

Leg. Finance-House & Senate Finance Comte Files (1991-1992) 893

COPY

**FBI National Academy Associates**

**Alaska Chapter**



February 20, 1992

269-5641

Senator Rick Halford  
Alaska State Legislature  
Box V  
Juneau, AK 99811

Dear Senator Halford:

The FBI National Academy Associates, Alaska Chapter strongly support SB 343, creating the new crime conspiracy.

This bill will significantly increase efficiency of the criminal justice system within Alaska and provide a valuable and essential tool to all law enforcement within Alaska.

Federal conspiracy laws assist State and local law enforcement, however it is imperative that Alaska enact it's own conspiracy statute in order that State prosecutors can prosecute criminal organizations.

Once again, Senator, we wholeheartedly support your efforts towards passage of SB 343 (an act relating to the crime of conspiracy).

Sincerely,

Colonel John R. Murphy  
President

FBINAA  
Officers &  
Executive Board

President  
John R. Murphy, 136th  
5700 Tudor Road  
Anchorage, Alaska 99507  
(907) 740-5641

Secretary  
Ted R. Carlson, 121st  
P.O. Box 773288  
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John T. McConaughy, 120th, Past President  
Glenn Flotha, 152nd, Vice President, South Central  
Michael A. Nielson, 118th, Vice President, Northern  
Dan Anslinger, 144th, Vice President, Southeast

## STATE OF ALASKA

## DEPARTMENT OF PUBLIC SAFETY

## DIVISION OF STATE TROOPERS

WALTER J. HICKEL, GOVERNOR

RICHARD L. BURTON, COMMISSIONER

5700 EAST TUDOR ROAD  
ANCHORAGE, ALASKA 99507  
PHONE: (907)

269-5641

February 20, 1992

Senator Rick Halford  
Alaska State Legislature  
Box V  
Juneau, AK 99811

Dear Senator Halford:

I, Director of the Alaska State Troopers heartily support SB 343, creating the new crime conspiracy.

This bill will significantly increase efficiency of the criminal justice system within Alaska and provide a valuable and essential tool to all law enforcement within Alaska.

Federal conspiracy laws assist State and local law enforcement, however it is imperative that Alaska enact it's own conspiracy statute in order that State prosecutors can prosecute criminal organizations.

I wholeheartedly support your efforts towards passage of SB 343 (an act relating to the crime of conspiracy).

Sincerely,

*John R. Murphy*  
Colonel John R. Murphy  
Director

cc: Commissioner Burton

Post-It™ brand fax transmittal memo 7871		# of pages > 2
To <i>Sen. Halford</i>	From <i>Col. Murphy</i>	
Co.	Co.	
Dept.	Phone #	
Fax #	Fax # <i>465-3825</i>	



U. S. Department of Justice

United States Attorney

District of Alaska at Anchorage

February 18, 1992

Federal Building & U.S. Courthouse  
222 West 7th Avenue, #9, Room 253  
Anchorage, Alaska 99513-7567

FTS-868-5071  
Commercial: (907) 271-5071  
Fax Number: (907) 271-3223

The Honorable Rick Halford  
State Senate  
Alaska State Legislature

Re: State Conspiracy Laws  
Violent Crime, Drugs, Guns and Fraud  
Law Enforcement Coordinating Committee

Dear Mr. ~~Halford~~: 

It is important that the Legislature enact conspiracy laws to address violent crime, drugs, guns and fraud. This is an area of criminal law that has been neglected by the State for too long. Organized crime in Alaska must be adequately addressed.

Enclosed for your review is my article that was published in "The Anchorage Times" this past Saturday. The article sets forth my position on the need for State conspiracy laws.

It is vitally important for the welfare of the citizens of this State and local law enforcement that conspiracy laws are enacted this session. The laws should adequately address Alaska's growing organized complex criminal element.

Please do not hesitate to contact me if I may be of assistance. I will be happy to meet with you. Your assistance and support is greatly appreciated by law enforcement and all concerned Alaska citizens.

Best Wishes.

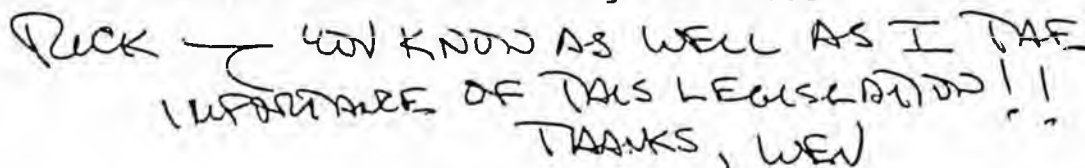
Yours Very Truly,

  
WEVLEY WILLIAM SHEA  
United States Attorney

WWS:kjm

Enclosure

cc: Chuck Farmer, Coordinator  
Law Enforcement Coordinating Committee

  
Rick - you know as well as I the  
importance of this legislation!!  
Thanks, WWS

# DIVISION OF LEGAL SERVICES

## LEGISLATIVE AFFAIRS AGENCY STATE OF ALASKA

(907) 465-3867 or 465-2450  
FAX (907) 465-2029  
Mail Stop 3101

240 Main Street, Suite 500  
Juneau, Alaska 99801-2101

### MEMORANDUM

April 29, 1992

**SUBJECT:** Sectional Analysis of CSSB 343 (Judiciary)  
(Work Order No. 7-LS1705\P)

**TO:** Senator Rick Halford

**FROM:** Robert Glennon Casey  
Legislative Counsel

*RGC*  
*4-29-92*

### I. INTRODUCTION

You have asked for a sectional analysis of CSSB 343 (Judiciary). This memorandum analyzes the version bearing work order no. 7-LS1705\P.

### II. SUMMARY

Major points of this conspiracy bill include (1) a narrow range of intended crimes for which conspiracy would be criminalized, (2) a requirement that a conspirator commit an overt act in furtherance of the conspiracy, (3) exemption from conspiracy liability in cases where the contemplated crime is actually committed and by its very nature requires the participation of two or more people, (4) a defense of renunciation, and (5) stepped-down classification of the crime.

### III. DISCUSSION

Section 1 of the bill would establish, in subsection (a), the crime of conspiracy as an agreement between two or more persons to engage in or cause a "serious felony offense," followed by an overt act by one of the persons. The overt act would be something done in furtherance of the serious felony offense.

Subsection (b) of Section 1 would clarify that a conspirator would remain liable for conspiracy even though the conspirator was not individually capable of being liable for the serious felony offense contemplated by the conspiracy. This is sometimes the case where one conspirator holds a license to engage in some activity but agrees with an unlicensed person to help the unlicensed person also engage in that activity.

Subsection (c) of Section 1 would also clarify that legal incapacity of a co-conspirator would not relieve the other conspirator from liability for the conspiracy. Thus if a sane person contracted with a legally insane person to have the insane person carry out a murder, the sane person could not use the other person's insanity as a defense to the conspiracy charge. This subsection would also clarify that inability of a conspirator to be liable for the serious felony offense would not prevent the conspirator from being liable for conspiracy.

Subsection (d) of Section 1 would prevent liability for conspiracy in agreements to commit crimes where the other person's participation in the crime was by definition a necessary element of the crime, so long as the serious felony offense was actually committed. This would be a modified version of the so-called "Wharton Rule."

Subsection (e) of Section 1 would provide a defense of renunciation. A person who had joined in a conspiracy could escape liability for the conspiracy by making a complete and voluntary "renunciation," if the renunciation included either giving timely warning to law enforcement officers or doing something else appropriate that actually prevented commission of the serious felony offense.

Subsection (f) of Section 1 would classify a conspiracy as a crime one level less grievous than the "serious felony offense" contemplated by the conspiracy. For example, conspiracy to commit a class B felony would be a class C felony.

Subsection (g) of Section 1 would define "serious felony offense" as either a crime under AS 11.41 ("Crimes Against the Person") punishable as an unclassified or class A felony or a crime involving controlled substances under AS 11.71, punishable as an unclassified, class A, or class B felony. Traditionally, prosecution for conspiracy has been a particularly important law enforcement weapon in enforcement of narcotics laws.

Section 2 would treat conspiracy in the same fashion as solicitation and attempt are treated under AS 11.31.140(a). Actual commission of the serious felony offense would not by itself be a defense to a charge of conspiracy.

Section 3 would also treat conspiracy the same as solicitation and attempt are treated under AS 11.31.140(b). Multiple conspiracies, attempts, solicitations, and any combination thereof to commit the same crime could only yield one conviction for conspiracy, attempt, or solicitation.

Section 4 would permit a prosecutor to charge a defendant with both conspiracy and commission of the serious felony offense. Once again, this would cause treatment of conspiracy to match treatment of attempt and solicitation under existing Alaska law.

Senator Rick Halford

April 29, 1992

Page 3

Section 5 would assign to conspiracy to commit murder in the first degree the same special sentence of confinement for five to 99 years that is assigned to attempted murder in the first degree. The theory is that conspiracy and attempt should be treated similarly in this regard.

RGC:pl

92-313.plm

# Recommended State Legislation

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No strategy to combat illegal drug use can ignore the crucial role played by State and local governments. Many States have already enacted much useful anti-drug legislation. States that do not adopt legislative deterrents, while neighboring jurisdictions adopt bold legislation, will become havens for drug activity. No State can afford that risk or that reputation.

The Administration urges State officials, particularly State legislators, to consult with law enforcement officials, State and local prosecutors, treatment and education officials, and others to determine what laws or modifications to existing laws are needed in their States. In November 1990, the Office of National Drug Control Policy released a White Paper entitled "State Drug Control Status Report," which contained a number of suggestions for State anti-drug legislation. The following is a brief list of provisions that should form the core of a State's anti-drug efforts.

## Criminal Statutes

States should bolster their criminal codes with additional legislation tailored to the increased sophistication of today's drug trade. Among the statutes that State lawmakers should consider are the following:

**Attempted Drug Crimes.** Attempts to commit any drug crime should be punishable with up to the same penalty as if the offense had been completed. Such statutes permit law enforcement officers to

make drug arrests without consummating a sale or purchase with actual drugs.

**Drug Paraphernalia Laws.** Every State should enact a drug paraphernalia law based on the Model Drug Paraphernalia Act, originally drafted by the Drug Enforcement Administration in 1979. Such a law criminalizes the manufacture, distribution, and sale of paraphernalia intended for use with illegal drugs.

**Wiretap Statutes.** Some State laws governing the use of wiretaps and other electronic surveillance techniques may require dual consent, or may otherwise be outdated. These statutes should be amended to bring them into conformity with Federal law.

**Conspiracy Statutes.** Conspiracy statutes should be updated and expanded to enhance the ability of State officials to prosecute drug traffickers and dismantle the criminal enterprises they control. For example, the prohibition of joint trials of trafficking defendants renders impractical many State conspiracy statutes.

**Money Laundering Statutes.** States should enact criminal statutes to prohibit knowingly engaging in delivery, receipt, transfer, or any other transaction of funds derived from the proceeds of drug offenses. States should also pass other laws to control the activities of unregulated money exchange houses in their jurisdiction.

**Precursor Chemical Control Statute.** State laws should regulate the purchase of chemicals and, if appropriate, glassware and other equipment commonly used to manufacture and process drugs. Such laws are necessary to reduce the domestic production of drugs such as methamphetamine.

**Maintenance, Control, and Use of Buildings.** Landlords who knowingly allow their property to be used in connection with drug activity are just as responsible as the dealers themselves. States should adopt laws to punish landlords who continue to collect rents from tenants involved in the production or distribution of drugs, unless the landlord was reasonably unaware of the unlawful activity or notified the police of what was happening.

**Designer Drugs.** Chemists can synthesize new drugs that are almost identical to scheduled drugs but are sufficiently different that their manufacture and sale are legal. These drugs may be as dangerous as scheduled drugs. States should have emergency scheduling authority to prevent this practice and should also allow prosecution of those who engage in it.

**Counterfeit Substances.** Drugs produced in clandestine labs are often stamped with a legitimate company's trademark. It should be a criminal offense to misuse a trademark in this way.

## OPINION

## TAKING A STAND

# Without conspiracy laws Alaska easy target for organized crime

Alaska is unique. Approximately 50 percent of our population resides in the Anchorage area. Much of Alaska's remaining population is isolated. This isolation and lack of a transportation infrastructure places a substantial burden on state and local law enforcement.

Crime in Alaska is complex and organized in the areas of illicit drugs, fraud, corruption and violent crime. Federal law enforcement agencies work closely with state and local agencies in combating crime. This is a federal, state and local "team approach" with communication, coordination and cooperation to attack state-wide crime.

Federal conspiracy laws assist federal law enforcement in effectively addressing criminal organizations. A conspiracy is an agreement between two or more persons to commit a crime or accomplish a legal purpose through illegal action. Alaska does not have state conspiracy laws. Virtually all other states do.

Local law enforcement is the first line of defense for crime involving drugs, guns and violence. The Alaska State Troopers and Anchorage Police Department, as well as state prosecutors, are severely restricted without state conspiracy laws. As the complexity of criminal organizations has increased, the burden placed upon state law enforcement has increased.

State prosecutors should have the basic "tools" to attack crime. It is a tremen-



Wewley William Shea

dous handicap not to have state conspiracy laws to address criminal organizations. The public should demand and have adequate protection.

