

**HB**

**368**

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Feb 28, 2002

House Resources Committee  
Alaska State Legislature  
State Capitol (MS 3100)  
Juneau, Ak 99801

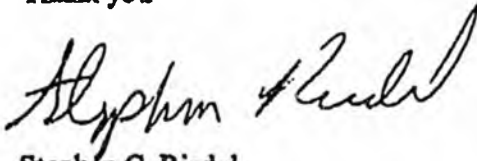
Sent Via Facsimile to 907-465-3472

RE: HB 368

Dear Members,

I would like to write in support of HB 368. Hatchery Debt Restructuring is a very important issue for PWS. Reducing the interest paid on the hatchery loans will directly result in more fish going to all users in PWS. In these difficult times this could be the difference between families making it or going under. I believe it is only fair to provide the same relief for the communities and families that depend on hatcheries that the state has already provided for boat loans and permit loans.

Thank you



Stephen C. Riedel  
P.O. box 1005  
Cordova, Ak 99574



POSITION OF THE  
ALASKA OIL AND GAS ASSOCIATION  
ON CSSB 343 (RES)  
March, 2002

The Alaska Oil and Gas Association (AOGA) is a private, nonprofit trade association whose 19 member companies account for the majority of oil and gas exploration, development, production, transportation, refining and marketing activities in Alaska. In fact, all companies operating in Cook Inlet and on the North Slope, crude oil pipeline companies and all three in-state refiners are members of AOGA, and all are required to have in place approved Oil Discharge Prevention and Contingency Plans, or C Plans.

Clearly, we are heavily vested in ensuring that the State of Alaska has in place appropriate and reliable laws and regulations governing this program.

As described in CSSB343, on February 1, 2002, the Alaska Supreme Court ruled that two provisions (18 AAC 75.455(k)(1) and (2)) governing Best Available Technology (BAT) determinations were contrary to the Court's interpretation of the intent of the Legislature in enacting AS46.04.030. The Court did not, however, take issue with any other component of the BAT-related regulations or statutes.

The regulations adopted by the Department of Environmental Conservation (DEC) in 1997 followed an extensive, year-long, facilitated stakeholder process involving industry, utilities, local governments, and citizens and public interest groups. This deliberative process identified a three-tier process for determining BAT, which the Department adopted into regulation in April, 1997. Since that time, over 100 C Plans have been approved utilizing this three-tiered approach, ensuring continuous improvement of spill prevention and response technologies in Alaska.

AOGA's members participated in that stakeholder process, supporting the regulations ultimately adopted. We stand by our commitment in support of those regulations, including the requirement for the holding of a conference on best available technology at five-year intervals.

The Supreme Court decision has placed everyone—from AOGA's members and others in the regulated community—to DEC who administers the program, in a tenuous position. Companies seeking new plan approvals, and those going through the renewal process on existing plans—all of which incorporate BAT—are faced with the prospect of unnecessary delays and uncertainties. The Department will be forced instead to refocus its resources away from the immediate process of working with Plan holders to ensure appropriate provisions are in place, to going through another rulemaking process which, at the end of the day, lacking specific Legislative language, could once again be called into question.

While the Supreme Court decision emphasized the limited scope of its ruling and acknowledged that the Legislature had vested ADEC with broad discretion to define BAT, the Court was unable to point to specific Legislative intent which justified the approach DEC had taken in its regulations. This lack of specificity is the heart of this legislation.

In our view, CSSB 343 provides the specificity the Court searched for in considering this matter. With the very limited amendment to AS46.04.030(e), the Legislature makes it clear that the regulatory approach taken by DEC—after extensive stakeholder deliberation—meets the Legislature's expectations when it vested this authority to the DEC.

We would like to emphasize one additional point. On any single legislative proposal there is always the potential that there will be differing views among those affected on what is appropriate and what is desired. We wish to make it absolutely clear that the *only* objective sought by AOGA and its members at this time is Legislative affirmation of the rules prior to the Court decision.

