

HB

218

SFIN

FILE

SENATE COMMITTEE REPORT

DATE: 5/6/05

FURTHER: Finance

DATE TURNED
IN TO OFFICE: 4/10/06

Resources Committee considered CS FOR HOUSE BILL NO. 218(FIN)

HB 218 PRIVATE HATCHERY COST RECOVERY FISHERIES

"An Act relating to cost recovery fisheries for private nonprofit hatchery facilities."

and recommends:

- be replaced with 5 CS CS HB 218 (RES)
- adopt previous _____ CS _____ (_____)
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to _____ Committee

CS Senate Bill:

- Same Title
- New Title

SCS House Bill:

- Same Title
- Technical Title Change
- New Title w/ SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#
CED	4/3/06			✓	5
DFG	4/4/06			✓	6
DPS	4/6/06			✓	7
REV	4/4/06		✓		8

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
Elton <i>[Signature]</i>	✓			
Hedman <i>[Signature]</i>				✓
3. Stevens <i>[Signature]</i>	✗			
CHAIR: <i>[Signature]</i>				

Elton
Hedman
3. Stevens

Wagoner

SENATE FINANCE COMMITTEE REPORT

REPORTED OUT
MAY 03 2006
SENATE FINANCE COMMITTEE

DATE: 4/10/06

FURTHER:

DATE TURNED
IN TO OFFICE: 3 May 2006

Finance Committee considered CS FOR HOUSE BILL NO. 218(FIN)

HB 218 PRIVATE HATCHERY COST RECOVERY FISHERIES

"An Act relating to cost recovery fisheries for private nonprofit hatchery facilities."

and recommends:

- be replaced with 5 CS CS HB 218 (FIN)
- adopt previous CS forthcoming (_____)
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to _____ Committee

CS Senate Bill:

- Same Title
- New Title

SCS House Bill:

- Same Title
- Technical Title Change
- New Title w/ SCR # _____

~~PREVIOUS~~
NEW FISCAL NOTE(S):

Department	Date	Fiscal	Ind.	Zero	FN#
DCED	4/3/06			✓	#5
F&G	4/4/06			✓	#6
DPS	4/6/06			✓	#7
DOR	4/4/06		*		#8

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Ind.	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<i>[Signature]</i>			✓	
<i>[Signature]</i>			✓	
<i>[Signature]</i>			✓	
COCHAIR: <i>Gary Wilber</i>			✓	
COCHAIR: <i>Linda Brees</i>	✓			

FISCAL NOTE

REPORTED OUT
MAY 03 2006
 SENATE FINANCE COMMITTEE

STATE OF ALASKA
 2006 LEGISLATIVE SESSION

Fiscal Note Number: 5
 Bill Version: SCS CSHB 218(RES)
 (S) Publish Date: 4/10/06

Revision Date/Time (Note if correction): _____ Dept. Affected: Commerce
 Title Private Hatchery Cost Recovery Fisheries RDU Investments (122)
 Component Investments
 Sponsor Thomas
 Requester Senate Resources Component No. 383

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
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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JND 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 (FY2006) cost: 0.0
 Mark this box (X) if funding for this bill is included in the Governor's FY 2007 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This legislation would allow private non-profit aquaculture associations to use a new method of conducting their cost recovery operations. Although the Alaska Division of Investments (division) provides financing to private non-profit aquaculture associations under the Fisheries Enhancement Revolving Loan Fund, the associations make all cost recovery decisions without input from the division. As a result this bill will have no fiscal impact on the division.

Prepared by: Greg Winegar, Director
 Division: Investments
 Approved by: William C. Noll, Commissioner
 Agency: Commerce, Community, and Economic Development

Phone 907 465-2510
 Date/Time 4/3/06 11:03 AM
 Date 4/3/2006

REPORTED OUT
MAY 03 2006
SENATE FINANCE COMMITTEE

FISCAL NOTE

STATE OF ALASKA
2006 LEGISLATIVE SESSION

Fiscal Note Number: 6
Bill Version: SCS CSHB 218(RES)
(S) Publish Date: 4/10/06

Revision Date/Time (Note if correction):

Dept. Affected: Fish and Game

Title: Private Hatchery Cost Recovery Fisheries

RDU: Commercial Fisheries

Sponsor: Representative Bill Thomas

Component: SE, Central, and Westerward Regions
Fish Management

Requester: Senate Resources Committee

Component No.: 2167, 2168, 2170

Expenditures/Revenues

(Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
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 (FY2006) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2007 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This legislation is enabling legislation and creates no additional expenses for the Alaska Department of Fish and Game (ADF&G). The promulgation of the regulations required by this legislation is already covered by ADF&G's existing budget. A zero fiscal note assumes that ADF&G will not be conducting hold inspections and that the reporting of harvests and sales taken within the special harvest area will be accomplished through the existing fish ticket catch reporting system.

Prepared by: Sarah A. Gilbertson, Legislative Liaison
Division: Commissioner's Office
Approved by: Commissioner McKie Campbell
Agency: Alaska Department of Fish and Game

Phone: 465-6137
Date/Time: 4/4/06 12:53 PM
Date: 4/4/2006

FISCAL NOTE

STATE OF ALASKA
 2006 LEGISLATIVE SESSION

Fiscal Note Number: 7
 Bill Version: SCS CSHB 218(RES)
 (S) Publish Date: 4/10/06

Revision Date/Time (Note if correction): _____ Dept. Affected: Public Safety
 Title: "An Act relating to cost recovery fisheries for private nonprofit hatchery facilities." RDU: Alaska State Troopers
 Component: AST Detachments
 Sponsor: Representative Thomas
 Requester: Senate Resources Committee Component No.: 2325

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
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 (FY2006) cost: 0.0
 Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

Section one, in part, outlines that hatchery permit holders can harvest salmon for the facility in special harvest areas using agents, contractors, employees of the permit holder, or through common property fisheries. A person who violates a regulation adopted under this section is guilty of a class A misdemeanor.

Currently the Department of Public Safety (DPS) does not expend any resources enforcing cost recovery fisheries. DPS does enforce fisheries opened by the Department of Fish and Game in special harvest areas and terminal harvest areas on a limited basis. These efforts are dependent upon other ongoing enforcement needs and public safety emergencies.

Since involvement for DPS is not stipulated by this legislation, there will be no fiscal impact to the department.

Prepared by: Lieutenant James Helgoe
 Division: Alaska State Troopers
 Approved by: Commissioner William Tandeske
 Agency: Department of Public Safety

Phone: 907-269-4532
 Date/Time: 4/6/06 3:41 PM
 Date: 4/6/2006

REPORTED OUT
MAY 03 2006
SENATE FINANCE COMMITTEE

FISCAL NOTE

STATE OF ALASKA
2006 LEGISLATIVE SESSION

Fiscal Note Number: 8
Bill Version: SCS CSHB 218(RES)
(S) Publish Date: 4/10/06

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue 04
Title Private Hatchery Cost Recovery Fisheries RDU Tax and Treasury
Component Tax
Sponsor Rep. Thomas
Requester Senate Resources Component No. 2476

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	*	*	*	*	*	*

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						
1007 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	*	*	*	*	*	*

Estimate of any current year (FY2006) cost: 00

Check this box (X) if funding for this bill is included in the Governor's FY 2007 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

See page 2

Prepared by: Tim Colton/Neil Tomlinson Phone: 465-2320
Division: Tax Division Date/Time: 4/10/06 1:45 PM
Approved by: Jerry Burnett, Administrative Services Director Date: 4/10/06
Agency: Revenue

FISCAL NOTE # 8

STATE OF ALASKA
2006 LEGISLATIVE SESSION

BILL NO. SCS CSHB 218(RES)

ANALYSIS CONTINUATION

This bill authorizes hatchery permit holders to recover costs using an assessment against special common property fisheries in lieu of cost recovery harvests. Revenue is charged with setting the assessment rate, not to exceed 40%, in consultation with the Department of Commerce, Community, and Economic Development, the hatchery permit holder, and commercial fishermen. Licensed fisheries businesses and participating commercial fishermen remit the assessment to Revenue under regulations that would be adopted.

