

**SB**

**315**

**SFIN**

**FILE**

**SENATE FINANCE COMMITTEE REPORT**

DATE: 2/27/04

REPORTED OUT  MAR 09 2004  SENATE FINANCE COMMITTEE SENATE BILL NO. 315
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FURTHER:

DATE TURNED  
IN TO OFFICE: 3/9/04

Finance Committee considered

**SB 315 ENTRY PERMIT BUY-BACK PROGRAM**

"An Act relating to the administration of commercial fishing entry permit buy-back programs."

and recommends:

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

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

**NEW FISCAL NOTE(S):**

Department	Date	Fiscal	Indet.	Zero.	FN#

**PREVIOUS FISCAL NOTE(S):**

Department	Date	Fiscal	Indet.	Zero	FN#
F&G	2/20/04			✓	1

APPROPRIATION - no fiscal note

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

SENATE BILL NO. 315

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-THIRD LEGISLATURE - SECOND SESSION

BY SENATOR BEN STEVENS BY REQUEST OF THE JOINT LEGISLATIVE SALMON INDUSTRY  
TASK FORCE

Introduced: 2/11/04

Referred: Labor and Commerce, Finance

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the administration of commercial fishing entry permit buy-back  
2 programs."

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

4 \* Section 1. AS 16.43.320 is amended to read:

5           Sec. 16.43.320. Administration of the buy-back program. The commission  
6 shall adopt regulations providing for the purchase of transferable entry permits with  
7 money in the buy-back fund for each fishery. The commission shall cease purchases  
8 of entry permits in a fishery when the number of entry permits in the fishery has  
9 been reduced to the optimum number. The commission shall terminate a buy-  
10 back assessment established for a fishery under AS 16.43.310(b) when the  
11 commission determines that the amount of revenue collected through the  
12 assessment is sufficient to purchase the number of entry permits necessary to  
13 achieve the optimum number of entry permits in the fishery and to offset the  
14 reasonable costs of the buy-back program for the fishery, including repayment of

1 any debt the commission was authorized to incur to capitalize the buy-back fund  
2 for the fishery [THE BUY-BACK PROGRAM FOR A FISHERY SHALL  
3 TERMINATE WHEN THE NUMBER OF ENTRY PERMITS FOR THE FISHERY  
4 IS REDUCED TO THE OPTIMUM]. The unexpended balance of appropriations  
5 made to a buy-back fund for a fishery shall lapse back into the fund from which the  
6 money was appropriated at the end of the fiscal year in which the buy-back program is  
7 terminated.

MAR 09 2004

SENATE FINANCE  
COMMITTEE

# FISCAL NOTE

STATE OF ALASKA  
2004 LEGISLATIVE SESSION

Fiscal Note Number: 1  
Bill Version: SB 315  
(S) Publish Date: 2/27/04

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Fish and Game  
Title Commercial Fishing Entry Permit Buy-Back RDU Comm. Fish Entry Commission  
Program Component Commercial Fisheries Entry  
Sponsor Senator Stevens by request Commission  
Requester Salmon Industry Task Force Component No. 471

**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	0.0	0.0	0.0	0.0	0.0	0.0
Travel	0.0	0.0	0.0	0.0	0.0	0.0
Contractual	0.0	0.0	0.0	0.0	0.0	0.0
Supplies	0.0	0.0	0.0	0.0	0.0	0.0
Equipment	0.0	0.0	0.0	0.0	0.0	0.0
Land & Structures	0.0	0.0	0.0	0.0	0.0	0.0
Grants & Claims	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
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<b>CHANGE IN REVENUES ( )</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
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**FUND SOURCE** (Thousands of Dollars)

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

Estimate of any current year (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	0	0	0	0	0	0
Part-time	0	0	0	0	0	0
Temporary	0	0	0	0	0	0

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

Prepared by: Shirley Penrose, Administrative Officer Phone 907-790-6960  
Division: Commercial Fisheries Entry Commission Date/Time 2/20/04 2:15 PM  
Approved by: Frank M. Homan, Commissioner Date 2/20/2004  
Agency: Commercial Fisheries Entry Commission

# Alaska State Legislature

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



Session:  
STATE CAPITOL  
JUNEAU, AK  
99801-1182  
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Senate District N

## **BILL ANALYSIS**

### **Senate Bill 315**

**"An Act relating to the administration of commercial fishing entry permit buy-back programs."**

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Bill Title: Entry Permit Buyback Program

Sponsor: Senator Ben Stevens, by Request of the Joint Legislative Salmon Industry Task Force

Bill Achieves:

- Retains the language in statute for the current approach for a buyback option but ADDS language that would allow the possibility of using some other funding source to initially fund (or "front fund") a buyback and then assess the remaining fishermen in the fishery. This will provide funds to repay the money that was front-funded.
- Bill does not change any policies relative to the Commercial Fisheries Entry Commission. It merely sets up a mechanism for the state to fund and implement a buyback in an efficient manner.
- A front-fund source could be: a state or federal appropriation, private sector loan, a court settlement, or another funding source.

Current law would finance a potential buyback in this manner:

- The Commercial Fisheries Entry Commission conducts an optimum number study. The study confirms that there are too many permits in a particular fishery. A buy-back program is established to reduce the number of permits. The fishermen are assessed a fee (can be no more than 7% of the value) based on an individual's fish tickets. The assessment goes into the general fund and the legislature may appropriate the funds for the buyback.
- This method can take a long time to collect enough funds to reach the "optimum" number. The permit reduction would be so slow that benefits would not be realized for a very long time. There has, to this date, never been a buyback.

