2. The Department of Commerce and Economic Development, in cooperation with other affected agencies and the industry, should investigate ways to assist small operators in meeting the myriad regulatory requirements of various agencies. This might range from exempting processors under a specified size from filing certain forms to providing a central clearinghouse for permitting and filing information, technical advisory services and special loans for equipment such as computers and computer software.

3. The relevant state agencies should, in consultation with the Limited Entry Commission, collect child support payments from permit holders at the time of yearly permit renewal. Permit holders will be motivated to pay this fee and it will not unfairly burden processors.

4. The Departments of Revenue and Labor respectively, should relieve the burden of prepayment of the Fishery Business Tax and provision of Labor bond for companies with proven payment records and sufficient assets.

CRS Report for Congress

Overcapitalization in the U.S. Commercial Fishing Industry[1]

Eugene H. Buck

Senior Analyst in Natural Resources Policy

Environment and Natural Resources Policy Division

February 22, 1995

35-296 ENR

SUMMARY

Living marine resources -- fish and shellfish -- are among the economically dominant features of the world's oceans as well as vital sources of protein for the world's people. However, the sustainability of these essential resources is at risk. As a result of increased demands for fish products and expansion of fishing fleets, many traditional fisheries around the world are now depleted.

As with many nations, U.S. marine fisheries managers have struggled to maximize harvests while maintaining productive stocks. Early attempts at management were compromised by largely unregulated foreign and domestic fleets. By 1976, the overexploitation of several stocks in offshore U.S. waters led to the passage of the Magnuson Fishery Conservation and Management Act (MFCMA), with the prevention of overfishing acknowledged as the first of the Act's seven national standards for new fishery management plans.

Since 1976, increases of 40 percent in the number of fishing vessels and 60 percent in the number of fishermen employed in commercial fisheries have yielded an increase of 50 percent in catches. Such growth, largely attributable to higher levels of consumer demand, government encouragement and assistance, and technological advances, has given U.S. fishermen continued incentive to further expand their capacity to fish. Capital invested in this expansion, however, has not yielded the anticipated returns. By 1993, 65 of a total 231 U.S. marine fish stocks were classified as overfished with the livelihood of the Nation's fishermen becoming as threatened as the fish they seek. With too many fishermen vying for too few fish, the U.S. commercial fishing industry is becoming as overcapitalized as the resource is overfished.

Scientists, managers, and industry experts have begun re-evaluating traditional models and techniques for managing fishery resources. Under closest scrutiny is the traditional open access approach to fishery resource use. Some critics insist that, in the absence of some effective form of property rights, marine fish stocks will continue to diminish. A management regime that addresses open access

concerns appears warranted, as does an overall reduction in fishing capacity. Nevertheless, significant questions remain. In particular, how and in what form should access be addressed? In what sector(s) and by what means ought reductions in capital invested in the commercial fishing industry occur? And, what is the role of the Federal Government in such proceedings? These questions and several others await careful evaluation by scientists, conservationists, industry experts, and lawmakers alike, while the fates of fishermen and the fish they depend upon hang in the balance.

CONTENTS

INTRODUCTION

Since the 1600s, the principle of freedom of the seas has dominated use of the oceans and their resources. (2) Operating within this open access system, the growth of commercial fishing has led to declines in fish stocks compounded by excesses in capital investments. This growth is largely uncontrolled by current management systems and is fostered by continued enhancement of fishing methods as well as by government encouragement and assistance.

In some regions of the world, declines of commercially important fish stocks have become so severe that the welfare of coastal communities and regions, as well as that of certain ethnic groups, has become threatened. Perhaps the most d[illegible]atic depletions of fish stocks have been in the western Atlantic, where commercially viable quantities of cod have all but vanished from the fabled Grand Banks, triggering layoffs reportedly involving more than 30,000 people in the fishing communities of Eastern Canada. So serious have been the declines that in May 1994, in an unprecedented unilateral move, Canada granted itself authority to seize vessels found breaking fishery conservation rules within international waters of the Northwest Atlantic Fisheries Organization (NAFO) regulatory area, where conventional national maritime laws do not extend. Such action not only indicates the severity of depletion of the oceans' resources, but also the absence of an effective international fisheries management system.

Managers of U.S. marine fisheries are struggling to "reverse the overfishing trends, improve economic performance, and strengthen the conservation of protected species," according to the National Marine Fisheries Service (NMFS). (3) The enactment of the Fishery Conservation and Management Act in 1976 (4) reduced foreign overharvesting of marine fish in U.S. waters. But in some areas, domestic overfishing replaced the foreign problem. Increases of 40 percent in the number of fishing vessels and 60 percent in the number of fishermen employed in commercial fisheries have resulted in a 50 percent increase in catch since 1976. (5) Such increases have been attributed to increases in consumer demand, government encouragement and assistance, and technological advances. (6) Capital invested for this expansion, though, has not led to the anticipated returns. With too many fishermen vying for too few fish, the U.S. marine industry has become as overcapitalized as it is overfished.

This report provides background describing the current situation faced by fishery managers and policymakers. As such, this report provides a basic framework for considering possible amendments to the MFCMA and other legislation that could affect the health of the industry and the welfare of the resource.

A GLOBAL DILEMMA

Only a generation ago, the supply of fish available from the world's oceans seemed plentiful. With advances in fishermen's ability to catch, preserve, transport, and sell products of ocean fishing, the wealth from ocean resources appeared vast. Millions of fish were hauled from the depths while fleets of trawlers and purse-seiners rapidly expanded and modernized. Worldwide commercial landings of fish nearly quintupled from 1950 to 1989, from 20 million metric tons to nearly 100 million. (7)

Rapid growth continued until the Peruvian anchoveta fishery collapsed in the early 1970s. After that setback, with some minor fluctuations, harvests continued to grow through the 1970s. By the end of that decade, commercial fishing fleets had become larger, while the abundance of major stocks and the catch per unit of fishing effort declined. According to the United Nations Food and Agriculture Organization (FAO), growth of global fish harvests slowed by the latter half of the 1970s. At the onset of the 1980s, commercial fishing fleets had become so large and efficient that fish abundance and average catch per day for major stocks declined to a level that threatened stock reproduction and was unprofitable without subsidies. FAO estimates that combined global commercial fishing fleets at that time cost taxpayers more than $50 billion annually in direct and indirect subsidies. During the 1980s, world fish harvest increased slowly, with a peak harvest of nearly 100 million tons in 1989.

In 1990, for the first time since FAO began conducting annual assessments, catch declined (approximately 3 percent), and world harvest fell below 97 million tons. Recently released FAO figures show stable world harvest for 1991 and 1992. (8) Although overall catch has remained constant in recent years, the increased landings of low-value species (e.g., anchoveta, jack mackerel, and pilchards) used for fishmeal have masked the decline of more commercially valuable species. Species whose catches have been declining are, for the most part, high-valued.

Concerned by the apparent declines in world fisheries, the United Nations convened an international Conference on Straddling Fish Stocks and Highly Migratory Fish Stocks, with the first session in July 1993. The conference represented the first organized effort to regulate high-seas fishing since the United Nations Convention on the Law of the Sea was opened for signature in 1982. Scientists, industry experts, and government officials agreed upon evidence which linked overfishing and habitat destruction to declines in marine fish populations. FAO reported that, in some cases, heavily fished species were not only reaching commercial extinction, but were threatened with biological extinction. FAO asserted that the maximum sustainable yield for the world's fisheries had been surpassed, and

showed that 13 of the 17 major global fisheries were depleted or in serious decline. (9)

FAO officials at the 1993 U.N. Conference underscored the paradoxical economics of global overfishing by releasing figures showing that the cost of operating the world's fishing vessels in 1989 was $92 billion, while their catch was worth only $72 billion. Admittedly, the accuracy of such figures remains uncertain, due to the difficulty of determining the size of the world's fleet; because there is no formal methodology by which to assess vessel "strength" (as a function of actual size and efficiency), an exact figure indicating the size of the world fleet and the magnitude of its impact does not exist.

The economic effect of overfishing and resultant higher consumer prices, in response to supply shortages, have led to shifts in both production and diet. The problem, as concluded by FAO officials, is worldwide, with substantial implications for the economic stability and future food production of the countries dependent on fishing. Because of rising costs and prices, more fish enter the commercial market, but are less available to low-income consumers and subsistence cultures. Once considered the poor person's protein, fish have become expensive -- even for consumers in industrial countries. In poorer countries, the export of seafood may help balance trade deficits, but it also may mean less food at home. This is especially a concern in those countries where diets lack protein and where traditionally fishermen have fed their families and supported their communities through the ages. In developing countries, where this diet pattern exists (the poorest two-thirds of the world's people), 40 percent of dietary protein comes from fish. Worldwide, fish and other marine products account for 16 percent of animal protein consumption -- more than either pork or beef -- and 5.6 percent of total protein intake. (10)

If product demand were stable and fish stocks underutilized, one would have expected the dramatic improvements in fishing technology over the last 40 years to reduce fish prices as supply increased. Yet, faced with increasing competition for a declining resource, technological capitalization within the industry has not alleviated supply shortages. Thus, increasing demands by a growing population have raised prices. However, technological capitalization, to maintain competitiveness in the face of resource scarcity, has not been matched by comparable increases in catch value, and subsidies have become necessary. The availability of subsidies has fueled further capitalization as fishermen searched for some competitive advantage. The United States has not been immune to this dilemma. As one of the world's major fishing nations, the United States claims one of the most heavily capitalized and industrialized fishing fleets in the world today.

THE U.S. DILEMMA

Since the early 1970s, fish products have become increasingly popular in the American diet. New items, including fast-food and convenience products, have been widely promoted, health experts have testified to the nutritional benefits of fish, farmers have found fish protein to be an excellent additive to livestock feeds, and improvements in food technology have allowed fish to be more widely distributed with better quality, all making seafood more appealing than ever before. Demand for seafood has provided substantial incentive for new entrants into the fishing industry.

Under the prevailing open access regime, many U.S. fishermen entered the industry through the 1970s and 1980s with the hope of substantial earnings from an apparently massive resource. Demand was so great and incentives so high that increasing numbers of fishermen entered the industry with greater amounts of capital invested in boats, instrumentation, and gear. As the number of fishermen increased, fish stocks began declining. Rather than promoting sustainability, the U.S. Government policy of open access appears to have encouraged expansion of the commercial industry by emphasizing short-term economic gains through competitive fishing rather than longer-term economic sustainability through

conservation of the fish stocks and of marine ecosystems. An accurate assessment of U.S. fishing fleet size is problematic. What is certain, however, is that increasingly effective and efficient fishing effort was employed to harvest a limited, dynamic resource. The question, therefore, is not only how to determine where excess exists, but whether, and if so how, to reduce it to ensure the sustainability of the resource as well as the short- and long-term economic well-being of those who harvest it.

Despite the increased capital input, fewer fish are now available to catch. By catching fish at rates above the capacity of natural stocks to replenish themselves through reproduction and growth, fishermen depleted stocks long ago. Increasing numbers of U.S. fishermen are vying for fewer fish, which results in smaller catch per unit of harvesting effort. More and more fishermen with technologically advanced instrumentation, gear, and boats fish less and less time to catch fewer and fewer fish. This has left the industry's infrastructure as overcapitalized as the ecosystems are overfished.

The cost of supporting this system must be paid by someone. Not surprisingly, demand increases coupled with fewer fish and higher harvesting costs have led to higher consumer prices. In some segments of the fishing industry, bargaining by harvester groups or associations has succeeded in passing along some costs to the processors, and ultimately to the American consumer. However, not all costs can be passed along, and thus profit margins for harvesters and processors are also squeezed.

The effect of overcapitalization cannot be measured on a financial scale alone. The ultimate effect bears most heavily on the health of fish populations and marine ecosystems. Under traditional fishery management regimes, managers seek to conserve the resource by making it more costly, in terms of effort, to harvest. This results in competitive pressure among fishermen to invest in improved gear and boats to maintain their harvests as each tries to make a living; overfishing thus persists in the face of regulation because of capital investments. The arguably ineffective regulations which govern fishing in U.S. waters have resulted in many devastated stocks with substantial financial loss and disruption to the economy, including: the demise of the haddock, cod, and yellowtail flounder off New England; precipitous king mackerel declines in the Gulf of Mexico; and the destruction of the Georges Bank herring fishery. Increased fishing pressure, pollution, and destruction of habitat in U.S. coastal and offshore waters contribute to stress on fish populations. Of 231 fish stocks in Federal waters, 65 (28 percent) are classified as overutilized -- that is, more fishing effort is expended than needed to harvest the potential yield -- and another 71 (31 percent) are classified as fully utilized; 68 stocks (29 percent) are classified as status unknown, while only 27 (12 percent) are classified as underutilized. (11)

Despite these conditions, some industry experts continue support for the present U.S. management regime, arguing that most marine fisheries resources within U.S. jurisdiction are in good shape and are being managed for sustained yield and full utilization. Even in the New England region, support for current management continues. (12) Figures from previous years lend some credibility to this continued support. The 1993 New England catch was 23.5 million pounds greater (4 percent increase) than it was in 1977, (13) while the value of the 1993 catch reportedly exceeded that of 1977 by nearly $350 million (not adjusted for inflation). (14) In addition, recent revitalization of striped bass along the Atlantic coast as well as of Alaska salmon indicates that some U.S. fish stocks are well-managed.

NATURAL AND ANTHROPOGENIC EFFECTS ON FISH POPULATIONS

Increases in the amount and/or intensity of fishing are not solely responsible for stock declines. In evaluating fish populations, scientists examine anthropogenic effects as well as the effects of a host of natural occurrences. Natural environmental changes may affect biological productivity *(i.e.,* survival, growth, mortality) of a fishery resource in a largely unpredictable fashion, yielding wide fluctuations in

annual production. Natural fluctuations in water temperature and salinity, for instance, can significantly affect populations of small pelagic species, such as sardines, anchovies, pilchard, and capelin. (15)

Equally important, and at times surpassing the effects of natural variation, are the effects of human activities. Such factors include the destruction of coastal spawning habitats, certain fishing practices that kill vast numbers of immature fish and "non-target" species, impoundments along migratory routes, harmful land use practices, pollution and sedimentation, and continually increasing fishing pressure.

Acting alone, natural and human factors can greatly alter the numbers of fish. Acting together, the effects can be devastating. During the early 1970s for instance, the Peruvian anchovy stock experienced a massive decline. Ocean temperature and salinity changes, caused by an *El Nino,* coupled with overfishing reduced the stock nearly to extinction. More recently, a 1993 *El Nino* moved warm, less fertile waters north to Southeast Alaska, extending the range of several Pacific species. Tuna, sunfish, and, most importantly, mackerel have been reported far outside their normal ranges, as far north as the Queen Charlotte Islands; mackerel were observed feeding heavily upon herring and juvenile salmon. As a result, both herring and salmon recruitment (16) figures have dropped and are predicted to continue dropping through 1996. (17) Fishery managers predict that the recent *El Nino* will have substantial residual effects upon salmon through at least 1997. Habitat degradation has worsened matters, attributable in part to policies allowing or encouraging development in environmentally sensitive areas, including hydroelectric dams and other barriers to migration, logging, and water withdrawals for irrigation as well as municipal and industrial use. Fisheries managers face a daunting task in distinguishing between natural fluctuations in growth and recruitment in fish populations and adverse trends caused by fishing mortality and other human activities.

OVERCAPITALIZATION: A WORKING DEFINITION

From within lecture halls and from aboard the decks of fishing boats alike, one word has been used to describe the condition of the U.S. fishing industry --overcapitalization. Because the state of U.S. fisheries has far-reaching influence upon the livelihood of many individuals and the well-being of a host of businesses and communities, overcapitalization merits a widely acceptable definition. However, agreement has been hampered by the many disciplines and interests involved -- economists, biologists, harvesters, conservationists, and others -- and the lack of a common language by which to discuss and define the term. Discrepancies in semantics, as well as conflicting interests and values, has led inevitably to inconsistencies in and confusion over the term "overcapitalization."

Some argue that overcapitalization is a term that may be applied to any industry where excessive capital investment exists. Many fisheries managed under open access have excess capital invested compared to that required to harvest the available resource efficiently, much more capital than is necessary. (18) Thus, in a purely static sense, overcapitalization explicitly refers to the existence of more capital applied in an industry than is necessary for the most efficient operation.

The fishing industry is not static, however. In reality, optimum fleet size to harvest the resource may necessitate certain "inefficiencies," such as the capacity of Alaska fishermen to adjust to wide fluctuations in anticipated salmon runs or the ability of marginal fishermen to shift among various seasonal fisheries. (19) The appropriate level of capital depends on a number of highly variable and unpredictable factors -- natural oceanic and atmospheric conditions that significantly affect the numbers of fish available and can fluctuate substantially between seasons. Consequently, current population assessments as well as future predictions are often problematic; they often are insufficient to craft effective management regimes and sound harvesting plans. Without accurate population data, it is

difficult to assess industry efficiency at any given time and, therefore, to determine the extent of overcapitalization. Comparing the total amount of capital invested in gear, instrumentation, boats, and labor to total harvests oversimplifies a complex and highly intricate industry. Conversely, identifying where excess capital exists is also problematic because no methodology currently exists to measure individual components of the industry.

At least four interrelated forces contribute to overcapitalization: (20)

(1) Open access motivates fishermen to invest excessively in capital and labor to compete in the "rush for fish." The latest and best technological equipment and machinery are seen as necessary to maintain a competitive edge within the fishery. In addition, fishermen want to be in the best competitive position to take advantage of the appearance of a dominant year class within the fishery.