Our interpretation of the bill is that it does not authorize Revenue to enforce an assessment. Revenue will not perform audits or otherwise pursue compliance with an assessment. The assessment is not subject to the administrative provisions of Title 43 that includes penalties, interest, assessments and limitations on assessments, or appeal rights and procedures. The department's authority is restricted to setting the assessment rate, receiving payments, and accounting.

Cost Discussion

Our costs are indeterminant because we cannot predict the number, if any, or complexity of common property cost recovery fisheries that will arise under the bill.

Receipt & Accounting

We are unable to predict the actual number of fisheries that can be handled using existing resources. We estimate that we can receive and account for 2 to 3 common property cost recovery fisheries using existing resources. It is possible, depending on the number of taxpayers per fishery and the complexity and timing of accounting and distribution requirements, that we could receive and account for additional fisheries using existing resources.

Rate Setting

We are unable to predict the cost of setting rates under the bill. The time and expense attributable to rate setting will be influenced by the knowledge, experience, contributions by the participants, the financial and operational status of the hatchery permit holder, and other factors specific to each fishery and hatchery permit holder. We expect to incur travel expenses with respect to hatcheries and interest groups who are testing the waters as well as for any cost recovery fisheries that actually take place. We are unable to anticipate the level of demand for services associated with rate setting activities, however, the successful establishment of a fishery under the program may not be possible without dedicated staffing. There are currently 31 hatcheries in the state. If more than 3 hatcheries elect to become common property cost recovery fisheries, Revenue projects a need for 1 to 2 additional Tax Auditor positions, along with funding for travel.

Revenue Discussion

We are unable to predict the number of cost recovery fisheries that will arise under the bill or receipts associated with a fishery

SENATE FINANCE
COMMITTEE
Amendment # #2
To Bill Number: HB 218
Sponsor: Stedman
Date: 5/2/06 Logged by: Mindy

Adopted
amended
by Amendment #:
24-LS0544/W-7
Kane
5/2/06

AMENDMENT

OFFERED IN THE SENATE
TO: SCS CSHB 218(RES)

by Senator Stedman

- 1 Page 1, line 11:
- 2 Delete "annually"
- 3 Insert ", by a majority vote of the membership of the hatchery permit holder's board."
- 4
- 5 Page 2, line 7, following "area.":
- 6 Insert "Following adoption of regulations by the department, each year before
- 7 March ¹⁰, the hatchery permit holder's board, by a majority vote of the board's membership,
- 8 may determine whether the hatchery will operate under the regulations adopted under this
- 9 subsection during the current calendar year, and shall notify the department if the hatchery
- 10 intends to operate under the regulations adopted under this subsection."

SENATE FINANCE
COMMITTEE

Amendment #

#2

To Bill Number: HB 218

Sponsor: Stedman

Date: 5/2/06 Logged by: Mindy

Amend #3

adopted

24-LS0544\W.7

Kane

5/2/06

AMENDMENT

OFFERED IN THE SENATE

TO: SCS CSHB 218(RES)

by Senator Stedman

1 Page 1, line 11:

2 Delete "annually"

3 Insert ", by a majority vote of the membership of the hatchery permit holder's board."

4

5 Page 2, line 7, following "area.":

6 Insert "Following adoption of regulations by the department, each year before

7 March ¹⁰ ~~1~~, the hatchery permit holder's board, by a majority vote of the board's membership,

8 may determine whether the hatchery will operate under the regulations adopted under this

9 subsection during the current calendar year, and shall notify the department if the hatchery

10 intends to operate under the regulations adopted under this subsection."

SENATE CS FOR CS FOR HOUSE BILL NO. 218(FIN)
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-FOURTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): REPRESENTATIVES THOMAS, Elkins, Wilson

A BILL
FOR AN ACT ENTITLED

1 "An Act relating to cost recovery fisheries for private nonprofit hatchery facilities."

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

3 * Section 1. AS 16.10 is amended by adding a new section to read:

4 Sec. 16.10.455. Cost recovery fisheries. (a) A hatchery permit holder may
5 harvest salmon for a facility in

6 (1) a special harvest area through agents, or employees of or persons
7 under contract with the permit holder as provided under a permit from the department
8 or regulations of the Board of Fisheries; or

9 (2) a terminal harvest area through the common property fishery under
10 this section.

11 (b) A hatchery permit holder may, by a majority vote of the membership of
12 the hatchery permit holder's board, elect to harvest surplus salmon produced at a
13 facility in a terminal harvest area established for that facility through the common
14 property fishery. At the request of the hatchery permit holder and if the commissioner
15 of fish and game determines that there are no allocative issues involved, and after

Amend
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reasonable consultation with affected commercial fishermen and the organizations of affected commercial fishermen, the commissioner may adopt regulations governing the harvest of surplus salmon in a terminal harvest area when the hatchery permit holder elects to harvest surplus salmon produced at a facility through a common property fishery. The regulations must specify the terms, conditions, and rules under which the common property fishery in the terminal harvest area shall be conducted, including requirements for hold inspections and reporting of harvests and sales of salmon taken in the terminal harvest area. Following adoption of regulations by the department, each year before March 10, the hatchery permit holder's board, by a majority vote of the board's membership, may determine whether the hatchery will operate under the regulations adopted under this subsection during the current calendar year, and shall notify the department if the hatchery intends to operate under the regulations adopted under this subsection. The Board of Fisheries may adopt regulations under AS 16.05.251 regarding a fisheries management plan governing operations under this subsection in a terminal harvest area, including allocation plans. Participation in the fishery must be open to all interim-use permit and entry permit holders who hold permits to operate a type of gear that may be used in the fishing district in which the terminal harvest area is located if that type of gear is authorized by regulation to be used in the terminal harvest area. An interim-use permit holder or an entry permit holder who takes salmon in a common property fishery in a terminal harvest area may sell the salmon to any fish buyer or processor who is licensed to do business in the state.

Amend
#2
##3

(c) As a condition of participation in a common property salmon fishery in a terminal harvest area under this section, a fisherman who participates in the fishery is subject to the payment of the assessment levied under (d) of this section. The assessment is levied on the value of salmon that the fisherman takes in the terminal harvest area and sells to a licensed buyer. The buyer of the salmon must be licensed under AS 43.75, and the buyer shall collect the assessment on salmon taken in a terminal harvest area at the time of purchase and remit the assessment to the Department of Revenue in accordance with regulations adopted by the Department of Revenue.

