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DEPARTMENT OF FISH AND GAME
POSITION PAPER

Bill No: HB 123

Sponsor: Representative Ulmer

Division: Division of Commercial Fisheries

Bill Title: "An act relating to loans for the purchase of individual fishery quota shares."

Department Position: Support

This legislation would extend the state's existing loan program for limited entry permits, vessels, and fishing gear to include loans for the purchase of individual fishery quota shares (IFQs). The harvesting sector of the seafood industry has the highest percentage of resident participation in the industry. Approximately 80% of the permits are owned by Alaskans. The state loan program has been a successful tool contributing to the high percentage of existing permits in the hands of Alaskans.

The new IFQ program will be administered by the federal government. Regulations governing the new program were recently adopted by the U.S. Secretary of Commerce. There is a great deal of concern on the part of Alaskans that these IFQs will be bought up by non-Alaskan interests, thus reducing the opportunities for Alaskans to harvest these resources occurring off the state's coastline.

While this program is authorized in Title 16, the fish and game statutes, the program is administered by the Department of Commerce and Economic Development.

There is no fiscal impact on the Department of Fish and Game from this legislation.

Commissioner's Signature Don Armerick for **Date:** 7/12/93

UNITED FISHERMEN OF ALASKA

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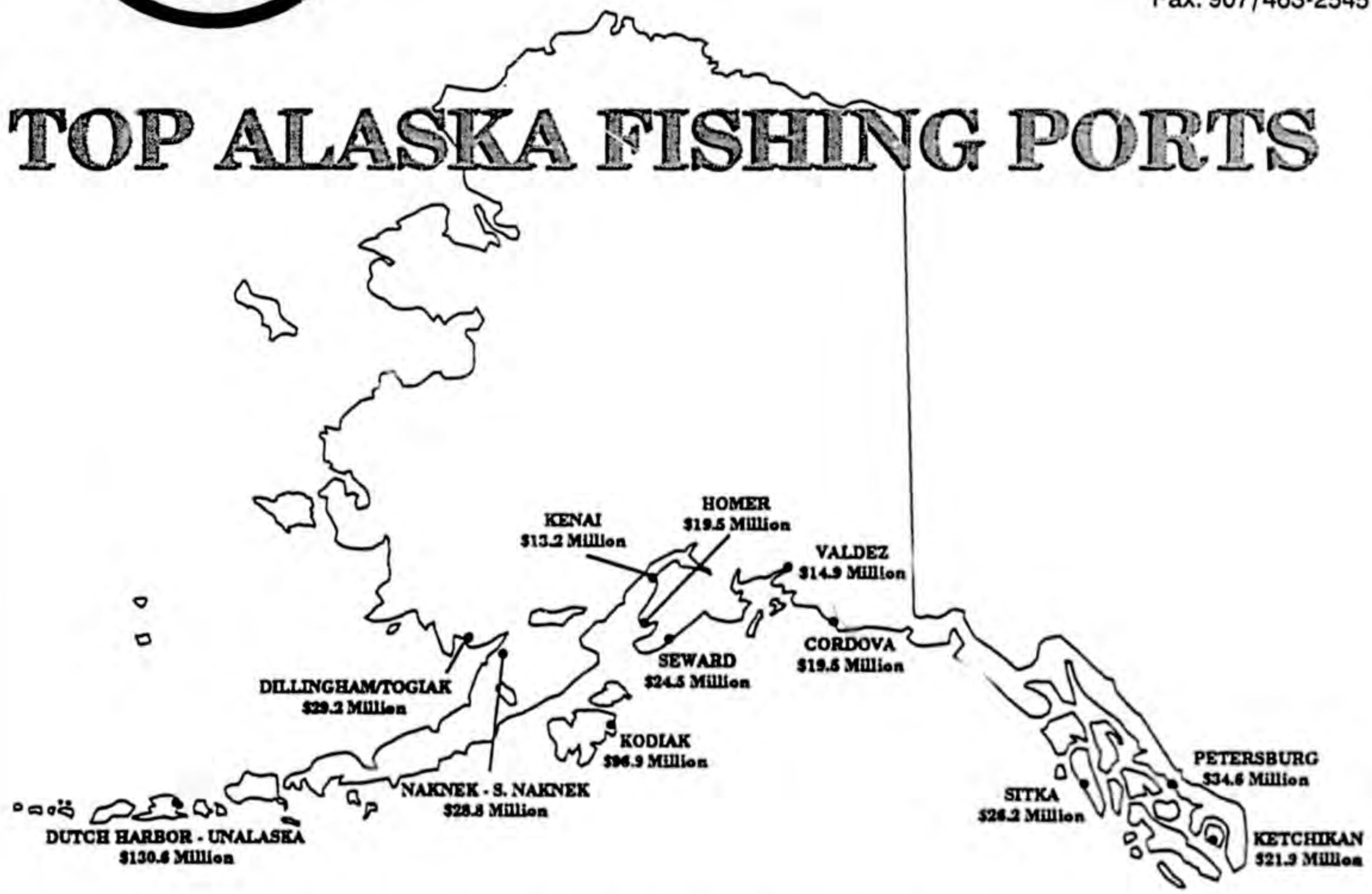
February 1993

TOP ALASKA FISHING PORTS



In 1991, seven Alaska communities stormed the elusive "top twenty" list of premier U.S. seafood ports. The value of seafood landings in most of these Alaska fishing towns ranked well ahead of Boston, MA; Seattle; San Francisco; Key West, FL; Astoria, OR; Cameron, LA; Montauk, NY; and many others. These, and many other communities, are the building blocks for an industry that has Alaska's largest payroll.

THE ALASKA SEAFOOD INDUSTRY, AN ECONOMIC SUMMARY

by
Arni Thomson, Alaska Crab Coalition
UFA Board of Directors

PRODUCTION AND VALUE OF ALASKAN SEAFOOD: If Alaska were a separate nation, it would rank among the world's top 10 in total fish production. The 1990 Alaska harvest was an all-time record for any state in the nation, when 5.4 billion pounds of seafood was landed.

Throughout the 1980's, Alaska contributed about 50% of the total U.S. harvests and 40% of the total ex-vessel value of seafood.

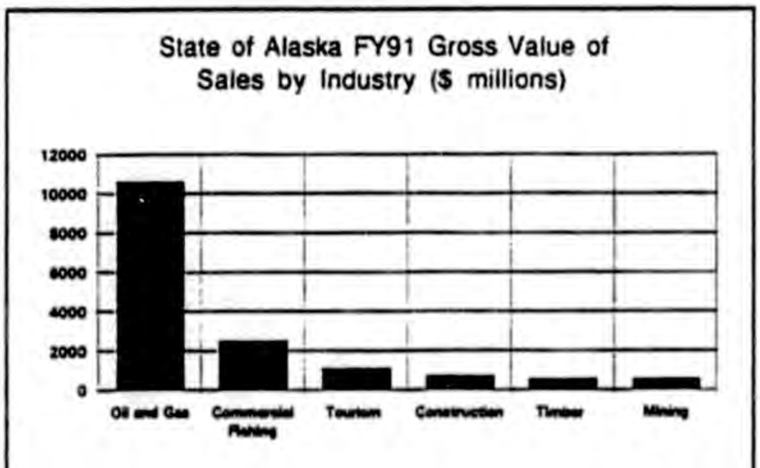
In 1991, the catch off the coast of Alaska totalled over 5.2 billion pounds of seafood, a 500% increase from 1980. The 1991 harvest was close to half the national harvest and over four times greater than the amount landed by fishermen in Louisiana, the second ranking state. Alaska's catch was down about 12% from the year before, but still above the most recent five year average.

The ex-vessel value (price paid to the fisherman) of Alaska's commercial fisheries has grown from an estimated $665 million in 1980, to $1.5 billion in 1990. The first wholesale value (price paid to processors) was estimated at $2.5 billion in 1990. The 1991 ex-vessel value was roughly $1.3 billion, about 16% less than the 1990 value and slightly less than the five-year average. The first wholesale value was roughly $2.5 billion.

In a state with little or no manufacturing-based economy, the seafood industry is the largest private, basic industry employer, providing more than 77,000 seasonal jobs which equal 33,000 year-round direct and indirect jobs. It employs 23% of the state's work force and provides 24% of the state's basic industry payroll. Total investment is estimated at $4 billion, and the payroll is the largest in the state among private industries: approximately $600 million.

Seven Alaska communities were among the top 20 ports, in seafood value, in the United States in 1991. In one region of the state, the seafood industry accounts for almost 90% of the private sector income, and many of the state's coastal communities are almost entirely dependent on commercial fisheries for cash income.

Dutch Harbor-Unalaska ranked number one in the nation for seafood landings in 1991, with total landings in excess of 731.9 million pounds. Seafood landed at Dutch Harbor-Unalaska was worth about $130.6 million to commercial fishermen, second only to the value of seafood landed in New Bedford, Massachusetts.



Note: $670 million of tourism total is for transportation to and from Alaska

EXPORTS OF ALASKAN SEAFOOD: Alaska ranks first among all states in the union in the export of seafood. The huge increase in direct seafood exports from Alaska skyrocketed from two million pounds worth $330 million in 1980 to two billion pounds worth $1.4 billion in 1990 and has helped offset a growing national deficit.

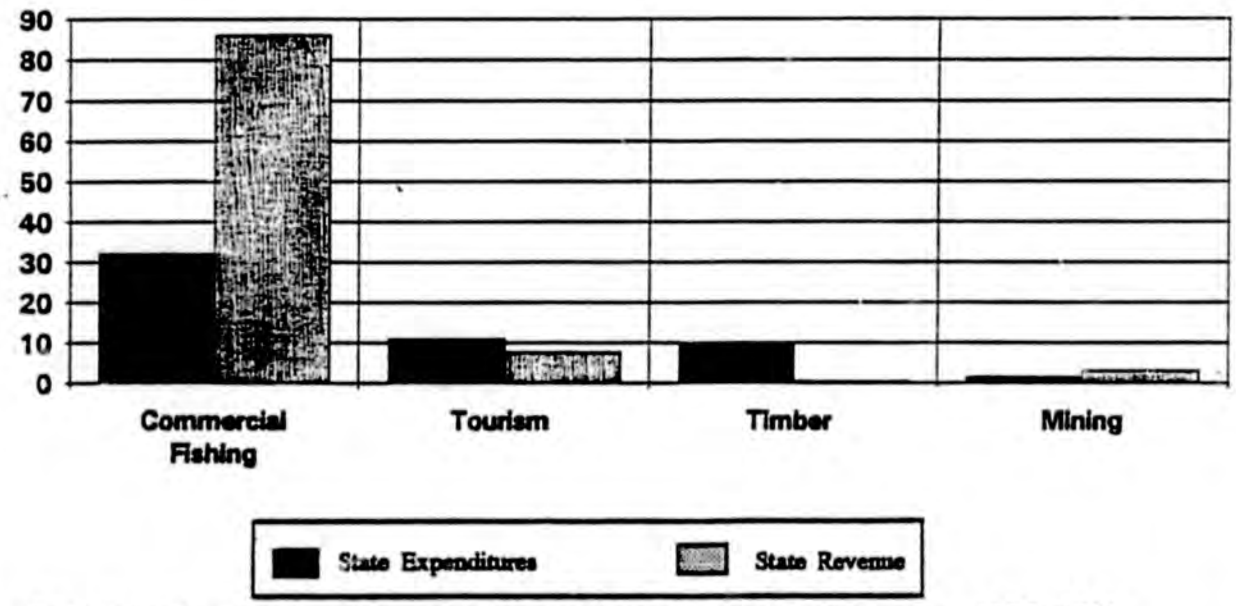
Salmon dominated the export statistics both in weight and value for most of the 1980's, peaking at about 180 million pounds valued at $423 million in 1989. Herring has been the second most important Alaska seafood export but, as of 1989, groundfish exports exceeded herring exports both by weight and value.

Salmon remained the most valuable export in 1990, followed by shellfish. However, ground-fish led in weight exported. In 1990, an estimated 176 million pounds of salmon products valued at $412 million were exported directly from Alaska, and 86 million pounds of shellfish (mostly Bering Sea tanner and king crab) valued at $280 million. By comparison, about 255 million pounds of groundfish valued at $210 million were exported.

SEAFOOD INDUSTRY CONTRIBUTIONS VERSUS STATE FUNDING: The seafood indus-try has always been important to the state's economy, but by the end of the 1980's, the seafood industry had more than doubled its contribution to the state. Paying almost $90 million in raw fish taxes, licenses, salmon enhancement taxes, and marketing assessments in 1991, the seafood industry is second only to the oil industry in its contributions to state government. Undoubtedly, fisheries is one of Alaska's most valuable renewable resources.

On the other side of the balance sheet, how much is the state reinvesting in terms of fisheries management, research, and market development? In FY91, the state spent approximately $30 million on fisheries management and $2.5 million on seafood marketing.

State of Alaska FY91 Expenditures Versus Revenues ($ Millions)



Major industries excluding oil that contribute to Alaska's General Fund. (Sources: ADFG, ADR)

The ratio of industry contributions to state spending is about 2:1. Contrary to what some critics say, the industry is more than paying its way in terms of management and marketing expenditures. In fact, its time for the state to consider increasing its investments in fisheries to help insure long-term harvests, employment opportunities, and revenues.

(References: "Executive Summary Alaska Seafood Industry," June 1992, Institute of Social and Economic Research, University of Alaska Anchorage; Division of Economic Development, Alaska Department of Commerce and Economic Development; Alaska Seafood Marketing Institute; Alaska Department of Fish and Game; Alaska Department of Revenue; and, "Fish and the Law" by Bruce Weyhrauch, Alaska Commercial Fisherman, March 1991.)

MAR 13 1993

Rep Gail Phillips
Hi, these comments apply also to HB123. Hope you can get some changes. Paul

Molly
Fisheries

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Thank you for considering my testimony during your hearing. It appears that the committee is forging ahead to pass it out. Please consider the following during your meetings before the next hearing.

1 A finding in the front of this bill stating State opposition to the imposition of the IFQ plan would help alleviate that concern of ours. Can it be done in such a way that the Governor cannot line item veto that portion alone to leave the bill as supporting IFQs? He did veto the no expenditure for IFQ intent placed in last years CFEC budget, and the CFEC then spent $82,321 for IFQ implementation analysis for the NPFMC.

2 If all agree that the intent is to aid the small Alaskan fisherman, how about putting in an eligibility qualification that no one can get a IFQ loan if they received more than 10,000 combined pounds of IFQ initial allocation. This would help eliminate the concern that most loans will be used by the richest fishermen to contract the fleet at the expense of the small quota holder or person trying to enter the fishery. The vessel owners who receive over 10,000 lbs have already gotten a windfall worth $100,000. and should be able to finance their own purchase.

3 You should figure out who will be left holding the bag on the State financed IFQs if the are revoked. See IFQ plan language of 10/23/92 page 5. Section 14.4.7.1.7 GENERAL PROVISIONS (3) " QS are a harvest privilege, and good indefinitely. However, they constitute a use privilege which **may be modified or revoked by the Council and the Secretary at any time <u>without compensation.</u>**

Thank you for considering these points.

Paul K. Seaton

(a) be prohibited from purchasing, leasing, holding or otherwise controlling additional quota shares until that person's quota share falls below the limits set forth in (6) above, at which time each such person shall be subject to the limitations of paragraph (6) above; and

(b) be prohibited from selling, trading, leasing or otherwise transferring any interest, in whole or in part, of an initial assignment of quota share to any other person in excess of the limitations set forth in (6) above.

(8) For sablefish, no more than 1% of the combined Gulf of Alaska and Bering Sea/Aleutian Island quota may be taken on any one vessel.

(9) Persons must control IFQs for the amount to be caught before a trip begins, with the exception that limited overages will be allowed as specified in an overage program approved by NMFS and the IPHC.

Section 14.4.7.1.6 ANNUAL ALLOCATION OF QS/IFQ

Individual fishing quotas are determined for each calendar year for each person by applying the ratio of a person's QS to the QS pool for an area to the annual fixed gear Total Allowable Catch for each management area, after adjusting for the Community Development Quota (CDQ) program. In mathematical terms, IFQs = (QS / QS pool) x fixed gear TAC.