CSSB343 does not, in any way, diminish the Department's authorities in the determination of Best Available Technology, nor does it reduce requirements which Plan holders must meet. CSSB343 provides ADEC with the flexibility and ownership of administration of BAT, and provides the ability to recognize BAT with respect to the diverse set of environmental and operational conditions that exist throughout the State. Further, it affirms the validity of C Plans which have been approved under the regulations and effectively removes the obstacles facing pending Plan approvals.

To summarize, immediate action by the Legislature through CSSB343 is critical to continued C plan administration within the State of Alaska. CSSB343 clearly responds to the uncertainty voiced by the Supreme Court by specifying the Legislature's intent with regard to best available technology requirements in C Plans. We respectfully encourage adoption of CSSB343.

# FISCAL NOTE

**STATE OF ALASKA**  
**2002 LEGISLATIVE SESSION**

Fiscal Note Number: 1  
 Bill Version: CSHB 368(FSH)  
 (H) Publish Date: 2/27/02

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: DCED  
 Title Fishery Enhancement Loans BRU Investments (122)  
 Component Investments

Sponsor Representative Stevens  
 Requester House Fisheries Component No. 383

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES (21615)</b>	<b>(1,714.9)</b>	<b>(1,632.7)</b>	<b>(1,543.0)</b>	<b>(1,443.8)</b>	<b>(1,334.3)</b>	<b>(1,213.2)</b>
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type-Do not abbreviate)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2002) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

The reduction in revenues to the loan fund was based on an average portfolio interest rate of 9%, compared to a current rate of 6% that would be available under a refinancing program as provided for in HB 368. The impact also assumes that all loan payments would be made as scheduled. If loan payments are reduced because of payoffs or for other reasons the impact to the fund would be reduced.

Prepared by: Greg Winegar, Director  
 Division: Investments  
 Approved by: Deborah B. Sedwick, Commissioner  
 Agency: Department of Community & Economic Development

Phone 465-2510  
 Date/Time 2/7/02 4:47 PM  
 Date 2/7/2002



ALASKA STATE LEGISLATURE:  
REPRESENTATIVE JOHN HARRIS  
STATE CAPITOL 513, JUNEAU, ALASKA 99801-1182 (907) 465-4859

Sponsor Statement  
HB 368

**“An act authorizing the commissioner of community and economic development to refinance and extend the term of a fishery enhancement loan.”**

HB 368 authorizes the Commissioner of the Department of Community and Economic Development to refinance loans made by the Fisheries Enhancement Revolving Loan Fund. It also gives the Commissioner the ability to extend the term of the loan when justified.

The construction and operational funding provided by the Fisheries Enhancement Revolving Loan program have helped to create an extremely successful statewide salmon rehabilitation program. The hatchery system was established in 1974 to address concerns over the depletion of Alaska's wild salmon stocks created by over fishing during the 1960's and 1970's. Now, approximately 40% of the entire salmon harvest in Alaska is enhanced fish. The nearly one billion dollars of salmon created by these state financed private nonprofit hatcheries, have been invaluable to the economy of the many coastal communities so dependent on salmon for their survival, as well as to urban Alaskans working within the industry.

A simple, low cost measure for maintaining a strong enhancement industry, HB 368 allows hatcheries to refinance their debt at a lower interest rate. A majority of the loans made under this program carry the maximum allowable interest rate of 9.5%. It makes good business sense and is good public policy to allow these borrowers to take advantage of current lower interest rates. Financially sound hatcheries are better able to continue producing fish for the industry, and smaller loan payments make it easier for them to pay back their obligations to the State.

The last Legislative Audit of private nonprofit hatcheries, published in 1997, recommended that the Division of Investments in the Department of Community and Economic Development seek the authority to restructure hatchery loans. This legislation does just that. The Department is sufficiently staffed to accommodate the few applications necessary to refinance these loans. There is no forgiveness of principal or interest allowed under this legislation, and all payments are made directly to the loan fund-no general fund monies are impacted.