1 (d) The Department of Revenue may, by regulation, annually, by March 1 of
2 each year, set the rate of the assessment levied on salmon taken in a terminal harvest
3 area in consultation with the Department of Commerce, Community, and Economic
4 Development, the hatchery permit holder, and representatives of affected commercial
5 fishermen. The rate of the assessment shall provide sufficient revenue to cover debt
6 service to the state, reasonable operating expenses, reasonable maintenance expenses,
7 and development or maintenance of a reserve fund up to 100 percent of annual
8 operating costs of the hatchery permit holder. In setting the rate of the assessment, the
9 department shall consider the estimated return and harvest of salmon in the terminal
10 harvest area, the projected price to be paid for salmon in the region, the amount of the
11 existing reserve held by the hatchery permit holder, and the amount by which the
12 assessment collected in previous years exceeded or fell short of the amount anticipated
13 to be collected. The total rate of the assessment may not exceed 50 percent of the
14 value of the salmon.

15 (e) The Department of Revenue shall deposit the assessments collected under
16 this section in the general fund. The legislature may appropriate the funds collected
17 under this section to the hatchery permit holder who operates a facility in the terminal
18 harvest area in which the assessment was levied. A hatchery permit holder shall use
19 funds appropriated under this subsection for the purposes set out under
20 AS 16.10.450(a). The legislature may also appropriate funds collected under this
21 section to the Department of Revenue for costs incurred by the department under this
22 section.

23 (f) A person who violates a regulation adopted under (b) of this section is
24 guilty of a violation under AS 16.05.722 or a misdemeanor under AS 16.05.723. A
25 person who violates a regulation adopted by the Department of Revenue under (c) of
26 this section is guilty of a class A misdemeanor.

27 (g) In this section,

28 (1) "facility" means a hatchery or salmon rehabilitation project for
29 which a permit is issued under AS 16.10.400 - 16.10.470;

30 (2) "special harvest area" means an area designated by the
31 commissioner or the Board of Fisheries where salmon returning to a hatchery may be

1 harvested by the hatchery operators, and, in some situations, by the common property
2 fishery;

3 (3) "terminal harvest area" means a harvest area, which may include a
4 hatchery release site, established by the commissioner or the Board of Fisheries where
5 salmon returning to a hatchery may be harvested by the common property fishery;

6 (4) "value" has the meaning given in AS 43.75.290.

7 * Sec. 2. AS 43.76.035 is amended to read:

8 **Sec. 43.76.035. Exemption. Except as provided under (b) of this section.**
9 AS 43.76.001 - 43.76.040 do not apply to salmon harvested under a special harvest
10 area entry permit issued under AS 16.43.400.

11 * Sec. 3. AS 43.76.035 is amended by adding a new subsection to read:

12 (b) Salmon harvested in a common property fishery conducted in a terminal
13 harvest area under AS 16.10.455 are subject to a salmon enhancement tax levied under
14 AS 43.76.001 - 43.76.040.

Proof
Error - Replaced w/

24-LS0544AO

SENATE CS FOR CS FOR HOUSE BILL NO. 218(FIN)
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-FOURTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:
Referred:

Sponsor(s): REPRESENTATIVES THOMAS, Elkins, Wilson

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to cost recovery fisheries for private nonprofit hatchery facilities."

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

3 * Section 1. AS 16.10 is amended by adding a new section to read:

4 Sec. 16.10.455. Cost recovery fisheries. (a) A hatchery permit holder may
5 harvest salmon for a facility in

6 (1) a special harvest area through agents, or employees of or persons
7 under contract with the permit holder as provided under a permit from the department
8 or regulations of the Board of Fisheries; or

9 (2) a terminal harvest area through the common property fishery under
10 this section.

11 (b) A hatchery permit holder may, [^] ~~Annually~~ by a majority vote of the membership of
12 the hatchery permit holder's board, elect to harvest surplus salmon produced at a
13 facility in a terminal harvest area established for that facility through the common
14 property fishery. At the request of the hatchery permit holder and if the commissioner
15 of fish and game determines that there are no allocative issues involved, and after

Amend
#2

1 reasonable consultation with affected commercial fishermen and the organizations of
 2 affected commercial fishermen, the commissioner may adopt regulations governing
 3 the harvest of surplus salmon in a terminal harvest area when the hatchery permit
 4 holder elects to harvest surplus salmon produced at a facility through a common
 5 property fishery. The regulations must specify the terms, conditions, and rules under
 6 which the common property fishery in the terminal harvest area shall be conducted,
 7 including requirements for hold inspections and reporting of harvests and sales of
 8 salmon taken in the terminal harvest area. Following adoption of regulations by the
 9 department, each year before March 1, the hatchery permit holder's board, by a
 10 majority vote of the board's membership, *should be March 10* may determine whether the hatchery will
 11 operate under the regulations adopted under this subsection during the current calendar
 12 year, and shall notify the department if the hatchery intends to operate under the
 13 regulations adopted under this subsection. The Board of Fisheries may adopt
 14 regulations under AS 16.05.251 regarding a fisheries management plan governing
 15 operations under this subsection in a terminal harvest area, including allocation plans.
 16 Participation in the fishery must be open to all interim-use permit and entry permit
 17 holders who hold permits to operate a type of gear that may be used in the fishing
 18 district in which the terminal harvest area is located if that type of gear is authorized
 19 by regulation to be used in the terminal harvest area. An interim-use permit holder or
 20 an entry permit holder who takes salmon in a common property fishery in a terminal
 21 harvest area may sell the salmon to any fish buyer or processor who is licensed to do
 22 business in the state.

#2
incorrect

23 (c) As a condition of participation in a common property salmon fishery in a
 24 terminal harvest area under this section, a fisherman who participates in the fishery is
 25 subject to the payment of the assessment levied under (d) of this section. The
 26 assessment is levied on the value of salmon that the fisherman takes in the terminal
 27 harvest area and sells to a licensed buyer. The buyer of the salmon must be licensed
 28 under AS 43.75, and the buyer shall collect the assessment on salmon taken in a
 29 terminal harvest area at the time of purchase and remit the assessment to the
 30 Department of Revenue in accordance with regulations adopted by the Department of
 31 Revenue.

1 (d) The Department of Revenue may, by regulation, annually, by March 1 of
2 each year, set the rate of the assessment levied on salmon taken in a terminal harvest
3 area in consultation with the Department of Commerce, Community, and Economic
4 Development, the hatchery permit holder, and representatives of affected commercial
5 fishermen. The rate of the assessment shall provide sufficient revenue to cover debt
6 service to the state, reasonable operating expenses, reasonable maintenance expenses,
7 and development or maintenance of a reserve fund up to 100 percent of annual
8 operating costs of the hatchery permit holder. In setting the rate of the assessment, the
9 department shall consider the estimated return and harvest of salmon in the terminal
10 harvest area, the projected price to be paid for salmon in the region, the amount of the
11 existing reserve held by the hatchery permit holder, and the amount by which the
12 assessment collected in previous years exceeded or fell short of the amount anticipated
13 to be collected. The total rate of the assessment may not exceed 50 percent of the
14 value of the salmon.

15 (e) The Department of Revenue shall deposit the assessments collected under
16 this section in the general fund. The legislature may appropriate the funds collected
17 under this section to the hatchery permit holder who operates a facility in the terminal
18 harvest area in which the assessment was levied. A hatchery permit holder shall use
19 funds appropriated under this subsection for the purposes set out under
20 AS 16.10.450(a). The legislature may also appropriate funds collected under this
21 section to the Department of Revenue for costs incurred by the department under this
22 section.