Section 14.4.7.1.7 GENERAL PROVISIONS

(1) For IFQ accounting purposes:

(a) The sale of catcher vessel caught sablefish or halibut to other than a legally registered buyer is illegal, except that direct sale to dockside customers is allowed provided the fisher is a registered buyer and proper documentation of such sales is provided to NMFS.

(b) Frozen product may only be off-loaded at sites designated by NMFS for monitoring purposes;

(c) QS owners wishing to transport their catch outside of the jurisdiction of the Council must first check in their catch at a NMFS specified site and have the load sealed.

(d) Persons holding IFQs and wishing to fish must check in with NMFS or their agents prior to entering any relevant management area, additionally any person transporting IFQ caught fish between relevant management areas must first contact NMFS or their agents.

(2) Quota shares and IFQs arising from those quota shares may not be applied to trawl-caught sablefish.

(3) QS are a harvest privilege, and good indefinitely. However, they constitute a use privilege which may be modified or revoked by the Council and the Secretary at any time without compensation.

(4) Discarding of sablefish is prohibited by persons holding sablefish IFQs and those fishing under the Community Development Quota (CDQ) program.

MAR 16 1993

department under this subparagraph; and

(iii) qualify as a transferee for individual fishery quota shares under applicable law;

(2) designate agents and delegate its powers to them as necessary;

(3) adopt regulations necessary to carry out the provisions of AS 16.10.300 - 16.10.370, including regulations to establish reasonable fees for services provided;

(4) establish amortization plans for repayment of loans, which may include extensions for poor fishing seasons or for adverse market conditions for Alaskan products;

(5) enter into agreements with private lending institutions, other state agencies, or agencies of the federal government, to carry out the purposes of AS 16.10.300 - 16.10.370;

(6) enter into agreements with other agencies or organizations to create an outreach program to make loans under AS 16.10.300 - 16.10.370 in rural areas of the state;

(7) allow an assumption of a loan if

(A) the applicant has been a state resident for a continuous period of two years immediately preceding the date of the request for an assumption; and

(B) approval of the assumption would be consistent with the purposes of AS 16.10.300; an applicant for a loan assumption may not be disqualified because the applicant does not meet the loan eligibility requirements of (1) of this subsection;

(8) prequalify loan applicants for a limited entry permit loan or an individual fishery quota shares loan and charge a fee not to exceed $200 for prequalification;

(9) charge and collect the fees established under this subsection.

* Sec. 2. AS 16.10.320(d) is amended to read:

(d) The total of balances outstanding on loans made to a borrower under AS 16.10.310(a)(1)(A) may not exceed $300,000. The total of balances outstanding on loans made to a borrower under AS 16.10.310(a)(1)(B) may not exceed $100,000. The total balances outstanding on loans made to a borrower under AS 16.10.310(a)(1)(C) may not exceed $300,000. The total balances outstanding on loans made to a borrower under AS 16.10.310(a)(1)(D) may not exceed either $300,000 or the amount received by the borrower as loans for the purchase of individual fishery quota shares from a recipient of a community development quota.

* Sec. 3. AS 16.10.320(i) is amended to read:

(i) If a loan is made to a borrower under AS 16.10.310(a)(1)(A), a subsequent loan may not be made to the borrower under AS 16.10.310(a)(1)(B). If a loan is made to a borrower under AS 16.10.310(a)(1)(B), a subsequent loan may be made to the borrower under AS 16.10.310(a)(1)(A) if the total of the balance outstanding on loans received by the borrower under AS 16.10.310(a)(1)(A) and (B) [AS 16.10.310] does not exceed $300,000.

* Sec. 4. AS 16.10.325 is amended to read:

Sec. 16.10.325. GUARANTORS. A person may act as guarantor if the borrower has insufficient collateral to secure a loan for the purposes described in AS 16.10.310(a)(1)(B) - (D) [AS 16.10.310(a)(1)(B)]. The loan agreement shall specifically describe the property of the guarantor to be used as collateral by the borrower and shall be signed by the guarantor and the borrower. The department shall provide the guarantor with a copy of all notices sent to the borrower by the department. If the loan is for the purchase of an entry permit or individual fishery quota shares, the guaranty by the guarantor may not constitute a lien, mortgage, or encumbrance on or pledge of the entry permit or individual fishery quota shares.

* Sec. 5. AS 16.10.338 is amended by adding a new subsection to read:

(c) If a limited entry permit is pledged for security for a loan made under AS 16.10.310(a)(1)(C) or (D) for the purchase of individual fishery quota shares and the borrower thereafter fails to make a payment or defaults, the commissioner shall, in addition to the notice provided under AS 16.10.335(a), notify the borrower that subject to the commissioner's acceptance the borrower may sell the individual fishery quota shares, apply the sales proceeds to the debt, and renegotiate payment of the

balance due on the loan to avoid the immediate loss of the limited entry permit that has been pledged for security for the loan.

* Sec. 6. AS 16.10.360 is amended by adding new paragraphs to read:

(5) "individual fishery quota share" means a transferrable license, permit, or right issued by the federal government that conveys a right to engage in a fishery in or off the state and to take a specified portion of the annual harvest quota for that fishery;

(6) "recipient of a community development quota" means a community, local fishermen's organization, or local economic development organization that has received a community development quota allocation to take a fishery resource in or off the state from the United States Secretary of Commerce.

JERE T. MURRAY, Ph.D.
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(907) 234-7646 (Voice or FAX)
March 16, 1993.

Alaska Legislature
Senate Resources Committee✓
Chairman Senator Mike Miller
Vice-Chairman Senator Loren Leman
Members: Senators Steve Frank, Drue Pearce, Albert Adams, Dave Donley, Fred Zharoff

Senator George Jacko✓

Via FAX Only: 465-3883, 465-2997

Re: SB 132 "An Act relating to loans for the purchase of individual fishery quota shares."

Dear Mr. Chairman, Members of the Committee and Author of the Bill:

As I stated in previous testimony, I remain of the mind that a change in the fisheries loan program to accommodate IFQs is a bad idea at this time. However I'd like to provide suggestions for SB 132.

Generally, I prefer SB 132 to the counterpart House version, HB 123. In particular, the absence of the constraint of HB 123 at page 2, lines 20 - 22, which would require participation in the fishery for which the IFQ shares are issued is a desireable difference. I do not support that provision of HB 123 as I feel it would not encourage the diversification necessary to ensure future survival in Alaskan fisheries. It would lock out many Alaskan fishermen who have long-term fishing participation in these IFQ fisheries but who "fell through the cracks" of the IFQ plan. Finally, it would magnify the unjust rewards already reaped, as the result of catch histories grossly inflated by illegal activities, by some recipients of NPFMC plan IFQ quota shares.

If the goal of the loan program is to attempt to ameliorate some adverse effects of the plan on coastal Alaskan communities, limit these loans to only those INDIVIDUALS WHO DO NOT RECEIVE INITIAL ALLOCATION OF QS UNDER THE NPFMC PLAN or to these and to RECIPIENTS OF INITIAL ALLOCATIONS LESS THAN SOME LIMIT - SAY 10,000 LBS OF QS.

The loan limit SHOULD NOT BE RAISED ABOVE $300,000 so as to prevent exacerbation of the effects of "consolidation" of the fleet to a small number of boats which is one goal of the NPFMC Plan, but which many Alaskans have commented against.

I agree that it is desirable to include specific loans to CDQ participants. However, the section on loan limitation on this type of loan might read more clearly if the word "either" at the end of

MAR 17 1993

line 4, page 4 and the period at the end of line 7, page 4 were deleted and line 7, page 4 was finished with ", whichever is smaller." Additionally, loans to participants in CDQ programs should be additionally restricted, by law, to those individuals WHO ALSO ARE RESIDENTS OF THE CDQ COMMUNITY. The problem addressed is the possibility that these loans might be used to "hire" someone from some other area to harvest these quotas and thereby circumvent the purpose of CDQs which should be to get people previously not envolved in these fisheries actively envolved.

The inclusion of a statement of non-support for the NPFMC's IFQ Plan and a proviso that the amendments only become effective should the IFQ Plan actually be promulgated and survive court challenges is desirable, but I do not feel this should replace a Resolution of the Legislature against IFQs.

Further, the inclusion of [illegible]

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Date:

To: Juneau L.I.O.

From: Jere Murray

Number of Pages (including this page): 3

Please call number above to report transmission difficulty.

Comments:

Please convey copies of the following letter to:

Senator Steve Frank, Co Chair, Senate Finance
Rep. Wm. Williams, Chair, House Resources
Rep. Bill Hudson, Chair, House L.&C.
[redacted]
[illegible] Maclean, Co Chair, H. Finance.

Rep.

Rep. Fran Ulmer.

Thanks –

We anxiously await a listing of fax #
for Legislators and committees.

Jere Murray

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To Rep. Carl Moses
Company House Committee on Fisheries
Location
Fax # 4653445 Telephone #
Comments

No. of Pages 6 Today's Date 3/1/93 Time 4pm
From Paul Seaton
Company
Location Dept. Charge
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MAR 01 1993

Rep. Carl Moses, Chairman
House Special Committee on Fisheries

Dear Sir and Committee;

I applaud the goal of HB123 - that is keeping as much ownership of the fishery resources in Alaska as possible. HOWEVER, the practical effect will be to put most Alaskan fishermen near insolvency. All IFQ history around the world indicates that for probably 8 to 10 years the quota share prices will be extremely volatile. The prices of shares are generally 3 to 8 times the ex-vessel price of the fish. As of March,1,1993 Canadaian shares go for $9 to $10 per share pound. Even for fish at $2.00 per pound, that represents the full 5 year value of the fish without paying for bait, fuel, or crew. If one considers 50% is left after direct expenses, that means the share price represents the full net income for 10 years. That does not pay for any interest on a loan to buy such IFQ pounds. If you had a 10% loan, this roughly translates to requiring every penny the fish are worth for 20 years without taking out anything to live on, or to replace boat and gear, or pay the loan principal. Since fish cycle up and down and share quotas represent a percent of the harvestable fish, the slightest downturn – bankruptcy.

I hope you will realize that the Canadian price above is without a liberal loan policy which will escalate the price. Also the Canadian shares are not combinable - a boat that fishes halibut cannot buy the shares of another boat that fishes halibut. Stackable quota such as we will have will increase the value. That is because the people that are given quota can distribute the cost -eg: say I get 30,000 lbs free, I can buy another 10,000 lbs for $10 and effectively have only paid $2.50 per pound for the total.

To gauge the economic effect of non-producing capitalization (permits or shares) of fishing operations one can look at the permit/vessel state loan program. In Jan. of 1993 the default rate is 17.2%. In Jan. of 1992 the default rate was 27.2%. Even at 10% rate- one loan out of ten each year - with most of the loans for 10 to 15 years, you can see that numerically every loan would be in default during its life. Of course, some loans are never in trouble because those people were financially secure, didn't rely upon fishing for their source of income or have other resources to pay off the loans. —— This means the deckhands, most in rural towns and villages, etc., are not the ones who can effectively benefit from a loan program to 'get started' by highly leveraging themselves financially with non-productive capitalization——

I'm sure you also know that possibly 40% of the permit loans are vulnerable to collection by the IRS. Nobody is supporting non-payment of taxes, but this is a good indication that many people were so highly leveraged by permit purchase that they couldn't financially make the business work with any money left for the necessities - such as paying their taxes.

The following pages detail a further problem with IFQs, the Alaska Constitution! The NPFMC has initiated an exact repeat of the subsistence management problem with its passage of this system. Since IFQs CANNOT BE USED WITHIN STATE WATERS, a loan program to purchase them is questionable.

I will include with this a letter from the AG's office supporting that position.

Thank You. By far the best thing for Alaskan fishermen and women would be the rejection of the IFQ plan. That can still be done by the Federal Administration before approval of the final rule (plan). We NEED the legislature to pass the joint resolution against IFQs from last year that was blocked by one man.

Please call if you wish additional information.

Paul K Seaton 3/1/93

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DID YOU KNOW?

ALASKANS WILL **NOT** BE ABLE TO HARVEST ANY INDIVIDUAL FISHING QUOTA (IFQ) HALIBUT OR SABLEFISH IN SOUTHEASTERN ALASKA, PRINCE WILLIAM SOUND, COOK INLET, OR WITHIN THREE MILES OF ANY ALASKA COAST.!!! Our State Constitution specifically prevents creation or authorization of use of these special harvest privileges within all state waters. (see attached)

IFQs WILL PLACE THE STATE IN **EXACTLY THE SAME SITUATION FOR COMMERCIAL FISHERIES AS WE HAVE WITH SUBSISTENCE**. A FEDERAL REGULATION THAT IS IN CONFLICT WITH OUR CONSTITUTION. Federal preferance management is on federal lands (waters) and that management regime is excluded from state lands (waters).

THE ONLY WAY TO ALLOW IFQ FISH TO BE CAUGHT IN STATE WATERS IS TO AMEND THE ALASKA CONSTITUTION.

THERE HAS NOT BEEN POPULAR SUPPORT TO CHANGE THE CONSTITUTION TO RETAIN GAME MANAGEMENT ON ALL FEDERAL LANDS FOR ALL CITIZENS. ONE CANNOT EXPECT SUCH SUPPORT FOR IFQs WHEN THE BENEFICIARIES WOULD BE SEEN AS A FEW PRIVILEGED VESSEL OWNERS. We must remember that a goal of the IFQ plan is to eliminate about 80% of the current fishermen.

A STATE LOAN PROGRAM WOULD REALLY ONLY BENEFIT THE VESSEL OWNERS WHO RECEIVE A LARGE GIFT OF ORIGINAL SHARES. The cost of shares will only make economic sense if one has received many free original quota shares over which to distribute the investment.

HOW CAN WE CONSIDER AMENDING A STATE LOAN PROGRAM TO PROMOTE LOANS FOR AN ACTIVITY WHICH IS UNCONSTITUTIONAL IN STATE WATERS ?

PLEASE SUPPORT YOUR CONSTITUENTS BY SPONSORING A JOINT LEGISLATIVE RESOLUTION OPPOSING IFQS. HJR 61 AND SJR 38 FROM LAST YEAR IS SUPPORTED BY NEARLY EVERY COMMUNITY ON THE GULF OF ALASKA.

THERE IS STILL TIME TO KILL THIS PLAN AT THE FEDERAL LEVEL, AND A JOINT RESOLUTION FROM THE LEGISLATURE WILL GO A LONG WAY.

Enclosures include details of State Vs. Federal law and the Regional cost to Alaska's economy of ITQs.

Re: State waters vs. federal fishery policy - federal law will conflict with Alaska constitutional. Problem identical to subsistence, ie federally issued IFQs cannot be legally used in State waters.

The North Pacific Fisheries management Council has proposed an Individual Fishing Quota (IFQ) Plan. A clear explanation of IFQs begins the Nov. 1991 Commission of Inquiry into Licensing and Related Policies of the Canadian Dept. of Fisheries and Oceans.

" Individual quotas, resource allocations, enterprise allocations or individual entitlements - all meaning the same thing - give to an individual the right to harvest a definite quantity of fish, expressed either as a fixed amount or as a percentage of the total allowable catch. Privatization of the resource in this manner removes the right of public access to a common property, converting common property to private property."

The Individual Fishing Quota (IFQ) concept has been under discussion for a long time. I assume that its familiarity and association with limited entry plans is the reason that many people have come to regard it as a form of limited entry. The plan that was adopted by the NPFMC is not limited entry. This plan relies solely on some people's desire to accumulate quota shares and other peoples economic hardship to spur them to sell. A presumption that the current holders will be willing to pay more than non-participating fishermen is the projected mechanism that will shrink the fleet. Under the structure of the Plan it is possible for a fisherman with 40,000 Quota Shares to sell 5000 shares each to eight fishermen from other sections of the nation as long as each new fisherman has 5 months fishing experience. The point being made is that the IFQ Plan does not limit entry into the fisheries.