Anchorage over the past few years has become a base or transshipment point for complex criminal organizations. In the last eight months, the United States Attorney for Alaska has initiated prosecution of the following criminal organizations:

• **MEXICAN MARIJUANA/COCAINE CONSPIRACY**

The Anchorage area was the site of numerous, very high quality marijuana "indoor grows." The marijuana was exported to the Lower 48 in exchange for cocaine and cash. The U.S. Attorney's Organized Crime and Drug Enforcement

State prosecutors cannot prosecute criminal organizations without conspiracy laws. Alaska's problem is complex due to the previous state 'legalization' of marijuana. Alaska is looked upon as a haven for drug traffickers.

Task Force led by the Drug Enforcement Administration and composed of federal, state and local law enforcement investigated and prosecuted the case. The conspiracy investigation involved the U.S. Attorney for the Eastern District of Washington.

• **NIGERIAN HEROIN CONSPIRACY**

Nigerian heroin traffickers established a smuggling conspiracy utilizing Anchorage International Airport as a transshipment point to the Lower 48. United States Customs has intercepted over 60 pounds of pure China-white heroin with a street value of \$1 million per pound. The heroin conspiracy operated primarily in New York, Florida and Texas. The heroin originated in Thailand and was shipped to Anchorage via Japan and the Philippines. The conspiracy investigation involved the U.S. Attorney Offices in Texas, Hawaii, Washington, New York and Florida.

• **MUSLIM CRIP'S CRACK-COCAINE CONSPIRACY**

The Muslim Crips gang of Los Angeles has attempted to make inroads in the crack cocaine distribution in Anchorage. Recently Crips were arrested in Anchorage on drug and gun charges. The investigation involved the U.S. Attorney for the Central District of California.

State prosecutors cannot prosecute criminal organizations without conspiracy laws. Alaska's problem is complex due to the previous state "legalization" of marijuana. Alaska is looked upon as a haven for drug traffickers. In addition, individuals who conspire to manufacture, transport and distribute drugs look upon Alaska as a "permissive" environment since Alaska has no conspiracy laws. Virtually all other states have conspiracy laws.

Over the past 16 years, state and local law enforcement, as well as concerned citizen organizations, such as the Anchorage Chamber of Commerce, have stressed the importance of the Alaska state Legislature enacting conspiracy laws to address criminal organizations.

However, the Legislature has failed to act or the governor has not supported the conspiracy legislation.

The U.S. Attorney's Law Enforcement Coordinating Committee comprised of federal, state and local law enforcement agencies recognizes that Alaska laws are not adequate to address the criminal organizations in Alaska. This is especially true in the area of drugs, guns and violence. More cases are prosecuted federally due to inadequate state laws.

The Federal Court System in Alaska is not adequate to handle the drastically increasing criminal element in Alaska that thrives on drugs, guns, fraud and corruption. Alaska Attorney General Charles Cole, as well as local district attorneys, support enacting adequate state conspiracy laws to address the criminal environment in Alaska.

The Anchorage Chamber of Commerce anticipates that Gov. Walter Hickel and concerned legislators will again be addressing Alaska's need for conspiracy laws. The Anchorage Chamber of Commerce urges all Alaska citizens to support the enactment of conspiracy laws necessary to address an increasing criminal element in Alaska.

Wewley William Shea is U.S. Attorney for the District of Alaska. Opinions expressed in Taking a Stand do not necessarily reflect the editorial position of The Anchorage Times.

**SB345**

# SENATE FINANCE COMMITTEE REPORT

DATE: 2/12/92

FURTHER:

DATE TURNED INTO OFFICE: 4-28-92

The Finance Committee considered

SENATE BILL NO. 345

"An Act relating to loans for the establishment of commercial fisheries development endowments; and providing for an effective date."

and recommends:

replace with \_\_\_\_\_ CS SB 345 (FINANCE)  
or  adopt previous \_\_\_\_\_ CS \_\_\_\_\_  
 attaches amendment(s)

same title  
 new title  
 technical title change (HB only)

adopts \_\_\_\_\_ Letter of Intent

further referral to the \_\_\_\_\_

do pass

do not pass

no recommendation

individual recommendations

**NEW FISCAL NOTES:** Dept/Date

zero fiscal notes \_\_\_\_\_

fiscal notes DOR \$9.0

appropriation--no fiscal note

**PREVIOUS FISCAL NOTES:** Dept/Date

zero fiscal notes DF+G 1-29-92

fiscal notes \_\_\_\_\_

**DO PASS:**

W. Adams  
James Hoff  
K. Bell  
Stewart  
J. Paul

1. J. Paul  
Co-Chair: Signature/Recommendation

**OTHER RECOMMENDATIONS:**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

2. \_\_\_\_\_  
Co-Chair: Signature/Recommendation

FISCAL NOTE

BILL NO. CSSB 345

STATE OF ALASKA  
1992 LEGISLATIVE SESSION

Revision Date: 4/24/92

Department Affected: Revenue

Title: An act relating to the commercial fisheries develop-  
ment endowment; and providing for an effective date.

BRU: Operations

Component: Treasury Management

Sponsor: Senator Zharoff

Requestor: Senate Finance Committee

Component Serial No.

0	1	2	1
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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES	3.0	3.0	3.0	3.0	3.0	3.0
TRAVEL						
CONTRACTUAL	6.0	6.0	6.0	6.0	6.0	6.0
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>9.0</b>	<b>9.0</b>	<b>9.0</b>	<b>9.0</b>	<b>9.0</b>	<b>9.0</b>

CAPITAL						
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REVENUE						
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FUNDING: (Thousands of Dollars)

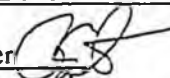
GENERAL FUND/Unrestricted						
FEDERAL FUNDS						
OTHER	9.0	9.0	9.0	9.0	9.0	9.0
<b>TOTAL</b>	<b>9.0</b>	<b>9.0</b>	<b>9.0</b>	<b>9.0</b>	<b>9.0</b>	<b>9.0</b>

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: None

**ANALYSIS:** The 6.0 expenditure in total operating costs is the basic contractual costs for a trust managed by the Treasury Division. Contractual costs would consist of internal investment management, accounting and custodial services. Future cost increases are dependent on the asset growth of the trust fund from contributions and market gains.

Prepared by: Brian C. Andrews, Deputy Commissioner  Phone: 465-2300

Division: Treasury Date: April 24, 1992

Approved by Commissioner: 

Agency: Revenue

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

FISCAL NOTE

No. 2

Bill Version: SB 345

(S) Publish Date: 2-12-92

STATE OF ALASKA  
1992 LEGISLATIVE SESSION

Revision Date: 1/27/92  
Title: Commercial Fisheries Development  
Endowments: \_\_\_\_\_

Department Affected: Fish and Game  
BRU: Commercial Fisheries  
Component: Commercial Fisheries

Sponsor: Senator Zharoff  
Requestor: Senate Resources Committee

COMPONENT SERIAL NO. 

4	5	9
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EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES	0					
TRAVEL	0					
CONTRACTUAL	0					
SUPPLIES	0					
EQUIPMENT	0					
LAND & STRUCTURES	0					
GRANTS, CLAIMS	0					
MISCELLANEOUS	0					
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0
FUND SOURCE:						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
FUND SOURCE:						
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

Estimate of current year impact: None

Changes in <u>CS5B345 (Fin)</u> (Essary.) have no fiscal impact. This fiscal note is appropriate. <u>4-28-92</u> <u>ML</u> date Comte Aide (initial)	Changes in <u>CS5B345 (RES)</u> have no fiscal impact. This fiscal note is appropriate. <u>Feb 10 1992</u> <u>TC.O.</u> date Comte Aide (initial)
--	---

Prepared By: Bob Clasby Phone: 465-4210  
 Division: Commercial Fisheries Date: 1/27/92

Approved by Commissioner: Cliff K. Rein  
 Agency: Dept. of Fish and Game Date: 1/27/92

CS FOR SENATE BILL NO. 345 (FINANCE)  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
SEVENTEENTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered:  
Referred:

Sponsor(s): SENATORS ZHAROFF, Duncan, Sturgulewski

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the commercial fisheries development endowment; and providing for  
2 an effective date."

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

4 \* Section 1. FINDINGS. The Alaska State Legislature finds that the seafood industry in the state  
5 requires a stable source of funding for continuing research into improved seafood harvesting techniques,  
6 new product forms, and new processing techniques for Alaska seafood products in order to remain  
7 competitive in national and international markets. The Alaska Fisheries Development Foundation has  
8 compiled an impressive record of success in finding and developing innovative and profitable methods  
9 for the harvest and processing of Alaska fishery resources. The foundation has an established structure  
10 and system to ensure that commercial fisheries development funds are directed toward projects with the  
11 greatest potential for success and the broadest application for the Alaska seafood industry. As the  
12 amount of federal support for the foundation declines, the Alaska State Legislature recognizes the need  
13 for the state to provide financial support for the foundation's vital mission in the form of an endowment.  
14 By requiring the principal of the endowment to be returned to the state after 10 years, the state retains

1 the ability to reevaluate the research funding needs of the Alaska seafood industry at that time.

2 \* Sec. 2. AS 37.14 is amended by adding a new section to read:

3 ARTICLE 5. COMMERCIAL FISHERIES DEVELOPMENT ENDOWMENT.

4 Sec. 37.14.350. COMMERCIAL FISHERIES DEVELOPMENT ENDOWMENT  
5 ESTABLISHED. (a) The commercial fisheries development endowment is established in the  
6 Department of Revenue as a separate endowment trust fund of the state to benefit the Alaska  
7 Fisheries Development Foundation, a nonprofit corporation established to promote the  
8 development of commercial fisheries in the state. The purpose of the endowment is to support  
9 the foundation's goal to promote long-term economic benefits for the state through research and  
10 development of commercial seafood opportunities, concentrating on maintaining the  
11 competitiveness of the Alaska seafood industry in domestic and international markets through the  
12 development of new fishery resources, improved efficiency in harvesting and processing  
13 operations, and development of new consumer products from Alaska fishery resources. The  
14 principal of the endowment consists of legislative appropriations to the endowment.

15 (b) The commissioner of revenue shall determine the net income of the endowment in  
16 accordance with generally accepted accounting principles and in a manner that preserves the  
17 distinction between principal and income.

18 Sec. 37.14.360. ENDOWMENT UTILIZATION. (a) The principal of the endowment  
19 and any capital gains or losses realized on the principal shall be retained perpetually in the  
20 endowment for investment as specified in AS 37.14.370.

21 (b) The net income of the endowment may be appropriated for payment to

22 (1) the foundation for the support of commercial fisheries development research  
23 projects, including research on fish harvesting techniques, seafood processing techniques, and  
24 development of new seafood products in the state;

25 (2) the department for the reasonable costs of administering the endowment.

26 (c) Realized net income that has not been appropriated, or that has been appropriated but  
27 not paid to the foundation or expended by the department, shall be invested until appropriated  
28 and paid or expended.

29 Sec. 37.14.370. POWERS AND DUTIES OF THE COMMISSIONER OF REVENUE.

30 The commissioner of revenue is the treasurer of the fund and has the power and duty to

31 (1) act as official custodian of the cash and investments belonging to the

1 endowment by securing adequate and safe custodial facilities;

2 (2) receive all items of cash and investments belonging to the endowment;

3 (3) collect the principal and income from investments owned or acquired by the  
4 endowment and deposit the amounts in separate principal and income accounts for the  
5 endowment;

6 (4) invest and reinvest the assets of the endowment as provided in this section and  
7 as provided for the investment of funds under AS 37.14.170;

8 (5) exercise the powers of an owner with respect to the assets of the endowment;

9 (6) maintain accounting records of the endowment in accordance with investment  
10 accounting principles and with distinction between the principal and income accounts of the  
11 endowment;

12 (7) engage an independent firm of certified public accountants to annually audit  
13 the financial condition of the endowment's investments and investment transactions;

14 (8) enter into and enforce contracts or agreements considered necessary for the  
15 investment purposes of the endowment;

16 (9) provide reports to the foundation and the legislature on the condition and  
17 investment performance of the fund;

18 (10) do all acts, whether or not expressly authorized, necessary or proper in  
19 administering the assets of the endowment;

20 (11) adopt regulations necessary to implement AS 37.14.350 - 37.14.390.

21 Sec. 37.14.380. DUTIES OF THE FOUNDATION. (a) The foundation shall provide  
22 copies of annual reports and financial audits regarding its utilization of the income of the  
23 endowment to the commissioner of revenue and the legislature by January 15 of each year.

24 (b) The financial records of the foundation regarding the utilization of the income of the  
25 endowment may be audited by the legislative auditor or by a certified public accountant approved  
26 by the legislative auditor if the audit is requested by the Legislative Budget and Audit  
27 Committee.

28 Sec. 37.14.390. DEFINITIONS. In AS 37.14.350 - 37.14.390,

29 (1) "department" means the Department of Revenue;

30 (2) "endowment" means the commercial fisheries development endowment  
31 established by AS 37.14.350(a);

1 (3) "foundation" means the Alaska Fisheries Development Foundation.

2 \* Sec. 3. (a) AS 37.14.350, 37.14.360, 37.14.370, 37.14.380, and 37.14.390, added by sec. 2 of this  
3 Act, are repealed July 2, 2003.

4 (b) Upon the repeal of AS 37.14.350 - 37.14.390 under this section, the commissioner of revenue  
5 shall deposit the principal of the commercial fisheries development endowment into the general fund.

6 \* Sec. 4. This Act takes effect immediately under AS 01.10.070(c).

**STATE OF ALASKA  
1992 LEGISLATIVE SESSION**

**FISCAL NOTE**

No. 1  
Bill Version: SB 345  
(S) Publish Date: 2-12-92

Revision Date: \_\_\_\_\_  
Title: An Act relating to Fisheries Development  
Endowment Loans  
Sponsor: Senators Zharoff, Duncan  
Requestor: Resources

Department Affected: Commerce & Econ. Dev.  
BRU: Investments  
Component: \_\_\_\_\_  
COMPONENT SERIAL NO. 