23 (f) A person who violates a regulation adopted under (b) of this section is
24 guilty of a violation under AS 16.05.722 or a misdemeanor under AS 16.05.723. A
25 person who violates a regulation adopted by the Department of Revenue under (c) of
26 this section is guilty of a class A misdemeanor.

27 (g) In this section,

28 (1) "facility" means a hatchery or salmon rehabilitation project for
29 which a permit is issued under AS 16.10.400 - 16.10.470;

30 (2) "special harvest area" means an area designated by the
31 commissioner or the Board of Fisheries where salmon returning to a hatchery may be

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harvested by the hatchery operators, and, in some situations, by the common property fishery;

(3) "terminal harvest area" means a harvest area, which may include a hatchery release site, established by the commissioner or the Board of Fisheries where salmon returning to a hatchery may be harvested by the common property fishery;

(4) "value" has the meaning given in AS 43.75.290.

* Sec. 2. AS 43.76.035 is amended to read:

Sec. 43.76.035. Exemption. Except as provided under (b) of this section, AS 43.76.001 - 43.76.040 do not apply to salmon harvested under a special harvest area entry permit issued under AS 16.43.400.

* Sec. 3. AS 43.76.035 is amended by adding a new subsection to read:

(b) Salmon harvested in a common property fishery conducted in a terminal harvest area under AS 16.10.455 are subject to a salmon enhancement tax levied under AS 43.76.001 - 43.76.040.



Official Business

Alaska State Senate

Senate Finance Committee

Mail Stop 3100
State Capitol
Juneau, Alaska 99801-1182

FAX COVER SHEET

DATE: 3 May 2006 TIME: 10:35 am

TO: Legal Services

NUMBER OF PAGES, INCLUDING COVER SHEET: 2

FROM: MINDY ROWLAND
SENATE FINANCE COMMITTEE SECRETARY
PHONE: 465-4935
FAX: 465-2187

NOTES: Final Please
SCS CS HB 218 (FIN) 24-LS0544\W
plus 1 amended amendment. attached

Thx
Mindy

SENATE FINANCE

COMMITTEE

Amendment #

#1

To Bill Number:

HB 218

Sponsor:

Stedman

24-LS0544\W.4

Date:

5/1/06

Logged by:

Mindy

Kane

4/21/06

Not offered

AMENDMENT

OFFERED IN THE SENATE

BY SENATOR STEDMAN

TO: SCS CSHB 218(RES)

1 Page 1, line 11, following 'elect':

2 Insert ", by a majority vote of the membership of the hatchery permit holder's board,"

3

4 Page 2, line 7, following "area.":

5 Insert "Following the drafting of the regulations, the hatchery permit holder's board
6 shall be given an opportunity to review the regulations, and shall, by majority vote of the
7 board's membership, reaffirm its election to harvest surplus salmon under this subsection
8 before proceeding with the harvest."



REPRESENTATIVE BILL THOMAS

ALASKA STATE LEGISLATURE DISTRICT 5

e-mail: Representative.Bill.Thomas@legis.state.ak.us webpage: www.akrebublicans.org/thomas/

State Capitol

Juneau AK, 99801-1182

907-461-3732

888-461-3732

FAX 907-465-2652

Sponsor Statement SCS CS HB 218 (RES)

"An Act relating to cost recovery fisheries for private nonprofit hatchery facilities"

Salmon hatcheries in Alaska continue to be positive contributors to the economic development of coastal regions. Over the years, hatcheries have provided great benefit to the commercial fishing industry and to other users of fish by enhancing the strength of salmon returns and by creating jobs in our communities. The commercial salmon industry has paid into this program through the Salmon Enhancement Tax since 1980.

HB 218 relates to the methods by which hatcheries generate revenue to cover their operating and capital expenses. These methods are referred to as "cost recovery." Under current practices, hatcheries contract with processors to purchase part of the returning run of fish that are caught in areas known as Special Harvest Areas immediately in front of hatcheries or at remote release sites where enhanced runs of fish have been developed. Typically only a handful of commercial vessels actually participate in the harvest of these cost recovery fish.

HB 218 provides language that would allow hatchery operators to choose to recover their costs through fisheries open to commercial fishermen, allowing the fleet to access more fish. In return for this increased access, the industry would pay an assessment of up to 50% of the value of the fish to ensure that the users of the resource continue to pay for the costs of the hatcheries. Hatcheries were created to enhance the natural production of salmon so that the common property users would have a more abundant resource to harvest. The hatchery system should work toward the goal of minimizing the amount of fish that hatcheries sell directly to processors. However, because each hatchery has a unique financial situation, this alternative type of cost recovery will not be immediately applicable to all hatcheries. For this reason, HB 218 merely provides permissive language. It in no way will force a hatchery to change its current practices.

From: Kevin Brennan [kraa@gci.net]
Sent: Tuesday, April 18, 2006 10:51 AM
To: Sen. Lyda Green
Subject: HB 218
Follow Up Flag: Follow up
Flag Status: Red

Dear Senator Green

The Kodiak Regional Aquaculture Association (KRAA) is OPPOSED to passage of the Senate committee substitute for House Bill 218, *An Act Relating to Cost Recovery Fisheries for Non Profit Hatchery Facilities*, which was recently moved to the Senate Finance committee.

Regional aquaculture associations are made up of representatives of all groups interested in salmon fisheries within an area. KRAA is the nonprofit salmon enhancement association for the Kodiak area, which includes the City of Kodiak and road system communities of Monashka Bay, Bell's Flats, Pasagshak, and Chiniak, and the outlying village communities of Ouzinkie, Port Lions, Larsen Bay, Karluk, Akhiok, and Old Harbor. KRAA is the operator of two salmon hatcheries, the Kitoi Bay Hatchery and the Pillar Creek Hatchery. Salmon enhancement efforts by KRAA have significantly improved the subsistence, sport and subsistence salmon fishing opportunities of the Archipelago's residents. For example, information from ADF&G shows that from 1995-2004 about 26% of the salmon that were commercially harvested in the Kodiak area were fish from the active enhancement program conducted by the KRAA.

We recognize that some fishermen and processors may wish to see changes made to the current cost recovery programs operated by regional aquaculture associations or other hatchery permit holders. However, we feel strongly that HB 218 is not the answer.

Currently, the Alaskans who are members of Alaska's regional aquaculture associations have the responsibility to manage enhancement projects in their region, and the cost recovery programs required to fund those projects, through an elected Board of Directors. Cost recovery programs are determined through a local, public process. Any interested group or person may take part in the process, but no one group or person can drive the discussion. Passage of HB 218 will be divisive. If passed, any fisherman or processor that has a new or different idea will feel they can bypass the established association's public meetings and Board of Directors, who are the most knowledgeable of the issues involved, in favor of pushing their agenda with the Alaska Legislature, the Board of Fisheries, or officials within State departments. It has been said that HB 218 only creates a voluntary alternative to cost recovery fisheries. However, no legislation that is promulgated, debated, amended, and ultimately passed is done so with the assumption that

it will not be used. There is intent to use these statutes should they pass, though by who has not been adequately evidenced for this particular bill.

