

SB

266

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

DATE: 2/27/02

REPORTED OUT
MAR 1 2002
SENATE FINANCE
COMMITTEE

FURTHER:

DATE TURNED IN TO OFFICE: 03/01/02

Finance Committee considered

SENATE BILL NO. 266

SB 266 FISHERY ENHANCEMENT LOANS

"An Act authorizing the commissioner of community and economic development to refinance and extend the term of a fishery enhancement loan."

and recommends:

- be replaced with _____ CS _____ (_____)
- adopt previous _____ CS _____ (_____)
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to _____ Committee

Senate Bill:

same title

new title

House Bill:

same title

technical title

new: SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#
DCED	2/28/02		✓	

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	Do PASS	Do NOT PASS	NO REC	AMEND
<i>Lesley Green</i>	✓			
<i>Alan Oster</i>	✓			
<i>[Signature]</i>	✓			
COCHAIR: <i>[Signature]</i>			✓	
COCHAIR: <i>[Signature]</i>	✓			

REPORTED OUT
FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

MAR 1 2002
SENATE FINANCE
COMMITTEE

Fiscal Note Number: _____
Bill Version: CSSB 266 (RES)

Revision Date/Time (Note if correction): 02/28/02 5:10 p.m.
Title Fishery Enhancement Loans

Publish Date: _____
Dept. Affected: DCED
BRU Investments (122)
Component Investments

Sponsor Senator Stevens
Requester Senate Finance

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						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES (21615)	(1,714.9)	(1,632.7)	(1,543.0)	(1,443.8)	(1,334.3)	(1,213.2)
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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)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

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 budgc. 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 SB 266. 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

Phone 465-2510

Division Investments

Date/Time 2/28/02 5:11 PM

Approved by: Deborah B. Sedwick, Commissioner

Date 2/28/2002

Agency Department of Community & Economic Development

Alaska State Legislature

SENATOR
BEN STEVENS
716 WEST 4TH AVENUE
ANCHORAGE, AK
99501-2133
(907) 269-0200
FAX (907) 269-0204

Session
STATE CAPITOL
JUNEAU, AK
99801-1182
(907) 465-4993
FAX (907) 465-3872

Senate District JF

Sponsor Statement

SB 266 - "An act authorizing the commissioner of community and economic development to refinance and extend the term of a fishery enhancement loan."

CSSB 266 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 and also requires the commissioner to submit a report annually to the legislature summarizing the commissioner's decisions during the prior calendar year to approve or deny requests to extend loans.

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 enhance and stabilize Alaska's Regional salmon stocks. Now, approximately 40% of the entire salmon harvest in Alaska is enhanced fish.

A majority of the loans made under this program carry the maximum allowable interest rate of 9.5%. 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 Nation. Financially sound hatcheries are better able to continue producing salmon for the fishing community, 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.

Senate Bill 266 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, sport, and personal use fisheries, and assuring continued payments of outstanding debts to the state.

SB 266 by Sen. Ben Stevens/ HB 368 by Rep. John Harris
Debt Restructuring for Statewide Hatchery System

- Those effected are: **Armstrong-Keta (Port Alexander)**; **Birro 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 U.S.
- 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 revolving loan 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 Fisheries Enhancement 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). Figures are currently not 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 and subsistence 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 that the workload associated with refinancing would be small, as very few applicants would be involved. So, current DCED employees can handle the changes brought about by this legislation.



COOK INLET
AQUACULTURE ASSOCIATION

40610 KALIFORNSKY BEACH ROAD
KENAI, AK 99611
(907) 283-5761
FAX: (907) 283-9433
email: ciaa@ptialaska.net
February 20, 2002

The Honorable Ben Stevens
State Capitol
Juneau, AK 99801-1182

Re: Senate Bill 266 – Refinance and Extend the Term of a Fishery Enhancement Loan

Dear Senator Stevens:

The Cook Inlet Aquaculture Association (CIAA) supports passage of Senate Bill 266, 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

HR SERVICES GROUP PAGE 01

CITY OF CORDOVA



February 4, 2002

Senator Ben Stevens
State Capitol
Juneau, AK 99801-1182

RE: SB 266/Refinancing of hatchery loans

Dear Senator Stevens:

The City of Cordova would like to thank you for your support of the Alaskan fishing industry by the introduction of SB 266. As you know, Cordova is a community built around fishing, and we see SB 266 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.

