

SB

387



ALASKA STATE LEGISLATURE

SENATE COMMITTEE ON COMMUNITY & REGIONAL AFFAIRS

Senator Bert K. Stedman, Chair

Official Business

Senator Tom Wagoner, Vice-Chair
Senator Kim Elton
Senator Georgianna Lincoln
Senator Gary Stevens

State Capitol, Room 30
Juneau, AK 99801-1182
Phone: (907) 465-4989
Fax: (907) 465-3922

April 19, 2004
1:30 - 3:30 PM
Fahrenkamp 203

1:30

REVISED AGENDA

I. Call To Order

II. New Business

SB 387 Commercial Fishing Loans for Quota Shares

Sponsor Testimony:

Greg Winegar, Director, Division of Investments, DCED
Phil Smith, NOAA Fisheries

Invited Testimony:

Gale Vick, Ex Dir, Gulf of Alaska Coastal Community Coalition
Ole Olsen

Chuck Totemoff, Cheniga Corp

~~*Fredie Christensen, Old Harbor, Alaska*~~

Public Testimony

III. Adjourn

SB 387 Questions

§4 home 9

27-8 • What were the community eligibility requirements for this program?
What about any minimum catch history?

- 27-1
- What kind of parameters does the federal program put on CQEs?
 - Can they re-invest earnings from quota fishing into community projects that involve fishing infrastructure?
 - Can the local government re-invest in community projects unrelated to the fishing industry?
 - What are the requirements on the agreements between a CQE and the fishermen who will fish the quota?
 - Is there prohibition on contracting with vessels from outside the community to catch the quota? Must it actually be fished by local fishermen and local crews?
 - Are there delivery restrictions on individual fishermen? Take Hoonah for example. Will fishermen who are using Hoonah community quota be required to deliver to Hoonah Cold Storage?
 - What are the residency requirements for fishermen to qualify for the community program?
 - Is there a public listing of quota that is for sale, including the place of residency of the sellers?

320
↓
200
100

PPAWAN 21%

2004	2003	min people		
1.5 mil	2.3 mil	IFR		
4	60	%	1995	
		2.3	1.4	37.
1.87.		2.7	2.3	
		1.8 to		
		21%		
2.5 ↓ 1.8 ↑				

Community Quota Entity (CQE) Legislation:

HB554/SB387

Commercial Fishing Loans to Eligible CQE's

Background

- The National Marine Fisheries Service (NMFS) is expected to publish the final rule implementing Amendment 66 to the Fishery Management Plan (FMP) for groundfish in the Gulf of Alaska in May 2004.
- Amendment 66 is the outcome of a series of public meetings with the North Pacific Fishery Management Council (NPFMC) and represents a consensus on how to reverse the outward migrating of IFQs from rural Alaska communities to the Lower 48 states.
- The proposed rule would allow 42 coastal communities to be eligible purchase Individual Fishing Quotas (IFQs). These organizations would be known as Community Quota Entities (CQEs) and they would be authorized to purchase halibut and sablefish quota shares on the open market and lease these shares back to harvesters who are residents of the eligible communities.
- Communities represented by CQEs cumulatively would be limited to holding a maximum of 3 percent of the total halibut and black cod quota share in each area for the first seven years of the program up to a total of 21%.
- CQEs in Area 2C and 3A could only receive and use halibut quota share assigned to vessels greater than 35 feet and less than or equal to 60 feet (Category C) and greater than 60 feet (Category B). This provision would prohibit CQE's from holding halibut quota share assigned to vessels less than or equal to 35 feet (Category D). The Council did not recommend catcher vessel restrictions for CQEs holding sablefish quota shares as sablefish are typically harvested by larger vessels.
- The proposed rule identifies eligibility criteria, transfer restrictions and provides limited administrative oversight, however, it does not identify a funding mechanism for these communities to purchase the quota shares.

Legislation

- HB554/SB387 amends the Commercial Fishing Revolving Loan Fund (CFRLF) to allow the Department of Community & Economic Development to make loans to CQEs and in turn create a new local revenue stream. The department is currently able to make loans only to individuals to purchase quota shares.
- CQE applicants would be limited to \$2 million in outstanding loans per community.
- A down payment of 35% would be required for loans secured by quota share.

Benefits of CQEs:

- CQEs improve the economic viability of these communities through local control of fishing privileges.
- The majority of the 42 eligible communities in the proposed rule have experienced an out-migration of quota resulting in a significant decline in the number of quota shares held by local residents. The amendment should provide these communities with a mechanism to reverse the trend and this legislation will provide essential funding for the program.
- CQEs will provide additional employment opportunities for residents, help diversify fishing operations from salmon to halibut and sablefish, and increase efficiency by using existing salmon infrastructure such as vessels, processing plant and cold storage facilities.

Impact of the CQE legislation on Financial Services

- This legislation will not adversely impact private sector lenders. Section one of the bill requires that loans may be made only if the applicant is not eligible or qualified for financing from other recognized commercial lending institutions. This same requirement is already contained in the Commercial Fishing Revolving Loan Fund (CFRLF) statute for loans made to individuals to purchase quota shares.
- The CFRLF has adequate cash flow to handle anticipated loan demand. The Department of Community and Economic Development (Department) expects the program to phase in over a period of several years as communities form CQE's, establish a capital base necessary to meet down payment requirements and locate quota shares to purchase.
- The Department will amend the CFRLF regulations (3 AAC 80.055 (a)) to ensure that if total loan demand for the program ever exceeds the amount of capital available for loans that applications submitted by individuals to purchase limited entry permits, vessels, gear, or quota shares will be processed first.
- There will be no additional administrative costs associated with this proposal. The Department will use existing staff, expertise and infrastructure to handle CQE loans requests.

April 15, 2004

GULF OF ALASKA COASTAL COMMUNITIES COALITION (GOAC³)

P.O. Box 201236, Anchorage AK 99520

Phone: 907-561-7633 FAX: 907-561-7634

E-mail: goaccc@alaska.net

www.goac3.org

RECEIVED
4/19/04

DATE: April 17, 2004

TO: Senator Bert Stedman, Chair, CRA Committee, Alaska State Senate
Senator Thomas Wagoner
Senator Gary Stevens
Senator Kim Elton
Senator Georgianna Lincoln

RE: SB 387: An act authorizing the making of certain commercial fishing loans to eligible community quota entities for the purchase of certain fishing quota shares; and providing for an effective date.

Dear Senators:

I am writing concerning the proposed legislation, Senate Bill 387, which has been recently introduced by Governor Frank Murkowski.

The Gulf of Alaska Coastal Communities Coalition (GOAC³) greatly appreciates the Governor's and other efforts in introducing a bill which will enable the pending CQEs (non-profit community quota entities) become eligible for specific commercial fishing loans through the Alaska Division of Investments.

CQEs will result from a pending amendment to the existing Halibut and Sablefish IFQ (Individual Fishing Quota) program which affects 42 eligible communities within the Gulf of Alaska. Amendment #66 was approved by the North Pacific Fishery Management Council (NPMFC) on April 10, 2002, and has subsequently been reviewed by the National Marine Fisheries Service (NMFS) and published in the *Federal Register* as a "proposed rule." It is now waiting for signature by the U.S. Secretary of Commerce as Final Rule.