(2) Tax incentives (depreciation and operating costs) are given to owners regardless of how much fishing is done.

(3) Government assistance programs lower the cost of capital and allow uneconomic investments to be profitable.

(4) Fishermen anticipate that Federal, State or regional public bodies will eventually impose some sort of access controls. Such anticipation may motivate some individuals to enter the industry prematurely. Others may be deterred from leaving ailing fisheries and moving into more profitable new fisheries for fear of being denied significant quota shares if access control is adopted for their traditional fishery. (21)

With declines in fish populations, the phrase "too many fishermen chasing too few fish" has become a cliché. Stock depletion within the New England, Gulf Coast, and Pacific Northwest fisheries, matched by declines in profit, attests its accuracy. Yet, it is not just the number of fishermen which counts, but also the size of their nets, the number of their hooks, the sophistication of their electronics, and the girth of their boats -- in short, their capacity to fish. (22) Again, the extent to which excess capacity resides in the amount of capital invested in gear, instrumentation, and boats, or in the amount of labor, remains unclear. If the United States wishes to control overfishing, it will need to consider the problem of excess capacity in parts of the commercial fishing industry. The nature of an open access system, combined with a highly competitive industry, have limited the effectiveness of traditional control and management efforts. And subsequent to controlling access, further major questions will likely focus on how to move from limited access to controlled effort.

OPEN ACCESS AND THE "TRAGEDY OF THE COMMONS"

The number and variability of anthropogenic and natural factors influencing fish populations presents scientists and managers with the unenviable task of devising management regimes to ensure proper use of fishery resources. Open access into the fishing industry, for the most part, has rendered effective management regimes difficult to devise and nearly impossible to enforce. Federal management of the U.S. commercial fishing industry, directed by NMFS under the authority of the MFCMA, has generally not sustained fishing yields. (23) A central factor in the inability to manage fish stocks effectively has been open access and the ineffective allocation of fishing rights within domestic fisheries. This raises several questions. Foremost is: why are U.S. commercial fisheries dominated by open access regimes? Further, what alternative management regimes exist? Finally, if such alternative management systems do exist, what role might the Federal Government play in their acceptance, implementation, and enforcement?

Substantial literature, both popular and scientific, exists on open access to public resources. Two common perspectives are similar, but distinct. One was initially articulated in 1968 by Garrett Hardin in his work on the "tragedy of the commons." (24) According to this perspective, natural resources held in "common" are doomed to overexploitation. Users of these common resources do not have exclusive rights, and cannot prevent others from sharing in their exploitation. (25) From this perspective, such natural resources are inevitably overexploited because each user places self-interest above community interests. Individual users compete with each other to gain a larger share of the total, and it is unlikely that individuals would willingly restrain their efforts, because anything left will certainly be taken by others.

It is argued that overutilization and overcapitalization result because individual users of the common resource do not bear all the costs. (26) Although fishermen invest in boats, gear, and instrumentation, they do not invest in the preservation and maintenance of the resource because they cannot be assured of reaping the rewards of that investment. Each fisherman, operating individually, seeks to maximize profits. Because there are no costs of resource protection or depletion, profits are "excessive" and attract additional fishermen. The added number of fishermen, then, results in an excessive amount of labor and capital applied to the industry. With the total harvestable resources being shared by more and more individuals, total costs rise and profits fall until total revenues equal total expenses (excluding the cost of depletion), profits disappear, and the resource is depleted.

A second perspective on open access fishing criticizes Hardin's model as making too many assumptions about the resource and about the selfishness of fishermen. Hardin's model equates common property with open access management. Others, however, distinguish between these terms. Under open access, anyone can use the resource. A common property resource, on the other hand, is owned collectively, either by society at large or by a specific community, and therefore is subject to the collective interest. Access to common property can be restricted, and case studies show that many users can and do cooperate to protect common property resources. (27) Communities that depend on common resources have occasionally implemented arrangements to manage those resources, with varying degrees of success. (28)

This second approach postulates that open access to a resource does not necessarily lead to overexploitation, and that sustainable resource management is not inherently associated with any particular property rights regime. It holds that the argument that self-destruction is inevitable, unless common property is converted into private property or strictly regulated, should be evaluated critically. Clearly, historical accounts of well-managed communal properties must be viewed within their social and economic contexts. In a late 20th Century world, locally cooperating participants might be unable to regulate use of common fisheries, because the dilemma is global. The economic interdependence and pressures of the global market, combined with perceived declines in the ability of social pressure to modify individual behaviors, are of a scale and nature unknown in the 18th and 19th Centuries. (29) Thus, a key continuing question is whether and how fishermen can develop voluntary, local cooperation in an industry where market pressures are increasingly global.

TRADITIONAL CONTROLS

Most U.S. fisheries operate under open access conditions for U.S. citizens. Currently only 5 of 43 fishery management plans, prepared under the authority of the MFCMA, control access to fishery resources. In open access marine fisheries, only management jurisdiction over fish is claimed; rights to the resource (in the "property" sense) do not exist until the moment of harvest, and are neither transferable nor enforceable until the fish are on the deck of the fishing vessel. (30) Present markets are not efficient in allocating the resources used to harvest fish, and intense competition in open access

fisheries often leads to overcapitalization in the fishery, excessive fishing effort, and overfishing; *i.e.*, too many fishermen harvesting too few fish. In the Gulf of Mexico shrimp fishery, for example, the fishing fleet is allegedly three times the size necessary to harvest the present catch. (31)

The traditional approach to solving the problem of overexploitation has been to adopt fishery management regulations to treat the symptoms. Fishery managers have tried to reduce excessive fishing pressure through four types of programs designed to restrict the activities (32) of current participants: (1) establishing seasons in which particular species may be harvested, to limit who participants can fish; (2) closing areas, to limit where they can fish; (3) restricting gear, to limit how they can fish; and (4) mandating total allowable catches (total quotas), to limit fish harvest. (33)

Governments often deal with the problem of overfishing first by limiting the overall catch of certain fish in their jurisdictions. Theoretically, such a limit (often referred to as total allowable catch or TAC) will provide for future catches by leaving enough mature fish to reproduce and replenish the natural stock. Yet, the incentives for competition created by imposing such limits can lead to other problems. Knowing that the season will end as soon as the harvest quota has been reached, fishermen often race to catch as many fish as possible. The result can be a hectic "fishing derby" that results in wasted fish, poor product quality, high processing and storage costs, loss of vessels, and frequent injury or occasional death of fishermen. For example, on September 12, 1994, the North Pacific halibut fishery opened to harvest an 18-million pound quota; by September 15, the U.S. Coast Guard reported one halibut fisherman dead and fifteen rescued after vessels sank or took on water in foul weather during the 48-hour "derby."

Such highly competitive harvests in an overcapitalized fishery may also dump more fresh product on the market than can be handled. Prices paid to the fishermen are forced lower by large landings. After the season closes, prices increase since no new product is being harvested. The fisherman must accept the lower price offered since catch quality deteriorates despite investments in refrigeration. If a fisherman hesitates to fish, others will quickly harvest the resource until filled quotas end the fishery. A recent article portrayed the reality of harvest quotas within the New England lobster fishery: fishermen reached quotas within two weeks of an anticipated month-long Massachusetts State lobster season; because quality deteriorates with storage, most product was immediately marketed; after a short period of lower prices, supply diminished and prices rose. (34)

In many ways, traditional fisheries management may be viewed as a constant battle between government management and private industry. For example, if management were to reduce season length by one-third, fishermen would likely increase effort during the shorter open season. In the short term, fishermen may not be able to respond quickly and harvests might temporarily fall. yet over time, they can build bigger boats equipped with more sophisticated gear and instrumentation. Because such competitive vessels are more expensive, they therefore increase the cost per unit of product harvested. (35) And, to the extent that the short-run reduction in effort is successful in increasing the size of the stock, each fisherman may justify the additional expenses by the anticipated increase in harvest. This is what some analysts refer to as a "social trap" -- what appears to be good for each individual is self-defeating when all individuals act similarly. The increase in the effectiveness of the fleet can send fish stocks into further decline. The managers then need to reduce seasons further to restrict harvesting, thus perpetuating this expensive and destructive phenomenon. In this case, any biological gains are lost, and the capacity and costs of the fleet are higher than before. In addition, vessels may sit idle for increasingly long periods (or move to other fisheries).

Similar events may unfold with closed areas or gear restrictions. If managers restrict the use of one gear to the extent that it helps stocks increase, fishermen will have incentive to increase the use or sophistication of other non-restricted gear. Closed areas, closed seasons, and restricted gear plans

appear to all suffer the same potential weakness -- they may not be effective under open access in reducing long-term fishing mortality. At the same time, they encourage fishermen to fish in ways that result in higher harvest costs than would otherwise be the case. Total quotas can be effective biologically, to the extent that they can be enforced. However, they also encourage excess investment in the fishing fleet and hence higher costs because each fisherman must be competitive to take as much of the quota as possible before the fishery closes.

A management regime which insures that society makes reasoned use of communal fish stocks and the inputs used to harvest and process them has proven elusive. There is widespread agreement that reasoned use can not be achieved under complete open access. While quota management measures have proven successful in some cases, the frequency with which overfishing occurs indicates they are not universally successful. Total, vessel, or trip quotas; gear restrictions, limitations, or prohibitions; and controls on total effort through moratoria, limited entry programs, or gear efficiency regulations have all been proposed to prevent overfishing.

As stocks recover due to well-enforced total quota regulation, catch per unit effort (CPUE) increases, leading to increased profits for individual fishermen. These profits create incentives for others to enter the fishery and for existing fishermen to expand their fishing power. The result is shorter fishing seasons and/or more complex management regulations. For example, the Gulf of Mexico shrimp and the South Atlantic and Gulf of Mexico coastal migratory pelagic fishery management plans have each been amended six times and the South Atlantic snapper-grouper management plan has four amendments. Arguably, the social costs of this management approach are the inefficient use of capital and labor in the harvesting and processing sectors that could have been used more productively in other sectors of the economy. While harvest levels increase under this management philosophy, harvesting costs increase as new fishermen enter the fishery and existing fishermen expand the fishing power of their vessels, while other sectors of the economy are denied the use of investment capital.

FEDERAL STATUTES AFFECTING FINANCIAL ASPECTS OF THE U.S. COMMERCIAL FISHING INDUSTRY

If, as is generally accepted, overcapitalization prevails within the U.S. commercial fishing industry, and if Federal action is deemed necessary, existing laws may need to be reviewed and provisions may need to be amended. A host of Federal statutory provisions affect the marine fishing industry. (36) For example, some laws relate to various financial opportunities within the industry, others are concerned with regulation, still others deal with financial assistance and loan opportunities, and some involve applicable tax provisions.

A review of these laws suggests that many may affect the financial well-being of the fishing industry. Scattered throughout the U.S. Code, administrative authority resides in numerous agencies within the Departments of Agriculture, Commerce, the Interior, Labor, and State, as well as within independent agencies, such as the Federal Maritime Commission and Small Business Administration, to name but a few. The subject matter of these statutes ranges from laws designed to protect fish, those created to protect fishermen and their vessels, those to regulate commerce and/or to protect consumers, and those to provide financial aid for both under- and unemployed fishermen. Despite their variety, each statute influences the allotment and management of capital. Only a careful, detailed study could determine in what way, if any, they have individually or collectively contributed to excess capital within the industry. Those laws which provide "direct financial assistance" (especially for vessels and gear) including tax incentives and access to "preferential loan rates," can significantly alter the level of capital investment in the fishing industry. Finally, agency regulations, Federal statutes, treaties and conventions, judicial decisions, and State laws also influence the economic structure of the industry

and would need to be factored into such an assessment of the economic relationship between earnings and capital invested.

NMFS's fisheries financial services programs have provided long-term fisheries credit for more than two decades. NMFS became concerned about fisheries overcapitalization in the late 1970s, and began restricting its fisheries credit accordingly. Through its conditional fisheries rule, NMFS made financing unavailable for new vessel construction in fisheries where additional vessel capitalization was unwarranted. North Atlantic groundfish, for example, was declared a conditional fishery as early as 1979. Other conditional fisheries soon followed: Alaskan salmon, Alaskan king crab, Pacific Northwest and California salmon, yellowfin tuna in the Inter-American Tropical Tuna Commission regulatory area, lobster in the Gulf of Maine, and Atlantic surf clams. Further credit restriction occurred in 1992, when NMFS made financing unavailable for the construction, purchase, or reconditioning of fishing vessels under its Fisheries Obligation Guarantee Program.

THE ROLE OF GOVERNMENT IN RESOURCE MANAGEMENT

The U.S. economic system generally relies on transactions between producers and consumers in free markets to determine the outputs of goods and services. Prices established within this private exchange system are the basis for allocating land, labor, and capital among producers, and goods and services among consumers.

Two classical market failures are often used to justify government intervention in private markets. The first occurs when a private exchange affects third parties (those not involved in the exchange), and those effects are not taken into account in the exchange. These effects are external to the exchange, and are known as *externalities.* For example, commercial fishing is an exchange between fishery "owners" *(i.e.,* the community in open access fisheries) and fish harvesters, but the harvest can affect other people by altering fish habitats, animal populations (of both target and nontarget species), and other resource conditions. An externality of particular concern in resource management is the impact on future generations -- potential future shortages from current overuse or misuse of productive assets, leading to their destruction. Externalities are market failures, because the exchanges ignore some costs (or benefits) imposed on society, and thus may result in more (or less) production than is socially desirable.

The second classical market failure occurs when a good or service can be used or enjoyed simultaneously by several people, and the owner or producer has difficulty controlling (and therefore charging for) its use or enjoyment. Such goods and services are *called public goods.* Often, public goods include resources that exist over spacious areas and/or that are mobile. Commercial fisheries fit this description, since fish are mobile and fishing grounds can cover vast areas, both of which may prevent effective control on access. In addition, *nonuse values* -- good feelings resulting from the existence of the goods or services *(e.g.,* natural wonders and endangered species) or from the desire to leave them as a legacy for the future -- contribute to the "public-ness" of some goods and services; it is impossible to prevent people from having those good feelings, if the values exist, and thus it is impossible to make those people pay for their good feelings. Private transactions in public goods result in market failures, because the possibility of simultaneous use and the difficulty of controlling access make profitable private exchange ineffective, and thus, fewer public goods would probably be provided by private markets than are socially desirable.

As much as a century ago, many foresaw socially undesirable consequences, particularly possible resource shortages, from allowing market-based allocations of natural resources. Although market failures were not cited as the justification, Congress and the President used government ownership to

protect certain lands and resources from the problems of market failures with private ownership, beginning with the establishment of Yellowstone National Park in 1872. States, rather than the Federal Government, have traditionally exercised direct control over most animal and water resources, although the Federal Government often heavily influences the management of these resources. Federal control and responsibility over fisheries in offshore U.S. waters were established by the MFCMA in 1976. Such control is similar to ownership, but differs because owners are able to extract rents from users; the MFCMA currently prohibits the Federal Government from charging a market fee for commercial fishing in U.S. waters.

In the past 30 years, government regulation of private activities has become a standard technique of market intervention for protecting the environment (as opposed to government ownership). In such situations, governments (usually Federal or State) specify permissible and/or prohibited activities or results for a particular resource or condition (e.g., water quality effluent standards for discharges into navigable waters). Federal control over commercial fishing in U.S. waters is more similar to regulation than to ownership, because the control mechanisms used parallel the regulatory approaches used for environmental protection.

Finally, the Federal Government has long used an array of incentives and assistance to induce private resource owners to behave in socially desirable ways. Assistance can be technical or financial (or both), and is often made available in conjunction with State programs. Tax incentives are also used to make it profitable for the private sector to alter behavior. However, as described above, many assistance and incentive programs were created without regard to their impact on natural resources, and may damage, rather than protect, the resources.

OPTIONS FOR CONGRESS (37)

Options available to Congress, should it choose to deal with overcapitalization in the commercial fishing industry, can address the causes of overcapitalization outlined on page 8. In addition, several options address the need for obtaining additional data to better characterize existing problems. Such options attempt to balance sustainability and a concern for private property rights of fishermen, while embodying a sense of the public trust in fisheries resources.

Necessary Data

More and better economic data are needed to determine what is happening within the U.S. commercial fishing industry. Managers need to quantify what they subjectively know to be a problem. Fishery managers, in many cases, lack adequate information on the number of commercial fishing vessels, much less on their value, fishing capacity, estimated operating costs, and other features. Some have suggested that a national registry of all fishing vessels should be developed. In addition, standardized ways for better measuring or estimating, in a comparable manner, the amount of capital invested in diverse fisheries as well as fishing effort regardless of gear and vessel configurations would assist in cross-fishery analyses.

Competitive Open Access

Competitive open access fishing makes it difficult for biologists to manage for sustainable fish stocks, may affect the efficiency of invested capital, and has often provided minimal profits for many fishermen. Thus, some have suggested that controlled access (limited entry) regimes for fisheries be more extensively implemented. These might include, where appropriate, the use of management tools such as license limitation, individual fishing quotas, individual transferrable quotas, or other measures.

Consolidation of fishing fleet size has been achieved by limited access in several U.S. fisheries managed under the authority of the MFCMA. (38) Controlled access could be facilitated through further amendment of the MFCMA and other applicable law to encourage more development of regionally appropriate and acceptable limited access management programs. However, it remains difficult to measure the impact that any limited access program might have on fishery capitalization levels. Certainly, capitalization levels do decline as vessels retire from a fishery, and money previously spent for insurance, maintenance, depreciation, and interest expenses can be put to more productive use elsewhere. However, limited access would not be expected to solve the problem of overcapitalization without concurrent or subsequent control and reduction of fishing effort.