SB 266 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

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@ptialaska.net

February 9, 2002

Senate Labor & Commerce Committee
Alaska State Legislature
State Capitol (MS 3101)
Juneau, AK 99801-1182

SENT VIA FACSIMILE TO 907.465.3872

RE: SB 266 - An Act to Refinance Fishery Enhancement Loans

Dear Members,

Cordova District Fishermen United represents the fishing fleets of Area E—Prince William Sound and the Copper River. CDFU fully supports SB 266, 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 Aspelund

Sue Aspelund
Executive Director



Douglas Island Pink and Chum, Inc.

2697 Channel Dr. • Juneau, Alaska 99801

Telephone: (907) 463-5114 • Fax: (907) 463-3213

February 13, 2002

Senator Ben Stevens
Chair
Senate Labor & Commerce Committee
Alaska State Legislature
State Capitol
Juneau, Alaska 99801-1182

Dear Senator Stevens:

Re: SB 266 Fishery Enhancement Loans

On behalf of the DIPAC Board of Directors and the many supporters of the Douglas Island Pink & Chum hatcheries I would like to urge passage of SB 266.

The refinancing of existing high interest debt is definitely in the State's best interest and sound public policy. The enhancement program is unusual in that it is a public trust being run by private industry. This bill would enable hatcheries to take advantage of current low interest rates. Lowering the cost of debt service improves both the financial viability of the corporations and their ability to provide more fish to the common property users. The fact this can be done without financial impact to the State's General Fund definitely makes it a win-win situation.

The many Alaskans benefiting from hatchery produced fish (approximately 40% of the catch) both in commercial and sport harvest, thank you for your support. Once again, I would like to thank you for your sponsorship of SB 266 and offer any assistance you or your office might need in the passage of this bill.

Respectfully,

Jon Carter
Director



PRINCE WILLIAM SOUND
**ECONOMIC
DEVELOPMENT
COUNCIL**

February 8, 2002

Sen. Ben Stevens
State Capitol
Juneau, AK 99686

Dear Senator Stevens:

On behalf of Prince William Sound Economic Development District, I would like to strongly encourage your support of Senate Bill 266. 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

Community of Kake

City of Kake
Kake Nonprofit Fisheries Corporation

Honorable Senator Stevens
State Capital Building
Juneau, Alaska 99801

February 12, 2002

We fully support Senate Bill 266 as it acknowledges the changing economic realities that we are dealing with. Gunnuk Creek Hatchery is the cornerstone of our fisheries economy. Years ago our community understood that we needed to diversify our economic base, as logging would not support us indefinitely. We believed so strongly in the potential of Gunnuk Creek Hatchery that we leveraged our community building to collateralize our initial loans.

Gunnuk Creek Hatchery is biologically successful and operationally sound. We are just beginning to realize increased run sizes from the expansion of our facility although it will take some time yet to annually generate revenue sufficient to support our operating needs while servicing our debt at the same time. Senate Bill 266 will enable us to restructure our debt while we continue supporting the common property fisheries and our local economy as well.

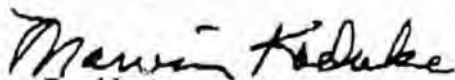
Gunnuk Creek Hatchery is invaluable to our community and is a significant contributor to thirty percent of our local workforce. The entire fisheries economy has changed since the establishment of hatchery program. This senate bill will give us valuable relief from immediate and insurmountable obligations while at the same time allowing us to fully acknowledge our debt to the State of Alaska.

Many Private Non-Profit Hatcheries are similarly positioned. They are major contributors to the state's fishing economy and benefit Alaska's fishermen. The cost recovery demands and debt repayment schedules threaten their viability, yet they are important to the state's fishing industry. This legislation will give us time to address these realities.

Thank you for sponsoring this legislation. You may certainly count on our support. Gunnuk Creek Hatchery is an excellent example of a hatchery that is a complete success, is a valuable asset to the State of Alaska and to a local community, but is buried in financial obligations that may be impossible to meet in the short term.