While Representative Thomas's office has taken comments and incorporated some suggested amendments, we feel that a subject of this magnitude deserves further study and discussion directly with regional aquaculture associations and hatchery permit holders. While little input has been actively sought, some have presumed that few or no comments mean there is little or no opposition. Lack of a concerted, coordinated opposition to date should not be taken as support. Is there truly a problem, or is this bill the result of grumblings by a few people? Clear problem statements, reasonable goals and objectives, and a variety of alternatives should be developed and discussed, with involvement and contribution from affected regional associations and hatchery permit holders.

Alternate methods of cost recovery are already in current statutes. In May 2004 changes to salmon enhancement tax statutes proposed by Senator Ben Stevens were adopted. AS 43.76 now allows for collection of up to 30% of the value of salmon harvested within a specified region or portion of a region, to go to qualified regional associations to fund operations. However, adoption of those levels of taxation require a positive vote from the majority of commercial salmon fishing permit holders within the affected regions. A few people, including a simple majority of an association's Board of Directors, cannot push a new style of cost recovery on all affected users. As currently set up, any change to the salmon enhancement tax level requires a vote of affected commercial fishermen, with procedures for such a vote clearly stated. If HB 218 passes, a few individuals may be successful in changing the regulations that affect all users. Substitution of a fair public process with autocratic legislation is not good policy or in the best interest of the State of Alaska.

We are concerned about required involvement of multiple State agencies and departments. The Department of Fish and Game must determine allocative issues. The Board of Fisheries must review and adopt new regulations. The Department of Revenue must set the rate of the assessment to be levied on salmon harvested. To do so, the Department of Revenue and Department of Commerce, Community, and Economic Development must determine how much revenue is needed by an affected regional association to cover debt service, operating and maintenance expenses, and reserve funds. The Department of Revenue must determine the projected hatchery returns and the price that will be paid for salmon within the region, and must collect and deposit the revenues collected. The Legislature must appropriate the funds collected each year. The Department of Public Safety must enforce violations of new regulations. We found it surprising that, given the required level of involvement by multiple agencies, that the State departments involved have submitted Fiscal Notes claiming little or no additional expenses. How can such a complicated bureaucratic program that would involve dozens of State employees from several agencies not be costly? If nothing else, administration of this type of cost recovery program will require reallocation of existing funds within departments, taking away from other projects. We also feel it is unreasonable to think that the Department of Public Safety or Fish and Game would not have to become involved in determining participants, conducting hold inspections, and monitoring delivery of harvest in cost recovery fisheries created by HB 218.

Passage of HB 218 and implementation of cost recovery fisheries created by HB 218 would put the State squarely in the position of determining annual budgets and needed revenues for affected associations and hatchery permit holders. This amounts to State government usurping the fiscal responsibilities of a private sector business when there has been no clear problem or impropriety demonstrated. This would be unpalatable to any private sector business, and would likely be in conflict with the Bylaws and Constitutions of most or all regional aquaculture associations, including KRAA.

HB 218 sets no provisions for enforcement of collection of the revenues gathered under such cost recovery fisheries (see the Fiscal Note 8, submitted by Department of Revenue). The bill sets no

method of determining or limiting the amount of funds collected that may be appropriated to the Department of Revenue to cover undefined "costs incurred". Many crucial terms used in this bill are undefined, such as "reasonable consultation", "affected commercial fishermen", "organizations of affected commercial fishermen", "representatives of affected commercial fishermen", "reasonable operating expenses", and "reasonable maintenance expenses". This bill would redefine "Terminal Harvest Area", a term already defined in current commercial fishing regulations.

We foresee that instead of providing additional opportunity, HB 218 style common property cost recovery fisheries may reduce effort in Terminal Harvest Areas. Fisherman may decide that it is not economical to fish in an area where they will be paid up to 50% less for their catch than in other fisheries in the region. What happens in years when the salmon returns are significantly different than projected, or if the price or assessments determined by the State are incorrect and fail to provide sufficient revenue for regional aquaculture association operations? Such situations should be accounted for in this or any legislation that affect hatchery cost recovery.

KRAA has been following this bill and was opposed to it when first introduced into the House in March, 2005. At the fall 2005 United Fishermen of Alaska (UFA) meeting in Cordova, KRAA representatives did not oppose the bill for it was portrayed as voluntary, not really applicable to Kodiak cost recovery programs, and that some particularly onerous language had been removed making the bill more palatable. In February 2006, after seeing the version of the bill that was circulating in the Senate, two representatives of KRAA met with their local legislators, Representative Gabrielle LeDoux and Senator Gary Stevens, and expressed opposition to the bill. Members of the newly formed enhancement subcommittee of UFA (made up largely of representatives of aquaculture associations and salmon hatcheries) attempted to bring up this issue at the spring UFA 2006 meeting due to their concerns, but further discussions were not allowed. It should not be portrayed that all members of the Board of UFA are proponents of this bill. KRAA is not.

The Board of Directors of the Kodiak Regional Aquaculture Association urges you to table the Senate committee substitute for HB 218 or ask for a nay vote on passage of this bill.

Sincerely,

Kevin Brennan
Executive Director
Kodiak Regional Aquaculture Association

THE
FOLLOWING
DOCUMENT(S)
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ORIGINAL
COPIES

Petersburg Vessel Owners Association

P.O. Box 232
Petersburg, Alaska 99833
Phone (907) 772-9323 Fax (907) 772-4495

April 4, 2006

Senator Wagoner, Chair
Senate Resources Committee
Alaska State Legislature
Juneau, AK 99801-1182

Re: Support HB 218 Private Non-Profit Hatchery Cost Recovery Elimination

Petersburg Vessel Owners Association is a group of commercial fishermen who participate in many fisheries statewide, including the troll, gillnet, and seine fisheries for salmon. These fisheries have benefited greatly from the State of Alaska's salmon enhancement program. However, in recent years we have experienced difficulty in optimizing fish harvest and quality in some special harvest areas.

We support passage of this bill that would allow private non-profit hatcheries to recover their operating costs through an assessment on fish caught in the area rather than by directly harvesting a percentage of the return. The assessment would have to be initiated and approved by the hatchery. This method couldn't be used unless the hatchery board of directors wanted to use it. The permissive nature of the bill language will allow the hatchery staff and board of directors to determine which method is most economical and appropriate.

In short, HB 218 would give the fleet and the hatcheries another option for cost recovery in situations where the traditional method has been problematic without forcing anyone to change their current practices. We appreciate your consideration of these comments and hope you will support this bill. If we can assist you in any way, please feel free to contact us.

Respectfully,



Cora Crome
Director



ICICLE.

May 6, 2006

Senator Tom Wagoner, Chairman
Senate Resources Committee
Alaska State Legislature
State Capitol (MS 3100)
Juneau, Alaska 99801-1182

Dear Chairman Wagoner and Committee Members,

I am writing to express our support for CS HB 218 relating to cost recovery fisheries for private nonprofit hatchery facilities.

As a major salmon processor with operations in Petersburg, Seward and Bristol Bay we believe this legislation is good for all the salmon industry stakeholders. It will provide another option for nonprofit hatchery boards to consider as a means to cover the expenses for their facilities and operations.

