully challenged in court.

The first section of this memorandum focused on the requirements of Article VIII of our constitution. The same constitutional provisions that protect broodstock recovery also protect cost recovery, because cost recovery is also absolutely essential to sustain hatchery yields (Section 4) and to promote the efficient development of aquaculture (Section 15). This discussion will not repeat those arguments, but will focus instead on the legislative mandate for cost recovery. Numerous statutes express the legislative intent that hatcheries must be permitted to conduct cost recovery harvests in order to generate funds for operation, debt retirement, and expansion.

The most obvious such provision is AS 16.10.450(a), which could hardly be clearer on this point. It states:

Sale of salmon and salmon eggs by hatchery.  
(a) Except as otherwise provided in a contract for the operation of a hatchery under

John McMullen, President  
RE: Regulation of Private Hatcheries  
October 17, 1991

AS 16.10.480, a hatchery operator who sells salmon returning from the natural waters of the state, or sells salmon eggs to another hatchery operating under AS 16.10.400 - 16.10.470, after utilizing the funds for reasonable operating costs, including debt retirement, expanding its facilities, salmon rehabilitation projects, fisheries research, or costs of operating the qualified regional association for the area in which the hatchery is located, shall expend the remaining funds on other fisheries activities of the qualified regional association.

AS 16.10.450(a).<sup>3</sup>

The Limited Entry Act, AS 16.43.400, et. seq., permits the Commercial Fisheries Entry Commission to issue "special harvest area entry permits" to holders of private, nonprofit hatchery permits issued by the Department. Section 420 of the Act, noted above in connection with the ownership issue, specifically authorizes cost recovery harvest by permit holders, such as PWSAC:

Disposition of fish. Fish caught under the authority of a special harvest area entry

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<sup>3</sup>The intent of this provision is reiterated in AS 16.40.210, the recently enacted statute that bans mariculture. It provides in section (b)(2) that "this section does not restrict the ability of a nonprofit corporation that holds a salmon hatchery permit under 16.10.400 to sell salmon returning from the natural waters of the state, as authorized under 16.10.450, or surplus salmon eggs, as authorized under 16.10.420 and .450."

John McMullen, President  
RE: Regulation of Private Hatcheries  
October 17, 1991

permit are the property of the permit holder. The permit holder may sell the fish if the proceeds are used in the manner described in AS 16.10.450.

AS 16.43.420. PWSAC, of course, holds a special harvest area entry permit under AS 16.43.400, and its cost recovery funds are used for the purposes listed in AS 16.10.450. It thus has a statutory right to cost recovery that cannot be curtailed through regulation.<sup>4</sup>

PWSAC also conducts cost recovery harvests at Main Bay and Cannery Creek under authority of contracts entered pursuant to AS 16.10.480, enacted by the legislature in 1988. That section authorizes the Department to enter into hatchery management contracts for certain state-owned hatcheries, which allow harvest of adult salmon "in a quantity sufficient to allow the contractor to recover all or part of the contractor's costs of operating the hatchery." While this provision is permissive, rather than

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<sup>4</sup>It could also be argued that cost recovery is guaranteed to permit holders such as PWSAC by the Limited Entry Act itself. In Johns v. CFEC, 758 P.2d 1256, 1263 (Alaska 1988) the court stated: "The Limited Entry Act has two purposes - enabling fishermen to receive adequate remuneration and conserving the fishery," citing, Art. VIII, Sec. 15, Alaska Const., AS 16.43.010; CFEC v. Apokedak, 606 P.2d 1255, 1265 (Alaska 1980). Without cost recovery, PWSAC would not receive adequate remuneration or be able to help conserve the fishery.

John McMullen, President  
RE: Regulation of Private Hatcheries  
October 17, 1991

mandatory, it is further evidence of the legislature's expectation and intent to permit cost recovery harvests at state-owned but privately operated hatcheries.<sup>5</sup>

Another statutory provision that is quite clear on this point is AS 16.10.430(b), discussed above. This provision permits the Commissioner of Fish and Game to terminate a hatchery permit if he finds that continued operation is no longer in the public interest. Presumably, termination could be ordered if a hatchery failed to sustain itself economically, or more likely, if it produced diseased or genetically damaged fish that might threaten other stocks. See Snow Memo., pp. 12-13, 16. In any case, the relevant point is that termination is to be phased over time.