Sincerely,

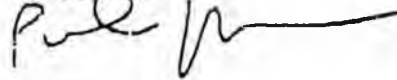
Marvin Kadake



President

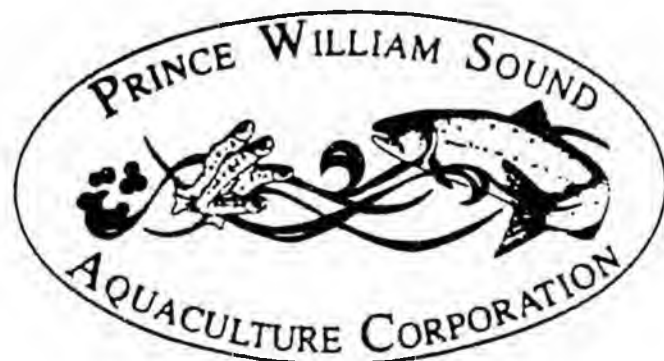
Kake Nonprofit Fisheries Corporation

Paul Reese



Mayor

City of Kake



February 11, 2002

Senator Ben Stevens
State Capitol
Juneau, AK 99801-1182

RE: SB 266 - Hatchery Debt Restructuring for Alaska's Nonprofit Hatcheries

Dear Senator Stevens:

The Board of Directors of the Prince William Sound Aquaculture Corporation (PWSAC) fully supports the enactment of SB 266, and conveys our genuine appreciation for your part in sponsoring this legislation.

The passage of SB 266 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.

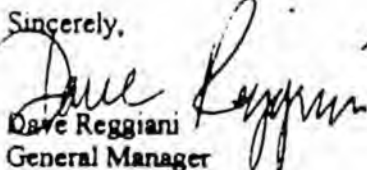
Our fisheries enhancement program benefits all the communities of Prince William Sound, and processing interests in Kenai, Cook Inlet and Kodiak as well. Our interior hatchery near Paxson, on the Gulkana River, brings sockeye salmon into an area heavily utilized by subsistence and personal use fisheries. 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 SB 266 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 inure 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 SB 266. Its passage would lower interest "income" to the Fisheries Enhancement Revolving Loan Fund, but its widespread benefits to the communities and Alaska's people would return more to the state overall.

Sincerely,


Dave Reggiani
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 • Email: pwsac@ctcak.net

Southeast Alaska Fishermen's Alliance

9369 North Douglas Highway
Juneau, AK 99801



Phone 907-586-6652

Fax 907-586-5648

E-mail: seafa@gci.net

February 14, 2002

Senator Ben Stevens, Chair
Senate Labor & Commerce Committee
Alaska State Legislature
State Capitol, Room 103
Juneau, AK 99801-1182

Re: SB 266

Dear Senator Stevens,

The Southeast Alaska Fishermen's Alliance supports SB 266, which will allow hatchery loans to be refinanced to take advantage of the lower interest rates that are available in today's economy. This makes good business sense by allowing the hatcheries to lower their cost of doing business and provide, in the long run, more fish for common property use in the commercial, sport, and personal use fisheries.

Hatcheries are facing some of the same difficulties as the salmon industry as a whole, with lower fish prices and competition with farmed salmon. Lowering the interest rate by as much as 3.5% in some cases will provide the hatcheries with a better chance of being able to repay their loans to the State of Alaska.

SB 266 will reduce the amount of cost recovery fishing that hatcheries must conduct in order to meet operating expenses. This will provide more hatchery fish to the common property fisheries, thus providing the State of Alaska with more fishery business tax revenue generated by commercial fishermen.

Again, thank you for sponsorship and support of SB 266, and for your consideration of our position.

Sincerely,

A handwritten signature in cursive script, appearing to read "Kathy Hansen".

Kathy Hansen
Executive Director



Post Office Box 20761 • Juneau, Alaska 99802

Telephone: (907) 463-3830 • Fax: (907) 556-6020

Senator Ben Stevens, Chair
Senate Labor & Commerce Committee
Alaska State Legislature
State Capital Bldg. (MS3100)
Juneau, Alaska 99801-1182
FAX: (907)465-3872

February 13, 2002

Dear Senator Phillips:

Re: SB 266 – Fishery Enhancement Loans

The Territorial Sportsmen support passage of this bill allowing hatcheries to refinance their state loans at more favorable interest rates.

Fish produced by these enhancement programs are important to sportsmen across the State. Strengthening their financial position through refinancing not only improves their ability to survive and continue making fish for us all, but it also improves their ability to repay the State. This seems to be a win – win situation.

With nearly one third of the King and Coho Salmon caught during The Golden North Salmon Derby being produced by our local hatchery, we certainly support responsible opportunities to improve their viability.

If you have any questions concerning our position or if you need additional information, please contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Mal Linthwaite". The signature is stylized and somewhat cursive.