This legislation provides a tool that hatcheries may employ to enable all salmon permit holders to participate in the harvest of surplus salmon produced by the hatcheries in terminal harvest areas. In addition, all processors will have an opportunity to purchase this salmon from the fleets. Currently, only those harvesters and processors that are successful in their pre-season bids to the hatcheries for the cost recovery fish are able to participate. If used, this option would allow more fishing time for the fleets and provide fish to all processors while still covering hatchery expenses.

We believe this option should be made available to nonprofit hatchery facilities and request your support for CS HB 218.

Sincerely,
ICICLE SEAFOODS, INC.

A handwritten signature in black ink that reads "Kris Norosz".

Kris Norosz
Government Affairs

PETERSBURG FISHERIES

A DIVISION OF ICICLE SEAFOODS, INC

P.O. Box 1147 • Petersburg, AK 99833 • Tel: 907-772-4294 • Fax: 907-772-4472



UNITED FISHERMEN OF ALASKA

April 3, 2006

211 Fourth Street, Suite 110
Juneau, Alaska 99801-1172
(907) 586-2820
(907) 483-2545 Fax
E-Mail: ufa@ufa-fish.org
www.ufa-fish.org

Senator Tom Wagoner, Chairman
Senate Resources Committee
Alaska State Legislature
State Capitol (Mail Stop 3100)
Juneau, AK 99801-1182

Dear Senator Wagoner:

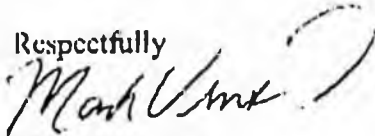
The United Fishermen of Alaska (UFA) Board of Directors have heard concerns from some hatchery operators regarding HB 218 as it was introduced last year, and we have worked with the sponsor for changes to reflect and address those concerns.

UFA supports passage of House Bill 218 relating to potential reductions in hatchery cost recovery fisheries and resulting increases in common property fisheries to be accompanied by a voluntary assessment/landing tax collected by the Department of Revenue. The basis for UFA support is three-fold:

1. First and foremost, HB 218 is permissive. That is, the hatchery and its Board of Director must elect to harvest surplus salmon through the common property fishery. Similarly, commercial fishermen are under no obligation to participate in the common property fishery and pay the additional landing tax.
2. HB 218 does not in any meaningful manner disrupt hatchery finances or in any way impinge upon the hatchery's fiduciary duties. The additional landing tax will generate the same level of net revenue now generated by the cost recovery fishery. The tax rate will be adjusted annually to ensure that the tax reflects the reasonable financial needs of the hatchery.
3. HB 218 is a first step toward reducing the direct sale of salmon by hatcheries. UFA does not oppose hatchery sales and in fact has a number of member hatcheries, including NSRAA and PWSAC. However, UFA does maintain that whenever possible, commercial salmon fishermen must have maximum opportunity to harvest and sell salmon produced at hatcheries or in the wild.

If you have any further questions regarding UFA's support of HB 218, please do not hesitate to contact me.

Respectfully

A handwritten signature in black ink, appearing to read "Mark Vinsel", with a large, sweeping flourish at the end.

Mark D. Vinsel
Executive Director

Ian Fisk

From: John Barry [pillarbay@acsalaska.net]

Sent: Tuesday, April 04, 2006 6:15 PM

To: Ian Fisk

Cc: AKWAPSC@aol.com

Senate Resources Chairman Thomas Wagoner

April 4, 2006

Alaska State Senate
State Capitol Building
Juneau, AK 99801-1182

Dear Chairman Wagoner,

My name is John Barry and I own and operate the fishing vessel Pillar Bay. I live in Sitka and seine in Southeast. I have also been on the SEAS board for the last six years. I am writing this letter in support of HB218. I have fished cost recovery for NSRAA in the past, and was part of the group of Hidden Falls cost recovery boats in 2005. I hope to perform cost recovery for NSRAA in the future, and I would never support anything I believed detrimental to NSRAA. The success of NSRAA is crucial to any profitable seine operation. I do not know if the blueprint in this bill will ever fit most hatchery areas, but I do believe it provides an additional tool that may in the future fit at Hidden Falls. I do not believe there is any intent to force anything on any hatchery, and I believe we must continue to fund our hatcheries for maximum sustainable yield. I see this bill as nothing more than an additional tool that hatcheries may or may not choose to use to fund their operations.

Respectfully,

John Barry



Senate Resources Chairman Thomas Wagoner
Alaska State Senate
State Capitol Building
Juneau, AK 99801-1182

April 3, 2006

Dear Chairman Wagoner

SEAS(Southeast Alaska Seiners Association) is a group of small boat commercial fishermen. We believe that HB218 is an important piece of legislation that needs to move forward as soon as possible.

Traditional cost recovery has been one of the few available options to recover expenses and pay for hatchery operations. **The fishing community has been working hard for years to come up with a different approach. Indeed HB218 is very similar to the legislation passed by this body in 2004 with respect to cost recovery.** The difference with that piece of legislation is **in this case only the users or "harvesters" who catch the fish actually pay the assessment.** 2004's Senate legislation would have mandated all users within similar geographic districts, which would have meant that fishermen would be paying for fish that others were catching and they would also be paying hatchery taxes on wild-stock salmon.

HB218 has a zero fiscal note. As stated in the bill, it is the intent to have the fishermen pay any additional costs the program may entail, such as revenue collection.

It is also important to note that this bill is permissive, allowing the hatchery operators to decide. VFDA(Valdez), AKI(Juneau), CIAA(Kenai), KRAA(Kodiak) DIPAC(Juneau), SSRAA(Ketchikan) and PWSAC(Cordova) have all discussed and opted to **not oppose** HB218. *If this was bad hatchery policy, would there not be rampant opposition rather than the small, local opposition that we are experiencing from NSRAA?*

But we would especially encourage you to recognize that fishermen broadly support this as evidenced by support from **Kake Seiners Association, Petersburg Vessel Owners Association, Cordova District Fishermen United and the United Fishermen of Alaska.**

Respectfully yours,

Bob Thorstenson, Jr., Executive Director, SEAS

12:00
RECEIVED
5-7-05
NOON

email: gfandrei@ciaanet.org

FACSIMILE COVER SHEET

This transmlsion consists of 1 pages including cover page.

Fax To: Senator Thomas Wagoner

Attn: _____ FAX No.: 465-4779

From: Gary Fandrei

Remarks: Senator Wagoner I wanted to let you know that I have been
following HB 218 on hatchery cost recovery. I initially felt the concept of
the bill was good, but had some reservations concerning the specific
language in the bill. That language has now been cleaned up and I feel much
more comfortable with the passage of this bill. It would provide an option
for CIAA cost recovery harvests in lower Cook Inlet. I have also heard
from 2 CIAA board members that feel there may be some merit in a cost
recovery harvest conducted under the terms of this bill. However, please
note the CIAA Board of Directors has not taken a position on this bill.

Gary Fandrei

5-7-05

The Alaska State Senate
Gig Decker, Wrangell Alaska.

Dear Senators, I'm writing in support of HB218.

I have fished Salmon in Alaska continuously for 33 years. I appreciate the hatchery system very much but feel the cost recovery system is becoming obsolete.

These hatcheries were created for the harvesters, now they are becoming an industry of their own. In the event they become bankrupt, the harvesters will continue to pay off the debts even after the fish stop being produced. Most fishermen I speak to want to participate in these fisheries and figure out some kind of assessment to cover costs. Many processors resent the loss of opportunity also.