The intent of Amendment #66 was to help neutralize some of the negative impacts of the 1995 implementation of the Halibut and Sablefish IFQ program. Research illustrated that many of our smaller communities in the Gulf of Alaska (less than 1500 in population and not connected to a larger community by a road system) lost a great amount of fishing opportunity and infrastructure because community fishermen did not qualify for initial issuance of quota share. Because the IFQ program was already in place, the Council felt their only option was to allow eligible GOA communities to form CQEs with the ability to purchase quota share as a qualified buyer.

The GOAC3 has worked since 1998 on trying to find solutions to the continuing loss of fishing opportunity to the smaller GOA communities. The loss has been so dramatic in the last few years that we are greatly concerned about stabilizing the situation. Amendment #66 will provide one important way to do this.

We and the newly formed CQEs will be looking for funding sources from many places. Halibut and sablefish IFQ prices are at historic highs, in large part because the IFQ program has allowed harvesters and processors to offer a better product through a much longer fishing time. Because the prices are so high, it will be important for our CQEs to find sources of financing which are flexible and give us the maximum level of opportunity to purchase quota share and lease to area residents. It is for this reason we strongly support SB 387.

In anticipation of the Secretary's approval of Amendment #66, we are working with the State of Alaska (Department of Community and Economic Development) and the National Marine Fisheries Service / Restricted Access Management Division to conduct regional community meetings addressing the details of the program and offering some ideas for financing the purchase of halibut and sablefish. We hope that SB 387 is quickly approved by the Legislature so that our communities can utilize the options it provides.

I am attaching a power point presentation created by Phil Smith of the National Marine Fisheries Service to explain Amendment #66 in greater detail. It also provides an excellent brief history of the IFQ program.

Members of the Legislature will be receiving many Public Opinion Messages in support of SB 387 within the next week. If we can be of any assistance in providing further information, please do not hesitate to call us.

We thank you for your time and consideration of this important matter.

Sincerely,

Gale K. Vick, Executive Director
Gulf of Alaska Coastal Communities Coalition (GOAC3)

Cc: GOAC3 Board of Directors and Technical Team
Governor Frank Murkowski
Commissioner Edgar Blatchford, Department of Community & Economic Dev.
Alan Austerman, Fish Advisor, Office of the Governor



CENTRAL COUNCIL
tlingit and haida indian tribes of alaska
ANDREW P. HOPE BUILDING
320 West Willoughby Avenue • Suite 300
Juneau, Alaska 99801-1726

Testimony Supporting SB 387

By: Don Bremner, Staff,

T&H Central Council Business & Economic Development

April 19, 2004

On Behalf of The S.E. Alaska Villages which Central Council represents we submit comment in support of SB 387.

Central Council Indian Tribes of Alaska has been working with the Southeast Alaska Intertribal Fish and Wildlife Commission; Communities and tribes of S.E. Alaska to accomplish the following in support of the Community IFQ Program;

1. Worked with the North Pacific Fisheries Management Council on behalf of all communities and tribes of S.E. Alaska to gain passage of the Community IFQ program.
2. Are working with all communities and tribes to educate them about the program and to gain support to form a Regional Halibut and Sable Fish Nonprofit Corporation to assist in implementing the IFQ program.
3. Worked with the RAM Division; and State Community and Economic Development Department to help develop awareness of the program in the S.E. Villages.
4. Numerous letters and documentation about the benefits of the IFQ program has been shared with each S.E. Alaska community and tribe through meetings; letters; faxes; phone calls and e-mails. (Main documents attachment I.)
5. Worked to gain our Congressional delegation support in coming up with Federal funding for the program.
6. Most recently Central Council Indian Tribes of Alaska General Assembly has passed a Resolution authorizing Central Council legal council to assist our Villages in drafting and filing the Nonprofit Articles of Incorporation and By-Laws, which once signed by the President and Tribal Secretary we will be able to move forward with meeting with our Tribal lawyers to accomplish the legal aspect of incorporation and be able to offer a Regional Nonprofit corporation entity to help implement this program. (Copy of Resolution attached II.)

Based upon our role of working with the North Pacific Fisheries Management Council; S.E. Communities; Tribes; Fishermen; Southeast Inter-tribal Fish and Wildlife Commission and State Department of Commerce and Economic Development Department, we believe that the Central Council Business and Economic Development Department is best positioned to assist the State with coordinating the implementation of this program in S.E. Alaska.

Central Council of Tlingit & Haida Indian Tribes of Alaska
Sixty-Ninth General Assembly
April 14-17, 2004
Juneau, Alaska

Resolution 04-43

Title: **Support of Funding of Legal Formation for Community Purchase of Halibut and Sablefish Commercial IFQ Non-Profit Organizations**
By: Tlingit Haida Indians of the City and Borough of Juneau

WHEREAS, communities throughout Alaska that are dependent on commercial halibut and sablefish fishing are in extreme economic distress due to fundamental, long term changes in the seafood markets, unprecedented low salmon prices and closure of many processing operations and the loss of most markets for Alaska fishermen; and

WHEREAS, the Alaskan fishing industry is facing a crisis of terrible proportion; and

WHEREAS, the loss of many processors has added to this crisis and created a situation in which it is physically impossible for the remaining Alaskan processors to commit to buying a vast majority of the fast approaching 2004 return; and

WHEREAS, many coastal communities are eligible to form Community IFQ's Nonprofit Corporations to purchase halibut and sablefish; and

WHEREAS, the NPFMC is drafting guidelines which determine eligible communities, appropriate ownership entities, Ownership caps on individual communities, Cumulative ownership caps, blocked and unblocked shares, vessel size restrictions, sale criteria, codes of conduct, administrative oversight, and sunset provisions important to our affected communities; and

WHEREAS, the opportunity to have the S.E. Alaska Coastal Communities benefit from such IFQ's is important to the economic survival of our Native villages;

NOW THEREFORE BE IT RESOLVED, that the Sixty-Ninth General Assembly of Central Council Tlingit and Haida Indian Tribes of Alaska convened in Juneau, Alaska on April 14-17, 2004 direct the Central Council President and Lawyers to work to draft and Incorporate a Regional S.E. Alaska Nonprofit Corporation to help our S.E. Villages benefit by these programs with any and all legal rights established under this program considered by the National Marine Fisheries Management Council.

ADOPTED this th 17 of April, 2004 by the Sixty-Ninth General Assembly of the Central Council of the Tlingit and Haida Indian Tribes of Alaska.

CERTIFY

President

ATTEST

Tribal Secretary



Tina Dickinson
Communications Specialist
907-269-4568
Fax: 907-269-8125
tina_dickinson@dced.state.ak.us
www.dced.state.ak.us

FOR IMMEDIATE RELEASE: April 14, 2004

No. 04-010

Proposed Legislation Could Assist Fishing Communities In the Gulf and SE Alaska

(Juneau) –Governor Frank H. Murkowski has introduced legislation that would allow non-profit groups to purchase halibut and sablefish (black cod) shares, to be fished by eligible residents along Southeast coastal communities and the Gulf of Alaska.

HB 554 and SB 387 propose a state funding mechanism through the Division of Investments, and opens up opportunity for 42 eligible communities to purchase halibut and sablefish quota shares under a National Marine Fisheries Service program known as Community Entities Quota.

The Department of Community and Economic Development proposes to support legislation to amend the Commercial Fishing Revolving Loan Fund. This will allow the department to make loans to a new group of purchasers and in turn create a new local revenue stream.