The IFQ Plan is a "Privatization" plan, which transfers either ownership or exclusive harvest rights of the fishery resource to individuals.

Article VIII Section 15 of the Alaska State Constitution reads as follows in its entirety:

> "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 efficient development of aquaculture in the State."

The constitutional amendment of 1972 which allows State limited entry was passed under full discussion and intent of the public to allow a limited access to a public resource; not a transfer of ownership of the resource to a selected group of individuals.

I have talked with Commissioner Rich Listowski of the Commercial Fisheries Entry Commission and with the caveat that it was not a court ruling nor a legal opinion, he stated that we are probably right that the IFQ system is unconstitutional in State waters.

The Alaska Attorney Generals Office on Jan 15 responded to Senator Paul Fisher's inquiry on this point that: "Alaskan waters (waters within three miles of our coastline) are governed by the Alaska constitution which generally prohibits exclusive access and exclusive property rights to fishery resources....(the U.S. Constitution does not have these restrictions) ...if an IFQ proposal is made which would violate the "open access" clause of the state constitution, we will recommend against its adoption."

Almost impossible logistics would be involved if the IFQ system could not be applied to Alaska State waters and a dual management system was necessary. Initial assignments of Quota Share based on past production history would be uncalculatable since fish ticket records do not distinguish what poundage was caught in federal or State waters.

Everyone should realize that small boat fishermen will have to leave Alaskan bays, sounds,inlets, inside passage, and essentially all protected waters of the state to go three miles of the outer coast before harvesting any IFQ halibut or blackcod. This will force Alaska's small boat fleet to sell out or place themselves in life threatening jeopardy to harvest IFQs. A loan program therefore has restricted practical application in many sections of the state.

The greatest efforts should be made by all Alaskans to avoid any repeat of the disastrous and divisive subsistence management system. That situation has been caused by a federal law about fish and game resources which would violate the State constitution if applied on State lands and waters. It now seems obvious that the NPFMC has initiated an exact repeat of the subsistence management problem with its passage of the IFQ system.

Our officials can not just ignore the State Constitution without sending the fisheries into chaos and court. Approval of the IFQ plan would substantially alter the FEDERAL /STATE relationship. We have about 2 months in which to convince the Office of Management and Budget to reject the IFQ plan. Joint action by the House and Senate approving the joint resolution against IFQs from last year may turn the tide with the New Administration. We ask that you approve those resolutions ASAP.

Thank You and please call if you wish additional information.

Paul K Seaton

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CAPITALIZATION

About one (1) billion dollars worth of nonproductive capital will be required by the Individual Fishing Quota halibut and sablefish plan.

The proponents of IFQs have cited overcapitalization of the fleet as a major reason for this IFQ Plan. However, the 4,000 independent halibut fishing vessels have each been making money. National Marine Fisheries Service (NMFS) uses a definition of overcapitalization which has no basis in the real world of small business. They take the total value of the vessels used and compare it to the yearly value of the harvest. They ignore the fact that most vessels are not exclusively single specie harvesters. Since fish stocks rise and fall, fishermen know they must be diversified to stay out of bankruptcy. The reality is that the fisheries with high default rates are those that are "limited entry", where high capitalization costs are incurred in the value of the permit or shares. Under the IFQ program each individual operation will be highly leveraged because the value of the shares will exceed the value of vessel and operation - a nonproductive capitalization cost. Thus, almost every individual IFQ vessel will be overcapitalized and vulnerable to fish and price cycles.

NMFS discounts the effect of this cost by saying that they are creating the billion dollars of capital by giving, free of charge, the shares to the industry. However, they also estimate that 80% of the shares may transfer within the first year. Thus after one year the industry will have had to generate an influx of $800,000,000 in investment capital to purchase the shares. The real effect is creating almost a billion dollars of profit to individuals that sell quota shares and saddling the fisheries with another billion dollars of overcapitalization.

It is obvious that the IFQ plans will have a significant adverse impact on investment and the investment health of the industry.

Paul K Seaton

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Homer, Alaska 99603
Ph. & Fax (907) 235-6342

STATE OF ALASKA

DEPARTMENT OF LAW

OFFICE OF THE ATTORNEY GENERAL

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JUNEAU, ALASKA 99811-0300
PHONE: (907) 465-3600
FAX: (907) 463-5295

January 15, 1992

Senator Paul Fischer
P.O. Box V
Juneau, Alaska 99811

Dear Senator Fischer:

On behalf of Attorney General Cole, I am writing to respond to your letter of December 31, 1991 (which included a copy of one of your constituent's letters dated December 23, 1991) concerning the IFQ (Individual Fishing Quota, also known as "ITQ" or Individual Transferrable Quota) system being considered by the North Pacific Fishery Management Council.

The Attorney General's Office has examined, and will continue to examine, IFQ proposals that would apply to fisheries in state waters, that is, to waters within three miles of our coastline. Alaskan waters are governed by the Alaska Constitution which generally prohibits exclusive access and exclusive property rights to fishery resources. See Alaska Constitution, Articles VIII, Sections 3, 15, and 17 (the U.S. Constitution does not have these restrictions). Whether or not a proposal will be constitutional would depend on its specific attributes. However, if an IFQ proposal is made which would violate the "open access" clauses of the state constitution, we will recommend against its adoption.

Thank you for bringing your and your constituent's concerns to our attention. Enclosed for your information is a copy of a News Release concerning ITQs that was released yesterday by the Governor.

SINCERELY,

CHARLES E. COLE
ATTORNEY GENERAL

By: John G. Gissberg
Assistant Attorney General

JGG:bk:ba

13-05LH

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FISCAL NOTE

CSHB 123(FSH)

STATE OF ALASKA
1993 LEGISLATIVE SESSION

BILL NO.

Revision Date: March 4, 1993
Title: Loans for IFQs

Sponsor: Representative Fran Ulmer, et al.
Requestor: Special Committee of Fisheries

Department Affected: Commerce and Economic Development
BRU: Investments
Component:

COMPONENT SERIAL NO. 0384

EXPENDITURES/REVENUES:

OPERATING	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
PERSONAL SERVICES	48.2	144.5	144.5	144.5	144.5	144.5
TRAVEL	2.0	6.0	6.0	6.0	6.0	6.0
CONTRACTUAL	11.3	33.9	33.9	33.9	33.9	33.9
SUPPLIES	1.5	1.5	1.5	1.5	1.5	1.5
EQUIPMENT	13.5	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	76.5	185.9	185.9	185.9	185.9	185.9
CAPITAL	0	0	0	0	0	0
REVENUE FUND SOURCE:	0	0	0	0	0	0

FUNDING:

1002 Federal Receipts	0	0	0	0	0	0
1003 GF Match	0	0	0	0	0	0
1004 GF	0	0	0	0	0	0
1005 GF/Program Receipts	0	0	0	0	0	0
1006 GF/MHTIA	0	0	0	0	0	0
OTHER C/F LOAN 1036	76.5	185.9	185.9	185.9	185.9	185.9
TOTAL	76.5	185.9	185.9	185.9	185.9	185.9

POSITIONS:

FULL-TIME	3	3	3	3	3	3
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

Estimate of current year (FY 93) impact: 0

ANALYSIS: (Attach a separate page if necessary.)

See attached.

Prepared by: Martin J. Richard
Division: Investments
Phone: 465-2510
Date: March 4, 1993

Approved by Commissioner: Paul Fuhs [signature] for
Agency: Commerce and Economic Development
Date: 3-4-93

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Rev 11/92

ANALYSIS: (continued)

This fiscal note assumes that the IFQ program will go into effect on March 1, 1994 as estimated by the United States Department of Commerce. The operating expenses for FY 94 have been adjusted accordingly.

PERSONAL SERVICES

The passage of CSHB 123(FSH) will require the addition of two Loan Examiner II positions and a Loan Closer I position. The loan examiners will process loan requests generated as a result of this legislation. They will also handle inquiries, outreach, loan extensions and other collection activity associated with these loans. The loan closer will develop the documentation used to complete loans processed by the loan examiners and will obtain signatures, record collateral documents and disburse loan proceeds.

TRAVEL

It is estimated that loan examiners will make an average of six outreach trips to rural Alaska each year, at an average cost of $1.0 per trip. In FY 94 a total of two trips are anticipated.

CONTRACTUAL

The office space rental for three additional employees is estimated at $8.9 per year. In addition, the Department anticipates spending an additional $25.0 per year on outside contractors to help in its outreach efforts in rural communities throughout the State.

SUPPLIES

The Department estimates $1.5 per year to cover costs of miscellaneous office supplies and printing of application packages and brochures.

EQUIPMENT

The Department estimates a one-time cost of $13.5 to cover the costs of office furniture and computer equipment for three new employees.

Position Title		No. of Positions	Range / Step	Barg. Unit
Loan Closer I		1	10A	GGU

Time Status	Staff Months	Location	Election District
Full-Time	4 months	Juneau	

TYPE OF EXPENDITURE		AMOUNT
Salary		8.4
Benefits		3.4
Premium Pay		
Other		
Total Personal Services		11.8
Travel		
Contractual		1.9
Commodities		.2
Equipment		4.5
Other		
Total Cost		18.4
FUNDING SOURCE FOR TOTAL COST		
Federal Receipts	1002	
G.F. Match	1003	
General Fund	1004	
I-A Receipts	1007	
CIP Receipts	1061	
Other C/F Loan	1036	

Justification

This position is necessary to develop the documentation used to complete loans processed by the loan examiners. This position will also obtain signatures, record collateral documents, and disburse loan proceeds.

Request For New Position

AGENCY Commerce and Economic Development

BRU Investments

COMPONENT

FY 94

Page 1 of 1

Revised Date: March 4, 1993

Position Title	No. of Positions	Range / Step	Barg. Unit
Loan Examiner II	1	17A	GGU

Time Status	Staff Months	Location	Election District
Full-Time	4 months	Anchorage	

TYPE OF EXPENDITURE		AMOUNT
Salary		13.1
Benefits		5.1
Premium Pay		
Other		
Total Personal Services		18.2
Travel		1.0
Contractual		4.1
Commodities		.2
Equipment		4.5
Other		
Total Cost		28.0
FUNDING SOURCE FOR TOTAL COST		
Federal Receipts	1002	
G.F. Match	1003	
General Fund	1004	
I-A Receipts	1007	
CIP Receipts	1061	
Other C/F Loan	1036	

Justification

This position is necessary to process loan requests generated as a result of the passage of this legislation. This position will also handle inquiries, outreach, loan extensions, and other collection activity associated with these loans.

Request For New Position

AGENCY Commerce and Economic Development

BRU Investments

COMPONENT

FY 94

Page 1 of 1

Revised Date March 4, 1993

Position Title Loan Examiner II	No. of Positions 1	Range / Step 17A	Barg. Unit GGU

Time Status Full-Time	Staff Months 4 months	Location Juneau	Election District

TYPE OF EXPENDITURE		AMOUNT
Salary		13.1
Benefits		5.1
Premium Pay		
Other		
Total Personal Services		18.2
Travel		1.0
Contractual		2.9
Commodities		.2
Equipment		4.5
Other		
Total Cost		26.8
FUNDING SOURCE FOR TOTAL COST		
Federal Receipts	1002	
G.F. Match	1003	
General Fund	1004	
I-A Receipts	1007	
CIP Receipts	1061	
Other C/F Loan	1036	

Justification

This position is necessary to process loan requests generated as a result of the passage of this legislation. This position will also handle inquiries, outreach, loan extensions, and other collection activity associated with these loans.

Request For New Position

AGENCY Commerce and Economic Development

BRU Investments

COMPONENT

FY 94

Page 1 of 1

Revised Date: March 4, 1993

JERE T. MURRAY, Ph.D.
P.O. Box 237, Seldovia, Alaska 99663-0237
(907) 234-7646 (Voice or FAX)
March 02, 1993.

Alaska Legislature
House of Representatives
Special Committee on Fisheries
Representative Carl Moses, Chairman
Representatives Harley Olberg, Gail Phillips, Cliff Davidson,
and Irene Nicholia, Members

Via FAX Only: 465-3445

Dear Mr. Chairman and Members of the Committee:

Thank you for this opportunity to comment on HB123, "An Act relating to loans for the purchase of individual fishery quota shares."

Please consider all the following facts. Last session the Alaska House of Representatives unanamously rejected the IFQ plan by passing HJR61. A companion measure in the Senate had similar wide support but was kept from the floor by the actions of a single Senator who is no longer in office. Our Congressional delegation members each have serious concerns about this plan and are maneuvering against it in Washington. The Commerce Department has not yet published this plan as a "Final Rule" and it may still be rejected by the Office of the President and or the Congress where opposition is growing daily. Even if the plan passes these hurdles and survives legal challenges sure to be mounted, it will not be implemented until after one or more additional sessions of the Alaska Legislature.

Then, surely, the best one can say for HB123 is that it is very premature and sends the wrong message concerning the thoughts of the legislature on this plan (assuming last session's sentiments remain).

I know you will receive considerable testimony on the economic aspects of these proposed loans and I will not attempt to duplicate those here. Let me only pass on to you the comment one of the staunchest proponents of IFQs made to me when I brought up the subject of a loan program such as that envisioned by HB123 during the December 1991 meeting of the North Pacific Fisheries Management Council in Anchorage. Mr. Clem Tillion, whom I'm sure you all know, said "I wouldn't want to loan them money they won't be able to repay!" There it is - "right from the horses mouth."

At this time the best thing the Alaska State Legislature can do for Alaska in connection with IFQs is to reaffirm the position of last session's House and pass a resolution similar to HJR61 which includes the additional resolve of the Senate companion, SJR38, "FURTHER RESOLVED that the Alaska State Legislature opposes the use of state agency resources, state operated facilities, state funds, or other forms of cooperation to implement an Individual Fishery Quota management system" and send copies of the resolution to the appropriate federal officials in the executive and legislative branches as soon as possible.

There will be plenty of time to attempt to ameliorate the many adverse effects the IFQ plan will have on Alaskan citizens and communities if and when it is implemented. Passage of HB123 at this time can do no good and may do harm in the battle against this devastating plan. First things first, please.

Sincerely,

Jere T. Murray

HOUSE FISHERIES COMMITTEE
MARCH 3, 1993

Good morning. I'd like to call this meeting of the House Special Committee on Fisheries to order. It's Wednesday, March 3, the time is ____. Present today are (list legislators)....

Today we are taking up **HB 140** - the king salmon tag fee, and **HB 123**, setting up an IFQ loan program. We are on teleconference today, so please be sure to use your teleconference mikes, and identify yourself for those listening.

We will start with **HB 140, relating to the king salmon tag fee**. At our first hearing on this bill, there was some confusion about the fiscal note for these proposed changes, and also about some suggested changes by the Department of Fish and Game. The bill's sponsor, Representative Hudson (or his aid Royce Weller) is here to describe the proposed amendments. Representative Hudson, please identify yourself for the record.

Are there any questions of Representative Hudson?

Would anyone else in the audience or on the teleconference network like to testify?

Is there any discussion from committee members?

What is the pleasure of the committee?

Need individual motions to adopt the proposed amendments.

Is there a motion to move out HB 140 as amended from the Fisheries Committee with individual recommendations? Any objections? So moved.

HB 123

Homer -

bd endorsed this plan

Po ? ______ premature -

not sure what final plan looks like

program that is unconstitutional

- amt of capitalization -

9-10 a share purpound.

$1 lb. worth of shares.

Massive sums of money.

MACO Haggerty - Homer -

against bill

not enuf money - intentions are good.

only people who would benefit - are those who got initial IFQs.

violates spirit of program.

only help big guys, small ones default.

~~Sid Nelson, Homer~~

Chris Moss, ~~Homer~~ -

support -

logical extension.

Anne Borland, Homer

- against

someone who doesn't initially get IFQs will be able to get this.

state shouldn't lend money for fishery that won't be in state waters.

Bill Sullivan, Homer

against - crewmember

didn't get any initial share.

stolen property.

Dan Falvey, Sitka

AK Longline Fish Assoc support

keep prices under control.