Mal Linthwaite
President



UNITED FISHERMEN OF ALASKA

211 Fourth Street, Suite 110
Juneau, Alaska 99801-1172
(907) 586-2620
(907) 463-2545 Fax
E-Mail: ufa@ufa-fish.org
www.ufa-fish.org

February 7, 2002

Senator Ben Stevens
Alaska State Legislature
State Capitol (MS 3100)
Juneau, AK 99801-1182

Dear Senator Stevens,

Re: SB 266 Fishery Enhancement Loans

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 Fishery
Chignik Regional Aquaculture Association • Concerned Area Fishermen • Cook Inlet Aquaculture Association
Copper River Salmon Producers Association • Cordova District Fishermen United • Douglas Island Park and Cruise
Kona Peninsula Fishermen's Association • Kodiak Regional Aquaculture Association • Kodiak Seiners Association • Ketchikan Fisheries Association
Northern Southeast Regional Aquaculture Association • Old Harbor Fishermen'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

**VALDEZ FISHERIES
DEVELOPMENT ASSOCIATION INC.**

P.O. Box 125
Valdez, Alaska 99686
Phone 835-4874 Fax 835-4831



The Honorable Ben Stevens
Senate
Capital Office Building
Room 119
Juneau, Alaska 99801-1182

Dear Senator Stevens;

On behalf of Valdez Fisheries Development Association, I would like to thank you for your sponsorship of SB 366, the "The Refinancing of Fishery Enhancement Loans" The refinancing of hatchery loans is a much needed tool for the survival of the hatchery program in Alaska. Being able to take advantage of lower interest rates puts all of us on a more level playing field as we struggle to make ends meet each year. One of the biggest beneficiaries of this bill will be the commercial fisherman. The need for the hatcheries to take a large share of the returning adult salmon for cost recovery will be diminished and the commercial fisherman will be the beneficiary of more available fish.

The annual loan payments that Valdez Fisheries makes to the State of Alaska often exceed \$800,000, of which 50% or more is interest payments. Your bill will help the hatchery programs in the state meet our financial obligations and still be able to produce the much-needed salmon for the common property fisheries of this state. Many of the hatcheries in the state are economic catalysts for the local coastal communities they are located in. The hatcheries provide jobs and support the local communities through the generation of raw fish taxes and other taxes that support the functions of the local government. Tourism dollars are generated both through the fishing that is available but also through being a tourist attraction such as the DIPAC hatchery located in Juneau. I believe very strongly that the hatchery system has met the obligations that were formulated in the organizational beginning of this system and will continue to do so long into the future.

Once again, I would like to thank you for your sponsorship of SB 266 and offer the assistance of Valdez Fisheries Development Association in the successful passage of this bill. If you need any further information please call me at (907) 835-4874.

Respectfully

David C. Cobb
David C. Cobb

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



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

Senator Ben Stevens
State Capital
Juneau, Alaska 99801-1182

RE: SB 266-Refinancing of hatchery loans

Dear Senator Stevens:

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



Alaska State Legislature

Please enter into the record my testimony to the Senate Labor & Commerce
committee name

Committee on SB 266 Fishery Enhancement Loans, dated February 14, 2002
bill # / subject

I would like to go on record as being **OPPOSED** to SB 266, which allocates **PUBLIC** money "making grants for organizational and planning purposes to qualified regional associations that have formed a nonprofit corporation, in amounts not exceeding \$100,000 per region and up to an additional \$100,000 on a 50/50 cash matching basis with the regional associations that have an authorized royalty assessment under AS 16.10.540; the state portion of the matching share shall be available when a final vote for assessments is made under AS 16.10.540; this provision also applies to qualified regional associations that have formed a nonprofit corporation before June 24, 1977;"

This **PRIVATE** industry may need periodic financial assistance to meet **THEIR** needs, but this should **NOT** be done with **OUR** tax dollars. There are currently many Banks and various other lending institutions in Alaska available to finance any sound business plan. Which leads me to wonder, "Why is the State using tax dollars to compete with these private businesses".

In the past two weeks alone the Alaska Legislature has considered spending bills with a price tag of over one **BILLION** dollars, the majority of which provide funding for non-essential government services, or to special interest groups such as the fishing and tourism industries. This money would be much better utilized elsewhere, or better yet, put away for future funding of essential state services.

The proposed **\$7.5 BILLION** dollar budget amounts to our state government spending over \$12,000.00 for every man, woman, and child in Alaska. At this rate, spending for a family of six amounts to over \$72,000.00! For each working person, this level of spending amounts to over \$26,000 each. That's a lot of tax money folks! I want to know how many average working people, or small business owners will be able to afford living here once the pipeline goes dry?