"The purpose for this legislation is to bring fishing quotas home to Alaska and provide and economic base for villages traditionally dependent on fishing," said Governor Murkowski. "Some of our communities have been hard hit by the decline in salmon prices, and this program has the potential of bringing long term stability to those regions."

The CQE program will implement a community protection plan for the Gulf of Alaska approved by the North Pacific Fishery Management Council known as Amendment 66. Amendment 66 was the outcome of a series of public meetings with the council process and represents a consensus on how to reverse the outward migration of IFQs from rural Alaska communities to Lower 48 states.

"This is an important step that creates opportunity for local residents to fish quota in their own waters," said DCED Commissioner, Edgar Blatchford. "The development of Alaska's rural economy is of great importance to the Murkowski Administration."

-more-

NMFS is expected to publish the final rule implementing Amendment 66 to the Fishery Management Plan for groundfish in the Gulf of Alaska in May 2004. This will allow eligible communities to form non-profit corporations for purchasing and holding Individual Fishing Quotas for halibut and sablefish.

The non-profit corporations will be recognized under the federal regulations as CQEs, and would be authorized to purchase shares on the open market and lease them back to harvesters who are residents of the communities. Only permanent residents would be eligible for leases. Restrictions would apply to quota shares transferred by each CQE outside the program to ensure program goals are met. Communities participating in the program must adhere to performance standards established by NMFS.

"This is a major step towards revitalizing fishing communities that have suffered because of the out migration of IFQs and limited entry permits," said Murkowski. I am encouraged that this will provide smaller communities an opportunity for future revenue and new jobs."

There are 42 communities with 13,030 residents that were determined eligible for the program. The communities are:

Area 2C includes: Angoon, Coffman Cove, Craig, Edna Bay, Elfin Cove, Gustavus, Hollis, Hoonah, Hydaburg, Kake, Kassan, Klawock, Metlakatla, Meyers Chuck, Pelican, Point Baker, Port Alexander, Port Protection, Tenakee Springs, Thorne Bay

Area 3A includes: Akhiok, Chenega Bay, Halibut Cove, Karluk, Larsen Bay, Nanwalek, Old Harbor, Ouzinkie, Port Graham, Port Lions, Seldovia, Tatitlek, Tyonek, and Yakutat

Area 3B includes: Chignik, Chignik Lagoon, Chignik Lake, Ivanof Bay, King Cove, Perryville, and Sand Point

Communities represented by CQEs cumulatively would be limited to holding a maximum of 3 percent of the total halibut and sablefish quota share in each area for the first seven years of the program.

CQEs could only receive and use halibut quota share assigned to vessels 35 to 60 feet (Category C) and greater than 60 feet (Category B). The Council did not recommend catcher vessel restrictions for CQEs holding sablefish quota share.

For more information contact the Department of Community and Economic Development at 907-269-4568.

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SB 387

FRANK H. MURKOWSKI
GOVERNOR
GOVERNOR@GOV.STATE.AK.US



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

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April 9, 2004

The Honorable Gene Therriault
President of the Senate
Alaska State Legislature
State Capitol, Room 111
Juneau, AK 99801-1182

Dear President Therriault:

Under the authority of article III, section 18, of the Alaska Constitution, I am transmitting a bill to amend the lending authority of the Department of Community and Economic Development (department) under the Commercial Fishing Loan Act; to authorize loans to federally designated community quota entities authorized by federal regulation to purchase and hold certain fishing quota shares; and to lease the resultant individual fishing quota shares to community residents.

The federal government is currently proposing federal regulations that, if adopted, would amend the federal individual fishing quota program. The definition of an eligible quota shares holder would be revised to allow specific communities in the Gulf of Alaska to purchase quota shares for halibut and sablefish fisheries. The community quota entity may then hold the shares for lease to their community residents. Quota shares, and loans for their purchase under the Commercial Fishing Loan Act, are presently limited to individuals.

The purpose of the amendment is to improve the economic viability of these communities through local ownership of fishing privileges. Since the initial allocation of quota shares all but two of the 42 eligible communities have experienced a significant decline in the number of quota shares held by residents. This amendment will provide a financing mechanism that can be used by these communities to help reverse this trend.

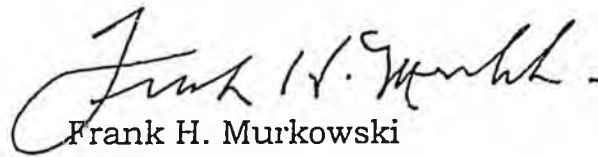
The bill's effective date provision for the loan statute changes would ensure that if the proposed federal regulations do not take effect, the bill's changes expanding the department's lending authority also would not take effect.

The Honorable Gene Therriault
April 9, 2004
Page 2

The community quota entity program provides a unique opportunity to improve economic conditions in a number of Alaska's coastal communities. Local ownership of fishing privileges is vital to the financial health of these communities.

I urge your prompt and favorable action on this measure.

Sincerely yours,

A handwritten signature in cursive script, reading "Frank H. Murkowski".

Frank H. Murkowski
Governor

Enclosure



Frank Murkowski, Governor

**Department of Community
and Economic Development**

Division of Investments

P.O. Box 34159, Juneau, AK 99803-4159

Telephone:

Voice: 907-465-2510

Fax: 907-465-2103

Toll Free: 1-800-478-LOAN

Text: 907-465-5437

Email: investments@dced.state.ak.us • Website: www.dced.state.ak.us/investments/

April 15, 2004

Senate Community & Regional Affairs Committee Member
Capitol Room 11
Juneau, Alaska 99801-1182

Dear Senator

RE: Senate Bill 387

Enclosed is a packet of information relating to Senate Bill 387. Please let me know if you would like additional information or if you would like to set up a meeting to discuss the particulars of this bill.

The Department strongly supports this legislation and hopes that you will be able to give it favorable consideration.

Thank you very much.

Cordially,

Greg Winegar
Director

enclosures

**ALASKA DIVISION OF INVESTMENTS
DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT
Commercial Fishing Revolving Loan Fund
Historical Summary
(Dollars in Thousands)**

AS 16.10.300 - .370; enacted in 1972

3 AAC 80.010 -.900

Mission: It is the policy of the state, under AS 16.10.300 - 16.10.370, to promote the rehabilitation of the state's fisheries, the development of a predominantly resident fishery, and the continued maintenance of commercial fishing gear and vessels throughout the state by means of long-term low interest loans.

PURPOSE

ELIGIBILITY

SECTION A: \$300,000 Maximum

Purchase limited entry permits; upgrade existing vessels to improve the quality of Alaska seafood.

SECTION B: \$100,000 Maximum

Purchase limited entry permits, vessels or gear; repair, restore or upgrade existing vessels or gear.

SECTION C: \$300,000 Maximum

Purchase quota shares for the halibut or sablefish fisheries.

SECTION D: \$300,000 Maximum

Satisfy past due Federal tax obligations.

SECTION 10: Refinance

Refinance existing CFRLF loans to allow borrowers to take advantage of lower interest rates when they occur.

SECTION 11: Refinance up to \$300,000

Refinance debts incurred by a borrower to purchase a commercial fishing vessel or gear.

● Alaska resident for the past two years and:

● Active in fishery for 3 of the past 5 years, including the year prior to the date of application.