1) startup funds

$5 m may not be sufficient.

high turnover rate in first few years.

2) develop 2nd loan program

communities, native corps, others

to make their members IFQ members.

similar to CDQ.

low-interest loans to them.

need task force for them.

Eric Jordan, Sitka -

support

problems - 1) not enough to be money.

2) constitutionality need state law -

Mat
~~Pat~~ Donohue - Sitka -
lobbied against IFQs.
support concept, but not enough money.
what are your goals of program -
what percentage of fishery -
language to protect small fishermen

Kodiak -
Linda Kozak - Kodiak Longline Vessel Owners
support.
industry implementation group.
help mid size vessels who get quota.

1 concern w/ current draft -
no alternative source. - foreign interests, sharks
~~only state + CFAB~~
change to: alt financing thru
recognized lending ins

Petersburg
Kris Norosz
support.

Bill Hall, Anchorage - CFAB.
CFAB is a co-op. are interested in looking at it.
some concerns @ administration of IFQs.
we will take a look at it. our atty is looking
at our statutes. no objection to letter of intent.

Kodiak - ___?___

oppose

not enough studies on what price per share is -

take capital gains into account?

Juneau

Eric Forrer - 62-63 -

Cordova - Mary MacBeing exec dir. - CDFU

support

beyond next step

Ulmer - some say premature - timing is unclear, but fear to wait for program to be in position first.

community loan program - more complicated, needs some work.

→ other recognized commercial lending institutions.

proposed CS - clarifies that intent is to make it for mid + small size.

→

Greg Winogan -
reviewed CS -
support

some discussion on eligibility & amt -
~ primary goal is to support an eligible fishing.

debt service -
A & B loans - look at debt service of each project -
low default rate -

Rick Lauber - PSPA
if state going to put money forward
have product stay in AK -
migration of quota shares.
more quota shares you have - go south w/ product.

Ulmer - enforcement log landings at 16 ports,
returns at random.
any product going outside AK, must first be
checked thru a primary AK port

Cliff - landing tax.

~~[illegible]~~
4648

Anch.
Kodiak
Cordova
Sitka -

-10866
1 GCI
three [illegible]

Amy - 3882

dial into -
- 700 -
222-1000

Arctic Alaska

Vance Nelson!
- 845

Bill Hall - CFAB Anch.
276-2009

for future.

4648

CDFU - Mary MacBurney
424-3447

- 800-478-7612

Cordova - phone # - Petersburg / also
Anchorage - Sitka

3 northern panels
SE
Trollers
Gillnetters.

Wrong Fri. -
public comment
1-2 min.

364-2609
Douglas Ind. Assn.
Henry Peterson,
Pres.

8-LS0544\K
Utermohle
3/1/93

CS FOR HOUSE BILL NO. 123( )

IN THE LEGISLATURE OF THE STATE OF ALASKA

EIGHTEENTH LEGISLATURE - FIRST SESSION

BY

Offered:
Referred:

Sponsor(s): REPRESENTATIVES ULMER, Grussendorf, Navarre, Sitton, Mackie, Davies, Davidson, Brown

A BILL

FOR AN ACT ENTITLED

"An Act relating to loans for the purchase of quota shares for fisheries in or off Alaska."

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

*** Section 1.** PURPOSE AND LEGISLATIVE INTENT. It is the purpose of this Act to provide an opportunity for resident fishermen to participate in the sablefish and halibut fisheries and other fisheries in and off Alaska by authorizing loans for the purchase of quota shares for those fisheries. It is the intent of the legislature that the authority granted by this Act be implemented without adversely affecting the availability of funds in the commercial fishing revolving loan fund for loans to purchase entry permits and to purchase, repair, restore, or upgrade vessels and gear.

*** Sec. 2.** AS 16.10.310(a) is amended to read:

(a) The department may

(1) make loans [TO]

(A) <u>to</u> individual commercial fishermen who have been state residents for a continuous period of two years immediately preceding the date of application for a loan under AS 16.10.300 - 16.10.370 and have had a crewmember or commercial fishing license under AS 16.05.480 or a permit under AS 16.43 for the year immediately preceding the date of application and any other two of the past five years, and who actively participated in the fishery during those periods, for the purchase of entry permits;

(B) to an individual for the repair, restoration, or upgrading of existing vessels and gear, for the purchase of entry permits and gear, and for the construction and purchase of vessels, if the individual has been a state resident for a continuous period of two years immediately preceding the date of application for a loan under AS 16.10.300 - 16.10.370, and either

(i) because of lack of training or lack of employment opportunities in the area of residence does not have occupational opportunities available other than commercial fishing; or

(ii) is economically dependent on commercial fishing for a livelihood and for whom commercial fishing has been a traditional way of life in Alaska;

(C) for the purchase of quota shares for fisheries in or off the state by individual commercial fishermen who

(i) have been state residents for a continuous period of two years immediately preceding the date of application for a loan under AS 16.10.300 - 16.10.370;

(ii) for any two of the past five years, possessed a crewmember or commercial fishing license under AS 16.05.480 or a permit under AS 16.43 and actively participated in a fishery for which the license or permit was issued;

(iii) qualify as a transferee for quota shares under applicable law; and

(iv) are not eligible for an alternative source of financing to purchase quota shares;

(2) designate agents and delegate its powers to them as necessary;

(3) adopt regulations necessary to carry out the provisions of AS 16.10.300 - 16.10.370, including regulations to establish reasonable fees for services provided;

(4) establish amortization plans for repayment of loans, which may include extensions for poor fishing seasons or for adverse market conditions for Alaskan products;

(5) enter into agreements with private lending institutions, other state agencies, or agencies of the federal government, to carry out the purposes of AS 16.10.300 - 16.10.370;

(6) enter into agreements with other agencies or organizations to create an outreach program to make loans under AS 16.10.300 - 16.10.370 in rural areas of the state;

(7) allow an assumption of a loan if

(A) the applicant has been a state resident for a continuous period of two years immediately preceding the date of the request for an assumption; and

(B) approval of the assumption would be consistent with the purposes of AS 16.10.300; an applicant for a loan assumption may not be disqualified because the applicant does not meet the loan eligibility requirements of (1) of this subsection;

(8) prequalify loan applicants for a limited entry permit loan **<u>or a quota shares loan</u>** and charge a fee not to exceed $200 for prequalification;

(9) charge and collect the fees established under this subsection.

* Sec. 3. AS 16.10.320(d) is amended to read:

(d) The total of balances outstanding on loans made to a borrower under AS 16.10.310(a)(1)(A) may not exceed $300,000. The total of balances outstanding on loans made to a borrower under AS 16.10.310(a)(1)(B) may not exceed $100,000. **<u>The total balances outstanding on loans made to a borrower under AS 16.10.310(a)(1)(C) may not exceed $300,000.</u>**

* Sec. 4. AS 16.10.320(i) is amended to read:

(i) If a loan is made to a borrower under AS 16.10.310(a)(1)(A), a subsequent loan may not be made to the borrower under AS 16.10.310(a)(1)(B). If a loan is made to a borrower under AS 16.10.310(a)(1)(B), a subsequent loan may be made to the borrower under AS 16.10.310(a)(1)(A) if the total of the balance outstanding on loans received by the borrower under AS 16.10.310(a)(1)(A) and (B) [AS 16.10.310] does not exceed $300,000.

* **Sec. 5.** AS 16.10.325 is amended to read:

Sec. 16.10.325. GUARANTORS. A person may act as guarantor if the borrower has insufficient collateral to secure a loan for the purposes described in AS 16.10.310(a)(1)(B) or (C). The loan agreement shall specifically describe the property of the guarantor to be used as collateral by the borrower and shall be signed by the guarantor and the borrower. The department shall provide the guarantor with a copy of all notices sent to the borrower by the department. If the loan is for the purchase of an entry permit or quota shares, the guaranty by the guarantor may not constitute a lien, mortgage, or encumbrance on or pledge of the entry permit or quota shares.

* **Sec. 6.** AS 16.10.338 is amended by adding a new subsection to read:

(c) If a limited entry permit is pledged for security for a loan made under AS 16.10.310(a)(1)(C) for the purchase of quota shares and the borrower thereafter fails to make a payment or defaults, the commissioner shall, in addition to the notice provided under AS 16.10.335(a), notify the borrower that subject to the commissioner's acceptance the borrower may sell the quota shares, apply the sales proceeds to the debt, and renegotiate payment of the balance due on the loan to avoid the immediate loss of the limited entry permit that has been pledged for security for the loan.

* **Sec. 7.** AS 16.10.360 is amended by adding a new paragraph to read:

(5) "quota share" means a transferrable license, permit, or right issued by the federal government that conveys a right to engage in a fishery in or off Alaska and to take a specified portion of the annual harvest quota for that fishery.

March 2, 1993

CS HB 123, "An Act relating to loans for the purchase of quota shares for fisheries in or off Alaska."

The proposed committee substitute for HB 123 reflects the following changes from the original bill:

- Title. The title change clarifies that technically the loans authorized in this bill are for the purchase of quota shares, not Individual Fishing Quota (IFQs.) The clarification is made throughout the bill.

- Section 1. Purpose and Intent. A purpose and intent statement was added to emphasize that the loans authorized in this bill are intended to benefit Alaskans who participate IFQ system fisheries and to clarify that there is no intent to diminish the amount of funds currently available for loans under AS 16.10.310(a)(1)(A) or (B) for entry permits, vessels and gear.

- Page 2. subsection (C)(ii). The previous sections (ii) and (iii) were combined to simplify two eligibility criteria. That is, in <u>two of the last five years</u> an applicant must have possessed either a crewmember or commercial fishing license or permit <u>and</u>, must have participated in a fishery for which the license or permit was issued.

The original bill was more narrow. It said that the crewmember or commercial license or permit must have been possessed for the year preceding the date of application as well as for two of the past five years. The original bill then required that the applicant must have participated in the fishery during three of the last five years.

- Page 2. subsection (C)(iv). This is an addition to the bill which limits the loans to those individuals who are not eligible for alternate financing, as is currently the case for loans authorized under subsection (B) for vessels and gear.

This section will ensure that the loan program will benefit those Alaskans most in need of assistance in accessing capital.

- Letter of Intent. The letter of intent accompanies the bill to emphasize that the committee intends for the Commercial Fisheries and Agricultural Bank to make financing available for the purchase of quota shares.

As stated above, the loans that the Commercial Fishing Loan Fund is authorized to make under HB 123 are limited to those who can not obtain loans elsewhere.

HOUSE SPECIAL COMMITTEE ON FISHERIES
March 3, 1993

LETTER OF INTENT
HB 123, "An Act relating to the purchase of quota shares for fisheries in or off Alaska."

It is the intent of the House Special Committee on Fisheries that the Commercial Fisheries and Agricultural Bank (C-Fab), within its existing authority under AS 44.81.210, make financing available for the purchase of quota shares for fisheries in or off Alaska.

COMMERCIAL FISHING LOAN PROGRAM

Established:

06-21-72 Commercial Fishing Loan Act.

Programs:

06-21-72 COMMERCIAL FISHING LOAN ACT. When this loan program was initially established, the statutory policy was to promote the development and continued maintenance of commercial gear and vessels throughout the state by means of long-term, low interest loans. An individual must have been a resident for five continuous years and held a commercial gear license for three years. Loans were limited to $100,000, 7% interest, with a maximum term of 15 years.

04-24-73 For the first time, the financing of limited entry permits was allowed; however, permits could not be used as collateral. The statutory policy was also amended by referencing a predominately Alaska resident fishery.

06-04-75 The statutory policy was again amended to include language promoting the rehabilitation of the state's fisheries.

06-24-77 The loan limit was increased from $100,000 to $150,000.

07-01-78 Now, for the first time, limited entry permits could be pledged as security for a loan. The loan limit was increased from $150,000 to $500,000. The five-year continuous residency had to be immediately preceding the date of the loan application, and the license requirement now encompassed a crew member or commercial fishing license or ownership of a limited entry permit. The license or permit must have been held for any one of the past five years, and the owner must have actively participated in the fishery during that period. Eligibility was expanded to include corporations, partnerships and joint ventures. Bank participation was, for the first time, provided for in the statutes.

06-01-79 Retroactive to July 1, 1978, the interest rate was increased from 7% to 9 1/2%, and other minor miscellaneous changes were made.

06-21-80 FISHERMEN'S MORTGAGE AND NOTE PROGRAM. A new loan program was created in addition to the existing Commercial Fishing Loan Act. The purpose of this new loan program was to curb the outflow of limited entry permits from rural Alaska by alleviating the difficulties in obtaining financing for limited entry permits, vessels and gear. Unlike the existing Commercial Fishing Loan Act, this was an indirect loan program. All loans were first made by banks and the state was then authorized to purchase the loans from the banks. The state was not authorized to make direct loans under this program. To be eligible under this program, an applicant must have been a resident for five years and could not have participated in or qualified for any state or federal loan program for similar loan purposes established under the new Fishermen's Mortgage and Note Program. The applicant must have demonstrated to the satisfaction of the bank that, because of the lack of training or employment opportunities in the area of residence, the applicant did not have occupational opportunities available other than commercial fishing or was economically dependent on commercial fishing for a livelihood, and commercial fishing was a cultural and traditional way of life. Additionally, the applicant had to demonstrate to the satisfaction of the bank that there was a reasonably good chance that the loan debt would be repaid. The banks could consider all sources of income in determining the applicant's ability to repay the loan. The state could not refuse to purchase the loan from the bank due solely to the credit history of the applicant. Loans were limited to $200,000, 10 1/2% interest, with a maximum term of 15 years.

07-01-81 Except for the purchase of limited entry permits, all lending functions of the Commercial Fishing Loan Act were transferred to the Alaska Industrial Development Authority.

07-27-81 The Fishermen's Mortgage and Note Program was amended to allow the state to precommit to the banks to purchase loans authorized under this program. The amendment also eliminated a large number of lending restrictions that previously caused banks to refuse to participate in the Fishermen's Mortgage and Note Program. The loan limit was also reduced from $200,000 to $100,000.

06-25-82 The Fishermen's Mortgage and Note Program, in actuality, was repealed and the Commercial Fishing Loan Act was rewritten. All assets of the Fishermen's Mortgage and Note Program were transferred to the newly rewritten Commercial Fishing Loan Act. Three separate loan sections were established under the rewritten program.

SECTION A was exclusively for the purchase of limited entry permits. An individual must have been a resident for five continuous years immediately preceding the date of application for the loan and held a crew member or commercial fishing license or owned a limited entry permit for one of the past five years and must have actively participated in the fishery during that period of time. Loans were limited to $300,000, 10 1/2% interest, with a maximum term of 15 years.

SECTION B was for the purchase of limited entry permits, vessels and gear. An individual must have been a resident for five continuous years immediately preceding the date of application for the loan and, because of the lack of training or lack of employment opportunities in the area of residence, did not have occupational opportunities available other than commercial fishing or was economically dependent on commercial fishing for a livelihood, and commercial fishing was a traditional way of life in Alaska. Applicants cannot have alternative sources of financing available to them. Loans were limited to $100,000, 10 1/2% interest, with a maximum term of 15 years.

SECTION C was for the purchase or restoration of vessels or gear. Applicants included corporations, partnerships or joint ventures which were 100% owned by individual commercial fishermen who were state residents for a continuous period of five years immediately preceding the date of application for a loan. Applicants also had to satisfy the remaining eligibility requirements of both Section A and B. Loan were limited to $100,000, 10 1/2% interest, with a maximum term of 15 years.

04-17-83 The state residency under Sections A, B and C was reduced from five to two continuous years immediately preceding the date of the loan application. In addition, under Section A, the applicant must have had the license or permit the year immediately preceding the date of the loan application and any other two of the past five years. Active participation in the fishery was increased from one to three years, including the year immediately preceding the date of the loan application.

07-01-85 The statutes were amended and Section C was combined with Section B. An assumption of an existing commercial fishing loan was now available to individuals who were residents of the state for a continuous period of two years immediately preceding the date of the request for an assumption. Another important change was the ability for applicants to prequalify for a limited entry permit loan. A fee, not to exceed $200, was charged for processing a prequalification application. A special foreclosure reserve account and property disposal procedures were established.