Short of implementing limited access programs, fishery managers could be required to review fishery regulations that manage fisheries by imposing harvesting inefficiencies (e.g., gear restrictions, area and season closures, vessel size or power restrictions) on fishermen. Many observers content that such regulations force fishermen to invest excessively to maintain their competitiveness, while draining the fishery of its profit potential. Some suggest such measures also encourage illegal activity. An alternative approach might be to require that fishery management plans and amendments, developed under the authority of the MFCMA, be reviewed to avoid or minimize unnecessary competition within each fishery.

Although some suggest that another possible option would be an orderly transition to corporate management through privatization of the fisheries resource, this is not currently a possibility under international law, which gives the coastal state the right to manage and exploit these resources to 200 miles but does not incorporate the concept of ownership. Accordingly, the United States has never claimed ownership of the resource, but only extended management jurisdiction over fisheries in the 200-mile Exclusive Economic Zone. Such an approach, were it possible to create vested property rights to the fisheries resource, might be seen as a step beyond limited access management, where only the right to fish may be conveyed to fishermen.

Other possible alternatives include cooperative management at a more local level under the present Regional Councils. Entities which are locally based could be more responsive to local situations, but add more bureaucracy to already cumbersome management of marine fisheries. Such entities could manage both entry and effort in local fisheries. However, many fisheries are sufficiently large that benefits of such an approach may be minimal or contrary to sound biological management of fish stocks.

Tax Incentives

The impact of Federal and State tax incentives, including government loan programs, vessel depreciation schedules, and non-road fuel tax rebates, applicable to the U.S. commercial fishing industry has not been well quantified. Although the broad scope and magnitude of many of these provisions should be calculable, their differential effect on various fisheries has not been evaluated. Such information would be necessary to make sound decisions concerning the effects of any modifications on the flow of capital into or out of some or all segments of the U.S. commercial fishing industry.

Other Government Programs

It would similarly be useful to have a comprehensive study quantifying the impacts of other forms of direct and indirect Federal and State assistance provided to the U.S. commercial fishing industry. How much money has flowed to the commercial fishing industry from the various government programs

over what time period? As above, such information would assist in making decisions concerning the effects of modifying inducements to capital flow into or out of some or all segments of the industry.

Some have suggested that Federal user fees or royalties could recover management costs and even reasonable economic rent from users of publicly owned resources; such returns are said to represent an equitable return to the public treasury. One means to accomplish this, some suggest, is that fishing rights be purchased from the Federal Government, rather than granted through political or administrative decisions -- e.g., the United States might establish a competitive bidding procedure similar to how offshore mineral resources are allocated. An important aspect of any fee or tax program is that such measures should, if possible, be imposed only when implementation of the new management programs begin. This is so that one does not change the assumptions on which investments have already been made in the commercial fishery. More realistic would be determining how to impose fees or taxes in a manner which minimizes effects on existing investment in the fishery (except when the explicit purpose is to reduce existing investment).

Limited Access Anticipation

Piecemeal implementation of limited access programs can easily displace fishing effort from one overcapitalized fishery to create new problems in other areas and fisheries. Thus, some argue that commercial fish harvesting should be coordinated among State, Federal, and international jurisdictions such that an entire fishery or group of related species can be managed throughout its range by a cooperative management regime. Similarly, some suggest the need to impose constraints on new entrants to any U.S. commercial fishery or some other scheme to prevent a "domino effect" from shifting overcapitalization from one overdeveloped fishery to adjacent areas or fisheries.

An alternative to a moratorium on new entrants to all fisheries might involve facilitation of movement of capital out of overcapitalized fisheries by enhancing the "transferability" of money and capital investment among different fisheries and/or out of the fishing industry entirely. One such approach might involve the creation of a fishing vessel and gear "bank" as a holding institution responsible for purchasing excess fishing vessels and gear and reallocating or selling purchased items such that new or additional fisheries problems would not be created; coordinated national licensing of fishing vessels and gear might be necessary to make such a bank feasible. Major concerns with such an approach would include how to facilitate the market to accomplish this task with minimal Federal intervention, and how such a venture might be funded. One option for funding might be to amend the Saltonstall-Kennedy Act of 1954 to fund efforts to remove vessels from the domestic fishery, rather than its current purpose of encouraging further development.

Endnotes

1. Damian V. Preziosi, Master's degree candidate at Bucknell University, researched and prepared a draft of this report under the supervision of Eugene H. Buck, Senior Analyst in Natural Resources Policy.

2. Christy, Francis T., Jr. "Fisheries Management and the Law of the Sea" in: *Economic Aspects of Fish Production.* International Symposium on Fisheries Economics, Paris, Nov. 29 -Dec. 3, 1971. Organization for Economic Cooperation and Development, 1972. p. 12.

3. Schmitten, Rolland A. "Foreword" in: *Our Living Oceans: Report on the Status of U.S. Living Marine Resources, 1993.* Washington, DC: U.S. Dept. of Commerce, National Marine Fisheries Service, Dec.. 1993.

4. Fishery Conservation and Management Act of 1976, Pub. L. 94-265, 90 *Stat.* 331, 16 U.S. *Code* 1801-1882.

5. The growth in landings is predominately due to the displacement, by domestic vessels, of foreign fleets operating in Alaskan waters.

6. Technological advances also increased fishing power and reduced fishing costs (when fish stocks were plentiful), helping U.S. fishers expand their capacity.

7. United Nations Food and Agricultural Organiz[illegible]n. Fisheries Technical Paper 335. Rome, Italy: 1994. p. 23-29.

8. United Nations Food and Agriculture Organization. *Agriculture Towards the Year 2010.* 27th session. Rome, Italy Nov. 1993.

9. *Ibid.*

10. Weber, Peter. *Net Loss: Fish, Jobs, and the Environment.* Worldwatch Paper 120. Washington, DC: Worldwatch Institute, 1994. p.120-127.

11. U.S. Dept. of Commerce, National Marine Fisheries Service. Our *Living Oceans.* Washington, DC: Dec. 1993. p. 11.

12. Some critics argue that fishermen are likely to support current management as long as it continues to provide harvest opportunities, especially when the alternatives would prohibit or greatly reduce fishing.

13. Although total catches were greater in 1993 than in 1977, the catches of several mainstay species were less. For example, the combined catches of haddock, cod, and yellowtail flounder were about 130 million pounds in 1977 (55 percent cod), but only about 60 million pounds (80 percent cod) in 1993. (NMFS, *Status of Fishery Resources off the Northeastern United States for* 1982, Woods Hole, MA: NOAA Technical Memorandum NMFS-F/NEC-22, June 1983, and *Status of Fishery Resources off the Northeastern United States for 1993,* Woods Hole, MA: NOAA Technical Memorandum NMFS-F/NEC-101, October 1993.)

14. Weddig, Lee J. "Bounty of the Sea." Letters to the Editor, *Washington Post,* August 16, 1994, p. C12.

15. Environmental changes may alter the geographical and bathymetric distribution of marine species. By expanding or compressing species' ranges, or in some other way affecting the life history of marine fish, environmental changes can lead to a restructuring of an ecosystem and a redefining of the role, position, or occupation of its individual species. Any natural ecosystem, by virtue of its highly ordered and complex arrangement, represents an extremely responsive system. Thus, an ecosystem and the highly intricate and varied interactions of its species may be altered by subtle environmental changes.

16. Survival and maturation to harvestable size.

17. Doherty, T.J. "El Nino Threatens B.C. Herring, Salmon." *Pacific Fishing* 15(1994):17, 66.

18. Meyer, R. M. "Fisheries Resource Utilization and Policy." in: *The State of the World's Fisheries*

Resources, Proceedings of the World Fisheries Congress Plenary Sessions. Clyde W. Voigtlander, ed. New Delhi: Oxford and IBH Publishing Co., 1994.

19. Serchuk, Fredric M., and Ronald J. Smolowitz. "Ensuring Fisheries Management Dysfunction: The Neglect of Science and Technology." *Fisheries* 15(2), 1990: 4-7.

20. Stadem, Norman. "Implication of Individual Fishing Quotas." m: *BioEconomic Research and Analysis Report.* Anchorage, AK: 1992.

21. New England scallop and groundfish vessels are believed to have aborted their attempts to pursue underutilized species out of fear that such action would reduce their records of participation in their respective traditional fisheries. (Personal communication, Pat Flanigan, Marine Fishery Consultants, Inc., Swarthmore, PA, November 16, 1994.)

22. "Capacity" is a concept that can be defined and measured in several different ways. Because of the way in which fisheries operate, it is extremely difficult to define with precision or in a purely static sense. Nevertheless, it is possible to derive some operational definitions on a "threshold" basis that expose excesses. See: C. L. Smith and S. S. Hanna. "Measuring Fleet Capacity and Capacity Utilization." *Canadian Journal of Fisheries and Aquatic Sciences,* 47(1990): 2805-2901.

23. The chief objective of the Magnuson Fishery Conservation and Management Act, for instance, was to eliminate overexploitation of marine fish stocks off the U.S. coast by foreign fleets. Although the Act effectively removed that threat, it failed to anticipate that the same threat would quickly be posed by domestic fishers.

24. Hardin, Garrett. "The Tragedy of the Commons." *Science* 162 (1968): 1243-1248.

25. Christy, Francis T., Jr., and Anthony Scott. *The Common Wealth in Ocean Fisheries.* Baltimore, MD: The John Hopkins Press, 1965. 281 p.

26. Overcapitalization is rarely a concern in competitive industries where private property rights exist, because responsibility for the consequences of investment decisions can be fully internalized. With open access, however, investment incentives can be excessive because no one owns the resource to be exploited and therefore no one is responsible for undesirable results.

27. One author notes that the English commons was actually a highly regulated communal arrangement. See: Susan S. Hanna. "The Eighteenth Century Commons: A Model for Ocean Management." *Ocean and Shoreline Management,* 14(1990): 155-172.

28. Berkes, F.D., et al. "The Benefits of the Commons." *Nature* 340(1989): 91-93.

29. Scott, Anthony. "Obstacles to Fishery Self Government. " *Marine Resource Economics* 8(Fall 1993): 187-199.

30. Rosenberg, Andrew A. "Background on U.S. Fisheries: Status and New Directions" : *Limiting Access to Marine Fisheries.* Karyn L. Gimbel, ed. Washington, DC: Center for Marine Conservation and the World Wildlife Fund, 1994. 316 p.

31. Ward, J.T. *Modeling Fleet Size in the Gulf of Mexico Shrimp Industry, 1988-1989.* NOAA Tech. Memo. NMFS-SEFC-999. St. Petersburg, FL: NMFS Southeast Regional Office, 1989.

32. In many cases, traditional management seeks to conserve the resource by making it more costly, in terms of effort, to fish.

33. Beddington, John R., and R. Bruce Rettig. *Approaches to the Regulation of Fishing Effort.* FAO Fisheries Technical Paper No. 243, 1984. 39 p.

34. McNeil, Thomas. "New England Lobster Fisheries." *Washington Post,* August 8, 1994, p.

35. However, in the short-term, as less-efficient operators leave the industry, cost per unit of product harvested can decrease.

36. For more details on Federal laws applicable to marine fisheries see: CRS, Report 95-174 ENR, *Living Aquatic Resource Laws and Treaties: Reference Guide,* January 19, 1995, 29 p.

37. The order of items is this list does not imply any priority of concern, nor is it intended to be a comprehensive list of options available to Congress. Some options may be mutually exclusive, but others might be compatible or even reinforcing.

38. Between 1990 and 1992, the number of vessels harvesting surf clams in the Mid-Atlantic region dropped from 128 to 59; between 1989 and 1992, the number of vessels harvesting ocean quahogs in this same region dropped from 69 to 43. In the wreckfish fishery in the South Atlantic region, the number of vessels fishing dropped from 44 in 1991-92 to only 14 in 1993-94.

CRS Reports Home

National Council for Science and the Environment
1725 K Street, Suite 212 - Washington, DC 20006
202-530-5810 - info@NCSEonline.org

STATUTES GOVERNING BUY-BACK PROGRAMS FOR CFEC

Article 04. REDUCTION TO OPTIMUM NUMBER OF ENTRY PERMITS

Sec. 16.43.290. Optimum number of entry permits.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SB 315 : re admin of comm fish entry permit buy-back (Sen. Ben Stevens)

FN # 1 Ø DFG/ Comm Fish Entry Comm 471 2·27·04

SB

315

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

DATE: 2/27/04

REPORTED OUT

MAR 0 9 2004

SENATE FINANCE COMMITEE

FURTHER:

DATE TURNED IN TO OFFICE: 3/9/04

Finance Committee considered SENATE BILL NO. 315

SB 315 ENTRY PERMIT BUY-BACK PROGRAM

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

and recommends:

[ ] be **replaced** with _____ **CS** _____ (_____)

[ ] adopt **previous** _____ **CS** _____ (_____)

[ ] attached amendment(s)

[ ] adopt Letter of Intent by _____ Committee

[ ] further referral to _____ Committee

Senate Bill:
[ ] Same Title
[ ] New Title

House Bill:
[ ] Same Title
[ ] Technical Title Change
[ ] New Title w/ SCR #_____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero.	FN#

PREVIOUS FISCAL NOTE(S):

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

[ ] **APPROPRIATION - no fiscal note**

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

SENATE BILL NO. 315

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-THIRD LEGISLATURE - SECOND SESSION

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

Introduced: 2/11/04
Referred: Labor and Commerce, Finance

A BILL

FOR AN ACT ENTITLED

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

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

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

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

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

REPORTED OUT

MAR 0 9 2004

SENATE FINANCE COMMITTEE

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

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

Revision Date/Time (Note if correction):

Dept. Affected: Fish and Game

Title: Commercial Fishing Entry Permit Buy-Back Program
Sponsor: Senator Stevens by request
Requester: Salmon Industry Task Force

RDU: Comm. Fish Entry Commission
Component: Commercial Fisheries Entry Commission
Component No. 471

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0
Travel	0.0	0.0	0.0	0.0	0.0	0.0
Contractual	0.0	0.0	0.0	0.0	0.0	0.0
Supplies	0.0	0.0	0.0	0.0	0.0	0.0
Equipment	0.0	0.0	0.0	0.0	0.0	0.0
Land & Structures	0.0	0.0	0.0	0.0	0.0	0.0
Grants & Claims	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
CHANGE IN REVENUES ( )	0.0	0.0	0.0	0.0	0.0	0.0

FUND SOURCE (Thousands of Dollars)						
1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1037 GF/Mental Health	0.0	0.0	0.0	0.0	0.0	0.0
Other (Specify Type--Do not abbreviate)	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2004) cost: 0.0
Mark this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

POSITIONS						
Full-time	0	0	0	0	0	0
Part-time	0	0	0	0	0	0
Temporary	0	0	0	0	0	0

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

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

(Revised 12/2003 OMB)

COMMITTEE COPY

Alaska State Legislature

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

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

Senate District N

BILL ANALYSIS

Senate Bill 315

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

Bill Title: Entry Permit Buyback Program

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

Bill Achieves:

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

Current law would finance a potential buyback in this manner:

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

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

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

Alaska State Legislature

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

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

Senate District N

SPONSOR STATEMENT

Senate Bill 315

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

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

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

STATUTES GOVERNING BUY-BACK PROGRAMS FOR CFEC

Article 04. REDUCTION TO OPTIMUM NUMBER OF ENTRY PERMITS

Sec. 16.43.290. Optimum number of entry permits.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SENATE COMMITTEE REPORT
First Committee of Referral

DATE: 2/11/04

FURTHER: Finance

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

DATE TURNED IN TO OFFICE: 2/26/04

Labor and Commerce Committee considered SENATE BILL NO. 315

SB 315 ENTRY PERMIT BUY-BACK PROGRAM

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

and recommends:

[ ] be **replaced** with _____ **CS** _____ (_____)

[ ] adopt **previous** _____ **CS** _____ (_____)

[ ] attached amendment(s)

[ ] adopt Letter of Intent by _____ Committee

[ ] further referral to _____ Committee

Senate Bill:
[ ] Same Title
[ ] New Title

House Bill:
[ ] Same Title
[ ] Technical Title Change
[ ] New Title w/ SCR #_____

NEW FISCAL NOTE(S):

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

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#

[ ] **APPROPRIATION - no fiscal note**

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
French			X	
Seekins	✓			
G. Stevens	✓			
CHAIR: Bunde	✓			

SENATE FINANCE COMMITTEE

SIGN-IN

SB 315-ENTRY PERMIT BUY-BACK PROGRAM

NAME: FRANK HOMAN Subject/Bill No: SB315

Co./Dept./Title: Commissioner Phone: 790-6942

Address: 8800 Glacier Hwy Zip: 99801

Do you wish to testify? ___Yes ___No ✓Respond To Questions

NAME: _____ Subject/Bill No: _____

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

Address: _____ Zip: _____

Do you wish to testify? ___Yes ___No ___Respond To Questions

NAME: _____ Subject/Bill No: _____

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

Address: _____ Zip: _____

Do you wish to testify? ___Yes ___No ___Respond To Questions

NAME: _____ Subject/Bill No: _____

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

Address: _____ Zip: _____

Do you wish to testify? ___Yes ___No ___Respond To Questions

SB

322

HOUSE COMMITTEE REPOI

(11)
Date Referred to Committee: April 14, 2004 **FURTHER REFERRALS:**

Date of Committee Action: 4/29/04

The FINANCE Committee considered: **SB 322**

SENATE BILL NO. 322 **SALMON ENHANCEMENT TAX**

"An Act relating to the rate of the salmon enhancement tax."