0	3	8	4
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**EXPENDITURES/REVENUES: (Thousands of Dollars)**

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	0	0	0	0	0	0
<b>CAPITAL</b>	0	0	0	0	0	0
<b>REVENUE FUND RESOURCE:</b>	0	0	0	0	0	0

**FUNDING: (Thousands of Dollars)**

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS						
OTHER						
FUND SOURCE:						
<b>TOTAL</b>						

**POSITIONS:**

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year Impact: \_\_\_\_\_

**ANALYSIS (Attach a separate page if necessary.)**  
SB 345 creates a new loan program for nonprofit corporations that promote the development of commercial fisheries in the state. Companion bill, SB 346, would appropriate \$5,000,000 for the purpose of making a loan to Alaska Fisheries Development Foundation. It is anticipated that this is the only loan that would be made in the near future and, thus, no new funds would be needed to implement this bill.

Prepared By: Martin J. Richard, Director Phone: 465-2510  
Division: Investments Date: 1/31/92  
Approved by Commissioner: Glenn A. Olds Glenn A. Olds Com.  
Agency: Department of Commerce & Economic Development Date: 2-3-92

Distribution (by preparer): Leg. Fin., Legislative Sponsor, Requestor, OMB/DBR, Gov. Leads. Ofc., and Impacted Agency(ies).


Changes in S.S.B 345 (RES) have no fiscal impact. This fiscal note is appropriate.  
Feb. 10 1992 Terry Ottens T.C.O. Page 1 of 1  
date Comte Aide (initial)

SB 345 (346): "An Act relating to Fisheries Development Endowment Loans."

SB 345 establishes a new program that allows the department to make loans to establish endowments for support of commercial fisheries development research projects in the state. The loans would be made to nonprofit corporations incorporated for the purpose of promoting the development of commercial fisheries in the state. The loans would be ten-year, zero interest, unsecured loans due in full at maturity. Recipients would be required to provide financial information relating to the endowment and would be subject to audit by the legislative auditor.

SB 346 would appropriate \$5,000,000 to the department for the purpose of making a loan under this program to the Alaska Fisheries Development Foundation.

The department is neutral on this legislation.



Glenn A. Olds, Commissioner *for*

Date: 2-3-92



## SENATOR FRED F. ZHAROFF

### ALASKA STATE LEGISLATURE

P. O. BOX 405, KODIAK, ALASKA 99615 (907) 486-5259

DURING SESSION:

P. O. BOX 1, JUNEAU, ALASKA 99811 • (907) 465-3473 • 465-3474

DISTRICT N

ALASKA PENINSULA • ALEUTIAN CHAIN • BRISTOL BAY • KODIAK ISLAND • LAKE CLARK/LAKE ILIAMNA • PRIBILOF ISLANDS • SHUMAGIN ISLANDS

## SECTIONAL ANALYSIS

### CS For Senate Bill No. 345 (proposed Finance)

"An Act relating to the commercial fisheries development endowments; and providing for an effective date."

#### SECTION 1

##### FINDINGS.

Explains the bill's intent and background.

#### SECTION 2

##### Sec. 37.14.350. COMMERCIAL FISHERIES DEVELOPMENT ENDOWMENT LOANS.

- (a) Establishes the commercial fisheries development endowment in the Department of Revenue as a separate endowment trust fund of the state in order to benefit the Alaska Fisheries Development Foundation. Explains the purpose of the endowment.
- (b) Requires the commissioner of revenue to determine the net income of the endowment and, in doing so, preserve the distinction between principal and income.

##### Sec. 37.14.360. ENDOWMENT UTILIZATION.

- (a) Requires retention of gains and losses in the endowment principal.
- (b) Allows for two uses of the endowment income. These are commercial fisheries development research projects and the department's expenses in administering the endowment.
- (c) Requires unexpended net income to be invested until paid or expended.

Sec. 37.14.370. POWERS AND DUTIES OF THE COMMISSIONER OF REVENUE.

Lists the commissioner's responsibilities in managing the endowment.

Sec. 37.14.380. DUTIES OF THE FOUNDATION.

- (a) Requires the foundation to provide copies of annual reports and financial audits to the commissioner of revenue and the legislature by Jan. 15 of each year.
- (b) Authorizes the legislative auditor to have access to foundation records.

Sec. 37.14.390. DEFINITIONS.

Defines "department", "endowment", and "foundation".

SECTION 3

- (a) Sunset clause, effective July 2, 2003.
- (b) Requires the endowment principal, upon repeal of this statute, to be deposited into the state general fund.

SECTION 4

Immediate effective date.



## SENATOR FRED F. ZHAROFF

### ALASKA STATE LEGISLATURE

P. O. BOX 405, KODIAK, ALASKA 99615 (907) 486-5259

DURING SESSION:

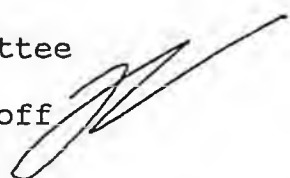
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DISTRICT N

ALASKA PENINSULA • ALEUTIAN CHAIN • BRISTOL BAY • KODIAK ISLAND • LAKE CLARK/LAKE ILIAMNA • PRIBILOF ISLANDS • SHUMAGIN ISLANDS

#### MEMORANDUM

TO: Senator Pat Pourchot  
Co-Chairman  
Senator Jay Kerttula  
Co-Chairman  
Senate Finance Committee

FROM: Senator Fred F. Zharoff 

DATE: April 24, 1992

RE: CS For Senate Bill No. 345 - "An Act relating to the commercial fisheries development endowment; and providing for an effective date."

In order to address the concerns raised by members of the Senate Finance Committee, I requested Legal Services to prepare a new draft of SB 345 as a proposed CS.

The new version contains provisions for the state to retain control over the endowment funds, for the principal to be protected in order to ensure that it can be returned to the state, and to guarantee that the principal generate sufficient income in order to accomplish the goal of the legislation.

More specifically, the new CS contains the following:

- A new title.
- A FINDINGS section, duplicated from SB 346. This is to ensure that the intent and expectations of the legislature on both bills are clear.
- The Commercial Fisheries Development Endowment is established in the Department of Revenue as a separate endowment trust fund under the management of the Division of Treasury.
- The Division of Treasury will manage the endowment in a manner that preserves the distinction between principal and income, and in such a way that maximum returns are obtained consistent with the protection of the principal.
- The purpose of the endowment is clearly explained. It is established to benefit the Alaska Fisheries Development Foundation, a nonprofit corporation

established for the purpose of promoting the development of commercial fisheries in the state. The purpose is "research and development of commercial seafood opportunities, concentrating on maintaining the competitiveness of the Alaska seafood industry in domestic and international markets through the development of new fishery resources, improved efficiency in harvesting and processing operations, and the development of new consumer products from Alaska fishery resources."

-- At the end of each fiscal year, the Division of Treasury would transfer to AFDF the net income from the endowment's earnings, less reasonable expenses for administering the program. The Department of Revenue anticipates earning seven percent interest from its investments, generating \$375,000 in income. Annual expenses would not exceed \$10,000.

-- In accordance with its by-laws, AFDF will use the income for the support of commercial fisheries development research projects in the state including research on fish harvesting techniques, seafood processing techniques, and the development of new seafood products.

-- AFDF will provide copies of its annual reports and financial audits to the commissioner of revenue and the legislature by January 15 of each year. (Duplicated from previous version.)

-- AFDF's records are open to inspection by the legislative auditor. (Duplicated from previous version.)

-- The endowment would sunset on July 2, 2003, approximately 10 years after its establishment. Upon the repeal of the endowment, the endowment principal would be deposited in the state general fund.

A few additional points should be noted.

First -- during the period it utilizes the income generated by the endowment -- AFDF will conduct its own fundraising activities from private sources for a permanent endowment. These funds would be separate from the state funds, would be controlled by AFDF, and would be retained by AFDF after the Commercial Fisheries Development Endowment sunsets.

Second, the income generated by the state endowment would need to be appropriated by the legislature to AFDF through the operating budget on an annual basis.

Third, the concept and details for this CS were developed in consultation with Mr. Brian Andrews, deputy commissioner of

the Department of Revenue and director of the Division of Treasury.

In addition, a proposed CS for SB 346 (the AFDF appropriation bill) has been prepared that appropriates \$5 million from the earnings reserve of the Alaska science and technology endowment for the establishment of the Commercial Fisheries Development Endowment.



## SENATOR FRED F. ZHAROFF

### ALASKA STATE LEGISLATURE

P. O. BOX 405, KODIAK, ALASKA 99615 (907) 486-5259

DURING SESSION:


P. O. BOX V, JUNEAU, ALASKA 99811 • (907) 465-3473 • 465-3474

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#### MEMORANDUM

TO: Senator Pat Pourchot  
Co-Chairman  
Senator Jalmar Kerttula  
Co-Chairman  
Senate Finance Committee

FROM: Senator Fred F. Zharoff 

DATE: March 25, 1992

RE: CS For Senate Bill 345 (Resources) - "An Act relating to loans for the establishment of commercial fisheries development endowments; and providing for an effective date."

---

BILL SUMMARY: CSSB 345 establishes the commercial fisheries development endowment loan program in the Department of Commerce and Economic Development. The purpose of the program is to set up a mechanism for a state endowment for the Alaska Fisheries Development Foundation.

The endowment loan would be for a period of 10 years and would be made without interest. By requiring the principal of the loan to be returned to the state in full in 10 years, the legislature retains the ability to review and reevaluate the state's fisheries research and development funding needs.

The bill contains a sunset provision for when the principal has been returned and the program is no longer needed. The bill requires annual reports and annual financial audits to be submitted to the legislature and gives the Legislative Auditor jurisdiction over AFDF.

CSSB 345 contains specific guidelines for the investment of the endowment loan. The purpose of the guidelines -- copied from AFDF's existing investment policy -- is to ensure that the endowment is protected and the loan can be returned.

FISCAL IMPACT: Zero fiscal notes submitted by the Department of Commerce and Economic Development and the Department of Fish and Game.

PREVIOUS ACTION: Amended in Senate Resources Committee to include the investment policy. Moved out of the Resources Committee on Feb. 12 (5 DP).

BACKGROUND INFORMATION: The Alaska Fisheries Development Foundation was founded in 1978 and has operated primarily on federal Saltonstall-Kennedy fisheries development funds made available through a national competitive grant program. These funds were used to conduct a variety of fisheries development projects.

Due to changing federal budget priorities, the S-K funds (from tariffs on imported fisheries products) have been increasingly siphoned off to fund National Marine Fisheries Service administrative functions. The grant program has been reduced from \$7-9 million available throughout the 1980's to \$3.4 million available in federal fiscal year 1992 to \$500,000 available for federal fiscal year 1993.

One reason for the total reduction is that the S-K program originally was targeted at undeveloped species. Alaska is now one of the few locations left in the United States where undeveloped species projects are still feasible. NMFS also has changed the program's priorities from the original industry research and development to allow grants for fisheries management research and development.

AFDF -- if it is to continue to provide benefits to the people who live and work in Alaska -- must find a new source of funding. Due to its impressive track record, AFDF deserves consideration. Most notably, its surimi demonstration project led directly to the establishment of a new industry in Alaska. In addition, AFDF has found there are increasing demands for projects aimed at creating new products from fully utilized species, such as salmon, which do not meet the criteria for federal funding.

ATTACHED BACKUP INFORMATION:

1. Sectional analysis.
2. Department of Commerce fiscal note and position paper.
3. Department of Fish and Game fiscal note.
4. Letter of support from Mr. Carl Rosier, commissioner of the Department of Fish and Game.
5. AFDF fact sheet.
6. Letter from Mr. Ed Crane, president of the Alaska Commercial Fishing and Agricultural Bank.
7. Letter from Mr. Alvin Burch, executive director of the Alaska Draggers Association.
8. Letter from Mr. Dan James, general manager of Kodiak Reduction, Inc.
9. Letter from Ed Wyman of Neptune Marine Products, Inc.
10. Letter from Network Seafoods, Inc.
11. Letter and resolution from the Kodiak Chamber of Commerce.
12. Summary of AFDF fisheries development projects.

13. AFDF proposal for the establishment of the endowment.
14. List of publications available from AFDF, illustrating the depth and scope of the organization's work.
15. Current members of the AFDF Board of Directors.
16. AFDF's investment policy.
17. History of AFDF, as published in the Lodestar, Autumn, 1988.

Also available are copies of the AFDF independent auditors reports for 1989, 1990, and 1991.

# STATE OF ALASKA

## DEPARTMENT OF FISH AND GAME

OFFICE OF THE COMMISSIONER

(4)

WALTER J. HICKEL, GOVERNOR

P.O. BOX 3-2000  
JUNEAU, ALASKA 99802-2000  
PHONE: (907) 465-4100

February 19, 1992

RECEIVED FEB 25 1992

The Honorable Jay Kerttula  
and Pat Pourchot  
Co-Chairs  
Senate Finance Committee  
Alaska State Legislature  
P.O. Box V  
Juneau, AK 99811

Dear Senators Kerttula and Pourchot:

I believe that the effort to develop new products for Alaskan salmon is such an important part of a successful marketing strategy for Alaskan salmon, that I wish to offer my support for Senate Bills 345 and 346.

The development of new product forms for salmon has been a topic of interest for many years. The greatest attention that the subject received in recent years was during the aftermath of the botulism incident in the early 1980s, which resulted in a massive disruption of traditional markets for canned salmon.