09-11-85 By regulation, for purposes of Section A, an individual was considered to have actively participated in the fishery if the individual could establish one of the following circumstances for each year claimed:

(1) 30% or more of the applicant's total gross income was derived from commercial fishing;

(2) the applicant engaged in commercial fishing in commercial fisheries for at least 25 days; or

(3) the applicant engaged in commercial fishing in a particular commercial fishery for 50% or more of the total number of days that the particular fishery was open for commercial fishing ("particular commercial fishery" refers to species, gear type, and fishing area).

By regulation, for purposes of Section B, an individual was considered to be economically dependent on commercial fishing for a livelihood if at least 30% of the individual's total gross income during the previous two years was derived from commercial fishing.

09-05-86 Eligibility was statutorily contingent upon an applicant not having a past due child support obligation as established by court order or by the child support enforcement division at the time of application.

KODIAK LONGLINE
VESSEL OWNERS' ASSOCIATION

326 CENTER AVENUE, P.O. BOX 135
KODIAK, ALASKA 99615
(907) 486-3781 FAX (907) 486-2470

HALIBUT • SABLEFISH • PACIFIC COD • CRAB

February 18, 1993

Representative Fran Ulmer
ALASKA STATE LEGISLATURE
State Capital
Juneau, Alaska 99801

RE: HB 123

Dear Fran,

I would like to express our support for HB 123. I have felt for some time that with the implementation of individual fishing quotas on the horizon, a loan program for Alaskans is vital. Those vessel owners who live in Alaska must be able to purchase quota quickly when the program is in place.

It is my belief that the large majority of Alaskan vessel owners who will receive quota will either sell immediately or wish to buy. Since the people who qualify for quota far exceeds the number of individuals who currently participate in the fishery, the "pie" will be cut in ways that people did not anticipate. Many vessel owners will immediately need to purchase quota in order to participate effectively in the fishery.

We strongly support this bill and would assist in any way possible to see that it is passed. It can't help but be a significant help to those Alaskan vessel owners who won't initially receive the quota they need.

Sincerely,

Linda Kozak

Linda Kozak
Director

THE SEAL OF THE STATE OF ALASKA

Official Business

COMMITTEE: Fisheries

DATE: 2/19/93

SIGN-IN

Subject of meeting:
UFA Presentation

HB 123 IFQ Loans

NAME	ADDRESS	PHONE	REPRESENTING	DO YOU WANT TO TESTIFY?
GREG WINEGAR	P.O. BOX 34159 JUNEAU, AK 99803	465-2510	DEPT. OF COMMERCE	HB 123
Rick Lauber	321 Highland, JNU	586-6366	Pacific Seafood Processors Assn	HB 123

STATE OF ALASKA

LEGISLATIVE AFFAIRS AGENCY

DIVISION OF PUBLIC SERVICES

DATE: 2/19/93

Please accept the enclosed original(s) of written testimony for the H. ~~[illegible]~~ Fisheries ~~teleconference~~ hearing that was scheduled on 2/19/93.

A copy of this testimony was transmitted to your committee via fax on 2/19/93.

Thank you,

LEGISLATIVE AFFAIRS AGENCY
Sitka Legislative Office
210 Lake Street
Sitka, Alaska 99835
747-6276

Alaska State Legislature

Please enter into the record my testimony to the House Special Fisheries
committee name

committee on HB 123 (IFQ Loan) dated 2/19/93.
bill/subject

I support the concept of HB 123, but I have some concerns & comments on the bill. It cannot be emphasized too strongly that, even more than the probability of quota share migrating out of the hands of Alaskan residents, the most devastating effect of this IFQ plan to the state's ~~of Alaska~~ economy will be CONSOLIDATION. Please bear in mind that so much of the economic strength of virtually all Alaskan coastal communities is the large fleets of small family owned boats. The numbers of people involved in the fisheries keep these towns alive, not just pounds of fish delivered or a few very wealthy fishermen. And vital to the economic health of these businesses are

(See P.2.)

Signed: Donna Donohoe
Testifier

citizen & fisherperson of Sitka
Representing (Optional)

P.O. Box 2993 Sitka AK 99835
Address

747-6467
Phone No.

opportunities to diversify & the possibility to get in as well as out of fisheries. There seems to be a lot of people with the belief that the dangers of consolidation are being addressed by the 'Sitka Block Amendment'.* Let me remind you there is no such thing. The Council is currently doing analysis on three proposals, none of which are guaranteed to be adopted & the political reality of any of them seeing the light of day is at best slim.

My concern with this bill is that without further refinement, some measure to gear it more toward preferrance to new entrants &/or current participants with small amounts of quota share (say <5000 - 10,000 lbs) this bill could in fact hasten consolidation by making financing more easily available to those who already have the edge on profitability - essentially those ~~who~~ most favored by initial allocation

Please think seriously about this problem. It is not just pounds staying in the state we need to worry about but, more, importantly, participation on a wide scale needs to be protected.

Thank you.

Dorena Donohoe

HB 123 Greg Winegar

if get an A loan, can never get a B loan
if get B loan, can get an A loan.
Many people qualify for both.

A - permit only - up to $300,000

B - permits + gear - up to $100,000

C - IFQs - similar to A

D - IFQs - similar to B

<u>IFQ eligibility</u> -
preference - initial allocants <u>or</u> IFQ crewmembers
5 mos in any U.S. commercial fishery

<u>5 months</u> ÷

def of econ. dependent 30% - income over a 2 yr period from <u>any</u> fishing.
on permits

<u>or</u> lack of training/employment.

few crewmembers

Alaska State Legislature

HOUSE OF REPRESENTATIVES

REPRESENTATIVE FRAN ULMER

MEMORANDUM
February 3, 1993

To:	Representative Carl Moses Chair, House Special Committee on Fisheries
From:	Representative Fran Ulmer
Subject:	Scheduling HB 123

This is to request that you schedule HB 123, "An Act relating to loans for the purchase of individual fishery quota shares," for hearing before the House Special Committee on Fisheries as soon as possible.

Last week, the United States Department of Commerce approved regulations establishing an Individual Fishing Quota (IFQ) system for the Pacific halibut and sablefish fixed gear fisheries off Alaska. HB 123 expands the state Commercial Fishing Revolving Loan Fund to permit Alaskans to finance the purchase of quota shares.

There is fear that well-financed, Seattle bases vessels will dominate and that Alaskans and Alaskan communities will suffer economically with the advent of the IFQ system. This legislation is intended to benefit current Alaskan fishing interests and to preserve the stake local economies have in the halibut and black cod fisheries, by making loans available to purchase quota shares.

HB 123 will help Alaskans compete. Loans of up to $300,000 will be available to Alaskans who have lived in the state at least two years before the date of application. In addition, applicants must have held a commercial fishing license for the year preceding the application as well as during 2 of the past 5 years. The applicant also must have actively participated in the fishery for which the application is sought during 3 of the last 5 years.

It is important for HB 123 to pass this session in order for financing to be available by the time the IFQ system is implemented, thus I request your immediate assistance in scheduling the bill for hearing.

Thank you.

State Capitol
Juneau, AK 99801-1182

(907) 465-4947
Fax 465-2108

Alaska State Legislature

HOUSE OF REPRESENTATIVES

REPRESENTATIVE FRAN ULMER

PRESS RELEASE

February 3, 1993

Representative Fran Ulmer, D-Juneau, today introduced House Bill 123 which creates a state loan program to finance Individual Fishery Quota (IFQ) permits. The IFQ system was approved last week by Secretary of Commerce Ron Brown for the halibut and black cod fisheries. Although a state loan program currently exists for financing limited entry permits in Alaska, legislation is required to expand the program to finance Individual Fishery Quota permits.

"Although many Alaskans objected to this new permit, now that it is law we must preserve Alaska's traditional presence in these fisheries," Ulmer commented. "Establishing a program to finance the program is the most effective action the state can take to protect Alaska fishing interests."

Ulmer's comments reflect fears that IFQ shares will migrate into the pockets of well-financed, Seattle based vessel owners and that Alaska coastal communities dependent on the fishing industry will suffer significant economic loss.

"This legislation is intended to benefit current Alaska fishing interests and to preserve the stake local economies have in these fisheries," said Ulmer. "The loan program will not negatively impact any other permit or loan an individual fisher may have with the state."

HB 123 authorizes loans up to $300,000 to Alaskans who have lived in the state at least two years before the date of application. In addition, applicants must have held a commercial fishing license for the year immediately preceding the application as well as during 2 of the past 5 years. The applicant also must have actively participated in the fishery for which the application is sought during 3 of the last 5 years.

Ulmer expects bi-partisan support for HB 123 which must pass this session in order for permit financing to occur before the 1993 halibut and black cod fisheries open in the fall. Of the $5 million currently in the Commercial Fishing Revolving Loan Fund, approximately $3 million will be available in FY 94 to finance IFQ permits.

State Capitol
Juneau, AK 99801-1182

(907) 465-4947
Fax 465-2108

STATE OF ALASKA

DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT

DIVISION OF INVESTMENTS

WALTER J. HICKEL, GOVERNOR

P.O. BOX 34159
3032 VINTAGE BLVD.
JUNEAU, ALASKA 99803-4159
PHONE: (907) 790-2693
FAX: (907) 790-2781

February 2, 1993

Honorable Fran Ulmer
Attention Margaret Pugh
House of Representatives
State Capitol
Juneau, AK 99801-1182

Dear Representative Ulmer:

We are projecting excess funds available for appropriation from the Commercial Fishing Revolving Loan Fund to the General Fund in the amount of $5,002,800 in FY 94 (HB 55, Section 20, January 15, 1993). The Governor has requested a General Fund appropriation to the Fisheries Enhancement Revolving Loan Fund in the amount of $2,068,200 (HB 55, Section 29, January 15, 1993).

The net effect for these two fisheries funds is approximately three million dollars, available in FY 94.

Cordially,

Martin J. Richard
Director

cc: Paul Fuhs
Commissioner

08-H18LH

Empire 1-3

Quotas OK'd for halibut, black cod

By ROSANNE PAGANO
THE ASSOCIATED PRESS

ANCHORAGE, Alaska – The U.S. Commerce Department on Friday approved a commercial fishing reform that allocates quotas of Alaska black cod and halibut.

Final regulations may be in place in time for the widely disputed individual fishing quota system to go into effect next year, the National Oceanic and Atmospheric Administration said.

Fishermen will be allotted their share based on how long they have been active in the halibut or black cod fishery, and how much fish they have caught in previous seasons.

Regulators say the system, known as IFQ, will end derby-style fishing that attract hundreds of boats for 24-hour openings in spring and fall.

Opponents in some Alaska ports say quotas will edge out some smaller operators and crews, weakening the local economy.

Fishermen using fixed gear, including pot gear and hook-and-line gear, are targets of the new system, NOAA said.

Quotas restrict the halibut and black cod commercial catch in U.S. waters. Fisheries primarily are in Alaska including Bristol Bay, the Bering Sea and the Gulf of Alaska.

William Fox, director of the National Marine Fisheries Service, a branch of NOAA, said Friday quotas would improve fishing safety and could provide consumers with fresh fish more often.

Fox said quotas permit operators to fish when the price is right, rather than work the 24-hour openings even if full crews are unavailable, weather is bad or vessels are unprepared.

"A derby is a very unsafe fishery," Fox said.

Details remain to be worked out in final regulations. Alaska's congressional delegation last summer sought to block final approval of IFQs, saying the reform needed more study.

That put the delegation at odds with the Hickel administration's fisheries expert, Clem Tillion, who helped win approval for quotas from the North Pacific Fishery Management Council.

The council developed the plan and approved it in 1991. Kodiak, among the nation's top fishing ports, was among Alaska communities seeking to block final approval.

A coordinator of the Kodiak Island Borough's effort said meetings may be arranged with environmental groups, also opposed to quotas, to see if continued appeals were worthwhile.

"This is going to be a very expensive program," Kodiak coordinator Jeff Stephan said. He said cost of additional paperwork would siphon monies that could have gone to fisheries research and management.

Stephan said opponents may argue the program's cost as a strike against it with members of Congress.

In Sitka, the executive director of Alaska Longline Fishermen's Association said she was pleased with the federal approval.

But Linda Behnken said more work may yet be done to make quotas more fair.

"It's been long, hard work and a lot of people participated," Behnken said. "But it's also a little tough, knowing that a lot of people in the community still have a lot of concerns."

Alaska Sen. Frank Murkowski in a prepared statement Friday said he had urged delay of the IFQ approval until there were assurances the system would not harm small fishermen.

"We all know something needs to be done to protect fishermen from having to fish in bad weather, to spread out the arrival of fresh fish on the market to improve both quality and price," Murkowski said.

"I'm still not certain that the current IFQ system is the best." Murkowski said many coastal cities were "entirely dependent" on fishing.

Sen. Ted Stevens, R-Alaska, said he remained concerned that many crewmembers and other participants will be left out of the halibut and black cod fisheries.

"I am still hearing serious questions about the impact of IFQs on coastal communities and the c of implementing the propo Stevens said in a news release.

Department of Commerce & Economic Development / POSITION PAPER

HB 123: "An Act relating to loans for the purchase of individual fishery quota shares."

HB 123 amends the Commercial Fishing loan program to allow Alaskan residents to finance the purchase of individual fishery quota shares. In order to be eligible, an applicant must:

1. **have been a two-year resident;**

2. **have had a crew member or commercial fishing license for the year immediately preceding the date of application and any other two of the past five years;**

3. **have actively participated in the fishery for which the shares are issued during three of the last five years; and**

4. **qualify as a transferee under applicable law.**

HB 123 also allows the department to prequalify applicants for the purchase of fishery quota shares. Under this portion of the program, an applicant can obtain a 60-day commitment to finance fishery quota shares prior to locating the specific shares to be purchased.

In addition, the bill establishes a limit of $300,000 that a borrower can have outstanding at any point in time that was used to purchase fishery quota shares.

In keeping with the mission of the Commercial Fishing program, this legislation will assist Alaskans in their efforts to participate in the halibut and sablefish fisheries in Alaska.

G E Reed for
Paul Fuhs, Commissioner

2-10-93
Date

dgl/064pp.inv

DEPARTMENT OF FISH AND GAME
POSITION PAPER

Bill No: HB 123

Sponsor: Representative Ulmer

Division: Division of Commercial Fisheries

Bill Title: "An act relating to loans for the purchase of individual fishery quota shares."

Department Position: Support

This legislation would extend the state's existing loan program for limited entry permits, vessels, and fishing gear to include loans for the purchase of individual fishery quota s'ares (IFQs). The harvesting sector of the seafood industry has the highest percentage of resident participation in the industry. Approximately 80% of the permits are owned by Alaskans. The state loan program has been a successful tool contributing to the high percentage of existing permits in the hands of Alaskans.

The new IFQ program will be administered by the federal government. Regulations governing the new program were recently adopted by the U.S. Secretary of Commerce. There is a great deal of concern on the part of Alaskans that these IFQs will be bought up by non-Alaskan interests, thus reducing the opportunities for Alaskans to harvest these resources occurring off the state's coastline.

While this program is authorized in Title 16, the fish and game statutes, the program is administered by the Department of Commerce and Economic Development.

There is no fiscal impact on the Department of Fish and Game from this legislation.