Recommends it be replaced with [ ] HCS *or* [ ] CS *for* _____ (_____)
For Senate Bills with new title: [ ] Technical Title [ ] New Title: HCR_____ **[ ] Same Title [ ] New Title**

[ ] attach amendments
[ ] add new referral to _____Committee
[ ] Letter of Intent_____Committee

List of Abbrev for Depts.:
ADM
CED
COR
CRT
EED
DEC
DFG
GOV
HSS
LEG
LAW
LWF
MVA
DNR
DPS
REV
DOT
UA

NEW FISCAL NOTES *Assigned by Chief Clerk's Office				
List by Dept(s):	*FN#	Fiscal	Indet.	Zero
Rev				✓

PREVIOUS FISCAL NOTES				
List by Dept(s):	FN#	Fiscal	Indet.	Zero

Signing with recommendations	Printed Last Name	DP	DNP	NR	AM
K. Meyer	Meyer	X			
[illegible]	Hawkins	X			
[illegible]	STOLTZE			X	
[illegible]	CROFT			–	
Carl E. Moses	MOSES			X	
[illegible]	[illegible]	X			
[illegible]	Foster			✓	
[illegible]	FOSTER	X			
Chair:					
Chair: [illegible]					

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number:
Bill Version: HCS CSSB 322 (FIN)
() Publish Date:

Revision Date/Time (Note if correction):
Dept. Affected: Revenue
Title: Salmon Enhancement Tax
BRU: Revenue Programs & Services
Component: Tax Division
Sponsor: Senator Ben Stevens
Requester: House Finance Committee
Component No.: 2476

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL EXPENDITURES						
CHANGE IN REVENUES ( )	0.0	0.0	0.0	0.0	0.0	0.0

FUND SOURCE (Thousands of Dollars)

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

Estimate of any current year (FY2004) cost: 0.0
Check this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

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

Prepared by:
Rep. Williams, Co-Chair
Phone 465-3424
Date/Time 4/29/04 12:45 PM
Date 4/29/2004
Rep. Harris, Co-Chair

(Revised 9/2003 OMB)

Alaska State Legislature

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

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

Senate District N

SPONSOR STATEMENT

Senate Bill 322

"An Act relating to the rate of the salmon enhancement tax."

Senate Bill 322 modifies AS 43.76 by adding additional tax rates of ***30, 20, 15, 10, 9, 8, 7, 6, 5, and 4 percent*** to the salmon enhancement tax.

Under current law, commercial salmon interim-use and entry permit holders organized under Regional Aquaculture Associations (AS 16.10.380) may vote to tax themselves at the rate of one, two or three percent of the value of their harvest. These monies are collected by the Department of Revenue and deposited in the general fund. The legislature may make appropriations based on this deposit to the Department of Community and Economic Development for the purpose of providing financing for qualified regional aquaculture associations.

The decline in the value of salmon due to changing market dynamics has led to increased costs for regional aquaculture associations. In order to meet their continuing costs, many have increased the amount of fish harvested for "cost-recovery." Fishermen would like the opportunity to raise their tax rate to avoid increased cost-recovery harvests.

Qualified regional aquaculture associations are permitted in statute (AS 43.76.015) to conduct an election to approve or terminate a salmon enhancement tax. The statute requires approval by a majority vote of the eligible interim-use permit and entry permit holders voting in an election.

Senate Bill 322 provides some flexibility for regional aquaculture associations to organize their operations and respond to the changing conditions in the salmon industry.

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: SB 322
(S) Publish Date: 3/3/04

Revision Date/Time (Note if correction):
Dept. Affected: Revenue
Title: Salmon Enhancement Tax
RDU: Revenue Programs & Services
Component: Tax Division
Sponsor: Senator Ben Stevens
Requester: Senate Labor & Commerce
Component No.: 2476

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	*	*	*	*	*	*
CAPITAL EXPENDITURES						
CHANGE IN REVENUES ( )	*	*	*	*	*	*

FUND SOURCE (Thousands of Dollars)						
1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	*	*	*	*	*	*

Estimate of any current year (FY2004) cost: 0.0
Check this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

POSITIONS						
Full-time						
Part-time						
Temporary						

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

See page 2

Prepared by: Chuck Harlamert
Phone 465-2320
Division: Tax Division
Date/Time 2/23/04 1:11 PM
Approved by: Steve Porter, Deputy Director
Date 2/23/2004
Agency: Department of Revenue

STATE OF ALASKA
2004 LEGISLATIVE SESSION

BILL NO. SB 322

ANALYSIS CONTINUATION

Cost Discussion

Increased tax rates will increase our costs to administer the Salmon Enhancement Tax. The tax rates authorized under the legislation, if approved within individual regions, can significantly increase compliance risk. Our costs to maintain compliance would necessarily grow to maintain compliance. However, we are unable to predict which regions, if any, will approve the higher tax rates authorized by the bill, the year of approval, or the rates ultimately approved within any region. We are therefore unable to estimate our costs associated with this legislation.

Revenue Discussion

Existing law provides the option of imposing the Salmon Marketing tax at 1%, 2%, or 3%. The bill creates ten additional rate options: 4%, 5%, 6%, 7%, 8%, 9%, 10%, 15%, 20%, and 30%. Six aquaculture regions have approved a Salmon Enhancement Tax, two at the rate of 3% and four regions at 2%. These six regions generated $2.4 million of Salmon Enhancement Tax during FY03. The revenue generated by these regions at the 30% rate authorized by the bill would have been approximately $30 million based on FY03 activity. The revenue impact of the bill therefore could range between zero and $27.6 million based on FY03 activity and dependent on the rates approved within individual regions.

Table 2

Alaska Hatchery Commercial Common Property & Cost Recovery Return Data- 1993-2003

Alaska Department of Fish and Game, contact: Craig Farrington (907) 465-6154

			Retyear											
RegName	Agency	Data	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	Grand Total
Cook Inlet	CIAA	Sum of Comn	608,014	863,971	1,548,832	369,037	176,926	616,210	570,452	222,229	765,044	744,903	1,059,843	6,485,618
		Sum of CR	469,014	1,040,877	1,310,926	503,427	2,442,807	858,397	1,042,052	1,143,741	491,070	874,069	713,948	10,178,380
		CR Percent	44%	55%	46%	58%	03%	58%	65%	84%	39%	54%	40%	61%
		Commercial F	56%	45%	54%	42%	7%	42%	35%	16%	61%	46%	60%	39%
	PGHC	Sum of Commercial			2,200	15,894	82,679	0	0	2,500	0	19,407	24,665	147,435
		Sum of CR			0	5,734	94,378	0	660	0	0	255,642	46,088	403,403
		CR Percent			0%	27%	53%		100%	0%		93%	66%	73%
		Commercial Percent			100%	73%	47%		0%	100%		7%	34%	27%
Cook Inlet Sum of Commercial			608,014	863,971	1,551,032	384,931	259,605	616,210	570,452	224,729	765,044	764,400	1,084,508	6,608,388
Cook Inlet Sum of CR			469,014	1,040,877	1,310,926	509,161	2,537,186	858,397	1,042,712	1,143,741	491,070	1,129,711	760,036	10,532,705
Cook Inlet CR Percent			44%	55%	46%	57%	91%	59%	65%	84%	39%	60%	41%	61%
Cook Inlet Commercial Percent			56%	45%	54%	43%	9%	42%	35%	16%	61%	40%	59%	39%
Kodiak & AK	KRAA	Sum of Comn	12,112,300	2,387,284	4,951,239	1,555,829	1,591,956	6,783,164	5,019,191	4,422,702	13,917,896	7,620,338	6,407,418	60,361,899
		Sum of CR	0	4,188	0	0	0	0	0	0	0	0	1,581,111	4,188
		CR Percent	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	20%	0%
		Commercial F	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	80%	100%
Kodiak & AK Peninsula Sum of Commerci			12,112,300	2,387,284	4,951,239	1,555,829	1,591,956	6,783,164	5,019,191	4,422,702	13,917,896	7,620,338	6,407,418	60,361,899
Kodiak & AK Peninsula Sum of CR			0	4,188	0	0	0	0	0	0	0	0	1,581,111	4,188
Kodiak & AK Peninsula CR Percent			0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	20%	0%
Kodiak & AK Peninsula Commercial Perce			100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	80%	100%
Prince Willian	PWSAC	Sum of Comn	3,450,605	12,345,232	6,001,874	11,035,353	12,799,617	16,139,914	17,260,146	17,883,982	8,518,555	12,110,855	25,310,483	115,546,133
		Sum of CR	1,310,981	5,395,412	2,899,870	7,232,116	8,402,921	8,029,625	9,790,786	8,743,758	5,046,395	9,116,994	10,563,904	68,874,836
		CR Percent	28%	30%	33%	40%	40%	27%	36%	33%	60%	43%	29%	37%
		Commercial F	72%	70%	67%	60%	60%	73%	64%	67%	40%	57%	71%	63%
	VFDA	Sum of Comn	674	9,647,154	3,891,109	5,255,130	4,308,064	1,244,032	9,532,610	7,978,071	11,605,958	416,401	11,934,156	53,869,353
		Sum of CR	1,375,815	3,379,284	2,635,927	2,280,874	2,497,104	3,193,600	4,523,369	4,094,038	4,043,325	4,438,173	4,180,560	32,461,509
		CR Percent	100%	26%	40%	30%	37%	72%	32%	34%	26%	91%	26%	38%
		Commercial F	0%	74%	60%	70%	63%	28%	68%	66%	74%	9%	74%	62%
Prince William Sound Sum of Commercial			3,451,279	21,992,386	9,893,073	16,290,483	17,107,681	17,383,946	26,792,756	25,862,053	18,124,513	12,527,316	37,252,639	169,415,486
Prince William Sound Sum of CR			2,686,776	8,774,696	5,535,797	9,512,990	10,900,025	9,223,225	14,320,155	12,837,794	13,989,720	13,555,167	14,734,464	101,336,345
Prince William Sound CR Percent			44%	28%	36%	37%	39%	35%	35%	33%	44%	52%	28%	37%
Prince William Sound Commercial Percen			56%	71%	64%	63%	61%	65%	65%	67%	56%	48%	72%	63%
Southeast	AAI	Sum of Comn	232,500	565,357	350,727	828,008	61,870	0	560,303	13,627				2,612,392
		Sum of CR	41,133	183,200	51,758	119,755	677,175	147,628	222,350	0				1,443,0[illegible]J
		CR Percent	15%	24%	13%	13%	92%	100%	28%	0%				36%
		Commercial F	85%	76%	87%	87%	8%	0%	72%	100%				64%
	AKI	Sum of Comn	127,795	503,083	829,343	557,203	612,277	804,042	817,366	107,151	1,174,532	945,398	501,075	6,478,210
		Sum of CR	262,662	1,127,800	419,380	604,395	1,087,920	1,260,889	3,169,782	55,252	1,267,230	1,072,758	405,298	10,328,166
		CR Percent	67%	39%	34%	52%	64%	61%	79%	34%	52%	53%	45%	61%
		Commercial F	33%	31%	66%	48%	36%	39%	21%	66%	48%	47%	55%	39%
	BCF	Sum of Comn	191	2,517	1,248	664	675	703	1,345		167	4		7,514
		Sum of CR	0	0	0	0	0	0	0		91	0		91
		CR Percent	0%	0%	0%	0%	0%	0%	0%		35%	0%		1%
		Commercial F	100%	100%	100%	100%	100%	100%	100%		65%	100%		99%
	DIPAC	Sum of Comn	268,969	1,110,122	586,142	709,802	647,078	512,722	775,269	1,374,945	741,624	931,222	709,744	7,657,895
		Sum of CR	40,367	2,938,842	597,368	1,002,082	994,701	817,045	952,788	1,947,051	715,913	1,299,326	2,056,146	11,305,483
		CR Percent	13%	73%	50%	59%	61%	61%	55%	59%	49%	58%	74%	60%
		Commercial F	87%	27%	50%	41%	39%	39%	45%	41%	51%	42%	26%	40%
	Kake	Sum of Comn	32,469	165,938	18,300	16,290	29,210	65,626	119,572	185,325	35,894	75,939	147,644	892,207
		Sum of CR	32,167	70,619	31,749	132,180	319,145	204,626	229,210	429,053	249,519	241,830	1,220,592	3,168,690
		CR Percent	50%	32%	63%	89%	92%	76%	66%	70%	87%	76%	89%	78%
		Commercial F	50%	68%	37%	11%	8%	24%	34%	30%	13%	24%	11%	22%
	KTHC	Sum of Comn	4,202	5,324	3,407	14,006	4,585	5,609	6,106	3,977	4,450	3,109	2,903	54,775
		Sum of CR	0	0	41	0	0	0	0	0	0	0	310	41
		CR Percent	0%	0%	1%	0%	0%	0%	0%	0%	0%	0%	10%	0%
		Commercial F	100%	100%	99%	100%	100%	100%	100%	100%	100%	100%	90%	100%
	NSRAA	Sum of Comn	2,825,445	4,106,357	4,579,961	6,009,205	3,772,739	4,677,316	5,956,186	6,075,016	2,177,029	1,977,401	2,286,107	42,156,855
		Sum of CR	539,708	647,592	551,884	878,947	616,613	749,780	862,506	717,023	594,418	840,960	1,077,781	7,000,031
		CR Percent	16%	14%	11%	13%	14%	14%	13%	11%	21%	30%	32%	14%
		Commercial F	84%	86%	89%	87%	86%	86%	87%	89%	79%	70%	68%	86%
	POWHA	Sum of Comn	51,122	36,632	1,312	15,158	48,136	9,358	22,225	33,152	18,958	12,148	39,446	248,201
		Sum of CR	7,900	1,683	0	2,974	2,178	144	4,992	27,364	14,187	23,621	17,543	85,052
		CR Percent	13%	4%	0%	16%	4%	2%	18%	45%	43%	66%	31%	26%
		Commercial F	87%	96%	100%	84%	96%	98%	82%	55%	57%	34%	69%	74%
	SJC	Sum of Comn	1,792	148,682	5,165	172,764	128,963	77,189	21,546	88,313	52,897	44,608	11,100	741,919
		Sum of CR	31	82,323	400	19,512	16,518	122,785	107,453	124,814	6,124	0	0	479,960
		CR Percent	2%	36%	7%	10%	11%	61%	83%	59%	10%	0%	0%	39%
		Commercial F	98%	64%	93%	90%	89%	39%	17%	41%	90%	100%	100%	61%
	SSRAA	Sum of Comn	1,112,512	1,064,735	1,208,588	1,950,217	2,025,277	3,166,308	1,150,804	1,206,733	1,278,677	732,037	1,415,920	14,903,888
		Sum of CR	759,247	983,526	982,450	1,759,081	2,143,867	2,102,365	1,659,223	1,681,485	1,069,540	836,743	1,174,350	14,037,527
		CR Percent	41%	48%	45%	47%	51%	41%	59%	58%	46%	53%	45%	49%
		Commercial F	59%	52%	55%	53%	49%	59%	41%	42%	54%	47%	55%	51%
Southeast Sum of Commercial			4,656,997	7,708,747	7,584,193	10,281,317	7,330,810	9,318,673	9,430,742	9,086,230	5,484,228	4,721,866	5,113,939	75,606,012
Southeast Sum of CR			1,683,224	6,043,585	2,635,030	4,518,926	5,658,117	5,465,301	7,208,304	4,981,642	3,917,022	4,315,238	5,952,020	46,627,451
Southeast CR Percent			27%	44%	26%	31%	44%	37%	43%	35%	42%	48%	54%	38%
Southeast Commercial Percent			73%	56%	74%	69%	56%	63%	57%	65%	58%	52%	46%	62%
Total Sum of Commercial			20,828,500	32,852,388	23,968,537	28,512,560	26,290,052	34,102,103	41,813,141	39,597,723	38,201,681	25,633,020	40,858,504	311,991,785
Total Sum of CR			4,839,014	15,863,340	9,481,753	14,541,077	19,205,328	15,546,985	22,571,171	18,964,177	18,397,812	19,000,118	23,028,531	158,503,779
Total CR Percent			19%	32%	28%	34%	42%	31%	35%	32%	32%	43%	32%	34%
Total Commercial Percent			81%	68%	72%	66%	58%	69%	65%	68%	68%	57%	68%	66%

Sec. 43.76.015. Election to approve or terminate salmon enhancement tax.

(a) A qualified regional association may conduct an election under this section after the commissioner of community and economic development approves

(1) the notice to be published by the qualified regional association;

(2) the ballot to be used in the election; and

(3) the registration and voting procedure for the approval or termination of the salmon enhancement tax.

(b) The salmon enhancement tax is levied under AS 43.76.010, 43.76.011, or 43.76.012 in a region on the effective date stated on the ballot if

(1) it is approved by a majority vote of the eligible interim-use permit and entry permit holders voting in an election held under this section in the region; and

(2) the election results are certified by the commissioner of community and economic development.