● No other occupational opportunities available in area of residence, or economically dependent on commercial fishing for a living.

● Intended for individuals that do not qualify for other sources of financing.

● Possesses a permit or crew license.

● Active participant in fishery for 2 of the last 5 years.

● Qualifies as a transferee for quota shares.

● Not eligible for financing from other commercial lenders.

● Files past and current tax returns.

● Meets section A or section B eligibility criteria.

● Loan must be in good standing.

● Qualifies for a loan under section A, B, or C.

Interest rate: Fixed rate at Prime +2%, not to exceed 10.5% (Product quality improvement is Prime -2%.)

Maximum loan term: 15 years

Statistics as of June 30, 2003

Total appropriations to RLF:	60,201.0	Last appropriation RLF: FY85	3,710.0
Total appropriations from RLF:	80,392.0		
Net of appropriations:	(20,191.0)		
Total number of loans committed:	5,905	Number of accounts outstanding:	2,744
Total dollars committed:	366,726.6	Principal amount outstanding:	92,053.5

HB554/SB387
Commercial Fishing Loans for Quota Shares
Eligible Communities

There are 42 Communities with 13,030 residents that were determined by the National Marine Fisheries Services to eligible for the program. These communities are listed according to the halibut regulatory areas as follows:

Area 2C
8,119 Residents

Angoon
Coffman Cove
Craig
Edna Bay
Elfin Cove
Gustavus
Hollis
Hoonah
Hydaburg
Kake
Kassan
Klawock
Metlakatla
Meyers Chuck
Pelican
Point Baker
Port Alexander
Port Protection
Tenakee Springs
Thorne Bay
Whale Pas

Area 3A
2,711 Residents

Akhiok
Chenega Bay
Halibut Cove
Karluk
Larsen Bay
Nanwalek
Old Harbor
Ouzinkie
Port Graham
Port Lions
Seldovia
Tatitlek
Tyonek
Yakutat

Area 3B
2,200 Residents

Chignik
Chignik Lagoon
Chignik Lake
Ivanof Bay
King Cove
Perryville
Sand Point



Amending the Halibut and Sablefish IFQ Program

A New Opportunity for Gulf of Alaska Coastal Communities

Restricted Access Management (RAM) • Alaska Region, NOAA Fisheries (NMFS)

Phil Smith, RAM
April 14, 2004

Introduction: Within the next week or so, the U.S. Secretary of Commerce will publish an amendment to the Alaska halibut and sablefish Individual Fishing Quota (IFQ) program. The purpose of the amendment is to provide new opportunities for coastal community residents to benefit from the IFQ program. The amendment will allow those communities to form non-profit corporations under Alaska law; the non-profits will gain eligibility to receive quota by transfer. Quota obtained by the non-profit on behalf of an eligible community will then be fished by a community resident.

Background: Under the halibut/sablefish IFQ program entry to the fisheries is limited to those who hold quota shares. Quota, which is transferable, was initially issued to persons who had a history of fishing during the late 1980s. Under existing rules, quota may only be transferred to those who received shares initially or to "IFQ Crewmembers" (i.e., individuals who can demonstrate that they have commercially fished for a minimum of 150 days).

Since the beginning of the program in 1995, a large amount of the quota initially issued to people living in smaller Gulf of Alaska communities has been voluntarily transferred to people living in larger communities. Although each quota holder made up his or her own mind to transfer the quota, the effect has been a decrease in quota in the community and this fact has raised concerns about the overall economic viability of these smaller communities.

To address this issue, the North Pacific Fishery Management Council (Council) devised a program to provide the opportunity for eligible communities to create non-profit corporations to collectively hold the quota on behalf of the community.

Program Description: Under the program, "eligible communities" are those that have fewer than 1,500 residents (2000 Census), that have a history in the fisheries, that are not on the road system, and that have been designated by the Council. There are currently 42 designated communities, including 21 in South-central and 21 in Southeast.

Each of these communities (or several communities working together) may form a non-profit corporation. Once formed, the non-profit will apply to NMFS for

authority to act on behalf of the community(ies). Upon approval of the application, the non-profit will be designated as a "Community Quota Entity" (CQE). Before approving the application, NMFS will provide it to the State (Department of Community and Economic Development) for review and comment.

Once designated, a CQE will be eligible to receive quota on behalf of the community(ies) it represents. It is anticipated that the CQE will buy the quota from the existing quota market (prices vary, but currently quota sells for around \$12/pound).

When the annual IFQ is issued, the CQE will lease it to fishers who are residents of the communities on whose behalf the CQE holds the quota.

Allocation of the fishing profits will be determined by contract between the CQE and the fisher; it is expected that some will be returned to the CQE to repay loans used to buy the quota and to expand the community's quota holdings.

Other Program Elements: To insure that CQEs don't force individual quota purchasers out of the market, there are strict caps on the amount of quota that may be held by a CQE on behalf of any eligible community, and there is also a cap on the aggregate quota that may be held by CQEs on behalf of all communities. Additionally, there is a limit on the number of halibut and sablefish "blocks" that can be held by CQEs. Finally, CQEs will be required to submit an Annual Report that details their experiences under the program (the Reports will be submitted to NMFS and the Council and will be public information).

Conclusion: It is important to note that this program does not allocate fish and it does not allocate money; instead, it allocates opportunity. To that end, we hope that the creativity and hard work of coastal residents will make the program a success.

More Information: We welcome questions about this important program. Please contact us as follows:

Restricted Access Management Program
Alaska Region, NOAA Fisheries (NMFS)
1-800-304-4846; or (in Juneau): 907-586-7344
e-mail: RAM.Alaska@noaa.gov
www.fakr.noaa.gov/ram

Alaska Division of Investments
Department of Community and Economic Development

Proposed Regulation Amendment

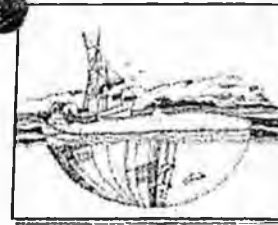
3AAC 80.055. Lending Practices. (a) If the balance of the commercial fishing revolving loan fund is not adequate to meet the anticipated loan demand for the remainder of the fiscal year, the department will, in its discretion, process loan applications in the following order:

- (1) permits;
- (2) federal tax obligations
- (3) vessel upgrade or purchase
- (4) gear;
- (5) quota shares for individuals; [and]
- (6) quota shares for community quota entities; and
- (7) refinancing as permitted under AS 16.10.310(a)(11).



Central Council of Tlingit & Haida Indian
Tribes of Alaska
Business and Economic Development
3200 Hospital Drive, Suite 101
Juneau, AK 99801

Phone: (907) 463-7147 or (800) 344-1432
Fax: (907) 463-7316



**SOUTHEAST ALASKA
INTER-TRIBAL
FISH & WILDLIFE COMMISSION**

Attachment I,

Dated: 1/27/04

Notice

Invitation to Participate in the Formation of The **Southeast Alaska Community Coalition of Fishing Communities**

On January 19, 2004 the Southeast Inter-tribal Fish and Wildlife Commission met and voted to form a "Southeast Alaska Community Coalition of Fishing Communities" to implement and administer the new halibut and sablefish program. We know you will need time to review this opportunity so included with this notice are documents that will help you decide. There are a number of reasons a Region wide Coalition will be advantageous to your community and we want to list them for you;

1. This is a federal program and our Congressional delegation, including Senator Ted Stevens has been advocating consolidation and regionalism of federal programs.
2. The Governor of Alaska is working to consolidate programs and services and from our experience has been funding commercial fisheries opportunities which benefit regions, as opposed to single communities.
3. Other regions have formed under Coalitions to take advantage of combined management, social, political; legal, and economic opportunities of implementing this new program.
4. The Code of Federal Regulations requires that each community may designate only one Community Quota Entity to hold the quota shares on behalf of that community and we know that with our experience of participating in the formation of this community purchase of halibut and sable fish program and our experience of managing such programs we have the immediate ability to represent your community with what we say we can do in this letter.