New product development is a high risk endeavor. Many times, the most promising ideas do not develop the way their promoters hope they will. An example of this was the development of a skinless and boneless form of canned salmon. While this idea seemed initially to have great promise, the industry has had only limited success with this product form.

In order to succeed in the development of new product forms, a coordinated and sustained effort is required. It would be wonderful if the salmon industry recovered from its current crisis with the speed that the industry recovered from the botulism incident a decade ago, but I question this occurring. If I am proven wrong on the recovery issue, the efforts to develop new products and new consumers for Alaskan salmon still must continue.

Senate Bills 345 and 346 create a long needed instrument that can provide the type of sustained, coordinated, and successful effort that Alaska's salmon industry needs. The Alaska Fisheries Development Foundation (AFDF) is guided by an industry board that brings broad experience in food production and marketing to AFDF's program. AFDF has been successful with similar product development efforts for other species. They are the right choice to tackle this large task.

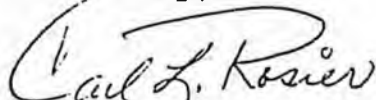
Hon. Kerttula and Pourchot

-2-

February 19, 1992

Funding for this project is, of course, problematic. With state revenues falling from both declining salmon and oil prices, the job of finding the money for this or any other new project, no matter how commendable, is a very difficult problem. Your consideration and interest in this area of industry support is appreciated.

Sincerely,



Carl L. Rosier  
Commissioner

✓cc: Senator Fred Zharoff

ALASKA FISHERIES DEVELOPMENT FOUNDATION ENDOWMENT

What Is The Foundation And What Is Its Goal?

\* The Alaska Fisheries Development Foundation (AFDF) is a private non-profit corporation formed in 1978 by the Alaska seafood industry to satisfy the research and development needs of Alaska's commercial fishing industry.

\* The Foundation acts as a catalyst for all segments of the seafood industry, including the scientific and research communities, to demonstrate new technologies and ideas for the benefit of Alaskan seafood producers, users, consumers and fishery managers.

What Does The Foundation Do?

\* AFDF conceptualizes and acquires funding for demonstration projects which allow the Alaskan seafood industry to test and apply new technologies in plants or aboard vessels that expand opportunities, increase yields and make better use of Alaska's fish resources. These are projects that few companies could afford or have the ability to conduct on their own.

\* AFDF demonstration projects have helped Alaskan fishermen and processors develop new harvesting and processing techniques, create new markets for seafood products, experiment with new product forms, create economic opportunities for coastal communities, reduce fisheries waste, increase yields and pioneer technologies that return the maximum benefit to Alaskans and the people of the United States.

\* In its first 14 years, AFDF brought over \$13 million in federal Saltonstall-Kennedy research and development funds to Alaska, and conducted hundreds of successful projects--many of which brought multi-million-dollar benefits to the Alaska seafood industry and to seafood-dependent communities.

What Has AFDF Accomplished?

- \* In the past, AFDF projects have:
- Pioneered surimi and pollock production technology on shore in Alaska, resulting in a \$500 million/year industry in Alaska;
  - Developed a whole new fishery based on Alaskan flatfish species, a bountiful resource that was not commercially used before AFDF'S project. In the first three years since AFDF's flatfish development project, commercial flatfish fillet production has already brought \$12 million/year into Alaska's economy and has not yet realized its full potential;
  - Led ground-breaking research into surimi production from arrowtooth flounder, a development that could lead to a second raw material source for surimi in Alaska;
  - Spearheaded the development of new, profitable uses for

seafood processing byproducts to help seafood producers turn waste into marketable products;

- AFDF demonstration projects have resulted in over 2,000 full-time year-round jobs, which are a permanent addition to the Alaska economy; and

- Identified and realized hundreds of opportunities for fishermen, processors and secondary processors to make fuller use of the protein from Alaska's fish, to reap more long-term, year-round benefits from Alaska's fisheries, and to return more benefits to the state of Alaska and the public.

#### Why is AFDF Pursuing A State-Funded Endowment?

\* AFDF has obtained a vast majority of its project funding from the federal Saltonstall-Kennedy program, which was set-up to fund industry conceived and directed development projects.

\* The Saltonstall-Kennedy program, like many federal programs, has suffered considerable funding cuts. These reductions accurately reflect the fully developed status of commercial fisheries opportunities in most of the United States. But, Alaska has only recently begun to develop its commercial fishing resources beyond traditional species such as salmon and crab, and these federal budget reductions are limiting one of the greatest economic development opportunities in the country.

\* AFDF is now seeking a fisheries development endowment to ensure that Alaska can continue to reap economic benefit from successful research and development, and to ensure that such development projects remain within the control of Alaskan fishermen and processors, and the citizens of Alaska, and are not controlled by the whims of federal funding and/or national politics.

\* Fisheries make up Alaska's second most important private industry, and its largest private employer. AFDF has contributed, directly and indirectly, to the growth, stability and competitiveness of this industry. Alaska cannot afford to allow such an effective force to be lost due to a lack of federal fisheries funding priorities.

#### Why Doesn't Industry Pay For The Endowment?

\* Industry already provides more than \$350,000 dollars each year to the operations and projects of the Foundation.

\* The Foundation is also soliciting endowment funds from private industry and already has made a deposit to the endowment.

\* The benefits of high risk industry research and development accrue to all sectors of Alaska and is therefore an investment within the purview of State expenditures.

CURRENT FISHERIES DEVELOPMENT PROJECTS  
OF THE  
ALASKA FISHERIES DEVELOPMENT FOUNDATION

1. Analysis of Factors That Affect Groundfish Quality

This project will produce the first solid baseline of data on the quality characteristics of Alaska groundfish through the entire year. This information will allow processors to structure their production to achieve the highest quality product, and to respond with factual information to speculation about how intrinsic characteristics of Alaskan species compare to North Atlantic species. AFDF is working with International Seafoods of Alaska, National Marine Fisheries Service (NMFS), All Alaskan Seafoods and Oregon State University to analyze groundfish product samples for an entire annual cycle. Samples are analyzed for moisture content, yield, taste acceptability, storage stability, and enzyme activity. The resulting data on quality and flesh characteristics is expected to have wide-reaching benefits for groundfish processors.

2. Development of Improved Techniques for Bone and Parasite Removal

In a project involving many shore-based cod processors, the Foundation has been working with the University of Alaska Fishery Industrial Technology Center (FITC) to improve current methods of bone and parasite removal, and to develop new, better methods. First, we studied the use of light filters and how variations in light intensity affect candling efficiency. Other studies involved mechanical vision systems, and may include testing bioelectrical methods as well. The goal is to develop a less labor-intensive, more accurate way to remove fish parasites. This may eventually lead to completely automated parasite detection and removal.

3. Development of Surimi Process Quality Assurance

This projects has given surimi producers better quality information and expanded market opportunities. It also helped pave the way for U.S. Department of Agriculture approval for HACCP-produced surimi to be used in processed meats--a first for any seafood product. AFDF, Alaska Pacific Seafoods and the FITC together introduced a cutting-edge Hazard Analysis and Critical Control Point (HACCP) program, a quality assurance technique at the food industry forefront. A complete multi-seasonal microbiological analysis of production samples was done, and critical control points in the surimi process were identified. This effort has resulted in much

better quality control. USDA approval for HACCP-produced surimi in processed meats, a direct result of this program, has created a multi-million-dollar opportunity for surimi producers. We are the HACCP concept into other Alaska seafood processing lines so that a broader microbiological data base will be available to industry. This information will help prepare the Alaska seafood industry for the expected mandatory federal seafood inspection program.

#### **4. Flatfish Processing Line Yield Improvements**

During the AFDF flatfish project in 1988, we recognized the need to reduce waste and increase profits by improving yields during processing. This project demonstrates a process that would recover the flesh left on filleted flatfish frames. The process uses available technology transferred from the poultry deboning industry to the Alaska seafood industry. If successful, it will increase recoveries and returns to processors and fishermen. We are also planning to test a similar process to increase yields from other groundfish, especially grey cod.

#### **5. Development and Demonstration of Seafood By-Product Hydrolysis**

The Foundation, working with North Pacific Processors and Advanced Hydrolyzing Systems, is addressing the crucial question of seafood processing by-product utilization. Conventional meal and oil processing, though effective enough in large plants, offers little opportunity for most of Alaska's smaller or seasonal processors because of high capital costs. We tested a prototype 1000 lb. per hour automated hydrolyzer machine and produced more than 12,000 lbs. of meal from material that would normally be discarded as waste. The hydrolyzed product now is being analyzed for use in piglet starter feeds at the University of Alaska Fairbanks, salmon fry feeds at the Fort Richardson State Hatchery, and as foliar feeder/insecticide for commercial fruit trees in Oregon. If successful, this hydrolyzing technology will allow processors to use more of the raw material they buy from harvesters, and to minimize problems with effluent regulations. This project is expected to continue for at least one more year to further explore the hydrolyzing options available to Alaska processors and the applications for hydrolyzed products.

#### **6. Coordinate an International Seafood By-Product Conference**

The Foundation, together with The University of Alaska Sea Grant Program, Icicle Seafoods, and several other members of the seafood industry hosted this international conference in 1990. The conference featured speakers from major fish by-product producers, researchers and buyers, and attendance topped 200 people from 13 countries. The purpose of the conference was to expose the Alaska industry to the worldwide demand and opportunities for seafood by-

products, and to expose the international seafood by-products industry to growing opportunities in Alaska. In the past, dominance of Alaska's industry by salmon and crab producers had led to a widely held belief that Alaska had little to offer in the way of high quality whitefish by-products. The fact that our waste streams had changed and our by-product handling facilities had been upgraded was not widely known. The conference was very successful in achieving these goals. Sea Grant is now in the final stages of preparing a proceedings from the conference.

#### 7. Testing an Automated Vision-Based Flatfish Sorting System

During our recently completed flatfish production demonstration project, we discovered that one obstacle to profitable flatfish filleting was the sorting problem caused by the large size range of flatfish species. Hand sorting is extremely time consuming and expensive, but is necessary to effectively machine fillet the fish. A prototype vision-based sorting machine from Eastern Canada is being tested at All Alaskan Seafoods for its ability to correctly sort Alaska flatfish species. If the machine is successful, as it is with Atlantic flatfish species, we will have solved a major problem for automated flatfish filleting in Alaska.

#### 8. Developing a Flatfish Gutting Machine

A second obstacle to flatfish industry development is the numerous rocks and grit in the gut cavity of Alaska flatfish, which damage the blades of automated filleting equipment. To solve this problem, we have begun to develop a prototype machine that would clean the belly cavity before the fish is filleted. If successful, this machine would increase efficiency, profitability, and feasibility of flatfish processing in Alaska.

#### 9. Researching Feasibility of Producing Arrowtooth Flounder Surimi

Working with the National Marine Fisheries Service (NMFS), Eagle Fisheries, Alaska Dragers Association, Alaska Pacific Seafoods, and All Alaskan Seafoods, the Foundation is attempting to document the feasibility of commercial production of surimi from arrowtooth flounder. Arrowtooth flounder have an intrinsic flesh softening problem that renders them useless for seafood processors. The Gulf of Alaska population is at very high levels, and both harvesters and processors go to considerable trouble to avoid--or, when encountered, discard--this species. Dr. Diana Wasson, a scientist with NMFS, identified an additive which, when applied in the laboratory to arrowtooth flounder flesh, effectively eliminated the flesh softening problem. This incredible breakthrough led to a production test of the additive, which demonstrated successful application. The additive seems to retain its effectiveness through frozen storage. Final results from this project will be released shortly. The next step will be a full-scale demonstration project

so that the industry will be able to collect the information required to make educated decisions about the feasibility of arrowtooth flounder surimi processing on an industrial scale.

#### 10. Modification of Crab Pots to Harvest Pacific Cod

In response to the recent development of modified crab pots for the harvest of grey cod, the Foundation--together with the Alaska Department of Fish and Game, Neptune Trap and Trigger, Gotyas and the M/V Enterprise--is completing research into the effectiveness of pot gear in harvesting cod and avoiding halibut. Both processors and harvesters have been hard hit by the closure of groundfish fisheries when halibut limits have been reached. The use of inclusion devices, together with vertical dividers in pot entrances, offers a logical method to continue the harvest of grey cod while eliminating most halibut. This harvesting method could also allow many small crab vessels to enter the groundfish fishery without large capital investments. The field research for this project has been completed and a final report will be prepared shortly. The results will give harvesters an objective look at the production possibilities of this new gear type. We are also planning to study various modifications of bottom trawl gear in an effort to identify changes that will reduce trawlers' catches of halibut.

13.

A Proposal  
To Establish an Endowment to Perpetuate  
Industry-Directed Fisheries Development  
In Alaska

Submitted for Consideration to the  
Alaska State Legislature  
January 1992

by

Alaska Fisheries Development Foundation, Inc.  
508 West Second Avenue, Suite 212  
Anchorage, Alaska 99501  
Phone: (907) 276-7315  
Fax (907) 271-3450

## Abstract

The commercial seafood industry of Alaska proposes that the Alaska Legislature establish an endowment for commercial fisheries development in Alaska.

The Alaska Fisheries Development Foundation since 1978 has initiated and led seafood industry development projects that have helped create new fisheries in Alaska, have greatly expanded the state's seafood processing and exporting capacity, and have contributed significantly to Alaska's economic growth and diversification.

Alaska Fisheries development Foundation is the force behind the successful demonstration of large-scale shore-based groundfish processing, the nation's first surimi processing plant, and a full-scale flatfish filleting plant. Over the last 14 years, AFDF has brought nearly one million dollars per year of federal research funds into Alaska.