(c) In conducting an election under this section, a qualified regional association shall adopt the following procedures:

(1) the qualified regional association for the region shall hold at least one public meeting not less than 30 days before the date on which ballots must be postmarked to be counted in the election to explain the reason for the proposed salmon enhancement tax and to explain the registration and voting procedure to be used in the election; the qualified regional association shall provide notice of the meeting by

(A) mailing the notice to each eligible interim-use permit and entry permit holder;

(B) posting the notice in at least three public places in the region; and

(C) publishing the notice in at least one newspaper of general circulation in the region at least once a week for two consecutive weeks before the meeting;

(2) the qualified regional association shall mail two ballots to each eligible interim-use permit and entry permit holder; the first ballot shall be mailed not more than 45 days before the dates ballots must be postmarked to be counted in the election; the second ballot shall be mailed not less than 15 days before the date ballots must be postmarked to be counted in the election; the qualified regional association shall adopt procedures to ensure that only one ballot from each eligible interim-use permit and entry permit holder is counted in the election;

(3) the ballot must

(A) indicate whether the election relates to a salmon enhancement tax under AS 43.76.010, to a salmon enhancement tax under AS 43.76.011, or to a salmon enhancement tax under AS 43.76.012;

(B) ask the question whether the salmon enhancement tax shall be levied;

(C) indicate the boundaries of the region in which the salmon enhancement tax will be levied;

(D) provide an effective date for the levy of the salmon enhancement tax; and

(E) indicate the date on which returned ballots must be postmarked in order to be counted;

(4) the ballots shall be returned by mail and shall be counted by the commissioner of community and economic development or by a person approved by the commissioner of community and economic development.

(d) The commissioner of community and economic development shall certify the results of an election under this section if the commissioner determines that the requirements of (a) and (c) of this section have been satisfied.

(e) Except as provided in AS 43.76.020(b)(2), an election to terminate a salmon enhancement tax shall be conducted under the same procedures established under (a), (c) and (d) of this section for an election to approve a salmon enhancement tax.

(f) In this section, "eligible interim-use permit and entry permit holder" means an individual who, 90 days before the date ballots must be postmarked to be counted in an election under this section, is listed in the records of the Alaska Commercial Fisheries Entry Commission as the legal owner of an interim-use permit or an entry permit which authorizes the individual to fish commercially in an administrative area established by the Alaska Commercial Fisheries Entry Commission under AS 16.43.200, which is included, in whole or in part, in the region in which the election is held.

History -

(Sec. 2 ch 154 SLA 1980; am Sec. 2, 3 ch 33 SLA 1989)

Revisors Notes -

In 1999, in this section, "commissioner of commerce and economic development" was changed to "commissioner of community and economic development" in accordance with Sec. 88, ch. 58, SLA 1999.

Sec. 43.76.020. Termination of salmon enhancement tax.

(a) The salmon enhancement tax levied under AS 43.76.010, 43.76.011, or 43.76.012 may be terminated by the commissioner of revenue upon majority vote at an election held under AS 43.76.015 in the region in which the salmon enhancement tax is levied.

(b) A salmon enhancement tax shall be terminated by the commissioner of revenue under (a) of this section following an election in a region if

(1) a petition is presented to the commissioner of community and economic development requesting termination of the salmon enhancement tax which is signed by at least 25 percent of the number of persons who voted under AS 43.76.015 in the election approving the salmon enhancement tax in the region;

(2) the commissioner of community and economic development determines that there are no outstanding loans to the qualified regional association under AS 16.10.510 that are secured by the tax;

(3) an election is held in accordance with AS 43.76.015; the ballot must ask the question whether the salmon enhancement tax for the region shall be terminated; the ballot must be worded so that a "yes" vote is for continuation of the salmon enhancement tax and a "no" vote is for termination of the salmon enhancement tax;

(4) a majority of the eligible interim-use permit and entry permit holders who vote in the election cast a ballot for the termination of the salmon enhancement tax; and

(5) the qualified regional association provides notice of the election in accordance with AS 43.76.015 within two months after receiving notice from the commissioner of community and economic development that a valid petition under (1) of this subsection has been received.

History -

(Sec. 2 ch 154 SLA 1980; am Sec. 15 ch 117 SLA 1981; am Sec. 4, 5 ch 33 SLA 1989)

Revisors Notes -

In 1999, in this section, "commissioner of commerce and economic development" was changed to "commissioner of community and economic development" in accordance with Sec. 88, ch. 58, SLA 1999.

Sec. 43.76.025. Collection of tax and disposition of proceeds.

(a) A buyer who acquires fisheries resources that are subject to a salmon enhancement tax imposed by AS 43.76.010, 43.76.011, or 43.76.012 shall collect the salmon enhancement tax at the time of purchase, and shall remit the total salmon enhancement tax collected during each month to the department by the last day of the next month.

(b) A buyer who collects the salmon enhancement tax shall

(1) maintain records reflecting the region designated under AS 16.10.375 in which the fishery resource was caught; and

(2) report to the Department of Revenue by March 1 of each year the total value, as defined in AS 43.75.290, of the salmon caught in each region designated under AS 16.10.375 which the buyer has acquired during the preceding year.

(c) The salmon enhancement tax collected under AS 43.76.010 - 43.76.028 shall be deposited in the general fund. The legislature may make appropriations based on this revenue to the Department of Community and Economic Development for the purpose of providing financing for qualified regional associations. The legislature may base an appropriation for a qualified regional association operating within a region designated under AS 16.10.375 on the value of the fisheries resources caught in that region rather than the value of the fisheries resources sold in that region if those values differ.

History -

(Sec. 2 ch 154 SLA 1980; am Sec. 16, 17 ch 117 SLA 1981; am Sec. 6 ch 33 SLA 1989; am Sec. 14 ch 6 SLA 1998)

Revisors Notes -

In 1999, in this section, "Department of Commerce and Economic Development" was changed to "Department of Community and Economic Development" in accordance with Sec. 88, ch. 58, SLA 1999.

Amendment Notes -

The 1998 amendment, effective June 28, 1998, made section reference substitutions in subsection (c).

AG Opinions -

It would be an inappropriate use of public funds for the Department of Commerce and Economic Development to disburse funds to the Bristol Bay Regional Aquaculture Association, knowing that these funds are not to be used to finance current salmon rehabilitation and enhancement projects, but rather are to be used as investment capital. March 19, 1987 Op. Att'y Gen.

SB 322: re rate of salmon enhancement tax
(Sen. Ben Stevens)

FN #1 Indetermindt REV/Tax 2476 3.3.04

SB

322

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

REPORTED OUT
MAR 2 9 2004
SENATE FINANCE COMMITEE

DATE: 3/3/04

FURTHER:

DATE TURNED IN TO OFFICE: 29 March 2004

Finance Committee considered SENATE BILL NO. 322

SB 322 SALMON ENHANCEMENT TAX

"An Act relating to the rate of the salmon enhancement tax."

and recommends:

[ ] be **replaced** with _____ **CS** _____ (_____)

[ ] adopt **previous** _____ **CS** _____ _____ (_____)

[ ] attached amendment(s)

[ ] adopt Letter of Intent by _____ Committee

[ ] further referral to _____ _____ Committee

Senate Bill:
[ ] Same Title
[ ] New Title

House Bill:
[ ] Same Title
[ ] Technical Title Change
[ ] New Title w/ SCR #_____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero.	FN#

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#
Revenue	2/23/04		*		#1

[ ] **APPROPRIATION - no fiscal note**

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
			✓	
			✓	
			✓	
	✓			
Ben Stevens	✓			
COCHAIR: Lyda Green			✓	
COCHAIR: Gary Wilken	✓			

REPORTED OUT

MAR 2 9 2004

SENATE FINANCE COMMITEE

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: SB 322
(S) Publish Date: 3/3/04

Revision Date/Time (Note if correction):
Dept. Affected: Revenue
Title: Salmon Enhancement Tax
RDU: Revenue Programs & Services
Component: Tax Division
Sponsor: Senator Ben Stevens
Requester: Senate Labor & Commerce
Component No.: 2476

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	*	*	*	*	*	*
CAPITAL EXPENDITURES						
CHANGE IN REVENUES ( )	*	*	*	*	*	*

FUND SOURCE (Thousands of Dollars)

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

Estimate of any current year (FY2004) cost: 0.0

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

POSITIONS

Full-time						
Part-time						
Temporary						

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

See page 2

Prepared by: Chuck Harlamert
Phone 465-2320
Division: Tax Division
Date/Time 2/23/04 1:11 PM
Approved by: Steve Porter, Deputy Director
Date 2/23/2004
Agency: Department of Revenue

(Revised 12/2003 OMB)

COMMITTEE COPY

STATE OF ALASKA
2004 LEGISLATIVE SESSION

BILL NO. SB 322

ANALYSIS CONTINUATION

Cost Discussion
Increased tax rates will increase our costs to administer the Salmon Enhancement Tax. The tax rates authorized under the legislation, if approved within individual regions, can significantly increase compliance risk. Our costs to maintain compliance would necessarily grow to maintain compliance. However, we are unable to predict which regions, if any, will approve the higher tax rates authorized by the bill, the year of approval, or the rates ultimately approved within any region. We are therefore unable to estimate our costs associated with this legislation.

Revenue Discussion
Existing law provides the option of imposing the Salmon Marketing tax at 1%, 2%, or 3%. The bill creates ten additional rate options: 4%, 5%, 6%, 7%, 8%, 9%, 10%, 15%, 20%, and 30%. Six aquaculture regions have approved a Salmon Enhancement Tax, two at the rate of 3% and four regions at 2%. These six regions generated $2.4 million of Salmon Enhancement Tax during FY03. The revenue generated by these regions at the 30% rate authorized by the bill would have been approximately $30 million based on FY03 activity. The revenue impact of the bill therefore could range between zero and $27.6 million based on FY03 activity and dependent on the rates approved within individual regions.

Alaska State Legislature

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

Session:
STATE CAPITOL
JUNEAU, AK
99801-1182
(907) 465-4993
FAX (907) 465-2372

Senate District N

SPONSOR STATEMENT

Senate Bill 322

"An Act relating to the rate of the salmon enhancement tax."

Senate Bill 322 modifies AS 43.76 by adding additional tax rates of ***30, 20, 15, 10, 9, 8, 7, 6, 5, and 4 percent*** to the salmon enhancement tax.

Under current law, commercial salmon interim-use and entry permit holders organized under Regional Aquaculture Associations (AS 16.10.380) may vote to tax themselves at the rate of one, two or three percent of the value of their harvest. These monies are collected by the Department of Revenue and deposited in the general fund. The legislature may make appropriations based on this deposit to the Department of Community and Economic Development for the purpose of providing financing for qualified regional aquaculture associations.

The decline in the value of salmon due to changing market dynamics has led to increased costs for regional aquaculture associations. In order to meet their continuing costs, many have increased the amount of fish harvested for "cost-recovery." Fishermen would like the opportunity to raise their tax rate to avoid increased cost-recovery harvests.

Qualified regional aquaculture associations are permitted in statute (AS 43.76.015) to conduct an election to approve or terminate a salmon enhancement tax. The statute requires approval by a majority vote of the eligible interim-use permit and entry permit holders voting in an election.

Senate Bill 322 provides some flexibility for regional aquaculture associations to organize their operations and respond to the changing conditions in the salmon industry.

Southeast Alaska Fishermen's Alliance
9369 North Douglas Highway
Juneau, AK 99801

Phone 907-586-6652 Fax 907-586-5648 E-mail: seafa@gci.net

February 23, 2004

Senate Labor & Commerce Committee
Honorable Con Bunde, Chair
Alaska State Legislature
State Capitol, Mail Stop 3100
Juneau, AK 99801

RE: Comments on SB 322 – Enhancement Tax legislation

Dear Senator Bunde,

We apologize that we will not be available to testify on SB 322 but are submitting the following comments for your consideration.

The Southeast Alaska Fishermen's Alliance brought up this issue during the hatchery committee meetings about doing away with cost recovery and assessing fishermen in place of as something that commercial fishermen had discussed as a possibility. We also suggested in our hatchery comments that an analysis of what this meant was necessary for the fishermen to determine if this is a logical option. The hatchery committee never met after these comments were submitted by our association and Chris Moss as a salmon task force member and were never discussed in the hatchery sub-committee process. Without an analysis this legislation is premature.

We are attaching our comments to the hatchery sub-committee for your information.

The Southeast Alaska Fishermen's Alliance is a non-profit fishing association representing our members involved in the Salmon, crab, shrimp and longline fisheries of Southeast Alaska since we formed in 2000.

Sincerely,

Kathy Hansen
Executive Director

Southeast Alaska Fishermen's Alliance
9369 North Douglas Highway
Juneau, AK 99801

Phone 907-586-6652 Fax 907-586-5648 E-mail: seafa@gci.net

November 24, 2003

Senator Ben Stevens and Hatchery Committee,

You requested information on the issues that commercial fishermen are concerned about and additional information on the point I had made during the last teleconference.

The major issues brought out last year and that fishermen have expressed concern about over the last several years are as follows:

Cost Recovery:

Price difference between hatcheries and common property fisheries.

Suggestion: determine price paid to hatcheries for cost recovery of different species (by hatchery) and compare with data McDowell group prepares in season on common property prices so that fishermen can see whether hatcheries receive more or less than they think they are paid. (This information would be most effective if provided for a 5 year period or so.) In the future this information should be provided to the McDowell group for their final wrap up weekly price tracking. It is understandable that the hatchery might not want the information to be published prior to the season but it would be nice to know what the price is without speculation being involved or I heard information at the end of the season. Continue discussion on this issue based on information received in analysis of price paid over last five years. *(Note based on comments received after this testimony was submitted the following comment is being added. Information from last year is available in the Annual Operators report but this information is generally not available until Jan or Feb of the following year when fishermen are already discussing the bids for the upcoming season.)*

Impact that cost recovery has on the market, both price and volume of fish.

Suggestion: Processors need to respond to this issue and following are some of the questions that are asked. We have been told that if the cost recovery pre-season bid price is too high, the price paid to fishermen is lowered to make up the difference? Do the processors purchase less fish from fishermen when they receive a cost recovery hatchery bid? What is the differential in costs to process fish for fishermen versus cost recovery – i.e. tender costs etc.? Is there a priority placed on cost recovery fish in the plant? Is there a quality difference between hatchery fish and cost recovery fish and if so why?

Many fishermen feel that no cost recovery should occur.

Suggestion: An analysis of what percentage of enhancement tax fishermen would have to pay if all hatchery fish are caught during the

course of common property fisheries and no cost recovery fishing occurred. Side issues to be considered under this are: 1.) how would you fund the non-regional associations and 2.) how would you prevent hatchery budgets from becoming over-inflated under this type of system.

Difference between Regional associations and Non-regional associations:

As I explained last meeting on the teleconference fishermen feel more in control when they elect commercial fishermen on the board to represent them. If you don't like the policy direction an association is following you can make changes by voting different representatives on to the board. Many of the SE non-regional associations have commercial fishermen on the board but there is a difference when you represent yourself or you represent the views of a single association and not the whole fleet on the board and you are a commercial fishermen and you have an obligation to all the fleet because you were elected to the board.

Other issues:

Difficulty in getting information: I have requested many times to be sent information and put on mailing list for various regional and non-regional associations on board meeting dates and board packets – Some regionals and some non-regionals are responsive to this request – other associations you never hear from and some you have to request several times before you get the information. If an association (SEAFA) has this much difficulty following the issues and trying to get information pre-meeting so that they can comment on issues that might be on an agenda, it must be very difficult for an individual and this difficulty helps cause the disconnect between fishermen and hatcheries.

This issue also exists within the RPT process. I am usually unable to get copies of the PAR's prior to the RPT meeting and therefore unable to get the information out to my membership for comment and therefore go and listen rather than more actively participate in the process. While the meetings are publicized, and an agenda can be received, the detailed information is not sent. I have requested to be put on the SE RPT mailing list and receive all the information that a member of the RPT would receive and have not been successful.

The RPT is a good process, it just needs to work on performing all of its suggested duties and could be a mechanism for looking at the amount of cost recovery a facility is taking if it is felt that an association is taking too high of a percentage. See comments that SEAFA sent in last year. The RPT is suppose to review and provide recommendations to the Commissioner on annual management plans but the past several years in Southeast the plans have not been available for the spring RPT meeting and the years previous the plans were available at the meeting only so no comments were ever made as no one had a chance to read the material and see what the annual management plan contained that year. This is one of the check and balances to the hatchery program that is not as functional as it should be. Also the hatchery regulations and statutes state that after a cycle of fish have returned the permit will be reviewed for management issues. I have been attending most of the RPT meetings in

SE Alaska for the last 8 years as a member of the public and I have not seen this process take place although several of the projects reached maturity during that time. It is possible that this process was done just through the area managers and not soliciting information from the fleet.

I recently sent out a questionnaire to the SE gillnet permit holder list and all SEAFA members. One of the questions asked was: "Do you believe that the hatchery programs in the State of Alaska need changes? If yes, Piease explain what hatchery issue you think the task force should focus on and why?" Several of the written comments received are included below:

- State should get out of the hatchery business
- All hatcheries should contribute the majority of production to common property fisheries
- Cost recovery needs to be more fair
- 1.) Fair allotment of fish 60/40, 70/30 split; 2.) Cost Recovery; 3.) Hatcheries having unfair market advantage. Why? The hatcheries serve no purpose and have no value to the commercial fleet unless 1-3 are followed.
- Eliminate the 3% assessment
- 1.) If hatcheries are non-profit why do they keep increasing their savings accounts? Example NSRAA., on the plus side their allocation split is far better than DIPAC's which is almost criminal some years in DIPAC's favor, Example 2002. 2.) Common Property should increase as the hatcheries become solvent.
- Open Cost recovery to permit holders.