Commissioner's Signature Don Arnerville **Date:** 7/12/93
for

FISCAL NOTE

STATE OF ALASKA
1993 LEGISLATIVE SESSION

BILL NO. HB 123

Revision Date:
Title: Loans for IFQs

Sponsor: Representative Fran Ulmer, et al.
Requestor: Special Committee of Fisheries

Department Affected: Commerce and Economic Development
BRU: Investments
Component:

COMPONENT SERIAL NO. 0384

EXPENDITURES/REVENUES:

OPERATING	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
PERSONAL SERVICES	48.2	144.5	144.5	144.5	144.5	144.5
TRAVEL	2.0	6.0	6.0	6.0	6.0	6.0
CONTRACTUAL	11.3	33.9	33.9	33.9	33.9	33.9
SUPPLIES	1.5	1.5	1.5	1.5	1.5	1.5
EQUIPMENT	13.5	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	76.5	185.9	185.9	185.9	185.9	185.9

CAPITAL	0	0	0	0	0	0

REVENUE FUND SOURCE:	0	0	0	0	0	0

FUNDING:

1002 Federal Receipts	0	0	0	0	0	0
1003 GF Match	0	0	0	0	0	0
1004 GF	0	0	0	0	0	0
1005 GF/Program Receipts	0	0	0	0	0	0
1006 GF/MHTIA	0	0	0	0	0	0
OTHER C/F LOAN 1036	76.5	185.9	185.9	185.9	185.9	185.9
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	3	3	3	3	3	3
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

Estimate of current year (FY 93) impact: 0

ANALYSIS: (Attach a separate page if necessary.)
See attached.

Prepared by: Martin J. Richard
Division: Investments
Phone: 465-2510
Date: 2/5/93

Approved by Commissioner: Paul Fuhs
Agency: Commerce and Economic Development
Date: 2-8-93

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Rev 11/92

ANALYSIS: (continued)

This fiscal note assumes that the IFQ program will go into effect on March 1, 1994 as estimated by the United States Department of Commerce. The operating expenses for FY 94 have been adjusted accordingly.

PERSONAL SERVICES

The passage of HB 123 will require the addition of two Loan Examiner II positions and a Loan Closer I position. The loan examiners will process loan requests generated as a result of this legislation. They will also handle inquiries, outreach, loan extensions and other collection activity associated with these loans. The loan closer will develop the documentation used to complete loans processed by the loan examiners and will obtain signatures, record collateral documents and disburse loan proceeds.

TRAVEL

It is estimated that loan examiners will make an average of six outreach trips to rural Alaska each year, at an average cost of $1.0 per trip. In FY 94 a total of two trips are anticipated.

CONTRACTUAL

The office space rental for three additional employees is estimated at $8.9 per year. In addition, the Department anticipates spending an additional $25.0 per year on outside contractors to help in its outreach efforts in rural communities throughout the State.

SUPPLIES

The Department estimates $1.5 per year to cover costs of miscellaneous office supplies and printing of application packages and brochures.

EQUIPMENT

The Department estimates a one-time cost of $13.5 to cover the costs of office furniture and computer equipment for three new employees.

Position Title	No. of Positions	Range / Step	Barg. Unit
Loan Closer I	1	10A	GGU

Time Status	Staff Months	Location	Election District
Full Time	4 months	Juneau	

TYPE OF EXPENDITURE		AMOUNT
Salary		8.4
Benefits		3.4
Premium Pay		
Other		
Total Personal Services		11.8
Travel		
Contractual		1.9
Commodities		.2
Equipment		4.5
Other		
Total Cost		18.4
FUNDING SOURCE FOR TOTAL COST		
Federal Receipts	1002	
G.F. Match	1003	
General Fund	1004	
I-A Receipts	1007	
CIP Receipts	1061	
Other: CF Loan	1036	

Justification

This position is necessary to develop the documentation used to complete loans processed by the loan examiners. This position will also obtain signatures, record collateral documents, and disburse loan proceeds.

020.WIN

Request For New Position

AGENCY Commerce and Economic Development

BRU Investments

COMPONENT

FY 94

Revised Date:

Position Title: Loan Examiner II		No. of Positions: 1	Range / Step: 17A	Barg. Unit: GGU
Time Status: Full Time	Staff Months: 4 months	Location: Anchorage	Election District:	

TYPE OF EXPENDITURE		AMOUNT
Salary		13.1
Benefits		5.1
Premium Pay		
Other		
Total Personal Services		18.2
Travel		1.0
Contractual		4.1
Commodities		.2
Equipment		4.5
Other		
Total Cost		28.0
FUNDING SOURCE FOR TOTAL COST		
Federal Receipts	1002	
G.F. Match	1003	
General Fund	1004	
I-A Receipts	1007	
CIP Receipts	1061	
Other: CF Loan	1036	

Justification

This position is necessary to process loan requests generated as a result of the passage of SB 96. This position will also handle inquiries, outreach, loan extensions, and other collection activity associated with these loans.

020.WIN

Request For New Position

AGENCY Commerce and Economic Development

BRU Investments

COMPONENT

FY 94

Page 1 of 1

Revised Date:

Position Title: Loan Examiner II			No. of Positions: 1	Range / Step: 17A	Barg. Unit: GGU
Time Status: Full Time	Staff Months: 4 months		Location: Juneau	Election District:	

TYPE OF EXPENDITURE		AMOUNT
Salary		13.1
Benefits		5.1
Premium Pay		
Other		
Total Personal Services		18.2
Travel		1.0
Contractual		2.9
Commodities		.2
Equipment		4.5
Other		
Total Cost		26.8
FUNDING SOURCE FOR TOTAL COST		
Federal Receipts	1002	
G.F. Match	1003	
General Fund	1004	
I-A Receipts	1007	
CIP Receipts	1061	
Other: CF Loan	1036	

Justification

This position is necessary to process loan requests generated as a result of the passage of SB 96. This position will also handle inquiries, outreach, loan extensions, and other collection activity associated with these loans.

020.WIN

Request For New Position

AGENCY Commerce and Economic Development

BRU Investments

COMPONENT

FY 94

Page 1 of 1

Revised Date:

Position Title		No. of Positions	Range / Step	Barg. Unit
Loan Closer I		1	10A	GGU

Time Status	Staff Months		Location	Election District
Full Time	4 months		Juneau	

TYPE OF EXPENDITURE		AMOUNT
Salary		8.4
Benefits		3.4
Premium Pay		
Other		
Total Personal Services		11.8
Travel		
Contractual		1.9
Commodities		.2
Equipment		4.5
Other		
Total Cost		18.4
FUNDING SOURCE FOR TOTAL COST		
Federal Receipts	1002	
G.F. Match	1003	
General Fund	1004	
I-A Receipts	1007	
CIP Receipts	1061	
Other: CF Loan	1036	

Justification

This position is necessary to develop the documentation used to complete loans processed by the loan examiners. This position will also obtain signatures, record collateral documents, and disburse loan proceeds.

020.WIN

Request For New Position

AGENCY Commerce and Economic Development

BRU Investments

COMPONENT

FY 94

Revised Date:

The ABCs of IFQs

Representative Fran Ulmer Introduces a new loan program to help Alaska fishermen

by
Representative Fran Ulmer

A revolution is on the way for Alaska's coastal communities. After 10 years of debate in the fishing industry, the U.S. Secretary of Commerce recently approved Individual Fishery Quotas (IFQs) for the halibut and black cod fisheries in Alaska. If all goes as planned, by mid-1994 these fisheries will no longer be open to all those who want to wet a line. Instead, a new permit system will reserve catch quotas for individual fishermen who qualify for an IFQ. Gone will be the 24 hour openings, replaced by a season which may last from March through November. The new system is promoted as a solution to dangerous conditions created by derby style fishing, but critics charge that the new system will be the end of the small, independent Alaska fisherman.

Whether you think the new system will help or hurt Alaska fishermen, the reality is that a change is coming. We must do everything we can to help Alaskans retain their livelihoods in the fishing industry and to support our coastal communities. One of the best ways of doing that is by providing access to capital. That's why I recently introduced **HB 123** which provides financing for the purchase of IFQs. This legislation authorizes loans of up to $300,000 for IFQs to Alaska residents who have actively participated in the fishery during three of the last five years. The state currently finances the purchase of limited entry permits through a revolving loan fund with loans of up to $300,000. New legislation is required to expand the loan program to include IFQs. HB 123 does that and provides an essential tool to accomplish the goal of keeping permits in the hands of Alaskans.

How it works

The new IFQ system is designed to benefit active fishermen by allocating a quota based on an individual's actual record of past landings. When the system starts, only vessel owners and leaseholders will receive an IFQ; crew members will be given preference in acquiring their own IFQ in the future. A quota will be based on the individual fisherman's actual percentage of the total catch in a particular area during five of the last 7 years. That percentage will then be applied, on an annual basis, to the total allowable catch for the individual's region in order to determine the exact number of pounds he can harvest. To ensure maximum participation in the fishery, no one will be allowed to harvest more than 1% of the black cod resource in an area, and no more than .5% of the halibut resource.

How do Alaskans fare?

In 1994, approximately 5500 halibut fishermen and 1100 black cod fishermen will be given IFQs by the federal government free of charge. Those who receive an IFQ may sell or lease all or a portion of their quota to another, and the price of those transactions will be set by the market, based on the value of the resource and the fishery at the time of purchase. Experience has shown that the right to harvest these resources can be extremely valuable and the price for IFQs may be very high.

Although the new system is designed to preserve and increase Alaska's presence in these fisheries, many fear that IFQs will migrate into the pockets of well-financed, non-resident vessel owners and that Alaska fishermen will lose out. The cap on the percentage of the fishery resource any one person may own or lease, and the restriction prohibiting IFQs from being transferred between vessel classes, are efforts to ensure that halibut and black cod continue to be fished by a broad spectrum of Alaska fishermen. However, the only real certainty in the new equation is that a resource which was free to all will now be available only by permit, and for a price.

It is essential that Alaskans keep as many of these permits as possible so that the economy of our coastal communities will not be deprived of the wealth of this fishery resource. HB 123 and the financing it provides to Alaskans will help assure this continuing economic benefit to our residents.

Alaska State Legislature

HOUSE OF REPRESENTATIVES

REPRESENTATIVE FRAN ULMER

PRESS RELEASE

February 3, 1993

Representative Fran Ulmer, D-Juneau, today introduced House Bill 123 which creates a state loan program to finance Individual Fishery Quota (IFQ) permits. The IFQ system was approved last week by Secretary of Commerce Ron Brown for the halibut and black cod fisheries. Although a state loan program currently exists for financing limited entry permits in Alaska, legislation is required to expand the program to finance Individual Fishery Quota permits.

"Although many Alaskans objected to this new permit, now that it is law we must preserve Alaska's traditional presence in these fisheries," Ulmer commented. "Establishing a program to finance the program is the most effective action the state can take to protect Alaska fishing interests."

Ulmer's comments reflect fears that IFQ shares will migrate into the pockets of well-financed, Seattle based vessel owners and that Alaska coastal communities dependent on the fishing industry will suffer significant economic loss.

"This legislation is intended to benefit current Alaska fishing interests and to preserve the stake local economies have in these fisheries," said Ulmer. "The loan program will not negatively impact any other permit or loan an individual fisher may have with the state."

HB 123 authorizes loans up to $300,000 to Alaskans who have lived in the state at least two years before the date of application. In addition, applicants must have held a commercial fishing license for the year immediately preceding the application as well as during 2 of the past 5 years. The applicant also must have actively participated in the fishery for which the application is sought during 3 of the last 5 years.

Ulmer expects bi-partisan support for HB 123 which must pass this session in order for permit financing to occur before the 1993 halibut and black cod fisheries open in the fall. Of the $5 million currently in the Commercial Fishing Revolving Loan Fund, approximately $3 million will be available in FY 94 to finance IFQ permits.

State Capitol
Juneau, AK 99801-1182

(907) 465-4947
Fax 465-2108

Alaska State Legislature

HOUSE OF REPRESENTATIVES

REPRESENTATIVE FRAN ULMER

MEMORANDUM

TO: All Members of House of Representatives DATE: 2/1/93

FROM: Representative Fran Ulmer

SUBJ: IFQ System

Last week Ron Brown, Secretary of Commerce, approved the IFQ system for halibut and black cod fisheries. Although many Alaskans objected to the implementation of this new permit, it is now law and Alaskan's interests in these fisheries must be preserved. One key ingredient is financing for the purchase of the quota shares.

A loan program currently exists for financing limited entry permits. It must be expanded to include the purchase of IFQ's.

On Wednesday, I will be introducing legislation to amend Alaska's loan program to do so. It's critical that this legislation pass this session so that Alaskans are in a position to participate once the quota shares are available sometime late in 1993.

I hope you'll join me in cosponsoring this important piece of legislation essential to Alaska's economy.

FU/bvh

State Capitol
Juneau, AK 99801-1182

(907) 465-4947
Fax 465-2108

State loans to buy IFQs proposed by Ulmer bill

By Eric Fry
Alaska Journal of Commerce

Alaska fishers will be able to use a state loan fund to buy quota shares in federally managed fisheries, if a bill proposed by state Rep. Fran Ulmer, D-Juneau, is enacted.

House Bill 123 would add a third category of applicants to the Commercial Fishing Revolving Loan Fund, which currently helps fishers buy state limited-entry permits or vessels and gear.

The bill is in response to the individual-fishing-quota plan for the North Pacific halibut and sablefish fixed gear fish-

Continued on Page 5

PHOTO BY MARGARET BAUMAN

Robert O. Anderson has big plans for natural gas, see Page 6

AK Journal of Commerce
Feb. 15, 1993

Ulmer proposes loans for IFQs

Continued from Page 1

eries that was approved Jan. 29 by U.S. Secretary of Commerce Ron Brown. That plan, which is scheduled to take effect March 1, 1994, grants ownership of quota shares in the fisheries to vessel owners or leaseholders according to their recent catch histories.

Up to 87 percent of the halibut quota shares and 74 percent of the sablefish shares are expected to belong initially to Alaska residents. But there is fear that the transferable shares will end up eventually in the hands of Outsiders.

"Although many Alaskans objected to this new permit, now that it is law we must preserve Alaska's traditional presence in these fisheries," Ulmer said in a prepared statement.

The bill would allow an applicant up to $300,000 to buy IFQ shares, in addition to a $300,000 total loan balance for the program's current purposes. But the bill does not appropriate money for the loan fund.

Martin Richard of the state Division of Investments said the revolving loan fund, which has a current cash balance of $15 million, has not needed a legislative appropriation since 1985.

By the end of fiscal 1994, the loan fund will have an excess of $5 million, he said, which is available for appropriation out of the commercial fishing loan fund. The Division of Investments is asking for a $2 million appropriation to cover requests in a similar loan program for hatchery development—leaving a total of $3 million that could go to the general fund. Ulmer hopes to keep that $3 million in the Commercial Fishing Revolving Loan Fund for the purchase of IFQ shares during fiscal 1994.

Alaska Airlines' January traffic down

Alaska Airlines officials say January traffic for the airline was down 9 percent to 348.5 million revenue passenger miles, compared with 383.4 million flown a year earlier.

The passenger load factor, or percentage of available seats occupied by fare paying passengers, was 47.7 percent, down from 48.7 percent in January 1992.

SECTION B

The Journal of Law

Lawyers endorse civil jury system, Page 1B

THE FOCUS

Construction and Engineering

AHFC: Big player in the economy, Hulin says, Page 13

Date FEB 15 1993

Anchorage Daily News

Client No. 0615

Sealaska wants quota to protect local fish jobs

The Associated Press

JUNEAU — The regional Native corporation for southeast Alaska says it will keep pushing for an area fisheries quota system out of fear many of its shareholders could be forced out or lose their jobs at seafood processors.

Sealaska Corp., based in Juneau, has made a regional quota a top priority, spokesman Robert Loescher said.

The U.S. Commerce Department approved the individual fishing quota system last month. Final regulations could be in place by next year.

Under the IFQ plan, fishermen would be allotted a share of the halibut and black cod harvests based on how long they have been active in the fisheries and how much they have caught in previous seasons.

Proponents say the system would end dangerous, derby-style fishing during 24-hour halibut openings and would increase prices and availability of fresh fish, but opponents say quotas would drive small fishermen out of the business and hurt local economies.

Loescher said Sealaska wants to follow a program adopted for Bristol Bay and Bering Sea under which communities have been given regional allocations to prevent too many local shares from going to non-local fishermen.

Many of Sealaska's 15,750 shareholders fish commercially and for subsistence, and many more work in cold storages in small communities.

A study commissioned by Sealaska suggests many rural residents would likely sell their IFQ shares because they need cash and few would be able to buy into the fishery, as has been the case with limited-entry permits for salmon, herring and other species, Loescher said.