Now, budget restrictions and priority changes in the federal fisheries industry grants program have caused severe reductions in federal funding for fisheries development projects. These changes have closed at least four of the original seven industry-directed fisheries development foundations in the U.S.

But many of the commercial fisheries of Alaska remain dramatically underdeveloped. It is vitally important that the State of Alaska continue to pursue industry-directed fisheries development research focusing on new species and on new processing technologies. It is also crucial that these development efforts be directed by the seafood industry--and designed with resource concerns in mind--and remain independent of the caprices of the federal budgetary process. An endowment of five million dollars from the State of Alaska, to be matched with industry contributions, is proposed as a means to perpetuate the administration and funding of crucial industry-directed seafood research and development in Alaska.

## I. AFDF: A proven leader in fisheries development for Alaska

Alaska Fisheries Development Foundation (AFDF) opened in March 1978, after Alaskan fishermen and processors joined together to bring federal fisheries development grants to Alaska and apply them toward needed development projects. The Foundation was formed, along with other regional foundations across the U.S., to bring home research funds from the federal Saltonstall-Kennedy (S-K) program, which was set up by Congress to fund domestic seafood industry research and development activities.

The S-K grants program was created to strengthen the U.S. fishing industry in the face of increasing foreign competition and fluctuating resources. S-K funds come from a portion of tariffs on imported seafood and seafood products. These funds have been made available annually via a nationwide competitive process.

When the S-K program began, members of the Alaska seafood industry collectively decided that, to direct these funds toward projects with the broadest benefit and a realistic chance of success, it would be best to maximize the industry's control of the projects and minimize the government's. The Foundation was organized to represent the industry; its members include harvesters, processors, and support industry representatives. Every year AFDF members and the Board of Directors, with input from all levels of the industry, set the Foundation's priorities and the staff designs project proposals for the S-K funding competition based on these priorities. This combination of strong industry participation and the compelling seafood development opportunities in the North Pacific have produced an outstanding record of accomplishment for AFDF.

## II. AFDF's fisheries development approach and accomplishments

Alaska Fisheries Development Foundation's projects, from salt cod to surimi to flatfish filleting to new byproducts processing techniques, laid the groundwork for a good part of Alaska's current groundfish industry. The success of these projects also demonstrates the foresight and efficiency that industry direction provides. The Foundation has pioneered new methods of groundfish processing and harvesting, byproduct utilization, and salmon product development. Nearly all of AFDF's projects have brought significant new opportunities to Alaskan businesses.

AFDF's projects are straightforward and involve private industry to a great degree. Most Foundation projects are technology demonstrations. The most dramatic example of this approach was the Foundation's five-year Surimi Industry Development Project, which began in the early 1980s. Troubled former crab harvesters and struggling shore-based processors began to focus on the bounty of pollock off Alaska's coast, which was not then harvested or processed domestically. Foreign fleets dominated the groundfish fisheries at the time, but much of their finished products--surimi

and pollock fillets--were being marketed successfully in the U.S. and abroad. It was apparent that the Alaska seafood industry was missing out on a huge opportunity, but no information--certainly no assistance--was available to aid the domestic industry in exploring the pollock opportunity. The Foundation stepped in to provide the information, guidance and opportunity for Alaska to prove to world markets that pollock-based surimi could be successfully produced on shore by Alaskan producers. AFDF designed a demonstration project to set up and operate the first U.S. surimi plant, which, after a competitive process, was sited at Alaska Pacific Seafoods in Kodiak. Through our international industry network, we built a surimi processing line and continued to improve it over the course of the project. We even introduced innovations to the Japanese, who invented surimi processing. So much improvement was made that for the first time the Japanese buyers, who previously contended that high-quality surimi could only be produced at sea, admitted that shoreside surimi production in Alaska could indeed be successful.

One of the most crucial elements of the Foundation's work is our production and distributing of usable information that results from our projects. During the surimi project the Alaska Pacific Seafoods plant was open to other processors, buyers and researchers to tour and observe. This gave the whole industry a chance to get first-hand information from the project. The Foundation also produced numerous reports containing hard data on production, yields, quality control, equipment, process improvements, economics and every other aspect related to the processing of surimi. This information was widely applied by the entire industry, and is a prime example of the benefit of the collective ability of the seafood industry when compared to the limited benefits of privately conceived and executed research and development efforts.

AFDF has also conducted other demonstration projects that have resulted in industry innovations now widely accepted. Many of them also have brought widespread benefits to the state of Alaska by improving the industry's year-round stability, employment base, industry profitability and responsible use of fisheries resources. Examples of such projects are:

1. Refrigerated sea water for storing pollock and cod before processing. During the surimi project, studies documented that sea water storage allowed round fish to be held for several days, on board or in the plant, without loss of quality. This knowledge was key to the establishment of the shore-based surimi processing in Alaska, and provided a crucial method to improve product quality and decrease waste.
2. The Baader 182 pollock filleting machine. This then-new technology was demonstrated in a production situation for the first time during the surimi project. Its ability to automatically and quickly handle pollock of varying sizes dramatically enhanced the feasibility of both pollock fillet and surimi production in Alaska. These machines are now used by virtually every pollock producer.

3. Objective surimi quality measurements. The Japanese system of determining surimi quality was based on broad categories such as vessel versus shore-based production and producer experience. AFDF pioneered objective quality and functional measurements that have allowed domestic producers to compete in the worldwide, especially in the large Japanese market.

4. USDA approval for fish in meat products. The microbiology of surimi, data generated in an AFDF study, was documented and incorporated into the first U.S. Department of Agriculture-approved Hazard Analysis and Critical Control Point (HACCP) plan for seafood. This breakthrough resulted in the first USDA-approved processed food product containing a blend of seafood and red meat. The potential of surimi to expand into the processed meat industry represents a tremendous domestic market for Alaska's fish products, especially with the recent focus on reduced fat and cholesterol in the diet. The potential of fish materials to be used in blended meat products represents an unmeasurable opportunity in the future.

5. The first documented demonstration of sole and flounder fillet production in Alaska introduced Alaskan product to a market starving for high-quality product. The Alaska flatfish resource is nearly untouched, and AFDF's project applying North Atlantic processing equipment to Alaskan flatfish has focused worldwide attention on Alaska as a source for quality flatfish. Since the start of AFDF's flatfish demonstration project, Alaska has increased flatfish production fourfold.

6. Innovative uses of fish byproducts. AFDF has demonstrated the use of Alaska's first automated, continuous-flow seafood waste hydrolyzer. The hydrolyzed product is already being tested for food for Alaska's salmon hatcheries, food for livestock, and fertilizer/insecticide on tree fruit crops. If fully successful, this process has the potential to greatly reduce processing wastes and increase industry profitability.

7. Conversion of a small salmon vessel to a cod longliner, and production of salt cod at remote sites. Information from this project has been used by many coastal communities to help expand economic development, and has led to the use of many small salmon vessels as longliners.

8. Spearheaded two efforts to find ways to process arrowtooth flounder, a species known for its flesh softening problems. Both efforts are producing positive results, which may lead to successful processing methods. This is especially important when one considers the size of the resource, which is expected to support annual harvests of nearly 500,000 metric tons.

9. Spearheaded demonstration of poultry deboning technology on pink salmon frames. This demonstration produced usable salmon mince from previously discarded frames, a product that is valuable and in high demand. This mincing technology may someday be applied to recover edible protein from the increasing number of spawned-out

carcasses at our private-non-profit hatcheries.

10. Development and testing of a prototype salmon head splitter to recover salmon flesh from the collars usually discarded with the heads. This high quality salmon "chunk" has an immediate application in salmon canning, and perhaps could be developed into a specialty product with a high value similar to halibut cheeks.

These brief project descriptions give just a small idea of the benefits the State of Alaska has received from Foundation activities. The complete chart of projects is considerably longer and can only be fully appreciated after reviewing the more than seventy-five project-related reports the Foundation distributes.

### III. Why An Endowment?

The Foundation has been able to accomplish these development projects because of the Saltonstall-Kennedy program and its mandate for industry-directed research and development. Although this program is still in effect, its funding and intent have been severely compromised over the past two to three years.

Because of the considerable stress on the federal budget and the funding of vital programs, the industry-directed portion of the Saltonstall-Kennedy program has been steadily reduced. The funding level in 1992 is only \$500,000.00 for the entire country, nearly \$7.0 million below the annual average for the last decade. The rest of the S-K funds have been redirected to fund general government operations. From the Alaska seafood industry's perspective, this reduction in Saltonstall-Kennedy funding reflects the fact that in most other areas of the United States the commercial fishing industry is much more developed--in most cases to the point of diminished resources. Our situation in Alaska is considerably different.

With the relatively recent development of most of our fisheries, opportunities, (especially groundfish) and with the rapid changes in established fisheries, (increasing pink salmon supplies and farmed salmon competition) we have before us dramatic opportunities to turn small investments in research and development into large benefits for the commercial fishing industry and the people of Alaska.

As with many other areas of endeavor, Alaska finds itself in a dramatically different stage than the rest of the country when it comes to fisheries development needs. We cannot afford to lose the opportunities that are now available because of a reduction in the Saltonstall-Kennedy Program. The Alaska Fisheries Development Foundation's Board of Directors has responded to this challenge by initiating an endowment to fund the operations of the organization. This endowment would allow the Foundation to operate independently of the reductions in federal industry grants, and continue to provide the fisheries development breakthroughs that foster

industry success.

The Foundation is pursuing private and public sources of funding for the endowment. The endowment revenues will be applied toward long-term funding of the Foundation so it may continue its integrated, cooperative approach toward fisheries development research. The total amount of funding needed to keep AFDF's efforts going is ten million dollars. Our request for State of Alaska funds is five million dollars. We are seeking matching funds from the food and seafood industry.

This level of endowment funding will allow the Foundation to maintain the optimum organizational structure, and to continue its tradition of gleaning maximum benefits from minimal administrative costs. The return on this investment for the people of Alaska can only be projected based on the past 14 years of accomplishments at the Foundation. These include bringing in more than \$13 million in federal grant funds and initiating demonstration projects that have increased Alaska's fisheries wholesale value by at least \$240 million annually.

The endowment is a small investment when one considers the benefit it will bring to Alaska.

ALASKA FISHERIES DEVELOPMENT FOUNDATION, INC.  
BOARD OF DIRECTORS

15.

January 3, 1992

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16.

ALASKA FISHERIES DEVELOPMENT FOUNDATION, INC.

INVESTMENT POLICY

May 10, 1990

INVESTMENT POLICY AND OBJECTIVES

A. This policy applies to the investment of all moneys of the Alaska Fisheries Development Foundation, Inc. (AFDF), unless otherwise stated. AFDF moneys accounted for in the following funds shall be invested only in accordance with this policy:

Unrestricted Funds - Merrill Lynch Cash Management

B. All persons having responsibility for making decisions regarding the investments of AFDF moneys shall utilize the same judgment and care, under the circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation but for investment, considering the probable safety of capital as well as the probable income to be derived in accordance with the objectives established in subsection C of this policy.

C. The AFDF investment portfolio shall be managed so that the portfolio, as a whole, meets the objectives set forth in this subsection. All persons selecting investments shall adhere to these objectives, which are listed in order of relative importance.

1. Safety of principal is the most important objective of the AFDF investment program;

2. Maintaining sufficient liquidity to meet the AFDF cash flow requirements is the second most important objective of the AFDF investment program; and

3. Achieving a reasonable market rate of return is the final objective of the AFDF investment program.

D. Notwithstanding the above objectives, no person shall invest AFDF moneys in a manner which violates any provision of this policy.

PERSONS AUTHORIZED TO INVEST

The Executive Director is authorized to invest AFDF moneys in accordance with this policy, and shall ensure that no person invests AFDF moneys other than in accordance with this policy and the administrative procedures established under this

policy. The Executive Director may delegate daily management authority over the AFDF investment program, in writing, to the Controller. Whenever this policy assigns responsibility or gives authority to the Executive Director, such responsibility or authority may be exercised by any person to whom the Executive Director has delegated the responsibility or authority, unless otherwise provided in this policy.

#### AUTHORIZED INVESTMENTS

- A. AFDF money shall be invested only in the following instruments: all securities purchased, and all other investments, must mature not later than the time indicated below, measured from the date of the investment transaction.
1. U.S. Treasure Securities - three (3) years;
  2. Certificates of Deposit and other deposits at banks and savings and loan associations collateralized as provided in the section "COLLATERALIZATION" of this policy - five (5) years;
  3. Uncollateralized deposits at banks and savings and loan associations, to the extent that the deposits are insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation - three (3) years;
  4. Bonds and notes which are issued by any State or subdivision thereof, and which are graded A or higher by Moody's Investor's Service, Inc. or Standard and Poor's Corporation - three (3) years;
  5. Prime commercial paper graded A-1 or higher by Moody's Investor's Service, Inc. or P-1 or higher by Standard and Poor's Corporation - two hundred seventy (270) days;
  6. Prime bankers acceptances offered by the fifty (50) largest international banks - one hundred eighty (180) days;
  7. Money market mutual funds whose portfolios consist entirely of instruments - maturity date not applicable which are U.S. Government, or U.S. Government guaranteed obligations.
- B. No person shall invest any AFDF moneys in any instrument which is not listed in subsection A. of this section. This prohibition includes, but is not limited to: investment of AFDF moneys in any mutual fund, except as otherwise provided in subsection A; common or preferred stock;

precious metal; zero coupon bond; corporate bond; option contract; future contracts or negotiable instruments with a variable interest rate.