In my opinion SB 266 is nothing more than another "give a way" program designed to further deplete the budget reserve account, and a prime example of non-essential government spending. No Alaskan citizen will seriously consider any new taxes until all public funds given to private businesses, individuals, and special interest groups have been completely eliminated. Our public money would be better spent funding present and future essential government services such as education, roads, public health & safety.

Please vote NO on SB 266.

Thank you.

Signed: Mike McBride

Testifier

Self

Representing (optional)

PO Box 6 Kenai, Alaska 99611-0006

Address

907 776 5444

Phone number

Economic Impacts of Private Non-Profit Hatcheries in Southeast Alaska and Prince William Sound

**Prepared for:
Legislature Fisheries Caucus**

**Prepared by:
McDowell Group, Inc.**

February 28, 2002

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**McDowell Group, Inc
Anchorage and Juneau**

Seafood Industry

- **Economic Assessment and Impacts**
- **Salmon Market Information Service – ASMI**

Tourism

Alaska Urban and Rural Economies

Surveying

Alaska Salmon Enhancement

- **History**
- **Commercial Fishing**
- **Processing**
- **Personal Use, Sport,
Subsistence**
- **Hatchery Operations**

Summary of Findings

- **Hatcheries Vital to Salmon
Fisheries in SE and PWS**
- **In 2000:**
 - **\$200 million in value**
 - **Nearly half the commercial
harvest and value**
 - **100,000 fish to sport/personal
use/subsistence**
 - **About 3,000 jobs**

Legislative Action

1971—ADFG FRED Division Established

1974 – Authorization for private hatcheries

1976 – Formation of Regional Assns.

***Approved by vote of permit holders**

***Up to a 3% tax levied to fund enhancement**

Alaska Salmon Enhancement

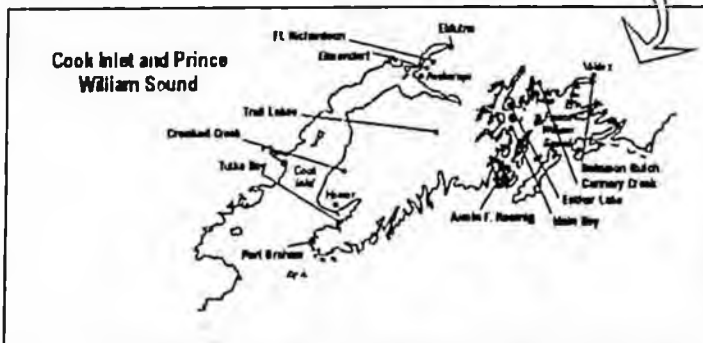
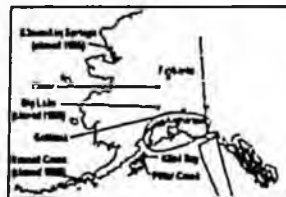
Regional Aquaculture Associations Formed:

- ◆ NSRAA—Sitka
- ◆ SSRAA—Ketchikan
- ◆ PWSAC—Cordova
- ◆ KRAA—Kodiak
- ◆ CIAA—Soldotna

Other PNP Hatcheries established include:

- ◆ DIPAC—Juneau
- ◆ VFDA—Valdez
- ◆ Armstrong-Keta—Baranof Island
- ◆ Deer Mountain—Ketchikan Indian Corporation
- ◆ Tamgas Creek—Mellakatia
- ◆ KNFC - Kake
- ◆ Prince of Wales Hatchery - Klawock