The efficiency argument has gone both ways. In some cases the cost recovery drives down prices of fish like chums. This has been documented many times. How does this figure into the price per pound to harvest cost recovery?

The critical factor here is having the flexibility to use either system, which the present proposed legislation would do. The bottom line is the question of whom these hatcheries are for and who should decide on their financing.

We have all heard the pros and cons and they go on forever. What concerns me here is that I'm approached by harvesters and processors alike on a regular bases about this. They have been overwhelmingly for this legislation.

Personally, I want the hatcheries to raise the fish, I want to catch them, and I'll pay the bills. This may lead to more realistic views of some operations. The present cost recovery system is fueling the anti-hatchery debate and this may prove to be the most damaging factor of all.

Gig Decker, Wrangell Alaska

April 20, 2005

Jay Ramras
Co-Chair House Committee

Dear Mr. Jay Ramras:

The Kake's Seiner's Association is in full support of House Bill 218, and thanks for offering us the opportunity to share our opinion.

Sincerely,



Henrich Kadake
President



Delbert Kadake
Seiner



Alaska State Senate

Senate Finance Committee

Official Business

Mail Stop 3100
State Capitol
Juneau, Alaska 99801-1182

MEMORANDUM

TO: Senator Ben Stevens, President of the Senate
FROM: Senator Lyda Green, Co-Chair
Senate Finance Committee

DATE: May 6, 2005

RE: HB 218-PRIVATE HATCHERY COST RECOVERY FISHERIES

The Finance Committee is returning HB 218 to the Senate. We respectfully request you add a referral for this bill to the Senate Resources Committee for that committee's review and consideration.

Thank you for your attention in this matter.

NORTHERN**SOUTHEAST REGIONAL AQUACULTURE ASSOCIATION, INC.**

(907) 747-8850

1308 SAWMILL CREEK ROAD

SITKA, ALASKA 99835

FAX (907) 747-1470

April 29, 2005

Senator Bert Stedman
Alaska State Senate
State Capital, Rm. 30
Juneau, AK 99801-1182

Re: CSHB 218

Dear Senator Stedman:

As you know we have been following Representative Thomas' HB 218. We have opposed the bill because we believe that the tax assessment option for cost recovery (if it were enforceable) would result in a net decrease in value to the common property fishermen. Further more, I doubt that the NSRAA Board would elect to use the plan for a multitude of reasons.

Over the course of the last two weeks, NSRAA has continued to oppose HB218. Some of the changes that we have recommended have been incorporated into the bill, and some have not. For the most part, this bill has moved because it is permissive. The merits of the assessment option proposed in HB 218, have not been discussed or evaluated. The question most often asked of me after testifying has been "Why would you oppose something that is permissive?" "The hatchery Board could just elect not to exercise the option." I have not been able to dispute that point of view.

NSRAA remains opposed to the bill. The potential application of the provisions of this bill is intended for Hidden Falls, where its application has little chance of passing the scrutiny of the NSRAA Board. Aside from not making much sense from the financial point of view, implementing an assessment program will have serious implications with respect to the Board of Fisheries approved Southeast Enhanced Salmon Allocation Plan, and will require NSRAA to make some pretty major modifications to its comprehensive cost recovery program, as well as its resource allocation program. As you well know, you cannot make one change in a business plan and not affect the rest of the plan. The bill talks about the Departments of Revenue, DCED, and ADF&G all having functions and responsibilities under HB 218, yet there are no fiscal notes. The chances of the NSRAA Board buying into the assessment system without guaranteed enforcement, collections, and allocation of assessments collected are virtually zero. I truly believe that even though this bill is permissive in nature, it needs to be stalled and carried over to next year, so that

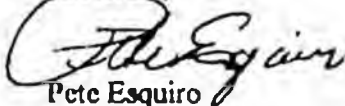
ample time can be devoted to serious discussions among all affected parties. We know that there are fishermen (including a majority of the NSRAA Board) who oppose HB 218. We have been hesitant to line people up to testify because of the polarizing affect that would have on particularly the seine fleet. I suspect that the bill would look quite different, after discussions with more and other parts of the industry.

Finally, item (d) of HB 218 pretty much guarantees that I would never recommend to the NSRAA Board, exercise of this option. The provisions contained in this part overlay a whole new level of review and approval of the NSRAA budget and financial structure. The NSRAA Board of Directors has the sole responsibility for determining the reasonableness of our operating, capital, and maintenance budgets. They further have the sole responsibility for defining and establishing funds (whether they be reserve or endowment) for the purpose of fulfilling the Board's fiduciary responsibility to the corporation. What happens when there is disagreement over the amount to be annually assessed? Will the Department of Revenue tell the NSRAA Board that they do not have to fulfill their fiduciary responsibility? I don't think they have that authority. The financial structure that currently exists at NSRAA works quite well, and has proven to be a very reliable, efficient, self-sustaining economic engine for all gear groups, processors and communities of Southeast Alaska. Why would I ever recommend anything that would negatively affect what currently exists?

I would respectfully request that you do what you can to stop this bill. If this bill passed and became law, I predict that it will not be used, and will end up in the legislative "bone yard" wherever that may be.

If you have any questions or suggestions, please call me at 747-6850, or 752-0574. Thanks for your support and understanding.

Sincerely,



Pete Esquiro
General Manager



REPRESENTATIVE BILL THOMAS

ALASKA STATE LEGISLATURE DISTRICT 5

e-mail: Representative.Bill.Thomas@legis.state.ak.us webpage: www.akrebublicans.org/thomas/

State Capitol

Juneau AK, 99801-1182

907-461-3732

888-461-3732

FAX 907-465-2652

Sponsor Statement HB 218

"An Act relating to cost recovery fisheries for private nonprofit hatchery facilities"

Salmon hatcheries in Alaska continue to be positive contributors to the economic development of coastal regions. Over the years, hatcheries have provided great benefit to the commercial fishing industry and to other users of fish by enhancing the strength of salmon returns and by creating jobs in our communities. The commercial salmon industry has paid into this program through the Salmon Enhancement Tax since 1980.

HB 218 relates to the methods by which hatcheries generate revenue to cover their operating and capital expenses. These methods are referred to as "cost recovery." Under current practices, hatcheries contract with processors to purchase part of the returning run of fish that are caught in areas known as Special Harvest Areas immediately in front of hatcheries or at remote release sites where enhanced runs of fish have been developed. Typically only a handful of commercial vessels actually participate in the harvest of these cost recovery fish.

HB 218 provides language that would allow hatchery operators to choose to recover their costs through fisheries open to commercial fishermen, allowing the fleet to access more fish. In return for this increased access, the industry would pay an assessment of up to 40% of the value of the fish to ensure that the users of the resource continue to pay for the costs of the hatcheries. Hatcheries were created to enhance the natural production of salmon so that the common property users would have a more abundant resource to harvest. The hatchery system should work toward the goal of minimizing the amount of fish that hatcheries sell directly to processors. However, because each hatchery has a unique financial situation, this alternative type of cost recovery will not be immediately applicable to all hatcheries. For this reason, HB 218 merely provides permissive language. It in no way will force a hatchery to change its current practices.