During the period of time that the operation is being terminated, the permit holder may harvest salmon under the terms of the permit but may not release additional fish.

AS 16.10.430(b). Logically, this provision can only contemplate cost recovery harvest. In the context of hatchery termination,

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<sup>5</sup>Both the Main Bay and the Cannery Creek contracts provide that PWSAC shall have the right to conduct cost recovery harvests during the terms of the contracts.

John McMullen, President  
RE: Regulation of Private Hatcheries  
October 17, 1991

broodstock harvest would not be necessary since no new fish could be released.

Under AS 16.05.020, the Commissioner of Fish and Game is required to "manage, protect, maintain, improve, and extend the fish, game... of the state in the interest of the economy and general well-being of the State." The FRED Division has been charged with the duty, "through rehabilitation, enhancement and development programs" to do everything "necessary to insure perpetual and increasing production and use of the food resources of Alaska's waters and continental shelf areas." AS 16.05.092. Also significant is AS 16.10.443, cited above, which requires the Department to do everything possible to assist with hatchery operations. Any regulation or order that prevented a reasonable level of cost recovery would hardly be consistent with these duties on the part of the Commissioner or with the myriad of other statutes that authorize cost recovery harvests by hatcheries. Under Beran v. State, supra, and numerous other cases, regulations are invalid if they are inconsistent with other provisions of law.

The statutory provisions discussed above lead to the conclusion that the legislature intended cost recovery harvest to be the primary method of funding private nonprofit hatcheries. The

John McMullen, President  
RE: Regulation of Private Hatcheries  
October 17, 1991

Snow Memorandum on the legislative history of the hatchery program supports this conclusion:

At this time [1973-974], legislators were coming to the view that the private sector would be more efficient than the government in the operation of hatcheries. Also, nongovernmental hatcheries had much to recommend them from the perspective of public finance issues: the operation of private hatcheries could be funded from the harvest of returning fish and from tax assessments on the fishermen who had access to hatchery production, thus shifting the cost of the facilities from the shoulders of the general public to the people who derived benefits directly from them.

Snow Memo., p. 5. (emphasis added). Snow goes on to point out that in 1974 "there was great enthusiasm about the prospect of PNP hatcheries from fishermen's groups, education centers, Native corporations, and the legislature itself." Id.

An attorney for the Southeast Alaska Seiners, Michael D. Stanley, seems less enthusiastic about cost recovery. He has approached the issue from a different direction, acknowledging the Department's primary responsibility for control of hatchery harvests, but questioning whether the Board has the statutory authority to allocate fish to private hatcheries. See Memorandum from Michael Stanley to Kate Troll, Executive Director Southeast

John McMullen, President  
RE: Regulation of Private Hatcheries  
October 17, 1991

Alaska Seiners, dated February 28, 1991. Stanley bases his argument on AS 16.05.440(a), cited above at page 5. He focuses on the statutory language subjecting hatchery fish to regulation in the same manner as wild stocks, "until they return to the specific location designated by the department for harvest by the hatchery operator." From this he concludes (1) it is the Department, not the Board, which is responsible for "allocating" hatchery fish to a hatchery through designation of special harvest areas, and (2) such allocation occurs only after those fish have traversed the common property fisheries and returned to the specific location designated for hatchery harvest. Stanley Memo., p. 4.

One flaw in this reasoning is that it confuses allocation of fish to be harvested with designation of a special harvest area and harvest timing. There is no logical reason that the Board cannot allocate a portion of the return to a hatchery and the Department designate the specific time and place for the harvest of that allocation. In fact, my understanding is that that is how the system has always worked.