**Locations of Hatcheries
in
Prince William Sound,
Interior, and Southcentral Alaska:**



Credit: ADFG Website

**Locations of Hatcheries
in Southeast Alaska**



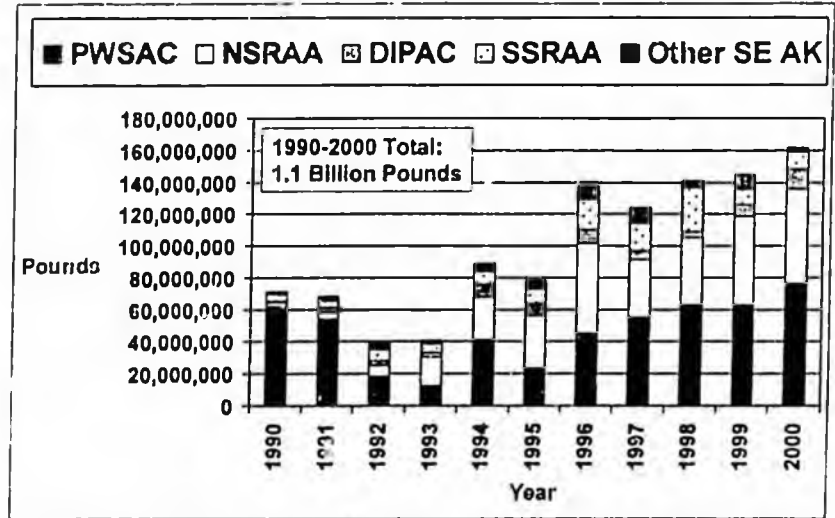
Credit: ADFG Website

Alaska Salmon Enhancement

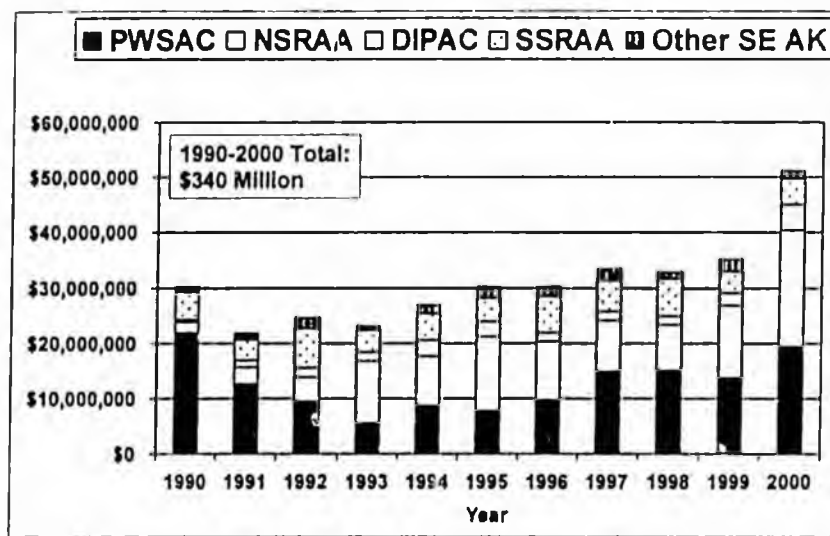
- I. Commercial Fishing**
- II. Processing**
- III. Personal Use, Sport and Subsistence**
- IV. Hatchery Operations**

I. Commercial Fisheries

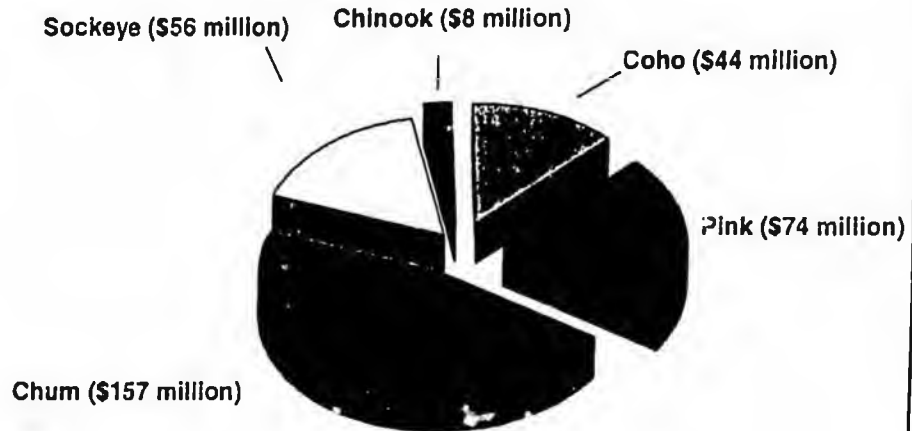
Commercial Common Property Harvest of PNP Salmon