The Southeast Alaska Community Coalition of Fishing Communities will do a number of things that will benefit the region to increase the value of this program to the eligible member communities of Southeast Alaska as follows;

1. Hire attorneys to draft and file approved Articles of Incorporation and By-Laws that the communities can in turn adopt to manage and implement at the local level the benefits of the program.
2. Seek financial support to send representatives of the newly formed organization to Washington DC to meet with our Congressmen to request federal start-up funds for the community 501 C (3) Non-profits.
3. The request for federal start-up funds will be in the form of a grant to the community Non-profits and/or loan package.
4. The region wide organization will have strength of "One Voice" in areas of representation; political; legal; economic, and marketing opportunities.

This is what we are doing now:

1. Continuing our effort to establish funding sources.
2. Starting the development of community-based non-profits for the administration of the community purchase program.
3. Developing letters and resolutions for Tribes and City governments to facilitate and form the Community Quota Entities in our S.E. Alaska villages.
4. Network with organizations that will help carry our funding request to our Congressman.
5. Coordinate with financial institutions and their representatives to help establish the economic criteria for funding of community Non-profits.
6. Coordinating with the Federal Program Managers responsible for this new program.

Here is what we need from you by February 27, 2004;

1. We are including in this packet, a **Resolution** and complete the attached **Survey** your community can adopt to participate in the planning and implementation of a Southeast Alaska Community Coalition of Fishing Communities organization. Please return this by February 27, 2004 or we will assume your community does not wish be included in any of the organization benefits.

As the Southeast Inter-tribal Fish and Wildlife Commission Chairman, Matt Kookesh has been working on this issue with the North Pacific Fishery Management Council since 2001 and is fully capable of guiding the organization through this new halibut and sable fish IFQ program along with the Commissioners, and Federal managers of this program. We have been networking and collaborating with many knowledgeable scientists and federal managers responsible for implementing this program. They also have influenced the need to implement this program in a united manner in order to take immediate advantage of the program once the final regulations are approved either at the end of March or April 2004. We have been in contact with lawyers that have also reviewed the draft rules which are being finalized and they also recognize the need for coalition efforts in order for this program to be successful.

We encourage your community to consider this Resolution and Survey to join the Southeast Alaska Community Coalition of Fishing Communities organization a priority. Time is critical as we have people going to Washington DC within the next few weeks and they may be able to represent us as one voice on requesting federal start-up money for this program. I can be reached at 907-723-0260 or contact our staff members, Gordon Jackson, 907-463-7121, or Don Bremner, 907-463-7341 for questions about the attached material.

Sincerely,

Matt Kookesh, Chairman
Southeast Inter-tribal Fish and Wildlife Commission

Sincerely,

Gordon Jackson, Manager
Business and Economic Development

Attachments: Mr. Phil Smith, RAM Division presentation regarding the IFQ program
Volume and cost estimates to enter the program and purchase the full
volumes under this program
Resolution for adoption to participate in the region wide organization
Survey to complete and return by February 27, 2004

cc: All eligible Southeast Alaska 2A and 3A Communities and Tribes

Survey to Join The Southeast Alaska Community Coalition of Fishing Communities

(Check only one answer)

City

(If you would like to do the survey over the phone call Don Bremner at 1-800-344-1432, ext. 7341)

1. **Based upon the attached letters of Introduction can your community join the S.E. Community Coalition at this time?**-----Yes No
2. **If no to number one, what more information do you need to decide to join at this time?**
 - a. Proposed Non-profit Organizational and Management.-----
 - b. Financial structure of the region non-profit.-----
 - c. Financial obligation of my community non-profit at this time.-----
 - d. Legal obligations of my community Non-profit at this time.-----

We would like to learn more about the commercial fishing infrastructure in your community.

- a. Does your community have an operating commercial seafood processing plant?-----Yes No
- b. Does your community have commercial seafood dock buying and off-loading capability?----- Yes No
- c. What is the current size of your fishing fleet?-----# _____
- d. How many potential fishermen do you have in your community# _____
- e. How many fishermen or potential fishermen have the vessels and equipment to begin operations?-----# _____

- f. How many fishermen and potential fishermen have the financial capability to gear up a fisheries operation for the 2004 season?-----# _____
- g. How many fishermen and potential fishermen have the financial capability to pay the necessary lease of the halibut or sable fish quota?-----# _____

We would like to learn more about your City Government operations and capability.

- a. Under what type government is your City Incorporated? _____
- b. How often does your government meet? _____
- c. Does your government have experience in managing Non-profit Corporations?-----
-----Yes No
- d. Does your government have the capability of forming a 501 C (3) Non-profit to implement this program?-----
-----Yes No
- e. Based upon the estimated costs of purchasing the halibut and sablefish IFQ's in an open market does your City Government have the funds to purchase the IFQ's for the 2004 season?-----
-----Yes No

We would like to learn more about your communities' freight service ability.

- a. Does your community have the freight service capability to store and move the estimated volumes of fish product under this program? Yes No
- b. Who is the freight service provider? _____
- c. What is the freight service schedule? _____
- d. What are the freight service costs? _____
- e. Will your community be able to get the fish products to market on a competitive basis with the current freight service in and out of your community?-----
-----Yes No

What do you see as your community strong points in implementing this program successfully?

- a. _____
- b. _____
- c. _____

d. _____
What do you see as your communities' weak points in implementing this IFQ program?

a. _____

b. _____

c. _____

d. _____

We would like to learn more about your communities' fuel and electricity costs?

a. Who delivers fuel to your community? _____

b. How often is fuel delivered to your community? _____

c. What are your community fuel costs? _____

d. What are your community electricity costs? _____

We would like to learn more about your community water system.

a. What type water system does your community have? _____

b. What is your communities water source? _____

c. How is your communities water system maintained and managed? _____

Who will be your community contact for this program?

a. Name _____

b. Address _____

c. Phone _____

d. Fax _____

e. E-mail _____

Does your community have bonding capability to purchase IFQ's? Yes No

Amending the IFQ Program: a New Opportunity for Gulf of Alaska Coastal Communities

Presented to:

Restricted Access Management (RAM) Staff
Juneau, Alaska :: December 23, 2003

Phil Smith, RAM
Alaska Region, NMFS (National Marine Fisheries Service)



Background

- In 1980s and early 1990s, the halibut and sablefish fisheries were overcapitalized; the result was
 - Short, intense (derby) seasons ("race for fish")
 - Poor product quality and low ex-vessel prices
 - Unhappy consumers (little fresh fish)
 - Unsafe operations (loss of vessels and life)
 - Low catch per unit of effort (CPUE)
 - Gear conflicts, lost gear, & ghost fishing
- In 1991, the Council recommended an Individual Fishing Quotas (IFQs) program to address these problems
- The IFQ program was implemented in 1995