This scheme also appears to be in harmony with subsection (b) of AS 16.10.440, which gives the Board the authority "to amend by regulation... the terms of the permit relating to the harvest of

John McMullen, President  
RE: Regulation of Private Hatcheries  
October 17, 1991

fish by hatchery operators, and the specific locations designated by the department for harvest." This provision gives the Department primary responsibility to regulate cost recovery harvests, but also confers sufficient statutory authority on the Board to allocate fish to be harvested. The legislative history of AS 16.10.440, quoted at length below, indicates that the role of the Board extends to regulating the harvest of "those fish which are returning as a result of releases from natural systems and also from hatchery releases." House Journal, March 15, 1979, pp. 601-602.

Another difficulty with Stanley's theory that the Board does not have the power to allocate fish for hatchery harvest is that it seems to be inconsistent with two specific provisions of the Limited Entry Act, under which hatcheries are granted limited entry permits. AS 16.43.440 provides that: "use privileges granted under AS 16.43.400 - .440 are subject to the regulations of the Board of Fisheries." Also, AS 16.43.950 states that "... Holders of ... entry permits issued under this chapter are subject to all regulations adopted by the Board of Fisheries." These provisions

John McMullen, President  
RE: Regulation of Private Hatcheries  
October 17, 1991

also could be read to authorize the Board to allocate fish to hatcheries.<sup>6</sup>

As a final point in response to the Stanley Memorandum, the Board's primary authorizing statute, AS 16.05.251(a), is quite broad and seems to give the Board ample authority to allocate fish for cost recovery and broodstock harvest. Examples of the types of regulations the Board may adopt are found in Section 251(a)(6) (classifying as commercial fish, sport fish, personal use fish, subsistence fish, or predators or other categories essential for regulatory purposes); Section 251(a)(12) (regulating commercial, sport, subsistence, and personal use fishing as needed for the conservation, development, and utilization of fisheries); Section 251 (a)(14) (establishing nonexclusive, exclusive, and superexclusive registration and use areas for regulating commercial fishing.) See also, AS 16.05.251(e) (Board shall establish criteria for allocation of fishery resources among personal use,

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<sup>6</sup>As we have argued elsewhere, the power of the Board to allocate to hatcheries does not include the power to deny a reasonable allocation altogether.

John McMullen, President  
RE: Regulation of Private Hatcheries  
October 17, 1991

sport and commercial fishing). These provisions are broad enough to allow the Board to allocate to hatcheries.

The idea that hatchery harvests do not qualify as "commercial fishing", and therefore not covered by these statutory sections, is directly contrary to the plain meaning of the definition found in the statute.

"Commercial fishing" means the taking, fishing for, or possession of fish... with the intent of disposing of them for profit, or by sale, barter, trade, or in commercial channels;

As 16.05.940(4). There can be no doubt that PWSAC takes and possesses fish with the intent of disposing of them by sale in commercial channels, and is thus engaged in commercial fishing within the meaning of AS 16.05.251. Commercial fishing is precisely what a cost recovery harvest is. PWSAC's conduct in this regard is indistinguishable from that of any other commercial fisherman. (Ironically, one of the objections that is raised by hatchery opponents is that it is inappropriate, for some reason, for hatcheries to "compete" in the commercial market with other fishermen trying to sell their fish to the same customers).

If PWSAC is engaged in commercial fishing, AS 16.05.251 and the case law cited in the White Memorandum (e.g., Meier v.

John McMullen, President  
RE: Regulation of Private Hatcheries  
October 17, 1991

State Bd. of Fisheries, 739 P.2d 172 (Alaska App. 1987)) support the conclusion that the Board has ample power to make allocations for hatchery harvests. The Board not only has the authority, but it also has an obligation to do so. See, AS 16.05.251(d) (requiring the Board to provide a fair and reasonable opportunity for the taking of fishery resources by personal use, sport and commercial fishermen).