UNITED FISHERMEN OF ALASKA

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

April 5, 2005

Representative Thomas, Co-Chair
Representative LeDoux, Co-Chair
House Special Committee on Fisheries
Alaska State Legislature
State Capitol (Mail Stop 3100)
Juneau, AK 99801-1182

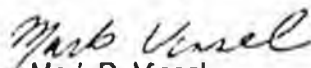
Dear Representative Thomas:

United Fishermen of Alaska (UFA) supports passage of House Bill 218 relating to potential reductions in hatchery cost recovery fisheries and resulting increases in common property fisheries to be accompanied by a voluntary assessment/landing tax collected by the Department of Revenue. The basis for UFA support is three-fold:

1. First and foremost, HB 218 is permissive. That is, the hatchery and its Board of Director must elect to harvest surplus salmon through the common property fishery. Similarly, commercial fishermen are under no obligation to participate in the common property fishery and pay the additional landing tax.
2. HB 218 does not in any meaningful manner disrupt hatchery finances or in any way impinge upon the hatchery's fiduciary duties. The additional landing tax will generate the same level of net revenue now generated by the cost recovery fishery. The tax rate will be adjusted annually to ensure that the tax reflects the reasonable financial needs of the hatchery.
3. HB 218 is a first step toward reducing the direct sale of salmon by hatcheries. UFA does not oppose hatchery sales and in fact has a number of member hatcheries, including NSRAA and PWSAC. However, UFA does maintain that whenever possible, commercial salmon fishermen must have maximum opportunity to harvest and sell salmon produced at hatcheries or in the wild.

If you have any further questions regarding UFA's support of HB 218, please do not hesitate to contact me.

Respectfully


Mark D. Vinsel
Executive Director

MEMBER ORGANIZATIONS

Alaska Crab Coalition • Alaska Drifters Association • Alaska Longline Fishermen's Association • Alaska Trollers Association • Armstrong Keta • At-sea Processors Association • Bristol Bay Reserve Concerned Area TWF Fishermen • Cordova District Fishermen United • Crab Rationalization and Buyback Group • Douglas Island Pink and Chum • Fishing Vessel Owners Association • Groundfish Forum
Kunai Peninsula Fishermen's Association • Kodiak Regional Aquaculture Association • Kodiak Seiners Association • North Pacific Fisheries Association • North Pacific Scallop Cooperative
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 Herring Seiners Marketing Association • Southeast Alaska Regional Dive Fisheries Association
Southern Southeast Regional Aquaculture Association • United Catcher Boats • United Salmon Association • United Southeast Alaska Gillnetters
Valdez Fisheries Development Association • Western Gulf of Alaska Fishermen

April 20, 2005

TESTIMONY FOR HOUSE RESOURCES ON HB 218

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE

THANK YOU FOR THE OPPORTUNITY TO TESTIFY TODAY ON HOUSE BILL 218.

MY NAME IS JIM BACON. I LIVE IN KETCHIKAN ALASKA. I OWN THE FV WAVEDANCER. I HAVE PARTICIPATED IN THE SOUTHEAST ALASKA SALMON FISHERY FOR THE LAST 30 YEARS. I SUPPORT HB 218 AND BELIEVE IT PROVIDE'S AN EXCELLANT TOOL FOR THE AQUACULTURE ASSOCIATIONS TO USE, SHOULD THEY CHOOSE TO. I SERVED ON THE BOARD OF DIRECTORS OF THE SOUTHERN SOUTHEAST REGIONAL AQUACULTURE ASSOCIATION FOR SEVERAL YEARS IN THE 80'S AND APPRECIATE THE POINT THAT THE BILL LEAVES THE FINAL DECISION IN THE HANDS OF THE BOARD OF DIRECTORS OF THE ASSOCIATIONS. I RESPECTFULLY URGE THE COMMITTEE TO PASS HB 218.

April 19, 2005

Representative Ramras, Co-Chair
House Resources Committee
Alaska State Legislature
Juneau, AK 99801

Dear Representative Ramras:

I am a seine fisherman with permits and experience in multiple areas of Alaska's salmon fisheries. I support HB 218.

I believe 218 presents Alaska's "stake holder owned hatchery associations" a valuable tool to free fishermen from the constraints of hatchery associations micro managing cost recovery efforts and provides them profitable options to perform the same functions while meeting the cost recovery needs of the hatchery. This arrangement could work out well for hatcheries in Southeast Alaska.

Thank you for your consideration in this matter.



Sincerely, Scott McAllister.

Representative Ramras, Co-chair
House Resource Committee
Alaska State Legislature
Juneau, AK 99801

Mr. Chairman and members of the House Resource committee.
My name is Bill Connor from Petersburg Alaska. I would urge you to pass the HB-218 today; this bill will help us to capitalize on opportunities that we have to recognize as changes come to our fisheries. This bill will enable the hatcheries to receive their cost recovery and allow for a much higher quality product to be put out to market by allowing fish to be harvested in a timely manner, and not in a manner of wait and see if there is enough for a common property harvest.

Thank you for your time.
Bill Connor
Box 1124
Petersburg AK. 99833
907-772-9211



April 19, 2005

Representative Ramras, Co-Chair
 Representative Samuels, Co-Chair
 House Resources Committee
 Alaska State Legislature
 Juneau, AK 99801

Dear Representative Ramras:

We are a group of commercial fishermen asking you to support passage of HB218.

Thank you for taking the time for an issue that is so important to our business.
 HB218 will allow us to work with a hatchery association to accomplish the following:

1. Improve harvest quality in hatchery special harvest areas.
2. Improve market timing and predictability of harvesting and processing timing.
3. Allowing the commercial hatchery "users" (commercial fishermen) to work with the hatchery to help determine the method of paying their "user fee".
4. A sense of "fairness" in leveling the playing field so that fishermen can take advantage of the predictable volumes and inexpensive cost structures that have benefited the hatcheries under the "old" cost recovery system.

We do not ask that hatcheries be forced to do something they do not wish to do.
 That is why HB218 has permissive language, so the hatchery has the ability to enter into an arrangement to replace "cost recovery" in a willing and eager fashion. Or not at all.

We're writing today on behalf of the salmon purse seine fishermen of Southeast Alaska. Since 1968, SEAS (Southeast Alaska Seiners Association) has represented the 416 permit holders and approximately 260 vessels and 1000 crew who purse seine for salmon in Southeast. Thank you again for your time and consideration of this important legislation and we ask for swift passage through your committee.

Respectfully yours,

Dan Castle, President, SEAS


Bob Thompson, Executive Director, SEAS


April 20, 2005

Jay Ramras
Co-Chair House Committee

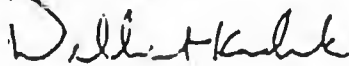
Dear Mr. Jay Ramras:

The Kake's Seiner's Association is in full support of House Bill 218, and thanks for offering us the opportunity to share our opinion.

Sincerely,



Henrich Kadake
President



Delbert Kadake
Seiner

From: Jim Zuanich [loraxinc1@hotmail.com]
Sent: Monday, April 25, 2005 8:24 PM
To: Rep. Jay Ramras
Subject: hb218

Representative Ramras: I am a southeast seiner. Have been for most of last 40 years. I'm a SEAS board member and was HiddenFalls cost recovery volenteerm coordinator the last three years. Like practically the entire fleet, I support hb218. 218 does not force any changes down anyone's throat.

It simply allows hatcheries, subject to board approval, more options to finance operati9ns than currently exist. I couldn't tell you why hatcdhery staff is afraid of it. Jim Zuanich

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