Ex-vessel Value of PNP Salmon



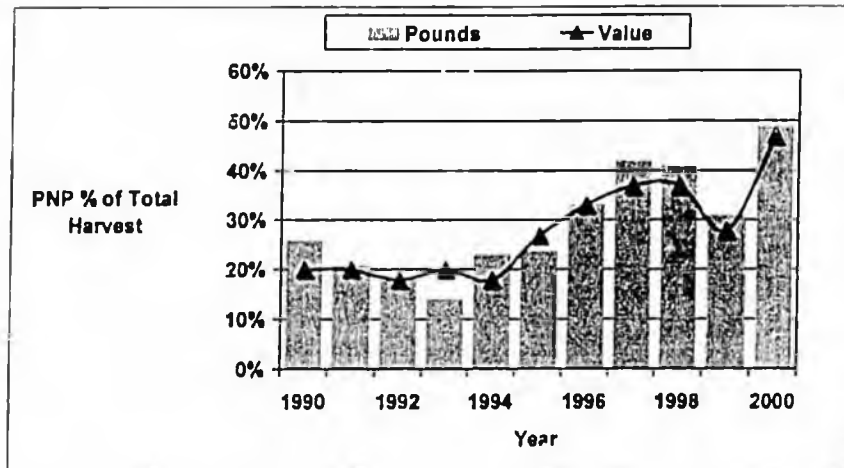
**PNP Salmon Ex-vessel Value
PWS and SE AK
1990-2000 Total**



**Ex-vessel Value of PNP Salmon
PWS and SE AK
1990-2000 Total**



PNP Percent of Total SE and PWS Harvest



2000 PNP Economic Impacts – SE and PWS Commercial Fisheries

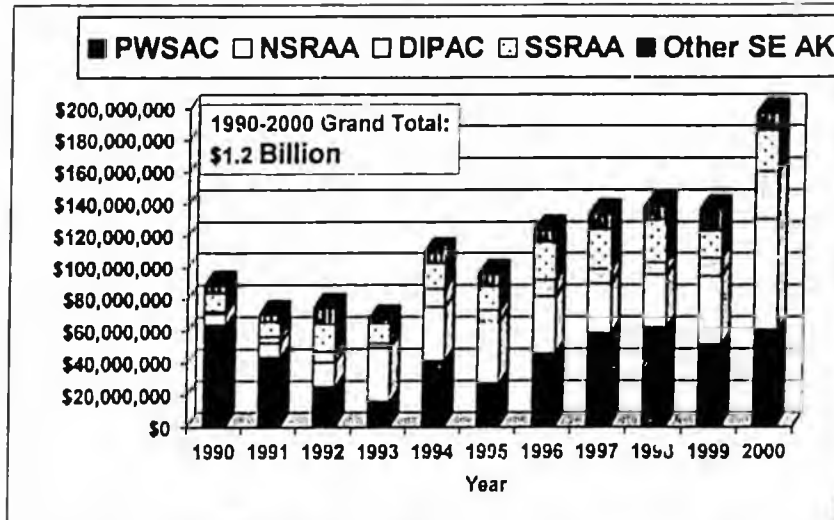
- 160 million pound harvest
- \$50 million ex-vessel value
- Economic Impacts:
 - \$70 million in Total Economic Output
 - 775 jobs

2000 Regional Impacts

- **Permit Holder Income from SE and PWS PNP Salmon:**
 - Cordova-Valdez: \$9.3 million
 - Wrangell-Petersburg: \$4.0 million
 - Kenai: \$3.2 million
 - Sitka: \$3.1 million
 - Juneau: \$2.8 million
 - Haines: \$2.2 million
 - Ketchikan: \$1.7 million
 - Anchorage: \$1.5 million
 - Matanuska Susitna: \$0.8 million

II. Processing Industry

Wholesale Value of SE and PWS PNP Salmon



2000 PNP Economic Impacts - Processors

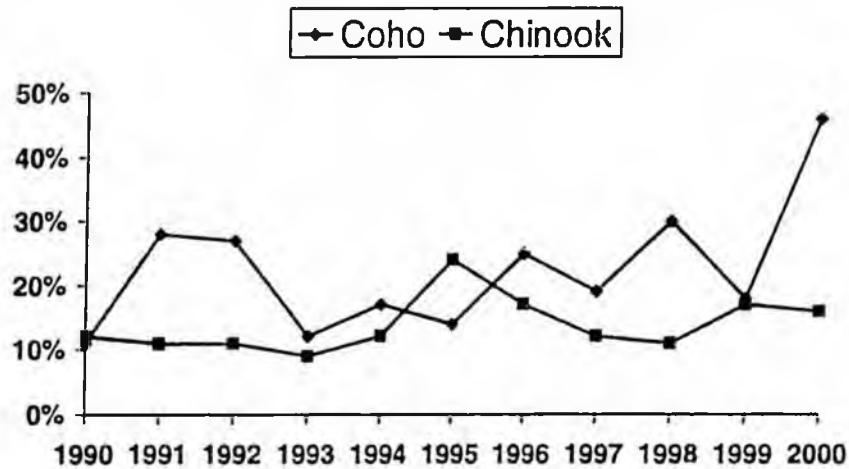
- Record \$196 million in value:
- Economic Impacts:
 - \$200 million in total output
 - 1,800 jobs