C. The Board's Power To Restrict Hatchery Output Is Unclear, But Must Be Limited By The Same Constitutional And Statutory Restrictions That Apply To Cost Recovery

Your second question concerns the extent of the Board's authority to regulate hatchery output, as opposed to allocation of harvests. The Snow Memorandum (Attachment A) addresses this issue. It directly responds to a question posed by Senator Eliason as to whether the legislature ever considered limiting hatchery production because of: (1) adverse impacts on wild stocks; or (2) adverse impacts on salmon market prices. Snow's answer is revealing. Her memorandum states as follows:

We found no discussion in the legislative record that hatchery production should be restrained to a predetermined level for either biological or economic reasons. While the legislature was presumably prepared to take whatever corrective measures were necessary in the face of persuasive evidence that the hatchery program

John McMullen, President  
RE: Regulation of Private Hatcheries  
October 17, 1991

was causing serious biological problems, there appears to have been no discussion of establishing a ceiling on the production of fish from hatcheries.

There also appears to have been no contemplation of imposing a ceiling on the production of hatchery fish to support market prices. According to Terry Gardiner, salmon stocks were so depressed in the 1970's that there was no thought given to the possibility of oversupply.

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Clem Tillion told us that the legislature did not anticipate dependence on hatchery salmon by Alaska's commercial fishermen, and if adverse impacts on salmon market price were suspected by any legislators, it was not a widespread feeling, for they did not take steps to be able to limit production if that occurred.

Snow Memo., pp. 13-14 (emphasis added).

Consistent with Snow's conclusions, a review of the Board's authorizing statute as well as the other statutes relating to hatcheries finds little or no basis for regulation of hatchery output by the Board.

You specifically asked whether AS 16.10.440(b), which provides, among other things, that the Board has the authority to regulate "the terms of [a hatchery] permit relating to the source and number of salmon eggs...",<sup>7</sup> authorizes the Board to limit

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<sup>7</sup>Section 440(b) goes on to say that the Board may not "adopt regulations or take any action regarding the issuance or denial of any permits required in AS 16.10.400 - 16.10.470." This suggests that the Board does not have the power to completely deny a cost

John McMullen, President  
RE: Regulation of Private Hatcheries  
October 17, 1991

hatchery production levels. The legislative history of this provision indicates that it does not. The Resources Committee's letter of intent on HB 359, which included the language in question, states as follows:

There are three other major changes made by the bill:

(1) Section 2 of the bill amends AS 16.10.440(a)(b). The amendment clarifies the role of the Board of Fisheries. The role of the Board of Fisheries as envisioned by the original legislation was to regulate the harvest of salmon returning to the waters of the state. That role extends to regulating those fish which are returning as a result of releases from natural systems and also from hatchery releases. There are provisions in other portions of the non-profit hatchery Act which allow the designation of specific locations for the harvest of salmon by the hatchery operator for sale, and use of the money from that sale, for the specific purposes as stated in AS 16.10.450. The added language clarifies that the Board of Fisheries may adopt regulations relating to the harvest of the fish by hatchery operators at the specifically designated locations. The Board of Fisheries in the past year or two has enacted regulations relating to those harvests for several of the private non-profit hatcheries in the state.

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recovery harvest permit.

John McMullen, President  
RE: Regulation of Private Hatcheries  
October 17, 1991

House Journal, March 15, 1979, pp. 601-602 (emphasis added). The exclusive reference to regulation of harvest, and the absence of any mention of production controls, corroborates the conclusion reached by the Snow Memorandum that the legislature never intended to authorize the Board to limit hatchery production. The Board's traditional function has always been to allocate harvests.

The only other statutory provision that suggests otherwise is found at AS 16.05.251(7), which authorizes the Board to regulate the "propagation and stocking of fish," which tends to suggest the power to regulate production, not just harvest levels and allocations. The most plausible explanation of this language is that it was included to permit regulation of such activities as stocking lakes with trout or perhaps even raising fish in ponds. There is regrettably no legislative history available to aid in the interpretation of this language. Because it runs counter to the Board's traditional role and is inconsistent with the conclusions in the Snow Memorandum, it would be wrong to assign much importance to this provision.