- C. The Executive Director may enter into a short term repurchase agreement, certificate of deposit, or other authorized investment with the bank in which the AFDF daily operating moneys are deposited, for the purpose of investing any excess operating moneys which will be needed in the immediate future to fund AFDF operations, but which are not needed for such purpose at the time of investment. This investment may be continuing in nature, such that excess AFDF operating moneys are continually invested. This short term investment shall be governed by the provisions of this policy relating to similar long-term investments of Section "COLLATERALIZATION" with respect to this short-term investment, if it is determined that such action is reasonably necessary to obtain and secure the investment. For purposes of this policy, short term investment means one year or less.
- D. Moneys may be invested with a bank which does not maintain a business office in the United States on a regular and permanent basis, only when investment with an "international bank" is expressly authorized by this policy.

#### COLLATERALIZATION

- A. If AFDF moneys are invested in certificates of deposit or other deposits in a bank or savings and loan association, the entire amount of principal and interest which will be payable to the AFDF upon maturity of the investment must be collateralized by any combination of the following, unless otherwise noted:
1. Insurance issued by the Federal Deposit Insurance Corporation (FDIC) or Federal Savings and Loan Insurance Corporation (FSLIC);
  2. U.S. Treasury Securities;
  3. Obligations guaranteed by the U.S. Government or its agencies and instrumentalities; and
  4. Obligations of the State of Alaska or its political subdivisions which are secured by the full faith, credit and taxing power thereof, and which are rated A or higher by Moody's Investor's Service, Inc., or Standard and Poor's Corporation.

No security pledged as collateral for an AFDF investment

shall mature longer than five years after the date of the investment transaction.

- B. At all times during the term of the investment in a certificate of deposit or other deposit, the bank or savings and loan association with which AFDF moneys are so invested, shall pledge and maintain collateral, in accordance with this policy, which has a then-current market value equal to the following percentage (margin requirement) of the total amount of principal and interest which will be due and owing to the AFDF at the maturity date of such certificate of deposit or other deposit. At all times during the term of such investments the collateral pledged as security, for each investment shall have market value at least equal to the applicable margin requirement, which requirement shall vary with the type of instrument pledged as security, according to the schedule set out in this subsection. The margin requirements contained herein are minimums. The Executive Director may require higher margins if he determines that such action is reasonably necessary to protect the security of investments.

<u>Collateral Type</u>	<u>Margin Requirements</u>
U.S. Treasury Securities	
Maturity date 1 year or less from the date of investment transaction	102%
Maturity date between 1 and 5 years from the date of AFDF investment transactions	105%
Actively traded U.S. Government agency or instrumentality securities, except mortgage pass-through securities.	
Maturity date 1 year or less from the date of AFDF investment transaction	103%
Maturity date between 1 and 5 years from the date of AFDF investment transaction	107%
Government National Mortgage Association mortgage pass-through securities	120%
All other U.S. Government agency or instrumentality mortgage pass-through	

securities, and U.S. Government agency or instrumentality securities which are not actively traded 125%

Obligations of the State of Alaska and its political subdivisions secured by the full faith, credit and taxing power thereof

Maturity date 1 year or less from the date of AFDF investment transaction 102%

Maturity date between 1 and 5 years from the date of AFDF investment transaction 107%

FDIC, FSLIC and SPIC insurance 100%

#### PORTFOLIO DIVERSIFICATION

- A. AFDF investments shall be diversified to minimize the risk of loss resulting from over concentration of investments in a specific maturity, a specific issuer, a specific class of security or a specific financial institution.
- B. The total amount of principal and accumulated interest which will be paid to the AFDF at maturity of all certificates of deposit, other deposits and/or repurchase agreements invested with any one financial institution shall not at any time exceed twenty percent (20%) of the total net worth of the financial institution, as shown on said financial institution's most current annual financial statement. At no time shall the total value of AFDF moneys invested in repurchase agreements, certificates of deposit and/or other deposit agreements, at any one financial institution, including interest which will be payable to the AFDF at the maturity of each investment, exceed thirty percent (30%) of the total principal value of the entire AFDF investment portfolio. The short-term investments authorized shall not be included in calculating compliance with this thirty percent (30%) limitation.

#### INTERNAL CONTROLS

The Executive Director shall adopt and establish a system of internal controls to provide checks and balances within the process by which AFDF moneys are invested. The internal controls shall be designed to minimize the risk of loss of funds resulting from fraud, employee error, misrepresentation by third parties, anticipated changes in financial markets or imprudent actions by an AFDF employee. The AFDF external auditors shall review and evaluate, at least annually, the system of internal controls to ensure that they are adequate

for accomplishing the purposes in this policy.

#### FINANCE COMMITTEE

The Finance Committee shall review the investment reports annually and make recommendations and suggestions to the Executive Director for the conduct and improvement of the AFDF investment program. The Committee shall report to the board of directors on the status of AFDF's investment program, its compliance with this policy and the outlook for future investments. The Committee may also consult with the Executive Director concerning the adoption of administrative procedures and internal controls to implement this policy.

#### EMERGENCY POWERS

Notwithstanding any other provision of this policy, if the Executive Director determines that a reasonable possibility exists that the principal and interest of an AFDF investment are not adequately secured for any reason, the Executive Director may take any or all of the following actions in order to protect the principal and interest of such AFDF investment.

1. Rescind or otherwise terminate the investment without regard to interest or other penalties which may arise because of such action;
2. Demand from the financial institution additional substitute collateral; or
3. Notify State or Federal regulatory agencies of the nature and reasons for such insecurity and seek assistance in remedying the insecurity.

#### CONFLICT OF INTEREST

- A. No AFDF employee, board member or Finance Committee member shall:
1. Take any action, make any decisions, or exercise his official judgment or discretion with respect to an AFDF investment with the intent to confer a benefit upon, or provide a material advantage to himself, to a member of his immediate family, or to any financial institution in connection with the investment of AFDF moneys.
  2. Accept any gift, gratuity or other inducement offered by any person for the purpose of influencing his opinion, judgment, action, decision or exercise of official discretion in connection with the investment of AFDF moneys. Prohibited gifts and gratuities include, but are not limited to: payment of money, gift of real or

personal property, reduced commission on investments for the person's own account, reduced interest rate, waiver of penalties and forgiveness of delinquency or default on a loan;

3. Participate in a decision regarding the investment of AFDF money, if the decision concerns or relates to the investment or potential investment of money in, or the purchase or potential purchase of, a security from or offered by any financial institution or other entity of which the person, or a member of the person's immediate family, is an officer, director or employee, or in which the person or family member has a substantial financial interest.

- B. Violation of the prohibitions contained in subsection A of this section shall constitute cause for terminating employment with AFDF.

#### INTERPRETATION AND CONSTRUCTION

This policy represents the maximum amount of authority and discretion which the Executive Director may utilize in investing AFDF moneys. Nothing in this policy shall be construed, however, to prohibit the Executive Director from adopting standards, rules, policies and procedures which are more restrictive than those contained in this policy. The enumeration in this policy of instruments which are authorized for AFDF investment shall not be construed as requiring the Executive Director to invest in all or any particular instrument contained in such list at any given time. The Executive Director may invest in some or all of such instruments as he deems appropriate. Similarly, this policy shall not be construed as requiring the Executive Director to accept all, or any particular, instrument contained in such list at any given time. The Executive Director may accept some of such instruments, and reject others in his discretion.

#### DEFINITIONS IN THIS POLICY

- A. "Actively traded" means securities which are regularly bought and sold on the secondary market on a daily basis for which price information is available on a regular basis in the Wall Street Journal.
- B. "Bank" means an institution which is chartered or otherwise authorized to conduct business as a bank by, and regulated by an agency of the United States government or of any state, which is insured by the Federal Deposit Insurance Corporation, and which maintains a main or branch office within the United States on a regular and permanent basis.

- C. "Financial Institution" means a bank, savings and loan association, international bank, or securities dealer.
- D. "Immediate Family" of a person means the person's wife or husband, son or daughter, mother or father, brother or sister, aunt or uncle, niece or nephew, grandmother, grandfather or grandchild, and anyone residing in the person's household on a regular basis.
- E. "International Bank" means a bank as defined in this policy, and any other institution chartered or otherwise authorized to provide banking services by the government of any foreign country, or political subdivision thereof, whether or not said institution maintains an office within the United States.
- F. "Money Market Mutual Fund" means a mutual fund which maintains a constant share price regardless of market fluctuations and which has an average maturity of its entire portfolio of sixty (60) days or less.
- G. "Savings and Loan Association" means an institution chartered or otherwise authorized to do business as a savings and loan association by, and regulated by an agency of the United States Government or of any state and insured by the Federal Savings and Loan Insurance Corporation, which maintains a main branch of office within the United States on a regular and permanent basis.
- H. "Securities Dealer" means a person, partnership, corporation or other entity licensed by the Securities and Exchange Commission to deal in secondary financial markets, which is a member of the New York Stock Exchange, and which maintains a main or branch office within the United States on a regular and permanent basis.
- I. "U.S. Government Agency or Instrumentality Securities" means securities issued by an Asian Development Bank, District of Columbia Armory Board (D.C. Stadium), Export-Import Bank of the United States, Farmers Home Loan Mortgage Corporation, Federal Housing Administration (FHA), Federal National Mortgage Association (FNMA), Government National Mortgage Association (GNMA), Interamerican Development Bank, International Bank of Reconstruction and Development (World Bank), Maritime Administration, Small Business Administration (SBA), Student Loan Market Association (SLMA), Tennessee Valley Authority (TVA), United States Postal Service, and Washington Metropolitan Area Transit Authority.

- J. "U.S. Treasury Securities" means bills, notes and bonds issued directly by the United States Treasury through the Federal Reserve System, and guaranteed by the full faith and credit of the United States Government.
- K. "Local Financial Institution" means a financial institution which maintains an office in the state of Alaska on a regular and permanent basis. However, an investment shall not be placed with or through such local institution if the placement would result in any decrease in or impairment of AFDF's ability to meet the objectives of this policy.

TO: Karl Uhle  
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 FROM: Mel Yonson PHONE: 276-7915  
 CO: AFDE FAX #: \_\_\_\_\_  
Post-Net brand fax transmittal memo 7671

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Alaska Fisheries Development Foundation, Inc.

MEMORANDUM

To: Board of Directors and Program Development Committee  
 From: Mel *Yonson*, Jr., Executive Director  
 Subject: Program Development Priorities  
 Date: March 25, 1992

\*\*\*\*\*

During your meetings in Kodiak on Thursday March 19, 1992 you reviewed and prioritized project priorities for the coming year. I am writing this memorandum to confirm the priorities and our potential funding sources.

Priority projects for the Foundation to develop and pursue funding for during the upcoming year include:

- 1) arrowtooth flounder harvesting data collection and analysis,
- 2) arrowtooth flounder production demonstration technical data collection and analysis,
- 3) microwaveable canned salmon entree development, focus groups, and introduction,
- 4) squid processing demonstration and evaluation,
- 5) surimi production scale processing washwater protein recovery and market development, and
- 6) cod and square mesh selectivity studies.

As you all know we may be facing the most difficult funding effort to date. Staff will work to fully develop the proposals and identify appropriate funding sources. At this time the federal Saltonstall-Kennedy program has not issued a solicitation for proposals and has only \$500,000.00 for projects nationwide. There is some possibility that more funds could be made available by Congress, but there is also the possibility of no solicitation at all this year. Other potential sources are the Alaska Science & Technology Foundation and the National Coastal Research Institute. However, these two organizations generally fund smaller projects and only fund administration at minimal levels. Finally, the endowment legislation may be passed and in place by July. If this option is available we will be able to fund some priority projects with the endowment.

Please let me know if you have additional ideas or concerns relating to this year's project priorities.