House Bill 368 recognizes the public trust nature of these non-profit entities. This legislation protects the State's financial interest by guaranteeing sustained production of salmon for the commercial and sports fishing industries, and assuring continued payments of outstanding debts to the state.

# Cordova District Fishermen United

Celebrating 65 Years of Service to Commercial Fishermen in Cordova, Alaska  
P.O. Box 939 Cordova, Alaska 99574 / phone (907) 424-3447 / fax (907) 424-3430 /  
e-mail [cdfu@otialaska.net](mailto:cdfu@otialaska.net)

February 22, 2002

Representative John Harris  
Alaska State Legislature  
State Capitol (MS 3101)  
Juneau, AK 99801-1182

RE: HB 368 - An Act to Refinance Fishery Enhancement Loans

*John*  
Dear ~~Representative~~ Harris,

Cordova District Fishermen United represents the fishing fleets of Area E—Prince William Sound and the Copper River. CDFU fully supports HB 368, legislation to provide for hatchery debt restructuring.

The communities of Prince William Sound have benefited economically and socially from the hatchery production of the Valdez Fisheries Development Association and Prince William Sound Aquaculture Corporation. Both have provided important economic development opportunities for both sport and commercial fisheries in our region, as well as a valuable resource for subsistence and personal use harvesters. We are supportive of legislation which provides them the ability to take advantage of existing low interest rates—an opportunity enjoyed by most businesses and homeowners—especially given that present low ex-vessel values for salmon create the need to take a higher percentage of production as cost recovery in order to make loan payments. This legislation will allow a greater percentage of production to be available to subsistence, personal use, sport and commercial common property harvesters, as well as providing for a modicum of financial stability during this volatile time in the seafood industry.

Given that Alaska's salmon enhancement programs are non-profit and provide a valuable resource for the common good, we encourage your support for legislation that provides parity with the commercial fisheries' revolving loan fund (which was

amended in 1993 to allow refinancing). Enhancement programs have provided direct dollars into the economies of many coastal Alaska communities, and require this statutory change in order to continue to provide the benefits described.

Thank you for your careful consideration of this important legislation.

Sincerely,



Sue Aspekund  
Executive Director

**ALASKA DIVISION OF INVESTMENTS  
DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT**

**Fisheries Enhancement Revolving Loan Fund**

**Historical Summary**

(Dollars in Thousands)

AS 16.10.500-.560; enacted in 1976

3 AAC 81.010 - .900

**Purpose:** Loans are available for planning, construction, and operation of fish hatchery facilities, including pre-construction activities necessary to obtain a permit, construction activities to build the hatchery facility, and the costs to operate the facility.

**Eligibility:** Loans may be made to qualified regional associations or private, nonprofit corporations who have obtained a private, nonprofit hatchery permit from the Alaska Department of Fish and Game (ADF&G). Loans may also be made for planning and pre-construction purposes prior to receipt of a hatchery permit from ADF&G.

**Terms:**

Maximum loan amount:	\$10 Million
Maximum loan term:	30 years
Interest rate:	Fixed rate at prime +1%, not to exceed 9.5%

No repayment of the principal is required for an initial period of six to ten years; no interest on the principal accrues during that period.

**Statistics as of June 30, 2000**

Total appropriations to RLF:	84,660.3	Last appropriation from the General Fund: FY94	2,068.2
Total appropriations from RLF:	-5,215.6		
Net of appropriations	79,444.7	Last transfer from the Commercial Fishing RLF: FY95	9,934.9
Total number of loans made:	266		
Total dollar amount of loans made:	113,684.3	Amount of payments received on all loans (fund only)*:	35,370.6
Number of accounts outstanding:	275		
Principal amount outstanding:	105,889.2	*Total dollar amount of fund and AIDEA payments received on all loans:	36,051.6



# UNITED FISHERMEN OF ALASKA

211 Fourth Street, Suite 110  
Juneau, Alaska 99801-1172  
(907) 586-2820  
(907) 463-2545 Fax  
E-Mail: [ufa@ufa-fish.org](mailto:ufa@ufa-fish.org)  
[www.ufa-fish.org](http://www.ufa-fish.org)

February 7, 2002

Representative John Harris  
Alaska State Legislature  
State Capitol (MS 3100)  
Juneau, AK 99801-1182

Re: HB 368/Refinancing of Fishery Enhancement Loans

Dear Representative Harris,

United Fishermen of Alaska supports passage of this bill to allow hatcheries to refinance their state loans at current interest rates. Thanks for being the sponsor.