Apart from the issue of whether the Board could regulate hatchery output on a local basis, you have asked also whether the Board has the authority to set regional production limits for the

John McMullen, President  
RE: Regulation of Private Hatcheries  
October 17, 1991

purpose of adjusting relative market shares between different regions of the State. Can the Board, for example, legally cap hatchery sockeye output in Prince William Sound to keep it at the historical position it has held in relation to Bristol Bay sockeye production?

There is no short and simple legal answer to this question. The authority to regulate propagation and stocking is a very slender thread from which to hang an unprecedented, statewide regulatory program of production allocation, which has not been specifically authorized or even contemplated by the legislature. Certainly any such regulatory regime would raise serious questions as to its consistency with the Board's statutory duty to "conserve and develop" the State's fisheries. Such a policy might further conflict with a number of the other statutory provisions already discussed. It would also run up against the sustained yield concept (Section 4) and the maximum use (Section 1) and maximum benefit (Section 2) policies at the heart of Article VIII of our constitution.

Perhaps more significant than the legal impediments, which are considerable, there would be serious practical and policy problems with any attempt by the Board to allocate production

John McMullen, President  
RE: Regulation of Private Hatcheries  
October 17, 1991

between regions of the State. For example, which historical moment would serve as the reference point for assignment of regional quotas? Would it be before or after establishment of the hatchery program? Would new hatchery programs (such as the Main Bay sockeye facility) be automatically precluded if they would alter the historical balance of harvest levels between regions? How could hatcheries plan their budgets and production levels from year to year, given the inherent unpredictability of natural returns? Would a direct consequence of such a policy be to reward stagnant regions and to stifle initiative on the part of any region that is efficient, well-organized and capable of growth? Would the anticompetitive aspects of regional limits outweigh the asserted benefits? What are the asserted benefits? Do they go beyond mere regional jealousy and have some statewide economic rationale? While the answers to these questions are unknown, it may be very difficult for the Board to identify a defensible, rational basis for any such plan.

Ken and Lorane  
Owsichek's



**FISHING UNLIMITED**  
**LODGES**

To Resources Committee Senate  
COTTON, ELIASON, FRANK,  
HULTON, JONES, MENARD  
ZAROFF.

Reference SB 417 - a jet boat in 12 inches or less of water causes less damage than a prop or even a person walking in the river. Lets get Serious! Next we wont be able to walk up or down our streams, while the commercial fishing industry is hauling in all our fish, and protecting the spawning beds for a non-common user. Our Fish and water resources are guaranteed to us under our constitution as well as access.

Kill this stupid bill.

Ken  
Lorane

The Ultimate Alaskan Fishing Experience

Ken and Lorane Owsichek (O-say-check)



Winter Phone (907) 243-5899 • Fax (907) 243-2473  
Summer Phone (907) 781-2213 • Fax (907) 781-2244



# Alaska Aquaculture

Incorporated

P.O. BOX 830 WRANGELL, ALASKA 99929

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SENATE SPECIAL COMMITTEE ON DOMESTIC AND INTERNATIONAL FISHERIES

FEBRUARY 25, 1992

Gentlemen,

Having not been able to testify during your teleconference, we would like to do so in writing at this time. We will address several issues that may or may not be easily categorized in your February 10 Draft Report, but are germane to the Alaskan Hatchery Program. Thank you first for providing this opportunity.

Alaska Aquaculture, Inc. is an independent PNP, (not a "Mom and Pop") operator, with a board of directors of licensed commercial fishermen that represents all the gear groups of Southeast Alaska. To our knowledge we are the only all-fishermen board. In behalf of our organization the following testimony is proffered.

1) The Draft report covered many valid points. However, the proposed ideas for action have not sufficiently recognized that the mission or mandate for the hatcheries is being accomplished, i.e. to successfully produce salmon to insure an adequate supply for common property harvest. They were not charged with suppressing the wild stocks to maintain price levels. Therefore, rather than focus on restricting production, the focus should be on recapturing market share by 1) improving the quality of product produced and 2) broadening the market by innovative product development. The inertia extant in the processing industry that wants more money for advertising Alaskan canned salmon in overseas markets, is what needs to move into the 20th Century before we see the 21st. New products that take advantage of the potential of pinks and chum need developmental moneys that the State could well afford to invest, rather than paying for canned salmon commercials in Japan and Taiwan.