**ALASKA SCIENCE & TECHNOLOGY FOUNDATION**  
*— Putting Innovation to Work for Alaska —*

**FACSIMILE TRANSMISSION**

**Transmitted To:** Susie  
 Senator Pourchot's Staff

**Fax Number:** 465-2069

**Date:** February 21, 1992      **Time:** 1:24pm

**Pages** (including this one): 5

**Sent By:** Paula Dede

**MESSAGE:**

*The information you requested is broken out on the following pages. Overall, ASTF's total portfolio is \$8,174,736.*

*The percentages of this total for research and development efforts related to fisheries are:*

11.3%	Value-added Development
2.4%	Harvest Efficiency and Gear Issues
10.6%	Resource Management
2.0%	Enhancement and Development

*Please deliver this facsimile transmission to the above addressee. If you do not receive all of the pages in good condition, please advise us at your earliest convenience. Thank you for your assistance.*

U.FAX.ASTF

**550 West 7th Avenue, Suite 360, Anchorage, Alaska 99501-3558**

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**Fax: (907) 274-6228**

## Alaska Science & Technology Foundation Fisheries Research & Development - Value-added Development

Project	Description	Alaska Benefits	AWARD PERCENT COMPLETED	ASTE FUNDS	MATCHING SUPPORT	TOTAL SUPPORT
1 Seafood Processing Tool Development Larry Smith Innospace Technologies of Alaska Sitka, Alaska	Produce and utilize a billet pin-bone remover to reduce the costs of value-added processing of Alaskan salmon products.	Producing high-quality, ready-to-cook entrées can increase the value of the product by two to three times, but it is very labor intensive. Automating this process will help make these Alaskan products more competitive in outside markets. Grantees will use the tool, as well as make it available for other Alaska-based processing companies.	1989 85% Complete	84,550	55,100	139,650
2 Commercial Utilization of Arrowtooth Flounder Mervin J. Monson, Jr. Alaska Fisheries Development Foundation, Inc. Anchorage, Alaska	Research and develop the most effective methods to allow utilization of Arrowtooth flounder, a fish which cannot currently be used commercially because its flesh softens when cooked.	Arrowtooth flounder comprises over 80 percent of the flatfish biomass in the Gulf of Alaska. Success of the project would lead to Alaska's deriving an economic benefit from the utilization of a fish which could yield 500,000 metric tons/year harvestable yield but cannot now be used commercially.	1990 100% Complete	50,000	83,000	143,000
3 Increase of Female Pink Salmon Returning to Hatcheries William W. Smoker Juneau Center for Fisheries & Ocean Sciences Juneau, Alaska; Douglas Island Pink and Chum, Inc. Juneau, Alaska	Adapt existing rainbow trout techniques so that hatcheries can produce and release an excess of female salmon fry. The Alaska Department of Fish & Game is loaning fish culture equipment, and the work will be undertaken at the Gastineau Broodstock Laboratory, a research facility provided by Douglas Island Pink and Chum, Inc.	Over 3500 tons of pink salmon eggs were produced last year. Those sold for more than \$3 per pound. An increase of female salmon would mean a proportionate increase in the quantity of eggs available for sale. This would result in a similarly increased value for the tons of millions of pink salmon which return to Alaska hatcheries each year.	1991 50% Complete	232,439	482,909	715,428
4 Develop Quality Food Products Using Fishery Waste Products Mark K. Buckley Buckley Fisheries; Jerry Bobbit National Marine Fisheries Service; Charles A. Grape Fishery Industrial Technology Center; Kodiak Island Borough Kodiak, Alaska	Upgrade fishery waste to permit manufacture in Alaska of quality salmon hatchery and livestock feed. Project includes pilot scale manufacturing and testing of food produced from whitefish waste. As a result of the initial feasibility effort funded by Kodiak Island Borough, 20 tons of product has been requested for field tests in Idaho and Alaska.	The Environmental Protection Agency recently has banned the practice dumping fish processing waste at sea. This project will demonstrate that formerly discarded fishery wastes can be transformed into useful value-added products having markets inside and outside the state. Results will benefit Kodiak and other Alaska communities with similar problems.	1991 5% Complete	475,000	718,125	1,193,125
5 Kodiak Green Sea Urchin Development Project Mark R. Donahue Kodiak Area Native Assoc.; Mark Blakeslee Aqualife Engineering Kodiak, Alaska	Investigate the technical and economic feasibility of holding and loading wild harvested market size green urchins in land based raceways. Measurements of urchin response to food ration, stocking density, seawater flow rate, and other operational factors will provide the data for a business analysis for a commercial venture.	The green sea urchin occurs in Alaskan waters from Ketchikan to the Pribilof and is a highly marketable and valuable resource. A sustained commercial fishery in Alaska has only occurred in Kodiak, and this has never reached its full potential and has declined for the past two seasons. The long term objective is to provide a consistent supply of highest quality urchins for the Japanese market.	1991 60% Complete	87,820	11,500	99,320
<b>Totals</b>				<b>929,899</b>	<b>1,358,714</b>	<b>2,288,613</b>

## Alaska Science & Technology Foundation Fisheries Research & Development: Harvest Efficiency & Gear

Project	Description	Alaska Project	AWARDED PERCENT COMPLETED	AWARD FUNDS	MATCHING SUPPORT	TOTAL SUPPORT
1 Study of Terminal Area Troll Chinook Harvesting Lonnie L. Haughton F/V China Cove, Inc. Ketchikan, Alaska	Develop effective gear for salmon trolling in terminal hatchery areas under controlled conditions, and disseminate results to all Alaska troll permit holders.	International treaties have drastically reduced chinook salmon harvests for Alaska's troll fleet except for chinook salmon in terminal hatchery areas, where they are biologically much less susceptible to traditional lures, tackle, and techniques. Eighty-five percent of all trollers are resident Alaskans, and trolling is Southeast Alaska's largest fishery employer.	1000 59% Complete	90,550	52,700	143,250
2 Modification of Crab Pots for Harvest of Pacific Cod Melvin J. Monson, Jr. Alaska Fisheries Development Foundation Anchorage, Alaska	Develop an effective, but "clean," method of fishing Pacific cod with modified crab pots. The goal is a harvesting method that maximizes Pacific cod catches but reduces crab and halibut by-catch. The project will use scientific sampling to evaluate the effectiveness of a number of crab pot modifications.	There is a growing concern with by-catch of halibut and crab in the enormous Pacific cod fishery in Alaska, which a new and efficient method of harvesting Pacific cod could help address. It would provide crab harvesters the opportunity to enter a lucrative fishery with minimal gear modification costs.	1000 100% Comp. 3	106,188	46,915	153,103
			Total	196,738	99,615	296,353

DYMERCE POUHL

February 21, 1992

## Alaska Science & Technology Foundation Fisheries Research & Development Resource Management

Project	Description	Benefits	AVAILABILITY PERCENTAGE COMPLETED	STATE FUNDS	MATCHING SUPPORT	TOTAL SUPPORT
1 Genelle Slack Identification of Important Commercial Fish in the Bering Sea Gerald P. Sholde Institute of Arctic Biology University of Alaska Fairbanks, Alaska	Use modern biotechnology techniques to identify stocks of Bering Sea pollock for the purpose of proper management of this fishery.	This fishery is the largest on earth, and the potential economic recovery is massive if it is properly managed. Resolution of the origin and affinities of the Aleutian Basin ("donut hole") walleye pollock population could have international treaty consequences as well as guide the thinking of the North Pacific Fishery Management Council. The technology developed here could also be used to help manage a number of other economically based fisheries in Alaska such as salmon and herring.	1989 70% Complete	232,738	202,861	435,599
2 Real-time Oceanographic Monitoring of Pink Salmon Robert T. Cooney School of Fisheries & Ocean Sciences University of Alaska Fairbanks, Alaska	Study the effects of seasonal and annual variation in surface ocean temperatures in Prince William Sound on the productivity of wild and hatchery released pink salmon. Participants and contributors to the project include the Prince William Sound Aquaculture Corporation, Cordova, Alaska; Valdez Fisheries Development Association, Valdez, Alaska; and the Alaska Department of Fish and Game, Cordova, Alaska.	Satellite-linked ocean buoy will provide continuous measure of upper-layer ocean temperatures and plankton blooms. Consortium study will link measurements of fry forage near hatcheries to weather events occurring over the open Sound each winter and spring. Study results will improve forecasting methods and form basis for more effective management strategies for mixed-stock salmon populations.	1991 90% Complete	311,005	678,361	989,446
3 Development of Simplified Tests for Paralytic Shellfish Poisoning (PSP) Toxins Scott T. Smiley Institute of Arctic Biology University of Alaska Fairbanks, Alaska	Employ new methods using antibodies for identifying PSP toxin molecules, leading to a simple commercially feasible test. The objective is to allow development of a test which is quick, simple to use, inexpensive and which can be used in the field prior to shellfish harvest. PSP is one of the fundamental impediments to commercial shellfish operations in Alaska.	A simplified field test for the presence of PSP toxins would allow shellfish producers in Alaska to test their product before incurring the expense of harvesting and storing. It would benefit producers who culture shellfish, as well as those industries which harvest wild stocks. Advisory oversight of the project will be provided by representatives of the shellfish industry and regulatory agencies.	1990 90% Complete	128,537	89,278	197, 5
4 Southeast Alaska Pink Salmon Management Olo A. Mathison Junauu Center for Fisheries and Ocean Sciences Juneau, Alaska; Gorjanin W. Van Allen Alaska Department of Fish and Game, Juneau, Alaska	Develop a rational pink salmon management system by creating a method to provide reliable forecasts, both pre-season and in season, and better defining optimum pink salmon escapement goals. Project combines the scientists who will gather and analyze the data, and those responsible for the management of the fishery. The industry itself is supporting the effort with a substantial financial contribution.	Fishing and fish products are one of the most important industries in Alaska in terms of generating and distributing income and creating employment. Inherent fluctuations in the fish resource cause great economic instability. Creating a solid scientific basis for an entire management system will provide for sustained growth of the pink salmon resource base and have positive impacts on the economy of the fishing industry and the coastal communities that support it.	1991 8% Complete	201,706	285,257	486,965
<b>Totals</b>				<b>474,986</b>	<b>1,215,748</b>	<b>2,089,818</b>

## Alaska Science & Technology Foundation Fisheries Research & Development, Enhancement & Development

Project	Description	Alaska Benefits	AWARDED PERCENT COMPLETED	1990 FUNDING	1991 FUNDING	MATCHING SUPPORT	TOTAL SUPPORT
1 Alaska Shellfish Hatchery Development W. Michael Kall Marine Research Company of Alaska Juneau, Alaska	Produce scallop seed from Alaska broodstock to enable commercial scallop farms to begin in Alaska. Documentation of hatchery techniques and hatchery design for Alaska will enable scallop hatchery development for Alaska.	Scallop farming in Alaska is now stymied by lack of seed, despite widespread interest. Alaska's nearshore environment is highly suited for shellfish mariculture. The potential production value for shellfish farming in Alaskan waters may reach tens of millions of dollars.	1990 60% Complete	84,900	183,700		268,600
2 Development of a New Pipe Fish Pass Design for Migrating Salmon Poratovich, Nottingham & Drago, Inc. Anchorage, Alaska; Valdez Fisheries Development Association, Valdez, Alaska	Fabricate, install and test a new, unique baffled pipe fish pass in order to determine its acceptability to migrating salmon. Valdez Fisheries Development Association is contributing the test facility at their Solomon Gulch Salmon Hatchery and installation labor. The Alaska Department of Fish and Game is contributing assistance of a fisheries biologist during the field testing. The new pipe fish pass design will be tested for three species of salmon under varied hydraulic conditions.	Successful results will provide a design which is both less expensive and far superior to conventional methods. This will allow the development of currently non-productive salmon streams in Alaska. The design will be available and applicable for streams throughout Alaska and can be applied at sites which are presently too expensive or impossible to open to migratory fish using standard fish pass systems.	1991 85% Complete	71,240	12,000		83,240
<b>Total:</b>				<b>156,140</b>	<b>195,700</b>		<b>351,840</b>

01/21/92:POL/AT

February 21, 1992

JAN-28-91 MON 3:21 BURCH BROTHERS

P.

KODIAK CHAMBER OF COMMERCE  
01-01-91

WHEREAS the Alaska Fisheries Development Foundation was established in 1978 by the Alaska seafood industry to develop the commercial fisheries resources of Alaska; and

WHEREAS previously the seafood industry did not work together to develop new opportunities and, because of the small size of most companies, was not effectively pursuing opportunities; and

WHEREAS the industry recognized the value of collectively working to identify and carry out research and development projects to further the industry; and

WHEREAS the Alaska Fisheries Development Foundation has used its industry base to identify, fund, manage, and complete projects which have resulted in millions of metric tons of new seafood products from Alaska; and

WHEREAS the results and benefits from these efforts are available to any company or individual who requests the information, unlike previous limited internal efforts by private interests; and

WHEREAS these projects have benefited fishermen, processors, and the support sectors of the seafood industry throughout Alaska; and

WHEREAS the Foundation has successfully brought to the State more than \$13 million in industry research funds; and

WHEREAS specific projects have resulted in the development of the domestic surimi industry, flatfish fillet processing, minced pink salmon production, innovative seafood by-product processing methods, vessel harvesting modifications, and improved quality control for our seafood harvesters and processors; and

WHEREAS in Alaska six shore-based and at least fifteen vessel-based surimi processing plants are in operation with employees numbering in the thousands; and

WHEREAS many of the Foundation's projects have resulted in expanding and extending the production of seafood products resulting in more employment and a longer production season; and

JAN-28-91 MON 3:24 BURCH BROTHERS

P. 1

WHEREAS there are many more opportunities for the seafood industry to expand to benefit Alaska; and

WHEREAS the industry directed methods developed and perfected by the Foundation to fully develop opportunities have been proven repeatedly over the past thirteen years; and

WHEREAS a fully endowed administration for fisheries development would further the goals of fisheries development in Alaska;

NOW THEREFORE BE IT RESOLVED that the Kodiak Chamber of Commerce expresses its appreciation for the results of past Foundation development projects; and be it

FURTHER RESOLVED that the Kodiak Chamber of Commerce respectfully requests the Governor and legislature of Alaska to support funding an administration endowment for the Alaska Fisheries Development Foundation in the amount of five million dollars.

Copies of this resolution shall be sent to the Governor and legislators of Alaska.

Signed this 22 day of January, 1991

KODIAK CHAMBER OF COMMERCE

*Linda Stapleton*  
Linda Stapleton  
Secretary to the Board

*Joanne Denke*  
Joanne Denke  
President KT



**SB 346**

# SENATE FINANCE COMMITTEE REPORT

DATE: 2/12/92

FURTHER:

DATE TURNED INTO OFFICE: \_\_\_\_\_

The Finance Committee considered

SENATE BILL NO. 346

"An Act making an appropriation for a loan to the Alaska Fisheries Development Foundation for a commercial fisheries development endowment; and providing for an effective date."