Background - IFQ Program

- Quota Shares (QS) were issued to vessel owners and lessees who had catch in the "qualifying years" - late 1980s and 1990
 - Amount of quota depended on amount of catch from that person's boat by species and area
- QS is defined by Species, Area, Vessel Category and Block Status, as follows:
 - Species = Halibut or Sablefish
 - Area = 2C, 3A, etc. (for halibut)
SE, WY, etc. (for sablefish)
 - Vessel Cat. = A (freezer), B, C, or D
 - Blocked = QS that may not be divided

Background - IFQ Program (Cont'd)

- Amount of QS that may be held by any person, or fished from any one vessel, is "capped"
 - Amount varies, between 0.5% and 1.5%
- No person may hold more than two "blocks" of QS in any area at the same time (or one block and unblocked QS up to the cap)
- Every year, managers (IPHC and Council) decide the Total Allowable Catch (TAC) by administrative area, for both halibut and sablefish

Background - IFQ Program (Cont'd)

- After the annual TAC is set, QS holders receive their annual Individual Fishing Quota (IFQ) permit
 - The permit authorizes harvest of a specific number of pounds of fish of a specific species (halibut/sablefish), in a specific administrative area
- Amount of IFQ that is issued to a person depends on amount of QS s/he holds, relative to the QS held by all QS holders in the administrative area (i.e., the "Quota Share Pool" - QSP), as follows

$$QS/QSP \times TAC = IFQ$$

Background - IFQ Program (Cont'd)

- QS (and IFQ) is transferable (i.e., it may be sold), and so it has a market value
 - Value has been ~ \$10 to \$12 per pound of IFQ
 - Value depends on amount, area, species, etc.
- Catcher vessel QS may be only be transferred to, and used by,
 - Those who received QS initially, or
 - "IFQ Crewmembers" (i.e., individuals who can demonstrate 150 days of fishing)
- Eligible persons receive "Transfer Eligibility Certificate" (TEC)
- Catcher vessel QS may not be leased

Background - IFQ Program (Cont'd)

- Corporations and partnerships, and individuals who received shares initially may hire a skipper to fish their IFQ permit
 - But must own a 20% interest in the vessel
- When corporation or partnership "changes" (brings on a new owner), it must divest its catcher vessel QS to qualified individual(s)
- So, over time, all catcher vessel QS/IFQ will be held by individuals who must be on board when the IFQ permit is being fished.
- This "owner on board" program element is an important goal of the IFQ program

Background - IFQ Program (Cont'd)

- The IFQ program has been in effect since 1995; as a result,
 - The seasons have extended to 8+ months
 - The ex-vessel value has increased
 - Product quality has improved
 - Safety at sea has improved dramatically
 - CPUE has risen, while discards, by-catch, lost gear, and ghost fishing have declined
- Consolidation has also occurred
 - Total QS holders has declined by >25%
 - Numbers of vessels have declined by >50%
- So, the program is considered a "success"

Background - Communities

- Fishermen in small coastal communities (villages) received QS in proportion to their halibut/sablefish fishing in the late 1980s
- After IFQs, some bought more QS and expanded their operations; most did not
- By the end of 1998, almost 25% of QS that was issued to residents of small coastal communities had been transferred to residents of larger communities
 - Even as gross income from IFQ fishing increased
- Problem of declining access to IFQ fisheries was made worse by poor salmon prices

Background - Communities (Cont'd)

- In the late 1990s, leaders in the communities got organized and created the GOACCC
- Intent was to advocate for a solution to the decline of the fishery economy in small GOA communities
- With respect to IFQ halibut/sablefish, they sought either quota or access to quota
 - GOACCC testified before the National Research Council and before the North Pacific Fishery Management Council (Council) on several occasions
 - GOACCC also met with NMFS, the State, Sen. Stevens, and others, to pursue their goals

Background - Communities (Cont'd)

- The Council considered two formal mandates, including
 - National Research Council report ("Sharing the Fish...") recommended attention to communities as stakeholders in the management process
 - National Standard #8 [1996 Sustainable Fisheries Act (amended Magnuson-Stevens Act)] mandated consideration of community issues in fishery management plans
- As a result, the Council listened to the GOACCC, and acted
 - In April 2002 Council took final action on Amendment to IFQ program to allow communities to "buy in" to the IFQ program

Background - Communities (Cont'd)

- The result is current Secretarial approval of a proposed Amendment to the IFQ Program to allow small coastal communities to "buy in" to the IFQ program and to use IFQ to benefit local communities
- A Proposed Rule for the amendment has been published in the Federal Register (comment period ended on December 1)
- Final Rule could be published in early 2004
- So, communities could obtain QS and be fishing their IFQs during the 2004 season
- A presentation of program elements follows

Disclaimer

Although it is intended to be accurate, the following program description is only a summary of the program requirements that are set out in the Proposed Rule.

The Secretary of Commerce has approved the Council's proposed amendment to the Fishery Management Plan (Amendment 66); however, as of the date of this presentation (December 2003), he has not approved the implementing regulations.

Accordingly be advised that the Secretary may still reject the Proposed Rule in its entirety, or he may amend it before it is published as a Final Rule.

Program Summary

- Eligible GOA Communities may establish new non-profit corporations ("Community Quota Entities" or CQEs) to act on their behalf; if they do, then
 - CQEs apply to NMFS for authority to hold QS
 - When approved, CQEs enter the QS market
 - CQEs who hold QS then "lease" annual IFQ permit amounts to community residents
 - Lessees hire crew and fish the IFQ
 - Annually, CQEs submit activity reports and lessees pay the annual IFQ fee
 - CQEs remain in the market, and buy/sell QS as their finances and interests allow
 - Council reviews program in 5 years

"Eligible" GOA Communities

- Eligible Gulf of Alaska communities have the following characteristics:
 - They have a population of fewer than 1500 people (according to the 2000 census)
 - They have direct saltwater access (i.e., they are located on the coast of the GOA)
 - They lack direct access to the road system
 - They have historic participation in the commercial halibut and sablefish fisheries, and
 - They have been specifically designated on a list recommended by the Council
- The Council has designated 42 communities, as follows:

Designated Eligible Communities

Southeastern Alaska

Angoon
Craig
Elfin Cove
Hollis
Hydaburg
Kasaan
Metlakatla
Pelican
Port Alexander
Tenakee
Whale Pass

Coffman Cove
Edna Bay
Gustavus
Hoonah
Kake
Klawock
Meyers Chuck
Point Baker
Port Protection
Thorne Bay

Southcentral Alaska

Akhiok
Chignik
Chignik Lake
Ivanof Bay
King Cove
Nanwalek
Ouzinkie
Port Graham
Sand Point
Tatitlek
Yakutat

Chenega Bay
Chignik Lagoon
Halibut Cove
Karluk
Larsen Bay
Old Harbor
Perryville
Port Lyons
Seldovia
Tyonek

Note that, in the future, other communities may petition the Council for designation

Community Quota Entities (CQEs)

- CQEs are new (organized after April 10, 2002) non-profit corporations that are authorized to hold halibut/sablefish QS on behalf of specific eligible communities
 - CQEs are organized under the laws of the State of Alaska (Title X)
 - CQEs are tax exempt under relevant IRS rules
- Before being designated as a CQE, the entity must
 - Receive the support of one or more eligible communities
 - Successfully apply to NMFS (RAM) for CQE status and authorization to hold and use QS