2) As fishermen, we are not interested in micro-managing fish hatcheries, nor are we interested in seeing multi-million dollar facilities closed down prior to their being able to reach full production and make a contribution to the fishery. They should be encouraged to work with processors to develop better products, especially for pinks and chum, so that demand will increase. This may require novel and interesting new methods, and a strong partnership between government and the private sector. This should not be limited to the State and the Regional Associations. The Independents are a valuable part of the program and should not be treated as third class citizens any longer.

3) If the administration of the loan program is liberalized through legislation or administration, the financial support of independent PNP's must be recognized and provided for in that legislation, or its investment and the best interest of the State and user groups will be lost.

Under the present Hatchery Loan Program scenario, the PNP's have not shared in the millions of dollars of 3% moneys which is shared by the regional corporations, nor the millions of dollars of Federal Mitigation Funds. Given "most favored organization" status by the State

agencies, the Regional Aquaculture Associations are also able to generate funds through cost recovery harvest of returning fish. The sole source of funding for PNP operations is the cost recovery harvest! When production development is protracted over several life cycles of the fish being released, the disparity between PNPs and Regional Associations becomes more glaring. Because of this disparity PNP funding before reaching full production depends upon the funds in the revolving loan fund. Legislation providing forgiveness or additional deferment of loan payments by the major borrowers, i.e. the Regional Corporations, without recognizing and compensating for those losses to the revolving loan fund, would effectively eliminate the PNP segment of the State enhancement program.

4) We strongly endorse the idea of developing a Statewide set of goals and objectives for the enhancement programs. All segments of the producers should be allowed to give input, and it should have an aggressive forward looking posture.

5) We are concerned about the suggestion of eliminating the use of remote release sites. The argument against them is at best theoretical while their use is and has been, very effective in placing the right species and run timing in the right place for the benefit of the user groups and the hatchery operator. A central incubation facility can become much more cost effective and beneficial to the user groups by using remote release sites. Concerns about straying and deleterious genetics are based on hypothetical constructs yet to be substantiated.

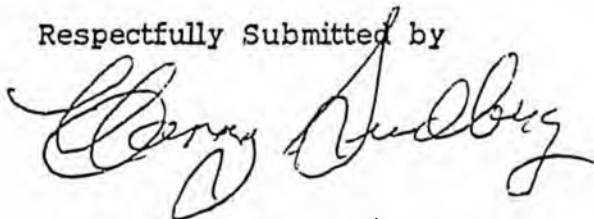
6) Managing for broodstock and cost recovery seems to have evolved into a hot potato where no one wants to make a decision for fear of upsetting one group or another. Ultimately, one needs to ask if loaning moneys to a hatchery operator, whether PNP or Regional Organization is based on the assumption that debt service would be met by cost recovery harvest, (and this is what the State has done) Then doesn't it follow that the intent of the State is for broodstock and cost recovery to be managed for? No operator can afford to continue operating if it doesn't have broodstock and independents cannot operate without cost recovery as it is their sole source of revenue! This issue must be addressed in an equitable manner that reflects a mutually beneficial relationship between the State and the private sector.

7) Several of the biological/genetics/management issues raised result in the possibilities of monitoring, surveying, identifying, etc. All of these action words come with price tags. Since we've mentioned tags, most of the problems outlined from determining the extent of and consequences of straying, to identifying genetic drift, require some form of hatchery stock identification as opposed to wild stock. Tagging costs money and tag recovery and analysis even more. Will we cease hatchery production until "concerned scientists" have resolved their concerns, or will we proceed and fund mass marking and recovery efforts? The 1985 genetics guidelines already mandates identification of areas where stocks are unique or of special "significance". Regional Comprehensive plans, which the public funded to be created and updated, talks of "sensitive zones". In reality little of this work has been done and little resources have been allocated for them to be done. Perhaps our biggest concern is not that the work isn't being done, but that decisions are being made using a policy that is

admittedly vague and inconsistent with animal genetics upon which it claims to draw reference. Even more disconcerting is that their application is applied unequally between State projects and PNP project proposals.