If we are fortunate enough to find a source of repayable funding to provide for a quick, effective buyback in a fishery for which an optimum number study determines a reduction is justified, the state could:

- Use the available funding to quickly buy permits down to the optimum number in one attempt;
- **Then** assess earnings of those who have chosen to remain in the now (presumably) more lucrative fishery to pay back the loan over time until the obligation is repaid.

# Alaska State Legislature

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## SPONSOR STATEMENT

### Senate Bill 315

“An Act relating to the administration of commercial fishing entry permit buy-back programs.”

Senate Bill 315 modifies existing law governing buy-back programs. It would allow the Commercial Fisheries Entry Commission to “front fund” a buy-back program if an appropriation were received. The commission would then continue to collect funds through the designated rate of assessment in the buy-back program to “pay back” the indebtedness.

When the optimum number of permits is reached in a buy-back *and* the reasonable costs of the program have been met, the Commission will terminate the assessment in the affected fishery. SB 315 will make the administration of a buy-back program more workable.

## STATUTES GOVERNING BUY-BACK PROGRAMS FOR CFEC

### Article 04. REDUCTION TO OPTIMUM NUMBER OF ENTRY PERMITS

#### Sec. 16.43.290. Optimum number of entry permits.

Following the issuance of entry permits under AS 16.43.270, the commission shall establish the optimum number of entry permits for each fishery based upon a reasonable balance of the following general standards:

(1) the number of entry permits sufficient to maintain an economically healthy fishery that will result in a reasonable average rate of economic return to the fishermen participating in that fishery, considering time fished and necessary investments in vessels and gear;

(2) the number of entry permits necessary to harvest the allowable commercial take of the fishery resource during all years in an orderly, efficient manner, and consistent with sound fishery management techniques;

(3) the number of entry permits sufficient to avoid serious economic hardship to those currently engaged in the fishery, considering other economic opportunities reasonably available to them.

#### Sec. 16.43.300. Revisions of optimum number of entry permits.

(a) The commission may increase or decrease the optimum number of entry permits for a fishery when one or more of the following conditions makes a change desirable considering the purposes of this chapter:

(1) an established long-term change in the biological condition of the fishery has occurred that substantially alters the optimum number of entry permits permissible applying the standards set out in AS 16.43.290;

(2) an established long-term change in market conditions has occurred, directly affecting the fishery, that substantially alters the optimum number of entry permits permissible under the standards set out in AS 16.43.290.

(b) If the commission decreases the optimum number of entry permits for a fishery, the number of entry permits may be reduced only under the voluntary buy-back provisions set out in AS 16.43.310 and 16.43.320.

Sec. 16.43.310. Establishment of buy-back funds and permit buy-back assessments.

(a) When the optimum number of entry permits is less than the number of entry permits outstanding in a fishery, the commission may establish a buy-back program, a buy-back plan, and a buy-back fund for that fishery.

(b) The commission may establish by regulation a permit buy-back assessment for each fishery for which the commission has established a buy-back fund under (a) of this section. The amount of the assessment may not exceed seven percent of the value, as defined in AS 43.75.290, of fish that a permit holder in the fishery subject to the assessment removes from the state or transfers to a buyer in the state. The Department of Revenue shall collect an assessment established under this subsection.

(c) The commission shall expend money appropriated to a buy-back fund for the purpose of reducing the number of entry permits in the fishery to the optimum number, at a rate to be established by the commission. The legislature may appropriate interest accrued on the money in a buy-back fund to that fund. Except as provided in AS 16.43.320, money appropriated to a buy-back fund does not lapse.

Sec. 16.43.320. Administration of the buy-back program.

The commission shall adopt regulations providing for the purchase of transferable entry permits with money in the buy-back fund for each fishery. The buy-back program for a fishery shall terminate when the number of entry permits for the fishery is reduced to the optimum. The unexpended balance of appropriations made to a buy-back fund for a fishery shall lapse back into the fund from which the money was appropriated at the end of the fiscal year in which the buy-back program is terminated.

## SENATE COMMITTEE REPORT First Committee of Referral

DATE: 2/11/04

FURTHER: Finance

Date of 5-Day Notice: 2/19/04  
(in accordance with Uniform Rule 23)

DATE TURNED  
IN TO OFFICE: 2/26/04

Labor and Commerce Committee considered SENATE BILL NO. 315

### SB 315 ENTRY PERMIT BUY-BACK PROGRAM

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and recommends:

- be replaced with \_\_\_\_\_ CS \_\_\_\_\_ (\_\_\_\_\_)
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- attached amendment(s)
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**Senate Bill:**

- Same Title
- New Title

**House Bill:**

- Same Title
- Technical Title Change
- New Title w/ SCR # \_\_\_\_\_

**NEW FISCAL NOTE(S):**

Department	Date	Fiscal	Indet.	Zero	FN#
F&G	2/20/04			✓	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
French				X	
Seelins		✓			
G. Skelins		✓			
CHAIR:		✓			

French  
Seelins  
G. Skelins

Bunde

SENATE FINANCE COMMITTEE

SIGN-IN

SB 315-ENTRY PERMIT BUY-BACK PROGRAM

✓ NAME: FRANK Homan Subject/Bill No: SB315  
Co./Dept./Title: Commissioner Phone: 790-6942  
Address: 8800 Glacier Hwy 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

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