Obtaining Community Support

- To become a CQE, a non-profit entity must demonstrate support from the eligible community(ies) it seeks to represent
- Support is demonstrated by resolution from the community's governing body; i.e., its
 - City Council if community is a municipality, or its
 - Tribal Government if community is not a municipality, or its
 - Non-Profit Association if community is neither a municipality nor a tribe
- A community may not designate more than one non-profit entity to represent it, but
 - A non-profit entity may represent more than one eligible community

Applying to NMFS/RAM

- When a non-profit has obtained support from one or more eligible community(ies), it applies to NMFS for CQE status; applications must (minimally) include
 - Articles of Incorporation and By-laws
 - Organizational Chart and explanation of management structure
 - Statement describing procedures that will be used to distribute annual IFQ to residents of communities represented by the corporation
 - Formal statements of support (resolutions) from governing body(ies) of eligible community(ies)

Approving CQE Applications

- When a non-profit seeking CQE status applies, RAM will
 - Review application for completeness and accuracy
 - Ask for clarification or additional documentation
- When application is complete and accurate, RAM will provide it to the State of Alaska for a 30-day review period
 - State may ask for additional information and
 - May comment on the application to NMFS
- However, the State does not have "veto" power over an application

Approving CQE Applications (Cont'd)

- Following comment by the State of Alaska (if any), RAM may
 - Approve the application
 - Partially approve the application (e.g., approve for only some eligible communities), or
 - Deny the application
- All denials will be recorded by a formal "Initial Administrative Determination" (IAD)
 - Each IAD will identify the issue(s), provide the background, discuss the record, and provide a detailed explanation of the determination, and
 - The IAD will also provide instructions for appealing the determination to the (NMFS) Office of Administrative Appeals

Approving CQE Applications (Cont'd)

- Upon approval of an application, RAM will certify that
 - The non-profit entity is a designated CQE, and may act on behalf of the named community(ies), and that
 - The CQE may hold and use QS on behalf of those community(ies)
- The CQE will be issued a "Transfer Eligibility Certificate" (TEC) and will be eligible to enter QS market on behalf of its eligible community(ies)
- But certain limits and special rules for CQEs will apply

Community/CQE QS Use Caps

- There are two types of QS Use Caps that apply, including
 1. Caps on each community's holdings, and
 2. Cumulative caps on all community holdings
- Community use caps (as held by CQEs on behalf of the communities) are same as caps under the existing program; i.e.:
 - 1% of 2C halibut QS (~600k units)
 - 0.5% of all GOA halibut QS (~1,500k units)
 - 1% of SE sablefish QS (~688k units)
 - 1% of all sablefish QS (~3,230k units)

Community/CQE QS Use Caps (Cont'd)

- Cumulative use caps on all CQE/community QS holdings apply as follows:

• First Year:	3%
• Second Year:	6%
• Third Year:	9%
• Fourth Year:	12%
• Fifth Year:	15%
• Sixth Year:	18%
• Seventh Year:	21%
- These cap amounts will be a specific item of Council attention at 5-year program review

Other CQE QS Purchase Limitations

- A CQE may not purchase, nor voluntarily receive by transfer, and use
 - QS from Bering Sea administrative areas
 - QS from halibut Area 3B (if on behalf of community located in Southeast Alaska)
 - QS from halibut Area 2C (if on behalf of community located in Southcentral Alaska)
 - QS in vessel category "D" (yielding IFQ for use on vessels less than 35' length over-all) in areas 2C and 3A
- If a CQE receives QS by "operation of law" contrary to above limitations, such QS may not be used (i.e., will not yield IFQ)

Community/CQE QS Block Rules

- A CQE may not purchase, nor voluntarily receive by transfer, and use (on behalf of any community)
 - More than 10 blocks of halibut or 5 blocks of sablefish QS in any one management area
- Further, a CQE may not purchase, nor voluntarily receive by transfer, and use (on behalf of any community)
 - QS blocks in amounts small enough to be "swept up" to form larger blocks; "sweep up" amounts are fixed numbers of QS units in each area, that generally yield
 - Less than ~3,000 pounds of halibut QS
 - Less than ~5,000 pounds of sablefish QS

Use of Community QS Held by a CQE

- QS held by a CQE on behalf of an eligible community will yield annual IFQ permit(s)
 - The size of each permit (amount of IFQ pounds it authorizes) depends on the relative amount of QS held in the pertinent administrative area and the size of the TAC; recall that:
$$QS/QSP \times TAC = IFQ$$
- Upon receipt of its annual IFQ permit(s), the CQE may then transfer (i.e. "lease") all or part of the IFQ pounds to one or more permanent resident(s) of the community on whose behalf the QS is held

Use of Community QS (Cont'd)

- To be eligible to lease the IFQ, a person must
 - Be a permanent resident of the community on whose behalf the CQE is leasing the IFQ,
 - A "permanent resident" is one who affirms that s/he has maintained a domicile in the community for a minimum of 12 months prior to applying to receive IFQ by transfer
 - Be an individual who is eligible to receive QS/IFQ by transfer; i.e.,
 - Be an "IFQ Crewmember" (demonstrate 150 days fishing experience), or
 - Be an individual who received QS by initial issuance

Limitations on Leasing of IFQ

- Amount of IFQ held by lessee may not exceed 50,000 pounds of halibut or sablefish, as derived from any source
- Amount of IFQ fished from any vessel may not exceed 50,000 pounds of halibut or sablefish in any season, inclusive of all IFQ fished aboard the vessel
- Lessee must be on board while fishing and delivering (i.e., no hired skippers)
- Vessel category length restrictions do not apply to IFQ leased from CQEs

Responsibilities of Lessee

- Hire crew (preferably local), outfit vessel, secure a market, and go fishing
- Follow all rules that apply to all other catcher vessel IFQ permit holders
 - Including accepting liability, jointly with CQE, for fishery violations
- Pay the annual fee assessed against IFQ permit holders with landings
 - Will be billed at the end of year for amount not to exceed 3% of the ex-vessel value of the IFQ delivered halibut or sablefish
 - Fees are to recover the actual costs of managing and enforcing the IFQ program

Restrictions on Sales of Community QS

- A CQE that holds QS on behalf of a community may only sell that QS to
 - "...improve, sustain, or expand..." the opportunities for community members to participate in the IFQ fisheries; but note that
 - QS may also be transferred by "...operation of law..." or by the terms of a security agreement
- To insure that the community's interests are protected
 - an application to transfer QS from the CQE to another entity must be signed by a representative of the community

Steps if Restrictions Violated

- Purpose(s) of proposed transfer of QS would be self-declared by community and its CQE at time of transfer
- If it is subsequently shown that the restriction was violated, NMFS would
 - Withhold issuance of the community's IFQ to the CQE, and
 - Suspend the community's ability to use QS for a period of up to three calendar years
- These would be administrative sanctions and would not be imposed until full administrative due process (notice and opportunity to be heard) had been exhausted

CQE Annual Reporting Obligation

- Each CQE must file an Annual Report on behalf of its eligible community(ies)
- Report must be filed by January 31 of the year following the calendar year for which the report is prepared
- Copies of the report are to be submitted
 - To each eligible community on whose behalf the CQE is filing, and
 - To NMFS
- Information in the reports will be summarized and made available to the public (specifically, to the Council)