8) Our final comment is more philosophical than specific, but is of great concern: That there has developed an institutionalized dual class of citizenship between Regional Associations and Independent Hatchery operators, a direct result of poorly conceived legislation and the departmental regulation that political posture spawned. Those who have manipulated the fishing community to gain political advantage, have perpetuated the myth that independent operators are some how the enemy of the fishermen and that the Regional Associations, to which their three per cent moneys go are the only friends of the fleet. This fallacy breeds conflict, contention and disunity. We support any effort the legislature can take to move away from the perpetuation of this condition.

Respectfully Submitted by

A handwritten signature in cursive script, appearing to read "Harry Sundberg". The signature is written in dark ink and is positioned below the typed name.

Harry Sundberg, Sec/Treasurer  
Alaska Aquaculture, Inc.



# Alaska State Legislature

Please enter into the record my testimony to the SENATE  
RESOURCES

committee on SB #457, dated 4/1/92  
committee name  
bill/subject

THIS IS NO APRIL FOOL BUT I THINK  
THIS BILL IS !! WHY ARE YOU WASTING  
YOUR TIME ON SOMETHING YOU REALLY  
CAN NOT CONTROL. FILE-13 THIS  
BILL. GET THE BUDGET OUT SO THE  
PEOPLE CAN SEE IT BEFORE IT IS PASSED.

Signed: Hugh J. Doogan  
Testifier

5212

Representing (Optional)  
359 STATE STREET, P660

Address  
454 1869

Phone No.



# Alaska State Legislature

Please enter into the record my testimony to the SENATE RESOURCES  
committee name

committee on CS for SB 457, dated 4-1-92  
bill/subject

NORRA is in Support of CS-SB457. With respect to SEC. 16.05.730 at (c) Beginning at line 9, I am NOT sure that the Board is the best qualified group for adopting criteria for determining reasonable economic needs of hatchery programs. For Regional Associations where fishermen control and approve budgets, this provision is NOT NECESSARY. I Believe that for the "MOM & POP" there should be criteria developed. The DEED is NOT necessarily the group qualified to do a review. Perhaps a way to approach the problem is by requiring significant participation by fishermen or Regional ASSN Fisherman directors in approving MOM & POP Budget and Financial Plans.

Signed: [Signature]  
Testifier

Representing (Optional)

1308 Cassell Creek Rd Sitka

Address

747-6850

Phone No.



# Alaska State Legislature

Please enter into the record my testimony to the (S) RESOURCE  
 committee name  
 committee on SB457, dated 4-1-92  
 bill/subject

*See attached testimony.*

Signed: Kenneth J. Anthony  
 Testifier

sports fishing  
 Representing (Optional)

P.O. BOX 3165, Ketchikan AK 99901  
 Address

(MESSAGE) 225-7171  
 Phone No.

Good ~~Afternoon~~ AFTERNOON, Chairman + members of Resource Committee

I have ~~deep~~<sup>a</sup> great apprehension about private hatchery priorities which are controlled primarily by commercial fishermen, being at odds with traditional sport fishing time and area. I am afraid a cost recovery reason could be used to lump power trollers and sport fishing boats on the same time period and fishery area in areas such as Mt. Rainier, Clower Pass and Valloway, reflect shutting down most sport fishing in the Ketchikan area. While I have no objection to inner Carrol Inlet or Tette Bay non-fishing areas, ~~the~~ the Carrol Inlet site is in close proximity to the state run Deer Pt and Herring Bay hatcheries <sup>and the larger area is regulated</sup> and <sup>will</sup> be contacted to their fish would like <sup>to</sup> be contacted. In addition wild stock is caught at these areas and has been before <sup>on this area</sup> fish hatcheries were. I would hate to see sport fishing held hostage to the fiscal budgeting of commercial fishing interests.