Allowing DCED to refinance these hatchery loans (from the old rate of 9.5% to approximately 6%) makes good business sense, as it allows hatcheries to decrease their operating costs, which in turn allows fishermen to catch more fish in the common property harvest. Hatcheries enhanced fish account for 40% of Alaska's commercial salmon harvest, and also benefit sport and personal use fisheries throughout the state. Allowing the hatcheries to reduce interest rates, just as other businesses are doing during these financially volatile times, will not jeopardize the health of the fund, and will still allow for additional loans to be made as needed for future requests.

The twenty-nine member groups of UFA would appreciate your support in passing this bill.

If you have any questions about our position or if you need additional information, please feel free to contact me.

Sincerely,

Thomas M. Gemmell  
Executive Director

#### MEMBER ORGANIZATIONS

Alaska Longline Fishermen's Association • Alaska Trollers Association • At-sea Processors Association • Bristol Bay Reserve  
Chignik Regional Aquaculture Association • Concerned Area "M" Fishermen • Cook Inlet Aquaculture Association  
Copper River Salmon Producers Association • Cordova District Fishermen United • Douglas Island Pink and Chum  
Kenai Peninsula Fishermen's Association • Kodiak Regional Aquaculture Association • Kodiak Seiners Association • North Pacific Fisheries Association  
Northern Southeast Regional Aquaculture Association • Ok. Harbor Fisherman's Association • Petersburg Vessel Owners Association  
Prince William Sound Aquaculture Corporation • Purse Seine Vessel Owners Association • Seafood Producers Cooperative  
Southeast Alaska Regional Dive Fisheries Association • Southeast Alaska Seiners Association • Southern Southeast Regional Aquaculture Association  
United Cook Inlet Drift Association • United Salmon Association • United Southeast Alaska Gillnetters



**CITY/BOROUGH OF JUNEAU  
ALASKA'S CAPITAL CITY**

**OFFICE OF THE MAYOR**

Telephone: (907) 586-5240; Facsimile: (907) 586-5385  
[Sally\\_Smith@ci.juneau.ak.us](mailto:Sally_Smith@ci.juneau.ak.us)

February 22, 2002

The Honorable John Harris  
Alaska State Representative  
Alaska State Capitol  
Juneau, AK 99801-1182

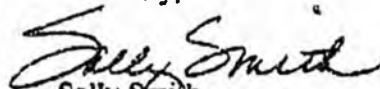
Dear Representative Harris:

The City and Borough of Juneau supports HB 368 and appreciates that you have introduced it. With passage, your bill will strengthen an important economic and educational segment of our community-- that of our fish hatchery and salmon enhancement programs.

Not only do these programs benefit commercial and sport fishing, they also benefit tourism and education. The Ladd Macaulay Visitor's Center, the home of DIPAC, annually hosts 125,000 guests who come to learn about an important part of Alaska's economy. Research partnerships with various agencies and the University of Alaska's School of Fisheries attracts grant monies while providing educational opportunities. DIPAC also provides facilities and staff for educational opportunities in Juneau's public and private school system by hosting field trips to the Macaulay Hatchery and by providing advisors for high school science projects.

Improving the financial stability of the hatcheries across the state by taking advantage of today's low interest environment is good for business and good for the communities who benefit from these facilities.

Sincerely,

  
Sally Smith  
Mayor

cc: Kate Tesar



prince william sound  
**ECONOMIC  
DEVELOPMENT  
COUNCIL**

February 8, 2002

Rep. John Harris  
State Capitol  
Juneau, AK 99686

Dear Rep. Harris:

*John*

On behalf of Prince William Sound Economic Development District, I would like to strongly encourage your support of House Bill 368. It is of vital importance for the economic stability of the fishing industry in our region.