THE
FOLLOWING
DOCUMENT(S)
ARE
POOR
ORIGINAL
COPIES

United Southeast Alaska Gillnetters
PO Box 23378, Ketchikan, AK 99901 Phone & Fax (907) 247 2471 Email usa_gillnetters@att.net

February 23, 2004

The Honorable Con Bunde, Chair
Senate Labor & Commerce Committee
Alaska State Capitol, Room 506
Juneau, AK 99801 Send Via Fax to: 465-3871

Dear Senator Bunde,

The United Southeast Alaska Gillnetters (USAG) is an association of about 150 small business owners who catch salmon by drift gillnetting in Southeast Alaska and market salmon throughout the United States. Many of our members also participate in other fisheries such as crab, shrimp, longline, and dive fisheries.

USAG is opposed to SB 322 that would permit the rate of salmon enhancement tax to increase by increments up to a limit of thirty percent of a fisherman's gross earnings. The fishermen represented by USAG are not interested in any increase in directed taxes on their gross earnings. Our fishery simply does not generate enough income to support any additional directed taxes on our gross above the 3% enhancement tax and the 1% marketing tax that are currently in place. We understand that this legislation, if passed, would not itself result in additional taxes, it would only enable areas interested in additional enhancement taxes to vote on a proposal to increase this tax. We are not interested in having this option for ourselves, or having it available to other salmon permit holders in our area. We are not interested in replacing the funds our enhancement facilities generate from their cost recovery fisheries with funds from an increased assessment on our gross income.

We ask the Senate Labor and Commerce Committee to not support this bill or pass it out of committee. We appreciate your consideration of our position on SB 322.

Yours truly,

Kenneth Duckett
Executive Director

cc: Senator Ben Stevens, Via fax to: 465-3872
UFA, Via email

February 23, 2004

Senator Ben Stevens
State Capitol
Juneau, AK 99801

RE: SB 322/ relating to the salmon enhancement tax

Dear Senator Stevens:

As the Chairman of the Board of the Prince William Sound Aquaculture Corporation (PWSAC), I would like to thank you and the other members of the Joint Legislative Salmon Industry Task Force for addressing the issues surrounding salmon enhancement and salmon hatcheries in Alaska. During our Hatchery Subcommittee meetings, the staff at the Alaska Department of Fish and Game expressed their opinion that the hatcheries had successfully fulfilled their purpose and that our salmon enhancement program was the envy of other states. We at PWSAC agree with that conclusion.

There are currently two mechanisms (other than loans) available to a Regional Non-profit Aquaculture Association (PNP) to pay for annual hatchery operating expenses: cost recovery and salmon enhancement taxes. In our region, permit holders combine a 2% salmon enhancement tax with cost recovery to pay for the operations of PWSAC. This combination has worked well in our area, and I doubt my members will vote to increase the enhancement tax in the near future. But SB 322 could allow other PNP's the option of forgoing any cost recovery in lieu of a higher enhancement tax to pay for their operations, if so desired by their members. This could allow all stocks to be utilized by regional permit holders.

As was stated many times during your meetings, it was the intent of the Task Force to include a number of new "tools" for participants in the Alaska salmon industry to use as best fit their individual situation. The proposed changes included in SB 322 will allow PNP's to decide how they would rather fund their enhancement programs-through cost recovery, increased enhancement taxes, or a new combination of both.

Thank you again for your hard work on behalf of Alaska's salmon industry. Please let me know if PWSAC can assist you in any way.

Sincerely,

E.J. Chelhier
Chairman of the Board

PRINCE WILLIAM SOUND AQUACULTURE CORPORATION
Corporate Office • P. O. Box 1110, Cordova, AK 99574
Office: 907/424-7511 • Fax: 907/424-7514
Website: www.ptialaska.net/~pwsac • Email: pwsac@ptialaska.net

February 22, 2004

Senator Con Bunde, Chair
Senate Labor and Commerce Committee
907-465-3871 (FAX)

Dear Senator Bunde and Committee Members:

I would like to voice my support for SB 322 that provides the option of voting on additional rates for the salmon enhancement tax for Regional Aquaculture Associations.

As a commercial salmon fisherman for over 40 years and a member of the Salmon Task Force and Hatcheries Subcommittee, I believe this is a necessary option for fishermen subject to the Salmon Enhancement Tax. Through conversations with individual fishermen it became apparent that there is growing concern about the impact of regional hatchery cost recovery contracts. These contracts impact the sale and value of fish sold by individual fishermen. Due to declining fish prices in both pink and chum markets, vast quantities of fish are often pre-sold to processors to pay for debt and the ongoing operations of the regional hatcheries. In some cases, markets are flooded and individuals have difficulty in selling their own produc

The original Salmon Enhancement Tax of 2%, approved by the Cook Inlet fishermen to fund the programs of the Cook Inlet Regional Aquaculture Association, was never envisioned to pay for the ongoing operations of hatcheries. At the time it was instituted the state was in the business of funding and operating the hatcheries for the fishing industry. The state is now out of the hatchery business and the financial burden is on the industry. The option of voting to institute a larger tax to finance the operations of hatcheries and other projects at the regional level is appropriate.

The passage of this bill would allow a vote of the fishermen in an area to assess a higher tax rate to fund their projects. Processors would purchase the salmon from individuals and the result should be expanded markets for fishermen - markets that are currently being filled by cost recovery product. The regional's cost recovery goals would still be met.

Key to this entire concept is the majority approval in an area of any increase in taxes. It would be self-imposed and not implemented by any government entity. It would be based on catch; and, therefore, would place the burden on those who benefit the most – commercial fishermen. This seems to be the most equitable way to determine the direction a business should progress.

Thank-you for the opportunity to comment on this legislation.

Chris Moss
Box 1115
Homer Alaska 99603
907 235-8053

Table 2

Alaska Hatchery Commercial Common Property & Cost Recovery Return Data- 1993-2003

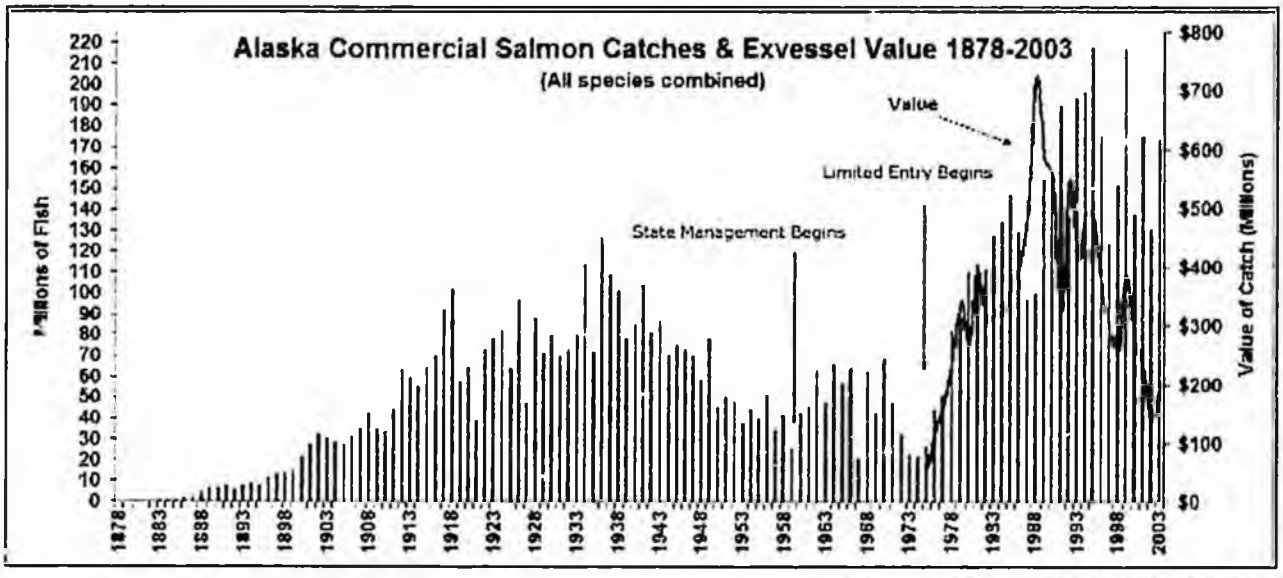
Alaska Department of Fish and Game, contact: Craig Farrington (907) 465-6154

			Refyear											
RegName	Agency	Data	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	Grand Total
Cook Inlet	CIAA	Sum of Comm	608,014	863,971	1,548,832	369,037	176,926	616,210	570,452	222,229	765,044	744,903	1,059,843	6,485,618
		Sum of CR	469,014	1,040,877	1,310,926	503,427	2,442,807	858,397	1,042,052	1,143,741	491,070	874,069	713,048	10,176,380
		CR Percent	44%	55%	46%	58%	93%	58%	65%	84%	39%	54%	40%	61%
		Commercial F	56%	45%	54%	42%	7%	42%	35%	16%	61%	46%	60%	39%
	PGHC	Sum of Commercial			2,200	15,894	82,070	0	0	2,500	0	19,497	24,665	147,435
		Sum of CR			0	5,734	84,370	0	660	0	0	255,642	46,988	403,403
		CR Percent			0%	27%	53%		100%	0%		93%	66%	73%
		Commercial Percent			100%	73%	47%		0%	100%		7%	34%	27%
Cook Inlet Sum of Commercial			608,014	863,971	1,551,032	384,931	259,605	616,210	570,452	224,729	765,044	764,400	1,084,508	6,608,388
Cook Inlet Sum of CR			469,014	1,040,877	1,310,926	509,161	2,527,188	858,397	1,042,712	1,143,741	491,070	1,129,711	760,036	10,532,795
Cook Inlet CR Percent			44%	55%	46%	57%	91%	58%	65%	84%	39%	60%	41%	61%
Cook Inlet Commercial Percent			56%	45%	54%	43%	9%	42%	35%	16%	61%	40%	59%	39%
Kodiak & AK	KRAA	Sum of Comm	12,112,300	2,387,284	4,951,239	1,555,829	1,591,056	6,783,164	5,019,191	4,422,702	13,917,696	7,620,338	6,407,418	60,361,899
		Sum of CR	0	4,188	0	0	0	0	0	0	0	0	1,581,111	4,188
		CR Percent	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	20%	0%
		Commercial F	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	80%	100%
Kodiak & AK Peninsula Sum of Commerci			12,112,300	2,387,284	4,951,239	1,555,829	1,591,056	6,783,164	5,019,191	4,422,702	13,917,696	7,620,338	6,407,418	60,361,899
Kodiak & AK Peninsula Sum of CR			0	4,188	0	0	0	0	0	0	0	0	1,581,111	4,188
Kodiak & AK Peninsula CR Percent			0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	20%	0%
Kodiak & AK Peninsula Commercial Perce			100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	80%	100%
Prince William	PWSAC	Sum of Comm	3,450,605	12,345,232	6,001,874	11,035,353	12,799,617	16,139,914	17,260,146	17,883,982	6,518,555	12,110,855	25,318,483	115,546,133
		Sum of CR	1,310,961	5,395,412	2,699,870	7,232,116	8,402,921	6,029,625	9,796,786	8,743,756	9,046,395	9,110,994	10,553,904	68,874,836
		CR Percent	28%	30%	33%	40%	40%	27%	36%	33%	58%	43%	29%	37%
		Commercial F	72%	70%	67%	60%	60%	73%	64%	67%	40%	57%	71%	63%
	VFDA	Sum of Comm	674	9,647,154	3,881,199	5,255,130	4,308,064	1,244,032	9,532,610	7,978,071	11,605,958	416,461	11,934,156	53,889,353
		Sum of CR	1,375,815	3,379,284	2,635,927	2,280,874	2,497,104	3,193,600	4,523,369	4,094,038	4,043,329	4,438,173	4,180,560	32,461,509
		CR Percent	100%	26%	40%	30%	37%	72%	32%	34%	26%	91%	26%	38%
		Commercial F	0%	74%	60%	70%	63%	28%	68%	66%	74%	9%	74%	62%
Prince William Sound Sum of Commercial			3,451,279	21,992,386	9,883,073	16,290,483	17,107,681	17,383,946	26,792,756	25,862,053	18,124,513	12,527,316	37,252,639	169,435,486
Prince William Sound Sum of CR			2,686,776	8,774,696	5,335,797	9,512,990	10,900,025	9,223,225	14,320,155	12,837,794	13,089,720	13,555,167	14,734,464	101,336,345
Prince William Sound CR Percent			44%	29%	36%	37%	39%	35%	35%	33%	44%	52%	28%	37%
Prince William Sound Commercial Percen			56%	71%	64%	63%	61%	65%	65%	67%	56%	48%	72%	63%
Southeast	AAI	Sum of Comm	232,500	565,357	350,727	828,008	61,870	0	560,303	13,627				2,612,392
		Sum of CR	41,133	183,200	51,758	119,755	677,175	147,629	222,350	0				1,443,000
		CR Percent	15%	24%	13%	13%	92%	100%	28%	0%				36%
		Commercial F	85%	76%	87%	87%	8%	0%	72%	100%				64%
	AKI	Sum of Comm	127,795	503,083	829,343	557,203	612,277	604,042	817,386	107,151	1,174,532	945,398	501,075	6,478,210
		Sum of CR	262,662	1,127,800	419,380	604,395	1,087,920	1,260,989	3,169,782	55,252	1,267,230	1,072,758	405,298	10,328,168
		CR Percent	67%	69%	34%	52%	64%	81%	79%	34%	52%	53%	45%	61%
		Commercial F	33%	31%	66%	48%	36%	39%	21%	66%	48%	47%	55%	39%
	BCF	Sum of Comm	191	2,517	1,248	664	675	703	1,345		167	4		7,514
		Sum of CR	0	0	0	0	0	0	0		91	0		91
		CR Percent	0%	0%	0%	0%	0%	0%	0%		35%	0%		1%
		Commercial F	100%	100%	100%	100%	100%	100%	100%		65%	100%		99%
	DIPAC	Sum of Comm	268,969	1,110,122	586,142	709,802	647,078	512,722	775,269	1,374,045	741,624	931,222	709,744	7,657,895
		Sum of CR	40,367	2,938,842	597,368	1,002,082	994,701	817,045	952,788	1,947,051	715,913	1,209,326	2,056,146	11,305,483
		CR Percent	13%	73%	50%	59%	61%	61%	55%	59%	49%	58%	74%	60%
		Commercial F	87%	27%	50%	41%	39%	39%	45%	41%	51%	42%	26%	40%
	Kake	Sum of Comm	32,469	165,938	18,300	16,290	29,210	65,626	119,572	185,325	35,890	75,939	147,644	892,207
		Sum of CR	32,167	78,619	31,749	132,180	319,145	204,326	229,210	429,053	249,519	241,830	1,220,592	3,168,690
		CR Percent	50%	32%	63%	89%	92%	76%	66%	70%	87%	76%	89%	78%
		Commercial F	50%	68%	37%	11%	8%	24%	34%	30%	13%	24%	11%	22%
	KTHC	Sum of Comm	4,202	5,324	3,407	14,000	4,585	5,609	6,106	3,977	4,450	3,109	2,903	54,775
		Sum of CR	0	0	41	0	0	0	0	0	0	0	310	41
		CR Percent	0%	0%	1%	0%	0%	0%	0%	0%	0%	0%	10%	0%
		Commercial F	100%	100%	99%	100%	100%	100%	100%	100%	100%	100%	90%	100%
	NSRAA	Sum of Comm	2,825,445	4,108,357	4,579,961	6,009,205	3,772,739	4,677,316	5,956,186	6,075,016	2,177,020	1,977,401	2,286,107	42,156,655
		Sum of CR	539,708	647,592	551,884	878,947	616,613	749,780	862,506	717,623	594,418	840,960	1,077,781	7,000,031
		CR Percent	16%	14%	11%	13%	14%	14%	13%	11%	21%	30%	32%	14%
		Commercial F	84%	86%	89%	87%	86%	86%	87%	89%	79%	70%	68%	86%
	POWHA	Sum of Comm	51,122	30,632	1,312	[illegible]58	48,136	8,358	22,225	33,152	18,958	12,148	39,446	248,201
		Sum of CR	7,909	1,683	[illegible]	2,974	2,178	144	4,992	27,364	14,187	23,021	17,543	85,052
		CR Percent	13%	4%	0%	16%	4%	2%	18%	45%	43%	66%	31%	26%
		Commercial F	87%	96%	100%	84%	96%	98%	82%	55%	57%	34%	69%	74%
	SJC	Sum of Comm	1,792	148,882	5,165	172,764	128,963	77,189	21,546	88,313	52,897	44,608	11,100	741,019
		Sum of CR	31	82,323	400	19,512	16,518	122,785	107,453	124,814	6,124	0	0	479,960
		CR Percent	2%	36%	7%	10%	11%	61%	83%	59%	10%	0%	0%	39%
		Commercial F	98%	64%	93%	90%	89%	39%	17%	41%	90%	100%	100%	61%
	SSRAA	Sum of Comm	1,112,512	1,064,735	1,208,588	1,958,217	2,025,277	3,166,308	1,150,604	1,206,733	1,278,677	732,037	1,415,920	14,903,888
		Sum of CR	759,247	983,526	982,450	1,759,081	2,143,867	2,162,365	1,659,223	1,681,485	1,069,540	836,743	1,174,350	14,037,527
		CR Percent	41%	48%	45%	47%	51%	41%	59%	58%	46%	53%	45%	40%
		Commercial F	59%	52%	55%	53%	49%	59%	41%	42%	54%	47%	55%	51%
Southeast Sum of Commercial			4,656,997	7,708,747	7,584,103	10,281,317	7,330,910	9,318,873	9,430,742	9,088,239	5,484,228	4,721,866	5,113,939	75,608,012
Southeast Sum of CR			1,683,224	6,043,585	2,835,030	4,518,926	5,858,117	5,465,363	7,208,304	4,982,642	3,917,022	4,315,238	5,952,020	46,627,451
Southeast CR Percent			27%	44%	26%	31%	44%	37%	43%	35%	42%	48%	54%	38%
Southeast Commercial Percent			73%	56%	74%	69%	56%	63%	57%	65%	58%	52%	46%	62%
Total Sum of Commercial			20,828,590	32,952,388	23,969,537	28,512,560	26,290,052	34,102,193	41,813,141	39,507,723	30,291,681	25,633,920	49,808,504	311,991,785
Total Sum of CR			4,839,014	15,863,340	9,481,753	14,541,077	19,295,328	15,546,985	22,571,171	18,064,177	18,307,812	18,000,116	23,028,531	158,500,770
Total CR Percent			19%	32%	28%	34%	42%	31%	35%	32%	32%	43%	32%	34%
Total Commercial Percent			81%	68%	72%	66%	58%	69%	65%	68%	68%	57%	68%	66%

Provided by Senator B. Stevens

Alaska Historical Commercial Salmon Catches (all species), 1878–2003

(*with a Preliminary 2003 figure*)



Chinook | Chum | Coho | Pink | Sockeye

For additional information regarding Alaska's salmon fisheries please contact cf_info@fishgame.state.ak.us.