In addition, any general lumping  
of fishing time for commercial and  
sport fishing would be greatly to the  
detriment of the far less efficient sports  
fishermen. ~~Sport fishermen have been~~

~~putting at least some money~~  
~~into the hatchery or contributing~~  
~~to the hatchery and sympathetic with many of~~  
~~its problems. But this legislation may~~  
~~be very unfair to sport fishing by not~~  
~~excluding it.~~

→ Sportfisherman sympathetic with many  
of the RAA Hatchery problems and have been  
looking at various ways to earmark or  
contribute - money to it. Let recovery itself make  
sense.

However, this legislation ~~may~~ be  
very unfair and damaging to sport fishing  
by not excluding it by retaining the  
word "commercial"  
in managing fisheries.

THANK YOU.

03/27/92  
16:41:01

FISCAL NOTES SUMMARY

BRPP290R

LEGISLATION AWAITING ACTION -- CONCUR / REC'DE - CONFERENCE COMMITTEE

BILL ID ABBREVIATED TITLE	STATUS SPONSOR	PUBLISH DATE	FIN RLS	DEPARTMENT	GENERAL FUND	OTHER	FISCAL NOTE TOTAL
SB 6 MULTIPLE PERMITTEE GAMING; PRIZE AMO HCS CSSSSB 6(FIN) AM H	(S)AWAIT CONC/RECED Zharoff	HOUSE 04/17/91	S Y N	1 DCED	0.0	0.0	0.0
		05/20/91	S Y N	3 DCED	315.0	0.0	315.0
CSSSSB 6(JUD)(TITLE AM)		SENATE 05/20/91	S N Y	3 DCED	315.0	0.0	315.0
SB 7 STATE AID FOR EDUCATION HCS CSSB 7(FIN)	(S) HELD Kerttula	HOUSE 05/20/91	H Y N	4 DOE	0.0	0.0	0.0
		01/29/92	H Y N	5 DOE	35,399.4	0.0	35,399.4
CSSB 7(FIN)		SENATE 05/01/91	S Y N	3 DOE	0.0	0.0	0.0
SB 81 PLATTING AUTHORITY FOR STATE HCS CSSB 81(FIN) AM H	(S) HELD Fahrenkamp	HOUSE 01/21/92	H N Y	6 DNR	85.0	0.0	85.0
		01/21/92	H N Y	7 DCRA	0.0	0.0	0.0
		01/21/92	H N Y	8 DEC	0.0	0.0	0.0
		01/21/92	H N Y	9 DOT	0.0	0.0	0.0
CSSB 81(FIN) AM		SENATE 02/25/91	S Y N	1 DOT	0.0	0.0	0.0
		02/25/91	S Y N	2 DEC	0.0	0.0	0.0
		04/05/91	S Y N	4 DNR	0.0	74.0	74.0
		04/05/91	S Y N	5 DCRA	0.0	0.0	0.0
SB 258 AUTOMOBILE LIABILITY INSURANCE HCS SB 258(L&C) AM H SB 258	(H)AWAIT CONC/RECED L&C COMMITTEE	HOUSE 04/29/91	S N N	1 DCED	0.0	0.0	0.0
		SENATE 04/29/91	S N N	1 DCED	0.0	0.0	0.0
SB 408 TELEPHONE SERVICE FOR HEARING IMPAIR HCS CSSB 408(L&C) CSSB 408(L&C)	(S)AWAIT CONC/RECED Rodey	HOUSE 03/04/92	S N N	1 DCED	0.0	0.0	0.0
		SENATE 03/04/92	S N N	1 DCED	0.0	0.0	0.0
SJR 21 ENDORISING ANWR LEASING W/O ROYALTY C HCS CSSJR 21(FIN) AM H CSSJR 21(O&G)	(H)AWAIT CONC/RECED Uehling	HOUSE 03/27/91	S Y N	1 DNR	0.0	0.0	0.0
		SENATE 03/27/91	S N Y	1 DNR	0.0	0.0	0.0