Thank you for your support in this matter.

Sincerely,

Sue Cogswell  
Executive Director



# THE CITY OF WHITTIER

Gateway to the Western Prince William Sound

P. O. Box 608 • Whittier, Alaska 99693 • (907) 472-2327 • Fax (907) 472-2404

February 7, 2002

Representative John Harris  
State Capital  
Juneau, Alaska 99801-1182

RE: HB 368-Refinancing of hatchery loans

Dear Representative Harris:

The City of Whittier would like to voice its support for HB 368, your legislation that will allow hatcheries to refinance their state loans.

Residents of Whittier have been benefiting from the salmon produced by the state hatchery system for many years. Since 1992, the Prince William Sound Aquaculture Corporation (PWSAC) has released 100,000 coho smolts annually near our community for the sportfishing enjoyment of the locals, as well as for our neighbors from Anchorage and other landlocked communities who travel to Whittier for boating and fishing opportunities.

Thank you for your support of the fishing community in Alaska by introduction of this legislation. Please let me know if the City of Whittier can help in any way with its passage.

Sincerely,

A handwritten signature in cursive script that reads "Ben Butler".

Ben Butler, Mayor  
City of Whittier

**VALDEZ FISHERIES  
DEVELOPMENT ASSOCIATION INC.**

P.O. Box 125  
Valdez, Alaska 99608  
PHONE 835-4874 FAX 835-4831



The Honorable John Harris  
House of Representatives  
State Capital Building  
MS 3100  
Juneau, Alaska 99801

Dear Representative Harris,

On behalf of Valdez Fisheries Development Association, I would like to thank you for your sponsorship of HB 368 "The Refinancing of Fishery Enhancement Loans". This bill is long overdue and will go along way to helping the non-profit hatcheries in the state. In addition to helping the hatcheries, this bill will benefit the commercial fisherman as well. As I am sure that you are aware, the hatcheries must take fish from the common property fishery in order to meet our financial obligations each year and that means less fish for the commercial fisherman. While VFDA had a very successful year in 2001, Prince William Sound Aquaculture Corporation's return of Pink salmon was considerably less than predicted and consequently the Corporation had to take the majority of the returning adult Pink salmon for their cost recovery and brood stock. The commercial fisherman was left out and did not receive an equitable share of the harvest. The financial obligations that the hatcheries have each year include a substantial loan payment to the State of Alaska, Division of Investments. Presently these loans are at 9.5% interest and are financed for a 25-year period with no opportunity to refinance the loans should a lower interest rates materialize.

Your bill will allow the refinancing at a lower interest rate and for a longer period of time, which will be a direct benefit to the hatcheries but also to the commercial fisherman who will now be able to take a larger share of the harvest because the hatcheries will require less fish to meet their financial obligations.

Once again, thank you for your efforts and please contact VFDA at (907) 835-4874 if you need any help with this bill or additional information.

Respectfully

David C. Cobb

**DEDICATED TO THE UTILIZATION, CONSERVATION,  
AND REHABILITATION OF ALASKA'S FISHERY RESOURCE  
WITHIN THE 200 MILE LIMIT**

# CITY OF CORDOVA



February 4, 2002

Representative John Harris  
State Capitol  
Juneau, AK 99801-1182

RE: HB 368/Refinancing of hatchery loans

Dear Representative Harris:

The City of Cordova would like to thank you for your support of the Alaskan fishing industry by the introduction of HB 368. As you know, Cordova is a community built around fishing, and we see HB 368 as a logical financial solution that will help strengthen the hatchery segment of our industry.

This legislation would allow our regional aquaculture association, the Prince William Sound Aquaculture Corporation (PWSAC), to refinance their current loans, lower their debt burden and decrease payment size. PWSAC is a major economic engine in our community of 2500 Alaskans. In 2000, Cordova resident permit holders harvested over \$8 million in hatchery produced salmon, which added an estimated economic output in our city of over \$9.8 million. Seventy people from our area work for the corporation, from office staff to remote site biologists, and they have a local annual payroll of more than \$2.6 million.