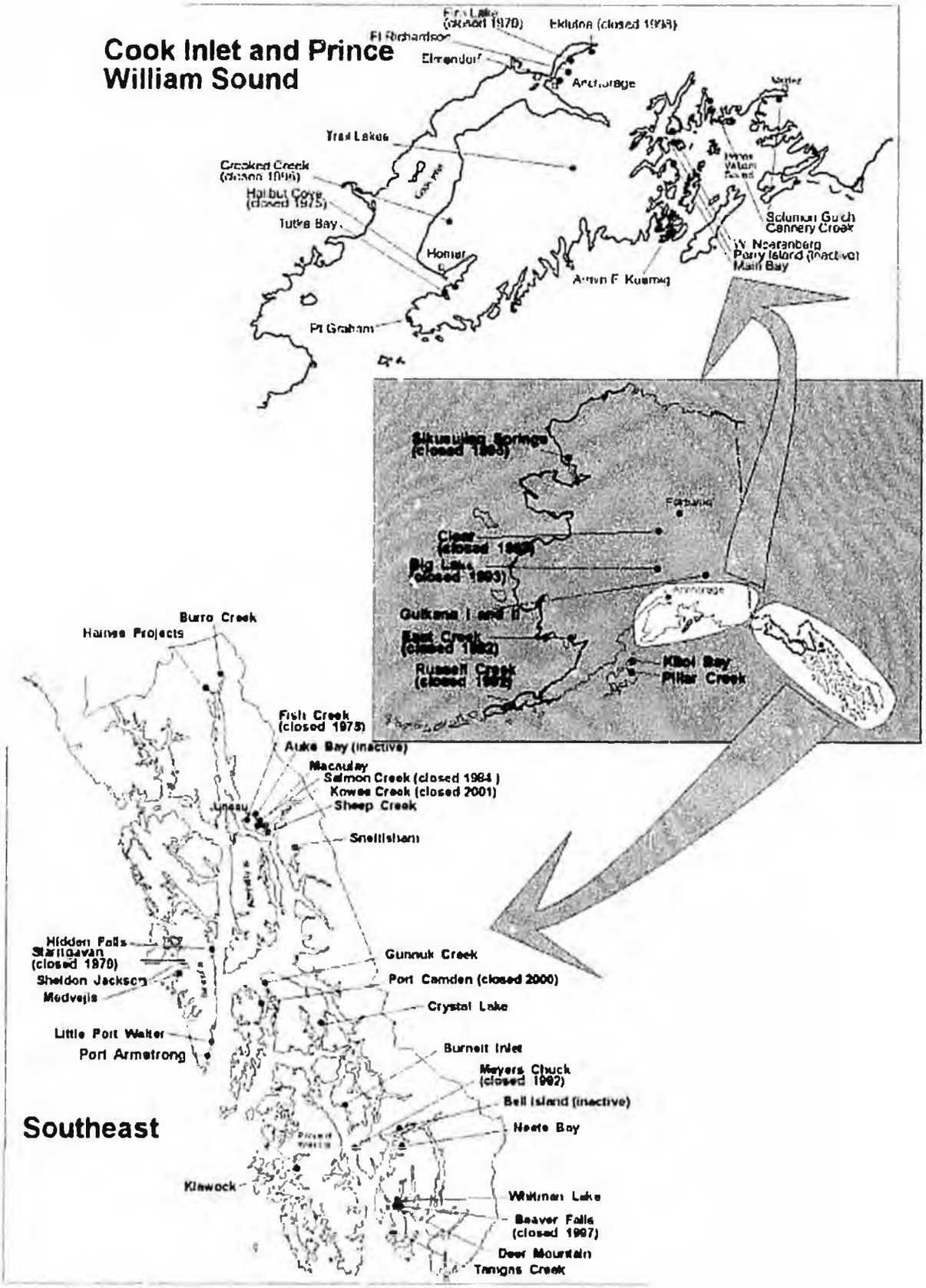
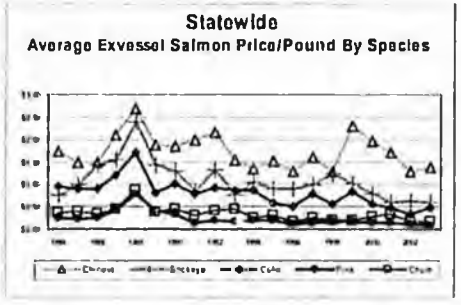


Figure 3. Locations of hatcheries within Alaska.

Salmon Exvessel Price Time Series by Species

Alaska Department of Fish and Game

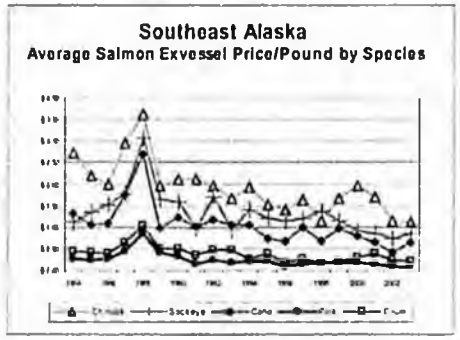


Statewide

Year	Chinook	Sockeye	Coho	Pink	Chum
1984	$1.73	$0.77	$0.95	$0.25	$0.36
1985	$1.50	$0.99	$0.89	$0.23	$0.40
1986	$1.50	$1.43	$0.89	$0.24	$0.35
1987	$2.11	$1.55	$1.21	$0.43	$0.46
1988	$2.69	$2.37	$1.72	$0.79	$0.86
1989	$1.88	$1.42	$0.81	$0.43	$0.40
1990	$1.86	$1.29	$1.01	$0.33	$0.45
1991	$1.99	$0.83	$0.79	$0.15	$0.32
1992	$2.15	$1.33	$0.92	$0.21	$0.41
1993	$1.55	$0.76	$0.86	$0.17	$0.44
1994	$1.35	$1.04	$0.88	$0.19	$0.26
1995	$1.52	$0.89	$0.60	$0.19	$0.32
1996	$1.30	$0.90	$0.50	$0.10	$0.16
1997	$1.59	$0.98	$0.78	$0.15	$0.25
1998	$1.28	$1.23	$0.57	$0.16	$0.19
1999	$2.30	$1.02	$0.83	$0.16	$0.21
2000	$1.95	$0.79	$0.56	$0.15	$0.27
2001	$1.71	$0.58	$0.48	$0.13	$0.34
2002	$1.30	$0.61	$0.35	$0.10	$0.18
2003	$1.37	$0.60	$0.49	$0.08	$0.17

1984-2002 Data from Commercial Operator's Annual Reports

2003 PRELIMINARY Estimates as of 11/03/03

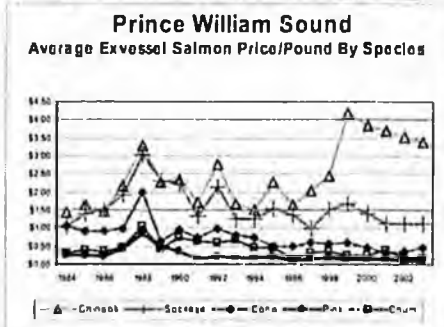


Southeast

Year	Chinook	Sockeye	Coho	Pink	Chum
1984	$2.71	$1.11	$1.32	$0.25	$0.45
1985	$2.19	$1.34	$1.06	$0.24	$0.42
1986	$1.99	$1.51	$1.07	$0.26	$0.38
1987	$2.94	$1.77	$1.76	$0.44	$0.63
1988	$3.63	$3.08	$2.68	$0.84	$1.03
1989	$1.95	$1.63	$0.96	$0.42	$0.49
1990	$2.11	$1.59	$1.23	$0.33	$0.50
1991	$2.10	$0.95	$0.99	$0.15	$0.34
1992	$1.97	$1.69	$1.17	$0.22	$0.48
1993	$1.67	$0.93	$1.06	$0.18	$0.48
1994	$1.93	$1.39	$1.06	$0.20	$0.25
1995	$1.53	$1.21	$0.72	$0.21	$0.37
1996	$1.40	$1.13	$0.68	$0.10	$0.17
1997	$1.64	$1.21	$0.99	$0.16	$0.25
1998	$1.15	$1.36	$0.67	$0.18	$0.18
1999	$1.65	$1.13	$0.97	$0.17	$0.21
2000	$1.97	$0.90	$0.78	$0.18	$0.29
2001	$1.69	$0.86	$0.63	$0.14	$0.39
2002	$1.13	$0.74	$0.42	$0.09	$0.22
2003	$1.12	$0.85	$0.65	$0.06	$0.19

1984-2002 Data from Commercial Operator's Annual Reports

2003 PRELIMINARY Estimates as of 11/03/03



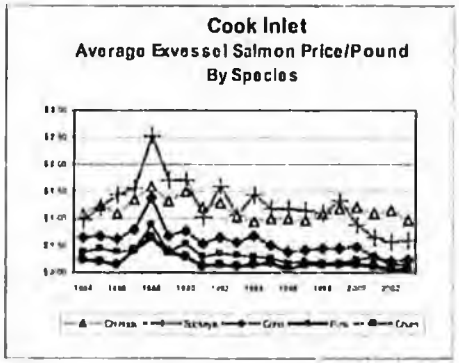
Prince William Sound

Year	Chinook	Sockeye	Coho	Pink	Chum
1984	$1.42	$1.03	$1.04	$0.26	$0.31
1985	$1.64	$1.40	$0.89	$0.23	$0.39
1986	$1.46	$1.50	$0.90	$0.22	$0.34
1987	$2.15	$1.93	$0.97	$0.42	$0.47
1988	$3.28	$3.05	$1.99	$0.82	$1.06
1989	$2.26	$2.29	$0.63	$0.48	$0.43
1990	$2.33	$2.23	$0.95	$0.34	$0.73
1991	$1.72	$1.34	$0.74	$0.14	$0.62
1992	$2.75	$2.13	$0.97	$0.21	$0.61
1993	$1.69	$1.24	$0.81	$0.19	$0.66
1994	$1.49	$1.26	$0.73	$0.19	$0.46
1995	$2.27	$1.55	$0.50	$0.21	$0.44
1996	$1.65	$1.35	$0.50	$0.09	$0.17
1997	$2.01	$0.96	$0.58	$0.14	$0.32
1998	$2.43	$1.49	$0.57	$0.16	$0.35
1999	$4.20	$1.69	$0.58	$0.14	$0.26
2000	$3.84	$1.40	$0.47	$0.15	$0.26
2001	$3.71	$1.11	$0.31	$0.14	$0.40
2002	$3.51	$1.13	$0.36	$0.12	$0.16
2003	$3.40	$1.10	$0.45	$0.10	$0.18

Alaska Department of Fish and Game

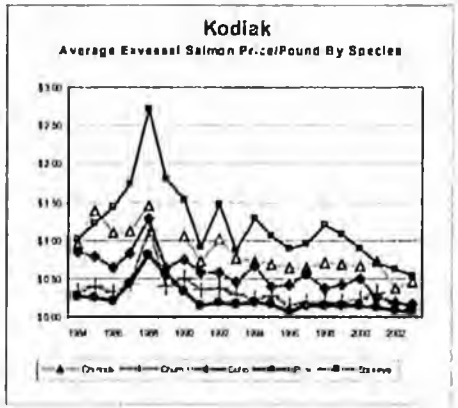
P.O. Box 25526
1255 W. 8th Street
Juneau, AK 99802

Phone: 907-465-4210
Fax: 907-465-2604
www.cf.adfg.state.ak.us



Cook Inlet

Year	Chinook	Sockeye	Coho	Pink	Chum
1984	$1.08	$0.97	$0.66	$0.25	$0.38
1985	$1.23	$1.22	$0.69	$0.22	$0.44
1986	$1.10	$1.44	$0.63	$0.15	$0.38
1987	$1.36	$1.55	$0.78	$0.41	$0.40
1988	$1.58	$2.54	$1.38	$0.66	$0.87
1989	$1.31	$1.72	$0.68	$0.39	$0.39
1990	$1.50	$1.70	$0.76	$0.29	$0.52
1991	$1.20	$1.04	$0.53	$0.12	$0.29
1992	$1.28	$1.59	$0.65	$0.15	$0.36
1993	$1.03	$1.05	$0.56	$0.12	$0.31
1994	$0.93	$1.45	$0.67	$0.15	$0.29
1995	$0.99	$1.18	$0.49	$0.17	$0.26
1996	$0.99	$1.19	$0.38	$0.07	$0.17
1997	$0.98	$1.16	$0.40	$0.14	$0.21
1998	$1.09	$1.08	$0.43	$0.15	$0.19
1999	$1.19	$1.33	$0.45	$0.16	$0.18
2000	$1.21	$0.88	$0.46	$0.14	$0.23
2001	$1.09	$0.65	$0.30	$0.13	$0.29
2002	$1.15	$0.56	$0.22	$0.07	$0.14
2003	$0.97	$0.60	$0.24	$0.05	$0.14



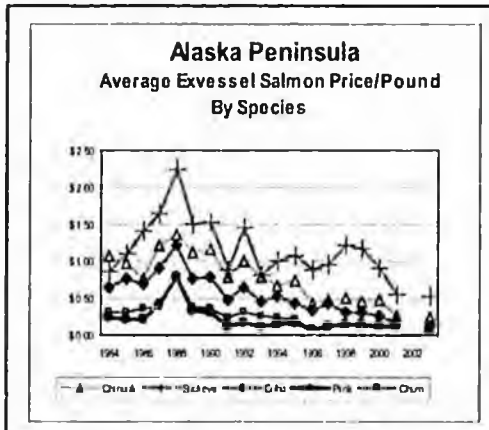
Kodiak

Year	Chinook	Sockeye	Coho	Pink	Chum
1984	$0.95	$1.01	$0.84	$0.26	$0.34
1985	$1.38	$1.23	$0.78	$0.24	$0.40
1986	$1.10	$1.42	$0.65	$0.20	$0.32
1987	$1.12	$1.74	$0.82	$0.43	$0.43
1988	$1.45	$2.71	$1.28	$0.81	$1.13
1989	*	$1.79	$0.65	$0.55	$0.39
1990	$1.06	$1.54	$0.75	$0.34	$0.50
1991	$0.72	$0.92	$0.57	$0.14	$0.35
1992	$1.02	$1.47	$0.57	$0.18	$0.38
1993	$0.77	$0.87	$0.46	$0.16	$0.29
1994	$0.73	$1.28	$0.67	$0.18	$0.23
1995	$0.69	$1.05	$0.40	$0.17	$0.27
1996	$0.65	$0.90	$0.42	$0.07	$0.15
1997	$0.64	$0.96	$0.56	$0.15	$0.19
1998	$0.71	$1.19	$0.37	$0.15	$0.19
1999	$0.68	$1.08	$0.41	$0.14	$0.19
2000	$0.66	$0.89	$0.49	$0.14	$0.22
2001	$0.72	$0.70	$0.24	$0.12	$0.32
2002	$0.37	$0.62	$0.18	$0.08	$0.16
2003	$0.46	$0.53	$0.16	$0.07	$0.11

* = Confidential Data

1984-2002 Data from Commercial Operator's Annual Reports

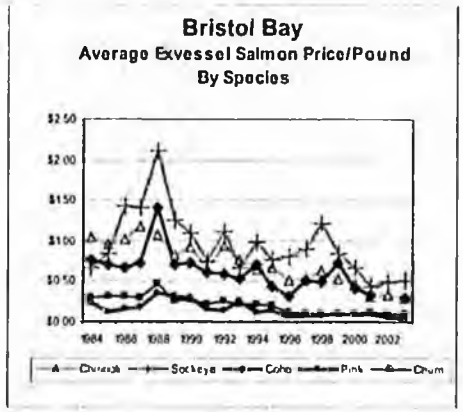
2003 PRELIMINARY Estimates as of 11/03/03