Contents of Annual Report

- To be complete, an Annual Report must contain
 - Name(s) of vessel(s) upon which IFQ was fished
 - Names and addresses of crew members
 - Description of criteria used to distribute IFQ (leases) among eligible community residents
 - Description of efforts to employ community residents as crewmembers
 - Description of process used to solicit lease applications from eligible community residents, including name(s) of all who applied
 - CQE management changes, including changes in key personnel, board members, and corporate by-laws

Contents of Annual Report (Cont'd)

- Copies of relevant decision documents and minutes from CQE board meetings
- The contents will be augmented with information provided by NMFS, including
 - Identification of eligible community(ies)
 - Amount of QS held by CQE/community at beginning and end of calendar year
 - Amount of IFQ leased from the CQE/community
 - Name(s) and address(es) of IFQ lessee(s)
 - Number of vessels from which the community IFQ was fished

Steps if Annual Report is Not Filed

- Failure to submit an Annual Report in a timely manner could result in
 - Withholding of annual IFQ permit(s) from the CQE and the community(ies) it represents
 - Suspending authority of CQE/community(ies) to receive additional QS by transfer or to transfer QS/IFQ it holds
 - Additional enforcement action as indicated
- As is the case with other adverse actions, these would be administrative sanctions and would not be imposed until full administrative due process (notice and opportunity to be heard) had been exhausted

Concluding Remarks

- The Council and NMFS view this program amendment as a way to help small GOA communities to enhance their fishing economies
 - But it provides no allocation nor guarantees of success
 - Instead, it provides an opportunity
- Success of program will depend on the imagination and hard work of the communities and the organizations they form to represent them

Conclusion

- ✓ We have discussed a Proposed Rule only; changes could well be made before the rule becomes Final
- ✓ Questions and comments on the policy issues should be addressed to the Council, in Anchorage
- ✓ Questions and comments on the rule-making process should be directed to the NMFS Sustainable Fisheries Division, in Juneau
- ✓ Questions and comments on the implementation process should be directed to NMFS, Restricted Access Management (RAM), in Juneau

Contacts

North Pacific Fishery Management Council: Nicole Kimball
(Anchorage local number) 271-2809
E-mail: Nicole.Kimball@noaa.gov

NMFS, Sustainable Fisheries Division: Glenn Merrill or Jay Sinter
1-800-304-4846 (press "3"), or
(Juneau local number) 907-586-7228
E-mail: Glenn.Merrill@noaa.gov

NMFS, Restricted Access Management
Phil Smith, Tracy Buck, or Jessica Gharrett
1-800-304-4846 (press "2"), or
(Juneau local number) 586-7344
E-mail: RAM.Alaska@noaa.gov

SENATE COMMITTEE REPORT
First Committee of Referral

DATE: 04/13/04

FURTHER: Labor and Commerce

Date of 5-Day Notice: _____
 (in accordance with Uniform Rule 23)

DATE TURNED
 IN TO OFFICE: 4/19/04

Community and Regional Affairs Committee considered SENATE BILL NO. 387

SB 387 COMMERCIAL FISHING LOANS FOR QUOTA SHARES

"An Act authorizing the making of certain commercial fishing loans to eligible community quota entities for the purchase of certain fishing quota shares; and providing for an effective date."

and recommends:

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

Senate Bill:	
<input type="checkbox"/>	Same Title
<input type="checkbox"/>	New Title
House Bill:	
<input type="checkbox"/>	Same Title
<input type="checkbox"/>	Technical Title Change
<input type="checkbox"/>	New Title w/ SCR # _____

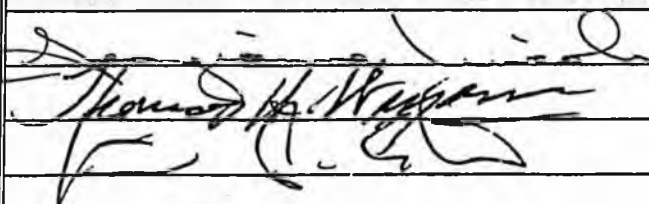
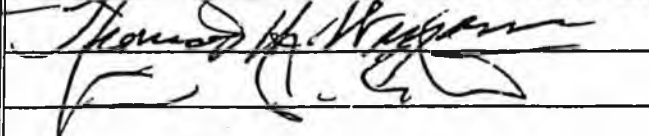

^{Previous}
NEW FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#
FISH & GAME	1/25/04			✓	2
DCED	2/12/04			✓	1

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
	✓			
	✓			
CHAIR 	✓			

**Alaska Division of Investments
SB 387 Sectional Analysis**

- Section 1 Amends AS 16.10.310(a)(1) by adding subsection E that allows the department to make loans to a new class of borrowers called community quota entities (CQE) to purchase fishing quota shares. To qualify a CQE must be eligible under federal statute or regulation and must not be eligible for financing from other recognized commercial lending institutions.
- Section 2 Amends AS 16.10.320(d) to limit the dollar amount of loans a community can have outstanding at any point in time to \$2,000,000.
- Section 3 Stipulates that the act does not take effect until the federal regulations authorizing community quota entities takes effect.

Prepared by the Alaska Division of Investments
April 9, 2003

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: 2
Bill Version: SB 387
(S) Publish Date: 4/13/04

Revision Date/Time (Note if correction): _____ Dept. Affected: Fish and Game
Title Making commercial fishing loans RDU _____
to eligible community quota entities Component _____
Sponsor Rules Committee
Requester Governor Component No. _____

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
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 ()						
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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 (FY2004) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

Passage of this legislation would have no fiscal impact.

Prepared by: Sarah Gilbertson
Division: Legislative Liaison
Approved by: Commissioner Kevin Duffy
Agency: Alaska Department of Fish & Game

Phone 465-6137
Date/Time: 1/25/04 11:55 AM
Date: 1/25/2004

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: SB 387
(S) Publish Date: 4/13/04

Revision Date/Time (Note if correction): _____ Dept. Affected: DCED
Title Commercial Fishing Loans to Eligible RDU Investments (122)
Community Quota Entities Component Investments
Sponsor Rules
Requester By Request of the Governor Component No. 383

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
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 (1036)	0.0	0.0	0.0	0.0	0.0	0.0
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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						
1036 Commercial Fishing Loan Fund						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2004) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This bill would amend the Commercial Fishing Revolving Loan Fund (CFRLF) to allow the department to make loans to a new group of quota share purchasers, Community Quota Entities (CQE), eligible under federal statute or regulation. This bill would accommodate a new class of borrowers under the National Marine Fisheries Service (NMFS) proposed rule (50 CRR 679) that will allow Individual Fishing Quota Shares (IFQs) to be purchased by non-profit entities as identified by the NMFS. The total balances of loans may not exceed \$2 million per community eligible under federal statute or regulation. The department anticipates making approximately \$1 million in CQE loans in FY05 and approximately \$3 million in each fiscal year thereafter through FY10.

No additional administrative costs would be required to accommodate this amendment to the CFRLF.

Prepared by: Greg Winegar, Director Phone (907) 465-2510
Division Investments Date/Time 2/12/04 11:50 AM
Approved by: Edgar Blatchford, Commissioner Date 2/12/2004
Agency Department of Community & Economic Development