HB 368 will have a very positive impact on a large segment of our community, as well as on the other areas of the state that depend, as we do, on hatchery produced salmon for their livelihood. The best of luck with this legislation, and please let me know if the City of Cordova can assist you in any way.

Sincerely,

Mayor Margy Johnson  
City of Cordova



February 11, 2002

Rep. John Harris  
State Capitol  
Juneau, AK 99801-1182

RE: HB 368- Hatchery Debt Restructuring for Alaska's Nonprofit Hatcheries

Dear Rep. Harris:

The Board of Directors of the Prince William Sound Aquaculture Corporation (PWSAC) fully supports the enactment of HB 368, and conveys our genuine appreciation for your part in sponsoring this legislation.

The passage of HB 368 would benefit eleven private nonprofit hatcheries over a broad area of coastal communities. PWSAC was one of the first private nonprofit hatcheries to begin production after the enactment of the hatchery system in 1974, and has been among the leaders in this field.

PWSAC is one of the five "regional" private nonprofit hatcheries. This means that although it produces salmon for all user groups, the regional hatcheries are also supported financially by the commercial fishermen of our region (Area E) who voted in 1985 to voluntarily contribute 2% of their ex-vessel catch value to support PWSAC's operational costs.


Our fisheries enhancement program benefits all the communities of Prince William Sound, and processing interests in Kenai, Cook Inlet and Kodiak as well. Our interior hatchery near Paxson, on the Gulkana River, brings sockeye salmon into an area heavily utilized by subsistence and personal use fisheries. Though the bulk of PWSAC's production benefits the commercial fisheries, a growing number of sport fishing interests come in from all over our state to fish salmon in Prince William Sound.

The Department of Community and Economic Development oversees the Fisheries Enhancement Revolving Loan fund from which PWSAC carries a number of long-term loans, mostly at the 9.5% rates, dating from the early 1980's. If HB 368 is adopted, it will allow PWSAC, and the other ten private nonprofit hatcheries, to refinance their loans at today's lower rates. This would bring our loan obligations into the current financing realm and more on a par with other Alaska businesses that are able to finance at rates in the 6% range.

For PWSAC, this would mean the "benefit" derived from lower interest rates would incur to all our constituents. Of course, the primary benefit would be to the commercial fisheries and processors, but by availing more enhanced salmon to the fleet to catch, benefits would impact the state's general funds and our economy in many positive ways.

Thank you once again for your steadfast support in sponsoring HB 368. Its passage would lower interest "income" to the Fisheries Enhancement Revolving Loan Fund, but it's widespread benefits to the communities and Alaska's people would return more to the state overall.

Sincerely,

  
Dave Reggioni  
General Manager

PRINCE WILLIAM SOUND AQUACULTURE CORPORATION  
Corporate Office • P. O. Box 1110, Cordova, AK 99574  
Office: 907/424-7511 • Fax: 907/424-7514  
Website: [www.ctcak.net/~pwsac](http://www.ctcak.net/~pwsac) • Email: [pwsac@ctcak.net](mailto:pwsac@ctcak.net)

**COOK INLET  
AQUACULTURE ASSOCIATION**

40610 KALIPORSKY BEACH ROAD  
KENAI, AK 99511  
(907) 868-5781  
FAX: (907) 262-6428  
EMAIL: c1aa@ciaa.akon.net  
February 20, 2002

The Honorable John Harris  
State Capitol  
Juneau, AK 99801-1182

Re: House Bill 368 - Refinance and Extend the Term of a Fishery Enhancement Loan

Dear Representative Harris:

The Cook Inlet Aquaculture Association (CIAA) supports passage of House Bill 368, which allows the State's Aquaculture Associations to refinance and extend the terms of fishery enhancement loans.