2000 Regional Impacts

- Wholesale Value to Processors:
 - Cordova-Valdez: \$33 million
 - Kenai: \$18 million
 - Sitka: \$13 million
 - Northern SE: \$11 million
 - Ketchikan: \$ 9 million
 - Juneau \$ 5 million
- Jobs:
 - Southeast Alaska: 900
 - Valdez-Cordova: 350
 - Kenai: 230

III. Sport, Personal Use, and Subsistence Fisheries

**PNP % of SE and PWS Sport Fish Harvest,
1990-2000**



**PWSAC Copper River Personal Use and
Subsistence Harvest, 1995-2000 Total**

City of Residence	Sockeye Harvest
ANCHORAGE	33,000
FAIRBANKS	28,000
WASILLA	11,100
NORTH POLE	8,900
COPPER CENTER	8,600
GLENNALLEN	8,400
PALMER	7,500
EAGLE RIVER	7,200
GAKONA	4,600
VALDEZ	4,500
DELTA	4,900
TOK	3,100

2000 Impacts- Sport Fishing

Region	Economic Output (millions)	Jobs
Ketchikan	\$3.1	36
PWS	\$2.0	54
Juneau	\$1.2	31
Sitka	\$0.9	15
Total:	\$7.2	136

IV. Hatchery Operations

2000 Impacts- PNP Operations

Region	Operating Expenses	Economic Output (millions)	Jobs
DIPAC	\$3.1	\$4.1	70
SSRAA	\$2.6	\$3.3	50
NSRAA	\$2.1	\$3.0	40
PWSAC	\$5.7	\$10.1	150
Total:	\$13.5	\$20.5	310

2000 PWS and SE Alaska Total Economic Impacts

- **\$200 million in value**
 - \$280 million in total output
 - \$80 million in labor income
 - 2,800 jobs

SB 266-FISHERY ENHANCEMENT LOANS
SENATE FINANCE COMMITTEE

SIGN-IN

✓ NAME: GREG WINEGAR Subject/Bill No: SB 266
DEPT COMMUNITY & ECON DEV.
Co./Dept./Title: DIV OF INVESTMENTS/DIRECTOR Phone: 465-2510
Address: P.O. BOX 34159 Zip: 99801

Do you wish to testify? Yes No Respond To Questions

✓ NAME: Jon Carter Subject/Bill No: SB 266
Co./Dept./Title: DIPAC - Director Phone: 463-5114
Address: 2697 Channel Drive Juneau Zip: 99801

Do you wish to testify? Yes No Respond To Questions

✓ NAME: Carl L. Rosier Subject/Bill No: SB 266
Co./Dept./Title: Alaska Outdoor Council Phone: (907) 789-9117
Address: 8298 Garnet St, Juneau Zip: 99801

Do you wish to testify? Yes No Respond To Questions

NAME: _____ Subject/Bill No: _____

Co./Dept./Title: _____ Phone: _____

Address: _____ Zip: _____

Do you wish to testify? Yes No Respond To Questions

Subject: [Fwd: SB 266 Teleconference]

Date: Thu, 28 Feb 2002 12:11:51 -0900

From: Mindy Rowland <Mindy_Rowland@legis.state.ak.us>

Organization: Alaska State Legislature

To: Robin Paul <Robin_Paul@legis.state.ak.us>

Subject: SB 266 Teleconference

Date: Wed, 27 Feb 2002 18:08:53 -0900

From: Deborah Grundmann <Deborah_Grundmann@legis.state.ak.us>

Organization: Alaska State Legislature

To: Laura Glaiser <Laura_Glaiser@legis.state.ak.us>,
Mindy Rowland <Mindy_Rowland@legis.state.ak.us>

Hi,

On Friday 3/1 could you please have on teleconference Cordova LIO and Valdez LIO.

Just FYI we expect these people to testify on the bill

- ✓ Senator Ben Stevens will present the bill
- ✓ Jon Carter - Juneau - DIPAC
- ✓ Carl Rosier - Ak Outdoor Council
- ✓ Sue Aspelund - Cordova LIO - Fishermens Union
- ✓ Dave Cobb - Valdez - LIO - Fisheries Development Assoc

That about wraps it up.

Look forward to seeing you on friday
Deb.



*SB 266
Fishery Enhancement*