Fewer permits in the communities means fewer crew jobs. It also means less fish will be delivered to small communities and fewer cold-storage jobs, he said.

Financing the cost for Alaskans who want to buy halibut and black cod shares is another problem. Rep. Fran Ulmer, D-Juneau, has introduced legislation that could make it easier.

Ulmer has proposed expanding a state loan program for financing the purchase of salmon permits and boats. Qualified borrowers could receive up to $300,000 to buy halibut and black cod quota shares.

About $3 million would be available for halibut and black cod fishermen statewide, Ulmer said. The state's commercial fishing revolving loan fund has about $5 million.

Juneau Empire Feb. 14, 1993

Fishing for answers

Quotas could push out locals

By TIM HUBER
THE JUNEAU EMPIRE

Sealaska Corp. plans to continue pushing for a regional harvest allocation for rural Southeast communities under the new individual quota system for managing Alaska's commercial halibut and black cod fisheries.

The corporation believes many of its shareholders could be forced out of the fisheries or lose their jobs at seafood processors unless regional harvests are guaranteed.

The Juneau-based regional Native corporation has made a regional quota a top priority, spokesman Robert Loescher said.

The U.S. Commerce Department approved the individual fishing quota system last month; final regulations could be in place by 1994.

Under the IFQ plan, fishers will be allotted a share of the halibut and black cod harvests based on how long they have been active in the fisheries and how much they have caught in previous seasons.

Though proponents say the system will end dangerous, derby-style fishing that attracts hundreds of boats for 24-hour halibut openings, while also increasing prices and the availability of fresh fish, opponents say quotas will drive small fishers out of the business and hurt local economies.

Bristol Bay and Bering Sea communities have been given regional allocations to prevent too many local shares from going to non-local fishers, and Sealaska wants to see similar plans for Southeast, Loescher said.

Much of Sealaska's concern involves the potential harm that small communities such as Craig and Hoonah could suffer if too many of their residents sell their IFQ shares to non-resident fishers, or if they are priced out of buying into the fisheries.

Many of Sealaska's 15,750 shareholders subsistence and commercial fish, and many more work in cold storages in small communities. They already are losing access to marine resources, in part because of limited-entry fisheries for salmon and other species, Loescher said. The new system will compound the problem, he said.

A study commissioned by Sealaska suggests that many rural residents likely will sell quota shares they receive under the new system because they need cash and few will be able to buy into the fishery. That has been the case with limited-entry permits for salmon, herring and other species, Loescher said.

Fewer permits in the communities means fewer crew jobs. It also means less fish will be delivered to small communities and fewer cold-

Please turn to Quotas, Page A-6

Quotas...

Continued from Page A-1

storage jobs, he said.

A person today needs two or three fishing permits to make ends meet year-round, Loescher said. The advent of the new management system means they will have to buy halibut and black cod quota shares too, he said.

Financing the cost for Alaskans who want to buy halibut and-or black cod shares is another problem, and Rep. Fran Ulmer has introduced legislation that could make it easier to buy the shares.

The Juneau Democrat has proposed expanding a state loan program for financing the purchase of salmon permits and boats. Qualified borrowers could receive up to $300,000 to buy halibut and-or black cod quota shares.

About $3 million would be available for halibut and black cod fishers statewide, according to Ulmer. The state's commercial fishing revolving loan fund has about $5 million.

Loescher isn't sure whether Ulmer's bill will provide enough money to buy quota shares, but it would help, he said. "We believe that that's the kind of program that the state should be involved in."

Regardless of a loan program for boat owners, Sandro Lane of Taku Smokeries in Juneau expects more headaches under the quota system. Marketing and processing complications could make guaranteeing fresh halibut throughout the year more trouble than it is worth for processors. Despite its faults, the existing system is predictable, Lane said.

"I don't think it's going to make things easier, that's for darn sure," he said.

Processors now know when to prepare for processing halibut and retailers know when they can expect fresh halibut so they can plan specials and place large orders, Lane said.

But a year-round fishery, as envisioned by the North Pacific Fishery Management Council, which drafted the new rules for the Commerce Department, could complicate things, he said.

Under the existing system, Lane can set up his plant, process halibut and be done with it. Under the quota system, he wouldn't be able to buy small loads of halibut during salmon season because the plant would be set up to process salmon, he said.

Quota owners will have to coordinate their fishing and deliveries to processors on their own, he said.

Labor also is easier under the existing system, he said. Lane can put together a crew for the May halibut opening and expect a couple busy weeks, followed by a slow week, then more busy weeks after a second opening in June. By then, salmon season is under way and Taku Smokeries is up and running for the summer.

"It's just a real big question mark in my eyes logistically how I'm going to deal with it."

Problems also await on the marketing front, Lane said.

The strongest market for halibut is the fresh market, which involves major West Coast grocery chains such as Safeway Stores. Scheduled openings allow those retailers to advertise specials on fresh halibut and be assured of buying large amounts of halibut, Lane said. That won't happen under the new system and fishers could be left in the unfamiliar position of negotiating with large retailers on their own, he said.

FISH FACTOR

Empire Feb. 14

By LAINE WELCH
FOR THE JUNEAU EMPIRE

IFQ's and you: Alaskan crewmembers who don't have a chance at acquiring quota shares for halibut and black cod could soon get an assist from the state. The individual fishing quota plan recently approved by federal managers limits initial allocations of shares only to eligible longline vessel owners. IFQ shares are determined according to specific catch histories in the fisheries, and may be bought or leased from owners not wanting to use them.

A bill introduced to the Legislature by Rep. Fran Ulmer, D-Juneau, would broaden the state's commercial fishing revolving loan program to include the purchase of IFQs. The loan program provides funds for the purchase of limited entry permits. House Bill 123 would authorize loans up to $300,000 for the purchase of IFQs. The loans would not require an appropriation of additional money from the state, as there is an excess of $3 million currently available in the limited entry revolving loan fund.

Ulmer said HB123 could provide a big boost to crewmembers who receive no allocations of halibut or black cod in the new IFQ program.

"Their only way in at this point is to be able to buy from someone who's been given IFQs by the Department of Commerce, and who does not wish to fish them. Only through a loan program like this might crewmembers have a chance of participating," Ulmer said.

HB123 is scheduled for a hearing Feb. 19 by the House Special Fisheries Committee chaired by Rep. Carl Moses, I-Unalaska. After passing through various other committees, it must make it through the full House and Senate before it becomes law. So far there has been no opposition to the bill, but Ulmer said that is no reason to become complacent.

"You can't every take this process for granted, so people who want to make this happen should definitely express their opinions of support," Ulmer said.

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Pot limits back for Bering crab: Pot limits are back for crab fisheries in the Bering Sea. During its recent meeting, the state Board of Fisheries reinstated a variable pot limit based on vessel size. Last year, in an attempt to curtail a burgeoning fleet, the board imposed a limit of 250 pots per vessel for king crab and Tanner crab fisheries. However, it was rejected by federal managers who ruled the gear limits discriminated against larger boats, some of which can carry 650 pots.

Using 125 feet as the determinant of "large" and "small" vessels, large crabbers next year will be limited to 250 pots and 200 pots for smaller boats in Bering Sea red king crab, bairdi and opilio fisheries. Three other pot limits were also set for other westward crab fisheries. At Norton Sound, large boats will be allowed to drop only 50 pots, with small boats permitted 40 pots. Norton Sound will also be a super-exclusive registration area, meaning a vessel fishing for red king crab there may not harvest kings anywhere else for the calendar year. For the St. Matthew Island blue king crab fishery, pot limits were set at 75 for large boats and 60 for small. For Pribilof Islands king crab, the board set a 50-40 split.

In another big change in the Bering Sea, king and bairdi Tanner crab fisheries next year will start at the same time on Nov. 1. Both will also close simultaneously, with the bairdi fishery reopening 10 days later in a specified area to ensure that almost all gear will be removed from the major king crab grounds.

In other Board of Fisheries action, the Kodiak Tanner crab pot limit will remain constant at 75 pots per vessel regardless of each year's harvest guideline. In Southeast Alaska, the board gave a nod of approval for the Tanner fishery to occur earlier to circumvent high catches of bitter crab disease. No date was set, but it is expected the season might take place in early November instead of the current Feb. 15. As for red king crab, pot limits in Southeast will drop from 40 to 20 if and when a fishery occurs.

The Fish Board will reconvene in Anchorage Feb. 23 when subsistence will dominate the agenda.

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Salmon, wild and tame: Studies of salmon survival behavior might provide answers to why most hatchery salmon don't live long enough to reproduce. Dr. Terry Divetti, a psychologist at Central Washington University, is videotaping the behavior of hatchery and wild salmon placed in a 200-gallon tank in which light, temperature, water currents and other variables can be controlled. So far, his observations show that wild salmon tend to remain at the bottom of the water column, while hatchery fish hang near the top. Divetti believes that single behavior may be the key to a salmon's survival.

Wild salmon use rocks and branches along the bottom to hide from predators, and Divetti speculates that's also where they find food and shelter from strong current.s He believes that hatchery salmon are taught to stay near the top of their pens, since handlers dump food at the surface. Therefore, when the fish are released into the wild, they go hungry and are washed downstream where they are picked off by predators.

"Hatcheries do a good job of what they're supposed to do, which is to raise fish. But the assumption that once fish are in the rivers they will act like fish is wrong. The data supports that couldn't be farther from the truth. They simply don't survive as well," Divetti said. He believes that hatcheries must learn to awaken survival instincts that are born in the fish. "They've got the nature, they need the nurture," he said.

Divetti said a "boot camp approach" can be used to provide specific survival training for hatchery fish. However, he prefers the method which would result from finding the base conditions that produce a certain behavior, such as what induces a fish to use cover. If it can be discovered when and how salmon learn survival techniques, those measures could be introduced into hatchery life.

"It isn't complicated. We could create currents in hatcheries, or put food a the bottom of the pen to teach young fish to seek cover," he said. Divetti hopes to have some answers about fish survival behavior when his nine-month study is completed later this year.

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Laine Welch produces public radio's "Alaska Fisheries Report" at KMXT, Kodiak. It can be heard on KTOO-FM at 6:30 p.m. Fridays and 7:45 a.m. Saturdays. Charles Compton of Richland, Wash. contributedto this week's column.

FISH FACTOR

Empire 2-7-93

Tender operators must submit new oil response plans

By LAINE WELCH
FOR THE JUNEAU EMPIRE

Oil plans due soon: Alaska tender operators who don't submit an oil spill response plan to the Coast Guard within two weeks could face tough restrictions this year. The new regulation is a result of the Oil Pollution Act of 1990, which followed on the heels of the 1989 Exxon Valdez oil spill. The law requires development and review of vessel and facility pollution response plans. The deadline to get it to federal reviewers in Washington, D.C. is February 18th.

Along with barges and tankers, the regulation also applies to about 90 percent of Alaska's tenders that carry fuel for distribution to fishing fleets.

According to Captain Max Miller at the Marine Safety Office in Anchorage, tenders fall under two categories: those that carry between zero and 100 barrels of oil, which comprises most of Alaska's tenders, and those that carry over 100 but less than a 1,000 barrels.

Miller said the Coast Guard is looking for a very simple response plan that outlines who would be called in the event of a spill and in what order, shipboard mitigation practices, a review of fuel-handling policy, a protocol when transferring fuel to fishing vessels and how to stop and/or alleviate a spill should it happen.

Plans should also indicate the pollution response company or people, if any, that cover an area of operation. Tenders who do not have an approved response plan onboard by the time the law goes into effect on Aug. 18, 1993 may not be allowed to transport oil and may face civil penalties.

While numerous companies have already been pitching rather expensive assistance in developing pollution response plans, Miller said tender operators could easily do it themselves. To help operators meet the Feb. 18 deadline, the Coast Guard has prepared a simple brochure and is standing by to answer questions.

"All we're asking for is a good faith effort to comply with this new regulation, and if there's a problem, we want to know about it. I want people to feel free to call us so we can help them get their plans to headquarters on time," Miller said.

Capt. Miller's office can be reached at 271-6700, or call any Marine Safety Detachment. Pollution response plans can be sent to Commandant, G-NAP-6, USCG Headquarters, 2100 2nd Street SW, Washington, D.C. 20593.

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Fishermen wanting IFQs: Alaska fishermen wanting to buy individual fishing quotas may get an assist from the state. Rep. Fran Ulmer last week introduced a bill to expand the state's commercial fishing revolving loan plan to include the purchase of IFQs. HB123 would provide up to $300,000 for longliners to buy quota shares of halibut and sablefish or black cod.

The IFQ plan, which will assign a certain number of people the right to harvest those species, received federal approval last month and could be in effect by next year. It is the first venture into limited entry for a major groundfish fishery in the North Pacific.

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Halibut catch figures for '93: The coast-wide halibut catch for 1993 is 54.34 million pounds, which is a drop of about 6 million pounds from last year's haul. The International Pacific Halibut Commission, which manages the Pacific halibut fishery on behalf of Canada and the U.S., made its decisions on catches and opening dates last week in Vancouver, B.C.

The harvest reduction won't affect Southeast Alaska fishermen, however, whose total catch for this year remained at 10 million pounds. Central Gulf fishermen will face the biggest decline at 20.7 million pounds, down from last year's catch of 26.6 million.

For the Western Gulf of Alaska, the halibut harvest was set at 6.5 million pounds, a drop of over two million pounds. Halibut fishery dates for the three major areas will occur on June 10, Sept. 8 and Oct. 6.

A one-year experimental fishery will also provide 20,000 pounds of halibut for those on St. Lawrence Island. Fishing there will occur between June 6th and Aug. 10, with a 1,000-pound trip limit for all vessels.

Two Russian scientists attended this year as invited guests at the IPHC annual meeting. The Commission is considering joint research projects to determine the relationship between halibut in Russian and U.S./Canadian waters and to assure that the resource is being properly managed.

In other news, U.S. commissioner Steve Pennoyer was elected chairman of the IPHC for the coming year. Pennoyer is regional director of the National Marine Fisheries Service. Other U.S. commissioners are Richard Eliason and Ralph Hoard.

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Tanner, brown king crab season starts: Tanner and brown king crab seasons start in Southeast on Feb. 15.

More than 100 vessels will share an expected bairdi tanner catch of about 2 million pounds, which has been the average in recent years. The tanner fishery should last ten days to two weeks.

For brown king crab, catch quotas in Icy Strait, Chatham Strait and Frederick Sound continue on a downward spiral. Last year, only about 50,000 pounds came out of each of those areas. Biologists said things don't look good for for Southeast brown king crab, and no survey money is available to get a better assessment of the stocks.

Meanwhile, Kodiak tanner crab fishermen who settled on $2.10 per pound after 11 days of price negotiations were seeing sketchy catches due to wild weather.

Trawlers based in Dutch Harbor reportedly settled on a pollock price of 6.5 cents, 8 cents and 10 cents per pound, depending on size. Kodiak draggers were still negotiating a pollock price, although there was little hope it would be much more than the 7 to 8 cents fishermen originally rejected.

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Pink and chum workshop: The 16th Pink and Chum Salmon Workshop will convene for four days in Juneau, Feb. 23-26. Subjects will include salmon oceanography, enhancement programs, forecasting run strength, strategies for mixed stock harvest management, the Exxon Valdez oil spill and salmon stocks, and marketing. Registration begins Tuesday at 7 pm with a reception at the Douglas Island Pink and Chum Gastineau Hatchery Visitor Center.

Workshop events take place at Centennial Hall. The workshop is sponsored by the Alaska Sea Grant College Program and the UAF Fisheries Division.

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Laine Welch produces public radio's "Alaska Fisheries Report" at KMXT, Kodiak. It can be heard on KTOO-FM at 6:30 p.m. Fridays and 7:45 a.m. Saturdays.

Empire 1-31-9[illegible]

Quotas OK'd for halibut, black cod

By ROSANNE PAGANO
THE ASSOCIATED PRESS

ANCHORAGE, Alaska – The U.S. Commerce Department on Friday approved a commercial fishing reform that allocates quotas of Alaska black cod and halibut.