CIAA is a private nonprofit corporation whose purpose is salmon rehabilitation and enhancement in the Cook Inlet region. The Association operates Trail Lakes Hatchery and Tutka Bay Lagoon Hatchery, both State-owned facilities that provide fish to all users of the Cook Inlet salmon resource. Since CIAA began operating Trail Lakes and Tutka Bay Lagoon hatcheries, the Association has provided over 680,000,000 pink, 63,000,000 sockeye and 3,800,000 coho salmon fry and smolts for numerous rehabilitation and enhancement efforts from Big Lake to Homer to Seward.

CIAA currently has five fishery enhancement loans. The interest rate on each of these loans is the maximum permissible rate of 9.5%. Refinancing our operational loans, as other businesses are capable of doing, will allow the Association to take advantage of lower interest rates, reduce our debt service and provide more fish for all users of Cook Inlet's salmon resource.

As the price of salmon continues to decline and natural salmon returns continue to be lower than historical averages, the effect of decreasing revenues challenges the Association's mission of "maximizing the value of self-perpetuating salmon stocks in Cook Inlet" for all user groups at a time when the Association should provide the greatest assistance to those that rely on this resource.

Thank you for your help.

Sincerely,

Gary Fandrei, Executive Director  
FAXed 2/20/02, original to follow

**SALMON ENHANCEMENT TODAY MEANS BETTER SALMON FISHING TOMORROW**



PRINTED ON RECYCLED PAPER

## HB 368

### Debt Restructuring for Statewide Hatchery System

- Those effected are: Armstrong-Keta (Port Alexander); Burro Creek Farms (Skagway); Cook Inlet Aquaculture Association (Kenai); Douglas Island Pink & Chum (DIPAC-Juneau); Kake Nonprofit Fisheries Corp. (KNFC-Kake); Port Graham Hatchery Corp.; Prince of Wales Hatchery Assoc.; Prince William Sound Aquaculture Corp. (PWSAC-Cordova); Sheldon Jackson College (Sitka); Southern Southeast Regional Aquaculture Association (SSRAA-Ketchikan); and Valdez Fisheries Development Association (VFDA-Valdez). Northern Southeast Regional Aquaculture Association (NSRAA-Sitka) and Kodiak Regional Aquaculture Association (KRAA-Kodiak) have also indicated support even though they have no debt at this time.
- A majority of hatchery loans are currently at the maximum permissible rate of 9.5% interest. Alaska Statutes allow for interest rates of 1% over prime, not to exceed 9.5%. New loans, if received today, would be at 6%. Hatcheries would like to take advantage of the lower interests rates to bring down their debt service, just as other business and homeowners are currently doing throughout Alaska and the Lower 48.
- Currently, the Department of Community and Economic Development (DCED) is unable to refinance loans from the Fisheries Enhancement Revolving Loan Fund for the hatchery system. Similarly, prior to 1993, loans from the other fund, the Commercial Fisheries Revolving Loan Fund, could not be refinanced. Legislation allowing that change for fishermen was enacted, and the hatcheries are now asking for comparable changes for their industry.
- DCED acknowledges the proposed change would not jeopardize the health of the revolving loan fund, which has a current balance of approximately \$8 million.
- The need for reducing the size of hatchery loan payments is magnified by the crisis facing the Alaska salmon industry. Lower payments would help to insure financial stability for the hatcheries and allow them to take less cost recovery fish to make their loan payments. This would result in more fish to commercial and sports fishermen.
- Since the inception of salmon enhancement in Alaska, nearly one billion dollars of hatchery produced fish have been harvested by commercial fishermen (ex-vessel value). No figures are currently available regarding the total monetary impact for the sport fishing industry.
- Currently, approximately 40% of Alaska's entire salmon harvest is enhanced fish. Salmon are also produced that are taken by resident and non-resident sports fishermen and utilized in the personal use fisheries.
- Alaska's salmon enhancement industry is not unlike a public utility. They are operated for the common good and are non-profit corporations. From that perspective, favorable financing rates would be a normal business practice.
- The Department has indicated their workload would be small, as very few applicants would be involved. So, current DCED employees can handle the changes brought about by this legislation.