# DIED

and recommends:

replace with \_\_\_\_\_ CS \_\_\_\_\_ (FINANCE)  same title  
 or  adopt previous \_\_\_\_\_ CS \_\_\_\_\_ ( )  new title  
  attaches amendment(s)  technical title change (HB only)

adopts \_\_\_\_\_ Letter of Intent

further referral to the \_\_\_\_\_

do pass

do not pass

no recommendation

individual recommendations

**NEW FISCAL NOTES:** Dept/Date

zero fiscal notes \_\_\_\_\_

\_\_\_\_\_

fiscal notes \_\_\_\_\_

\_\_\_\_\_

appropriation--no fiscal note

**PREVIOUS FISCAL NOTES:** Dept/Date

zero fiscal notes \_\_\_\_\_

\_\_\_\_\_

fiscal notes \_\_\_\_\_

\_\_\_\_\_

**DO PASS:**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**OTHER RECOMMENDATIONS:**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

1. \_\_\_\_\_

Co-Chair: Signature/Recommendation

2. \_\_\_\_\_

Co-Chair: Signature/Recommendation

## SENATE BILL NO. 346

IN THE LEGISLATURE OF THE STATE OF ALASKA  
SEVENTEENTH LEGISLATURE - SECOND SESSION

BY SENATORS ZHAROFF, Duncan

Introduced:	1/13/92	
Referred:	Resources, Finance	
Funding Information:	General Fund	\$5,000,000
	Other Funds	<u>-0-</u>
		\$5,000,000

## A BILL

## FOR AN ACT ENTITLED

1 "An Act making an appropriation for a loan to the Alaska Fisheries Development  
2 Foundation for a commercial fisheries development endowment; and providing for an  
3 effective date."

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

5 \* Section 1. FINDINGS. The Alaska State Legislature finds that the seafood industry in the state  
6 requires a stable source of funding for continuing research into improved seafood harvesting techniques,  
7 new product forms, and new processing techniques for Alaskan seafood products in order to remain  
8 competitive in national and international markets. The Alaska Fisheries Development Foundation has  
9 compiled an impressive record of success in finding and developing innovative and profitable methods  
10 for the harvest and processing of Alaskan fisheries resources. The foundation has an established  
11 structure and system to ensure that commercial fisheries development funds are directed toward projects  
12 with the greatest potential for success and the broadest application for the Alaska seafood industry. As  
13 the amount of federal support for the foundation declines, the Alaska State Legislature recognizes the  
14 need for the state to provide financial support for the foundation's vital mission in the form of a loan

1 to establish an endowment. By requiring the principal of the loan to be returned to the state after 10  
2 years, the state retains the ability to reevaluate the research funding needs of the Alaskan seafood  
3 industry at that time.

4 \* Sec. 2. Contingent on the enactment into law of a bill passed by the Seventeenth Alaska State  
5 Legislature authorizing the Department of Commerce and Economic Development to make a loan for  
6 the establishment of a commercial fisheries development endowment, the sum of \$5,000,000 is  
7 appropriated from the general fund to the Department of Commerce and Economic Development for a  
8 loan to the Alaska Fisheries Development Foundation for the establishment of a commercial fisheries  
9 development endowment to fund commercial fisheries development research conducted by the  
10 foundation.

11 \* Sec. 3. This Act takes effect immediately under AS 01.10.070(c).

A M E N D M E N T

OFFERED IN THE SENATE

BY SENATOR ZHAROFF

TO: SB 346

Page 2, line 1, after "endowment.":

Insert "The establishment of the endowment will contribute to restoration, replacement, and enhancement of services provided by resources affected by the Exxon Valdez oil spill and to acquisition of services equivalent to those provided by resources affected by the Exxon Valdez oil spill."

Page 2, line 7:

Delete "general fund"

Insert "remedial and compensatory payments received by the state under the plea agreement in United States of America v. Exxon Corporation and Exxon Shipping Company, United States District Court, District of Alaska, case No. A90-015CR.,"

Adjust funding information accordingly.

A M E N D M E N T

OFFERED IN THE SENATE

BY SENATOR ZHAROFF

TO: SB 346

Page 2, line 7:

Delete "general fund"

Insert "earnings reserve of the Alaska science and technology endowment"

Adjust funding information accordingly.

7-LS1450G  
Utermohle  
4/20/92

CS FOR SENATE BILL NO. 346 ( )  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
SEVENTEENTH LEGISLATURE - SECOND SESSION

BY

Offered:

Referred:

Sponsor(s): SENATORS ZHAROFF, Duncan, Sturgulewski

A BILL

FOR AN ACT ENTITLED

1 "An Act making appropriations to the commercial fisheries development endowment and  
2 to the Alaska Fisheries Development Foundation; and providing for an effective date."

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

4 \* Section 1. FINDINGS. The Alaska State Legislature finds that the seafood industry in the state  
5 requires a stable source of funding for continuing research into improved seafood harvesting techniques,  
6 new product forms, and new processing techniques for Alaskan seafood products in order to remain  
7 competitive in national and international markets. The Alaska Fisheries Development Foundation has  
8 compiled an impressive record of success in finding and developing innovative and profitable methods  
9 for the harvest and processing of Alaskan fisheries resources. The foundation has an established  
10 structure and system to ensure that commercial fisheries development funds are directed toward projects  
11 with the greatest potential for success and the broadest application for the Alaska seafood industry. As  
12 the amount of federal support for the foundation declines, the Alaska State Legislature recognizes the  
13 need for the state to provide financial support for the foundation's vital mission by establishing an  
14 endowment. By requiring the principal of the endowment to be returned to the state after 10 years, the

1 state retains the ability to reevaluate the research funding needs of the Alaskan seafood industry at that  
2 time.

3 \* Sec. 2. Contingent on the enactment into law of a bill passed by the Seventeenth Alaska State  
4 Legislature establishing a commercial fisheries development endowment in the Department of Revenue,  
5 the sum of \$5,000,000 is appropriated from the earnings reserve of the Alaska science and technology  
6 endowment to the principal of the commercial fisheries development endowment.

7 \* Sec. 3. The income earned on the commercial fisheries development endowment during fiscal year  
8 1993 is appropriated to the Alaska Fisheries Development Foundation under AS 37.14.350 - 37.14.390  
9 on July 1, 1993.

10 \* Sec. 4. This Act takes effect immediately under AS 01.10.070(c).



## SENATOR FRED F. ZHAROFF

### ALASKA STATE LEGISLATURE

P. O. BOX 405, KODIAK, ALASKA 99615 (907) 486-5259

DURING SESSION:


P. O. BOX V, JUNEAU, ALASKA 99811 • (907) 485-3473 • 485-3474

DISTRICT N

ALASKA PENINSULA • ALEUTIAN CHAIN • BRISTOL BAY • KODIAK ISLAND • LAKE CLARK/LAKE ILIAMNA • PRIBILOF ISLANDS • SHUMAGIN ISLANDS

#### MEMORANDUM

TO: Senator Pat Pourchot  
Co-Chairman  
Senator Jalmar Kerttula  
Co-Chairman  
Senate Finance Committee

FROM: Senator Fred F. Zharoff 

DATE: March 25, 1992

RE: Senate Bill 346 - "An Act making an appropriation for a loan to the Alaska Fisheries Development Foundation for a commercial fisheries development endowment; and providing for an effective date."

BILL SUMMARY: SB 346 appropriates \$5 million to the Department of Commerce and Economic Development to use for a commercial fisheries development endowment loan for the Alaska Fisheries Development Foundation. The commercial fisheries development endowment loan is established in a companion bill, CSSB 345.

The appropriation is contingent on the Alaska Legislature's passage and the governor's approval of CSSB 345.

An amendment has been prepared that identifies the income of the Alaska Science and Technology Foundation as the source of the \$5 million appropriation.

FISCAL IMPACT: Zero fiscal note submitted by the Department of Fish and Game.

PREVIOUS ACTION: Moved out of the Senate Resources Committee on Feb. 12 (5 DP).

BACKGROUND INFORMATION: The Alaska Fisheries Development Foundation estimates that a \$5 million endowment would generate approximately \$300,000 in income (assuming six percent interest), enough for a base level of operations. The principal would be protected so that it could be returned to the state upon the expiration of the loan. AFDF would supplement this money with an active fundraising campaign aimed at building an endowment with private donations.

Due to decreasing federal funding (Saltonstall-Kennedy grant monies), AFDF needs a new source of funds if it is to continue with its mission of developing new fisheries, new seafood processing techniques, and new seafood products in Alaska.

Since it was formed in 1978, AFDF has compiled an impressive track record of success, including the development of innovative new processing techniques for surimi, flatfish, and flounder.

With state funding, AFDF will also be able to pursue research and development projects for salmon, which does not now meet the criteria for federal grant monies because it is considered a developed species.

The surplus income of the Alaska Science and Technology Foundation is an appropriate source of funds for the AFDF endowment. AFDF could be considered an extension of the foundation's mission, only specifically targeted at Alaska's seafood industry. Where the science foundation funds fisheries development and research projects on a case by case basis, AFDF is able to conduct a more systematic evaluation of the seafood industry's needs and direct its efforts to the priority areas.

ATTACHED BACKUP INFORMATION:

1. Sectional analysis.
2. Department of Fish and Game fiscal note.

All the backup material submitted for CSSB 345 also applies to SB 346.



SENATOR FRED F. ZHARGFF  
ALASKA STATE LEGISLATURE

P. O. BOX 405, KODIAK, ALASKA 99615 (907) 486-5259

DURING SESSION:

P. O. BOX V, JUNEAU, ALASKA 99811 • (907) 465-3473 • 465-3474

1.

DISTRICT N

ALASKA PENINSULA • ALEUTIAN CHAIN • BRISTOL BAY • KODIAK ISLAND • LAKE CLARK/LAKE ILIAMNA • PRIBILOF ISLANDS • SHUMAGIN ISLANDS

SECTIONAL ANALYSIS

Senate Bill No. 346

"An Act making an appropriation for a loan to the Alaska Fisheries Development Foundation for a commercial fisheries development endowment; and providing for an effective date."

SECTION 1

LEGISLATIVE FINDINGS.

Explains the purpose and intent of the bill.

SECTION 2

Appropriates \$5 million from the general fund to the Department of Commerce and Economic Development for a commercial fisheries development endowment loan to the Alaska Fisheries Development Foundation. This is contingent on the passage of SB 345 or similar legislation.

(An amendment has been prepared to change the source of the appropriation from the general fund to the income of the Alaska Science and Technology Foundation.)

SECTION 3

Immediate effective date.

**SB347**

# HOUSE COMMITTEE REPORT

(11)

Date Referred: April 29, 1992

FURTHER REFERRALS:

Date of Committee Action: 5/4/92

The FINANCE Committee considered:

SB 347

SENATE BILL NO. 347

GOV'S COMM. ON EMPLOYMENT OF DISABLED

"An Act authorizing the Governor's Committee on Employment of People with Disabilities to charge certain fees; and providing for an effective date."

RECOMMENDATIONS: [ ] the same title  
 be replaced with \_\_\_\_\_ [ ] a new title

[ ] have attached amendments(s)

[  ] do pass

[ ] do not pass

[ ] no recommendations

[ ] individual recommendations

[ ] additional referral to the \_\_\_\_\_ Committee

ADOPTS: \_\_\_\_\_ letter of Intent

ATTACHES NEW FISCAL NOTE(S): \_\_\_\_\_ (Dept)

APPROVES PREVIOUS: \_\_\_\_\_ (Dept/Date)

[ ] fiscal impact \_\_\_\_\_

[  ] fiscal note(s) LABOR 3/25/92

[ ] zero fiscal note \_\_\_\_\_

[ ] zero fiscal note(s) \_\_\_\_\_

SIGNING <u>DO</u> PASS	DP	OTHER RECOMMENDATIONS	DNP	NR	AM
<u>Mike Spavone</u> Navarre	✓	<u>E P Maclean</u> Maclean		✓	
<u>Mark Boyer</u> Boyer	X	<u>Scott Sharp</u> Sharp		✓	
<u>Tay Brown</u> BROWN	-	<u>Robert Phillips</u> Phillips		✓	
<u>Koponen</u> Koponen	✓	<u>Ronald J. Larson</u> Larson		X	
<u>F. Ullmer</u> Ullmer	X				

Mike Spavone E P Maclean  
 CO- CHAIRMAN'S SIGNATURE  
 NAVARRE Maclean

FISCAL NOTE

No. 2

STATE OF ALASKA  
1992 LEGISLATIVE SESSION

BILL) Bill Version: SB 347

(S) Publish Date: 3-25-92

Revision Date: \_\_\_\_\_  
Title: "An Act authorizing the Governor's  
Committee ... to charge certain fees..."  
Sponsor: Rules Committee  
Requestor: Senate Finance

Department Affected: Labor  
BRU: Employment Security  
Component: Governor's Committee  
on Employment of People with Disabilities  
COMPONENT SERIAL NO. 333

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL	16.0	16.8	17.6	18.5	19.4	20.4
SUPPLIES	5.0	5.3	5.6	5.9	6.2	6.5
EQUIPMENT						
LAND&STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	21.0	22.1	23.2	24.4	25.6	26.9

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
GF Program Receipts	21.0	22.1	23.2	24.4	25.6	26.9
TOTAL	21.0	22.1	23.2	24.4	25.6	26.9

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: None

ANALYSIS: (Attach a separate page if necessary)

This bill would provide the Governor's Committee on Employment of People with Disabilities with authorization to charge fees for attendance at various workshops, conferences and other events to help underwrite the cost of those meetings. An effective date of July 1, 1992 is assumed along with an inflation rate of 5% per year beyond FY 93.

Prepared by: Judy Knight, Director

Division: Employment Security Division

Phone: 465-2712

Date: 3/10/92

Approved by Commissioner: C. W. Mahlen

Agency: Department of Labor

Date: 3/10/92

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).