Final regulations may be in place in time for the widely disputed individual fishing quota system to go into effect next year, the National Oceanic and Atmospheric Administration said.

Fishermen will be allotted their share based on how long they have been active in the halibut or black cod fishery, and how much fish they have caught in previous seasons.

Regulators say the system, known as IFQ, will end derby-style fishing that attract hundreds of boats for 24-hour openings in spring and fall.

Opponents in some Alaska ports say quotas will edge out some smaller operators and crews, weakening the local economy.

Fishermen using fixed gear, including pot gear and hook-and-line gear, are targets of the new system, NOAA said.

Quotas restrict the halibut and black cod commercial catch in U.S. waters. Fisheries primarily are in Alaska including Bristol Bay, the Bering Sea and the Gulf of Alaska.

William Fox, director of the National Marine Fisheries Service, a branch of NOAA, said Friday quotas would improve fishing safety and could provide consumers with fresh fish more often.

Fox said quotas permit operators to fish when the price is right, rather than work the 24-hour openings even if full crews are unavailable, weather is bad or vessels are unprepared.

"A derby is a very unsafe fishery," Fox said.

Details remain to be worked out in final regulations. Alaska's congressional delegation last summer sought to block final approval of IFQs saying the reform needed more study.

That put the delegation at odds with the Hickel administration's fisheries expert, Clem Tillion, who helped win approval for quotas from the North Pacific Fishery Management Council.

The council developed the plan and approved it in 1991. Kodiak, among the nation's top fishing ports, was among Alaska communities seeking to block final approval.

A coordinator of the Kodiak Island Borough's effort said meetings may be arranged with environmental groups, also opposed to quotas, to see if continued appeals were worthwhile.

"This is going to be a very expensive program," Kodiak coordinator Jeff Stephan said. He said cost of additional paperwork would siphon monies that could have gone to fisheries research and management.

Stephan said opponents may argue the program's cost as a strike against it with members of Congress.

In Sitka, the executive director of Alaska Longline Fishermen's Association said she was pleased with the federal approval.

But Linda Behnken said more work may yet be done to make quotas more fair.

"It's been long, hard work and a lot of people participated," Behnken said. "But it's also a little tough, knowing that a lot of people in the community still have a lot of concerns."

Alaska Sen. Frank Murkowski in a prepared statement Friday said he had urged delay of the IFQ approval until there were assurances the system would not harm small fishermen.

"We all know something needs to be done to protect fishermen from having to fish in bad weather, to spread out the arrival of fresh fish on the market to improve both quality and price," Murkowski said.

"I'm still not certain that the current IFQ system is the best," Murkowski said many coastal cities were "entirely dependent" on fishing.

Sen. Ted Stevens, R-Alaska, said he remained concerned that many crewmembers and other participants will be left out of the halibut and black cod fisheries.

"I am still hearing serious questions about the impact of IFQs on coastal communities and the cost of implementing the proposal," Stevens said in a news release.

~~HB~~ 123: Loans for ~~IFQs~~ –
only thing ~~in~~ statute – in statute.
% for B program if money gets tight.
never been used.

intent language –
manage for that –
~~use~~
→ draft letter of intent –

could put policy in regulation – ?
C program *

never needed cash in fund since '85.
matter of economics – i.e. no loan program – will.

C FAB:
think CFAB can do it already.

~~Ed Crane~~

Ed Crane –
CFAB would not be presently authorized.
would need amendment.
ill-considered at this point – premature.
legal status & implications of IFQs need to be clarified.
need rational & objective analysis – does it make sense to have them turn into value like permits.
transferable for value.

uniform commercial code AS 45. — — —
provides framework for courts + financing situation for

Ed Crane - we dont know - what IFQs are in a legal sense.
to perfect a lien on an IFQ, or foreclose.

CFAB - dont agree w/ putting mechanism for loans
into place at this point. -

what has happened to permit system - an investment device -
nothing to do with fishing.
financial burden on fishery which fishery can't
meet - cant afford to fish.
value of fish won't support structure we have created.

to allow brokers to exist + take commissions. created system
that allows permits to get out of financial reach of
rural Alaska.

2/19/93

HB 123 — IFQ loans* — H. Fish. Cmte.

whereinthey

extent

Fran Ulmer

Greg Winegar — loan mgr.

amends loan program —

expansion of existing program, but consistent —

promote a primarily resident fishery

2 yr residency
experience
pre-qualify.
8% interest rate
15 yrs.
f.n. — Mar 94 —

help Alaskans participate in fisheries.

2 yr ~~experience~~ residency — should it be more —

com fish program — had 5 yr limit — struck down by ct.

decided 2 was most.

experience requirement — was 5 yr res. 1 yr exp.

then changed 2 yr res 3 yr exper.

Rick Lauber - PSPA
support legislation.
Chair of NPFMC -
implemented this program over my objection - best work w/it.

My concern - amt of money available is too small - not enough.
5 x price of fish. - good rule of thumb.
5 yr to pay back.
non-res. share -
13m lb of halibut quota shares - non resident owners
x 5 = $[illegible]

26m lb blackcod - nonres.
x 5
$1 lb = ^{3}26m x 5 = $130m

AK fishermen caught more fish than got quota shares.
retired fishermen will get quota shares

bill is important, but make more $ available.
quota shares can be used as collateral.

a lot of advantages to IFQ program - more fresh halibut - price up
but disadvantage - price is higher in ports south
temptation - fishermen run south w/ loads.

AK not get raw fish tax

add no shoreside workers

* proviso - must land fish in AK.

Cliff - AK could subsidize export of jobs from IFQs.

NMFS

Jay Ginter - AK region

Sec of Com. has approved IFQ prog.
Jan 29

final rules to implement -
try for 94 -

complex - expensive to implement.

~~Cliff~~ -

very large benefit/cost ratio.
even tho expensive to administer.
@ 10:1.

Clemens - are feds.

NO fed plans for a similar loan program.

Jay - econ rationale - ↑ econ. efficiency + mgmt. -

Arnie Thompson
UFA not involved in IFQ program,
but can support HB 123,
especially
* restraint language - not give loans to
those who already have large amts of
quota shares

Bruce Schactler -
HB 123 - 8%
* salmon & herring loans - 600 in default -
are paying 10.5%.
like to see loan program have same option -
less rates.
refinance.
consistent w/ other programs.
would ↓ amt of money coming into loan fund.
* Olberg - working on legislation to float rate w/ cap.
pt is very well taken.

Dale Kelley - personal comment -
years of qualification - served as Salmon treaty &
board chair - served state of AK.
ask state to help this individual -
jointly-owned vessel just used pipe gun 88, 89 & 90 - halibut or sablefish.
Dale - only 3 yrs he didn't fish. -

Glenn Bruce ADF&G -
support.

Martin Richards -
how would we enforce it - landing?
only monitor loans - for payment problems.
labor-intensive.

refinancing existing loans -
rate in statute 10.5% - is cap.
prime rate + 2%
right now 8% - fixed floating rate.
locked in.

re-financing 1200 loans
$ 1½m annual loss to loan program
lose flexibility to help borrowers in certain circumstances

modified 600 loans after 91 season.

Linda Behnken - support of AK Longline Fisher Assoc specific
& Petersburg Vessel Owners.
need AK to be competitive

keeps product in state -
~~[illegible]~~
but in B.C. -
fishermen develop hi qual product &
work w/ local processors to develop value added product
custom processing.

small amts of fishing over time -
not take time to run out of state.
give AK that 1 last edge.

Fishing for answers

Quotas could push out locals

By TIM HUBER
THE JUNEAU EMPIRE

Sealaska Corp. plans to continue pushing for a regional harvest allocation for rural Southeast communities under the new individual quota system for managing Alaska's commercial halibut and black cod fisheries.

The corporation believes many of its shareholders could be forced out of the fisheries or lose their jobs at seafood processors unless regional harvests are guaranteed.

The Juneau-based regional Native corporation has made a regional quota a top priority, spokesman Robert Loescher said.

The U.S. Commerce Department approved the individual fishing quota system last month; final regulations could be in place by 1994.

Under the IFQ plan, fishers will be allotted a share of the halibut and black cod harvests based on how long they have been active in the fisheries and how much they have caught in previous seasons.

Though proponents say the system will end dangerous, derby-style fishing that attracts hundreds of boats for 24-hour halibut openings, while also increasing prices and the availability of fresh fish, opponents say quotas will drive small fishers out of the business and hurt local economies.

Bristol Bay and Bering Sea communities have been given regional allocations to prevent too many local shares from going to non-local fishers, and Sealaska wants to see similar plans for Southeast, Loescher said.

Much of Sealaska's concern involves the potential harm that small communities such as Craig and Hoonah could suffer if too many of their residents sell their IFQ shares to non-resident fishers, or if they are priced out of buying into the fisheries.

Many of Sealaska's 15,750 shareholders subsistence and commercial fish, and many more work in cold storages in small communities. They already are losing access to marine resources, in part because of limited-entry fisheries for salmon and other species, Loescher said. The new system will compound the problem, he said.

A study commissioned by Sealaska suggests that many rural residents likely will sell quota shares they receive under the new system because they need cash and few will be able to buy into the fishery. That has been the case with limited-entry permits for salmon, herring and other species, Loescher said.

Fewer permits in the communities means fewer crew jobs. It also means less fish will be delivered to small communities and fewer cold-

Please turn to Quotas, Page A-6

Quotas...

Continued from Page A-1

storage jobs, he said.

A person today needs two or three fishing permits to make ends meet year-round, Loescher said. The advent of the new management system means they will have to buy halibut and black cod quota shares too, he said.

Financing the cost for Alaskans who want to buy halibut and-or black cod shares is another problem, and Rep. Fran Ulmer has introduced legislation that could make it easier to buy the shares.

The Juneau Democrat has proposed expanding a state loan program for financing the purchase of salmon permits and boats. Qualified borrowers could receive up to $300,000 to buy halibut and-or black cod quota shares.

About $3 million would be available for halibut and black cod fishers statewide, according to Ulmer. The state's commercial fishing revolving loan fund has about $5 million.

Loescher isn't sure whether Ulmer's bill will provide enough money to buy quota shares, but it would help, he said. "We believe that that's the kind of program that the state should be involved in."

Regardless of a loan program for boat owners, Sandro Lane of Taku Smokeries in Juneau expects more headaches under the quota system. Marketing and processing complications could make guaranteeing fresh halibut throughout the year more trouble than it is worth for processors. Despite its faults, the existing system is predictable, Lane said.

"I don't think it's going to make things easier, that's for darn sure," he said.

Processors now know when to prepare for processing halibut and retailers know when they can expect fresh halibut so they can plan specials and place large orders, Lane said.

But a year-round fishery, as envisioned by the North Pacific Fishery Management Council, which drafted the new rules for the Commerce Department, could complicate things, he said.

Under the existing system, Lane can set up his plant, process halibut and be done with it. Under the quota system, he wouldn't be able to buy small loads of halibut during salmon season because the plant would be set up to process salmon, he said.

Quota owners will have to coordinate their fishing and deliveries to processors on their own, he said.

Labor also is easier under the existing system, he said. Lane can put together a crew for the May halibut opening and expect a couple busy weeks, followed by a slow week, then more busy weeks after a second opening in June. By then, salmon season is under way and Taku Smokeries is up and running for the summer.

"It's just a real big question mark in my eyes logistically how I'm going to deal with it."

Problems also await on the marketing front, Lane said.

The strongest market for halibut is the fresh market, which involves major West Coast grocery chains such as Safeway Stores. Scheduled openings allow those retailers to advertise specials on fresh halibut and be assured of buying large amounts of halibut, Lane said. That won't happen under the new system and fishers could be left in the unfamiliar position of negotiating with large retailers on their own, he said.

AK. House Fisheries Committee, and
Donna Parker, Div. of Investments

re: IFQ loan program

Dear sirs;

Thank you for traveling to Homer for the November hearing. I feel that one aspect of the conversations that night need some clarification by referral to the factual documents.

Ms. Parker stated that IFQs would be property and commercial banks would be looking at them as the best possible collateral. Thus loan from the State would be to those who could not qualify for bank loans. As you can see from the following, it has been the stated intention of the Council/NOAA from the beginning impact statements to the final rule that - NO PERMANENT PROPERTY RIGHTS WILL BE CREATED AND FULL NOTICE IS GIVEN TO ANY LENDER THAT THE QUOTA SHARES CAN BE CANCELED WITHOUT COMPENSATION. That would leave any lender holding a bag of worthless collateral having agreed when loaning that it may be "taken without compensation".

FEIS 2-47, 2.3.8 Duration "Harvesting privileges would be good for an indefinite period of time but would be subject to periodic change, including revocation, in accordance with appropriate management procedures as defined in the Magnuson Act. Those who control QSs or IFQs need not be compensated for any such change."

58 FR 215 59384 Comment # 6 response "there are no private property rights in wild fish before they have been reduced to one's possession. ...no property rights have been reassigned...."

58 FR 215 59400 Comment # 91 response " However, these regulations do not convey property rights in the fishery resources, and cannot legally because no property rights can accrue until halibut and sablefish are reduced to one's possession by capture. Furthermore, the IFQ program is not irreversible. ...may modify or even terminate this program.... As such, the QS and IFQ are temporary revokable permits...."

"Consequently, the IFQ program does not establish an entitlement to QS and IFQ which , if "taken" by the Government, requires just compensation under the Fifth Amendment to the U.S. Constitution."

IFQ plan language of 10/23/92 page 5. Section 14.4.7.1.7 GENERAL PROVISIONS (3) " QS are a harvest privilege, and good indefinitely. However, they constitute a use privilege which **may be modified or revoked by the Council and the Secretary at any time without compensation."**

Paul K Seaton

12/1/ 93

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Homer, Alaska 99603
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Ron E. Horton
Box 216
Cordova, Alaska 99574
5 November 1993

I am a resident commercial fisherman in the Prince William Sound area. I have been part of a fishing operation since 1981 and in 1988 I purchased a small fishing vessel. I have been a crew member on various fishing enterprises as well as owned sport, commercial and subsistence licenses for the Prince William Sound area.

In 1988 the halibut seasons were scheduled in a manner that would allow me to increase my experience and catch record and to participate as a commercial crew member. I didn't even get it off the ground when the Exxon Valdez Oil Spill brought everything to a halt.

Since the oil spill my life has changed. This past year I started improving a replacement vessel for a fishing charter business. It is not a high tech endeavor nor is it going to be a high competitor. It is to be a small business with which I can support myself and continue a lifestyle of over a decade.

In 1989 I lost commercial halibut fishing as I was trying to minimize my financial losses due to commercial crew work. I eventually lost the substantial recorded history that now dictates how many pounds of halibut I can harvest. The individual fishing quota (IFQ) for me is negligible and the cost of harvesting halibut is so extremely high that I cannot afford to participate in that fishery as before. I can no longer support my halibut fishery with my salmon and herring crew pay as that has been reduced to zero or below.

The individual fishing quota for charter vessel enterprises is a method designed to limit the fishery to those with an investment and experience in the fishery. I have the investment, small as it may be, and I have the experience. It is the experience over the recent years since 1989 that concerns me now. I do not have the quota nor the funds to compete with those businesses outside the Prince William Sound area.

The commercial fishing in Prince William Sound has been damaged. My alternative safety net of charter vessel business is limited and diminished by IFQ's while it has been opened more to the charter vessels business who were not interrupted by the Exxon Valdez Oil Spill.

Charter fishing businesses bring more funds into the state through their participation in the tourism industry. Local charter businesses invest their money locally through taxes, local facilities and other private services as well as the local business's contribution to the community.

I would appreciate your attention to this serious matter that affects me, Prince William Sound and the fishing communities.

Sincerely,

Ron E. Horton

Ron E. Horton

cc: Rep. Harley Olberg
Sen. Georgianna Lincoln
Rep. Carl Moses
Rep. Irene Nicholai
Rep. Gail Phillips
Donna Parker, Dept. of Commerce & Economic Development