Alaska Peninsula

Year	Chinook	Sockeye	Coho	Pink	Chum
1984	$1.07	$0.85	$0.65	$0.25	$0.30
1985	$0.98	$1.10	$0.77	$0.22	$0.31
1986	$0.77	$1.41	$0.70	$0.21	$0.35
1987	$1.21	$1.64	$0.91	$0.41	$0.38
1988	$1.35	$2.25	$1.22	$0.78	$0.79
1989	$1.12	$1.50	$0.77	$0.34	$0.39
1990	$1.16	$1.52	$0.78	$0.30	$0.36
1991	$0.78	$0.89	$0.48	$0.12	$0.24
1992	$1.01	$1.46	$0.64	$0.16	$0.30
1993	$0.78	$0.80	$0.45	$0.13	$0.26
1994	$0.67	$1.00	$0.53	$0.15	$0.24
1995	$0.73	$1.07	$0.43	$0.16	$0.22
1996	$0.42	$0.88	$0.34	$0.06	$0.08
1997	$0.47	$0.96	$0.44	$0.11	$0.11
1998	$0.51	$1.21	$0.32	$0.15	$0.14
1999	$0.46	$1.17	$0.30	$0.14	$0.12
2000	$0.47	$0.91	$0.27	$0.13	$0.12
2001	$0.27	$0.54	$0.17	$0.11	$0.12
2002	*	*	*	*	*
2003	$0.25	$0.52	$0.13	$0.05	$0.10

* = Confidential Data



Bristol Bay

Year	Chinook	Sockeye	Coho	Pink	Chum
1984	$1.03	$0.66	$0.77	$0.23	$0.30
1985	$0.96	$0.84	$0.70	$0.12	$0.31
1986	$1.01	$1.42	$0.67	$0.15	$0.32
1987	$1.17	$1.40	$0.72	$0.18	$0.30
1988	$1.08	$2.11	$1.40	$0.35	$0.47
1989	$0.82	$1.25	$0.71	$0.32	$0.26
1990	$0.91	$1.09	$0.73	$0.29	$0.27
1991	$0.67	$0.75	$0.60	$0.15	$0.22
1992	$0.93	$1.12	$0.59	$0.14	$0.26
1993	$0.76	$0.67	$0.52	$0.25	$0.22
1994	$0.64	$0.97	$0.71	$0.12	$0.22
1995	$0.66	$0.77	$0.43	$0.14	$0.20
1996	$0.51	$0.81	$0.31	$0.05	$0.11
1997	$0.52	$0.90	$0.50	$0.07	$0.10
1998	$0.62	$1.22	$0.48	$0.08	$0.10
1999	$0.53	$0.84	$0.72	$0.09	$0.10
2000	$0.46	$0.67	$0.41	$0.08	$0.09
2001	$0.31	$0.42	$0.33	$0.09	$0.11
2002	$0.33	$0.49	*	$0.06	$0.09
2003	$0.30	$0.50	$0.30	$0.03	$0.09

* = Confidential Data

Kate File
4515 Trafalgar
Juneau, Ak. 99801

March 22, 2004

Senator Wilken

To the Chairman and Members of the Senate Finance Committee:

I would like to thank all the members of the Finance Committee for considering my comments as you deliberate on SB 322. Please accept my apologies for not being present to testify. I am a fisheries committee member for Southeast Conference and there has been a meeting scheduled that is at the same time as today's hearing.

I speak in opposition to Senate Bill 322. In it's present form this bill would do great harm to an already overtaxed and over regulated industry.

My family is a fishing family in a unique position. Our boat and permit are paid for. If this proposed tax were implemented we would have to consider whether or not it would be cost effective for our crew and family to fish salmon. For those fishers who have loans it would be almost impossible to make expenses, pay their crew and take home income to live on for the winter. Several fishermen I have talked too say that Senate Bill 322 would completely wipe out their profit margin.

I believe this bill could work BUT in a different format. This bill is missing a major component. Please bear with me as I start from the beginning.

Senate Bill 322 would stop the practice of taking cost recovery for regional hatcheries (like NSRRA & SSRRA) while allowing non-regionals (like Kake, DIPAC and Port Armstrong) to continue the practice of cost recovery.

As you look at the information provided to you by Fish & Game on the Alaska Hatchery Commercial Common Property & Cost Recovery Return Data handout, you will see the regionals are within their salmon enhancement allocation goals. In contrast, it is the non-regionals who are in some cases taking far and above the Board of Fish suggested allocation goals for cost recovery.

In the Board of Fish findings the suggested salmon enhancement allocation goals for cost recovery are for regionals-70% to common property & 30% for cost recovery. Also keep in mind that regionals receive a 3% aquaculture tax in Southeast Alaska. For the non-regionals the suggested salmon allocation goals are 60% common property with 40% to cost recovery. Non-regionals receive No aquaculture tax and have no taxing authority.

As you can see it is NOT the regionals cost recovery practices that are affecting your average commercial fisher. It is the non-regionals who are taking far and above the suggested salmon allocation. In some hatchery operations you will see 74% and 89% being taken for cost recovery purposes. This practice is harmful to commercial fishers.

The component that is missing to SB 322 is to regionalize ALL non-regional hatcheries. The only way taxing fishers to replace cost recovery is going to work is if you eliminate ALL cost recovery fishing in that region.

To benefit the fishers of Southeast Alaska we would need to take all hatcheries in the region and create a single regional association. This would also benefit the region by decreasing overhead administrative costs.

I ask that serious consideration be given to this suggestion. Many fishers feel that if the bill were amended in this way it would go a long way to help stabilize the salmon industry. It would also help hatcheries reach their full potential and be of benefit to the commercial fisher.

This bill as it is written now will NOT help the commercial fleet. It will make a bad situation disastrous. I ask that you NOT approve Senate Bill 322 in it current form.

I thank you for your time and service to our state.

Sincerely,

Kate File

Kate File
Commercial Fisher

Richard I. Eliason jr.
709 Sirstad street
Sitka, Alaska 99835

907-747-8111
Cell 907-738-8111
salmo@gci.net

3/24/04

Senate Finance Committee

I'm writing in regard to SB322, being a salmon fisherman for 30 years and a current member of the NSRAA board of directors, although representing myself. I felt compelled to write, in hopes not to add to the already muddled waters.

My main concern about SB322 is the public sentiment about imposing taxes on an already burdened industry. In reading the bill one can see that the regional aquaculture associations will have the authority to indicate what boundaries of the region in which the salmon enhancement tax will be levied, this I think may be the concern of the public. I would suggest striking section 4,3,C and adding an amendment to the bill in which the tax may only be levied in a special harvest areas (5 AAC 40.005 sec.c). By doing this it would alleviate the fear that a regional aquaculture association can assess a region wide tax, thus taxing someone not catching enhanced fish.

Points to consider:

- One can't assume that all fish caught are enhanced fish.
- This bill would allow regionals to eliminate Cost Recovery giving fisherman an upper hand on their markets.
- This bill would eliminate higher fish prices being paid to the regionals through cost recovery and possibly provide the fisherman a better price for their catch. Historically regionals have been paid more money for their Cost Recovery fish than the fisherman in the same area, catching the same fish.
- In lieu of Cost Recovery a fisherman in a Special Harvest Area will pay up to 30% of his catch towards operations of a regional.
- 5AAC 39.220 Policy for mixed stock salmon fisheries, mandates ADF&G to manage wild stock fisheries with the highest priority, this not allowing regionals to dictate what happens in mix stock fisheries. Most fisherman agree with this policy.
- Hatchery Allocation Policy allows hatcheries to take up to 30% of the returning run(plus brood stock) for cost recovery. Not sure of statute number.
- If SB322 is passed, it will have many more hurdles to overcome before it's implemented. It's still a good tool in the tool kit.

Sincerly Yours,

RI Eliason jr.
Sitka

SB 322

United Southeast Alaska Gillnetters
PO Box 23378, Ketchikan, AK 99901 Phone & Fax (907) 247-2471 Email:usa_gillnetters@att.net

March 28, 2004

The Honorable Gary Wilken, Co-Chair
Senate Finance Committee
Alaska State Capitol, Room 514
Juneau, AK 99801 Send Via Fax to: 465-4714

Dear Senator Wilken,

The United Southeast Alaska Gillnetters (USAG) is an association of about 150 small business owners who catch salmon by drift gillnetting in Southeast Alaska and market salmon throughout the United States. Many of our members also participate in other fisheries such as crab, shrimp, longline, and dive fisheries.

USAG is opposed to SB 322 that would permit the rate of salmon enhancement tax to increase by increments up to a limit of thirty percent of a fisherman's gross earnings. The fishermen represented by USAG do not support any increase in directed taxes on their gross earnings. Our fishery simply does not generate enough income to support any additional directed taxes on our gross above the 3% enhancement tax and the 1% marketing tax that are currently in place. We understand that this legislation, if passed, would not itself result in additional taxes, it would only enable areas interested in additional enhancement taxes to vote on a proposal to increase this tax. We are not interested in having this option for ourselves, or having it available to other salmon permit holders in our area. We are not interested in replacing the funds our enhancement facilities generate from their cost recovery fisheries with funds from an increased assessment on our gross income.

There are numerous arguments that can be made concerning the desirability of the current cost recovery program used by the regional and non-regional aquaculture corporations in Alaska. One basic fact is that they have worked, and allowed the corporations to produce the volume of salmon necessary to keep our fleets viable in this changing world of global competition. In general, regional aquaculture associations have been able to sell the cost recovery salmon for a higher price than fishermen have received based on the grounds price offered by processors. This is because associations have been able to offer for bid an assured volume to processors that allowed them to amortize their fixed costs over a higher volume of product. The difference in spread is a price differential that fishermen would have to make up out of their own production if hatcheries were completely funded from a fisheries assessment.

It is also significant that, specifically in Southeast Alaska, the three salmon fleets are not similarly situated concerning their ability to catch salmon in terminal areas. The seine fleet is at least 5 times as effective as the gillnet fleet when significant volumes of salmon are present. The troll fleet can only be effective in terminal areas if large numbers of salmon congregate in an area and the schools of fish are not broken up by the activity of the net fleets. Given this situation, why would the fleets vote to implement an increased salmon enhancement tax if SB 322 was passed? We don't think they would, however, we do not relish the idea of spending a significant amount of precious capitol and energy debating the issue should a small group of vocal fishermen force the issue to the agenda.

The argument has been made that our current cost recovery programs are a tax on fishermen just as an increased enhancement tax is. This is true. The real argument is whether the tax (funds to run the associations and produce the fish) is most efficiently developed by a cost recovery program or a direct tax on fisherman's gross income. We believe that as long as commercial fishermen control the boards of directors of the aquaculture associations, the current system is the most fair and equable program for all the fleets.

One final comment on this legislation. Should you pass SB 322 from the Finance committee, please leave the requirement for a vote in the bill. We would like to see the passing vote requirement increased to a super majority of 60% which is not surprising based on the arguments we have put forth above.

We ask the Senate Finance Committee to not support this bill or pass it out of committee. We appreciate your consideration of our position on SB 322.

Yours truly,

Kenneth Duckett
Executive Director

cc: Senator Lyda Green, Via fax to: 465-3805
Senator Con Bunde, Via fax to: 465-3871
Senator Ben Stevens, Via fax to: 465-3872
Senator Fred Dyson Via fax to: 465-4587
Senator Lyman Hoffman Via fax to: 465-4523
Senator Donny Olson Via fax to: 465-4821
UFA, Via email

SENATE COMMITTEE REPORT
First Committee of Referral

DATE: 2/11/04

FURTHER: Finance

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

DATE TURNED IN TO OFFICE: 3/2/04

Labor and Commerce Committee considered SENATE BILL NO. 322

SB 322 SALMON ENHANCEMENT TAX

"An Act relating to the rate of the salmon enhancement tax."

and recommends:

[ ] be **replaced** with _____ **CS** _____ (_____)

[ ] adopt **previous** _____ **CS** _____ (_____)

[ ] attached amendment(s)

[ ] adopt Letter of Intent by _____ Committee

[ ] further referral to _____ Committee

Senate Bill:
[ ] Same Title
[ ] New Title

House Bill:
[ ] Same Title
[ ] Technical Title Change
[ ] New Title w/ SCR #_____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#
REV	2/23/04		✓		1

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#

[ ] **APPROPRIATION - no fiscal note**

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
French			X	
Seekins Joseph Seekins	✓			
G Stevens	X			
CHAIR: Bunde C Bunde	✓			

SENATE FINANCE COMMITTEE

S I G N - I N

SB 322-SALMON ENHANCEMENT TAX

NAME: Chuck Hartlamert Subject/Bill No: SB 322

Co./Dept./Title: Revenue Phone: 2320

Address: SOB Zip:

Do you wish to testify? ___Yes ___No X Respond To Questions

NAME: Subject/Bill No:

Co./Dept./Title: Phone:

Address: Zip:

Do you wish to testify? ___Yes ___No ___Respond To Questions

NAME: Subject/Bill No:

Co./Dept./Title: Phone:

Address: Zip:

Do you wish to testify? ___Yes ___No ___Respond To Questions

NAME: Subject/Bill No:

Co./Dept./Title: Phone:

Address: Zip:

Do you wish to testify? ___Yes ___No ___Respond To Questions

SITE: Offnets COMMITTEE: SFIN DATE: 3/29/04	SUBJECT OF MEETING: BILL #SB322 UPDATE #:

PRINT YOUR NAME	COMMUNITY	REPRESENTING/AFFILIATION	DO YOU WANT TESTIFY Y or N
Len Duckett		USAG	Y
Eric Prestegard		DIPAC	Listen Only

SENATE FINANCE COMMITTEE

S I G N - I N

SB 322-SALMON ENHANCEMENT TAX

NAME: Chuck Haarlamert Subject/Bill No: SB 322

Co./Dept./Title: DOR Phone: 2320

Address: _____ Zip: _____

Do you wish to testify? ___Yes ___No X Respond To Questions

NAME: _____ Subject/Bill No: _____

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

Address: _____ Zip: _____

Do you wish to testify? ___Yes ___No ___Respond To Questions

NAME: _____ Subject/Bill No: _____

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

Address: _____ Zip: _____

Do you wish to testify? ___Yes ___No ___Respond To Questions

NAME: _____ Subject/Bill No: _____

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

Address: _____ Zip: _____

Do you wish to testify? ___Yes ___No ___Respond To Questions

SB

326

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

DATE: 3/5/04

RECEIVED
MAR 2 9 2004
SENATE FINANCE COMMITEE

FURTHER:

DATE TURNED IN TO OFFICE: 29 March 2004

Finance Committee considered SENATE BILL NO. 326

SB 326 PERMANENT FUND INVESTMENTS

"An Act relating to investments of Alaska permanent fund assets; and providing for an effective date."

and recommends:

[ ] be replaced with _____ CS _____ (_____)

[✓] adopt previous _____ CS SB 326 (STA)

[ ] attached amendment(s)

[ ] adopt Letter of Intent by _____ Committee

[ ] further referral to _____ Committee

Senate Bill:
[✓] Same Title
[ ] New Title

House Bill:
[ ] Same Title
[ ] Technical Title Change
[ ] New Title w/ SCR #_____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero.	FN#

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#
Revenue	2/6/04			✓	#1

[ ] APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
			✓	
			✓	
			✓	
			✓	
	✓		✓	
COCHAIR: Lyda Green				
COCHAIR:	✓			

CS FOR SENATE BILL NO. 326(STA)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-THIRD LEGISLATURE - SECOND SESSION

BY THE SENATE STATE AFFAIRS COMMITTEE

Offered: 3/5/04
Referred: Finance

Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE LEGISLATIVE BUDGET AND AUDIT COMMITTEE

A BILL

FOR AN ACT ENTITLED

"An Act relating to investments of Alaska permanent fund assets; and providing for an effective date."

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

* **Section 1.** AS 37.13.120(e) is amended to read:

(e) The corporation may not borrow money or guarantee from principal of the fund the obligations of others except as provided in this subsection. With respect to [REAL PROPERTY] investments of the fund, the corporation may, through an entity in which the investment is made, borrow money if the borrowing is without recourse to the corporation and the fund.

* **Sec. 2.** AS 37.13.120(k) is amended to read:

(k) The board shall establish and from time to time as necessary modify guidelines for the investment of the assets of the fund. Before adoption of any guidelines, the guidelines shall be reported to the Legislative Budget and Audit Committee for review and comment. Notwithstanding (g), **(h), and (j)** of this section

or the percentage investment limitations under (i) of this section and so long as doing so satisfies the prudent-investor rule under (a) of this section, the board may invest up to **10** [FIVE] percent of the total assets of the fund in either or a combination of the following:

(1) other types of investments not specifically listed in (g) of this section;

(2) categories of investment subject to the percentage investment limitations established in (i) of this section, even though investing additional assets in a category will cause the aggregate investment in the category to exceed the applicable percentage limitation.

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

REPORTED OUT

MAR 2 9 2004

SENATE FINANCE COMMITEE

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: CSSB 326(STA)
(S) Publish Date: 3/5/04

Revision Date/Time (Note if correction):
Dept. Affected: Revenue

Title: Permanent Fund Investments
RDU: AK Permanent Fund Corporation
Component: AK Permanent Fund Corporation

Sponsor: Rules by request of LBA
Requester: Senate State Affairs Committee
Component No.: 109

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL EXPENDITURES						
CHANGE IN REVENUES ( )						

FUND SOURCE (Thousands of Dollars)

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

Estimate of any current year (FY2004) cost: 0.0
Mark this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

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

The existing manager fee budget of $40 million is sufficient to cover any changes in investments under this legislation.

Prepared by: Robert D. Storer, Executive Director — Phone 465-2047
Division: Alaska Permanent Fund Corporation — Date/Time 2/24/04 9:37 AM
Approved by: Steve Porter, Deputy Commissioner — Date 2/6/2004
Agency: Department of Revenue

(Revised 12/2003 OMB)

COMMITTEE COPY